# ThreeD Capital Inc.
**(Formerly Brownstone Energy Inc.)**
**Management's Discussion and Analysis**

**For the quarter ended: September 30, 2016**

**Date of report: October 26, 2016**

On June 27, 2016, Brownstone Energy Inc. changed its name to ThreeD Capital Inc. ("ThreeD" or the "Company") and consolidated its issued and outstanding common shares on the basis of one new common share for every 10 existing common shares. All figures and comparative figures reflect the stock consolidation, retroactively.

This management's discussion and analysis of the financial condition and results of operation ("MD&A") of the Company should be read in conjunction with ThreeD's unaudited interim condensed consolidated financial statements ("interim consolidated statements") and notes thereto as at and for the three months ended September 30, 2016 and the annual consolidated financial statements as at and for the year ended June 30, 2016. The same accounting policies and methods of computation were followed in the preparation of the interim consolidated statements as were followed in the preparation and described in note 3 of the annual consolidated financial statements as at and for the year ended June 30, 2016, except as follows:

(i) IAS 16, *Property, Plant and Equipment* ("IAS 16") and IAS 38, *Intangible Assets* ("IAS 38") - On July 1, 2016, the Company implemented amendments to IAS 16 and IAS 38, which eliminated the use of a revenue-based depreciation method for items of property, plant and equipment and eliminated the use of a revenue-based amortization model for intangible assets except in certain specific circumstances. The implementation of amendments to IAS 16 and IAS 38 had no impact to the Company's interim consolidated statements for the three months ended September 30, 2016.

Unless indicated otherwise, all financial data in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All dollar amounts in this MD&A are reported in Canadian dollars unless otherwise indicated.

## Caution Regarding Forward-Looking Information:

Certain information contained in this MD&A constitutes forward-looking information, which is information relating to future events or the Company's future performance and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, but is not limited to the Company's anticipated investment activities and results and financing activities, the Company's future working capital requirements, the impact of changes in accounting policies and other factors on the Company's operating results, and the performance of global capital markets and interest rates, the exposure of its financial instruments to various risks and its ability to manage those risks, and the Company's ability to use tax resource pools and loss carry-forwards.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to the Company's ability to realize sufficient proceeds from the disposition of the investments (which will be based upon market conditions beyond the Company's control) or otherwise raise capital in order to fund obligations as they become due, the Company's ability to generate taxable income from operations, fluctuations in the value of the Company's portfolio investments due to market conditions and/or company-specific factors, fluctuations in prices of commodities underlying the Company's interests and equity investments, the strength of the Canadian, U.S. and other economies, foreign exchange fluctuations, political and economic conditions in the countries in which the interests of the Company's portfolio investments are located, and other risks included elsewhere in this MD&A under the headings "Risks" and in the Company's current annual information form and other public disclosure documents filed with certain Canadian securities regulatory authorities and available under the Company's profile at www.sedar.com.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

## Nature of the Business:

ThreeD was an energy-focused company with direct and indirect interests in oil and gas exploration projects. Its common shares are publicly-traded on the Canadian Securities Exchange under the symbol "IDK". The Company is now a Canadian-based venture capital firm focused on opportunistic investments in companies in the junior resources, technology and biotechnology markets. The Company is domiciled in the Province of Ontario and its head office is located at 69 Yonge St., Suite 1010, Toronto, Ontario, Canada.

## Summary:

- On June 27, 2016, the Company changed its name to ThreeD Capital Inc. and consolidated its issued and outstanding common shares on the basis of one new common share for every 10 existing common shares.

- On August 17, 2016, the Company completed a non-brokered private placement financing raising gross proceeds of $600,000 through the issuance and sale of 12,000,000 units at a price of $0.05

per unit. Each unit was comprised of one common share of the Company and one common share purchase warrant, each warrant entitling the holder to acquire one common share of the Company at $0.10 per share on or before August 17, 2019.

- As at September 30, 2016, the Company had a working capital of $1,285,399 as compared to working capital of $1,151,455 as at June 30, 2016, an increase of 11%, primarily due to the financing as previously discussed.

## Going concern uncertainty:

The Company has incurred a loss in the three months ended September 30, 2016 of $457,898 (three months ended September 30, 2015 - $4,572,870) and has an accumulated deficit of $121,280,532 (June 30, 2016 - $120,822,634). The Company is a junior venture capital firm and is subject to risks and challenges similar to other companies in a comparable stage. These risks include, but are not limited to, dependence on key individuals, investment risks, market risks, illiquid securities and the ability to maintain adequate cash flows, exchange rate fluctuations and continuing as a going concern. Cash on hand is currently not adequate to cover expected expenditures for the 12 month period ended September 30, 2017 and therefore the Company will be required to secure additional funding and/or sell some investments, some of which are not readily convertible to cash.

These challenges and the continued cumulative operating losses cast significant doubt on the Company's ability to continue as a going concern. These consolidated statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern. Such adjustments can be material.

## Investments:

The fair value and cost of investments are as follows as at September 30, 2016 and June 30, 2016:

| | Fair Value | Cost |
|---|---|---|
| **September 30, 2016** | **$ 1,894,611** | **$ 8,517,493** |
| June 30, 2016 | 1,957,007 | 8,440,470 |

As at September 30, 2016, the original cost of investments exceeded fair value by $6,622,882 as compared to $6,483,463 as at June 30, 2016. The increase for the three months ended September 30, 2016 was primarily due to the net investment losses of $218,156.

The fair value of the Company's investments as reflected in its consolidated financial statements and calculated in accordance with IFRS and its accounting policies may differ from the actual proceeds of disposition that would be realized by the Company. For example, the amounts at which the Company's publicly-traded investments could be disposed of currently may differ from fair values based on market quotes, as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity.

As at September 30, 2016 and June 30, 2016, total investments included securities of private companies with a fair value totalling $265,000 (14% of total fair value of the Company's investments; cost of

$1,927,501). The fair value was determined in accordance with the Company's accounting policy for private company investments. The amounts at which the Company's private company investments could be disposed of currently may differ from their carrying values since there is no active market to dispose of these investments.

## Exploration and evaluation assets:

All of the Company's exploration and evaluation activities are conducted jointly with others. The Company enters into exploration agreements with other parties, pursuant to which the Company may earn and maintain interests in the underlying exploration and evaluation assets by issuing common shares and/or making cash payments and/or incurring expenditures in varying amounts by varying dates. Failure by the Company to issue such shares, make such cash payments or incur such expenditures can result in a reduction or loss of the Company's interests.

As at September 30, 2016 and June 30, 2016, the Company's remaining exploration and evaluation assets consist of a 50% interest in the exploration licenses of the Rimouski and Rimouski North properties in the St. Laurent Lowlands, Quebec. The Company is required to fund its share of the costs incurred on the properties.

The Quebec properties continue to lack market activity and uncertainty regarding the drilling moratorium on shale gas exploration and production. Accordingly, the Company intends to keep the exploration licenses in good standing but does not believe the interest can be sold for any significant value at this time until the moratorium is lifted.

## Contingent liability:

In April 2006, the Company entered into a farm-in agreement with Canoro Resources Ltd. ("Canoro"), whereby it acquired a 15% interest in block AA-ONN-2003/2, in Arunachal Pradesh, northwest India. During 2009, the parties completed the interpretation of the 3-D seismic program. The consortium partners in the block are: ThreeD - 15%, Canoro - 15%, National Thermal Power Corporation - 40%, and Geopetrol International Inc. - 30%.

On April 8, 2010, the Production Sharing Contract (the "PSC") with the Government of India, through the Directorate General of Hydrocarbons (the "DGH") expired and as a result, the DGH called the Company's letter of guarantee totaling US$1,395,000 issued by Royal Bank of Canada ("RBC"). The DGH's position is that the Company and its partners failed to meet certain terms of the PSC governing their commitments on exploration block AA-ONN-2003/2. The Company and its partners have disputed certain terms of the PSC, including its expiry on the basis of force majeure. As at June 30, 2010, the Company wrote-off all of its oil and gas properties and related expenditures in India.

In January 2015, the Company received notice from the DGH that it denied the request for non-levy of the cost of the unfinished PSC and demanded payment of the outstanding balance of US$14,054,284 (ThreeD's share – US$1,423,510). The Company considers the claim to be completely without merit and will defend itself vigorously. No provision has been made for the claim in the consolidated statement of financial position as at September 30, 2016.

## Results of Operations

The Company's selected quarterly results for the eight most recently completed interim financial periods are as follows:

| | Quarter ended | | | |
|---|---|---|---|---|
| | **September 30, 2016** | June 30, 2016 | March 31, 2016 | December 31, 2015 |
| Net investment losses | **$ (218,156)** | $ (457,041) | $ (528,472) | $ (1,027,952) |
| Net loss for the period | **(457,898)** | (960,125) | (743,195) | (1,253,771) |
| Total comprehensive loss for the period | **(458,042)** | (736,538) | (741,671) | (1,254,328) |
| Loss per share based on net loss for the period – basic and diluted | **(0.02)** | (0.07) | (0.06) | (0.10) |

| | Quarter ended | | | |
|---|---|---|---|---|
| | September 30, 2015 | June 30, 2015 | March 31, 2015 | December 31, 2014 |
| Net investment gains (losses) | $ (4,251,665) | $ 561,044 | $ (272,049) | $ (1,328,016) |
| Net income (loss) for the period | (4,572,870) | 161,143 | (677,660) | (2,670,510) |
| Total comprehensive income (loss) for the period | (4,578,200) | 74,040 | (509,706) | (2,584,450) |
| Profit (loss) per share based on net profit (loss) for the period – basic and diluted | (0.35) | 0.01 | (0.05) | (0.21) |

No dividends were declared by the Company during any of the periods indicated.

### Three months ended September 30, 2016 and 2015:

For the three months ended September 30, 2016, the Company generated net realized losses on disposal of investments of $78,737, as compared to $3,316,367 for the three months ended September 30, 2015. The net realized losses in the current quarter was a result of the partial disposition of two of the Company's investments to generate cash proceeds.

For the three months ended September 30, 2016, the Company recorded a net change in unrealized losses on investments of $139,419 as compared to $935,298 for the three months ended September 30, 2015. The net change in unrealized losses on investments in the current period related to the net write-down to market on the Company's investments of $207,932 offset by the reversal of previously recognized net unrealized losses on disposal of investments of $68,513. In the prior year period, the net change in unrealized losses on investments in the current period related to the net write-down to market on the Company's investments of $3,029,807 offset by the reversal of previously recognized net unrealized losses on disposal of investments of $2,094,509.

For the three months ended September 30, 2016, the Company recorded interest and other income of nil as compared to $12,105 for the three months ended September 30, 2015. In the prior year period, other income consisted of $12,000 in consultancy income.

For the three months ended September 30, 2016, operating, general and administrative expenses decreased by $83,564 to $230,552 from $314,116 for the three months ended September 30, 2015.

The decrease was primarily due to a decrease in transaction costs, foreign exchange loss and exploration and evaluation expenses as discussed below.

The following is the breakdown of the Company's operating, general and administrative expenses for the indicated three month periods ended September 30. Details of the changes follow the table:

| | | **2016** | | 2015 |
|---|---|---|---|---|
| Salaries and consulting fees | **$** | **175,500** | $ | 163,109 |
| Operating lease payments | | **21,270** | | 21,005 |
| Other office and general | | **14,829** | | 21,038 |
| Other employment benefits | | **4,275** | | 6,311 |
| Transaction costs (a) | | **4,114** | | 60,866 |
| Shareholder relations, transfer agent and filing fees | | **4,106** | | 3,233 |
| Foreign exchange loss (b) | | **3,803** | | 18,466 |
| Professional fees | | **1,393** | | (944) |
| Travel and promotion | | **1,262** | | 2,768 |
| Exploration and evaluation expenses (c) | | **-** | | 18,264 |
| | **$** | **230,552** | $ | 314,116 |

(a) Transactions costs decreased by $56,752 for the three months ended September 30, 2016 as compared to the three months ended September 30, 2016, due to an decrease in the volume of trading conducted by the Company. Transaction costs arise from the purchase and disposition of investments through brokers, which are expensed immediately in accordance with the Company's accounting policy.

(b) During the three months ended September 30, 2016, the Company had a foreign exchange loss of $3,803 as compared to $18,466 for the three months ended September 30, 2015, a decrease of $14,663. The Company experienced a foreign exchange loss due to the increase in the value of the Canadian dollar versus the U.S. dollar during the quarter, which increased the Canadian dollar value of the Company's U.S. dollar denominated monetary liabilities.

(c) During the three months ended September 30, 2016, the Company had no exploration and evaluation expenses as compared to $18,264 for the three months ended September 30, 2016. In the prior year period, the exploration and evaluation expenses were primarily due to the payment for lease renewals on its Quebec properties and accrued cash calls in the USA which were expensed.

For the three months ended September 30, 2016, the Company had finance expenses of $9,190 as compared to $19,194 for the three months ended September 30, 2015. The finance expenses primarily relate to interest expense paid to brokers on margin borrowings.

Net loss for the three months ended September 30, 2016 was $457,898 ($0.02 per share) as compared to $4,572,870 ($0.35 per share) for the three months ended September 30, 2015.

For the three months ended September 30, 2016, the Company recorded a loss from the exchange differences on translation of foreign operations of $144 resulting in total comprehensive loss for the period of $458,042. The loss from the exchange differences on translation of foreign operations was primarily due to the increase in the value of the Canadian dollar versus the U.S. dollar during the quarter, which increased the Canadian dollar value of the Company's U.S. dollar denominated net liabilities held by foreign subsidiaries. For the three months ended September 30, 2015, the Company recorded a loss from the exchange differences on translation of foreign operations of $5,330 resulting in total comprehensive loss for the period of $4,578,200.

## Cash Flows
## Three months ended September 30, 2016 and 2015:

During the three months ended September 30, 2016, the Company used cash of $593,691 in operating activities as compared to $2,512,611 during the three months ended September 30, 2015. In the current period, the Company spent net of $155,760 on investments as compared to $4,191,141 during the three months ended September 30, 2015. The Company also decreased its payables by $199,082 (2015 - $124,402) in the current period.

During the three months ended September 30, 2016, the Company generated net cash of $591,106 in financing activities from a non-brokered private placement financing. The Company raised gross proceeds of $600,000 through the issuance and sale of 12,000,000 units at a price of $0.05 per unit. Each unit was comprised of one common share of the Company and one common share purchase warrant, each warrant entitling the holder to acquire one common share of the Company at $0.10 per share on or before August 17, 2019. The Company paid expenses totaling $8,894 relating to the financing,

During the three months ended September 30, 2016, net cash used in investing activities was $nil as compared to $12,400 during the three months ended September 30, 2015. During the three months ended September 30, 2015, the Company spent cash on expenditures on exploration and evaluation assets of $11,000 and purchased $1,400 on property, plant and equipment.

For the three months ended September 30, 2016, the Company had a net decrease in cash of $2,585 as compared to $2,525,011 for the three months ended September 30, 2015. For the three months ended September 30, 2016, the Company also had a loss from the exchange rate changes on its foreign operations' cash balances of $144, leaving a cash balance of $19,289 as at September 30, 2016 as compared to an exchange loss of $5,330, leaving a cash balance of $48,798 as at September 30, 2015.

## Segmented information:

Reportable segments are defined as components of an enterprise about which separate financial information is available, that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company's operations primarily relate to investing. The Company's management is responsible for the Company's entire investment portfolio and considers the business to have a single operating segment. The management's investment decisions are based on a single, integrated investment strategy and the performance is evaluated on an overall basis.

All of the Company property, plant and equipment are located in Canada and no segmented information has been disclosed as at and for the three months ended September 30, 2016.

## Liquidity and capital resources:

| Consolidated statement of financial position highlights | September 30, 2016 | June 30, 2016 |
|---|---|---|
| Cash | **$ 19,289** | $ 22,018 |
| Investments, at fair value | **1,894,611** | 1,957,007 |
| Total assets | **2,001,935** | 2,065,147 |
| Due to brokers | **564,459** | 561,653 |
| Total liabilities | **699,820** | 896,096 |
| Share capital, warrants, contributed surplus | **121,743,459** | 121,152,353 |
| Foreign currency translation reserve | **839,188** | 839,332 |
| Deficit | **(121,280,532)** | (120,822,634) |
| Working Capital | **$ 1,285,399** | $ 1,151,455 |

Total liabilities decreased by $201,888 to $699,820 as at September 30, 2016 as compared to $896,096 as at June 30, 2016. The decrease was primarily due to the payment of accrued consulting fees owe to the Company's Chief Executive Officer and Chief Financial Officer. As at September 30, 2016, total liabilities include $40,398 (June 30, 2016 - $234,616) owing to the CEO and CFO for accrued consulting fees. The Company also has consulting agreements with these officers aggregating $35,750 per month. As at September 30, 2016, total liabilities also include $17,596 accrued for the winding down of its subsidiaries in Barbados.

The Company's cash and investments as at September 30, 2016 would be sufficient to meet the Company's current liabilities. As at September 30, 2016, the Company had working capital of $1,285,399 as compared to working capital of $1,151,455 as at June 30, 2016. The increase in working capital since June 30, 2016 was primarily due to the financing in August 2016 offset by decrease in the fair value of the Company's investment portfolio and the payment of accrued payables to the officers of the Company.

The Company continues to have no long-term debt. In order to meet its operating expenditure obligations as they become due, ThreeD will have to dispose of some its investments or rely on external sources of capital. The Company expects to have to raise additional funds through debt and/or equity financings to meet its investment and expenditure needs. The Company's ability to access the debt and equity markets when required will depend upon factors beyond its control, such as economic and political conditions that may affect the capital markets generally. The Company's inability to raise sufficient capital to fund its operations and growth may result in the disposition of its investments at non-opportunistic times and, accordingly, could have a material adverse effect on the Company's business, financial condition, and results of operations, and its ability to continue as a going concern.

In April 2015, the Company signed a lease for new premises which started May 1, 2015 for annual payments of approximately $82,875 ($6,906 monthly, increased to $7,090 effective January 1, 2016) plus applicable taxes until April 30, 2018 and office equipment lease payments of $5,340 annually ($445 monthly) plus applicable taxes until April 30, 2019.

## Related party transactions:

All transactions with related parties have occurred in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(a) Compensation to key management personnel and directors during the three months ended September 30 were as follows:

| Type of expense | 2016 | 2015 |
|---|---|---|
| Salaries and consulting fees | **$ 107,250** | $ 107,250 |
| Other short-term benefits | **1,227** | 3,182 |
| | **$ 108,477** | $ 110,432 |

Key management personnel are the Chairman/Chief Executive Officer and Chief Financial Officer/Corporate Secretary.

(b) As at September 30, 2016, included in accounts payable and accrued liabilities is $40,398 (June 30, 2016 - $234,616) relating to consulting fees due to related parties.

(c) The CEO and CFO subscribed for 2,700,000 units for gross proceeds of $135,000 pursuant to the private placement in August 2016, as previously discussed.

## Off-Balance sheet arrangements:

As at September 30, 2016, the Company does not have any off-balance sheet arrangements that have, or are reasonable likely to have, a current or future effect on the results of operations or financial condition of ThreeD.

## Management of capital:

There were no changes in the Company's approach to capital management during the three months ended September 30, 2016. The Company's capital includes equity comprised of share capital, contributed surplus, warrants, foreign currency translation reserve, and deficit. To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program. The Company's current capital resources are sufficient to discharge its liabilities as at September 30, 2016.

## Risk management:

The investment operations of ThreeD's business involve the purchase and sale of securities and, accordingly, a portion of the Company's assets are currently comprised of financial instruments. The use of financial instruments can expose the Company to several risks, including market, credit, and liquidity risks. A discussion of the Company's use of financial instruments and their associated risks is provided below.

(a) Market risk:

There were no changes in the way the Company manages market risk during the three months ended September 30, 2016. As at September 30, 2016 and June 30, 2016, the Company held some U.S. denominated investments and therefore market risk also includes currency risk. The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer or class/sector of issuers.

The following table shows the estimated sensitivity of the Company's after-tax net loss for the three months ended September 30, 2016 from a change in the closing trade price of the Company's investments with all other variables held constant as at September 30, 2016:

| **Percentage of change in closing trade price** | **Decrease in net after-tax loss from % increase in closing trade price** | **Increase in net after-tax loss from % decrease in closing trade price** |
|---|---|---|
| **2%** | **$ 32,871** | **$ (32,871)** |
| **4%** | **65,743** | **(65,743)** |
| **6%** | **98,614** | **(98,614)** |
| **8%** | **131,486** | **(131,486)** |
| **10%** | **164,357** | **(164,357)** |

The following table shows the estimated sensitivity of the Company's after-tax net loss for the three ended September 30, 2015 from a change in the closing bid price of the Company's investments with all other variables held constant as at September 30, 2015:

| Percentage of change in closing trade price | Decrease in net after-tax loss from % increase in closing trade price | Increase in net after-tax loss from % decrease in closing trade price |
|---|---|---|
| 2% | $ 93,530 | $ (93,530) |
| 4% | 187,061 | (187,061) |
| 6% | 280,591 | (280,591) |
| 8% | 374,122 | (374,122) |
| 10% | 467,652 | (467,652) |

(b) Currency risk:

The Company presently holds funds in Canadian dollars but a significant amount of its costs are denominated in U.S. dollars and Argentinean pesos. The Company does not engage in any hedging activities to mitigate its foreign exchange risk. A change in the foreign exchange rate of the Canadian dollar versus another currency may increase or decrease the value of the Company's financial instruments. The Company does not hedge its foreign currency exposure.

The following assets and liabilities (excluding investments) were denominated in foreign currencies:

| | **September 30, 2016** | June 30, 2016 |
|---|---|---|
| Denominated in U.S. dollars: | | |
| Cash | $ 3,972 | **$ 4,476** |
| Accounts payable and accrued liabilities | (7,922) | **(26,396)** |
| Due to brokers | (494,284) | **(453,204)** |
| Net assets denominated in U.S. dollars | (482,390) | **(475,124)** |

The following table shows the estimated sensitivity of the Company's total comprehensive loss for the three months ended September 30, 2016 from a change in the U.S. dollar exchange rate in which the Company has significant exposure with all other variables held constant as at September 30, 2016:

| **Percentage change in U.S. dollar exchange rate** | **Decrease in total comprehensive loss from an increase in % in the U.S. dollar exchange rate** | **Increase in total comprehensive loss from a decrease in % in the U.S. dollar exchange rate** |
|---|---|---|
| **2%** | **$ (7,091)** | **$ 7,091** |
| **4%** | **(14,182)** | **14,182** |
| **6%** | **(21,273)** | **21,273** |
| **8%** | **(28,365)** | **28,365** |
| **10%** | **(35,456)** | **35,456** |

The following table shows the estimated sensitivity of the Company's total comprehensive loss for the year ended June 30, 2016 from a change in the U.S. dollar exchange rate in which the Company has significant exposure with all other variables held constant as at June 30, 2016:

| Percentage change in U.S. dollar exchange rate | Increase in total comprehensive loss from an increase in % in the U.S. dollar exchange rate | Decrease in total comprehensive loss from a decrease in % in the U.S. dollar exchange rate |
|---|---|---|
| 2% | $ (6,984) | $ 6,984 |
| 4% | (13,969) | 13,969 |
| 6% | (20,953) | 20,953 |
| 8% | (27,937) | 27,937 |
| 10% | (34,922) | 34,922 |

## Risks:

ThreeD's financial condition, results of operation and business are subject to certain risks, which may negatively affect them. Certain of these risks are described below in addition to elsewhere in this MD&A.

(a) Cash flows:

The Company generates revenue and cash flows primarily from its proceeds from the disposition of its investments, in addition to interest and dividend income earned on the Company's investments. The availability of these sources of funds and the amount of funds generated from these sources are dependent upon various factors, most of which are outside of the Company's direct control.

(b) Private issuers and illiquid securities:

The Company invests in securities of private issuers. Investments in private issuers cannot be resold without a prospectus, an available exemption or an appropriate ruling under relevant securities legislation and there may not be any market for such securities. These limitations may impair the Company's ability to react quickly to market conditions or negotiate the most favourable terms for exiting such investments. Investments in private issuers may offer relatively high potential returns, but will also be subject to a relatively high degree of risk. There can be no assurance that a public market will develop for any of the Company's private company investments or that the Company will otherwise be able to realize a return on such investments. The Company also invests in illiquid securities of public issuers. A considerable period of time may elapse between the time a decision is made to sell such securities and the time the Company is able to do so, and the value of such securities could decline during such period. Illiquid investments are subject to various risks, particularly the risk that the Company will be unable to realize the Company's investment objectives by sale or other disposition at attractive prices or otherwise be unable to complete any exit strategy. In some cases, the Company may be prohibited by contract or by law from selling such securities for a period of time or otherwise be restricted from disposing of such securities. Furthermore, the types of investments made may require a substantial length of time to liquidate.

(c) Investment Risks:

The Company acquires securities of public and private companies from time to time, which are primarily junior or small-cap resource companies. The market values of these securities can experience significant fluctuations in the short and long term due to factors beyond the Company's control. Market value can be reflective of the actual or anticipated operating results of the companies and/or the general market conditions that affect the oil & gas sector as a whole, such as fluctuations in commodity prices and global political and economical conditions. The Company's investments are carried at fair value, and unrealized gains/losses on the securities and realized losses on the securities sold could have a material adverse impact on the Company's operating results. In recent years equity markets have experienced extreme price and volume fluctuations. These fluctuations have had a substantial effect on market prices, often unrelated to the operating performance of the specific companies. The recent decline in stock prices of the types of companies in which the Company invests have been very significant and such prices might take an extended time, to recover if they do at all.

(d) Non-controlling interests:

The Company's investments include debt instruments and equity securities of companies that the Company does not control. These instruments and securities may be acquired by the Company in the secondary market or through purchases of securities from the issuer. Any such investment is subject to the risk that the company in which the investment is made may make business, financial or management decisions with which ThreeD does not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve the Company's interests. If any of the foregoing were to occur, the values of the Company's investments could decrease and the Company's financial condition, results of operations and cash flow could suffer as a result.

(e) Dependence on Management:

The Company is dependent upon the efforts, skill and business contacts of key members of management, for among other things, the information and deal flow they generate during the normal course of their activities and the synergies which exist amongst their various fields of expertise and knowledge. Accordingly, the Company's success will depend upon the continued service of these individuals who are not obligated to remain employed with ThreeD. A loss of key personnel - members of management in particular - could impair our ability to execute our strategy and implement our operational objectives, all of which would have a material adverse effect on the company.

(f) Dependence Upon Operating Partners:

ThreeD's oil and gas activities are conducted through partners in respect of which the Company is not the operator. ThreeD is dependent upon its operating partners for the financial and technical support, which they contribute to the Company's oil and gas properties. If ThreeD's operating partners are unable to fulfill their own contractual obligations, the Company's interests could be jeopardized, resulting in project delays, additional costs and loss of the interests.

(g) Exchange rate fluctuations:

A significant portion of the Company's portfolio is invested in U.S. dollar denominated investments, as well, from time to time, investments denominated in other foreign currencies. Changes in the value of the foreign currencies in which the Company investments are denominated could have a negative impact on the ultimate return on the Company's investments and overall financial performance.

## Critical accounting estimates:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Critical accounting estimates used in the preparation of the Company's consolidated financial statements include the Company's valuation of its privately-held investments, estimate of recoverable fair value on exploration assets, the valuation related to the Company's deferred tax assets ("DTA") and deferred tax liabilities ("DTL"), and the Company's estimate of inputs for the calculation of the fair value of stock-based compensation expense, the Company's own warrants and broker warrants, and unlisted warrants of public companies held by ThreeD.

Valuation of privately-held investments:

The valuation of these investments ("private investments") requires management to assess the current financial status and prospects of private investments based upon potentially incomplete or unaudited financial information provided by the investee company, on management's general knowledge of the private investment's activities, and on any political or economic events that may impact upon the private investment specifically, and to attempt to quantify the impact of such events on the fair value of the investment. In addition to any events or circumstances that may affect the fair value of a particular private investment, management can consider general market conditions that may affect the fair value of either a particular private investment or of a group, segment or complete portfolio of private investments.

Changes in the fair value of our private investments for company-specific reasons have tended to be infrequent. Changes as a result of general market conditions may be more frequent from period to period during times of significant volatility. Given the relatively size of our private investment portfolio, such changes can have a material impact on our financial condition or operating results. For the three months ended September 30, 2016 and 2015, the Company had no change in unrealized gains or losses on investments relating to its private company investments.

Estimate of recoverable fair value on exploration and evaluation assets:

The costs of acquiring interests in exploration and evaluation assets are carried at cost until they are brought into production, at which time they are depleted on a unit-of-production method based on estimated recoverable proven oil and gas reserves. The Company's recorded value of exploration assets is based on historical costs that it expects to be recoverable in the future. The Company operates in an industry that is exposed to a number of risks and uncertainties, including exploration risk, development risk, commodity price risk, operating risk, political, ownership, funding, and currency risks, as well as environmental risk and overall economic conditions. All of these factors are potentially subject to significant change, out of the Company's control, and such changes are not determinable. Additionally, failure to conduct additional work on the Company's exploration properties may result in their loss. Accordingly, there is always the potential for a material adjustment to the value assigned to exploration assets.

At each reporting period, the Company's management reviews the status of all of its exploration properties, taking into account all of the factors noted above, in order to make an estimate of the recoverable value of each property. When management believes that the value of a property has been impaired, the Company will write down the value of the property to management's estimate of its recoverable value. As well, if the Company determines that an exploration project is not viable due to the risks described above or to unsatisfactory drill results, the Company will write-off the carrying value of the property. During the three months ended September 30, 2016 and 2015, the Company had no impairment on its exploration and evaluation assets.

Deferred tax assets:

Deferred tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

DTL are recognized for all taxable temporary differences and DTA are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. The Company does not record DTA to the extent that it considers it is not more likely than not that deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized.

Management determined, based upon expectations for future taxable income that it believes that it is not more likely than not it will realize the tax benefits of the DTA during the next several years.

<u>Stock-based Compensation Expense/Warrants:</u>

The Company uses the Black-Scholes option pricing model to calculate stock-based compensation expense and the fair value of the warrants and broker warrants issued under the Company's private placements. The model requires six key inputs: exercise price, market price at date of issue, risk free interest rate, expected dividend yield, expected life and expected volatility. The first two inputs are facts rather than estimates, while the risk free interest rate, expected life, expected volatility and expected dividend yield (estimated at 0% based on the Company's history of not paying any dividends) are based on the Company's estimates. A shorter expected life of the option, lower volatility number or higher dividend yield used would result in a decrease in stock-based compensation expense. A longer expected life of the option or a higher volatility number used would result in an increase in stock-based compensation expense. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of stock-based compensation expense. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

During the three months ended September 30, 2016, there were no stock options granted by the Company.

During the three months ended September 30, 2016, the Company issued 12,000,000 purchase warrants as part of the unit financing that closed on August 17, 2016. The warrants were valued using the Black-Scholes option pricing model with the following assumptions: expected volatility of 204%; dividend yield of 0%; risk-free interest rate of 0.57%; and an expected life of 3.0 years. The expected volatility is based on the historical volatility over the life of the warrants at the Company's share price. The Company has not paid any cash dividends historically and has no plans to pay cash dividends in the foreseeable future. The risk-free interest rate is based on the yield of Canadian Benchmark Bonds with equivalent terms. The expected option life in years represents the period of time that the warrants are expected to be outstanding based on historical warrants issued. The value (net of share issuance costs) assigned to the purchase warrants was $273,221.

<u>Valuation of Unlisted Warrants of Public Companies:</u>

The Company uses the Black-Scholes option pricing model to calculate the fair value of unlisted warrants of public companies if there are sufficient and reliable observable market inputs; if no such market inputs are available, the warrants are valued at intrinsic value. The model requires six key inputs: risk free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life and expected volatility. The first four inputs are facts rather than estimates, while the expected life, expected volatility and expected dividend yield (estimated at 0% based on the Company's history of not paying any dividends) are based on the Company's estimates. A shorter expected life of the warrant, lower volatility number or higher dividend yield used would result in a decrease in the fair value of the warrant. A longer expected life of the warrant or a higher volatility number used would result in an increase in the fair value of the warrant. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. As at September 30, 2016 and June 30, 2016, there were not sufficient reliable observable market inputs and thus, the Company valued the warrants in its portfolio using their intrinsic value.

## Future accounting changes:

IFRS accounting standards, interpretations and amendments to existing IFRS accounting standards that were not yet effective as at June 30, 2016, are described in Note 17 to the annual consolidated financial statements as at and for the year ended June 30, 2016. The Company is currently assessing what impact the application of those standards or amendments will have on the consolidated financial statements of the Company. The Company intends to adopt the standards, if applicable, when the standards become effective. There have been no other changes to existing IFRS accounting standards and interpretations since June 30, 2016 that are expected to have a material effect on the Company's interim consolidated statements.

### Outstanding Share Data:

Subsequent to September 30, 2016, 120,000 options at an exercise price of $4.00 per share expired unexercised.

As at October 26, 2016, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of ThreeD are as follows:

| **Common shares** | **Number** |
|---|---|
| Outstanding | **24,979,404** |
| Issuable under the exercise of options | **279,000** |
| Issuable under the exercise of warrants | **12,000,000** |
| **Total diluted common shares** | **37,258,404** |

Refer to Note 7 of the Notes to the consolidated financial statements as at and for the months ended September 30, 2016 for details of the Company's share capital as at September 30, 2016.

### Additional Information:

Additional information relating to ThreeD may be found on the Company's profile on SEDAR at www.sedar.com.