

**Consolidated Financial Statements of**

**ThreeD  
Capital**

**Years ended June 30, 2018 and 2017  
(Prepared in Canadian dollars)**

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**Contents**

<b>Independent Auditors' Report</b>	<b>2</b>
<b>Consolidated Financial Statements:</b>	
<b>Consolidated Statement of Financial Position</b>	<b>3</b>
<b>Consolidated Statement of Income and     Comprehensive Income</b>	<b>4</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>5</b>
<b>Consolidated Statement of Cash Flows</b>	<b>6</b>
<b>Notes to the Consolidated Financial Statements</b>	<b>7 - 47</b>

## Independent Auditors' Report

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To the Shareholders of ThreeD Capital Inc.:

We have audited the accompanying financial statements of ThreeD Capital Inc., which comprise the consolidated statement of financial position as at June 30, 2018, and the consolidated statement of income and comprehensive income, changes in equity and cash flows for the year 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 financial statements, in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit 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 auditor considers 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 audit is sufficient and appropriate to provide a basis for our audit opinion.

### ***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, 2018, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

### ***Other Matter***

The consolidated financial statements of ThreeD Capital Inc. as at June 30, 2017 and for the year then ended, were audited by other auditors who expressed an unmodified opinion on those consolidated financial statements on October 12, 2017.

Toronto, Ontario  
October 26, 2018

*MNP LLP*

Chartered Professional Accountants  
Licensed Public Accountants

**MNP**

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

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<b>Assets</b>			
Cash	7	\$ 146,130	\$ 21,973
Due from brokers	7	554	1,104
Prepays and receivables	7	259,560	75,587
Investments, at fair value	5	17,117,728	7,142,584
Digital assets, at fair value less cost to sell	6	2,397,220	-
Property, plant and equipment		14,666	18,049
		<u>\$ 19,935,858</u>	<u>\$ 7,259,297</u>
<b>Liabilities and Equity</b>			
Accounts payable and accrued liabilities	7	\$ 106,899	\$ 175,110
Due to brokers	7	791,619	-
		<u>898,518</u>	<u>175,110</u>
<b>Equity</b>			
Share capital	10(a)	106,680,839	98,842,373
Contributed surplus	10(f)	26,574,558	24,771,754
Warrants	10(g)	2,112,781	751,891
Foreign currency translation reserve		875,797	839,375
Deficit		<u>(117,206,635)</u>	<u>(118,121,206)</u>
		<u>19,037,340</u>	<u>7,084,187</u>
		<u>\$ 19,935,858</u>	<u>\$ 7,259,297</u>

Contingent liability 19

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

"Alan Myers" Director

"Sheldon Inwentash" Director

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**THREED CAPITAL INC.****Consolidated Statement of Income and Comprehensive Income****Years Ended June 30,****(Prepared in Canadian dollars)**

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	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<b>Net investment and digital currency gains</b>			
Net realized losses on disposal of investments		\$ (2,196,082)	\$ (5,079,773)
Net change in unrealized gains on investments		5,997,054	8,971,238
Net realized gains on disposal of digital assets		1,453,964	-
Net change in unrealized losses on digital assets		(413,045)	-
		<u>4,841,891</u>	3,891,465
<b>Interest and other income</b>		<u>160,084</u>	17,600
		<u>5,001,975</u>	3,909,065
<b>Expenses</b>			
Operating, general and administrative	8, 10(e), 14	4,076,038	1,193,848
Finance expenses	15	11,366	13,789
		<u>4,087,404</u>	1,207,637
<b>Income before income taxes</b>		<u>914,571</u>	2,701,428
<b>Income tax expense</b>		<u>-</u>	-
<b>Net income for the year</b>		<u>914,571</u>	2,701,428
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		36,422	43
<b>Total comprehensive income for the year</b>		<u>\$ 950,993</u>	<u>\$ 2,701,471</u>
<b>Earnings per common share based on net income for the year</b>	10(h)		
Basic		<u>\$ 0.01</u>	<u>\$ 0.08</u>
Diluted		<u>\$ 0.01</u>	<u>\$ 0.07</u>
<b>Weighted average number of common shares outstanding</b>	10(h)		
Basic		80,296,071	32,084,711
Diluted		96,226,967	41,335,526

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See accompanying notes to the consolidated financial statements.

**THREED CAPITAL INC.**  
**Consolidated Statement of Changes in Equity**  
**Years Ended June 30, 2018 and 2017**  
**(Prepared in Canadian dollars)**

		Number of shares	Share capital	Warrants	Contributed surplus	Foreign currency translation reserve	Deficit	Total equity
<b>Balance as at June 30, 2016</b>	<b>Notes</b>	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		-	-	-	217,246	-	-	217,246
Issued pursuant to the exercise of warrants		3,200,000	357,090	(37,090)	-	-	-	320,000
Issued pursuant to private placements, net		31,053,000	1,887,438	788,981	-	-	-	2,676,419
<b>Balance as at June 30, 2017</b>		47,232,404	\$ 98,842,373	\$ 751,891	\$ 24,771,754	\$ 839,375	\$ (118,121,206)	\$ 7,084,187
Net income for the year		-	-	-	-	-	<b>914,571</b>	<b>914,571</b>
Exchange differences on translation of foreign operations		-	-	-	-	<b>36,422</b>	-	<b>36,422</b>
Total comprehensive income for the year		-	-	-	-	<b>36,422</b>	<b>914,571</b>	<b>950,993</b>
Stock-based compensation expense	10(e)	-	-	-	<b>1,828,956</b>	-	-	<b>1,828,956</b>
Issued pursuant to exercise of stock options	10(e)	<b>274,998</b>	<b>65,318</b>	-	<b>(26,152)</b>	-	-	<b>39,166</b>
Issued pursuant to the exercise of warrants	10(g)	<b>27,591,000</b>	<b>4,590,620</b>	<b>(743,120)</b>	-	-	-	<b>3,847,500</b>
Issued pursuant to private placements, net	10(b)	<b>42,798,230</b>	<b>3,165,488</b>	<b>2,104,010</b>	-	-	-	<b>5,269,498</b>
Issued pursuant to marketing services	10(d)	<b>139,690</b>	<b>17,040</b>	-	-	-	-	<b>17,040</b>
<b>Balance as at June 30, 2018</b>		<b>118,036,322</b>	<b>\$ 106,680,839</b>	<b>\$ 2,112,781</b>	<b>\$ 26,574,558</b>	<b>\$ 875,797</b>	<b>\$ (117,206,635)</b>	<b>\$ 19,037,340</b>

See accompanying notes to the consolidated financial statements.

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

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<b>Cash flows used in operating activities</b>			
Net income for the year		\$ 914,571	\$ 2,701,428
Items not affecting cash			
Net realized losses on disposal of investments		2,196,082	5,079,773
Net change in unrealized gains on investments		(5,997,054)	(8,971,238)
Net realized gains on disposal of digital currencies		(1,453,964)	-
Net change in unrealized losses on digital currencies		413,045	-
Gain on sale of exploration and evaluation assets		-	(9,997)
Issue of share capital pursuant to marketing services	10(d)	17,040	-
Stock-based compensation expense	10(e)	1,828,956	217,246
Depreciation		5,039	4,220
		<u>(2,076,285)</u>	<u>(978,568)</u>
Changes in non-cash working capital balances			
Proceeds on disposal of investments		13,172,873	1,805,478
Purchases of investments		(19,347,045)	(3,099,590)
Proceeds on disposal of digital assets		4,617,116	-
Purchases of digital assets		(5,973,417)	-
Increase in prepaids and receivables		(183,973)	(7,061)
Decrease (increase) in due from brokers		550	(1,104)
Decrease in accounts payable and accrued liabilities		(68,211)	(159,333)
Increase (decrease) in due to brokers		791,619	(561,653)
		<u>(9,066,773)</u>	<u>(3,001,831)</u>
<b>Cash flows from financing activities</b>			
Proceeds pursuant to private placement financings, net	10(b)	5,269,498	2,676,419
Proceeds pursuant to exercise of stock options		39,166	-
Proceeds pursuant to the exercise of warrants		3,847,500	320,000
		<u>9,156,164</u>	<u>2,996,419</u>
<b>Cash flows from (used in) investing activities</b>			
Proceeds on sale of exploration and evaluation assets		-	10,000
Purchase of property, plant and equipment		(1,656)	(4,676)
		<u>(1,656)</u>	<u>5,324</u>
<b>Net increase (decrease) in cash during the year</b>		<b>87,735</b>	<b>(88)</b>
<b>Exchange rate changes on foreign currency cash balances</b>		<b>36,422</b>	<b>43</b>
<b>Cash, beginning of year</b>		<b>21,973</b>	<b>22,018</b>
<b>Cash, end of year</b>		<b>\$ 146,130</b>	<b>\$ 21,973</b>
<b>Supplemental cash flow information</b>			
Income taxes paid		\$ -	\$ -
Finance expense paid		11,366	13,789
Non-cash financing activities			
Issue of share capital pursuant to marketing services	10(d)	17,040	-

See accompanying notes to the consolidated financial statements.

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# THREED CAPITAL INC.

## Notes to the Consolidated Financial Statements

June 30, 2018 and 2017

(Prepared in Canadian dollars)

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### 1. Nature of business:

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, Artificial Intelligence and Blockchain sectors. ThreeD seeks to invest in early stage, promising companies and initial coin offerings where it may be the lead investor and can additionally provide investees with advisory services, mentoring and access to the Company's ecosystem. 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 26, 2018.

### 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.

#### (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. and 2121197 Ontario Ltd. In December 2017, ThreeD dissolved its inactive wholly-owned subsidiary, Brownstone Comercializadora de Petroleo Ltda. 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;

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## **THREED CAPITAL INC.**

### **Notes to the Consolidated Financial Statements**

**June 30, 2018 and 2017**

**(Prepared in Canadian dollars)**

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

- (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 from the date that the Company gains control until the date that the Company ceases to control the subsidiary.

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:



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## **THREED CAPITAL INC.**

### **Notes to the Consolidated Financial Statements**

**June 30, 2018 and 2017**

**(Prepared in Canadian dollars)**

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

- (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 5(b) for further details.

- (ii) Fair value of financial derivatives:

The Company measures financial instruments, such as warrants, 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 are valued at intrinsic value that approximates fair value. Refer to Note 5(b) for further details.

- (iii) Measurement of digital assets, at fair value less cost to sell:

Digital assets consist of the following:

- a. electronic currency, coins, or alternative cryptocurrency coins (altcoins) - a type of currency only available in digital form;
- b. digital tokens – a representation of a particular asset or utility which are created and distributed to the public through an Initial Coin Offering (“ICO”). ICO is a means of crowdfunding, though the release of a new token to fund project development similar to an initial public offering for stocks; and
- c. Simple Agreement for Future Tokens (“SAFT”) – an agreement with a promise to distribute tokens to investors in the future (a token presale and not an ICO).

There are inherent and higher risks to digital assets including the risk associated with traditional securities, which include significant price volatility, the loss of the digital assets, fraud and high transaction fees.

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## **THREED CAPITAL INC.**

### **Notes to the Consolidated Financial Statements**

**June 30, 2018 and 2017**

**(Prepared in Canadian dollars)**

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

Where the fair values of digital assets 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.

(iv) Stock-based compensation expense:

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

(v) 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) 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.

**THREED CAPITAL INC.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2018 and 2017**  
**(Prepared in Canadian dollars)**

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

(ii) 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.

(iii) 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, 2018 and 2017, the Company's percentage holding in its private investees which are greater than 20% were as follows:

	Percentage Owned	
	2018	2017
<b>Private investees:</b>		
Casino Gold Corp.	<b>24%</b>	24%
Goldspot Discoveries Inc.	<b>16.5%</b>	22%
New Found Gold Corp.	<b>24%</b>	-
Radio Fuels Corp.	<b>24%</b>	-

As at June 30, 2018 and 2017, the Company did not have the following: representation on the board (except for 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 these investees.

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## **THREED CAPITAL INC.**

### **Notes to the Consolidated Financial Statements**

**June 30, 2018 and 2017**

**(Prepared in Canadian dollars)**

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#### **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.

(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 and comprehensive income. 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 and comprehensive income 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.

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## **THREED CAPITAL INC.**

### **Notes to the Consolidated Financial Statements**

**June 30, 2018 and 2017**

**(Prepared in Canadian dollars)**

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

The Company is also required to disclose details of its investments (and other financial assets and liabilities reported at fair value) within three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring the fair value, and to provide additional disclosure in connection therewith (see Note 5(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 5(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 5(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 5(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 5(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.

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## **THREED CAPITAL INC.**

### **Notes to the Consolidated Financial Statements**

**June 30, 2018 and 2017**

**(Prepared in Canadian dollars)**

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#### **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;

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## **THREED CAPITAL INC.**

### **Notes to the Consolidated Financial Statements**

**June 30, 2018 and 2017**

**(Prepared in Canadian dollars)**

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#### **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 as loans and receivable. They are 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) Digital assets at fair value less cost to sell:**

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 digital assets based on the criteria below and reflects such valuations in the consolidated financial statements.

- (i) Digital coins that are actively exchanged are measured using the closing price of the coin or token from [www.coinmarketcap.com](http://www.coinmarketcap.com). These are included in Level 2.

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## **THREED CAPITAL INC.**

### **Notes to the Consolidated Financial Statements**

**June 30, 2018 and 2017**

**(Prepared in Canadian dollars)**

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

- (ii) Digital tokens that are actively exchanged are measured based on inputs described in (i) and are included in Level 1. Digital tokens 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 are included in Level 2.
- (iii) Digital Coins and tokens which are not actively traded and purchases under SAFTs are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value (depending upon the circumstances) maybe adjusted using one or more valuation indicators (refer to the accounting policy for the fair value of a privately-held investments). These are included in Level 3.

(d) Revenue recognition:

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.

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 and comprehensive income. 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 and comprehensive income as incurred.

Purchases and sales of digital assets are recognized on the day in which the Company and the counterparty consummates the transaction. The Company also accepts and receives digital currency as consideration for services and in private placement financings. The digital assets are recorded on the statement of financial position, as digital assets, at their fair value less cost to sell and re-measured at each reporting date.

Realized gains and losses on disposal of digital assets and unrealized gains and losses in the value of digital assets are reflected in the consolidated statement of loss and comprehensive loss. Upon disposal of a digital currency, previously recognized unrealized gains or losses are reversed so as to recognize the full realized gain or loss in the period of disposition. Digital assets which are traded on an 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 digital currency, the Company considers the nature and length of the restriction. SAFTs 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 a SAFT may (depending upon the circumstances) be adjusted using one or more valuation indicators.



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## **THREED CAPITAL INC.**

### **Notes to the Consolidated Financial Statements**

**June 30, 2018 and 2017**

**(Prepared in Canadian dollars)**

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

All transaction costs associated with the acquisition and disposition of digital currency are expensed to the consolidated statement of loss and comprehensive loss as incurred. The Company records the revaluation of gains and losses in profit and loss because this is considered to be the most fair and accurate presentation of the Company's operations to the users of the financial statements.

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the purchase, sale or exchange of digital assets and management has exercised significant judgement in determining appropriate accounting treatment for the recognition of revenue transactions in digital assets. In the event authoritative guidance is enacted by the IASB, the Company may be required to change its policies which could result in a change in the Company's financial position and earnings. 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 valuation indicators.

(e) 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. The functional currency of Brownstone Ventures (Barbados) Inc. is U.S. dollars, the functional currency of 2121197 Ontario Ltd. is Canadian dollars and the functional currency of Brownstone Comercializadora de Petroleo Ltda. is Brazilian reals.

(ii) Transactions and balances:

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

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

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## **THREED CAPITAL INC.**

### **Notes to the Consolidated Financial Statements**

**June 30, 2018 and 2017**

**(Prepared in Canadian dollars)**

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

(iii) Translation of foreign operations:

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

1. Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
2. Share capital is translated using the exchange rate at the date of the transaction;
3. Revenue and expenses for each consolidated statement of income and comprehensive income 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 in the consolidated statement of income and comprehensive income.

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 in the consolidated statement of income and comprehensive income.

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

(f) Offsetting of financial instruments:

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

(g) Non-monetary transactions:

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

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## **THREED CAPITAL INC.**

### **Notes to the Consolidated Financial Statements**

**June 30, 2018 and 2017**

**(Prepared in Canadian dollars)**

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

(h) Leases:

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date. It requires consideration of whether the 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 and comprehensive income on a straight-line basis over the lease term.

(i) Income taxes:

(i) Current income tax:

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

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 and comprehensive income.

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**THREED CAPITAL INC.****Notes to the Consolidated Financial Statements****June 30, 2018 and 2017****(Prepared in Canadian dollars)**

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

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.

(j) Stock-based compensation plan:

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

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## **THREED CAPITAL INC.**

### **Notes to the Consolidated Financial Statements**

**June 30, 2018 and 2017**

**(Prepared in Canadian dollars)**

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

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, any expense not yet recognized for the vested options on the date of cancellation is recognized immediately.

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

(k) Earnings (loss) per common share:

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

(l) Financial liabilities:

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

Other financial liabilities are subsequently recognized at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period.

(m) Financial derivatives – options and warrants:

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

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**THREED CAPITAL INC.****Notes to the Consolidated Financial Statements****June 30, 2018 and 2017****(Prepared in Canadian dollars)**

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

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.

(n) Segment reporting:

Reportable segments are defined as components of an enterprise about which separate financial information is available, that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. During the year ended June 30, 2018 and 2017, the Company's operations primarily relate to investing. The Company's management is responsible for the Company's entire investment and digital assets' portfolios and considers the business to have a single operating segment.

(o) 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.

(p) Property, plant and equipment:

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

	<b>Rate</b>	<b>Basis</b>
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.

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**THREED CAPITAL INC.****Notes to the Consolidated Financial Statements****June 30, 2018 and 2017****(Prepared in Canadian dollars)**

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

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

**4. Changes in accounting polices:**

Effective July 1, 2017, the Company has adopted amendments to IAS 7, *Statement of Cash Flows* ("IAS 7") and IAS 12, *Income Taxes* ("IAS 12"). 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, 2018.

**5. Investments at fair value and financial instruments hierarchy:**

(a) The fair value and cost of investments are as follows as at June 30, 2018 and 2017:

	Fair Value	Cost
<b>2018</b>	<b>\$ 17,117,728</b>	<b>\$ 8,632,899</b>
2017	\$ 7,142,584	\$ 4,654,809

(b) Financial instruments hierarchy:

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

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

## THREED CAPITAL INC.

### Notes to the Consolidated Financial Statements

June 30, 2018 and 2017

(Prepared in Canadian dollars)

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

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, 2018 and 2017:

Investments, at fair value	Level 1	Level 2	Level 3	Total
	Quoted market price	Valuation technique – observable market inputs	Valuation technique – non-observable market inputs	
2018	\$ 3,444,484	\$ 1,462,491	\$ 12,210,753	\$ 17,117,728
2017	582,554	317,385	6,242,645	7,142,584

Level 2 includes warrants of public issuers and 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.

In addition, investments which are in Level 3 and become public issuers during the period are transferred to Level 1 or 2. These 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, 2018 and 2017. 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 and comprehensive income.

	Opening balance at July 1,	Purchases	Proceeds on dispositions	Realized gains (losses) on dispositions	Transfer to Level 1 or 2	Net unrealized gains	Ending balance
2018	\$ 6,242,645	\$ 1,555,549	\$ -	\$ 54,569	\$ (284,000)	\$ 4,641,990	\$ 12,210,753
2017	265,000	495,672	(39,450)	(260,550)	-	5,781,973	6,242,645



## THREED CAPITAL INC.

### Notes to the Consolidated Financial Statements

June 30, 2018 and 2017

(Prepared in Canadian dollars)

#### 5. 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, 2018	Valuation technique	Unobservable input	% of Investments	Sensitivity to changes in significant unobservable inputs (%)
Unlisted private equities	\$ 10,939,204	Grey market activity	Recent transaction price and discount for lack of marketability	63.9	Additional grey market activity
Unlisted private equities	1,271,549	Grey market activity	New investment during the period	7.4	Additional grey market activity
	\$ 12,210,753			71.3	

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	

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 +/- \$2,734,801 (2017 - \$1,400,000) 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.

## THREED CAPITAL INC.

### Notes to the Consolidated Financial Statements

June 30, 2018 and 2017

(Prepared in Canadian dollars)

#### 6. Digital assets at fair value less cost to sell:

- (a) The fair value and cost of digital assets are as follows as at June 30, 2018 (none for June 30, 2017):

	Cost	Fair Value
Digital coins	\$ 507,490	\$ 401,280
Digital tokens	643,385	224,116
SAFTs	1,659,391	1,771,824
	<b>\$ 2,810,266</b>	<b>\$ 2,397,220</b>

Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. Digital assets have a limited history and the fair value historically has been very volatile. The Company may not be able to liquidate its inventory of digital currency at its desired price if required. The Company invests in SAFTs which is an agreement with a promise by the company to distribute tokens to investors in the future (ie: a token presale and not an ICO). There may be no resale of the SAFT and a considerable period of time may elapse between the payment of the SAFT and the receipt of the tokens, if at all. SAFTs are subject to high risks.

- (b) The following table presents the Company's digital assets, measured at fair value less cost to sell and categorized into levels of the fair value hierarchy on the consolidated statements of financial position as at June 30, 2018 (2017 – nil):

Digital assets , at fair value	Level 1	Level 2	Level 3	Total
	Quoted market price	Valuation technique – observable market inputs	Valuation technique – non-observable market inputs	
Digital coins	\$ -	\$ 401,280	\$ -	\$ 401,280
Digital tokens	-	224,116	-	224,116
SAFTs	-	-	1,771,824	1,771,824
	<b>\$ -</b>	<b>\$ 625,396</b>	<b>\$ 1,771,824</b>	<b>\$ 2,397,220</b>

Transfers between Levels are deemed to have occurred at the date of event. The transfer out of Level 3 consists of digital assets (primarily SAFTs) that become actively traded on a digital exchange during the year.

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**THREED CAPITAL INC.****Notes to the Consolidated Financial Statements****June 30, 2018 and 2017****(Prepared in Canadian dollars)**

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**6. Digital assets at fair value less cost to sell (continued):**

The following table presents the changes in fair value measurements of digital assets classified as Level 3 for the year ended June 30, 2018. The net change in unrealized losses are recognized in the consolidated statements of comprehensive income.

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	Opening balance at July 1,	Purchases	Transfer to level 1 or 2	Realized losses on dispositions	Net unrealized losses	Ending balance
June 30, 2018	\$ -	\$ 1,858,328	\$ (198,937)	\$ -	\$ 112,433	\$ 1,771,824

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A sensitivity analysis was not performed as values are based on recent transaction purchases. All purchases in Level 3 were from SAFTs and once tokens are received the amounts are transferred to Level 1 or 2. Significant unobservable inputs used in the fair value measurement of Level 3 digital assets may include foreign exchange rate changes and the change in other digital currency rate equivalents.

**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:

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	2018	2017
Cash	\$ 146,130	\$ 21,973
Due from brokers	554	1,104
Receivables	45,765	25,551
Accounts payable and accrued liabilities	(106,899)	(175,110)
Due to brokers	(791,619)	-
	\$ (706,069)	\$ (126,482)

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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.

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**THREED CAPITAL INC.****Notes to the Consolidated Financial Statements****June 30, 2018 and 2017****(Prepared in Canadian dollars)**

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**8. Related party transactions (continued):**

- (a) Compensation to key management personnel and directors were as follows during the years ended June 30:

Type of expense	2018	2017
Salaries and consulting fees	\$ 1,045,000	\$ 429,000
Other short-term benefits	16,903	7,554
Stock-based compensation expense (10(c, d))	1,445,978	161,287
	<b>\$ 2,507,881</b>	<b>\$ 597,841</b>

Key management personnel are the Chairman/Chief Executive Officer ("CEO"), Chief Financial Officer/Corporate Secretary ("CFO"), Vice-President of Business Development, General Counsel ("VP") and Directors. During the year ended June 30, 2018, a cash bonus of \$450,000 was paid to the CEO and \$100,000 was paid to the CFO.

- (b) As at June 30, 2018, included in accounts payable and accrued liabilities is \$5,766 (2017 - nil) due to the CEO relating to reimbursement of operating expenses.
- (c) On November 30, 2017, 1,500,000 stock options was granted to the CEO, exercisable at a price of \$0.21 per share, expiring on November 30, 2022.
- (d) On March 1, 2018, 9,750,000 stock options were granted to directors and officers of the Company, exercisable at a price of \$0.16 per share, expiring on March 1, 2023.
- (e) 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.
- (f) On April 5, 2017, the Company granted 250,000 options to a director and 250,000 options to the VP, exercisable at \$0.15 per share expiring on April 5, 2022.
- (g) During the year ended June 30, 2018, the Company completed five non-brokered private placements as described in Note 10(b). The CEO subscribed for 1,250,000 units for gross proceeds of \$125,000 pursuant to the Company's private placement in October 2017. Two directors of the Company subscribed for a total of 300,000 units for gross proceeds of \$30,000 pursuant to the Company's private placement in April 2018. The CEO subscribed for 500,000 units for gross proceeds of \$65,000 pursuant to the Company's private placement in May 2018.
- (h) 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(c)).

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**THREED CAPITAL INC.****Notes to the Consolidated Financial Statements****June 30, 2018 and 2017****(Prepared in Canadian dollars)**

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**8. Related party transactions (continued):**

- (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(c)).
- (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(c)).
- (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(c)).
- (i) As at June 30, 2018, included in prepaids and receivables is \$39,550 due from Pluto Network Operations Canada Inc., a private company with common key management personnel. The receivable is for rental and administrative services.
- (j) As at June 30, 2018, included in prepaids and receivables is \$183,060 in prepaid consulting fees to Park Place Limited, a private company controlled by the CEO.

**9. Property, plant and equipment:**

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

	2018			2017		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 39,394	\$ 28,135	\$ 11,259	\$ 39,394	\$ 25,320	\$ 14,074
Computer equipment	6,332	2,925	3,407	4,676	701	3,975
	<b>\$ 45,726</b>	<b>\$ 31,060</b>	<b>\$ 14,666</b>	<b>\$ 44,070</b>	<b>\$ 26,021</b>	<b>\$ 18,049</b>

**10. Equity:**

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

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**THREED CAPITAL INC.****Notes to the Consolidated Financial Statements****June 30, 2018 and 2017****(Prepared in Canadian dollars)**

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**10. Equity (continued):**

- (b) During the year ended June 30, 2018, the Company completed five non-brokered private placements as follows (see also Note 8(g)):

<b>Date</b>	<b>Total gross proceeds</b>	<b>Issuance costs <sup>(i)</sup></b>	<b>Number common shares</b>	<b>Number of warrants</b>	<b>Exercise price warrants</b>	<b>Expiry date of warrants</b>
July 5, 2017	\$ 300,000	\$ 2,058	3,000,000	3,000,000	\$ 0.15	July 5, 2020
October 24, 2017	1,155,000	8,977	11,550,000	11,550,000	0.15	October 5, 2020
November 14, 2017	1,605,000	12,936	8,025,000	8,025,000	0.25	November 14, 2020
April 13, 2018	1,280,000	8,796	12,800,000	12,800,000	0.15	April 13, 2021
May 16, 2018	965,020	2,756	7,423,230	7,423,230	0.20	May 16, 2021
Totals	\$ 5,305,020	\$ 35,523	42,798,230	42,798,230		

- (i) These expenses have not been tax affected.

The purchase warrants issued during the year ended June 30, 2018 were valued using the Black-Scholes option pricing model with the following assumptions (Note 10(g)):

<b>Black-Scholes option valuation model assumptions used:</b>	<b>July 5, 2017</b>	<b>October 24, 2017</b>	<b>November 14, 2017</b>	<b>April 13, 2018</b>	<b>May 16, 2018</b>
Expected volatility	112.66%	112.66%	112.66%	112.66%	112.66%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Risk-free interest rate	1.21%	1.54%	1.51%	1.99%	2.16%
Expected option life in years	3	3	3	3	3
Fair value per warrant issued, net of share issuance costs	\$ 0.037	\$ 0.043	\$ 0.077	\$ 0.04	\$ 0.05

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 \$2,104,010.

## THREED CAPITAL INC.

### Notes to the Consolidated Financial Statements

June 30, 2018 and 2017

(Prepared in Canadian dollars)

#### 10. Equity (continued):

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

Date	Total proceeds	Issuance costs <sup>(ii)</sup>	Number common shares	Number of warrants	Exercise price warrants	Expiry date of warrants
August 17, 2016	\$ 600,000	\$ 8,894	12,000,000	12,000,000	\$ 0.10	August 17, 2019
December 1, 2016 <sup>(i)</sup>	750,000	-	7,500,000	7,500,000	0.15	December 1, 2019
December 8, 2016 <sup>(i)</sup>	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
Totals	\$ 2,722,890	\$ 46,470	31,053,000	31,053,000		

- (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.

- (d) In July 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.

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**THREED CAPITAL INC.****Notes to the Consolidated Financial Statements****June 30, 2018 and 2017****(Prepared in Canadian dollars)**

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**10. Equity (continued):**

The fee is payable in five installments of \$8,000 each with the first installment 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. The second installment was paid by the issuance of 66,963 common shares at a price of \$0.135 per share for an aggregate price of \$9,040 including sales tax.

(e) 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 10% 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 on March 1, 2018 were vested immediately. 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, 2018, the Company granted 15,440,000 stock options to directors, officers, employees and consultants of the Company, exercisable at a weighted average price of \$0.18 per share expiring between October 12, 2020 and March 1, 2023.

The fair value of the options granted during the year ended June 30, 2018 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	<b>112.66%</b>
Expected dividend yield	<b>0%</b>
Risk-free interest rate	<b>1.50% - 2.06%</b>
Expected option life in years	<b>3 - 4.1 years</b>
Expected forfeiture rate	<b>3.6% - 5.2%</b>



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**THREED CAPITAL INC.****Notes to the Consolidated Financial Statements****June 30, 2018 and 2017****(Prepared in Canadian dollars)**

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**10. Equity (continued):**

Fair value per stock option granted on October 12, 2017	<b>\$ 0.07</b>
Fair value per stock option granted on October 26, 2017	<b>\$ 0.19</b>
Fair value per stock option granted on November 16, 2017	<b>\$ 0.15</b>
Fair value per stock option granted on November 21, 2017	<b>\$ 0.15</b>
Fair value per stock option granted on November 30, 2017	<b>\$ 0.16</b>
Fair value per stock option granted on December 5, 2017	<b>\$ 0.14</b>
Fair value per stock option granted on January 3, 2018	<b>\$ 0.14</b>
Fair value per stock option granted on January 9, 2018	<b>\$ 0.29</b>
Fair value per stock option granted on January 18, 2018	<b>\$ 0.27</b>
Fair value per stock option granted on March 1, 2018	<b>\$ 0.12</b>
Fair value per stock option granted on April 24, 2018	<b>\$ 0.12</b>
Fair value per stock option granted on May 10, 2018	<b>\$ 0.08</b>

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	<b>112.66%</b>
Expected dividend yield	<b>0%</b>
Risk-free interest rate	<b>0.93% - 0.99%</b>
Expected option life in years	<b>4.1 years</b>
Expected forfeiture rate	<b>4.2%</b>
Fair value per stock option granted on January 16, 2017	<b>\$ 0.10</b>
Fair value per stock option granted on April 5, 2017	<b>\$ 0.10</b>
Fair value per stock option granted on April 20, 2017	<b>\$ 0.10</b>

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, 2018, included in operating, general and administrative expenses is stock-based compensation of \$1,828,956 (2017 - \$217,246) relating to the stock options granted to directors, officers, employees and consultants of the Company.

## THREED CAPITAL INC.

### Notes to the Consolidated Financial Statements

June 30, 2018 and 2017

(Prepared in Canadian dollars)

#### 10. Equity (continued):

A summary of the status of the Company's stock options as at June 30, 2018 and 2017 and changes during the years then ended is presented below:

Stock options	2018		2017	
	# of options	Weighted average exercise price	# of options	Weighted average exercise price
Outstanding, at beginning of year	4,202,000	\$ 0.23	399,000	\$ 2.12
Granted	15,440,000	0.18	3,923,000	0.15
Exercised	(274,998)	0.14	-	-
Cancelled/forfeited	(1,558,334)	0.21	-	-
Expired	(126,500)	1.70	(120,000)	4.00
Outstanding, at end of year	17,682,168	\$ 0.18	4,202,000	\$ 0.23
Exercisable, at end of year	14,368,325	\$ 0.17	807,829	\$ 0.55

The following table summarizes information about stock options outstanding and exercisable as at June 30, 2018:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
152,500	152,500	\$ 1.00	September 9, 2018
458,334	125,000	0.10	October 12, 2020
100,000	33,333	0.20	November 16, 2020
250,000	83,333	0.22	November 21, 2020
100,000	33,333	0.21	December 5, 2020
250,000	41,666	0.21	January 3, 2021
500,000	83,332	0.43	January 9, 2021
41,666	41,666	0.40	January 18, 2021
200,000	-	0.20	May 10, 2021
2,939,668	2,410,831	0.15	January 16, 2022
250,000	166,666	0.15	April 5, 2022
50,000	16,666	0.10	October 12, 2022
115,000	38,333	0.20	November 16, 2022
1,700,000	566,666	0.21	November 30, 2022
10,575,000	10,575,000	0.16	March 1, 2023
17,682,168	14,368,325		

(f) Contributed surplus comprised the following as at June 30, 2018 and 2017:

	2018	2017
Stock-based compensation, net of exercises	\$ 12,131,974	\$ 10,329,170
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
	\$ 26,574,558	\$ 24,771,754

## THREED CAPITAL INC.

### Notes to the Consolidated Financial Statements

June 30, 2018 and 2017

(Prepared in Canadian dollars)

#### 10. Equity (continued):

- (g) There summary of the status of the Company's warrants as at June 30, 2018 and 2017 and the changes during the years then ended are as follows:

Warrants	2018		2017	
	# of warrants	Weighted average exercise price	# of warrants	Weighted average exercise price
Outstanding, at beginning of year	27,853,000	\$ 0.15	-	\$ -
Issued	42,798,230	0.18	31,053,000	0.14
Exercised	(27,591,000)	0.14	(3,200,000)	0.10
Outstanding, at end of year	43,060,230	\$ 0.18	27,853,000	\$ 0.15

The following table summarizes information about warrants outstanding as at June 30, 2018:

Number of warrants	Exercise price	Expiry date	Warrant value (\$)
686,000	\$ 0.15	December 1, 2019	\$ 17,571
500,000	0.15	December 8, 2019	12,283
1,776,000	0.20	February 21, 2020	78,900
1,500,000	0.20	April 6, 2020	78,713
1,800,000	0.15	May 19, 2020	62,087
8,550,000	0.15	October 24, 2020	368,154
8,025,000	0.25	November 14, 2020	616,598
12,800,000	0.15	April 13, 2021	509,678
7,423,230	0.20	May 16, 2021	368,797
43,060,230			\$ 2,112,781

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

Numerator:	2018	2017
Net income for the year	\$ 914,571	\$ 2,701,428
Denominator:	2018	2017
Weighted average number of common shares outstanding – basic	80,296,071	32,084,711
Weighted average effect of diluted stock options and warrants (i)	15,930,896	9,250,815
Weighted average number of common shares outstanding – diluted	96,226,967	41,335,526
Earnings per common share based on net income for the year:	2018	2017
Basic	\$ 0.01	\$ 0.08
Diluted	0.01	0.07

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**THREED CAPITAL INC.****Notes to the Consolidated Financial Statements****June 30, 2018 and 2017****(Prepared in Canadian dollars)**

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**10. Equity (continued):**

- (i) The determination of the weighted average number of common shares outstanding – diluted excludes 44,811,501 shares related to convertible securities that were anti-dilutive for the year ended June 30, 2018 (2017 – 23,255,000).

- (i) 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:

	<b>2018</b>	2017
Common shares outstanding	<b>118,036,322</b>	<b>47,232,404</b>
Warrants to purchase common shares	<b>43,060,230</b>	<b>27,853,000</b>
Stock options to purchase common shares	<b>17,682,168</b>	<b>4,202,000</b>
Fully diluted common shares outstanding	<b>178,778,720</b>	<b>79,287,404</b>

**11. Income tax expense and deferred taxes:**

- (a) Income tax expense attributable to income before income taxes differs from the amounts computed by applying the combined federal and provincial tax rate of 26.50% (2017 – 26.50%) of pre-tax income as a result of the following:

	<b>2018</b>	2017
Income before income taxes	<b>\$ 914,571</b>	\$ 2,701,428
Computed "expected" income tax expense	<b>\$ 242,361</b>	\$ 715,878
Non-deductible portion of capital losses (gains)	<b>(108,046)</b>	258,773
Non-taxable portion of unrealized gains	<b>(574,408)</b>	(987,552)
Non-taxable stock-based compensation expense	<b>484,673</b>	
Permanent and other differences	<b>44,582</b>	(324,590)
Net deferred tax assets not recognized	-	337,491
Income tax expense	<b>\$ -</b>	\$ -

- (b) The following table summarizes the components of deferred tax for the years ended June 30:

Deferred tax	<b>2018</b>	2017
Capital loss carry-forward	<b>\$ 1,120,238</b>	\$ 545,830
Non-capital loss	<b>106,488</b>	-
Investments	<b>(1,226,726)</b>	545,830
Income tax expense	<b>\$ -</b>	\$ -

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**THREED CAPITAL INC.****Notes to the Consolidated Financial Statements****June 30, 2018 and 2017****(Prepared in Canadian dollars)**

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

- (c) Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. The following deferred tax assets (liabilities) are not recognized in the consolidated financial statements due to the unpredictability of future income.

	<b>2018</b>	2017
Non-capital losses carry-forward	\$ <b>25,765,889</b>	\$ 21,357,511
Exploration and evaluation assets tax pools	<b>4,843,890</b>	4,843,890
Capital losses carry-forward	<b>29,440,390</b>	34,790,249
Share issuance costs and other differences	<b>70,264</b>	54,615
Investments and digital assets (capital)	<b>8,454,626</b>	14,206,693
Investments and digital assets (business)	-	4,906,975
	<b>\$ 68,575,059</b>	\$ 80,159,933

As at June 30, 2018, the Company has approximately \$827,000 (2017 - \$834,000) of Canadian resource deductions and \$18,298,000 (2017 - \$18,298,000) of foreign resource deductions available that have an unlimited carry-forward period to reduce future years' income for tax purposes, the benefit of which has not been recorded in the accounts.

As at June 30, 2018, the Company has approximately \$29,440,000 of capital losses (2017 - \$34,790,000) and \$25,873,000 (2017 - \$21,355,000) 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	4,131,000
2038	4,515,000
	<b>\$ 25,873,000</b>

In addition, the Company has unclaimed non-capital losses of approximately US\$47,066,000 in Barbados that expires from 2019 to 2025.

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**THREED CAPITAL INC.****Notes to the Consolidated Financial Statements****June 30, 2018 and 2017****(Prepared in Canadian dollars)**

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**12. Segmented information:**

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

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

All of the Company's revenue are earned in Canada and all of the Company's property, plant and equipment are located in Canada and no segmented information has been disclosed as at and for the years ended June 30, 2018 and 2017.

**13. Commitments:**

In April 2015, the Company signed a lease for new premises which started May 1, 2015 for annual payments of approximately \$82,875 (\$6,906 monthly, increased to \$7,166 effective January 1, 2017) 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. During the year ended June 30, 2018, the Company extended the lease on its premises to April 30, 2021 for annual payments of approximately \$86,125.

As at June 30, 2018, future minimum annual lease payments under operating leases for premises and equipment are approximately as follows:

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2019	\$	<b>90,800</b>
2020		<b>88,300</b>
2021		<b>74,900</b>
	\$	<b>254,000</b>

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As at June 30, 2018, the Company had commitments to purchase investments totaling \$438,164 (2017 - \$125,000).

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**THREED CAPITAL INC.****Notes to the Consolidated Financial Statements****June 30, 2018 and 2017****(Prepared in Canadian dollars)**

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**14. Expenses by nature:**

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

	<b>2018</b>	<b>2017</b>
Stock-based compensation expense	\$ <b>1,828,956</b>	\$ 217,246
Salaries and consulting fees	<b>1,571,676</b>	662,783
Transaction costs	<b>168,335</b>	32,902
Professional fees	<b>133,579</b>	58,106
Other office and general	<b>114,677</b>	56,667
Operating lease payments	<b>84,999</b>	82,004
Travel and promotion	<b>55,493</b>	14,814
Shareholder relations, transfer agent and filing fees	<b>44,565</b>	36,174
Other employment benefits	<b>37,701</b>	21,270
Foreign exchange expense	<b>36,057</b>	11,882
	<b>\$ 4,076,038</b>	<b>\$ 1,193,848</b>

**15. Finance expenses:**

Finance expenses for the year ended June 30, 2018 and 2017 primarily consisted of interest expense charged by brokers from margin borrowings.

**16. Management of capital:**

The Company considers its capital to include equity which amounts to \$19,037,340 on June 30, 2018 (2017 - \$7,084,187). 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 brokers;
- (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 and digital assets;
- (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.

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.

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**THREED CAPITAL INC.****Notes to the Consolidated Financial Statements****June 30, 2018 and 2017****(Prepared in Canadian dollars)**

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**16. Management of capital (continued):**

The Company is not subject to any capital requirements imposed by any regulator other to maintain its margin requirements by the brokers.

There were no changes in the Company's approach to capital management during the year ended June 30, 2018. 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, 2018.

**17. Risk management:**

The investment operations of ThreeD's business involve the purchase and sale of securities/digital assets 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/digital assets and unfavourable market conditions could result in dispositions of investments/digital assets at less than favourable prices.

Additionally, the Company adjusts its investments/digital assets to fair value at the end of each reporting period. This process could result in significant write-downs of the Company's investments/digital currencies 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, 2018 and 2017, the Company held some U.S. denominated investments and all of its digital assets are denominated in U.S. dollars 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, 2018. The Company manages its market risk by having a portfolio that is not singularly exposed to any one issuer or class/sector of issuers.



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**THREE CAPITAL INC.****Notes to the Consolidated Financial Statements****June 30, 2018 and 2017****(Prepared in Canadian dollars)**

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

The following table shows the estimated sensitivity of the Company's after-tax net income for the year ended June 30, 2018 from a change in the closing trade price of the Company's investments and digital assets with all other variables held constant as at June 30, 2018:

<b>Percentage of change in closing trade price</b>	<b>Increase in after-tax net income from % increase in closing trade price</b>	<b>Decrease in after-tax net income from % decrease in closing trade price</b>
<b>2%</b>	<b>\$ 338,584</b>	<b>\$ (338,584)</b>
<b>4%</b>	<b>677,169</b>	<b>(677,169)</b>
<b>6%</b>	<b>1,015,753</b>	<b>(1,015,753)</b>
<b>8%</b>	<b>1,354,337</b>	<b>(1,354,337)</b>
<b>10%</b>	<b>1,692,922</b>	<b>(1,692,922)</b>

The following table shows the estimated sensitivity of the Company's after-tax net loss 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:

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

**(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, 2018 and 2017, 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, 2018. 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.

## THREED CAPITAL INC.

### Notes to the Consolidated Financial Statements

June 30, 2018 and 2017

(Prepared in Canadian dollars)

#### 17. Risk management (continued):

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

	2018	2017
Cash	\$ 146,130	\$ 21,973
Due from brokers	554	1,104
Receivables (i)	45,765	25,551
	<b>\$ 192,449</b>	<b>\$ 48,628</b>

(i) As at June 30, 2018, the receivables were from investees for monthly administrative and office rental fees) and although it has receive monthly payments previously, the Company is exposed to credit risk relating to those receivables. As at June 30, 2017 included in receivables is \$17,641 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/digital assets, 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, 2018. 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/digital assets that can be converted into cash when required.

As at June 30, 2018, the Company was using net margin of \$791,619 (2017 – \$nil).

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at June 30, 2018:

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 106,899	\$ 106,899	\$ -	\$ -	\$ -
Due to brokers	791,619	791,619	-	-	-
	<b>\$ 898,518</b>	<b>\$ 898,518</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## THREED CAPITAL INC.

### Notes to the Consolidated Financial Statements

June 30, 2018 and 2017

(Prepared in Canadian dollars)

#### 17. Risk management (continued):

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

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Accounts payable and accrued liabilities (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.

The following table shows the Company's source of liquidity by assets as at June 30, 2018:

Assets	Liquidity by period				
	Total	Less than 1 year	1 – 3 years	After 4 years	Non-liquid assets
Cash	\$ 146,130	\$ 146,130	\$ -	\$ -	\$ -
Due from brokers	554	554	-	-	-
Prepays and receivables	259,560	45,765	-	-	213,795
Investments, at fair value (i)	17,117,728	4,906,975	12,210,753	-	-
Digital assets, at fair value less cost to sell (i)	2,397,220	625,396	1,771,824	-	-
Property, plant and equipment	14,666	-	-	-	14,666
	<b>\$ 19,935,858</b>	<b>\$ 5,724,820</b>	<b>\$ 13,982,577</b>	<b>\$ -</b>	<b>\$ 228,461</b>

(i) Private company and SAFT investments are included in the 1-3 years category since they are not expected to be liquidated within 1 year.

The following table shows the Company's source of liquidity by assets as at June 30, 2017:

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

(i) Private company investments are included in the 1-3 years category since they are not expected to be liquidated within 1 year.

# THREED CAPITAL INC.

## Notes to the Consolidated Financial Statements

June 30, 2018 and 2017

(Prepared in Canadian dollars)

### 17. Risk management (continued):

(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.

The following assets and liabilities (excluding investments and digital assets) were denominated in foreign currencies as at June 30:

	2018	2017
Denominated in U.S. dollars:		
Cash	\$ 2,984	\$ 504
Due from brokers	15	15
Accounts payable and accrued liabilities	(17,665)	(28,212)
Due to brokers	(2,297,459)	-
Net assets denominated in U.S. dollars	\$ (2,312,125)	\$ (27,693)

The following table shows the estimated sensitivity of the Company's after-tax net income for the year ended June 30, 2018 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, 2018:

Percentage change in U.S. dollar exchange rate	Decrease in after-tax net	Increase in after-tax net
	income from an increase in % in the U.S. dollar exchange rate	income from a decrease in % in the U.S. dollar exchange rate
2%	\$ (33,988)	\$ 33,988
4%	(67,976)	67,976
6%	(101,965)	101,965
8%	(135,953)	135,953
10%	(169,941)	169,941

The following table shows the estimated sensitivity of the Company's after-tax net loss 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	Increase in after-tax net
	income from an increase in % in the U.S. dollar exchange rate	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

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## THREED CAPITAL INC.

### Notes to the Consolidated Financial Statements

June 30, 2018 and 2017

(Prepared in Canadian dollars)

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#### 17. Risk management (continued):

- (e) Digital assets regulatory risk:

Uncertainties exist with respect to the legality of SAFT investments in certain jurisdictions, as some SAFT investments might not be registered under the local securities law.

#### 18. 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 has assessed the changes on adopting IFRS 15 and there will be no impact on the Company's consolidated financial statements.

- (b) In fiscal year 2013, the Company early adopted IFRS 9. 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.

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## THREED CAPITAL INC.

### Notes to the Consolidated Financial Statements

June 30, 2018 and 2017

(Prepared in Canadian dollars)

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#### 18. Future accounting changes (continued):

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. The final version of IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has assessed the changes on adopting the final version of IFRS 9 and there will be no impact on the Company's consolidated financial statements.

- (c) IFRS 16, *Leases* ("IFRS 16") was issued in January 2016 to improve the accounting for leases, generally by eliminating a lessees' classification of leases and introducing a single lessee accounting model. The most significant effect of the new standard will be the lessee's recognition of the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position. Leases with durations of 12 months or less and leases for low value assets are both exempted. The measurement of the total lease expense over the term of a lease will be unaffected by the new standard. However, the new standard will result in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases. The presentation on the statement of loss and other comprehensive loss required by the new standard will result in most lease expenses being presented as amortization of lease assets and financing costs arising from lease liabilities rather than as being a part of goods and services purchased. The standard is effective for annual periods beginning on or after January 1, 2019 and will supersede IAS 17 Leases. The Company has not completed the process of assessing the impact that the amended standards will have on its consolidated financial statements.
- (d) 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 has assessed the changes on adopting IFRS 2 and there will be no impact on the Company's consolidated financial statements.

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## **THREED CAPITAL INC.**

### **Notes to the Consolidated Financial Statements**

**June 30, 2018 and 2017**

**(Prepared in Canadian dollars)**

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#### **19. 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, 2018.

#### **20. Subsequent events:**

- (a) Subsequent to June 30, 2018 the Company completed a non-brokered private placement financing raising gross proceeds of \$1,322,000 through the issuance and sale of 13,220,000 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 August 23, 2021.
- (b) Subsequent to June 30, 2018, the Company granted 3,950,000 options to directors, officers, and employees of the Company at an exercise price of \$0.10 per share expiring between September 14, 2023 and October 1, 2023.