**Consolidated Financial Statements of**

ThreeD
Capital

**Years ended June 30, 2017 and 2016**
**(Prepared in Canadian dollars)**

**Contents**

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of **ThreeD Capital 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, 2017 and 2016 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, 2017 and 2016 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 and as at June 30, 2017 the Company has an accumulated deficit of $118,121,206. Note 1 in the consolidated financial statements also indicates that cash on hand as of June 30, 2017 is not adequate to cover expected expenditures for the 12 month period ended June 30, 2018. 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.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
October 12, 2017

# THREED CAPITAL INC.

**Consolidated Statement of Financial Position**
**As at June 30,**
**(Prepared in Canadian dollars)**

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **Assets** | | | |
| Cash | 7 | $ **21,973** | $ 22,018 |
| Due from brokers | 7 | **1,104** | - |
| Prepaids and receivables | 7 | **75,587** | 68,526 |
| Investments, at fair value | 6 | **7,142,584** | 1,957,007 |
| Property, plant and equipment | 9 | **18,049** | 17,593 |
| Exploration and evaluation assets | 5 | **-** | 3 |
| | | $ **7,259,297** | $ 2,065,147 |
| **Liabilities and Equity** | | | |
| Accounts payable and accrued liabilities | 7, 8(b) | $ **175,110** | $ 334,443 |
| Due to brokers | 7 | **-** | 561,653 |
| | | **175,110** | 896,096 |
| **Equity** | | | |
| Share capital | 10(b) | **98,842,373** | 96,597,845 |
| Contributed surplus | 10(c, d) | **24,771,754** | 24,554,508 |
| Warrants | 10(b, e) | **751,891** | - |
| Foreign currency translation reserve | | **839,375** | 839,332 |
| Deficit | | **(118,121,206)** | (120,822,634) |
| | | **7,084,187** | 1,169,051 |
| | | $ **7,259,297** | $ 2,065,147 |

| | |
|---|---|
| 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.
### Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)
### Years Ended June 30,
### (Prepared in Canadian dollars)

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **Net investment gains (losses)** | | | |
| Net realized losses on disposal of investments | | **$ (5,079,773)** | $ (6,683,090) |
| Net change in unrealized gains on investments | | **8,971,238** | 417,960 |
| | | **3,891,465** | (6,265,130) |
| **Interest and other income** | 5 | **17,600** | 41,010 |
| | | **3,909,065** | (6,224,120) |
| **Expenses** | | | |
| Operating, general and administrative | 8, 10(c), 14 | **1,193,848** | 1,275,412 |
| Finance expenses | | **13,789** | 30,429 |
| | | **1,207,637** | 1,305,841 |
| **Income (loss) before income taxes** | | **2,701,428** | (7,529,961) |
| **Income tax expense** | 11 | **-** | - |
| **Net income (loss) for the year** | | **2,701,428** | (7,529,961) |
| **Other comprehensive income** | | | |
| Exchange differences on translation of foreign operations | | **43** | 219,224 |
| **Total comprehensive income (loss) for the year** | | **$ 2,701,471** | $ (7,310,737) |
| **Earnings (loss) per common share based on net income (loss) for the year** | 10(f) | | |
| Basic | | **$ 0.08** | $ (0.58) |
| Diluted | | **$ 0.07** | $ (0.58) |
| **Weighted average number of common shares outstanding** | 10(f) | | |
| Basic | | **32,084,711** | 12,979,404 |
| Diluted | | **41,335,526** | 12,979,404 |

See accompanying notes to the consolidated financial statements.

## THREED CAPITAL INC.

**Consolidated Statement of Changes in Equity**
**Years Ended June 30, 2017 and 2016**
**(Prepared in Canadian dollars)**

| | Notes | Number of shares | Share capital | Warrants | Contributed surplus | Foreign currency translation reserve | Deficit | Total equity |
|---|---|---|---|---|---|---|---|---|
| **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 |
| Net income for the year | | **-** | **-** | **-** | **-** | **-** | **2,701,428** | **2,701,428** |
| Exchange differences on translation of foreign operations | | **-** | **-** | **-** | **-** | **43** | **-** | **43** |
| Total comprehensive income for the year | | **-** | **-** | **-** | **-** | **43** | **2,701,428** | **2,701,471** |
| Stock-based compensation expense | 10(c) | **-** | **-** | **-** | **217,246** | **-** | **-** | **217,246** |
| Issued pursuant to the exercise of warrants | 10(e) | **3,200,000** | **357,090** | **(37,090)** | **-** | **-** | **-** | **320,000** |
| Issued pursuant to private placements, net | 10(b) | **31,053,000** | **1,887,438** | **788,981** | **-** | **-** | **-** | **2,676,419** |
| **Balance as at June 30, 2017** | | **47,232,404** | **$ 98,842,373** | **$ 751,891** | **$ 24,771,754** | **$ 839,375** | **$ (118,121,206)** | **$ 7,084,187** |

See accompanying notes to the consolidated financial statements.

**THREED CAPITAL INC.**

**Consolidated Statement of Cash Flows**
**Years Ended June 30,**
**(Prepared in Canadian dollars)**

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **Cash flows used in operating activities** | | | |
| Net income (loss) for the year | | **$ 2,701,428** | $ (7,529,961) |
| Items not affecting cash | | | |
| Net realized losses on disposal of investments | | **5,079,773** | 6,683,090 |
| Net change in unrealized gains on investments | | **(8,971,238)** | (417,960) |
| Gain on sale of exploration and evaluation assets | 5 | **(9,997)** | (16,876) |
| Stock-based compensation expense | | **217,246** | - |
| Depreciation | | **4,220** | 3,934 |
| | | **(978,568)** | (1,277,773) |
| Changes in non-cash working capital balances | | | |
| Proceeds on disposal of investments | | **1,805,478** | 8,844,547 |
| Purchases of investments | | **(3,099,590)** | (11,615,357) |
| Decrease (increase) in prepaids and receivables | | **(7,061)** | 20,817 |
| Decrease (increase) in due from brokers | | **(1,104)** | 588,573 |
| Increase (decrease) in accounts payable and accrued liabilities | | **(159,333)** | 98,577 |
| Increase (decrease) in due to brokers | | **(561,653)** | 561,653 |
| | | **(3,001,831)** | (2,778,963) |
| **Cash flows from financing activities** | | | |
| Proceeds pursuant to private placement financings, net | 10(b) | **2,676,419** | - |
| Proceeds pursuant to the exercise of warrants | 10(e) | **320,000** | - |
| | | **2,996,419** | - |
| **Cash flows used in investing activities** | | | |
| Expenditures on exploration and evaluation assets, net | | **-** | (11,000) |
| Proceeds on sale of exploration and evaluation assets | 5 | **10,000** | 17,000 |
| Purchase of property, plant and equipment | | **(4,676)** | (3,382) |
| | | **5,324** | 2,618 |
| **Net decrease in cash during the year** | | **(88)** | (2,776,345) |
| **Exchange rate changes on foreign currency cash balances** | | **43** | 219,224 |
| **Cash, beginning of year** | | **22,018** | 2,579,139 |
| **Cash, end of year** | | **$ 21,973** | $ 22,018 |
| **Supplemental cash flow information** | | | |
| Income taxes paid | | **$ -** | $ - |
| Finance expense paid | | **13,789** | 30,429 |



See accompanying notes to the consolidated financial statements.

## 1. Nature of business and going concern uncertainty:

ThreeD Capital Inc. ("ThreeD" or the "Company") is a publicly-traded Canadian-based venture capital firm focused on opportunistic investments in companies in the junior resources, technology and biotechnology markets. 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.

These consolidated financial statements were approved for issuance by the Company's board of directors on October 12, 2017.

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 but has incurred a net income for the year ended June 30, 2017 of $2,701,471 (2016 – net loss of $7,529,961) and has an accumulated deficit of $118,121,206 (2016 - $120,822,634). The Company is a junior venture capital firm and is subject to risks and challenges similar to other companies in a comparable stage. These risks include, but are not limited to, dependence on key individuals, investment risks, market risks, illiquid securities and the ability to maintain adequate cash flows, exchange rate fluctuations and continuing as a going concern. Cash on hand is currently not adequate to cover expected expenditures for the 12-month period ended June 30, 2018 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 indicate material uncertainties that 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 or be unable to realize its assets and discharge its liabilities in the normal course of business. 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.

**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, non-operating 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 income (loss) from the date that the Company gains control until the date that the Company ceases to control the subsidiary.

## 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) 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 6(b) for further details.

(ii) 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 6(b) for further details.

**2. Basis of preparation (continued):**

(iii) 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(c) for further details.

(iv) Warrants:

The Company uses the Black-Scholes option pricing model to calculate the value of warrants issued as part of the Company's private placements. The Black-Scholes model requires six key inputs to determine a value for a warrant: risk free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life and expected volatility. Certain of the inputs are estimates which involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. For example, a longer expected life of the warrant or a higher volatility number used would result in an increase in the warrant value. Refer to Note 10(b,e) for further details.

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

(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.

**2. Basis of preparation (continued):**

(ii) 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.

(iii) 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.

(iv) 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. As at June 30, 2017, the Company's percentage holding in two of its investees, New Found Gold Corp. ("NFG"), a private Ontario resource holding and exploration company, was 24% (2016 – 26%) and Goldspot Discoveries Inc. ("Goldspot"), a private Quebec machine learning exploration company was 22% (2016 – nil).

As at June 30, 2017 and 2016, the Company did not have the following: representation on the board of NFG or Goldspot, participate in the policy-making process, material transactions between the Company and investees, interchange of managerial personnel, provision of essential technical information and operating involvement. Accordingly, the Company determined that it does not have significant influence in NFG or Goldspot.

## 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) 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 income (loss) and comprehensive income (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 income (loss) and comprehensive income (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. Significant accounting policies (continued):**

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).

   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.

**3. Significant accounting policies (continued):**

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;

**3. Significant accounting policies (continued):**

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.

(b) 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.

(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 income (loss) and comprehensive income (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 income (loss) and comprehensive income (loss) as incurred.

**3. Significant accounting policies (continued):**

Dividend income is recorded on the ex-dividend date and when the right to receive the dividend has been established. Interest income and other income are recorded on an accrual basis.

(d) 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.

(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 income (loss) and comprehensive income (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 income (loss) in the consolidated statement of income (loss) and comprehensive income (loss).

**3. Significant accounting policies (continued):**

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 income (loss) in the consolidated statement of income (loss) and comprehensive income (loss).

When a foreign entity is sold, such exchange differences are reclassified to income or loss in the consolidated statement of income (loss) and comprehensive income (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.

(e) 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.

(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) 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 fulfilment 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 income (loss) and comprehensive income (loss) on a straight-line basis over the lease term.

(h) 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.

**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 income (loss) and comprehensive income (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.

**3. Significant accounting policies (continued):**

(i) Stock-based compensation plan:

The Company has a stock option plan that is described in Note 10(c). 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 (" 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.

**3. Significant accounting policies (continued):**

(j) 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.

(k) 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 income (loss) and comprehensive income (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.

(l) 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.

**3. Significant accounting policies (continued):**

(m) 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 years, 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, 2017 and 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.

(n) Provisions:

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.

(o) 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 |
| Computer equipment | 30% | 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.

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 income (loss) and comprehensive income (loss). A previously recognized impairment loss is reversed only

**3. Significant accounting policies (continued):**

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 income (loss) and comprehensive income (loss).

(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.

(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.

**4. Changes in accounting polices:**

Effective July 1, 2016, the Company has adopted amendments to IAS 16, *Property, Plant and Equipment* ("IAS 16") and IAS 38, *Intangible Assets* ("IAS 38"). These changes were made in accordance with the applicable transitional provisions for which there was no impact on the Company's consolidated financial statements for the year ended June 30, 2017.

**(Prepared in Canadian dollars)**

## 5. Exploration and evaluation assets:

(a) 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. 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.

In December 2016, the Company sold its remaining 50% interest in the exploration licenses of the Rimouski and Rimouski North properties for gross proceeds of $10,000. Included in the consolidated statement of income and comprehensive income for the year ended June 30, 2017 is other income of $9,997 on the sale of the exploration licenses.

(b) 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. 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.

As at June 30, 2017, the Company no longer has any exploration and evaluation assets.

## 6. Investments at fair value and financial instruments hierarchy:

(a) The fair value and cost of investments are as follows as at June 30, 2017:

| | Fair Value | Cost |
|---|---|---|
| **2017** | **$ 7,142,584** | **$ 4,654,809** |
| 2016 | 1,957,007 | 8,440,470 |

(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).

**(Prepared in Canadian dollars)**

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

(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, 2017 and 2016:

| Investments, at fair value | Level 1 Quoted market price | Level 2 Valuation technique – observable market inputs | Level 3 Valuation technique – non-observable market inputs | Total |
|---|---|---|---|---|
| **2017** | **$ 582,554** | **$ 317,385** | **$ 6,242,645** | **$ 7,142,584** |
| 2016 | 1,692,007 | - | 265,000 | 1,957,007 |

Level 2 includes common stock of public issuers, whose resale is currently restricted. These securities typically have a 120-day hold period and are valued by applying a discount against the price of the unrestricted public stock price. Once the restriction has elapsed, these securities will become Level 1 securities. This represents the only type of transfer between Levels during the current year.

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the years ended June 30, 2017 and 2016. 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 gains (losses) are recognized in the consolidated statements of income (loss) and comprehensive income (loss).

| | Opening balance at July 1, | Purchases | Proceeds on dispositions | Realized losses on dispositions | Net unrealized gains (losses) | Ending balance |
|---|---|---|---|---|---|---|
| **2017** | **$ 265,000** | **$ 495,672** | **$ (39,450)** | **$ (260,550)** | **$ 5,781,973** | **$ 6,242,645** |
| 2016 | 200,000 | 427,501 | - | - | (362,501) | 265,000 |

**(Prepared in Canadian dollars)**

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

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

| **Description** | **Fair value at June 30, 2017** | **Valuation technique** | **Unobservable input** | **% of Investments** | **Sensitivity to changes in significant unobservable inputs (%)** |
|---|---|---|---|---|---|
| Unlisted private equities | **$ 5,600,000** | Grey market activity | New transaction price | **78.4** | Additional grey market activity |
| Unlisted private equities | **642,645** | Grey market activity | New investment during the period | **9.0** | Additional grey market activity |
| | **$ 6,242,645** | | | **87.4** | |

| 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 | |

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 +/- nil (2016 - $25,000) change in the total fair value of the investments. 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.

**(Prepared in Canadian dollars)**

## 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:

| | | **2017** | | 2016 |
|---|---|---|---|---|
| Cash | **$** | **21,973** | $ | 22,018 |
| Due from brokers | | **1,104** | | - |
| Receivables | | **25,551** | | 21,653 |
| Accounts payable and accrued liabilities | | **(175,110)** | | (334,443) |
| Due to brokers | | **-** | | (561,653) |
| | **$** | **(126,482)** | $ | (852,425) |

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.

## 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** | | **2017** | | 2016 |
|---|---|---|---|---|
| Salaries and consulting fees | **$** | **429,000** | $ | 429,000 |
| Other short-term benefits | | **7,554** | | 14,766 |
| Stock-based compensation expense (8(c,d)) | | **161,287** | | - |
| | **$** | **597,841** | $ | 443,766 |

Key management personnel are the Chairman/Chief Executive Officer ("CEO"), Chief Financial Officer/Corporate Secretary ("CFO") and Vice-President of Business Development and General Council ("VP").

(b) As at June 30, 2017, included in accounts payable and accrued liabilities is nil (2016 - $234,616) relating to consulting fees due to the CEO and CFO.

(c) On January 16, 2017, the Company granted 2,523,000 options to directors and officers of the Company, exercisable at $0.15 per share expiring on January 16, 2022.

(d) On April 5, 2017, the Company granted 250,000 options to a director and 250,000 options to an officer of the Company, exercisable at $0.15 per share expiring on April 5, 2022.

**(Prepared in Canadian dollars)**

## 8. Related party transactions (continued):

(e) During the year ended June 30, 2017, the Company completed five non-brokered private placements as described in Note 10(b). Related parties participated in the private placements as follows:

(i) The CEO and CFO subscribed for 2,700,000 units for gross proceeds of $135,000 pursuant to the Company's private placement in August 2016 (Note 10(b)).

(ii) The CEO and directors of the Company subscribed for 1,500,000 units for gross proceeds of $50,000 pursuant to the first tranche of the private placement in December 2016 (Note 10(b)). The CEO subscribed for 250,000 units for gross proceeds of $25,000 pursuant to the final tranche of the Company's private placement in December 2016 (Note 10(b)).

(iii) An insider (a shareholder who owns +10% on partially-diluted basis of the Company) and a director of the Company subscribed for 677,000 units for gross proceeds of $88,010 pursuant to the Company's private placement in February 2017 (Note 10(b)).

(iv) A director of the Company subscribed for 100,000 units for gross proceeds of $10,000 pursuant to the Company's private placement in May 2017 (Note 10(b)).

## 9. Property, plant and equipment:

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

| | **2017** | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Cost** | **Accumulated amortization** | **Net book value** | Cost | Accumulated amortization | Net book value |
| Furniture and equipment | **$ 39,394** | **$ 25,320** | **$ 14,074** | $ 21,847 | $ 4,254 | $ 17,593 |
| Computer equipment | **4,676** | **701** | **3,975** | - | - | - |
| | **$ 44,070** | **$ 26,021** | **$ 18,049** | $ 21,847 | $ 4,254 | $ 17,593 |

## 10. Equity:

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

**(Prepared in Canadian dollars)**

**10. Equity (continued):**

(b) During the year ended June 30, 2017, the Company completed five non-brokered private placements as follows (see also Note 8(e)):

| Date | Total proceeds | Issuance costs (ii) | Number common shares | Number of warrants | Exercise price warrants | Expiry date of warrants |
|---|---|---|---|---|---|---|
| August 17, 2017 | $ 600,000 | $ 8,894 | 12,000,000 | 12,000,000 | $ 0.10 | August 17, 2019 |
| December 1, 2016 (i) | 750,000 | - | 7,500,000 | 7,500,000 | 0.15 | December 1, 2019 |
| December 8, 2016 (i) | 150,000 | 26,132 | 1,500,000 | 1,500,000 | 0.15 | December 8, 2019 |
| February 21, 2017 | 617,890 | 6,527 | 4,753,000 | 4,753,000 | 0.20 | February 21, 2020 |
| April 6, 2017 | 225,000 | 2,647 | 1,500,000 | 1,500,000 | 0.20 | April 6, 2020 |
| May 19, 2017 | 380,000 | 2,270 | 3,800,000 | 3,800,000 | 0.15 | May 19, 2020 |

(i) This private placement was completed in two tranches raising total proceeds of $900,000.

(ii) These expenses have not been tax affected.

The purchase warrants issued during the year ended June 30, 2017 were valued using the Black-Scholes option pricing model with the following assumptions (Note 10(e)):

| Black-Scholes option valuation model assumptions used: | August 17, 2016 | December 1, 2016 | December 8, 2016 | February 21, 2017 | April 6, 2017 | May 19, 2017 |
|---|---|---|---|---|---|---|
| Expected volatility | 112.66% | 112.66% | 112.66% | 112.66% | 112.66% | 112.66% |
| Expected dividend yield | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Risk-free interest rate | 0.57% | 0.81% | 0.78% | 0.93% | 0.82% | 0.74% |
| Expected option life in years | 3 | 3 | 3 | 3 | 3 | 3 |
| Fair value per warrant issued net of share issuance costs | $ 0.012 | $ 0.026 | $ 0.025 | $ 0.044 | $ 0.053 | $ 0.035 |

The expected volatility is based on the average historical volatility over the life of the warrants at the Company's share price. The Company has not paid any cash dividends historically and has no plans to pay cash dividends in the foreseeable future. The risk-free interest rate is based on the yield of Canadian Benchmark Bonds with equivalent terms. The expected warrant life in years represents the period of time that the warrants are expected to be outstanding based on historical warrants issued. The total value (net of share issuance costs) assigned to the purchase warrants was $788,981.

**(Prepared in Canadian dollars)**

## 10. Equity (continued):

(c) 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.

During the year ended June 30, 2017, the Company granted 3,923,000 stock options to directors, officers, employees and consultants of the Company, exercisable at $0.15 per share expiring between January 16, 2022 and April 20, 2022.

The fair value of the options granted during the year ended June 30, 2017 was estimated at the date of grant using the Black-Scholes option valuation model with the following assumptions:

| Black-Scholes option valuation model assumptions used (weighted average) | |
|---|---|
| Expected volatility | **112.66%** |
| Expected dividend yield | **0%** |
| Risk-free interest rate | **0.93% - 0.99%** |
| Expected option life in years | **4.1 years** |
| Expected forfeiture rate | **4.2%** |
| Fair value per stock option granted on January 16, 2017 | **$ 0.10** |
| Fair value per stock option granted on April 5, 2017 | **$ 0.10** |
| Fair value per stock option granted on April 20, 2017 | **$ 0.10** |

The expected volatility is based on the average historical volatility over the life of the option at ThreeD's share price. The Company has not paid any cash dividends historically and has no plans to pay cash dividends in the foreseeable future. The risk-free interest rate is based on the yield of Canadian Benchmark Bonds with equivalent terms. The expected option life in years represents the period of time that options granted are expected to be outstanding based on historical options granted.

For the year ended June 30, 2017, included in operating, general and administrative expenses is stock-based compensation of $217,246 (2016 - $nil) relating to the stock options granted to directors, officers, employees and consultants of the Company.

**(Prepared in Canadian dollars)**

## 10. Equity (continued):

A summary of the status of the Company's stock options as at June 30, 2017 and 2016 and changes during the years then ended is presented below:

| Stock options | **2017** # of options | **2017** Weighted average exercise price | 2016 # of options | 2016 Weighted average exercise price |
|---|---|---|---|---|
| Outstanding, at beginning of year | **399,000** | **$ 2.12** | 705,500 | $ 3.80 |
| Granted | **3,923,000** | **0.15** | - | - |
| Expired | **(120,000)** | **4.00** | (306,500) | 5.99 |
| Outstanding, at end of year | **4,202,000** | **$ 0.23** | 399,000 | $ 2.12 |
| Exercisable, at end of year | **807,829** | **$ 0.55** | 399,000 | $ 2.12 |

The following table summarizes information about stock options outstanding and exercisable as at June 30, 2017:

| Number of options outstanding | Number of options exercisable | Exercise price | Expiry date |
|---|---|---|---|
| **126,500** | **126,500** | **$ 1.70** | November 28, 2017 |
| **152,500** | **152,500** | **1.00** | September 9, 2018 |
| **3,173,000** | **528,829** | **0.15** | January 16, 2022 |
| **500,000** | **-** | **0.15** | April 5, 2022 |
| **250,000** | **-** | **0.15** | April 20, 2022 |
| **4,202,000** | **807,829** | | |

(d) Contributed surplus comprised the following as at June 30, 2017 and 2016:

| | **2017** | 2016 |
|---|---|---|
| Stock-based compensation | **$ 10,329,170** | $ 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 |
| | **$ 24,771,754** | $ 24,554,508 |

(e) There were no warrants outstanding as at or during the year ended June 30, 2016. A summary of the status of the Company's warrants as at June 30, 2017 and the changes during the year then ended are as follows:

| Warrants | **2017** # of warrants | **2017** Weighted average exercise price |
|---|---|---|
| Outstanding, at beginning of year | **-** | **$ -** |
| Issued | **31,053,000** | **0.14** |
| Exercised | **(3,200,000)** | **0.10** |
| Outstanding, at end of year | **27,853,000** | **$ 0.15** |

**(Prepared in Canadian dollars)**

**10. Equity (continued):**

The following table summarizes information about warrants outstanding as at June 30, 2017:

| Number of warrants | Exercise price | Expiry date | Warrant value ($) |
|---|---|---|---|
| **8,800,000** | $ 0.10 | August 17, 2019 | $ 101,997 |
| **7,500,000** | 0.15 | December 1, 2019 | 192,105 |
| **1,500,000** | 0.15 | December 8, 2019 | 36,849 |
| **4,753,000** | 0.20 | February 21, 2020 | 211,155 |
| **1,500,000** | 0.20 | April 6, 2020 | 78,713 |
| **3,800,000** | 0.15 | May 19, 2020 | 131,072 |
| **27,853,000** | | | $ 751,891 |

(f) Basic and diluted earnings (loss) per common share based on net income (loss) for the years ended June 30:

| **Numerator:** | **2017** | 2016 |
|---|---|---|
| Net income (loss) for the year | **$ 2,701,428** | **$** (7,529,961) |

| **Denominator:** | **2017** | 2016 |
|---|---|---|
| Weighted average number of common shares outstanding – basic | **32,084,711** | 12,979,404 |
| Weighted average effect of diluted stock options and warrants (i) | **9,250,815** | - |
| Weighted average number of common shares outstanding – diluted | **41,335,526** | 12,979,404 |

| **Earnings (loss) per common share based on net income (loss) for the year:** | **2017** | 2016 |
|---|---|---|
| Basic | **$ 0.08** | $ (0.58) |
| Diluted | **0.07** | (0.58) |

(i) The determination of the weighted average number of common shares outstanding – diluted excludes 23,255,000 shares related to convertible securities that were anti-dilutive for the year ended June 30, 2017 (2016 – 399,000).

(g) 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:

| | **2017** | 2016 |
|---|---|---|
| Common shares outstanding | **47,232,404** | 12,979,404 |
| Warrants to purchase common shares | **27,853,000** | - |
| Stock options to purchase common shares | **4,202,000** | 399,000 |
| Fully diluted common shares outstanding | **79,287,404** | 13,378,404 |

**(Prepared in Canadian dollars)**

## 11. Income tax expense and deferred taxes:

(a) Income tax expense attributable to income (loss) before income taxes differs from the amounts computed by applying the combined federal and provincial tax rate of 26.50% (2016 – 26.50%) of pre-tax income as a result of the following:

| | | **2017** | | 2016 |
|---|---|---|---|---|
| Income (loss) before income taxes | **$** | **2,701,428** | $ | (7,529,961) |
| Computed "expected" income tax expense (recovery) | **$** | **715,878** | $ | (1,995,440) |
| Non-deductible portion of capital losses | | **258,773** | | 338,825 |
| Non-taxable portion of unrealized gains | | **(987,552)** | | (55,380) |
| Permanent and other differences | | **(324,590)** | | 26,529 |
| Net deferred tax assets not recognized | | **337,491** | | 1,685,466 |
| Income tax expense | **$** | **-** | $ | - |

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

| | | **2017** | | 2016 |
|---|---|---|---|---|
| Current income tax expense | **$** | **-** | $ | - |
| | | **-** | | - |
| Deferred taxes | | | | |
| Income taxes – origination and reversal of temporary differences | | **(337,491)** | | (1,685,466) |
| Relating to unrecognized temporary differences | | **337,491** | | 1,685,466 |
| | | **-** | | - |
| Income tax expense | **$** | **-** | $ | - |

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

| | | **2017** | | 2016 |
|---|---|---|---|---|
| Non-capital losses carry-forward | **$** | **7,190,419** | $ | 6,105,463 |
| Exploration and evaluation assets tax pools | | **5,070,053** | | 5,070,053 |
| Capital losses carry-forward | | **4,609,708** | | 4,350,743 |
| Share issuance costs and other differences | | **776,418** | | 766,796 |
| Investments | | **(112,349)** | | 729,962 |
| | **$** | **17,534,249** | $ | 17,023,017 |

As at June 30, 2017, the Company has approximately $834,000 (2016 - $834,000) of Canadian resource deductions and $18,298,000 (2016 - $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.

**(Prepared in Canadian dollars)**

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

As at June 30, 2017, the Company has approximately $34,790,000 of capital losses (2016 - $32,836,000) and $21,355,000 (2016 - $17,226,000) 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 | 942,000 |
| 2037 | 4,128,000 |
| | $ 21,355,000 |

In addition, the Company has unclaimed non-capital losses of approximately US$47,204,000 in Barbados that expires from 2017 to 2025.

## 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.

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

All of the Company property, plant and equipment are located in Canada and no segmented information has been disclosed as at and for the years ended June 30, 2017 and 2016.

## 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 $7,166 per month due to an increase in the building operating costs.

**(Prepared in Canadian dollars)**

## 13. Commitments (continued):

As at June 30, 2017, future minimum annual lease payments under operating leases for premises and equipment are approximately as follows:

| | | |
|---|---|---|
| 2018 | $ | 77,000 |
| 2019 | | 4,450 |
| | **$** | **81,450** |

## 14. Expenses by nature:

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

| | | **2017** | | 2016 |
|---|---|---|---|---|
| Salaries and consulting fees | **$** | **662,783** | $ | 647,083 |
| Stock-based compensation expense | | **217,246** | | - |
| Operating lease payments | | **82,004** | | 82,210 |
| Professional fees | | **58,106** | | 67,864 |
| Other office and general | | **56,667** | | 75,044 |
| Shareholder relations, transfer agent and filing fees | | **36,174** | | 32,380 |
| Transaction costs | | **32,902** | | 92,282 |
| Other employment benefits | | **21,270** | | 28,483 |
| Travel and promotion | | **14,814** | | 27,422 |
| Foreign exchange expense | | **11,882** | | 220,833 |
| Exploration expenses, net | | **-** | | 1,811 |
| | **$** | **1,193,848** | $ | 1,275,412 |

## 15. Management of capital:

The Company considers its capital to include equity which amounts to $7,084,187 on June 30, 2017 (2016 - $1,169,051). 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 its broker;

(b) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining the Company's ability to purchase new investments;

(c) to give shareholders sustained growth in shareholder value by increasing shareholders' equity; and

(d) to maintain a flexible capital structure that optimizes the cost of capital at acceptable levels of risk.

## 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, 2017. 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, 2017.

## 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, 2017 and 2016, 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, 2017. The Company manages its market risk by having a portfolio that is not singularly exposed to any one issuer or class/sector of issuers.

**(Prepared in Canadian dollars)**

## 16. Risk management (continued):

The following table shows the estimated sensitivity of the Company's after-tax net income for the year ended June 30, 2017 from a change in the closing trade price of the Company's investments with all other variables held constant as at June 30, 2017:

| **Percentage of change in closing trade price** | **Increase in after-tax net income from % increase in closing trade price** | **Decrease in after-tax net income from % decrease in closing trade price** |
|---|---|---|
| **2%** | **$ 123,924** | **$ (123,924)** |
| **4%** | **247,848** | **(247,848)** |
| **6%** | **371,771** | **(371,771)** |
| **8%** | **495,695** | **(495,695)** |
| **10%** | **619,619** | **(619,619)** |

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 after-tax net loss from % increase in closing trade price | Increase in after-tax net 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) |

(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, 2017 and 2016, 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, 2017. 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.

**(Prepared in Canadian dollars)**

**16. Risk management (continued):**

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

| | **2017** | 2016 |
|---|---|---|
| Cash | **$ 21,973** | $ 22,018 |
| Due from brokers | **1,104** | - |
| Receivables (i) | **25,551** | 21,653 |
| | **$ 48,628** | $ 43,671 |

(i) As at June 30, 2017, included in receivables is $17,641 (2016 - $21,653) relating to 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, 2017. The Company manages liquidity risk by reviewing the amount of margin available on a daily basis and managing its cash flow. The Company holds some investments that can be converted into cash when required.

As at June 30, 2017, the Company was using margin of nil (2016 – $561,653).

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at June 30, 2017:

| | **Payments due by period** | | | | |
|---|---|---|---|---|---|
| **Liabilities and obligations** | **Total** | **Less than 1 year** | **1 – 3 years** | **4 – 5 years** | **After 5 years** |
| Accounts payable and accrued liabilities (i) | **$ 175,110** | **$ 175,110** | **$ -** | **$ -** | **$ -** |

(i) Included in accounts payable and accrued liabilities is an advance of $100,000 from a third-party for the Company's non-brokered private placement which closed on July 5, 2017.

## 16. Risk management (continued):

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

| Liabilities and obligations | Total | Less than 1 year | 1 – 3 years | 4 – 5 years | After 5 years |
|---|---|---|---|---|---|
| | Payments due by period | | | | |
| 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 source of liquidity by assets as at June 30, 2017:

| **Assets** | **Total** | **Less than 1 year** | **1 – 3 years** | **After 4 years** | **Non-liquid assets** |
|---|---|---|---|---|---|
| | **Liquidity by period** | | | | |
| Cash | **$ 21,973** | **$ 21,973** | **$ -** | **$ -** | **$ -** |
| Due from brokers | **1,104** | **1,104** | **-** | **-** | **-** |
| Prepaids and receivables | **75,587** | **25,551** | **-** | **-** | **50,036** |
| Investments, at fair value | **7,142,584** | **899,939** | **6,242,645** | **-** | **-** |
| Property, plant and equipment | **18,049** | **-** | **-** | **-** | **18,049** |
| | **$ 7,259,297** | **$ 948,567** | **$ 6,242,645** | **$ -** | **$ 68,085** |

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

| Assets | Total | Less than 1 year | 1 – 3 years | After 4 years | Non-liquid assets |
|---|---|---|---|---|---|
| | Liquidity by period | | | | |
| Cash | $ 22,061 | $ 22,061 | $ - | $ - | $ - |
| Prepaids 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 |

(d) Currency risk:

The Company presently holds funds in Canadian dollars but some 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.

## 16. Risk management (continued):

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

| | **2017** | 2016 |
|---|---|---|
| Denominated in U.S. dollars: | | |
| Cash | **$ 504** | $ 4,476 |
| Due from brokers | **15** | - |
| Accounts payable and accrued liabilities | **(28,212)** | (26,396) |
| Due to brokers | **-** | (453,204) |
| Net assets denominated in U.S. dollars | **$ (27,693)** | $ (475,124) |

The following table shows the estimated sensitivity of the Company's after-tax net income for the year ended June 30, 2017 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, 2017:

| **Percentage change in U.S. dollar exchange rate** | **Decrease in after-tax net income from an increase in % in the U.S. dollar exchange rate** | **Increase in after-tax net income from a decrease in % in the U.S. dollar exchange rate** |
|---|---|---|
| **2%** | **$ (407)** | **$ 407** |
| **4%** | **(814)** | **814** |
| **6%** | **(1,221)** | **1,221** |
| **8%** | **(1,628)** | **1,628** |
| **10%** | **(2,035)** | **2,035** |

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 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 after-tax net loss from an increase in % in the U.S. dollar exchange rate | Decrease in after-tax net 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 |

## 17. Future accounting changes:

At the date of authorization of these consolidated financial statements, the IASB and the International Financial Reporting Interpretations Committee ("IFRIC") 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.

## 17. Future accounting changes (continued):

(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. 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. 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) IFRS 2, *Share-based payments* ("IFRS 2") - In June 2016, the IASB issued final amendments to IFRS 2, which clarifies how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: (i) the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classifications of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of adopting these amendments 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. 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, 2017.

## 19. Subsequent events:

(a) Subsequent to June 30, 2017, the Company completed a non-brokered private placement financing raising gross proceeds of $300,000 through the issuance and sale of 3,000,000 units at a price of $0.10 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 $0.15 per share on or before July 5, 2020.

(b) Subsequent to June 30, 2017, the Company entered into an agreement with Agora Internet Relations Corp. ("Agora") pursuant to which Agora will provide marketing, advertising and related services to the Company for a fee of $40,000 to be paid by the issuance of common shares of the Company. The fee is payable in five installments of $8,000 each with the first Installment to be paid on August 2, 2017, and the subsequent installments to become payable at the end of each three-month period thereafter. The price of the common shares to be issued as payment for each installment will be set at the closing price of the common shares on the date which such installment becomes payable. The first installment was paid by the issuance of 72,727 common shares at a price of $0.11 per share for an aggregate price of $8,000.