

Consolidated Financial Statements of

ThreeD Capital Inc.

(Formerly Brownstone Energy Inc.)

Years ended June 30, 2016 and 2015

(Prepared in Canadian dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of **ThreeD Capital Inc. (formerly known as Brownstone Energy Inc.)**

We have audited the accompanying consolidated financial statements of ThreeD Capital Inc., which comprise the consolidated statement of financial position as at June 30, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ThreeD Capital Inc. as at June 30, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has a history of operating losses, the Company has incurred a loss for the year ended June 30, 2016 of \$7,529,961 and as at June 30, 2016 the Company has an accumulated deficit of \$120,822,634. Note 1 in the consolidated financial statements also indicates that cash on hand as of June 30, 2016 is not adequate to cover expected expenditures for the 12 month period ended June 30, 2017. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Toronto, Canada
October 26, 2016

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



A member firm of Ernst & Young Global Limited

THREE CAPITAL INC.
(Formerly Brownstone Energy Inc.)
Consolidated Statement of Financial Position
As at June 30,
(Prepared in Canadian dollars)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Assets			
Current			
Cash	7	\$ 22,018	\$ 2,579,139
Due from brokers	7	-	588,573
Prepays and receivables	7	68,526	89,343
Investments, at fair value	6	1,957,007	5,451,327
		2,047,551	8,708,382
Property, plant and equipment	9	17,593	18,145
Exploration and evaluation assets	5	3	3
		\$ 2,065,147	\$ 8,726,530
Liabilities and Equity			
Current			
Accounts payable and accrued liabilities	7	\$ 334,443	\$ 246,742
Due to brokers	7	561,653	-
		896,096	246,742
Equity			
Share capital	10(a)	96,597,845	96,597,845
Contributed surplus	10(c)	24,554,508	24,554,508
Foreign currency translation reserve		839,332	620,108
Deficit		(120,822,634)	(113,292,673)
		1,169,051	8,479,788
		\$ 2,065,147	\$ 8,726,530
Going concern uncertainty	1		
Commitments	13		
Contingent liability	18		

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

"Sheldon Inwentash" Director

"Warren Goldberg" Director

THREED CAPITAL INC.
(Formerly Brownstone Energy Inc.)
Consolidated Statement of Loss and Comprehensive Loss
Years Ended June 30,
(Prepared in Canadian dollars)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Net investment losses			
Net realized losses on disposal of investments		\$ (6,683,090)	\$ (745,265)
Net change in unrealized gains (losses) on investments		417,960	(861,785)
		(6,265,130)	(1,607,050)
Interest and other income			
		41,010	6,490
		(6,224,120)	(1,600,560)
Expenses			
Operating, general and administrative	8, 10(b), 14	1,275,412	1,348,736
Impairment of exploration and evaluation assets, net	5	-	2,974,341
Finance expenses		30,429	-
		1,305,841	4,323,077
Loss before income taxes			
		(7,529,961)	(5,923,637)
Income tax expense			
	11	-	30,643
Net loss for the year			
		(7,529,961)	(5,954,280)
Other comprehensive income			
Exchange differences on translation of foreign operations		219,224	332,288
Total comprehensive loss for the year			
		\$ (7,310,737)	\$ (5,621,992)
Loss per common share based on net loss for the year			
Basic and diluted	10(d)	\$ (0.58)	\$ (0.46)
Weighted average number of common shares outstanding			
Basic and diluted	10(d)	12,979,404	12,979,404

See accompanying notes to the consolidated financial statements.

THREED CAPITAL INC.
(Formerly Brownstone Energy Inc.)
Consolidated Statement of Changes in Equity
Years Ended June 30, 2016 and 2015
(Prepared in Canadian dollars)

	Number of shares	Share capital	Contributed surplus	Foreign currency translation reserve	Deficit	Total equity
Balance as at June 30, 2014	12,979,404	\$ 96,597,845	\$ 24,537,211	\$ 287,820	\$ (107,338,393)	\$ 14,084,483
Net loss for the year	-	-	-	-	(5,954,280)	(5,954,280)
Exchange differences on translation of foreign operations	-	-	-	332,288	-	332,288
Total comprehensive loss for the year	-	-	-	332,288	(5,954,280)	(5,621,992)
Stock-based compensation expense	-	-	17,297	-	-	17,297
Balance as at June 30, 2015	12,979,404	\$ 96,597,845	\$ 24,554,508	\$ 620,108	\$ (113,292,673)	\$ 8,479,788
Net loss for the year	-	-	-	-	(7,529,961)	(7,529,961)
Exchange differences on translation of foreign operations	-	-	-	219,224	-	219,224
Total comprehensive loss for the year	-	-	-	219,224	(7,529,961)	(7,310,737)
Balance as at June 30, 2016	12,979,404	\$ 96,597,845	\$ 24,554,508	\$ 839,332	\$ (120,822,634)	\$ 1,169,051

See accompanying notes to the consolidated financial statements.

THREE CAPITAL INC.
(Formerly Brownstone Energy Inc.)
Consolidated Statement of Cash Flows
Years Ended June 30,
(Prepared in Canadian dollars)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Cash flows used in operating activities			
Net loss for the year		\$ (7,529,961)	\$ (5,954,280)
Items not affecting cash			
Net realized losses on disposal of investments		6,683,090	745,265
Net change in unrealized losses (gains) on investments		(417,960)	861,785
Loss (gain) on sale of exploration and evaluation assets		(16,876)	67,070
Impairment of exploration and evaluation assets, net		-	2,974,341
Stock-based compensation expense		-	17,297
Depreciation		3,934	320
		<u>(1,277,773)</u>	<u>(1,288,202)</u>
Changes in non-cash working capital balances			
Proceeds on disposal of investments		8,844,547	-
Purchases of investments		(11,615,357)	-
Decrease in prepaids and receivables		20,817	786,892
Decrease in due from brokers		588,573	-
Decrease in income taxes receivable		-	242,537
Decrease in accounts payable and accrued liabilities		98,577	57,599
Increase in due to brokers		561,653	-
		<u>(2,778,963)</u>	<u>(201,174)</u>
Cash flows used in financing activities			
Increase in due from brokers		-	(588,573)
		<u>-</u>	<u>(588,573)</u>
Cash flows from investing activities			
Expenditures on exploration and evaluation assets, net		(11,000)	(861,375)
Proceeds on sale of exploration and evaluation assets		17,000	2,388,260
Purchase of property, plant and equipment		(3,382)	(18,465)
Proceeds on disposal of investments		-	1,114,302
Purchases of investments		-	(4,464,862)
		<u>2,618</u>	<u>(1,842,140)</u>
Net decrease in cash during the year		(2,776,345)	(2,631,887)
Exchange rate changes on foreign currency cash balances		219,224	(166,257)
Cash, beginning of year		2,579,139	5,377,283
Cash, end of year		\$ 22,018	\$ 2,579,139
Supplemental cash flow information			
Income taxes paid		\$ -	\$ 35,251
Income taxes refunded		-	221,334
Finance expense paid		30,429	-

See accompanying notes to the consolidated financial statements.

THREED CAPITAL INC.
(Formerly Brownstone Energy Inc.)
Notes to the Consolidated Financial Statements
June 30, 2016 and 2015
(Prepared in Canadian dollars)

1. Nature of business and going concern uncertainty:

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. The Company was continued under the Canada Business Corporations Act on December 1, 2011 and its common shares are publicly-traded on the Canadian Securities Exchange under the symbol "IDK". The Company is domiciled in the Province of Ontario and its head office is located at 69 Yonge St., Suite 1010, Toronto, Ontario, Canada. ThreeD is a publicly-traded Canadian-based venture capital firm focused on opportunistic investments in companies in the junior resources, technology and biotechnology markets.

These consolidated financial statements were approved for issuance by the Company's board of directors on October 26, 2016.

These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. The Company has a history of operating losses, has incurred a loss for the year ended June 30, 2016 of \$7,529,961 (2015 - \$5,954,280) and has an accumulated deficit of \$120,822,634 (2015 - \$113,292,673). 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 June 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.

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Significant accounting estimates, judgments and assumptions used or exercised by management in the preparation of these consolidated financial statements are presented below.

THREED CAPITAL INC.
(Formerly Brownstone Energy Inc.)
Notes to the Consolidated Financial Statements
June 30, 2016 and 2015
(Prepared in Canadian dollars)

2. Basis of preparation (continued):

(b) Basis of presentation:

These consolidated financial statements have been prepared using the historical cost convention except for certain financial instruments which have been measured at fair value.

All monetary references expressed in these notes are references to Canadian dollar amounts ("\$/").

(c) Basis of consolidation:

These consolidated financial statements include the financial statements of ThreeD and its wholly-owned subsidiaries: Brownstone Ventures (Barbados) Inc., Brownstone Comercializadora de Petroleo Ltda. and 2121197 Ontario Ltd. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

The Company controls an investee if the Company has:

- (i) power over the investee;
- (ii) exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including but not limited to:

- (i) the contractual arrangement with the other vote holders of the investee;
- (ii) rights arising from other contractual arrangements; and
- (iii) the Company's potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in comprehensive loss from the date that the Company gains control until the date that the Company ceases to control the subsidiary.

THREE CAPITAL INC.
(Formerly Brownstone Energy Inc.)
Notes to the Consolidated Financial Statements
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(Prepared in Canadian dollars)

2. Basis of preparation (continued):

The financial statements of the subsidiaries are prepared for the same reporting period as the Company's reporting period using consistent accounting policies. All inter-company account balances and transactions have been eliminated upon consolidation.

(d) Critical accounting judgments, estimates and assumptions:

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is as follows:

(i) Impairment:

At the end of each financial reporting period, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss or reversal of previous impairment. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value in use.

The assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Refer to Note 5 for further details.

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2. Basis of preparation (continued):

- (ii) Fair value of investments in securities not quoted in an active market:

Where the fair values of financial assets and financial liabilities recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Changes in estimates and assumptions about these inputs could affect the reported fair value. Refer to Note 3(c)(iv) for further details.

- (iii) Fair value of financial derivatives:

The Company measures financial instruments, such as derivatives, at fair value at each consolidated statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Investments in warrants that are not traded on a recognized securities exchange do not have a readily available market value. When there are sufficient and reliable observable market inputs, a valuation technique is used. Changes in estimates and assumptions about these inputs could affect the reported fair value. If no such market inputs are available, the warrants and options are valued at intrinsic value that approximates fair value. Refer to Note 3(c)(iv) for further details.

- (iv) Stock-based compensation expense:

The Company uses the Black-Scholes option pricing model to determine the fair value of options in order to calculate stock-based compensation expense. The Black-Scholes model involves six key inputs to determine the fair value of an option: risk-free interest rate, exercise price, market price at the date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. 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. Refer to Note 10(b) for further details.

The information about significant areas of judgment considered by management in preparing the consolidated financial statements are as follows:

THREED CAPITAL INC.
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2. Basis of preparation (continued):

(i) Going concern:

The Company's management has made an assessment of the Company's ability to continue as a going concern and the consolidated financial statements continue to be prepared on a going concern basis. However, management does not believe the Company has sufficient cash on hand to meet the Company's operating expenditures beyond June 30, 2017 which may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Refer to Note 1.

(ii) Exploration and evaluation expenditures:

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment to determine whether future economic benefits are likely, from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified.

These estimates directly impact when the Company defers exploration and evaluation expenditures. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalized amount is written off in the consolidated statement of comprehensive loss in the period when the new information becomes available.

(iii) Determination of functional currency:

The effects of Changes in Foreign Exchange Rates' (IAS 21) defines the functional currency as the currency of the primary economic environment in which an entity operates. The determination of functional currency, which is performed on an entity by entity basis, is based on various judgmental factors outlined in IAS 21.

Based on assessment of the factors in IAS 21, primarily those that influence labour, material and other costs of goods or services received by its subsidiaries, management determined that the functional currency for the parent company is Canadian dollars, the US dollar for the Company's subsidiaries located in Barbados and the United States and the Brazilian real for the Company's subsidiary located in Brazil.

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2. Basis of preparation (continued):

(iv) Deferred tax assets:

Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies. Refer to Note 11 for further details.

(v) Significant influence:

Management determines its ability to exercise significant influence over an investee by looking at its percentage interest and other qualitative factors including but not limited to its voting rights, representation on the board of directors, participation in policy-making processes, material transactions between the Company and the investee, interchange of managerial personnel, provision of essential technical information and operating involvement. During the year, the Company's percentage holding in one of its investees, Palisade Resources Corp. ("Palisade"), a private Ontario resource holding and exploration company, was approximately 26%.

As at June 30, 2016, the Company did not have the following: representation on the board of Palisade, participate in the policy-making process, material transactions between the Company and Palisade, interchange of managerial personnel, provision of essential technical information and operating involvement. Accordingly, the Company determined that it does not have significant influence in Palisade.

3. Significant accounting policies:

The significant accounting policies used in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

(a) Exploration and evaluation assets and oil and gas properties:

(i) Exploration and evaluation assets:

Amounts included under exploration and evaluation assets relate to properties that are in preproduction and are undergoing exploration and evaluation. All costs incurred in connection with the Company's exploration and evaluation assets (acquisition and exploration for oil and gas reserves) including overhead and dry-holes are capitalized less accumulated impairment losses. Such amounts include land acquisition costs, geological and geophysical expenditures, cost of drilling both productive and non-productive wells,

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3. Significant accounting policies (continued):

gathering production facilities and equipment, and overhead expenses directly related to exploration and development activities.

The Company capitalizes carrying costs directly attributable to its acquisition, exploration and development activities, such as interest costs. Capitalized exploration and evaluation assets are assessed to determine whether it is likely such net costs may be recovered in the future. Assets that are unlikely to be recovered are written down to their recoverable amount. Impairment reviews take place where there is an indication of impairment or when an exploration and evaluation asset has been transferred into oil and gas properties.

The Company considers both qualitative and quantitative factors when determining whether an exploration and evaluation asset may be impaired. Impairment reviews are based on each specific license or block. Each specific license or block has an operator (which may be similar) with different joint partners. Management may consider the following when reviewing an exploration and evaluation asset for impairment:

1. failure to receive approvals of or extensions of environmental/ drilling permits, aboriginal or similar approvals that allow the Company and its partners to proceed with a project;
2. valuations based on reserve or resource reports prepared by an independent engineering firm;
3. political changes in a country in which the Company owns the exploration or evaluation asset;
4. seismic testing or drilling results;
5. the Company's intention of participating in a project;
6. management's estimate of the recoverable amount (fair value less costs to sell);
7. long-term oil and gas prices (considering current and historical prices, price trends and related factors);
8. operating costs;
9. future capital requirements; and
10. the financial capability of a partner.

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3. Significant accounting policies (continued):

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceeds the carrying amount that would have been determined net of depreciation had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of loss and comprehensive loss.

(ii) Joint oil and gas activities:

All of the Company's oil and gas activities are conducted jointly with others. The Company's accounts reflect only the Company's share of assets, liabilities, revenue and expenses in the joint operations.

For interests in joint operations, the Company's share of the jointly controlled assets are classified according to the nature of the assets, the Company's share of any liabilities incurred jointly with the other parties, and the Company's share of any income and expenses incurred jointly with the partners are recognized in the consolidated financial statements.

(b) Foreign currency:

(i) Functional currency:

These consolidated financial statements are presented in Canadian dollars, which is the parent's functional currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(ii) Transactions and balances:

Transactions in foreign currencies are initially recorded in the functional currency at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange in effect at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

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3. Significant accounting policies (continued):

(iii) Translation of foreign operations:

The results and financial position of ThreeD's subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
2. Share capital is translated using the exchange rate at the date of the transaction;
3. Revenue and expenses for each consolidated statement of loss and comprehensive loss are translated at average exchange rates; and
4. All resulting exchange differences are recognized as a separate component of equity and as an exchange difference on translation of foreign operations in other comprehensive loss in the consolidated statement of loss and comprehensive loss.

The Company treats specific inter-company loan balances that are not intended to be repaid in the foreseeable future as part of its net investment in a foreign operation, which is recorded as an exchange difference on translation of foreign operations in other comprehensive loss in the consolidated statement of loss and comprehensive loss.

When a foreign entity is sold, such exchange differences are reclassified to income or loss in the consolidated statement of loss and comprehensive loss as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(c) Financial investments:

(i) Classification:

All investments are classified upon initial recognition at fair value through profit or loss, with changes in fair value reported in income (loss).

(ii) Recognition, de-recognition and measurement:

Purchases and sales of investments are recognized on the settlement date.

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3. Significant accounting policies (continued):

Investments at fair value through profit or loss are initially recognized at fair value where reliable basis for determination exists. Transaction costs are expensed as incurred in the consolidated statement of loss and comprehensive loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or the Company has transferred the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9, *Financial Instruments* ("IFRS 9") (2013).

Subsequent to initial recognition, all investments are measured at fair value. Gains and losses arising from changes in the fair value of the investments at fair value through profit or loss category are presented in the consolidated statement of loss and comprehensive loss within net change in unrealized gains or losses on investments in the period in which they arise.

(iii) Reclassification of investments:

The Company would only reclassify a financial asset when the Company changes its business model for managing the financial asset. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new carrying value.

(iv) Determination of fair value:

The determination of fair value requires judgment and is based on market information, where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the consolidated financial statements.

The Company is also required to disclose details of its investments (and other financial assets and liabilities reported at fair value) within three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring the fair value, and to provide additional disclosure in connection therewith (see Note 6(b)).

1. Publicly-traded investments:

- a. Securities, including shares, options, and warrants that are traded in an active market (such as on a recognized securities exchange) and for which no sales restrictions apply are presented at fair value based on quoted closing trade prices at the consolidated statements of financial position date or the closing trade price on the last day the security traded if there were no trades at the consolidated statements of financial position date. These investments are included in Level 1 in Note 6(b).

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3. Significant accounting policies (continued):

- b. Securities that are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value to a maximum of 10%. In determining the discount for such investments, the Company considers the nature and length of the restriction. These investments are included in Level 2 in Note 6(b).
- c. For options and warrants that are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available or reliable, the warrants and options are valued at intrinsic value, which is equal to the higher of the closing trade price at the consolidated statement of financial position date of the underlying security less the exercise price of the warrant or option, and zero. These investments are included in Level 2 in Note 6(b).

2. Private company investments:

All privately-held investments (other than options and warrants) are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may, depending upon the circumstances, be adjusted using one or more of the valuation indicators described below. These investments are included in Level 3 in Note 6(b).

The determinations of fair value of the Company's privately-held investments at other than initial cost are subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable.

Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable.

Company-specific information is considered when determining whether the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will take into account trends in general market conditions and the share performance of comparable publicly-traded companies when valuing privately-held investments.

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3. Significant accounting policies (continued):

The absence of the occurrence of any of these events, any significant change in trends in general market conditions, or any significant change in share performance of comparable publicly-traded companies indicates generally that the fair value of the investment has not materially changed.

The fair value of a privately-held investment may be adjusted if:

- a. there has been a significant subsequent equity financing provided by outside investors at a valuation different than the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;
- b. there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a material impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable;
- c. the investee company is placed into receivership or bankruptcy;
- d. based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern;
- e. receipt/denial by the investee company of environmental, mining, aboriginal or similar approvals, which allow the investee company to proceed/prohibit with its project(s);
- f. filing by the investee company of a National Instrument 43-101 technical report in respect of a previously non-compliant resource;
- g. release by the investee company of positive/negative exploration results; and
- h. important positive/negative management changes by the investee company that the Company's management believes will have a very positive/negative impact on the investee company's ability to achieve its objectives and build value for shareholders.

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3. Significant accounting policies (continued):

Adjustments to the fair value of a privately-held investment will be based upon management's judgment and any value estimated may not be realized or realizable. The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed. In addition, the amounts at which the Company's privately-held investments could be disposed of currently may differ from the carrying value assigned.

(d) Financial assets other than investments at fair value:

Financial assets that are managed to collect contractual cash flows made up of principal and interest on specified dates are classified subsequently measured at amortized cost. All other financial assets are designated as at fair value through profit or loss. All financial assets are recognized initially at fair value plus, in the case of financial assets classified as subsequently measured at amortized cost, directly attributable transaction costs.

Financial assets at amortized cost are measured at initial cost plus interest calculated using the effective interest rate method less cumulative repayments and cumulative impairment losses.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred substantially all the risks and rewards of the asset. The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. For amounts deemed to be impaired, the impairment provision is based upon the expected loss.

(e) Revenue recognition:

Purchases and sales of investments are recognized on the settlement date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the consolidated statement of loss and comprehensive loss. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed so as to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are expensed to the consolidated statement of loss and comprehensive loss as incurred. Dividend income is recorded on the ex-dividend date and when the right to receive the dividend has been established. Interest income, other income, and income from securities lending are recorded on an accrual basis.

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3. Significant accounting policies (continued):

Oil revenue:

The Company recognizes revenue from petroleum, natural gas and natural gas liquids production at the fair value of the consideration received or receivable when the significant risks and rewards of ownership are transferred to the buyer and it can be reliably measured and only at such time as a project becomes commercially viable and development approval is received. Prior to this stage, any production is considered test production and the related revenue is capitalized, net of applicable costs.

(f) Offsetting of financial instruments:

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(g) Non-monetary transactions:

Transactions in which shares or other non-cash consideration are exchanged for assets or services are valued at the fair value of the assets or services involved.

(h) Leases:

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date. It requires consideration of whether the fulfillment of the arrangement is dependent on the use of a specific tangible asset or the arrangement conveys a right to use the tangible asset.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Operating lease payments are recognized as an expense in the consolidated statement of loss and comprehensive loss on a straight-line basis over the lease term.

(i) Income taxes:

(i) Current income tax:

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

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3. Significant accounting policies (continued):

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the intention is to settle on a net basis, or to realize the asset and settle the liability simultaneously. Current income tax relating to items recognized directly in equity is recognized in equity and not through profit or loss.

(ii) Deferred tax:

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary difference and the carry-forward of unused tax credits and unused tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the consolidated statement of financial position date. Deferred tax relating to items recognized directly in equity is also recognized in equity and not in the consolidated statement of loss and comprehensive loss. Deferred tax assets and deferred tax liabilities are not offset unless a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each consolidated statement of financial position date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

The Company does not record deferred tax assets to the extent that it considers deductible temporary differences, the carry-forward of unused tax credits and unused tax losses cannot be utilized.

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3. Significant accounting policies (continued):

(j) Stock-based compensation plan:

The Company has a stock option plan that is described in Note 10(b). Employees (including officers), directors, and consultants of the Company receive remuneration in the form of stock options granted under the plan for rendering services to the Company. Any consideration received by the Company on the exercise of stock options is credited to share capital.

The cost of options is recognized, together with a corresponding increase in contributed surplus, over the period in which the corresponding performance and/or service conditions are fulfilled, ending on the date on which the relevant optionee becomes fully entitled to the award ("the vesting date").

The cumulative expense recognized for option grants at each reporting date until the vesting date reflects the portion of the vesting period that passed and the Company's best estimate of the number of options that will ultimately vest on the vesting date. The Company records compensation expense and credits contributed surplus for all stock options granted, which represents the movement in cumulative expense recognized as at the beginning and end of that period.

Stock options granted during the period are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value for these options is estimated at the date of grant using the Black-Scholes option pricing model. The Company is also required to estimate the expected future forfeiture rate of options in its calculation of stock-based compensation expense.

Where the terms of a stock option award are modified, the minimum expense recognized in compensation expense is the expense as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the option, or is otherwise beneficial to the optionee as measured at the date of modification.

Where an option is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognized for the award is recognized immediately; however, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

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3. Significant accounting policies (continued):

(k) Earnings (loss) per common share:

Basic earnings (loss) per common share is determined by dividing net profit (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per common share is calculated in accordance with the treasury stock method and based on the weighted average number of common shares and dilutive common share equivalents outstanding.

(l) Financial liabilities:

Financial liabilities are presented at amortized cost except for financial derivatives and certain financial liabilities that from inception were designated at fair value through profit or loss. All financial liabilities are recognized initially at fair value net of directly attributable transaction costs, except for those designated at fair value through profit or loss. Financial liabilities at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statement of loss and comprehensive loss.

Other financial liabilities are subsequently recognized at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period.

(m) Financial derivatives – options and warrants:

A financial derivative such as a warrant or option that will be settled with the issuing entity's own equity instruments will be classified as an equity instrument if the derivative is used to acquire a fixed number of the entity's own equity instruments for a fixed amount of Canadian dollars.

A financial derivative will be considered as a financial liability at fair value through profit or loss if it is used to acquire either a variable number of equity instruments or consideration in a foreign currency and the options and warrants were not offered pro rata to all existing owners of the same class of non-derivative equity instruments.

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3. Significant accounting policies (continued):

(n) Segment reporting:

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. In prior periods, all of the Company's operations related to direct and indirect investments in the oil and gas sector and the Company's significant segments consisted of six distinct geographic areas: Canada, United States, Argentina, Colombia, Israel and Brazil. During the year ended June 30, 2016, 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.

(o) Provisions:

(i) General:

Provisions are recognized when (a) the Company has a present obligation (legal or constructive) as a result of a past event that is independent of future action by the Company, and (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(ii) Asset retirement obligation:

Asset retirement obligation is the present value of estimated costs to restore operating locations in accordance with regulations and laws as defined by each oil and gas license.

(p) Property, plant and equipment:

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is provided at rates designed to amortize the cost of the assets over their estimated useful lives as follows:

	Rate	Basis
Furniture and equipment	20%	Declining balance

The carrying values of property, plant and equipment are assessed for impairment when indicators of such impairment exist, or when annual impairment testing for an asset is required.

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3. Significant accounting policies (continued):

If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

If the carrying amount of the asset exceeds its recoverable amount, the asset is deemed impaired and an impairment loss is charged to the consolidated statement of loss and comprehensive loss. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of loss and comprehensive loss.

4. Changes in accounting policies:

Effective July 1, 2015, the Company has adopted the following new and revised standard, along with any consequential amendments. These changes were made in accordance with the applicable transitional provisions for which there was no significant impact on the Company's consolidated financial statements:

- (i) IAS 1, *Presentation of Financial Statements* ("IAS 1") - On July 1, 2015, the Company implemented certain amendments to IAS 1, which clarify guidance on the concepts of materiality and aggregation of items in the financial statements, the use and presentation of subtotals in the statement of operations and the statement of comprehensive income or loss, and which provide additional flexibility in the structure and disclosures of the financial statements to enhance understandability. The implementation of amendments to IAS 1 had no impact to the Company's consolidated financial statements for the year ended June 30, 2016.
- (ii) IFRS 10, *Consolidated Financial Statements* ("IFRS 10") and IAS 28, *Investments in Associates and Joint Ventures (2011)* ("IAS 28") - the Company implemented certain amendments to IFRS 10 and IAS 28 on July 1, 2015. These amendments relate to the sale or contribution of assets between an investor and its associate or joint venture and require the recognition of a full gain or loss when a transaction involves a business, whereas a partial gain or loss is recognized when a transaction involves assets that do not constitute a business. The implementation of amendments to IFRS 10 and IAS 28 had no impact to the Company's consolidated financial statements for the year ended June 30, 2016.

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4. Changes in accounting policies (continued):

- (iii) IFRS 11, *Joint Arrangements* ("IFRS 11") - Amendments to IFRS 11 address how a joint operator should account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business and requires that such transactions be accounted for using the principles related to business combinations accounting as outlined in IFRS 3, *Business Combinations*. The Company implemented the amendments to IFRS 11 effective July 1, 2015. The implementation of amendments to IFRS 11 had no impact the Company's consolidated financial statements for the year ended June 30, 2016.

5. Exploration and evaluation assets:

All of the Company's oil and gas activities are conducted jointly with others, except for its uranium permits which were acquired and sold during the year ended June 30, 2016. 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.

The following is a summary of the Company's exploration and evaluation assets:

	Canada (a)	USA (b)	Argentina (c)	Total
	\$	\$	\$	\$
Balance as at July 1, 2014	3	4,051,756	859,984	4,911,743
Net additions ¹	-	49,924	-	49,924
Disposals	-	(2,485,868)	-	(2,485,868)
Impairment of exploration and evaluation assets	-	(2,039,846)	(934,495)	(2,974,341)
Foreign currency translation	-	424,034	74,511	498,545
Balance as at June 30, 2015	3	-	-	3
Net additions	11,000	-	-	11,000
Disposals	(11,000)	-	-	(11,000)
Balance as at June 30, 2016	3	-	-	3

¹ Net additions reflects expenditures on exploration and evaluation assets less revenue received from sales of oil, natural gas, and natural gas liquids generated during long-term production testing (if any) and reversals of outstanding cash calls previously capitalized.

(a) Canada:

- (i) As at June 30, 2016, the Company has 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.

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5. Exploration and evaluation assets (continued):

During the year ended June 30, 2016, the Company spent \$3,903 (2015 - \$15,747) to maintain these properties in good standing which was expensed in the consolidated statement of loss and comprehensive loss. During the year ended June 30, 2016, the Company sold 9 exploration licenses for net proceeds of \$5,000. Included in the consolidated statement of loss and comprehensive loss for the year ended June 30, 2016 is other income of \$5,000 on the sale of the exploration licenses.

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 value at this time until the moratorium is lifted.

- (ii) In September 2015, the Company staked 6,000 hectares in the Athabasca Basin, Saskatchewan (the "Brustad River Uranium Property") at a cost of \$11,000. The Brustad River Uranium Property is an exploration stage project located 20 kms southeast of Cameco Corp's (TSX: "CCO") Centennial uranium deposit, as well as 120 kms east-southeast of Fission Uranium Corp's (TSX: "FCU") Patterson Lake deposit and 130 kms west-southwest of Cameco's McArthur River mine.

During the year ended June 30, 2016, the Company sold its stake in the Brustad River Uranium Property for total proceeds of \$12,000. Included in the consolidated statement of loss and comprehensive loss for the year ended June 30, 2016 is other income of \$1,000 on the sale of the Brustad River Uranium Property.

(b) USA:

During the year ended June 30, 2015, included in net additions was \$35,066 in gross revenue (net of royalties) from the sale of natural gas, natural gas liquids, and oil generated during long-term production testing.

In March 2015, the Company announced the sale of its remaining interest in the Kokopelli project in Colorado and other USA interests for US\$1,960,000 and recorded an impairment charge on its USA properties of \$2,039,846 to its recoverable amount of \$2,485,868 (US\$1,960,000). The impairment was recognized upon a review of the Company's participating interests in the USA properties.

On May 1, 2015, the Company closed the sale of its oil and gas property interests located in Carfield county and Rio Blanco county Colorado, pursuant to an agreement dated March 17, 2015, and effective as at January 1, 2015 with Coachman Energy Partners LLC. The Company received net proceeds of US\$1,906,157 on the sale, realizing a loss of \$67,070 (US\$53,843) net of the impairment charge.

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5. Exploration and evaluation assets (continued):

During the year ended June 30, 2016, the Company assigned its remaining exploration and evaluation assets in the USA consisting of a 1.07% working interest in the Wiley Unit property (Colorado, USA), to the operator of the property, Augustus Energy Partners II, LLC., a private USA company, for settlement of all outstanding net liabilities effective December 31, 2015. Included in the consolidated statement of loss and comprehensive loss for the year ended June 30, 2016 is other income of \$10,876 on the assignment of the USA exploration and evaluation asset.

(c) Argentina:

The Company had a 25% interest in the Vaca Mahuida Block in the Province of Rio Negro, Argentina. During the year ended June 30, 2014, the Company had agreed to relinquish its 25% working interest to Petrolifera Petroleum (Americas) Limited Sucursal Argentina ("Petrolifera"), the operator of the Block for net cash consideration of US\$805,530 which would settle all outstanding liabilities. The relinquishment was conditional upon granting by the Province of Rio Negro of an exploitation concession on the Vaca Mahuida Block to Petrolifera.

In November 2014, the Company was notified by Petrolifera that it intended to withdraw its application of the exploitation concession on the Block which has been outstanding for over five years and relinquished its interest in the Block or assigned its interest to the remaining partners in the Block. As at December 31, 2014, the Company recorded an impairment charge of \$934,495 (US\$805,530) to its estimated recoverable value of nil. The impairment was recognized upon a review of the Company's participating interest in Argentina.

In December 31, 2015, the Company relinquished its interests in Argentina for nil and was released of all present and future liabilities.

6. Investments at fair value and financial instruments hierarchy:

(a) The fair value and cost of investments are as follows as at June 30:

	Fair Value	Cost
2016	\$ 1,957,007	\$ 8,440,470
2015	5,451,327	12,309,444

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6. Investments at fair value and financial instruments hierarchy (continued):

(b) Financial instruments hierarchy:

The fair value measurements use a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level in the hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy has the following levels:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- (ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table presents the Company's financial instruments, measured at fair value and categorized into levels of the fair value hierarchy on the consolidated statements of financial position as at June 30, 2016 and 2015:

Investments, at fair value	Level 1	Level 2	Level 3	Total
	Quoted market price	Valuation technique – observable market inputs	Valuation technique – non-observable market inputs	
2016	\$ 1,692,007	\$ -	\$ 265,000	\$ 1,957,007
2015	5,251,327	-	200,000	5,451,327

In November 2015, the Company transferred \$303,123 from Level 2 (which was recorded at September 30, 2015) to Level 1 when the investment in Level 2 became unrestricted. There were no other transfers between Levels for the year ended June 30, 2015.

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6. Investments at fair value and financial instruments hierarchy (continued):

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the years ended June 30, 2016 and 2015. These financial instruments are measured at fair value utilizing non-observable market inputs based on specific company information and general market conditions. The net change in unrealized losses are recognized in the consolidated statements of loss and comprehensive loss.

	Opening balance at July 1,	Purchases	Net unrealized losses	Net transfer out of Level 3	Ending balance
2016	\$ 200,000	\$ 427,501	\$ (362,501)	\$ -	\$ 265,000
2015	500,000	-	(300,000)	-	200,000

Significant unobservable inputs used in the fair value measurement of Level 3 investments were:

Description	Fair value at June 30, 2016	Valuation technique	Unobservable input	% of Investments	Sensitivity to changes in significant unobservable inputs (%)
Unlisted private equities	\$ 135,000	Grey market activity	New investment during the period	6.9	Additional grey market activity
Unlisted private equities	30,000	Grey market activity	New transaction price	1.5	Additional grey market activity
Unlisted private equities	100,000	Trends in comparable publicly traded companies	Adjustment rate (40%)	5.1	The estimated fair value would increase if the discount for lack of marketability were lower
	\$ 265,000			13.5	

Description	Fair value at June 30, 2015	Valuation technique	Unobservable input	% of Investments	Sensitivity to changes in significant unobservable inputs (%)
Unlisted private equities	\$ 200,000	Trends in comparable publicly traded companies	Adjustment rate (60%)	3.7	The estimated fair value would increase if the discount for lack of marketability were lower
	\$ 200,000			3.7	

For investments valued based on trends in comparable publicly traded companies, general market conditions and specific company information, the inputs used can be highly judgmental. A +/- 25% change on the fair value of this investment will result in a corresponding +/- \$25,000 (2015 - \$50,000) change in the total fair value of the investments.

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6. Investments at fair value and financial instruments hierarchy (continued):

While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances. The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of this investment.

Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of this investment. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

7. Financial assets and (liabilities) other than investments at fair value:

Financial assets and liabilities other than investments at fair value are as follows as at June 30:

	2016	2015
Cash	\$ 22,018	\$ 2,579,139
Due from brokers	-	588,573
Receivables	21,653	35,921
Accounts payable and accrued liabilities	(334,443)	(246,742)
Due to brokers	(561,653)	-
	\$ (852,425)	\$ 2,956,891

The carrying values of cash, due from brokers, receivables, accounts payable and accrued liabilities, and due to brokers approximate their fair values due to the short term to maturity for these instruments.

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8. 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 were as follows during the years ended June 30:

Type of expense	2016	2015
Salaries and consulting fees	\$ 429,000	\$ 429,000
Other short-term benefits	14,766	8,994
Stock-based compensation expense (8(b))	-	13,475
	\$ 443,766	\$ 451,469

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

- (b) There were no options granted during the year ended June 30, 2016 or 2015.

9. Property, plant and equipment:

Property, plant and equipment area as follows as at June 30:

	2016			2015		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 21,847	\$ 4,254	\$ 17,593	\$ 18,465	\$ 320	\$ 18,145
	\$ 21,847	\$ 4,254	\$ 17,593	\$ 18,465	\$ 320	\$ 18,145

10. Equity:

- (a) Authorized: unlimited number of common shares (no par value).

On June 27, 2016, the Company filed articles of amendment to consolidate its issued and outstanding common shares on the basis of one new common share for every 10 existing common shares, and to change the name of the Company to ThreeD Capital Inc. Shareholders' approval of the consolidation and name change was obtained at the Company's annual and special meeting of shareholders held on February 4, 2016. All figures and comparative figures reflect the stock consolidation, retroactively.

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10. Equity (continued):

(b) Stock options:

The Company grants stock options to eligible directors, officers, key employees and consultants under its 2006 stock option plan to enable them to purchase common shares of the Company. Under the terms of the plan, the number of common shares that may be issued pursuant to the exercise of options granted under the plan may not exceed 10% of the number of common shares outstanding at the time of grant.

The exercise price of an option granted under the plan cannot be less than the closing price of the common shares on the last day on which the common shares trade prior to the grant date of the option. An individual can receive grants of no more than 5% of the outstanding shares of the Company on a yearly basis and options are exercisable over a period not exceeding five years. Stock options granted vest at the rate of 1/6 of the grant every three months over an 18-month period. Options granted are accounted for by the fair value method of accounting for stock-based compensation. The Company records compensation expense and credits contributed surplus for all options granted.

There were no options granted during the years ended June 30, 2016 and 2015. For the year ended June 30, 2016, included in operating, general and administrative expenses was stock-based compensation expense of \$nil (2015 - \$17,297) relating to the stock options granted to directors, officers, employees and consultants of the Company.

A summary of the status of the Company's stock options as at June 30, 2016 and 2015 and changes during the years then ended is presented below:

	2016		2015	
	# of options	Weighted average exercise price	# of options	Weighted average exercise price
Stock options				
Outstanding, at beginning of year	705,500	\$ 3.80	1,276,008	\$ 4.23
Forfeited	-	-	(3,333)	1.00
Expired	(306,500)	5.99	(567,175)	4.78
Outstanding, at end of year	399,000	\$ 2.12	705,500	\$ 3.80
Exercisable, at end of year	399,000	\$ 2.12	705,500	\$ 3.80

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10. Equity (continued):

The following table summarizes information about stock options outstanding and exercisable as at June 30, 2016:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
120,000	120,000	\$ 4.00	October 10, 2016
126,500	126,500	1.70	November 28, 2017
152,500	152,500	1.00	September 9, 2018
399,000	399,000		

(c) Contributed surplus comprised the following as at June 30, 2016 and 2015:

	2016	2015
Stock-based compensation	\$ 10,111,924	\$ 10,111,924
Expired warrants and broker warrants	14,416,320	14,416,320
Cancellation of common shares under normal course issuer bid	20,639	20,639
Value of cancelled escrowed shares	5,625	5,625
	\$ 24,554,508	\$ 24,554,508

(d) Basic and diluted loss per common share based on loss for the years ended June 30:

Numerator:	2016	2015
Loss for the year	\$ (7,529,961)	\$ (5,954,280)
Denominator:	2016	2015
Weighted average number of common shares outstanding – basic	12,979,404	12,979,404
Weighted average effect of diluted stock options and warrants (i)	-	-
Weighted average number of common shares outstanding – diluted	12,979,404	12,979,404
Loss per common share based on loss for the year:	2016	2015
Basic and diluted	\$ (0.58)	\$ (0.46)

(i) The determination of the weighted average number of common shares outstanding – diluted excludes 399,000 shares related to stock options that were anti-dilutive for the year ended June 30, 2016 (2015 – 705,500 shares).

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10. Equity (continued):

- (e) Maximum share dilution:

The following table presents the maximum number of shares that would be outstanding if all outstanding stock options and warrants were exercised as at June 30:

	2016	2015
Common shares outstanding	12,979,404	12,979,404
Stock options to purchase common shares	399,000	705,500
Fully diluted common shares outstanding	13,378,404	13,684,904

11. Income tax expense and deferred taxes:

- (a) Income tax expense attributable to loss before income taxes differs from the amounts computed by applying the combined federal and provincial tax rate of 26.50% (2015 – 26.50%) of pre-tax income as a result of the following:

	2016	2015
Loss before income taxes	\$ (7,529,961)	\$ (5,923,637)
Computed "expected" income tax recovery	\$ (1,995,440)	\$ (1,569,764)
Non-deductible portion of capital losses	338,825	98,748
Non-deductible (taxable) portion of unrealized losses (gains)	(55,380)	114,186
Expenses not deductible for income tax purposes	26,529	16,630
Net deferred tax assets not recognized	1,685,466	1,109,254
Impairment of exploration and evaluation assets not tax benefited	-	230,946
Minimum tax and income tax withheld in foreign jurisdictions	-	30,643
Income tax expense	\$ -	\$ 30,643

- (b) Significant components of the income tax expense for the years ended June 30 are as follows:

	2016	2015
Current income tax expense		
Tax withheld in foreign jurisdiction	\$ -	\$ 30,643
	-	30,643
Deferred taxes		
Income taxes – origination and reversal of temporary differences	(1,685,466)	(1,340,201)
Relating to unrecognized temporary differences	1,685,466	1,340,201
	-	-
Income tax expense	\$ -	\$ 30,643

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11. Income tax expense and deferred taxes (continued):

- (c) The following deferred tax assets are not recognized in the consolidated financial statements due to the unpredictability of future income.

	2016	2015
Non-capital losses carry-forward	\$ 6,105,463	\$ 13,799,362
Exploration and evaluation assets tax pools	5,070,053	5,070,053
Capital losses carry-forward	4,350,743	1,451,271
Share issuance costs and other differences	766,796	766,806
Investments	729,962	780,090
	\$ 17,023,017	\$ 21,867,582

As at June 30, 2016, the Company has approximately \$834,000 (2015 - \$834,000) of Canadian resource deductions and \$18,298,000 (2015 - \$18,298,000) of foreign resource deductions available that have an unlimited carry-forward period to reduce future years' income for tax purposes, the benefit of which has not been recorded in the accounts.

As at June 30, 2016, the Company has approximately \$32,836,000 of capital losses (2015 - \$10,953,000) and \$17,226,000 (2015 - \$16,285,000) of Canadian non-capital losses available to reduce future years' income for tax purposes, the benefit of which has not been recorded in the accounts.

The non-capital losses will expire as follows:

2028	\$ 73,000
2031	2,328,000
2032	5,506,000
2033	4,575,000
2034	2,439,000
2035	1,364,000
2036	941,000
	\$ 17,226,000

In addition, the Company has unclaimed non-capital losses of approximately US\$47,365,000 in Barbados that expires from 2017 to 2025.

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12. 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. In prior periods, all of the Company's operations related to direct and indirect investments in the oil and gas sector and the Company's significant segments consisted of six distinct geographic areas: Canada, United States, Argentina, Colombia, Israel and Brazil.

During the year ended June 30, 2016, 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's property, plant and equipment are located in Canada and no segmented information has been disclosed as at and for the year ended June 30, 2016.

The following is segmented information as at and for the year ended June 30, 2015:

	Year ended June 30, 2015		As at June 30, 2015		
	Interest and other income	Net profit (loss) for the year	Exploration and evaluation assets	Other assets	Total assets
Canada and other	\$ 73,560	\$ (2,588,209)	\$ 3	\$ 8,697,392	\$ 8,697,395
United States	(67,070)	(2,123,567)	-	22,569	22,569
Argentina	-	(952,462)	-	6,524	6,524
Brazil	-	(2,275)	-	42	42
Israel	-	12,153	-	-	-
Colombia	-	(299,920)	-	-	-
	\$ 6,490	\$ (5,954,280)	\$ 3	\$ 8,726,527	\$ 8,726,530

13. Commitments:

In April 2015, the Company signed a lease for new premises starting May 1, 2015 for annual payments of approximately \$82,875 (\$6,906 monthly) 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. Effective January 1, 2016, the monthly office premise lease payments increased to \$7,090 per month due to an increase in the building operating costs. As at June 30, 2016, future minimum annual lease payments under operating leases for premises and equipment are approximately as follows:

2017	\$ 90,420
2018	76,240
2019	4,450
	\$ 171,110

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14. Expenses by nature:

Included in operating, general, and administrative expenses for the years ended June 30 are the following expenses:

	2016	2015
Salaries, consulting, and administrative fees	\$ 647,083	\$ 1,103,019
Foreign exchange expense (gain)	220,833	(268,382)
Transaction costs	92,282	31,096
Operating lease payments	82,210	13,955
Other office and general	75,044	126,367
Professional fees	67,864	283,508
Shareholder relations, transfer agent and filing fees	32,380	63,479
Other employment benefits	28,483	13,668
Travel and promotion	27,422	11,981
Exploration expenses, net	1,811	(47,252)
Stock-based compensation expense	-	17,297
	\$ 1,275,412	\$ 1,348,736

15. Management of capital:

The Company includes the following in its capital as at June 30:

	2016	2015
Equity comprising:		
Share capital	\$ 96,597,845	\$ 96,597,845
Contributed surplus	24,554,508	24,554,508
Foreign currency translation reserve	839,332	620,108
Deficit	(120,822,634)	(113,292,673)
	\$ 1,169,051	\$ 8,479,788

The Company's objectives when managing capital are:

- (a) to ensure that the Company maintains the level of capital necessary to meet the requirements of cash calls for the exploration of properties and from operators in joint venture properties;
- (b) to ensure that the Company maintains the level of capital necessary to meet the requirements of its broker;
- (c) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining the Company's ability to purchase new investments;
- (d) to give shareholders sustained growth in shareholder value by increasing shareholders' equity; and
- (e) to maintain a flexible capital structure that optimizes the cost of capital at acceptable levels of risk.

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15. Management of capital (continued):

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

- (a) realizing proceeds from the disposition of its investments; and
- (b) raising capital through equity or debt financings.

The Company is not subject to any capital requirements imposed by any regulator.

There were no changes in the Company's approach to capital management during the year ended June 30, 2016, except commencing in January 2016 to conserve cash resulting in the Company's consulting fees to its CEO and CFO having not been paid but accrued monthly. To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program. The Company's current working capital is sufficient to discharge its liabilities as at June 30, 2016.

16. 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:

Market risk is the risk that the fair value of or future cash flows from the Company's financial instruments will significantly fluctuate because of changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices. Additionally, the Company adjusts its investments to fair value at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on ThreeD's financial position. As at June 30, 2016 and 2015, the Company held some U.S. denominated investments and therefore market risk also includes currency risk.

There were no changes in the way the Company manages market risk during the year ended June 30, 2016. The Company manages its market risk by having a portfolio that is not singularly exposed to any one issuer or class/sector of issuers.

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16. Risk management (continued):

The following table shows the estimated sensitivity of the Company's after-tax net loss for the year ended June 30, 2016 from a change in the closing trade price of the Company's investments with all other variables held constant as at June 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%	\$ 33,954	\$ (33,954)
4%	67,908	(67,908)
6%	101,862	(101,862)
8%	135,816	(135,816)
10%	169,770	(169,770)

The following table shows the estimated sensitivity of the Company's after-tax net loss for the year ended June 30, 2015 from a change in the closing trade price of the Company's investments with all other variables held constant as at June 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%	\$ 94,581	\$ (94,581)
4%	189,161	(189,161)
6%	283,742	(283,742)
8%	378,322	(378,322)
10%	472,903	(472,903)

(b) Credit risk:

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. The Company is exposed to the risk that third parties owing it money or securities will not perform their underlying obligations and for funds held with banks for cash. The Company may, from time to time, invest in debt obligations. As at June 30, 2016 and 2015, the Company did not hold any debt obligations. All funds in cash are held in financial institutions that have a credit rating above AA and the Company believes it is not exposed to any significant loss.

There were no changes to the way the Company manages credit risk during the year ended June 30, 2016. The Company is also exposed in the normal course of business to credit risk from the sale of its investments and advances to investee and joint arrangements.

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16. Risk management (continued):

The following is the Company's maximum exposure to credit risk as at June 30:

	2016	2015
Cash	\$ 22,018	\$ 2,579,139
Due from brokers	-	588,573
Receivables (i)	21,653	35,921
	\$ 43,671	\$ 3,203,633

(i) As at June 30, 2016, included in receivables is \$21,653 (2015 - \$35,921) relating to Goods and Services Tax and Harmonized Sales Tax input sales tax refunds. The Company believes it is not exposed to credit risk since the amount is fully collectible from the Canadian government.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they become due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company, or if the value of the Company's investments declines, resulting in losses upon disposition. The Company generates cash flow primarily from its financing activities and proceeds from the disposition of its investments, in addition to interest earned on its investments.

There were no changes to the way that the Company manages liquidity risk during the year ended June 30, 2016. The Company manages liquidity risk by reviewing the amount of margin available on a daily basis and managing its cash flow. The Company holds investments that can be converted into cash when required.

As at June 30, 2016, the Company was using margin of \$561,653 (2015 – nil).

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at June 30, 2016:

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 334,443	\$ 334,443	\$ -	\$ -	\$ -
Due to brokers	561,653	561,653	-	-	-
	\$ 896,096	\$ 896,096	\$ -	\$ -	\$ -

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16. Risk management (continued):

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at June 30, 2015:

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 246,742	\$ 246,742	\$ -	\$ -	\$ -
	\$ 246,742	\$ 246,742	\$ -	\$ -	\$ -

The following table shows the Company's source of liquidity by assets as at June 30, 2016:

Assets	Liquidity by period				
	Total	Less than 1 year	1 – 3 years	After 4 years	Non-liquid assets
Cash	\$ 22,061	\$ 22,061	\$ -	\$ -	\$ -
Prepays and receivables	68,526	21,653	-	-	46,873
Investments, at fair value	1,957,007	1,692,007	265,000	-	-
Property, plant and equipment	17,593	-	-	-	17,593
Exploration and evaluation assets	3	-	-	-	3
	\$ 2,065,190	\$ 1,735,721	\$ 265,000	\$ -	\$ 64,469

The following table shows the Company's source of liquidity by assets as at June 30, 2015:

Assets	Liquidity by period				
	Total	Less than 1 year	1 – 3 years	After 4 years	Non-liquid assets
Cash	\$ 2,579,139	\$ 2,579,139	\$ -	\$ -	\$ -
Due from broker	588,573	588,573	-	-	-
Prepays and receivables	89,343	35,921	-	-	53,422
Investments, at fair value	5,451,327	5,251,327	200,000	-	-
Property, plant and equipment	18,145	-	-	-	18,145
Exploration and evaluation assets	3	-	-	-	3
	\$ 8,726,530	\$ 8,454,960	\$ 200,000	\$ -	\$ 71,570

(d) Currency risk:

The Company presently holds funds in Canadian dollars but a significant amount of its liabilities are denominated in U.S. dollars. 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.

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16. Risk management (continued):

The following assets and liabilities were denominated in foreign currencies as at June 30:

	2016	2015
Denominated in U.S. dollars:		
Cash	\$ 4,476	\$ 1,042,586
Due from brokers	-	363,757
Prepays and receivables	-	6,550
Accounts payable and accrued liabilities	(26,396)	(130,364)
Due to brokers	(453,204)	
Net assets denominated in U.S. dollars	(475,124)	1,282,529
Denominated in Brazilian reals:		
Cash	-	42
Net assets denominated in Brazilian reals	-	42
Denominated in Argentinean pesos:		
Cash	-	6,524
Net assets denominated in Argentinean pesos	\$ -	\$ 6,524

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

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16. Risk management (continued):

The following table shows the estimated sensitivity of the Company's total comprehensive loss for the year ended June 30, 2015 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, 2015:

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%	\$ 18,853	\$ (18,853)
4%	37,706	(37,706)
6%	56,560	(56,560)
8%	75,413	(75,413)
10%	94,266	(94,266)

17. Future accounting changes:

At the date of authorization of these consolidated financial statements, the IASB and the International Financial Reporting Interpretations Committee has issued the following new and revised Standards and Interpretations that are not yet effective for the relevant reporting periods and the Company has not early adopted these standards, amendments and interpretations. However, the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company. The Company intends to adopt these standards, if applicable, when the standards become effective:

- (a) IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), was issued in May 2014, which replaced IAS 11, *Construction Contracts*, IAS 18, *Revenue Recognition*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 provides a single, principles based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, *Consolidated Financial Statements* and IFRS 11, *Joint Arrangements*. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs.

The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is in the process of assessing the impact of IFRS 15 on its consolidated financial statements.

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17. Future accounting changes (continued):

- (b) In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 introduces a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting.

In addition, IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value, such that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Company is in the process of evaluating the impact of adopting these amendments on the Company's consolidated financial statements.

- (c) IFRS 16, *Leases* ("IFRS 16") was issued in January 2016 to improve the accounting for leases, generally by eliminating a lessee's classification of leases and introducing a single lessee accounting model. The most significant effect of the new standard will be the lessee's recognition of the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position. Leases with durations of 12 months or less and leases for low value assets are both exempted. The measurement of the total lease expense over the term of a lease will be unaffected by the new standard. However, the new standard will result in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases. The presentation on the statement of loss and other comprehensive loss required by the new standard will result in most lease expenses being presented as amortization of lease assets and financing costs arising from lease liabilities rather than as being a part of goods and services purchased. The standard is effective for annual periods beginning on or after January 1, 2019 and will supersede IAS 17 *Leases*. The Company has not completed the process of assessing the impact that the amended standards will have on its consolidated financial statements.
- (d) IAS 7, *Statement of Cash Flows* ("IAS 7") - In January 2016, the IASB issued amendments to IAS 7 pursuant to which entities will be required to provide enhanced information about changes in their financial liabilities, including changes from cash flows and non-cash changes. The IAS 7 amendments are effective for annual periods beginning on or after January 1, 2017. The Company is in the process of evaluating the impact of adopting these amendments to its consolidated financial statements.

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17. Future accounting changes (continued):

- (e) IAS 12, *Income Taxes* ("IAS 12") - In January 2016, the IASB issued amendments to IAS 12, which clarify guidance on the recognition of deferred tax assets related to unrealized losses resulting from debt instruments that are measured at their fair value. The IAS 12 amendments are effective for annual periods beginning on or after January 1, 2017. The Company is in the process of evaluating the impact of adopting these amendments to its consolidated financial statements.
- (f) IAS 16, *Property, Plant and Equipment* ("IAS 16") and IAS 38, *Intangible Assets* ("IAS 38") and, were amended in May 2014. Amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. Amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Currently, the Company uses the straight-line method for depreciation and amortization for its property, plant and equipment. The Company has not completed the process of assessing the impact that the amended standards will have on its consolidated financial statements.

18. 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 June 30, 2016.

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(Prepared in Canadian dollars)

19. Subsequent events:

- (a) Subsequent to June 30, 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.
- (b) Subsequent to June 30, 2016, 120,000 options at an exercise price of \$4.00 expired unexercised.

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

For the year ended: June 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 ThreeD Capital Inc. ("ThreeD" or the "Company") should be read in conjunction with ThreeD's annual audited consolidated financial statements and notes thereto as at and for the years ended June 30, 2016 and 2015.

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.
- In February 2016, the Company assigned its 1.07% working interest in the Wiley Unit property (Colorado, USA) to the operator of the property for settlement of all outstanding net liabilities effective December 31, 2015. The Company also sold its Brustad River Uranium Property for gross proceeds of \$12,000. The Company's remaining exploration and evaluation assets in the oil and gas industry consists of a 50% interest in 4 exploration licenses in Quebec. The Company does not intend to invest any significant working capital towards these interests as it focuses on becoming a venture capital company. See "Exploration and evaluation assets" section.
- As at June 30, 2016, the Company had a working capital of \$1,151,455 as compared to working capital of \$8,461,640 as at June 30, 2015, a decrease of 86%, primarily due to the decrease in the fair value of the Company's investment portfolio.

Going concern uncertainty:

The Company has incurred a loss for the year ended June 30, 2016 of \$7,529,961 (2015 - \$5,954,280) and has an accumulated deficit of \$120,822,634 (2015 - \$113,292,673). 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 June 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.

Exploration and evaluation assets:

All of the Company's oil and gas activities are conducted jointly with others, except for its uranium permits which were acquired and sold during the year ended June 30, 2016. 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.

The following is a summary of the Company's exploration and evaluation assets:

	Canada (a)	USA (b)	Argentina (c)	Total
	\$	\$	\$	\$
Balance as at July 1, 2014	3	4,051,756	859,984	4,911,743
Net additions ¹ .	-	49,924	-	49,924
Disposals	-	(2,485,868)	-	(2,485,868)
Impairment of exploration and evaluation assets	-	(2,039,846)	(934,495)	(2,974,341)
Foreign currency translation	-	424,034	74,511	498,545
Balance as at June 30, 2015	3	-	-	3
Net additions	11,000	-	-	11,000
Disposals	(11,000)	-	-	(11,000)
Balance as at June 30, 2016	3	-	-	3

¹. Net additions reflects expenditures on exploration and evaluation assets less revenue received from sales of oil, natural gas, and natural gas liquids generated during long-term production testing (if any) and reversals of outstanding cash calls previously capitalized.

(a) Canada:

- (i) As at June 30, 2016, the Company has 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.

During the year ended June 30, 2016, the Company spent \$3,903 (2015 - \$15,747) to maintain these properties in good standing which was expensed in the consolidated statement of loss and comprehensive loss. During the year ended June 30, 2016, the Company sold 9 exploration licenses for net proceeds of \$5,000. Included in the consolidated statement of loss and comprehensive loss for the year ended June 30, 2016 is other income of \$5,000 on the sale of the exploration licenses.

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 value at this time until the moratorium is lifted.

- (ii) In September 2015, the Company staked 6,000 hectares in the Athabasca Basin, Saskatchewan (the "Brustad River Uranium Property") at a cost of \$11,000. The Brustad River Uranium Property is an exploration stage project located 20 kms southeast of Cameco Corp's (TSX: "CCO") Centennial uranium deposit, as well as 120 kms east-southeast of Fission Uranium Corp's (TSX: "FCU") Patterson Lake deposit and 130 kms west-southwest of Cameco's McArthur River mine (the world's largest high-grade uranium mine).

During the year ended June 30, 2016, the Company sold its stake in the Brustad River Uranium Property for total proceeds of \$12,000. Included in the consolidated statement of loss and comprehensive loss for the year ended June 30, 2016 is other income of \$1,000 on the sale of the Brustad River Uranium Property.

(b) USA:

During the year ended June 30, 2015, included in net additions was \$35,066 in gross revenue (net of royalties) from the sale of natural gas, natural gas liquids, and oil generated during long-term production testing.

In March 2015, the Company announced the sale of its remaining interest in the Kokopelli project in Colorado and other USA interests for US\$1,960,000 and recorded an impairment charge on its USA properties of \$2,039,846 to its recoverable amount of \$2,485,868 (US\$1,960,000). The impairment was recognized upon a review of the Company's participating interests in the USA properties.

On May 1, 2015, the Company closed the sale of its oil and gas property interests located in Carfield county and Rio Blanco county Colorado, pursuant to an agreement dated March 17, 2015, and effective as at January 1, 2015 with Coachman Energy Partners LLC. The Company received net proceeds of US\$1,906,157 on the sale, realizing a loss of \$67,070 (US\$53,843) net of the impairment charge.

During the year ended June 30, 2016, the Company assigned its remaining exploration and evaluation assets in the USA consisting of a 1.07% working interest in the Wiley Unit property (Colorado, USA), to the operator of the property, Augustus Energy Partners II, LLC., a private USA company, for settlement of all outstanding net liabilities effective December 31, 2015. Included in the consolidated statement of loss and comprehensive loss for the year ended June 30, 2016 is other income of \$10,876 on the assignment of the USA exploration and evaluation asset.

(c) Argentina:

The Company had a 25% interest in the Vaca Mahuida Block in the Province of Rio Negro, Argentina. During the year ended June 30, 2014, the Company had agreed to relinquish its 25% working interest to Petrolifera Petroleum (Americas) Limited Sucursal Argentina ("Petrolifera"), the operator of the Block for net cash consideration of US\$805,530 which would settle all outstanding liabilities. The relinquishment was conditional upon granting by the Province of Rio Negro of an exploitation concession on the Vaca Mahuida Block to Petrolifera.

In November 2014, the Company was notified by Petrolifera that it intended to withdraw its application of the exploitation concession on the Block which has been outstanding for over five years and relinquished its interest in the Block or assigned its interest to the remaining partners in the Block. As at December 31, 2014, the Company recorded an impairment charge of \$934,495 (US\$805,530) to its estimated recoverable value of nil. The impairment was recognized upon a review of the Company's participating interest in Argentina.

In December 31, 2015, the Company relinquished its interests in Argentina for nil and was released of all present and future liabilities.

Investments:

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

	Fair Value	Cost
2016	\$ 1,957,007	\$ 8,440,470
2015	5,451,327	12,309,444

As at June 30, 2016, the original cost of investments exceeded fair value by \$6,483,463 as compared to \$6,858,117 as at June 30, 2015. The decrease for the year ended June 30, 2016 was primarily due to the net change in unrealized gains on investments of \$417,960 offset by the disposal of investments, realizing a loss of \$6,683,090.

For details of the Company's accounting policies for investments, see (b) under "Significant Accounting Policies" elsewhere in this MD&A. 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 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). As at June 30, 2015, total investments included securities of a private company with a fair value totalling \$200,000 (4% of total fair value of the Company's investments; cost of \$1,500,000). 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.

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 June 30, 2016.

Results of Operations

Selected financial information for the Company for its three most recently completed financial years as at and for the years ending June 30 is provided below:

	2016	2015	2014
Net investment gains (losses), interest and other income	\$ (6,224,120)	\$ (1,600,560)	\$ 920,617
Comprehensive loss for the year	(7,310,737)	(5,621,992)	(12,988,974)
Loss per common share based on net loss for the year – basic and diluted	(0.58)	(0.46)	(1.00)
Investments, at fair value	\$ 1,957,007	\$ 5,451,327	\$ 3,707,817
Exploration and evaluation assets	3	3	4,911,743
Total assets	2,065,147	8,726,530	15,115,615
Total liabilities	896,096	246,742	1,031,132
Equity	1,169,051	8,479,788	14,084,483

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

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

	Quarter ended			
	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
Net investment gains (losses)	\$ (457,041)	\$ (528,472)	\$ (1,027,952)	\$ (4,251,665)
Net income (loss) for the period	(960,125)	(743,195)	(1,253,771)	(4,572,870)
Total comprehensive income (loss) for the period	(736,538)	(741,671)	(1,254,328)	(4,578,200)
Earnings (loss) per share based on net income(loss) for the period – basic and diluted	(0.07)	(0.06)	(0.10)	(0.35)

	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Net investment gains (losses)	\$ 561,044	\$ (272,049)	\$ (1,328,016)	\$ (568,029)
Net income (loss) for the period	161,143	(677,660)	(2,670,510)	(2,767,253)
Total comprehensive income (loss) for the period	74,040	(509,706)	(2,584,450)	(2,601,876)
Profit (loss) per share based on net profit (loss) for the period – basic and diluted	0.01	(0.05)	(0.21)	(0.21)

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

Three months ended June 30, 2016 and 2015:

For the three months ended June 30, 2016, the Company generated net realized losses on disposal of investments of \$231,640 as compared to \$367,878 for the three months ended June 30, 2015. The net realized losses in the current quarter was a result of the disposition of two of the Company's investments.

For the three months ended June 30, 2016, the Company recorded a net change in unrealized losses on investments of \$225,401 as compared to a net change in unrealized gains on investments of \$417,960 for the three months ended June 30, 2015. The net change in unrealized losses on investments in the current period related primarily to the net write-down of \$224,155 to market on the Company's investments. In the prior period, the net change in unrealized gains on investments related to the reversal of previously recognized net unrealized losses on disposal of investments and by the net write-up on the Company's investments.

For the three months ended June 30, 2016, the Company recorded a net loss on interest and other income of \$77 as compared to \$67,042 for the three months ended June 30, 2015. In the current year period, the net loss was a foreign exchange adjustment on the disposal of exploration and evaluation assets. In prior year period, other income was primarily from a loss of \$67,070 on the sale of exploration and evaluation assets (USA).

For the three months ended June 30, 2016, operating, general and administrative expenses increased by \$160,505 to \$501,301 from \$340,796 for the three months ended June 30, 2015. The increase was primarily due to an increase in foreign exchange expense and office and general expense as discussed below.

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

	2016	2015
Foreign exchange loss (gain) (a)	\$ 227,153	\$ (20,734)
Salaries, consulting and administrative fees	159,936	142,920
Professional fees (b)	46,981	106,994
Other office and general (c)	20,052	58,351
Operating lease payments (d)	19,217	13,955
Travel and promotion (e)	8,748	4,301
Transaction costs (f)	6,836	18,800
Other employment benefits	6,791	2,404
Shareholder relations, transfer agent and filing fees	5,587	14,673
Exploration and evaluation expenses	-	(868)
	\$ 501,301	\$ 340,796

- (a) Foreign exchange loss increased by \$247,887 for the three months ended June 30, 2016 as compared to the three months ended June 30, 2015. The Company had a foreign exchange loss during the current quarter due to the decrease 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.
- (b) Professional fees decreased by \$60,013 for the three months ended June 30, 2016 as compared to the three months ended June 30, 2015, due to an decrease in audit fees and legal work related to the subsidiaries.
- (c) Other office and general increased by \$38,299 for the three months ended June 30, 2016 as compared to the three months ended June 30, 2015, primarily due to a decrease in expenses relating to the Company's subsidiaries in Colombia and Israel which were dissolved in the prior year.
- (d) 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) plus applicable taxes until April 30, 2018. Effective January 1, 2016, the monthly office premise lease payments increased to \$7,090 per month due to an increase in the building operating costs.
- (e) Travel and promotion increased by \$4,447 for the three months ended June 30, 2016 as compared to the three months ended June 30, 2015, due to a increase in traveling related to the Company's investment activities in the current period.
- (f) Transactions costs decreased by \$11,964 for the three months ended June 30, 2016 as compared to the three months ended June 30, 2015, due to a 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.

For the three months ended June 30, 2016, the Company recorded a gain from the exchange differences on translation of foreign operations of \$223,587 resulting in total comprehensive loss for the period of \$736,538. For the three months ended June 30, 2015, the Company recorded a loss from the exchange

differences on translation of foreign operations of \$87,103 resulting in total comprehensive income for the period of \$74,040.

Year ended June 30, 2016 and 2015:

For the year ended June 30, 2016, the Company generated net realized losses on disposal of investments of \$6,683,090, as compared to \$745,265 for the year ended June 30, 2015. The net realized losses in the current year was a result of the disposition of a majority of the Company's legacy investments.

For the year ended June 30, 2016, the Company recorded a net change in unrealized gains on investments of \$417,960 as compared to a net change in unrealized losses on investments of \$861,785 in the year ended June 30, 2015. The net change in unrealized gains on investments in the current year related to the reversal of previously recognized net unrealized losses on disposal of investments of \$2,672,524 offset by the net write-down to market of \$2,254,564 on the Company's investments. The net change in unrealized losses on investments in the prior year related to the reversal of previously recognized net unrealized losses on disposal of investments of \$1,612,910 offset by the net write-up to market of \$751,125 on the Company's investments.

For the year ended June 30, 2016, the Company recorded interest and other income of \$41,010 as compared to \$6,490 for the year ended June 30, 2015. Interest income is primarily composed of interest income earned on cash deposits. In the current year, other income consisted of \$24,000 in consultancy income, \$16,876 gain from sale of exploration and evaluation assets, with the balance in interest income which is primarily composed of interest earned on deposits in broker accounts. In the prior year, interest income included \$73,056 (US\$66,342) from the settlement in full with the operator of Block 21 (Colombia) of a letter of credit that was called in October 2013 by the Agencia Nacional de Hidrocarburos ("ANH"), the oil and gas agency of the Colombian government, offset by a loss on sale of exploration and evaluation assets of \$67,070.

For the year ended June 30, 2016, operating, general and administrative expenses decreased by \$73,324 to \$1,275,412 from \$1,348,736 for the year ended June 30, 2015, primarily from the decreased in salaries, consulting, and administrative fees and professional fees offset by an increase in foreign exchange loss.

The following is the breakdown of the Company's operating, general and administrative expenses for the year ended June 30. Details of the changes follow the table:

	2016	2015
Salaries, consulting and administrative fees (a)	\$ 647,083	\$ 1,103,019
Foreign exchange gain (b)	220,833	(268,382)
Transaction costs (c)	92,282	31,096
Operating lease payments (d)	82,210	13,955
Other office and general (e)	75,044	126,367
Professional fees (f)	67,864	283,508
Shareholder relations, transfer agent and filing fees (g)	32,380	63,479
Other employment benefits	28,483	13,668
Travel and promotion (h)	27,422	11,981
Exploration and evaluation expenses (i)	1,811	(47,252)
Stock-based compensation expense (j)	-	17,297
	\$ 1,275,412	\$ 1,348,736

- (a) Salaries, consulting and administrative fees decreased by \$455,936 for the year ended June 30, 2016 as compared to the year ended June 30, 2015. The decrease was due to a reduction of consultants and the termination of administrative fees (\$12,000/month) effective March 31, 2015. In the prior year period, salaries, consulting and administrative fees also included termination payments totaling \$247,750 made under consulting agreements with the former Vice-President Legal & Corporate Affairs and the Company's General Counsel.
- (b) Foreign exchange loss increased by \$489,215 for the year ended June 30, 2016 as compared to the year ended June 30, 2015. The foreign exchange loss was due to the increase in the value of the Canadian dollar versus the U.S. dollar during the year, which decreased the Canadian dollar value of the Company's U.S. dollar denominated monetary assets.
- (c) Transactions costs increased by \$61,186 for the year ended June 30, 2016 as compared to the year ended June 30, 2015, due to an increase 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.
- (d) 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) plus applicable taxes until April 30, 2018. Effective January 1, 2016, the monthly office premise lease payments increased to \$7,090 per month due to an increase in the building operating costs.
- (e) Other office and general decreased by \$51,323 for the year ended June 30, 2016 as compared to the year ended June 30, 2015, primarily due to the office expenses relating to the Company's Calgary, Alberta, office which was closed in April 2015 and the Company's subsidiaries in general.
- (f) Professional fees decreased by \$215,644 for the year ended June 30, 2016 as compared to the year ended June 30, 2015, primarily due to professional fees accrued in the prior year by the Company's branch in Colombia for the filing of tax refunds of \$237,378 in Colombia which has since been received.
- (g) Shareholder relations, transfer agent and filing fees decreased by \$31,099 for the year ended June 30, 2016 as compared to the year ended June 30, 2015, due a decrease in the number of filings and press releases issued from a decrease in oil & gas business activities and a decrease in the annual shareholder's meeting costs.
- (h) Travel and promotion increased by \$15,441 for the year ended June 30, 2016 as compared to the year ended June 30, 2015, due to an increase in traveling related to the Company's investment activities.
- (i) Exploration and evaluation expenses increased by \$49,063 for the year ended June 30, 2016, primarily due to accrued cash calls in Israel and on Block 36 in Colombia, which were expensed. In the current year, the Company's exploration and evaluation expenses of \$1,811 consisted of exploration and evaluation expenses of \$3,903 relating to the Company's Quebec properties offset by a reversal of previously exploration and evaluation expenses. In the prior year, the Company renegotiated an outstanding cash call in Israel on the Gabriella Block resulting in a reduction of \$62,008 (US\$53,668) to exploration expenses.
- (j) Stock-based compensation expense decreased by \$17,297 for the year ended June 30, 2016 as compared to the year ended June 30, 2015. During the current year, there were no options granted and the current options outstanding are fully vested and expensed. Stock options granted

vest at three-month intervals over 18 months and are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value of these options is estimated at the date of grant using the Black-Scholes option pricing model, and expensed over the vesting periods based on the graded method. Unvested forfeited stock options are not expensed during the period.

For the year ended June 30, 2016, the Company had no impairment on exploration and evaluation assets as compared \$2,974,341 for the year ended June 30, 2015. In the prior year, the Company recorded an impairment on its properties in the USA and Argentina relating to the valuation of the estimated recoverable amount of the Company's participating interest in those properties. See "Exploration and evaluation assets" section.

For the year ended June 30, 2016, the Company had no income tax expense as compared to an income tax expense of \$30,643 for the year ended June 30, 2015. The income tax expense was due to the recording of minimum income tax paid in Colombia.

Net loss for the year ended June 30, 2016 was \$7,529,961 (\$0.58 per share) as compared to \$5,954,280 (\$0.46 per share). The loss in the current year was primarily from the net realized losses on disposal of investments while in the prior year, the net loss was primarily due to the impairment of exploration and evaluation assets.

For the year ended June 30, 2016, the Company recorded a gain from the exchange differences on translation of foreign operations of \$219,224 resulting in total comprehensive loss for the year of \$7,310,737. The gain from the exchange differences on translation of foreign operations was primarily due to the decrease in the value of the Canadian dollar versus the U.S. dollar during the year, which increased the Canadian dollar value of the Company's U.S. dollar denominated assets. For the year ended June 30, 2015, the Company recorded a gain from the exchange differences on translation of foreign operations of \$332,288 resulting in total comprehensive loss for the year of \$5,621,992.

Cash Flows

Year ended June 30, 2016 and 2015:

During the year ended June 30, 2016, the Company used cash of \$2,778,963 in operating activities as compared to \$201,174 in the year ended June 30, 2015. In the current year, the Company classified its investment activities (proceeds on disposal of investments, purchases of investments, and due from/to brokers) as operating activities which is the Company's primary business. In the prior year, they were classified as investing and financing activities. Adjusting for investment activities, cash used in operating activities for the year ended June 30, 2015 was \$4,140,307. During the year ended June 30, 2016, the Company had proceeds from disposition of investments of \$8,844,547 as compared to \$1,114,302 during the year ended June 30, 2015. During the year ended June 30, 2016, the Company purchased \$11,615,357 of investments, an increase of \$7,150,495, when compared to \$4,464,862 of investments purchased during the year ended June 30, 2015, reflecting an increase in investing activities.

During the year ended June 30, 2016, net cash generated in investing activities was \$2,618 as compared to \$1,508,420 (adjusting for investment activities) during the year ended June 30, 2015. During the year ended June 30, 2016, the Company spent cash on expenditures on exploration and evaluation assets of \$11,000 as compared to cash expenditures of \$861,375 during the year ended June 30, 2015, net of oil revenues, a decrease that continues to reflect the Company's decreased exploration and

evaluation activities. In the current year, the Company had proceeds of \$17,000 from the sale of exploration and evaluation assets as compared to \$2,388,260 during the year end June 30, 2015.

For the year ended June 30, 2016, the Company had a net decrease in cash of \$2,776,345 as compared to \$2,631,887 for the year ended June 30, 2015. For the year ended June 30, 2016, the Company also had a gain from the exchange rate changes on its foreign operations' cash balances of \$219,224, leaving a cash balance of \$22,018 as at June 30, 2016 as compared to an exchange loss of \$166,257, leaving a cash balance of \$2,579,139 as at June 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. In prior periods, all of the Company's operations related to direct and indirect investments in the oil and gas sector and the Company's significant segments consisted of six distinct geographic areas: Canada, United States, Argentina, Colombia, Israel and Brazil.

During the current year, 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's property, plant and equipment are located in Canada and no segmented information has been disclosed as at and for the year ended June 30, 2016.

The accounting policies applied to ThreeD's operating segments are the same as those described in the summary of significant accounting policies, except that certain expenses and other items are not allocated to the individual operating segments when determining income or loss, but are attributed to the Canadian operations where the corporate head office is located.

The following is segmented information as at and for the year ended June 30, 2015:

	Year ended June 30, 2015		As at June 30, 2015		
	Interest and other income	Net profit (loss) for the year	Exploration and evaluation assets	Other assets	Total assets
Canada and other	\$ 73,560	\$ (2,588,209)	\$ 3	\$ 8,697,392	\$ 8,697,395
United States	(67,070)	(2,123,567)	-	22,569	22,569
Argentina	-	(952,462)	-	6,524	6,524
Brazil	-	(2,275)	-	42	42
Israel	-	12,153	-	-	-
Colombia	-	(299,920)	-	-	-
	\$ 6,490	\$ (5,954,280)	\$ 3	\$ 8,726,527	\$ 8,726,530

Liquidity and capital resources:

Consolidated statement of financial position highlights	June 30, 2016	June 30, 2015
Cash	\$ 22,018	\$ 2,579,139
Investments, at fair value	1,957,007	5,451,327
Exploration and evaluation assets	3	3
Total assets	2,065,147	8,726,530
Due to brokers	561,653	-
Total liabilities	896,096	246,742
Share capital, warrants and broker warrants, contributed surplus	121,152,353	121,152,353
Foreign currency translation reserve	839,332	620,107
Deficit	(120,822,634)	(113,292,673)
Working Capital	\$ 1,151,455	\$ 8,461,640

Total liabilities increased by \$473,952 to \$896,096 as at June 30, 2016 as compared to \$246,742 as at June 30, 2015. As at June 30, 2016, total liabilities include \$234,616 owing to the Company's Chief Executive Officer and Chief Financial Officer for accrued consulting fees since January 16, 2016. These consulting fees were paid in full in August 2016. The Company also has consulting agreements with these officers aggregating \$35,750 per month. As at June 30, 2016, total liabilities also include \$17,401 accrued for the winding down of its subsidiaries in Barbados.

The Company's cash and investments as at June 30, 2016 would be sufficient to meet the Company's current liabilities. As at June 30, 2016, the Company had working capital of \$1,151,455 as compared to working capital of \$8,461,640 as at June 30, 2015. The decrease in working capital since June 30, 2015 was primarily due to the decrease in the fair value of the Company's investment portfolio.

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.

Effective March 31, 2015, the Company terminated its administrative fees contract for office rent and services of \$12,000 monthly. 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 years ended June 30 were as follows:

Type of expense	2016	2015
Salaries and consulting fees	\$ 429,000	\$ 429,000
Other short-term benefits	14,766	8,994
Stock-based compensation expense	-	13,475
	\$ 443,766	\$ 451,469

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

- (b) There were no options granted to related parties during the year ended June 30, 2016 or 2015.

Off-Balance sheet arrangements:

As at June 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 financials condition of ThreeD.

Management of capital:

The Company includes the following in its capital as at June 30:

	2016	2015
Equity comprising:		
Share capital	\$ 96,597,845	\$ 96,597,845
Contributed surplus	24,554,508	24,554,508
Foreign currency translation reserve	839,332	620,108
Deficit	(120,822,634)	(113,292,673)
	\$ 1,169,051	\$ 8,479,788

The Company's objectives when managing capital are:

- (a) to ensure that the Company maintains the level of capital necessary to meet the requirements of cash calls for the exploration of properties and from operators in joint venture properties;
- (b) to ensure that the Company maintains the level of capital necessary to meet the requirements of its broker;

- (c) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining the Company's ability to purchase new investments;
- (d) to give shareholders sustained growth in shareholder value by increasing shareholders' equity; and
- (e) to maintain a flexible capital structure that optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

- (a) realizing proceeds from the disposition of its investments; and
- (b) raising capital through equity or debt financings.

The Company is not subject to any capital requirements imposed by any regulator.

There were no changes in the Company's approach to capital management during the year ended June 30, 2016, except commencing in January 2016 to conserve cash resulting in the Company's consulting fees to its CEO and CFO having not been paid but accrued monthly. To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program. The Company's current working capital is sufficient to discharge its liabilities as at June 30, 2016.

Subsequent to June 30, 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.

Risk management:

The investments operation of ThreeD's business involves the purchase and sale of securities and, accordingly, a significant 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:

Market risk is the risk that the fair value of or future cash flows from the Company's financial instruments will significantly fluctuate because of changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices. Additionally, the Company adjusts its investments to fair value at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on ThreeD's financial position. As at June 30, 2016 and 2015, the Company held some U.S. denominated investments and therefore market risk also includes currency risk.

There were no changes in the way the Company manages market risk during the year ended June 30, 2016. The Company manages its market risk by having a portfolio that 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 year ended June 30, 2016 from a change in the closing trade price of the Company's investments with all other variables held constant as at June 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%	\$ 33,954	\$ (33,954)
4%	67,908	(67,908)
6%	101,862	(101,862)
8%	135,816	(135,816)
10%	169,770	(169,770)

The following table shows the estimated sensitivity of the Company's after-tax net loss for the year ended June 30, 2015 from a change in the closing trade price of the Company's investments with all other variables held constant as at June 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%	\$ 94,581	\$ (94,581)
4%	189,161	(189,161)
6%	283,742	(283,742)
8%	378,322	(378,322)
10%	472,903	(472,903)

(b) Credit risk:

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. The Company is exposed to the risk that third parties owing it money or securities will not perform their underlying obligations and for funds held with banks for cash. The Company may, from time to time, invest in debt obligations. As at June 30, 2016 and 2015, the Company did not hold any debt obligations. All funds in cash are held in financial institutions that have a credit rating above AA and the Company believes it is not exposed to any significant loss.

There were no changes to the way the Company manages credit risk during the year ended June 30, 2016. The Company is also exposed in the normal course of business to credit risk from the sale of its investments and advances to investee and joint arrangements.

The following is the Company's maximum exposure to credit risk as at June 30:

	2016	2015
Cash	\$ 22,018	\$ 2,579,139
Due from brokers	-	588,573
Receivables (i)	21,653	35,921
	\$ 43,671	\$ 3,203,633

- (i) As at June 30, 2016, included in receivables is \$21,653 (2015 - \$35,921) relating to Goods and Services Tax and Harmonized Sales Tax input sales tax refunds. The Company believes it is not exposed to credit risk since the amount is fully collectible from the Canadian government.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they become due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company, or if the value of the Company's investments declines, resulting in losses upon disposition. The Company generates cash flow primarily from its financing activities and proceeds from the disposition of its investments, in addition to interest earned on its investments.

There were no changes to the way that the Company manages liquidity risk during the year ended June 30, 2016. The Company manages liquidity risk by reviewing the amount of margin available on a daily basis and managing its cash flow. The Company holds investments that can be converted into cash when required.

As at June 30, 2016, the Company was using margin of \$561,653 (2015 – nil).

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at June 30, 2016:

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 334,443	\$ 334,443	\$ -	\$ -	\$ -
Due to brokers	561,653	561,653			
	\$ 896,096	\$ 896,096	\$ -	\$ -	\$ -

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at June 30, 2014:

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 1,031,132	\$ 1,031,132	\$ -	\$ -	\$ -
	\$ 1,031,132	\$ 1,031,132	\$ -	\$ -	\$ -

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at June 30, 2015:

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 246,742	\$ 246,742	\$ -	\$ -	\$ -
	\$ 246,742	\$ 246,742	\$ -	\$ -	\$ -

The following table shows the Company's source of liquidity by assets as at June 30, 2016:

Assets	Liquidity by period				
	Total	Less than 1 year	1 – 3 years	After 4 years	Non-liquid assets
Cash	\$ 22,061	\$ 22,061	\$ -	\$ -	\$ -
Prepays and receivables	68,526	21,653	-	-	46,873
Investments, at fair value	1,957,007	1,692,007	265,000	-	-
Property, plant and equipment	17,593	-	-	-	17,593
Exploration and evaluation assets	3	-	-	-	3
	\$ 2,065,190	\$ 1,735,721	\$ 265,000	\$ -	\$ 64,469

The following table shows the Company's source of liquidity by assets as at June 30, 2015:

Assets	Liquidity by period				
	Total	Less than 1 year	1 – 3 years	After 4 years	Non-liquid assets
Cash	\$ 2,579,139	\$ 2,579,139	\$ -	\$ -	\$ -
Due from broker	588,573	588,573	-	-	-
Prepays and receivables	89,343	35,921	-	-	53,422
Investments, at fair value	5,451,327	5,251,327	200,000	-	-
Property, plant and equipment	18,145	-	-	-	18,145
Exploration and evaluation assets	3	-	-	-	3
	\$ 8,726,530	\$ 8,454,960	\$ 200,000	\$ -	\$ 71,570

(d) Currency risk:

The Company presently holds funds in Canadian dollars but a significant amount of its liabilities are denominated in U.S. dollars. 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 were denominated in foreign currencies as at June 30:

	2016	2015
Denominated in U.S. dollars:		
Cash	\$ 4,476	\$ 1,042,586
Due from brokers	-	363,757
Prepays and receivables	-	6,550
Accounts payable and accrued liabilities	(26,396)	(130,364)
Due to brokers	(453,204)	
Net assets denominated in U.S. dollars	(475,124)	1,282,529
Denominated in Brazilian reals:		
Cash	-	42
Net assets denominated in Brazilian reals	-	42
Denominated in Argentinean pesos:		
Cash	-	6,524
Net assets denominated in Argentinean pesos	\$ -	\$ 6,524

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

The following table shows the estimated sensitivity of the Company's total comprehensive loss for the year ended June 30, 2015 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, 2015:

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%	\$ 18,853	\$ (18,853)
4%	37,706	(37,706)
6%	56,560	(56,560)
8%	75,413	(75,413)
10%	94,266	(94,266)

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.

Significant Accounting Policies:

Refer to Note 3 of the Notes to the consolidated financial statement as at and for the year ended June 30, 2016 for details of the Company's basis of preparation of the consolidated financial statements.

Some significant accounting policies used in the presentation of the consolidated financial statements are as follows.

(a) Exploration and evaluation assets and oil and gas properties:

(i) Exploration and evaluation assets:

Amounts included under exploration and evaluation assets relate to properties that are in preproduction and are undergoing exploration and evaluation.

All costs incurred in connection with the Company's exploration and evaluation assets (acquisition and exploration for oil and gas reserves) including overhead and dry-holes are capitalized less accumulated impairment losses. Such amounts include land acquisition costs, geological and geophysical expenditures, cost of drilling both productive and non-productive wells, gathering production facilities and equipment, and overhead expenses directly related to exploration and development activities. The Company capitalizes carrying costs directly attributable to its acquisition, exploration and development activities, such as interest costs.

Capitalized exploration and evaluation assets are assessed to determine whether it is likely such net costs may be recovered in the future. Assets that are unlikely to be recovered are written down to their recoverable amount. Impairment reviews take place where there is an indication of impairment or when an exploration and evaluation asset has been transferred into oil and gas properties. The Company considers both qualitative and quantitative factors when determining whether an exploration and evaluation asset may be impaired. Impairment reviews are based on each specific license or block. Each specific license or block has an operator (which may be similar) with different joint partners.

Management may consider the following when reviewing an exploration and evaluation asset for impairment:

1. failure to receive approvals of or extensions of environmental/ drilling permits, aboriginal or similar approvals that allow the Company and its partners to proceed with a project;
2. valuations based on reserve or resource reports prepared by an independent engineering firm;
3. political changes in a country in which the Company owns the exploration or evaluation asset;
4. seismic testing or drilling results;
5. the Company's intention of participating in a project;
6. management's estimate of the recoverable amount (fair value less costs to sell);
7. long-term oil and gas prices (considering current and historical prices, price trends and related factors);
8. operating costs;

9. future capital requirements; and
10. the financial capability of a partner.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceeds the carrying amount that would have been determined net of depreciation had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of loss and comprehensive loss.

(ii) Joint oil and gas activities:

All of the Company's oil and gas activities are conducted jointly with others. The Company's accounts reflect only the Company's share of assets, liabilities, revenue and expenses in the joint operations.

For interests in joint operations, the Company's share of the jointly controlled assets are classified according to the nature of the assets, the Company's share of any liabilities incurred jointly with the other parties, and the Company's share of any income and expenses incurred jointly with the partners are recognized in the consolidated financial statements.

(b) Financial investments:

(i) Classification:

All investments are classified upon initial recognition at fair value through profit or loss, with changes in fair value reported in income (loss).

(ii) Recognition, de-recognition and measurement:

Purchases and sales of investments are recognized on the settlement date.

Investments at fair value through profit or loss are initially recognized at fair value where reliable basis for determination exists. Transaction costs are expensed as incurred in the consolidated statement of loss and comprehensive loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or the Company has transferred the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9, *Financial Instruments* ("IFRS 9") (2013).

Subsequent to initial recognition, all investments are measured at fair value. Gains and losses arising from changes in the fair value of the investments at fair value through profit or loss category are presented in the consolidated statement of loss and comprehensive loss within net change in unrealized gains or losses on investments in the period in which they arise.

(iii) Reclassification of investments:

The Company would only reclassify a financial asset when the Company changes its business model for managing the financial asset. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new carrying value.

(iv) Determination of fair value:

The determination of fair value requires judgment and is based on market information, where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the consolidated financial statements.

The Company is also required to disclose details of its investments (and other financial assets and liabilities reported at fair value) within three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring the fair value, and to provide additional disclosure in connection therewith.

1. Publicly-traded investments:

- a. Securities, including shares, options, and warrants that are traded in an active market (such as on a recognized securities exchange) and for which no sales restrictions apply are presented at fair value based on quoted closing trade prices at the consolidated statement of financial position date or the closing trade price on the last day the security traded if there were no trades at the consolidated statement of financial position date. These investments are included in Level 1.
- b. Securities that are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value to a maximum of 10%. In determining the discount for such investments, the Company considers the nature and length of the restriction. These investments are included in Level 2.
- c. For options and warrants that are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available or reliable, the warrants and options are valued at intrinsic value, which is equal to the higher of the closing trade price at the consolidated statement of financial position date of the underlying security less the exercise price of the warrant or option, and zero. These investments are included in Level 2.

2. Private company investments:

All privately-held investments (other than options and warrants) are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may, depending upon the circumstances, be adjusted using one or more of the valuation indicators described below. These investments are included in Level 3.

The determinations of fair value of the Company's privately-held investments at other than initial cost are subject to certain limitations. Financial information for private

companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable.

Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable.

Company-specific information is considered when determining whether the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will take into account trends in general market conditions and the share performance of comparable publicly-traded companies when valuing privately-held investments.

The absence of the occurrence of any of these events, any significant change in trends in general market conditions, or any significant change in share performance of comparable publicly-traded companies indicates generally that the fair value of the investment has not materially changed.

The fair value of a privately-held investment may be adjusted if:

- a. there has been a significant subsequent equity financing provided by outside investors at a valuation different than the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;
- b. there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a material impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable;
- c. the investee company is placed into receivership or bankruptcy;
- d. based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern;
- e. receipt/denial by the investee company of environmental, mining, aboriginal or similar approvals, which allow the investee company to proceed/prohibit with its project(s);
- f. filing by the investee company of a National Instrument 43-101 technical report in respect of a previously non-compliant resource;
- g. release by the investee company of positive/negative exploration results; and
- h. important positive/negative management changes by the investee company that the Company's management believes will have a very positive/negative impact on the investee company's ability to achieve its objectives and build value for shareholders.

Adjustments to the fair value of a privately-held investment will be based upon management's judgment and any value estimated may not be realized or realizable. The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed. In addition, the amounts at which the Company's privately-held investments could be disposed of currently may differ from the carrying value assigned.

(c) Revenue recognition:

Purchases and sales of investments are recognized on the settlement date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the consolidated statement of loss and comprehensive loss.

Upon disposal of an investment, previously recognized unrealized gains or losses are reversed so as to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are expensed to the consolidated statement of loss and comprehensive loss as incurred. Dividend income is recorded on the ex-dividend date and when the right to receive the dividend has been established.

Interest income, other income, and income from securities lending are recorded on an accrual basis.

Oil revenue:

The Company recognizes revenue from petroleum and natural gas production at the fair value of the consideration received or receivable when the significant risks and rewards of ownership are transferred to the buyer and it can be reliably measured and only at such time as a project becomes commercially viable and development approval is received.

Prior to this stage, any production is considered test production and the related revenue is capitalized, net of applicable costs.

(d) Segment reporting:

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. In prior periods, all of the Company's operations related to direct and indirect investments in the oil and gas sector and the Company's significant segments consisted of six distinct geographic areas: Canada, United States, Argentina, Colombia, Israel and Brazil. During the year ended June 30, 2016, 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.

(e) Foreign currency translation:

(i) Functional currency:

These consolidated financial statements are presented in Canadian dollars, which is the parent's functional currency. Each entity in the group determines its own functional currency

and items included in the financial statements of each entity are measured using that functional currency.

(ii) Transactions and balances:

Transactions in foreign currencies are initially recorded in the functional currency at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange in effect at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

(iii) Translation of foreign operations:

The results and financial position of ThreeD's subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
2. Share capital is translated using the exchange rate at the date of the transaction;
3. Revenue and expenses for each consolidated statement of loss and comprehensive loss are translated at average exchange rates; and
4. All resulting exchange differences are recognized as a separate component of equity and as an exchange difference on translation of foreign operations in other comprehensive loss in the consolidated statement of loss and comprehensive loss.

The Company treats specific inter-company loan balances that are not intended to be repaid in the foreseeable future as part of its net investment in a foreign operation, which is recorded as an exchange difference on translation of foreign operations in other comprehensive loss in the consolidated statement of loss and comprehensive loss. When a foreign entity is sold, such exchange differences are reclassified to income or loss in the consolidated statement of loss and comprehensive loss as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Non-monetary transactions:

Transactions in which shares or other non-cash consideration are exchanged for assets or services are valued at the fair value of the assets or services involved.

(g) Income taxes:

(i) Current income tax:

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the intention is to settle on a net basis, or to realize the asset and settle the liability simultaneously. Current income tax relating to items recognized directly in equity is recognized in equity and not through profit or loss.

(ii) Deferred tax:

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary difference and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the consolidated statement of financial position date. Deferred tax relating to items recognized directly in equity is also recognized in equity and not in the consolidated statement of loss and comprehensive loss. Deferred tax assets and deferred tax liabilities are not offset unless a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each consolidated statement of financial position date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered. The Company does not record deferred tax assets to the extent that it considers deductible temporary differences, the carry-forward of unused tax credits and unused tax losses cannot be utilized.

(h) Stock-based compensation plan:

The Company has a stock option plan that is described in Note 10(b) of the Company's consolidated financial statements as at and for the year ended June 30, 2016. Employees (including officers), directors, and consultants of the Company receive remuneration in the form of stock options granted under the plan for rendering services to the Company. Any consideration received by ThreeD on the exercise of stock options is credited to share capital. The cost of options is recognized, together with a corresponding increase in contributed surplus, over the period in which the corresponding performance and/or service conditions are fulfilled, ending on the date on which the relevant optionee becomes fully entitled to the award ("the vesting date").

The cumulative expense recognized for option grants at each reporting date until the vesting date reflects the portion of the vesting period that passed and the Company's best estimate of the number of options that will ultimately vest on the vesting date. The Company records compensation expense and credits contributed surplus for all stock options granted, which represents the movement in cumulative expense recognized as at the beginning and end of that period.

Stock options granted during the period are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value for these options is estimated at the date of grant using the Black-Scholes option pricing model. The Company is also required to estimate the expected future forfeiture rate of options in its calculation of stock-based compensation expense.

Where the terms of a stock option award are modified, the minimum expense recognized in compensation expense is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the option or is otherwise beneficial to the optionee as measured at the date of modification.

Where an option is cancelled it is treated as if it had vested on the date of cancellation and any expense not yet recognized for the award is recognized immediately.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

(i) Earnings (loss) per share:

Basic earnings (loss) per common share is determined by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period, excluding shares securing employee share purchase loans and shares in escrow. Diluted earnings (loss) per common share is calculated in accordance with the treasury stock method and based on the weighted average number of common shares and dilutive common share equivalents outstanding.

Changes in Accounting Policies:

Effective July 1, 2015, the Company has adopted the following new and revised standard, along with any consequential amendments. These changes were made in accordance with the applicable transitional provisions for which there was no significant impact on the Company's consolidated financial statements:

- (i) IAS 1, *Presentation of Financial Statements* ("IAS 1") - On July 1, 2015, the Company implemented certain amendments to IAS 1, which clarify guidance on the concepts of materiality and aggregation of items in the financial statements, the use and presentation of subtotals in the statement of operations and the statement of comprehensive income or loss, and which provide additional flexibility in the structure and disclosures of the financial statements to enhance understandability. The implementation of amendments to IAS 1 had no impact to the Company's consolidated financial statements for the year ended June 30, 2016.

- (ii) IFRS 10, *Consolidated Financial Statements* ("IFRS 10") and IAS 28, *Investments in Associates and Joint Ventures (2011)* ("IAS 28") - the Company implemented certain amendments to IFRS 10 and IAS 28 on July 1, 2015. These amendments relate to the sale or contribution of assets between an investor and its associate or joint venture and require the recognition of a full gain or loss when a transaction involves a business, whereas a partial gain or loss is recognized when a transaction involves assets that do not constitute a business. The implementation of amendments to IFRS 10 and IAS 28 had no impact to the Company's consolidated financial statements for the year ended June 30, 2016.
- (iii) IFRS 11, *Joint Arrangements* ("IFRS 11") - Amendments to IFRS 11 address how a joint operator should account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business and requires that such transactions be accounted for using the principles related to business combinations accounting as outlined in IFRS 3, *Business Combinations*. The Company implemented the amendments to IFRS 11 effective July 1, 2015. The implementation of amendments to IFRS 11 had no impact the Company's consolidated financial statements for the year ended June 30, 2016.

Future changes in accounting policies:

At the date of authorization of these consolidated financial statements, the IASB and the International Financial Reporting Interpretations Committee has issued the following new and revised Standards and Interpretations that are not yet effective for the relevant reporting periods and the Company has not early adopted these standards, amendments and interpretations. However, the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company. The Company intends to adopt these standards, if applicable, when the standards become effective:

- (a) IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), was issued in May 2014, which replaced IAS 11, *Construction Contracts*, IAS 18, *Revenue Recognition*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 provides a single, principles based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, *Consolidated Financial Statements* and IFRS 11, *Joint Arrangements*. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs.

The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is in the process of assessing the impact of IFRS 15 on its consolidated financial statements.

- (b) In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 introduces a logical, single classification and measurement approach

for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting.

In addition, IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value, such that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Company is in the process of evaluating the impact of adopting these amendments on the Company's consolidated financial statements.

- (c) IFRS 16, *Leases* ("IFRS 16") was issued in January 2016 to improve the accounting for leases, generally by eliminating a lessees' classification of leases and introducing a single lessee accounting model. The most significant effect of the new standard will be the lessee's recognition of the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position. Leases with durations of 12 months or less and leases for low value assets are both exempted. The measurement of the total lease expense over the term of a lease will be unaffected by the new standard. However, the new standard will result in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases. The presentation on the statement of loss and other comprehensive loss required by the new standard will result in most lease expenses being presented as amortization of lease assets and financing costs arising from lease liabilities rather than as being a part of goods and services purchased. The standard is effective for annual periods beginning on or after January 1, 2019 and will supersede IAS 17 Leases. The Company has not completed the process of assessing the impact that the amended standards will have on its consolidated financial statements.
- (d) IAS 7, *Statement of Cash Flows* ("IAS 7") - In January 2016, the IASB issued amendments to IAS 7 pursuant to which entities will be required to provide enhanced information about changes in their financial liabilities, including changes from cash flows and non-cash changes. The IAS 7 amendments are effective for annual periods beginning on or after January 1, 2017. The Company is in the process of evaluating the impact of adopting these amendments to its consolidated financial statements.
- (e) IAS 12, *Income Taxes* ("IAS 12") - In January 2016, the IASB issued amendments to IAS 12, which clarify guidance on the recognition of deferred tax assets related to unrealized losses resulting from debt instruments that are measured at their fair value. The IAS 12 amendments are effective for annual periods beginning on or after January 1, 2017. The Company is in the process of evaluating the impact of adopting these amendments to its consolidated financial statements.
- (f) IAS 16, *Property, Plant and Equipment* ("IAS 16") and IAS 38, *Intangible Assets* ("IAS 38") and, were amended in May 2014. Amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. Amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Currently, the Company uses the straight-line method for depreciation and

amortization for its property, plant and equipment. The Company has not completed the process of assessing the impact that the amended standards will have on its consolidated financial statements.

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 year ended June 30, 2016, the Company had a change in unrealized losses on investments of \$362,501 (2015 - \$300,000) 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 year ended June 30, 2016, the Company recorded an impairment of exploration and evaluation assets of nil (2015 – \$2,974,341) 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.

Stock-based Compensation Expense/Warrants:

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 year ended June 30, 2016 and 2015, there were no stock options granted or warrants issued by the Company.

Valuation of Unlisted Warrants of Public Companies:

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 June 30, 2016 and 2015, there were not sufficient reliable observable market inputs and thus, the Company valued the warrants in its portfolio using their intrinsic value.

Outstanding Share Data:

Subsequent to June 30, 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.

Subsequent to June 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 10 of the Notes to the consolidated financial statements as at and for the year ended June 30, 2016 for details of the Company's share capital as at June 30, 2016.

Additional Information:

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

