Consolidated Financial Statements of

# ThreeD Capital

**Years ended June 30, 2019 and 2018**
**(Prepared in Canadian dollars)**

**Contents**

# Independent Auditor's Report

To the Shareholders of ThreeD Capital Inc.:

**Opinion**

We have audited the consolidated financial statements of ThreeD Capital Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2019 and June 30, 2018, and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2019 and June 30, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

**Basis for Opinion**

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter – Comparative Information**

We draw attention to Note 20 in the consolidated financial statements, which explains that certain comparative information presented for the year ended June 30, 2018 has been restated and, as at July 1, 2017, has been derived from the consolidated financial statements for the year ended June 30, 2017 which have been restated (not presented herein).

Our opinion is not modified in respect of this matter.

The consolidated financial statements for the year ended June 30, 2017 (not presented herein but from which the comparative information as at July 1, 2017 has been derived), excluding the adjustments that were applied to restate certain comparative information were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on October 12, 2017.

As part of our audit of the consolidated financial statements for the year ended June 30, 2019, we also audited the adjustments that were applied to restate certain comparative information for the year ended June 30, 2018 and as at July 1, 2017.

In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the year ended June 30, 2017 (not presented herein) and as at July 1, 2017.

Accordingly, we do not express an opinion or any other form of assurance on those consolidated financial statements taken as a whole.

**Other Information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Maruf Raza.

MNP LLP

Toronto, Ontario — Chartered Professional Accountants

October 28, 2019 — Licensed Public Accountants

MNP

## THREED CAPITAL INC.

**Consolidated Statement of Financial Position**
**As at June 30, 2019 and 2018 and July 1, 2017**
**(Prepared in Canadian dollars)**

| | Notes | | June 30, 2019 | | June 30, 2018 (Restated - Note 20) | | July 1, 2017 (Restated - Note 20) |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash | 7 | $ | 137,082 | $ | 146,130 | $ | 21,973 |
| Due from brokers | 7 | | 252 | | 554 | | 1,104 |
| Prepaids and receivables | 7, 8(h,i) | | 455,741 | | 259,560 | | 75,587 |
| Investments, at fair value | 5 | | 20,673,821 | | 18,284,433 | | 7,868,858 |
| Digital assets, at fair value less cost to sell | 6 | | 745,800 | | 2,397,220 | | - |
| Property, plant and equipment | 9 | | 100,865 | | 14,666 | | 18,049 |
| | | $ | 22,113,561 | $ | 21,102,563 | $ | 7,985,571 |
| **Liabilities and Equity** | | | | | | | |
| Accounts payable and accrued liabilities | 7, 8(j) | $ | 135,045 | $ | 106,899 | $ | 175,110 |
| Due to brokers | 7 | | 326,981 | | 791,619 | | - |
| Advances from officer | 8(j) | | 60,000 | | - | | - |
| | | | 522,026 | | 898,518 | | 175,110 |
| **Equity** | | | | | | | |
| Share capital | 10(a) | | 109,261,469 | | 106,680,839 | | 98,842,373 |
| Shares to be issued | 10(a) | | 660,728 | | - | | - |
| Contributed surplus | 10(f) | | 27,141,069 | | 26,574,558 | | 24,771,754 |
| Warrants | 10(c, g) | | 3,496,833 | | 2,112,781 | | 751,891 |
| Foreign currency translation reserve | | | 875,906 | | 875,797 | | 839,375 |
| Deficit | | | (119,844,470) | | (116,039,930) | | (117,394,932) |
| | | | 21,591,535 | | 20,204,045 | | 7,810,461 |
| | | $ | 22,113,561 | $ | 21,102,563 | $ | 7,985,571 |

| | |
|---|---|
| Commitments | 13 |
| Contingent liability | 19 |

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

"Alan Myers" Director

"Sheldon Inwentash" Director

## THREED CAPITAL INC.
### Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)
### Years Ended June 30, 2019 and 2018
### (Prepared in Canadian dollars)

| | Notes | | 2019 | | 2018 (Restated - Note 20) |
|---|---|---|---|---|---|
| **Net investment and digital currency gain (loss)** | | | | | |
| Net realized losses on disposal of investments | | **$** | **(2,488,039)** | $ | (2,196,082) |
| Net change in unrealized gains on investments | | | **3,312,477** | | 6,437,485 |
| Net realized gains (losses) on disposal of digital assets | | | **(152,171)** | | 1,453,964 |
| Net change in unrealized losses on digital assets | | | **(1,391,341)** | | (413,045) |
| | | | **(719,074)** | | 5,282,322 |
| **Administrataive and rental income** | | | **217,939** | | 151,068 |
| **Other income** | | | **120,552** | | 9,016 |
| | | | **(380,583)** | | 5,442,406 |
| **Expenses** | | | | | |
| Operating, general and administrative | 8, 10(d), 14 | | **3,358,165** | | 4,076,038 |
| Finance expenses | 15 | | **65,792** | | 11,366 |
| | | | **3,423,957** | | 4,087,404 |
| **Income (loss) before income taxes** | | | **(3,804,540)** | | 1,355,002 |
| **Income tax expense** | | | **-** | | - |
| **Net income (loss) for the year** | | | **(3,804,540)** | | 1,355,002 |
| **Other comprehensive income** | | | | | |
| Exchange differences on translation of foreign operations | | | **109** | | 36,422 |
| **Total comprehensive income (loss) for the year** | | **$** | **(3,804,431)** | $ | 1,391,424 |
| **Earnings (loss) per common share based on net income (loss) for the year** | 10(h) | | | | |
| Basic | | **$** | **(0.08)** | $ | 0.05 |
| Diluted | | **$** | **(0.08)** | $ | 0.04 |
| **Weighted average number of common shares outstanding** | 10(h) | | | | |
| Basic | | | **47,267,660** | | 26,765,357 |
| Diluted | | | **47,267,660** | | 32,075,655 |

See accompanying notes to the consolidated financial statements.

## THREED CAPITAL INC.

**Consolidated Statement of Changes in Equity**
**Years Ended June 30, 2019 and 2018**
**(Prepared in Canadian dollars)**

| | Notes | Number of shares | Share capital | Shares to be issued | Warrants | Contributed surplus | Foreign currency translation reserve | Deficit (Restated - Note 20) | Total equity (Restated - Note 20) |
|---|---|---|---|---|---|---|---|---|---|
| **Balance as at July 1, 2017 (Restated - Note 20)** | | 15,744,098 | $ 98,842,373 | $ - | $ 751,891 | $ 24,771,754 | $ 839,375 | $ (117,394,932) | $ 7,810,461 |
| Net income for the year | | - | - | - | - | - | - | 1,355,002 | 1,355,002 |
| Exchange differences on translation of foreign operations | | - | - | - | - | - | 36,422 | - | 36,422 |
| Total comprehensive income for the year | | - | - | - | - | - | 36,422 | 1,355,002 | 1,391,424 |
| Stock-based compensation expense | | - | - | - | - | 1,828,956 | - | - | 1,828,956 |
| Issued pursuant to exercise of stock options | | 91,666 | 65,318 | - | - | (26,152) | - | - | 39,166 |
| Issued pursuant to the exercise of warrants | | 9,197,000 | 4,590,620 | - | (743,120) | - | - | - | 3,847,500 |
| Issued pursuant to private placements, net | | 14,266,060 | 3,165,488 | - | 2,104,010 | - | - | - | 5,269,498 |
| Issued pursuant to marketing services | | 46,579 | 17,040 | - | - | - | - | - | 17,040 |
| **Balance as at June 30, 2018** | | 39,345,403 | $ 106,680,839 | $ - | $ 2,112,781 | $ 26,574,558 | $ 875,797 | $ (116,039,930) | $ 20,204,045 |
| Net loss for the year | | - | - | - | - | - | - | (3,804,540) | (3,804,540) |
| Exchange differences on translation of foreign operations | | - | - | - | - | - | 109 | - | 109 |
| Total comprehensive loss for the year | | - | - | - | - | - | 109 | (3,804,540) | (3,804,431) |
| Stock-based compensation expense | 10(e) | - | - | - | - | 646,001 | - | - | 646,001 |
| Issued pursuant to exercise of stock options | 10(e) | 444,444 | 212,823 | - | - | (79,490) | - | - | 133,333 |
| Issued pursuant to private placements, net | 10(b) | 22,376,152 | 2,331,647 | - | 1,384,052 | - | - | - | 3,715,699 |
| Issued pursuant to marketing services | 10(d) | 100,874 | 36,160 | - | - | - | - | - | 36,160 |
| Shares to be issued | 10(a) | - | - | 660,728 | - | - | - | - | 660,728 |
| **Balance as at June 30, 2019** | | **62,266,873** | **$ 109,261,469** | **$ 660,728** | **$ 3,496,833** | **$ 27,141,069** | **$ 875,906** | **$ (119,844,470)** | **$ 21,591,535** |

See accompanying notes to the consolidated financial statements.

**THREED CAPITAL INC.**

**Consolidated Statement of Cash Flows**

**Years Ended June 30, 2019 and 2018**

**(Prepared in Canadian dollars)**

| | Notes | 2019 | 2018 (Restated - Note 20) |
|---|---|---|---|
| **Cash flows used in operating activities** | | | |
| Net income (loss) for the year | | **$ (3,804,540)** | $ 1,355,002 |
| Items not affecting cash | | | |
| Net realized losses on disposal of investments | | **2,488,039** | 2,196,082 |
| Net change in unrealized gains on investments | | **(3,312,477)** | (6,437,485) |
| Net realized losses (gains) on disposal of digital assets | | **152,171** | (1,453,964) |
| Net change in unrealized losses on digital assets | | **1,391,341** | 413,045 |
| Issue of share capital pursuant to marketing services | 10(d) | **36,160** | 17,040 |
| Stock-based compensation expense | 10(e) | **646,001** | 1,828,956 |
| Depreciation | | **15,423** | 5,039 |
| | | **(2,387,882)** | (2,076,285) |
| Changes in non-cash working capital balances | | | |
| Proceeds on disposal of investments | | **10,449,154** | 13,172,873 |
| Purchases of investments | | **(12,014,104)** | (19,347,045) |
| Proceeds on disposal of digital assets | | **612,473** | 4,617,116 |
| Purchases of digital assets | | **(504,565)** | (5,973,417) |
| Increase in prepaids and receivables | | **(196,181)** | (183,973) |
| Decrease in due from brokers | | **302** | 550 |
| Increase (decrease) in accounts payable and accrued liabilities | | **28,146** | (68,211) |
| Increase (decrease) in due to brokers | | **(464,638)** | 791,619 |
| | | **(4,477,295)** | (9,066,773) |
| **Cash flows from financing activities** | | | |
| Proceeds pursuant to private placement financings, net | 10(b) | **3,715,699** | 5,269,498 |
| Proceeds pursuant to exercise of stock options | | **133,333** | 39,166 |
| Proceeds pursuant to the exercise of warrants | | **-** | 3,847,500 |
| Proceeds from advances from officer | | **60,000** | - |
| Proceeds from shares to be issued | | **660,728** | - |
| | | **4,569,760** | 9,156,164 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(101,622)** | (1,656) |
| | | **(101,622)** | (1,656) |
| **Net increase (decrease) in cash during the year** | | **(9,157)** | 87,735 |
| **Exchange rate changes on foreign currency cash balances** | | **109** | 36,422 |
| **Cash, beginning of year** | | **146,130** | 21,973 |
| **Cash, end of year** | | **$ 137,082** | $ 146,130 |
| **Supplemental cash flow information** | | | |
| Income taxes paid | | **$ -** | $ - |
| Finance expense paid | | **65,792** | 11,366 |
| Non-cash financing activities | | | |
| Issue of share capital pursuant to marketing services | 10(d) | **36,160** | 17,040 |

See accompanying notes to the consolidated financial statements.

## 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.

On May 14, 2019, the Company consolidated its issued and outstanding common shares on the basis of one new common share for every 3 existing common shares. All figures and comparative figures reflect the stock consolidation, retroactively.

These consolidated financial statements were approved for issuance by the Company's board of directors on October 28, 2019.

## 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.

## 2. Basis of preparation (continued):

The Company controls an investee if the Company has:

(i) power over the investee;

(ii) exposure, or rights, to variable returns from its involvement with the investee; and

(iii) the ability to use its power over the investee to affect its returns.

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

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Company's potential voting rights.

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

## 2. Basis of preparation (continued):

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

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

Where the fair values of financial assets and financial liabilities recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Changes in estimates and assumptions about these inputs could affect the reported fair value. Refer to Note 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 options and 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, an option pricing model is used; if no such market inputs are available, the warrants and options are valued using alternative methods representing fair value. Changes in estimates and assumptions about these inputs could affect the reported 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).

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

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.

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(e) 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,g) for further details.

**(Prepared in Canadian dollars)**

## 2. Basis of preparation (continued):

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.

(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, 2019 and 2018, the Company's percentage holding in its private investees which are greater than 20% were as follows:

| | Percentage Owned | |
|---|---|---|
| **Private investees:** | **2019** | 2018 |
| Casino Gold Corp. | **< 10%** | 24% |
| New Found Gold Corp. | **23%** | 24% |
| Radio Fuels Corp. | **< 10%** | 24% |

As at June 30, 2019 and 2018, the Company did not have the following: representation on the board, 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.

## 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:

On July 24, 2014, the IASB issued the completed IFRS 9, *Financial Instruments*, (IFRS 9 (2014)) to come into effect on January 1, 2018 with early adoption permitted.

IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 Financial Instruments: recognition and measurement, for the classification and measurement of financial liabilities.

The Company adopted IFRS 9 in its consolidated financial statements on July 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on July 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

(i) Classification:

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the consolidated statements of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the year. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

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

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

| Classification | IAS 39 | IFRS 9 |
|---|---|---|
| Cash | FVTPL | FVTPL |
| Investments, at fair value | FVTPL | FVTPL |
| Accounts receivables | Amortized Cost | Amortized Cost |
| Accounts payable and accrued liabilities | Amortized Cost | Amortized Cost |
| Due from (to) brokers | Amortized Cost | Amortized Cost |

The original carrying value of the Company's financial instruments under IAS 39 has not changed under IFRS 9.

(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.

## 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, an option pricing model is used; if no such market inputs are available, the warrants and options are valued using alternative methods representing fair value. These investments are included in Level 2 in Note 5(b).

   d. For convertible debentures and loans that are not traded on a recognized securities exchange and no market value is readily available. Convertible debentures and loans are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at the end of each financial reporting period, the combined instrument is adjusted to fair value based on alternative methods.

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

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

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. 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;

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

e. receipt/denial by the investee company of environmental, mining, aboriginal or similar approvals, which allow the investee company to proceed/prohibit with its project(s);

f. filing by the investee company of a National Instrument 43-101 technical report in respect of a previously non-compliant resource;

g. release by the investee company of positive/negative exploration results; and

h. important positive/negative management changes by the investee company that the Company's management believes will have a very positive/negative impact on the investee company's ability to achieve its objectives and build value for shareholders.

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

(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 credit loss.

## 3. Significant accounting policies (continued):

(c) Digital assets at fair value less cost to sell (“FVLCTS”):

Digital coins and digital tokens held by the Company are carried at fair value less cost to sell for the purposes of consolidated financial statements. The Company determines the fair value of such digital coins and digital tokens using the closing price on the valuation date price provided by the crypto exchange that the Company considers the principal market.

To determine which exchange is the principal market for the purpose of calculating the fair value less cost to sell of a particular digital asset, the Company considers only those exchanges that are available to be used by the Company, have an online trading platform and published transaction price and volume data. The determination of principal market is specific to a particular digital asset. Based on these requirements, the Company prepares a list of eligible crypto exchanges and consider the following criteria to select the principal market: (i) whether it contains the crypto trading pairs that Company transacts with; (ii) the volume of digital coins and digital tokens traded on such exchange in the prior twelve month.

The Company evaluates the principal markets annually and conducts a quarterly analysis to determine if any changes in principal market required.

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.

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

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.

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.

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

(ii) Transactions and balances:

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

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

(iii) Translation of foreign operations:

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

1. Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

2. Share capital is translated using the exchange rate at the date of the transaction;

3. Revenue and expenses for each consolidated statement of income 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.

## 3. Significant accounting policies (continued):

(f) Offsetting of financial instruments:

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

(g) Non-monetary transactions:

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

(h) Leases:

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date. It requires consideration of whether the 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.

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

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.

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”).

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

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

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

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

Where an option is cancelled, 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.

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

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

(m) Financial derivatives – options and warrants:

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

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

(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, 2019 and 2018, 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.

## 3. Significant accounting policies (continued):

(p) Property, plant and equipment:

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

| | Rate | Basis |
|---|---|---|
| Furniture and equipment | 20% | Declining balance |
| Leasehold improvements | 5 years | Over the term of the lease |
| Computer equipment | 30% | Declining balance |

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

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

If the carrying amount of the asset exceeds its recoverable amount, the asset is deemed impaired and an impairment loss is charged to the consolidated statement of income 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, 2018, the Company has adopted the following IFRS and amendments. 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, 2019.

(a) 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.

**(Prepared in Canadian dollars)**

## 4. Changes in accounting policies (continued):

(b) IFRS 9 – *Financial Instruments* ("IFRS 9") was issued by the IASB as a complete standard in July 2014 and will replace IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

(c) IFRS 15 - *Revenue From Contracts With Customers* ("IFRS 15") proposes to replace IAS 18 - *Revenue*, IAS 11 - *Construction Contracts*, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 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, 2019 and 2018:

| | Fair Value | Cost |
|---|---|---|
| **2019** | **$ 20,673,821** | **$ 7,709,810** |
| 2018 (restated Note 20) | $ 18,284,433 | $ 8,632,899 |

(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:

**(Prepared in Canadian dollars)**

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

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The following table presents the Company's financial instruments, measured at fair value and categorized into levels of the fair value hierarchy on the consolidated statements of financial position as at June 30, 2019 and 2018:

| Investments, at fair value | Level 1 Quoted market price | Level 2 Valuation technique – observable market inputs | Level 3 Valuation technique – non-observable market inputs | Total |
|---|---|---|---|---|
| **2019** | **$ 2,945,855** | **$ 3,421,263** | **$ 14,306,703** | **$ 20,673,821** |
| 2018 (restated Note 20) | 3,444,484 | 2,380,482 | 12,459,467 | 18,284,433 |

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.

**(Prepared in Canadian dollars)**

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

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the years ended June 30, 2019 and 2018. 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 |
|---|---|---|---|---|---|---|---|
| **2019** | **$ 12,459,467** | **$ 2,679,581** | **$ -** | **$ -** | **$ (4,607,988)** | **$ 3,775,643** | **$ 14,306,703** |
| 2018 (restated Note 20) | 6,242,645 | 1,555,549 | - | 54,569 | (284,000) | 4,890,704 | 12,459,467 |

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

| Description | Fair value at June 30, 2019 | Valuation technique | Unobservable input | % of Investments | Volatility to changes in significant unobservable inputs (%) |
|---|---|---|---|---|---|
| Unlisted private equities | **$ 10,941,120** | Grey market activity | Recent transaction price and discount for lack of marketability | **52.9** | Additional grey market activity |
| Unlisted private equities | **2,184,461** | Grey market activity | New investment during the period | **10.6** | Additional grey market activity |
| Unlisted convertible debentures | **806,822** | Grey market activity | New investment during the period | **3.9** | Additional grey market activity |
| Unlisted warrants | **374,300** | Black Scholes | Market prices, volatility, discount rate | **1.8** | 85%-253% volatility |
| | **$ 14,306,703** | | | **69.2** | |

**(Prepared in Canadian dollars)**

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

| Description | Fair value at June 30, 2018 (restated Note 20) | Valuation technique | Unobservable input | % of Investments | Volatility to changes in significant unobservable inputs (%) |
|---|---|---|---|---|---|
| Unlisted private equities | $ 10,432,715 | Grey market activity | Recent transaction price and discount for lack of marketability | 57.1 | Additional grey market activity |
| Unlisted private equities | 1,271,549 | Grey market activity | New investment during the period | 7.0 | Additional grey market activity |
| Unlisted warrants | 755,203 | Black Scholes | Market prices, volatility, discount rate | 4.0 | 100%-275% volatility |
| | $ 12,459,467 | | | 68.1 | |

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 +/- $3,575,675 (2018 - $3,114,867) change in the total fair value of the investments. While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of this investment.

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

**(Prepared in Canadian dollars)**

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

(a) The cost and FVLCTS of digital assets are as follows as at June 30, 2019:

| | Cost | FVLCTS |
|---|---|---|
| Digital coins | **$ 220,749** | **$ 641,719** |
| Digital tokens | **1,137,828** | **104,081** |
| SAFTs | **1,191,609** | **-** |
| | **$ 2,550,186** | **$ 745,800** |

The cost and FVLCTS of digital assets are as follows as at June 30, 2018:

| | Cost | FVLCTS |
|---|---|---|
| Digital coins | $ 507,490 | $ 401,280 |
| Digital tokens | 643,385 | 224,116 |
| SAFTs | 1,659,391 | 1,771,824 |
| | $ 2,810,266 | $ 2,397,220 |

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.

(a) 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, 2019:

| **Digital assets, at fair value less cost to sell** | **Level 1 Quoted market price** | **Level 2 Valuation technique – observable market inputs** | **Level 3 Valuation technique – non-observable market inputs** | **Total** |
|---|---|---|---|---|
| Digital coins | **$ -** | **$ 641,719** | **$ -** | **$ 641,719** |
| Digital tokens | **-** | **104,081** | **-** | **104,081** |
| SAFTs | **-** | **-** | **-** | **-** |
| | **$ -** | **$ 745,800** | **$ -** | **$ 745,800** |

**(Prepared in Canadian dollars)**

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

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:

| Digital assets, at fair value less cost to sell | Level 1 Quoted market price | Level 2 Valuation technique – observable market inputs | Level 3 Valuation technique – non-observable market inputs | Total |
|---|---|---|---|---|
| Digital coins | $ - | $ 401,280 | $ - | $ 401,280 |
| Digital tokens | - | 224,116 | - | 224,116 |
| SAFTs | - | - | 1,771,824 | 1,771,824 |
| | $ - | $ 625,396 | $ 1,771,824 | $ 2,397,220 |

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.

The following table presents the changes in FVLCTS measurements of digital assets classified as Level 3 for the year ended June 30, 2019 and 2018. The net change in unrealized losses are recognized in the consolidated statements of comprehensive income.

| | **Opening balance at July 1,** | **Purchases** | **Transfer to level 1 or 2** | **Net unrealized losses** | **Ending balance** |
|---|---|---|---|---|---|
| **2019** | **$ 1,771,824** | **$ -** | **$ (573,248)** | **$ (1,198,576)** | **$ -** |
| 2018 | $ - | $ 1,858,328 | $ (198,937) | $ 112,433 | $ 1,771,824 |

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:

| | **2019** | 2018 |
|---|---|---|
| Cash | **$ 137,082** | $ 146,130 |
| Due from brokers | **252** | 554 |
| Receivables | **53,575** | 45,765 |
| Accounts payable and accrued liabilities | **(135,045)** | (106,899) |
| Due to brokers | **(326,981)** | (791,619) |
| Advances from officer | **(60,000)** | - |
| | **$ (331,117)** | $ (706,069) |

**(Prepared in Canadian dollars)**

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

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

## 8. Related party transactions:

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

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

| Type of expense | | 2019 | | 2018 |
|---|---|---|---|---|
| Salaries and consulting fees | **$** | **1,242,455** | $ | 1,045,000 |
| Directors fees | | **75,000** | | - |
| Other short-term benefits | | **16,529** | | 16,903 |
| Stock-based compensation expense (10(c, d)) | | **491,992** | | 1,445,978 |
| | **$** | **1,825,976** | $ | 2,507,881 |

Key management personnel are the Chairman/Chief Executive Officer ("CEO"), Chief Financial Officer/Corporate Secretary ("CFO"), Vice-President of Business Development, General Council ("VP"). Other related parties include directors of the Company and a close family member of the CEO. During the year ended June 30, 2019, a cash bonus of $600,000 (2018 - $450,000) was paid to the CEO. During the year ended June 30, 2018, a cash bonus of $100,000 was paid to the CFO.

(b) As at June 30, 2019, included in accounts payable and accrued liabilities is $2,556 (2018 - $5,766) due to the CEO relating to reimbursement of operating expenses.

(c) On September 14, 2018, 1,199,999 stock options was granted to directors and officers of the Company, exercisable at a price of $0.30 per share, expiring on September 14, 2023. On December 14, 2018, 1,949,998 stock options was granted to directors and officers of the Company, exercisable at a price of $0.30 per share, expiring on December 14, 2023. On April 11, 2019, 749,999 stock options was granted to the CEO and a close family member of the CEO, exercisable at a price of $0.30 per share, expiring on April 11, 2024.

(d) On November 30, 2017, 500,000 stock options was granted to the CEO, exercisable at a price of $0.63 per share, expiring on November 30, 2022. On March 1, 2018, 3,249,999 stock options were granted to directors and officers of the Company, exercisable at a price of $0.48 per share, expiring on March 1, 2023.

## 8. Related party transactions (continued):

(e) During the year ended June 30, 2019, the CEO exercised 444,444 stock options at an average price of $0.30 per share for total proceeds of $133,333. During the year ended June 30, 2018, directors exercised 91,666 stock options at an average price of $0.43 per share for total proceeds of$39,166. During the year ended June 30, 2018, directors, officers, and close family members of the CEO and CFO exercised 2,592,331 warrants at an average price of $0.38 per share for total proceeds of $975,399.

(f) During the year ended June 30, 2019, the Company completed four non-brokered private placements as described in Note 10(b). On August 23, 2018, the CEO, other directors and close family members of the CEO subscribed for 1,866,665 units for gross proceeds of $560,000. On October 30, 2018, the CEO, a director, and other close family members of the CEO subscribed for 2,499,999 units for gross proceeds of $750,000. On March 1, 2019, a close family member of the CEO subscribed for 500,000 units for gross proceeds of $150,000. On May 31, 2019, the CEO and his close family members subscribed for 9,723,077 units for gross proceeds of $632,000.

(g) During the year ended June 30, 2018, the Company completed five non-brokered private placements as described in Note 10(c). On July 5, 2017, a close family member of the CEO subscribed for 533,333 units for gross proceeds of $160,000. On October 24, 2017, the CEO subscribed for 416,666 units for gross proceeds of $125,000. On November 14, 2017, a close family member of the CEO subscribed for 250,000 units for gross proceeds of $150,000. On April 13, 2019, two directors and close family members of the CEO subscribed for 2,016,665 units for gross proceeds of $605,000. On May 16, 2018, the CEO, a director, and close family members of the CEO subscribed for 1,563,331 units for gross proceeds of $609,700.

(h) As at June 30, 2019, included in prepaids and receivables is $40,680 (2018 - $45,715) due from related parties, two private companies with a common director or key management personnel (2018 – three private companies). The receivables are for rental and administrative services.

(i) As at June 30, 2019, included in prepaids and receivables is $282,500 (2018 - $183,060) in prepaid consulting fees to Park Place Limited, a private company controlled by the CEO.

(j) As at June 30, 2019, the Company had advances from officer (the CEO) of $60,000 which was due on demand, unsecured and interest free. The loan was fully repaid in July 2019.

**(Prepared in Canadian dollars)**

## 9. Property, plant and equipment:

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

| | **2019** | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **Cost** | **Accumulated amortization** | **Net book value** | Cost | Accumulated amortization | Net book value |
| Furniture and equipment | **$ 99,720** | **$ 36,151** | **$ 63,569** | $ 39,394 | $ 28,135 | $ 11,259 |
| Leasehold improvements | **31,813** | **3,712** | **28,101** | - | - | - |
| Computer equipment | **15,815** | **6,620** | **9,195** | 6,332 | 2,925 | 3,407 |
| | **$ 147,348** | **$ 46,483** | **$ 100,865** | $ 45,726 | $ 31,060 | $ 14,666 |

## 10. Equity:

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

On May 14, 2019, the Company consolidated its issued and outstanding common shares on the basis of one new common share for every 3 existing common shares. All figures and comparative figures reflect the stock consolidation, retroactively.

In June 2019, the Company received $660,728 net proceeds towards a private placement which closed on July 2, 2019 and has been included in shares to be issued. The private placement is for 10,192,026 units ("Units") at a price of $0.065 per Unit, to raise aggregate gross proceeds of $662,482. Each Unit consists of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to acquire one additional common share of the Company at an exercise price of $0.10 until July 2, 2022.

(b) During the year the Company completed four non-brokered private placement as follows (see also Note 8(f)):

| **Date** | **Total gross proceeds** | **Issuance costs (i)** | **Number common shares** | **Number of warrants** | **Exercise price warrants** | **Expiry date of warrants** |
|---|---|---|---|---|---|---|
| August 23, 2018 | $ 1,322,000 | $ 7,750 | 4,406,662 | 4,406,662 | $ 0.45 | August 23, 2021 |
| October 30, 2018 | 1,085,000 | 3,861 | 3,616,664 | 3,616,664 | 0.45 | October 30, 2021 |
| March 1, 2019 | 500,000 | 1,437 | 1,666,666 | 1,666,666 | 0.45 | March 1, 2022 |
| May 31, 2019 | 824,600 | 2,852 | 12,686,152 | 12,686,152 | 0.10 | May 31, 2022 |
| Total | $ 3,731,600 | $ 15,900 | 22,376,144 | 22,376,144 | | |

(i) These expenses have not been tax affected.

**(Prepared in Canadian dollars)**

## 10. Equity (continued):

The purchase warrants issued during the year ended June 30, 2019 were valued using the Black-Scholes option pricing model with the following assumptions (Note 10(g)):

| Black-Scholes option valuation model assumptions used: | **August 23, 2018** | **October 30, 2018** | **March 1, 2019** | **May 31, 2019** |
|---|---|---|---|---|
| Expected volatility | 112.66% | 112.66% | 112.66% | 112.66% |
| Expected dividend yield | 0.0% | 0.0% | 0.0% | 0.0% |
| Risk-free interest rate | 2.14% | 2.30% | 1.78% | 1.39% |
| Expected option life in years | 3 | 3 | 3 | 3 |
| Fair value per warrant issued, net of share issuance costs | $ 0.11 | $ 0.11 | $ 0.10 | $ 0.03 |

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 $1,384,052.

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

| **Date** | **Total gross proceeds** | **Issuance costs [(i)]** | **Number common shares** | **Number of warrants** | **Exercise price warrants** | **Expiry date of warrants** |
|---|---|---|---|---|---|---|
| July 5, 2017 | $ 300,000 | $ 2,058 | 999,999 | 999,999 | $ 0.15 | July 5, 2020 |
| October 24, 2017 | 1,155,000 | 8,977 | 3,850,000 | 3,850,000 | 0.15 | October 5, 2020 |
| November 14, 2017 | 1,605,000 | 12,936 | 2,674,995 | 2,674,995 | 0.25 | November 14, 2020 |
| April 13, 2018 | 1,280,000 | 8,796 | 4,266,661 | 4,266,661 | 0.15 | April 13, 2021 |
| May 16, 2018 | 965,020 | 2,756 | 2,474,405 | 2,474,405 | 0.20 | May 16, 2021 |
| Totals | $ 5,305,020 | $ 35,523 | 14,266,060 | 14,266,060 | | |

(i) These expenses have not been tax affected.

**(Prepared in Canadian dollars)**

## 10. Equity (continued):

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)):

| Black-Scholes option valuation model assumptions used: | **July 5, 2017** | **October 24, 2017** | **November 14, 2017** | **April 13, 2018** | **May 16, 2018** |
|---|---|---|---|---|---|
| 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 | $ 0.11 | $ 0.13 | $ 0.23 | $ 0.12 | $ 0.15 |

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.

(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.

In October 2018, the Company renewed its agreement with Agora Internet Relations Corp. ("Agora") pursuant to which Agora provides marketing, advertising and related services to the Company for a fee of $40,000 plus HST to be paid by the issuance of common shares of the Company. The fee is payable in five installments of $8,000 plus HST each with the first installment paid on November 1, 2018, 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. On November 9, 2018, the Company issued 302,624 common shares for an aggregate price of $36,160 to Agora. The share issuance was payment for three final installment payments pursuant to an agreement dated July 3, 2017 with Agora and the payment of the first installment for the current agreement with Agora.

**(Prepared in Canadian dollars)**

## 10. Equity (continued):

(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. The 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, 2019, the Company granted 4,408,327 stock options to directors, officers, employees and consultants of the Company, exercisable at an average price of $0.30 per share expiring between September 14, 2023 and April 11, 2024.

The fair value of the options granted during the year ended June 30, 2019 was estimated at the date of grant using the Black-Scholes option valuation model with the following assumptions:

| Black-Scholes option valuation model assumptions used (weighted average) | |
|---|---|
| Expected volatility | **112.66%** |
| Expected dividend yield | **0%** |
| Risk-free interest rate | **1.59-2.33%** |
| Expected option life in years | **3.0-4.3 years** |
| Expected forfeiture rate | **6.3-7.2%** |
| Fair value per stock option granted on September 14, 2018 | **$ 0.19** |
| Fair value per stock option granted on October 1, 2018 | **$ 0.18** |
| Fair value per stock option granted on December 14, 2018 | **$ 0.14** |
| Fair value per stock option granted on April 11, 2019 | **$ 0.16** |

During the year ended June 30, 2018, the Company granted 5,146,658 stock options to directors, officers, employees and consultants of the Company, exercisable at a weighted average price of $0.54 per share expiring between October 12, 2020 and March 1, 2023.

**(Prepared in Canadian dollars)**

## 10. Equity (continued):

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 | **112.66%** |
| Expected dividend yield | **0%** |
| Risk-free interest rate | **1.50% - 2.06%** |
| Expected option life in years | **3 - 4.1 years** |
| Expected forfeiture rate | **3.6% - 5.2%** |
| Fair value per stock option granted on October 12, 2017 | **$ 0.21** |
| Fair value per stock option granted on October 26, 2017 | **$ 0.56** |
| Fair value per stock option granted on November 16, 2017 | **$ 0.45** |
| Fair value per stock option granted on November 21, 2017 | **$ 0.45** |
| Fair value per stock option granted on November 30, 2017 | **$ 0.48** |
| Fair value per stock option granted on December 5, 2017 | **$ 0.43** |
| Fair value per stock option granted on January 3, 2018 | **$ 0.43** |
| Fair value per stock option granted on January 9, 2018 | **$ 0.88** |
| Fair value per stock option granted on January 18, 2018 | **$ 0.82** |
| Fair value per stock option granted on March 1, 2018 | **$ 0.36** |
| Fair value per stock option granted on April 24, 2018 | **$ 0.37** |
| Fair value per stock option granted on May 10, 2018 | **$ 0.24** |

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, 2019, included in operating, general and administrative expenses is stock-based compensation of $646,001 (2018 - $1,828,956) relating to the stock options granted to directors, officers, employees and consultants of the Company.

**(Prepared in Canadian dollars)**

## 10. Equity (continued):

A summary of the status of the Company's stock options as at June 30, 2019 and 2018 and changes during the years then ended is presented below:

| Stock options | 2019 # of options | 2019 Weighted average exercise price | 2018 # of options | 2018 Weighted average exercise price |
|---|---|---|---|---|
| Outstanding, at beginning of year | **5,894,056** | **$ 0.54** | 1,400,666 | $ 0.69 |
| Granted | **4,408,327** | **0.30** | 5,146,666 | 0.54 |
| Exercised | **(444,444)** | **0.30** | (91,666) | 0.42 |
| Cancelled/forfeited | **(263,887)** | **0.42** | (519,444) | 0.63 |
| Expired | **(50,483)** | **3.00** | (42,166) | 5.10 |
| Outstanding, at end of year | **9,543,209** | **$ 0.43** | 5,894,056 | $ 0.54 |
| Exercisable, at end of year | **6,643,223** | **$ 0.48** | 4,789,442 | $ 0.51 |

The following table summarizes information about stock options outstanding and exercisable as at June 30, 2019:

| Number of options outstanding | Number of options exercisable | Exercise price | Expiry date |
|---|---|---|---|
| **152,778** | **152,778** | **$ 0.30** | October 12, 2020 |
| **33,333** | **33,333** | **0.60** | November 16, 2020 |
| **83,333** | **83,333** | **0.66** | November 21, 2020 |
| **33,333** | **33,333** | **0.63** | December 5, 2020 |
| **83,333** | **69,445** | **0.63** | January 3, 2021 |
| **166,666** | **138,890** | **1.29** | January 9, 2021 |
| **979,886** | **979,886** | **0.45** | January 16, 2022 |
| **83,333** | **83,333** | **0.45** | April 5, 2022 |
| **16,666** | **16,666** | **0.30** | October 12, 2022 |
| **38,333** | **38,333** | **0.60** | November 16, 2022 |
| **566,666** | **566,666** | **0.63** | November 30, 2022 |
| **3,524,998** | **3,524,998** | **0.48** | March 1, 2023 |
| **916,666** | **291,670** | **0.30** | September 14, 2023 |
| **2,113,886** | **630,559** | **0.30** | December 14, 2023 |
| **749,999** | **-** | **0.30** | April 11, 2024 |
| **9,543,209** | **6,643,223** | | |

(f) Contributed surplus comprised the following as at June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Stock-based compensation, net of exercises | **$ 12,698,485** | $ 12,131,974 |
| 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 |
| | **$ 27,141,069** | $ 26,574,558 |

**(Prepared in Canadian dollars)**

## 10. Equity (continued):

(g) There summary of the status of the Company's warrants as at June 30, 2019 and 2018 and the changes during the years then ended are as follows:

| | **2019** | | 2018 | |
|---|---|---|---|---|
| **Warrants** | **# of warrants** | **Weighted average exercise price** | # of warrants | Weighted average exercise price |
| Outstanding, at beginning of year | **14,353,388** | **$ 0.54** | 9,284,328 | $ 0.45 |
| Issued | **22,376,144** | **0.25** | 14,266,060 | 0.54 |
| Exercised | **-** | **-** | (9,197,000) | 0.42 |
| Outstanding, at end of year | **36,729,532** | **$ 0.37** | 14,353,388 | $ 0.54 |

The following table summarizes information about warrants outstanding as at June 30, 2019:

| Number of warrants | Exercise price | Expiry date | Warrant value ($) |
|---|---|---|---|
| **228,665** | $ 0.45 | December 1, 2019 | $ 17,571 |
| **166,666** | 0.45 | December 8, 2019 | 12,283 |
| **592,000** | 0.60 | February 21, 2020 | 78,900 |
| **500,000** | 0.60 | April 6, 2020 | 78,713 |
| **600,000** | 0.45 | May 19, 2020 | 62,087 |
| **2,849,996** | 0.45 | October 24, 2020 | 368,154 |
| **2,674,995** | 0.75 | November 14, 2020 | 616,598 |
| **4,266,661** | 0.45 | April 13, 2021 | 509,678 |
| **2,474,405** | 0.60 | May 16, 2021 | 368,797 |
| **4,406,662** | 0.45 | August 23, 2021 | 489,982 |
| **3,616,664** | 0.45 | October 30, 2021 | 394,156 |
| **1,666,666** | 0.45 | March 1, 2022 | 173,195 |
| **12,686,152** | 0.10 | May 31, 2022 | 326,719 |
| **36,729,532** | | | $ 3,496,833 |

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

| **Numerator:** | **2019** | 2018 (Restated – Note 20) |
|---|---|---|
| Net income (loss) for the year | **$ (3,804,540)** | $ 1,355,022 |

| **Denominator:** | **2019** | 2018 |
|---|---|---|
| Weighted average number of common shares outstanding – basic | **47,267,660** | 26,765,357 |
| Weighted average effect of diluted stock options and warrants (i) | **-** | 5,310,298 |
| Weighted average number of common shares outstanding – diluted | **47,267,660** | 32,075,655 |

**(Prepared in Canadian dollars)**

## 10. Equity (continued):

| **Earnings (loss) per common share based on net income (loss) for the year:** | **2019** | 2018 (Restated – Note 20) |
|---|---|---|
| Basic | **$ (0.08)** | $ 0.05 |
| Diluted | **(0.08)** | 0.04 |

(i) The determination of the weighted average number of common shares outstanding – diluted excludes 46,272,741 shares related to convertible securities that were anti-dilutive for the year ended June 30, 2019 (2018 – 14,937,167).

(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:

| | **2019** | 2018 |
|---|---|---|
| Common shares outstanding | **62,266,873** | 39,345,403 |
| Warrants to purchase common shares | **36,729,532** | 14,353,388 |
| Stock options to purchase common shares | **9,543,209** | 5,894,056 |
| Fully diluted common shares outstanding | **108,539,614** | 59,592,847 |

## 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% (2018 – 26.50%) of pre-tax income as a result of the following:

| | **2019** | 2018 (Restated – Note 20) |
|---|---|---|
| Income (loss) before income taxes | **$ (3,804,540)** | $ 1,355,002 |
| Computed “expected” income tax expense | **$ (1,008,203)** | $ 359,076 |
| Non-deductible portion of capital losses (gains) | **-** | (108,046) |
| Non-taxable portion of unrealized gains | **233,252** | (574,407) |
| Non-taxable stock-based compensation expense | **171,190** | 484,673 |
| Permanent and other differences | **14,959** | (44,582) |
| Change in unrecognized deferred tax assets | **588,802** | (116,714) |
| Income tax expense | **$ -** | $ - |

**(Prepared in Canadian dollars)**

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

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

| Deferred tax | | 2019 | | 2018 (Restated) |
|---|---|---|---|---|
| Capital loss carry-forward | **$** | **869,975** | $ | 1,120,238 |
| Non-capital loss | | **1,212,137** | | 202,689 |
| Investments | | **(2,082,112)** | | (1,322,927) |
| Income tax expense | **$** | **-** | $ | - |

(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.

| | | 2019 | | 2018 (Restated) |
|---|---|---|---|---|
| Capital losses carry-forward | **$** | **31,146,209** | $ | 29,440,390 |
| Non-capital losses carry-forward | | **26,479,477** | | 25,106,813 |
| Exploration and evaluation assets tax pools | | **4,843,890** | | 4,843,890 |
| Share issuance costs and other differences | | **52,622** | | 56,300 |
| | **$** | **62,522,198** | $ | 59,447,393 |

As at June 30, 2019, the Company has approximately $827,000 (2018 - $827,000) of Canadian resource deductions and $18,298,000 (2018 - $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, 2019, the Company has approximately $37,712,000 of capital losses (2018 - $37,895,000) and $31,054,000 (2018 - $25,873,000) 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.

**(Prepared in Canadian dollars)**

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

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 | 4,478,000 |
| 2039 | 5,218,000 |
| | $ 31,054,000 |

In addition, the Company has unclaimed non-capital losses of approximately US$46,624,000 in Barbados that expires from 2020 to 2025.

## 12. Segmented information:

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

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

All of the Company'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, 2019 and 2018.

## 13. Commitments:

In April 2015, the Company signed a lease for 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.

**(Prepared in Canadian dollars)**

## 13. Commitments (continued):

In September 2018, the Company signed a lease for new premises which started on December 1, 2018 until November 30, 2023, for annual payments of approximately $190,974 (plus applicable taxes), increasing approximately 3.4% per year. The Company has arranged to sublease out its former premises.

As at June 30, 2019, future minimum annual lease payments under operating leases for premises and equipment are approximately as follows:

| | | |
|---|---|---|
| 2020 | $ | **268,900** |
| 2021 | | **204,700** |
| 2022 | | **212,500** |
| 2023 | | **218,800** |
| 2024 | | **70,300** |
| | **$** | **975,200** |

As at June 30, 2019, the Company had commitments to purchase investments totaling $858,400 (2018 - $438,200).

## 14. Expenses by nature:

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

| | | **2019** | | 2018 |
|---|---|---|---|---|
| Salaries and consulting fees | **$** | **1,730,179** | $ | 1,571,676 |
| Stock-based compensation expense | | **646,001** | | 1,828,956 |
| Other office and general | | **338,552** | | 114,677 |
| Operating lease payments | | **201,644** | | 84,999 |
| Transaction costs | | **151,706** | | 168,335 |
| Professional fees | | **116,415** | | 133,579 |
| Bad debts | | **73,450** | | - |
| Other employment benefits | | **49,337** | | 37,701 |
| Shareholder relations, transfer agent and filing fees | | **43,310** | | 44,565 |
| Travel and promotion | | **19,491** | | 55,493 |
| Foreign exchange expense | | **(11,920)** | | 36,057 |
| | **$** | **3,358,165** | $ | 4,076,038 |

## 15. Finance expenses:

Finance expenses for the year ended June 30, 2019 and 2018 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 $21,591,535 on June 30, 2019 (2018 (Restated – Note 20) - $20,204,045; July 1, 2017 (Restated – Note 20) - $7,810,461). 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 digital assets; and

(b) raising capital through equity or debt financings.

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, 2019. 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, 2019.

## 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.

## 17. Risk management (continued):

(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, 2019 and 2018, 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, 2019. The Company manages its market risk by having a portfolio that is not singularly exposed to any one issuer or class/sector of issuers.

The following table shows the estimated sensitivity of the Company's after-tax net income for the year ended June 30, 2019 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, 2019:

| Percentage of change in closing trade price | Decrease in after-tax net loss from % increase in closing trade price | Increase in after-tax net loss from % decrease in closing trade price |
|---|---|---|
| 2% | $ 371,630 | $ (371,630) |
| 4% | 743,261 | (743,261) |
| 6% | 1,114,891 | (1,114,891) |
| 8% | 1,486,522 | (1,486,522) |
| 10% | 1,858,152 | (1,858,152) |

**(Prepared in Canadian dollars)**

## 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:

| Percentage of change in closing trade price | Increase in after-tax net income from % increase in closing trade price | Decrease in after-tax net income from % decrease in closing trade price |
|---|---|---|
| 2% | $ 358,827 | $ (358,827) |
| 4% | 717,653 | (717,653) |
| 6% | 1,076,480 | (1,076,480) |
| 8% | 1,435,307 | (1,435,307) |
| 10% | 1,794,133 | (1,794,133) |

(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, 2019, the Company held one convertible debentures with a fair value of $806,822 (2018 – nil). 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, 2019. The Company is also exposed in the normal course of business to credit risk from the sale of its investments and advances to investee and joint arrangements.

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

| | **2019** | 2018 |
|---|---|---|
| Cash | **$ 137,082** | $ 146,130 |
| Due from brokers | **252** | 554 |
| Convertible debentures | **806,822** | - |
| Receivables (i) | **53,575** | 45,765 |
| | **$ 997,731** | $ 192,449 |

(i) As at June 30, 2019, 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, 2019 included in receivables is $8,657 (2018 – nil) 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.

**(Prepared in Canadian dollars)**

## 17. Risk management (continued):

(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, 2019. 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, 2019, the Company was using net margin of $326,981 (2018 – $791,619) and has advances from an officer of $60,000.

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at June 30, 2019 (see commitments Note 13):

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| **Liabilities and obligations** | **Total** | **Less than 1 year** | **1 – 3 years** | **4 – 5 years** | **After 5 years** |
| Accounts payable and accrued liabilities | **$ 135,045** | **$ 135,045** | **$ -** | **$ -** | **$ -** |
| Due to brokers | **326,981** | **326,981** | **-** | **-** | **-** |
| Advances from officer | **60,000** | **60,000** | | | |
| | **$ 522,026** | **$ 522,026** | **$ -** | **$ -** | **$ -** |

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

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

## 17. Risk management (continued):

The following table shows the Company's source of liquidity by assets as at June 30, 2019:

| **Assets** | **Total** | **Less than 1 year** | **1 – 3 years** | **After 4 years** | **Non-liquid assets** |
|---|---|---|---|---|---|
| | | **Liquidity by period** | | | |
| Cash | **$ 137,082** | **$ 137,082** | **$ -** | **$ -** | **$ -** |
| Due from brokers | **252** | **252** | **-** | **-** | **-** |
| Prepaids and receivables | **455,741** | **53,575** | **-** | **-** | **402,166** |
| Investments, at fair value (i) | **20,673,821** | **6,367,118** | **14,306,703** | **-** | **-** |
| Digital assets, at fair value less cost to sell (i) | **745,800** | **745,800** | **-** | **-** | **-** |
| Property, plant and equipment | **100,865** | **-** | **-** | **-** | **100,865** |
| | **$ 22,113,561** | **$ 7,303,827** | **$ 14,306,703** | **$ -** | **$ 503,031** |

(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, 2018:

| **Assets** | Total | Less than 1 year | 1 – 3 years | After 4 years | Non-liquid assets |
|---|---|---|---|---|---|
| | | Liquidity by period | | | |
| Cash | $ 146,130 | $ 146,130 | $ - | $ - | $ - |
| Due from brokers | 554 | 554 | - | - | - |
| Prepaids and receivables | 259,560 | 45,765 | - | - | 213,795 |
| Investments, at fair value (i) (restated - Note 20) | 18,284,433 | 4,906,975 | 13,377,458 | - | - |
| 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 |
| | $ 21,102,563 | $ 5,724,820 | $ 15,149,282 | $ - | $ 228,461 |

(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.

(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.

## 17. Risk management (continued):

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

| | **2019** | 2018 |
|---|---|---|
| Denominated in U.S. dollars: | | |
| Cash | **$ 1,857** | $ 2,984 |
| Due from brokers | **16** | 15 |
| Accounts payable and accrued liabilities | **(17,556)** | (17,665) |
| Due to brokers | **(243,817)** | (2,297,459) |
| Net assets denominated in U.S. dollars | **$ (259,500)** | $ (2,312,125) |

The following table shows the estimated sensitivity of the Company's after-tax net loss for the year ended June 30, 2019 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, 2019:

| **Percentage change in U.S. dollar exchange rate** | **Increase in after-tax net loss from an increase in % in the U.S. dollar exchange rate** | **Decrease in after-tax net loss from a decrease in % in the U.S. dollar exchange rate** |
|---|---|---|
| **2%** | **$ (3,815)** | **$ 3,815** |
| **4%** | **(7,629)** | **7,629** |
| **6%** | **(11,444)** | **11,444** |
| **8%** | **(15,259)** | **15,259** |
| **10%** | **(19,073)** | **19,073** |

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

(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.

**(Prepared in Canadian dollars)**

## 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 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 completed the process of assessing the impact that the amended standards will have on its consolidated financial statements which are as follows.

Effective July 1, 2019, the Company will present right-of-use assets in 'Property, plant and equipment' and lease liabilities in 'Lease liability' in the consolidated statement of financial position. Property, plant and equipment include furniture and fixtures, computer equipment, and right-of-use assets.

The following table reconciles the aggregate future minimum lease payments.

| | | |
|---|---|---|
| Future minimum annual lease as at June 30, 2019 | $ | 975,200 |
| Lease payments adjusted for additional rent for operating costs | | (339,940) |
| Lease payments adjusted for deposits made | | (79,805) |
| Gross lease liabilities as at July 1, 2019 | | 715,065 |
| Discount at effective interest rates of 6.2% to 10.0% | | (89,020) |
| Net lease liabilities as at July 1, 2019 | $ | 626,045 |

As at July 1, 2019, the Company will record the right of use assets of $626,045 and lease liabilities of an equal amount.

## 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, 2019.

## 20. Restatement:

The Company had reassessed the accounting policy in valuing its investments in warrants. Previously, the fair value of these investments was determined based on market information. For options and warrants which were not traded on a recognized securities exchange, no market value was readily available. When there were sufficient and reliable observable market inputs, a valuation technique was used; if no such market inputs were available or reliable, the options and warrants were valued at intrinsic value, which was equal to the higher of the closing trade price at the end of the reporting period of the underlying security less the exercise price of the options or warrants, and zero.

During the year ended June 30, 2019, it was determined that the fair value of warrants in the Company's investment portfolio should have been valued using an option pricing model such as the Black-Scholes valuation model.

The Company believes that the revised policy provides more relevant financial information to users of the consolidated financial statements.

The effects of restatements on the consolidated statements of financial position as at June 30, 2018 and July 1, 2017, and the consolidated statement of income and comprehensive income for the year ended June 30, 2018 are summarized as follows. The adjustments between amounts previously reported and amounts restated had no material effect on the consolidated statement of cash flows and consolidated statement of changes in equity for the year ended June 30, 2018.

**(Prepared in Canadian dollars)**

## 20. Restatement (continued):

*Consolidated statement of financial position*

| | June 30, 2018 | | |
|---|---|---|---|
| | Previously reported | Adjustments | Restated |
| **Assets** | | | |
| Cash | $ 146,130 | $ - | $ 146,130 |
| Due from brokers | 554 | - | 554 |
| Prepaids and receivables | 259,560 | - | 259,560 |
| Investments, at fair value | 17,117,728 | 1,166,705 | 18,284,433 |
| Digital assets, at fair value less cost to sell | 2,397,220 | - | 2,397,220 |
| Property, plant and equipment | 14,666 | - | 14,666 |
| | $ 19,935,858 | $ 1,166,705 | $ 21,102,563 |
| **Liabilities and Equity** | | | |
| Accounts payable and accrued liabilities | $ 106,899 | $ - | $ 106,899 |
| Due to brokers | 791,619 | - | 791,619 |
| | 898,518 | - | 898,518 |
| **Equity** | | | |
| Share capital | 106,680,839 | - | 106,680,839 |
| Contributed surplus | 26,574,558 | - | 26,574,558 |
| Warrants | 2,112,781 | - | 2,112,781 |
| Foreign currency translation reserve | 875,797 | - | 875,797 |
| Deficit | (117,206,635) | 1,166,705 | (116,039,930) |
| | 19,037,340 | 1,166,705 | 20,204,045 |
| | $ 19,935,858 | $ 1,166,705 | $ 21,102,563 |

**(Prepared in Canadian dollars)**

## 20. Restatement (continued):

*Consolidated statement of financial position*

| | July 1, 2017 | | |
|---|---|---|---|
| | Previously reported | Adjustments | Restated |
| **Assets** | | | |
| Cash | $ 21,973 | $ - | $ 21,973 |
| Due from brokers | 1,104 | - | 1,104 |
| Prepaids and receivables | 75,587 | - | 75,587 |
| Investments, at fair value | 7,142,584 | 726,274 | 7,868,858 |
| Property, plant and equipment | 18,049 | - | 18,049 |
| | $ 7,259,297 | $ 726,274 | $ 7,985,571 |
| **Liabilities and Equity** | | | |
| Accounts payable and accrued liabilities | $ 175,110 | $ - | $ 175,110 |
| | 175,110 | - | 175,110 |
| **Equity** | | | |
| Share capital | 98,842,373 | - | 98,842,373 |
| Contributed surplus | 24,771,754 | - | 24,771,754 |
| Warrants | 751,891 | - | 751,891 |
| Foreign currency translation reserve | 839,375 | - | 839,375 |
| Deficit | (118,121,206) | 726,274 | (117,394,932) |
| | 7,084,187 | 726,274 | 7,810,461 |
| | $ 7,259,297 | $ 726,274 | $ 7,985,571 |

**(Prepared in Canadian dollars)**

## 20. Restatement (continued):

*Consolidated statement of income and comprehensive income*

| | Year ended June 30, 2018 | | |
|---|---|---|---|
| | Previously reported | Adjustments | Restated |
| **Net investment and digital currency gains** | | | |
| Net realized losses on disposal of investments | $ (2,196,082) | $ - | $ (2,196,082) |
| Net change in unrealized gains on investments | 5,997,054 | 440,431 | 6,437,485 |
| Net realized gains disposal of digital assets | 1,453,964 | - | 1,453,964 |
| Net change in unrealized losses on digital assets | (413,045) | - | (413,045) |
| | 4,841,891 | 440,431 | 5,282,322 |
| **Administrative and rental income** | 151,068 | | 151,068 |
| **Other income** | 9,016 | - | 9,016 |
| | 5,001,975 | 440,431 | 5,442,406 |
| **Expenses** | | | |
| Operating, general and administrative | 4,076,038 | - | 4,076,038 |
| Finance expenses | 11,366 | - | 11,366 |
| | 4,087,404 | - | 4,087,404 |
| **Income before income taxes** | 914,571 | 440,431 | 1,355,002 |
| **Income tax expense** | - | - | - |
| **Net income for the year** | 914,571 | 440,431 | 1,355,002 |
| **Other comprehensive income** | | | |
| Exchange differences on translation of foreign operations | 36,422 | - | 36,422 |
| **Total comprehensive income for the year** | $ 950,993 | 440,431 | $ 1,391,424 |
| **Earnings per common share based on net income for the year** | | | |
| Basic | $ 0.03 | 0.02 | $ 0.05 |
| Diluted | $ 0.03 | 0.01 | $ 0.04 |
| **Weighted average number of common shares outstanding** | | | |
| Basic | 26,765,357 | 26,765,357 | 26,765,357 |
| Diluted | 32,075,655 | 32,075,655 | 32,075,655 |

## 21. Subsequent events:

(a) Subsequent to June 30, 2019 the Company completed a non-brokered private placement financing raising gross proceeds of $662,482 through the issuance and sale of 10,192,026 units at a price of $0.065 per unit. Each unit was comprised of one common share of the Company and one common share purchase warrant, each warrant entitling the holder to acquire one common share of the Company at $0.10 per share on or before July 2, 2022.

(b) Subsequent to June 30, 2019 the Company completed a non-brokered private placement financing raising gross proceeds of $255,000 through the issuance and sale of 5,100,000 units at a price of $0.05 per unit. Each unit was comprised of one common share of the Company and one common share purchase warrant, each warrant entitling the holder to acquire one common share of the Company at $0.10 per share on or before August 20, 2022.

(c) Subsequent to June 30, 2019 the Company completed a non-brokered private placement financing raising gross proceeds of $260,000 through the issuance and sale of 5,200,000 units at a price of $0.05 per unit. Each unit was comprised of one common share of the Company and one common share purchase warrant, each warrant entitling the holder to acquire one common share of the Company at $0.10 per share on or before September 13, 2022.

(d) Subsequent to June 30, 2019, 83,333 options exercisable at $0.45 per share expired unexercised and 83,333 options exercisable at $0.30 per share expired unexercised.

(e) Subsequent to June 30, 2019, the Company granted 250,000 options to a director, exercisable at $0.10 per share expiring on September 18, 2024.