ThreeD
Capital

Management’s Discussion and Analysis

For the quarter ended: **December 31, 2019**

Date of report: **February 19, 2020**

This management’s discussion and analysis of the financial condition and results of operation (“MD&A”) of the Company should be read in conjunction with ThreeD’s unaudited interim condensed consolidated financial statements (“interim consolidated statements”) and notes thereto as at and for the three and six months ended December 31, 2019 and the annual consolidated financial statements as at and for the year ended June 30, 2019. The same accounting policies and methods of computation were followed in the preparation of the interim consolidated statements as were followed in the preparation and described in note 3 of the annual consolidated financial statements as at and for the year ended June 30, 2019, except as follows:

> Effective July 1, 2019, the Company has adopted amendments to IFRS 16, *Leases*. IFRS 16 was issued in January 2016 replacing the previous lease standard, International Accounting Standards (“IAS”) 17, *Leases*, and related interpretations. The new standard requires lessees to recognize right-of-use assets and lease liabilities for most leases and recognize the associated expenses to depreciation and interest expense, respectively.
>
> The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17, *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Company used the following exemptions:
>
> - the election is being taken to not reassess whether a contract is or contains a lease at the date of initial application, and instead to only apply IFRS 16 to contracts that were in the scope of IAS 17;
> - the election is being taken to apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
> - the election is being taken to rely on the IAS 37 assessment of whether leases are onerous instead of performing an impairment review;
> - the election is being taken to exclude leases for which the term ends within 12 months from July 1, 2019. The Company recognizes the lease payments associated with these leases as an operating expense on a straight-line basis over the lease term;
>
> The Company presents right-of-use assets in ‘Property, plant and equipment’ and lease liabilities in ‘Lease liabilities’ in the consolidated statement of financial position. Property, plant and equipment include furniture and fixtures, leasehold improvements, 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
Principal payments of lease liabilities		(86,098)
Finance expense		18,821
Net lease liabilities as at December 31, 2019	$	558,768

During the six months ended December 31, 2019, the Company recorded $18,821 in finance expenses related to lease liabilities.

The following table shows the right of use assets balance on transition to IFRS 16 and amortization recorded during the period.

Right of use assets as at July 1, 2019	$	626,045
Accumulated amortization		(82,737)
Right of use assets as at December 31, 2019	$	543,308

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

Caution Regarding Forward-Looking Information:

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

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

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

Nature of the Business:

ThreeD 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's investment strategy is to invest in multiple private and public companies across a variety of sectors globally. 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 130 Spadina Ave., Suite 401, Toronto, Ontario, M5V 2L4, Canada.

Summary:

- On November 22, 2019, the Company completed a non-brokered private placement financing raising gross proceeds of $165,000 through the issuance and sale of 5,000,000 units at a price of $0.033 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 $0.05 per share on or before November 22, 2022. A close family member of the Chief Executive Officer of the Company subscribed for all of the units for gross proceeds of $165,000.

- On December 23, 2019, the Company acquired 3,000,000 units of St-Georges Eco-Mining Corp. ("St-Georges") (CSE: "SX") at a price of $0.10 per unit. In consideration, the Company issued an aggregate of 5,000,000 common shares of the Company at a deemed price of $0.05 per common share and made a cash payment in the amount of $50,000.

- As at December 31, 2019, the Company held investments at fair value and digital assets, at fair value less cost to sell totalling $8,358,311 as compared to $21,419,621 as at June 30, 2019, a 61% decrease primarily attributable to net unrealized losses on investments.

- As at December 31, 2019, net asset value per share ("NAV per share") was $0.09 as compared to $0.35 as at June 30, 2019, a 74% decrease (See "Use of Non-GAAP Financial Measures" elsewhere in this MD&A).

- Subsequent to December 31, 2019, the Company completed a non-brokered private placement financing raising gross proceeds of $590,000 (of which $140,390 was received in December 2019) through the issuance and sale of 19,666,666 units at a price of $0.03 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 $0.05 per share on or before January 28, 2023. A director of the Company and close family members of the Chief Executive Officer of the Company subscribed for 15,566,666 units for gross proceeds of $467,000.

Investments:

The fair value and cost of investments are as follows as at December 31, 2019:

Investee	Note (a)	Description of holdings	Cost	Fair Value	% of Fair Value
Novera Capital Inc. (private)	(ii)	500,000 common shares 500,000 warrants expire July 19, 2020	**328,250**	**827,465**	**10.1**
GoldSpot Discoveries Corp.	(ii)	5,441,882 common shares	**427,166**	**708,158**	**8.6**
SciCann Therapeutics Inc. (private)	(ii)	16,000 common shares 1,554 options expire Dec 23, 2024	**100,000**	**292,859**	**3.6**
One Bullion Limited (private)	(ii)	4,000,000 common shares	**53,000**	**200,000**	**2.4**
Imagination Park Technologies Inc. (CSE: IP)	(i, ii)	2,626,000 common shares $50,000 convertible debenture 1,500,000 warrants expire May 16, 2021 900,000 warrants expire Aug 24, 2021 4,750,000 warrants expire Oct 5, 2021	**174,445**	**218,730**	**2.7**
Gratomic Inc. (TSXV: GRAT)	(ii)	1,000,000 warrants expire Mar 29, 2020 2,000,000 warrants expire Nov 24, 2020 3,000,000 warrants expire Aug 10, 2021	**-**	**23,800**	**0.3**
Pluto Network Operations Canada Inc. (private)	(ii)	21,299 common shares	**45,154**	**-**	**-**
Other publicly traded investments			**2,461,177**	**2,232,085**	**27.2**
Other private investments			**4,454,836**	**3,697,439**	**45.1**
			$ 8,044,028	**$ 8,200,536**	**100.0**

The fair value and cost of investments are as follows as at June 30, 2019:

Investee	Note (a)	Description of holdings	Cost	Fair Value	% of Fair Value
New Found Gold Corp. (private)	(iii)	13,500,000 common shares	$ 127,501	$ 5,400,000	26.1
Goldspot Discoveries Inc. (TSXV: SPOT)	(i)	12,470,823 common shares	672,332	4,017,141	19.4
Novera Capital Inc. (private)	(ii)	500,000 common shares 500,000 warrants expire July 19, 2020	328,250	875,211	4.2
Imagination Park Technologies Inc. (CSE: IP)	(i, ii)	6,613,000 common shares 1,500,000 warrants expire May 16, 2021 900,000 warrants expire Aug 24, 2021 4,750,000 warrants expire Oct 5, 2021	763,799	375,020	1.8
SciCann Therapeutics Inc. (private)	(ii)	16,000 common shares	100,000	272,000	1.3
One Bullion Limited (private)	(ii)	4,000,000 common shares	53,000	200,000	1.0
Pluto Network Operations Canada Inc. (private)	(ii)	21,299 common shares	45,154	-	-
Gratomic Inc. (TSXV: GRAT)	(ii)	1,000,000 warrants expire Mar 29, 2020 2,000,000 warrants expire Nov 24, 2020 3,000,000 warrants expire Aug 10, 2021	-	70,000	0.3
Other publicly traded investments			1,128,858	1,904,957	9.2
Other private investments			4,490,916	7,559,492	36.7
			$ 7,709,810	$ 20,673,821	100.0

(a) The Company includes the following investments in its investment disclosure:

- (i) Investments in which it is subject to insider or early warning (s101) reporting requirements; or
- (ii) Investments in which one or more of the Company's management and/or director(s) is a director of the investee; or
- (iii) Private investments in which we own greater than 10% of the investee.

As at December 31, 2019, the fair value of investments exceeded original cost by $156,507 as compared to $12,964,011 as at June 30, 2019. The decrease for the six months ended December 31, 2019 was primarily due to the net change in unrealized losses on investments of $12,807,504.

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

As at December 31, 2019, total investments included securities of private companies with a fair value totalling $5,017,763 (61% of total fair value of the Company's investments; cost of $4,981,240). As at June 30, 2019, total investments included securities of private companies with a fair value totalling $14,306,703 (69% of total fair value of the Company's investments; cost of $5,144,821). The fair value was determined in accordance with the Company's accounting policy for private company investments. The amounts at which the Company's private company investments could be disposed of currently may differ significantly from their carrying values since there is no active market to dispose of these investments.

Digital assets at fair value less cost to sell ("FVLCTS"):

In January 2018, the Company commenced its investment in digital assets which 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).

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

Realized gains and losses on disposal of digital assets and unrealized gains and losses in the value of digital assets are reflected in the consolidated statement of loss and comprehensive loss. Upon disposal of a digital currency, previously recognized unrealized gains or losses are reversed so as to recognize the full realized gain or loss in the period of disposition. Digital assets which are traded on an exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value to a maximum of 10%. In determining the discount for such digital currency, the Company considers the nature and length of the restriction. SAFTs are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of a SAFT may (depending upon the circumstances) be adjusted using one or more valuation indicators.

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.

The FVLCTS and cost of digital assets are as follows as at December 31, 2019:

		Cost		**FVLCTS**
Digital coins	**$**	**92**	**$**	**79**
Digital tokens		**720,820**		**157,697**
SAFTs		**1,191,609**		**-**
	$	**1,912,521**	**$**	**157,776**

The FVLCTS and cost 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 over $1,000 as at December 31, 2019 are as follows:

Digital currency	**Type**	**Quantity**		**Cost**		**Fair Value less cost to sell**	**% of FVLCTS**
Sense	Tokens	12,500,499	**$**	**122,603**	**$**	**156,974**	**99.5**
Other digital assets under $1,000				**1,789,918**		**802**	**0.5**
			$	**1,912,521**	**$**	**157,776**	**100.0**

The FVLCTS and cost of the top 10 digital assets as at June 30, 2019 are as follows:

Digital currency	**Type**	**Quantity**		**Cost**		**Fair Value less cost to sell**	**% of FVLCTS**
Flexacoin	Coins	97,375,455	$	129,665	$	629,303	84.4
Crypterium	Tokens	145,289		188,385		42,400	5.7
Sense	Tokens	11,628,411		26,661		34,256	4.6
Legolas	Tokens	217,562		125,590		22,142	3.0
NEO	Coins	186		36,927		4,057	0.5
Basic Attention Token	Tokens	9,991		8,701		3,827	0.5
Consensus	Tokens	2,444,888		73,347		3,206	0.4
Verge	Coins	129,205		19,609		1,311	0.2
Civic	Coins	12,000		16,316		1,103	0.2
Hybrid-Block	Tokens	750,000		188,685		877	0.1
Other digital assets				1,736,300		3,318	0.4
			$	2,550,186	$	745,800	100.0

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. 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.

Contingent liability:

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

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

In January 2015, the Company received notice from the DGH that it denied the request for non-levy of the cost of the unfinished PSC and demanded payment of the outstanding balance of US$14,054,284 (ThreeD's share – US$1,423,510). The Company considers the claim to be completely without merit and will defend itself vigorously. No provision has been made for the claim in the consolidated statement of financial position as at December 31, 2019.

Results of Operations

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

	Quarter ended			
	December 31, 2019	**September 30, 2019**	June 30, 2019	March 31, 2019 (restated)
Net investment gains (losses)	**$ (4,829,035)**	**$ (8,616,653)**	$ 749,551	$ (83,435)
Net loss for the period	**(5,429,996)**	**(9,262,481)**	(87,643)	(1,154,618)
Total comprehensive loss for the period	**(5,429,655)**	**(9,262,690)**	(87,273)	(1,154,243)
Loss per share based on net loss for the period – basic and diluted	**(0.06)**	**(0.12)**	(0.00)	(0.02)
	December 31, 2018 (restated)	September 30, 2018 (restated)	June 30, 2018 (restated)	March 31, 2018 (restated)
Net investment gains (losses)	$ 1,140,987	$ (2,526,177)	$ 2,472,111	$ 345,415
Net income (loss) for the period	549,049	(3,111,328)	719,234	(589,473)
Total comprehensive income (loss) for the period	548,114	(3,111,029)	755,544	(589,940)
Earnings (loss) per share based on net income (loss) for the period – basic	0.01	(0.08)	0.02	(0.02)
Earnings (loss) per share based on net income (loss) for the period – diluted	0.01	(0.08)	0.02	(0.02)

Restated quarters: 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 and all comparative information has reflected the restated amounts.

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

Three months ended December 31, 2019 and 2018:

For the three months ended December 31, 2019, the Company generated net realized gains on disposal of investments of $177,575, as compared to net realized losses $1,251,266 for the three months ended December 31, 2018. The net realized gains (losses) are a result of the dispositions of the Company's investments to generate cash proceeds for use in general working capital and purchases of other investments and digital assets.

For the three months ended December 31, 2019, the Company recorded a net change in unrealized losses on investments of $4,962,488 as compared to a net change in unrealized gains of $3,835,239 for the three months ended December 31, 2018. The net change in unrealized losses on investments in the current period related to the reversal of previously recognized net unrealized gains on disposal of investments of $6,961,427 offset by the net write-up to market on the Company's investments of $1,998,939. In the prior year period, the net change in unrealized gains on investments related to the net write-up to market on the Company's investments of $4,784,862 offset by the reversal of previously recognized net unrealized gains on disposal of investments of $1,100,161.

For the three months ended December 31, 2019, the Company recorded a realized loss on digital assets of $404,550 as compared to $104,619 for the three months ended December 31, 2018. For the three months ended December 31, 2019, the net change in unrealized gains on digital assets was $360,428, as compared to a net change in unrealized losses on digital assets of $1,338,367, primarily from the write-down of the Company's SAFT holdings. As at December 31, 2019, the Company has disposed most its digital assets and currently only has one holding with a fair value of over $1,000.

For the three months ended December 31, 2019, the Company recorded administrative and rental income of $69,442 as compared to $52,500 for the three months ended December 31, 2018, an increase due to an increase in the rates charged to investees. The Company has recorded bad debts of $13,750 relating to administrative and rental income from one of its investees.

For the three months ended December 31, 2019, operating, general and administrative expenses increased by $18,262 to $646,501 from $628,239 for the three months ended December 31, 2018. The increase was primarily due to an increase in salaries and consulting fees and other office and general expenses and professional fees offset by a decrease in stock-based compensation expense as discussed below.

The following is the breakdown of the Company's operating, general and administrative expenses for the indicated three month periods ended December 31. Details of the changes follow the table:

	2019	2018
Salaries and consulting fees (a)	**$ 277,250**	$ 237,533
Other office and general (b)	**122,761**	53,184
Stock-based compensation expense (c)	**68,367**	176,984
Professional fees (d)	**52,828**	380
Transaction costs (e)	**44,244**	55,453
Operating lease payments	**29,759**	37,881
Bad debts (f)	**13,750**	-
Other employment benefits	**12,575**	7,659
Shareholder relations, transfer agent and filing fees	**9,811**	9,205
Travel and promotion	**9,554**	7,032
Foreign exchange loss (g)	**5,602**	42,928
	$ 646,501	$ 628,239

(a) Salaries and consulting fees increased by $39,717 for the three months ended December 31, 2019 as compared to the three months ended December 31, 2018, primarily due to additional employees not included in the prior year period and an increase in fees to the CEO.

(b) Other office and general increased by $69,577 for the three months ended December 31, 2019 as compared to the three months ended December 31, 2018, primarily due to an increase of $45,926 in the depreciation of property, plant, and equipment relating to the new accounting policy for leases and an increase in director's and officer's insurance.

(c) Stock-based compensation expense decreased by $108,617 for the three months ended December 31, 2019 as compared to the three months ended December 31, 2018. Stock-based compensation expense will vary from period to period depending upon the number of options granted and vested during a period and the fair value of the options calculated as at the grant date. Stock options granted vest at three-month intervals over 18 months and are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value of these options is estimated at the date of grant using the Black-Scholes option pricing model, and expensed over the vesting periods based on the graded method. Unvested forfeited stock options are not expensed during the period.

(d) Professional fees increased by $52,448 for the three months ended December 31, 2019 as compared to the three months ended December 31, 2018, due to additional accruals for the 2019 fiscal year audit which related to an increase in expected audit work on the digital assets and valuation of private investments.

(e) Transactions costs decreased by $11,209 for the three months ended December 31, 2019 as compared to the three months ended December 31, 2018, due to a decrease in the volume of trading conducted by the Company. Transaction costs arise from the purchase and disposition of investments through brokers, which are expensed immediately in accordance with the Company's accounting policy.

(f) During the three months ended December 31, 2019, the Company impaired a receivable of $13,750 from one of its investees relating to administrative and rental income.

(g) During the three months ended December 31, 2019, the Company had a foreign exchange expense of $5,602 as compared to $42,928 for the three months ended December 31, 2018, a decrease of $37,326. The Company experienced a foreign exchange loss due to the decrease in the value of the Canadian dollar versus the U.S. dollar during the quarter, which increased the Canadian dollar value of the Company's U.S. dollar denominated monetary liabilities. The Company's U.S. dollar denominated monetary liabilities primarily relate to due to brokers which has been significantly reduced during the current period.

For the three months ended December 31, 2019, the Company had finance expenses of $23,902 as compared to $16,217 for the three months ended December 31, 2018. The finance expenses primarily relate to interest expense paid to brokers on margin borrowings. In the current year period, finance expenses include $9,149 of interest for the right-of-use assets (due to the new accounting policy for leases).

Net loss for the three months ended December 31, 2019 was $5,429,996 ($0.06 per share) as compared to net income of $549,049 ($0.01 per share) for the three months ended December 31, 2018.

For the three months ended December 31, 2019, the Company recorded a gain from the exchange differences on translation of foreign operations of $341 resulting in total comprehensive loss for the period of $5,429,655. The gain from the exchange differences on translation of foreign operations was primarily due to the increase in the value of the Canadian dollar versus the U.S. dollar during the quarter, which decreased the Canadian dollar value of the Company's U.S. dollar denominated net liabilities held by foreign subsidiaries. For the three months ended December 31, 2018, the Company recorded a loss from the exchange differences on translation of foreign operations of $935 resulting in total comprehensive income for the period of $548,114.

Six months ended December 31, 2019 and 2018:

For the six months ended December 31, 2019, the Company generated net realized losses on disposal of investments of $577,038, as compared to $1,639,277 for the six months ended December 31, 2018. The net realized gains (losses) are a result of the dispositions of the Company's investments to generate cash proceeds for use in general working capital and purchases of other investments and digital assets.

For the six months ended December 31, 2019, the Company recorded a net change in unrealized losses on investments of $12,807,504 as compared to a net change in unrealized gains of $2,203,899 for the six months ended December 31, 2018. The net change in unrealized losses on investments in the current period related to the net write-down to market on the Company's investments of $5,584,315 and the reversal of previously recognized net unrealized gains on disposal of investments of $7,223,189. In the prior year period, the net change in unrealized gains on investments in the current period related to the net write-up to market on the Company's investments of $3,518,408 offset by the reversal of previously recognized net unrealized gains on disposal of investments of $1,385,947.

For the six months ended December 31, 2019, the Company recorded a realized loss on digital assets of $110,787 as compared to $104,619 for the six months ended December 31, 2018. For the six months ended December 31, 2019, the net change in unrealized gains on digital assets was $49,641, as compared to a net change in unrealized losses on digital assets of $1,845,193, primarily from the write-down of the Company's SAFT holdings. As at December 31, 2019, the Company has disposed most its digital assets and currently only has one holding with a fair value of over $1,000.

For the six months ended December 31, 2019, the Company recorded administrative and rental income of $143,209 as compared to $105,000 for the six months ended December 31, 2018, an increase due to an increase in the rates charged to investees.

For the six months ended December 31, 2019, operating, general and administrative expenses increased by $102,686 to $1,332,661 from $1,229,975 for the six months ended December 31, 2018. The increase was primarily due to an increase in other office and general expenses and professional fees offset by a decrease in salaries and consulting fees and stock-based compensation expense as discussed below.

The following is the breakdown of the Company's operating, general and administrative expenses for the indicated six month periods ended December 31. Details of the changes follow the table:

	2019	2018
Salaries and consulting fees (a)	**$ 554,600**	$ 611,929
Other office and general (b)	**236,900**	101,809
Stock-based compensation expense (c)	**169,095**	285,976
Professional fees (d)	**128,113**	26,216
Transaction costs (e)	**112,435**	89,030
Operating lease payments	**58,466**	59,848
Other employment benefits	**25,386**	20,102
Shareholder relations, transfer agent and filing fees	**13,954**	12,571
Bad debts (f)	**13,750**	-
Travel and promotion	**12,554**	9,608
Foreign exchange loss	**7,408**	12,886
	$ 1,332,661	$ 1,229,975

(a) Salaries and consulting fees decreased by $57,329 for the six months ended December 31, 2019 as compared to the six months ended December 31, 2018, primarily due to $150,000 bonus paid to the CEO in the six months ended December 31, 2018 (none in the current year period). Bonuses are discretionary and are approved by the Company's board of directors. The decrease was offset by an increase in the CEO's salary and the addition of two employees in the current year period.

(b) Other office and general increased by $135,091 for the six months ended December 31, 2019 as compared to the six months ended December 31, 2018, primarily due to an increase of $92,297 in the depreciation of property, plant, and equipment relating to the new accounting policy for leases and an increase in director's and officer's insurance.

(c) Stock-based compensation expense decreased by $116,881 for the six months ended December 31, 2019 as compared to the six months ended December 31, 2018. Stock-based compensation expense will vary from period to period depending upon the number of options granted and vested during a period and the fair value of the options calculated as at the grant date. Stock options granted vest at six-month intervals over 18 months and are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value of these options is estimated at the date of grant using the Black-Scholes option pricing model, and expensed over the vesting periods based on the graded method. Unvested forfeited stock options are not expensed during the period.

(d) Professional fees increased by $101,897 for the six months ended December 31, 2019 as compared to the six months ended December 31, 2018, due to additional accruals for the 2019 fiscal year audit which related to an increase in expected audit work on the digital assets and valuation of private investments.

(e) Transactions costs increased by $23,405 for the six months ended December 31, 2019 as compared to the six months ended December 31, 2018, due to an increase in the volume of trading conducted by the Company during the period. Transaction costs arise from the purchase and disposition of investments through brokers, which are expensed immediately in accordance with the Company's accounting policy.

(f) During the six months ended December 31, 2019, the Company impaired a receivable of $13,750 from one of its investees relating to administrative and rental income.

For the six months ended December 31, 2019, the Company had finance expenses of $57,352 as compared to $52,145 for the six months ended December 31, 2018. The finance expenses primarily relate to interest expense paid to brokers on margin borrowings. In the current year period, finance expenses include $18,821 of interest for the right-of-use assets (due to the new accounting policy for leases).

Net loss for the six months ended December 31, 2019 was $14,692,477 ($0.18 per share) as compared to $2,562,279 ($0.06 per share) for the six months ended December 31, 2018.

For the six months ended December 31, 2019, the Company recorded a gain from the exchange differences on translation of foreign operations of $132 resulting in total comprehensive loss for the period of $14,692,345. The gain from the exchange differences on translation of foreign operations was primarily due to the increase in the value of the Canadian dollar versus the U.S. dollar during the quarter, which decreased the Canadian dollar value of the Company's U.S. dollar denominated net liabilities held by foreign subsidiaries. For the six months ended December 31, 2018, the Company recorded a loss from the exchange differences on translation of foreign operations of $636 resulting in total comprehensive income for the period of $2,562,915.

Cash Flows
Six months ended December 31, 2019 and 2018:

During the six months ended December 31, 2019, the Company used cash of $1,006,445 in operating activities as compared to $2,401,535 during the six months ended December 31, 2018. The Company classifies its investment activities (proceeds on disposal of investments and digital assets, purchases of investments and digital assets, and due from/to brokers) as operating activities which is the Company's primary business. During the six months ended December 31, 2019, the Company had proceeds from disposition of investments of $7,963,724 as compared to $6,520,917 during the six months ended December 31, 2018. During the six months ended December 31, 2019, the Company purchased $8,784,981 of investments as compared to $7,337,149 of investments purchased during the six months ended December 31, 2018. As previously discussed, in January 2018, the Company started investing in digital assets. During the six months ended December 31, 2019, the Company had proceeds from disposition of digital assets of $1,511,577 as compared to $494,046 during the six months ended December 31, 2018. During the six months ended December 31, 2019, the Company purchased

$984,698 of digital assets as compared to $259,039 purchased during the six months ended December 31, 2018.

During the six months ended December 31, 2019, the Company generated net cash of $913,277 in financing activities from non-brokered private placement financings as compared to $2,395,389 for the six months ended December 31, 2018. During the six months ended December 31, 2019, the Company repaid advances of $60,000 from officer and paid $86,098 in principal payments of its lease liabilities.

During the six months ended December 31, 2019, the Company had no investing activities. During the six months ended December 31, 2018, the Company used $78,925 for the purchase of property, plant and equipment when it moved into its new premises.

For the six months ended December 31, 2019, the Company had a net decrease in cash of $98,876 as compared to $85,071 for the six months ended December 31, 2018. For the six months ended December 31, 2019, the Company also had a gain from the exchange rate changes on its foreign operations' cash balances of $132, leaving a cash balance of $38,338 as at December 31, 2019 as compared to an exchange loss of $636, leaving a cash balance of $60,423 as at December 31, 2018.

Segmented information:

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

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

All of the Company property, plant and equipment are located in Canada and no segmented information has been disclosed as at and for the three months ended December 31, 2019.

Liquidity and capital resources:

Consolidated statement of financial position highlights	December 31, 2019	June 30, 2019
Cash	**$ 38,338**	$ 137,082
Investments, at fair value	**8,200,536**	20,673,821
Digital assets, at fair value less cost to sell	**157,775**	745,800
Total assets	**9,210,661**	22,113,561
Due to brokers	**283,392**	326,981
Total liabilities	**1,088,709**	522,026
Share capital, shares to be issued, contributed surplus, and warrants	**141,782,861**	140,560,099
Foreign currency translation reserve	**876,038**	875,906
Deficit	**(134,536,947)**	(119,844,470)

Total liabilities increased by $566,683 to $1,088,709 as at December 31, 2019 as compared to $522,026 as at June 30, 2019. The increase was primarily due to the increase in accounts payable and accrued liabilities which is $246,549 as at December 31, 2019 as compared to $135,045 as at June 30, 2019. The increase in liabilities also includes $558,768 for lease liabilities which was recorded in accordance with the new accounting policy for leases. As at December 31, 2019, total liabilities also include $17,423 (June 30, 2019 - $17,366) accrued for the winding down of its inactive subsidiaries in Barbados.

The Company's cash and investments as at December 31, 2019 would be sufficient to meet the Company's current liabilities.

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

In April 2015, the Company signed a lease for 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.

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 is currently subleasing its former premises.

As at December 31, 2019, future minimum annual lease payments under operating leases for premises and equipment are approximately as follows:

Lease obligations (fiscal 2020-2024)	**$**	**867,606**
Lease payments adjusted for additional rent for operating costs		**(238,640)**
Discount at effective interest rates of 6.2% to 10.0%		**(70,198)**
Net lease liabilities as at December 31, 2019	**$**	**558,768**

As at December 31, 2019, the Company had commitments to purchase investments totaling $732,000 (June 30, 2019 - $858,400).

Related party transactions:

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

(a) Compensation to key management personnel and directors during the three and six months ended December 31 were as follows:

	Three months ended December 31,		**Six months ended December 31,**	
Type of expense	**2019**	2018	**2019**	2018
Salaries and consulting fees	**$ 184,250**	$ 131,250	**$ 368,500**	$ 412,500
Other short-term benefits	**6,354**	3,563	**12,366**	12,152
Stock-based compensation expense	**63,946**	129,657	**159,371**	183,924
	$ 254,550	$ 264,470	**$ 540,237**	$ 608,576

Key management personnel are the Chairman/Chief Executive Officer ("CEO"), Chief Financial Officer/Corporate Secretary ("CFO") and Vice-President of Business Development and General Council ("VP"). During the six months ended December 31, 2018, a cash bonus of $150,000 was paid to the CEO.

(b) During the six months ended December 31, 2019, the Company completed five non-brokered private placements as described in Note 8(b). On July 2, 2019, two directors and a close family member of the CEO subscribed for 5,768,950 units for gross proceeds of $374,982. On August 20, 2019, close family members of the CEO subscribed for 5,100,000 units for gross proceeds of $255,000. On September 13, 2019, the CEO and a director subscribed for 5,200,000 units for gross proceeds of $260,000. On November 22, 2019, a close family member of the CEO subscribed for 5,000,000 units for gross proceeds of $165,000.

(c) During the year ended June 30, 2019, the Company completed four non-brokered private placements as described in Note 8(c). 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.

(d) On September 18, 2019, 250,000 stock options were granted to a director of the Company, exercisable at a price of $0.10 per share, expiring on September 18, 2024.

(e) On September 14, 2018, 1,199,999 stock options were 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 were 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 were 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.

(f) As at December 31, 2019, included in prepaids and receivables is $101,134 (June 30, 2019 - $40,680) due from related parties, two companies with common directors. The receivables are for rental and administrative services.

(g) As at December 31, 2019, included in prepaids and receivables is nil (June 30, 2019 - $282,500) in prepaid consulting fees to Park Place Limited, a private company controlled by the CEO.

(h) As at December 31, 2019, included in accounts payable and accrued liabilities is $8,574 (June 30, 2019 - $2,556) due to the CEO relating to reimbursement of operating expenses.

(i) As at December 31, 2019, included in shares to be issued is $140,390 from a director of the Company (June 30, 2019 - $374,982 from two directors and a close family member of the CEO).

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

Off-Balance sheet arrangements:

As at December 31, 2019, the Company does not have any off-balance sheet arrangements that have, or are reasonable likely to have, a current or future effect on the results of operations or financial condition of ThreeD.

Management of capital:

There were no changes in the Company's approach to capital management during the three months ended December 31, 2019. The Company's capital includes all components of equity which amounts to $8,121,952 as at December 31, 2019 (June 30, 2019 - $21,591,535). To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program. The Company's current capital resources are sufficient to discharge its liabilities as at December 31, 2019.

Risk management:

The investment operations of ThreeD's business involve the purchase and sale of securities and 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. Although digital assets are not considered financial instruments, they inherently have the similar risks as traditional investments. A discussion of the Company's use of financial instruments and their associated risks is provided below.

(a) Market risk:

There were no changes in the way the Company manages market risk during the three months ended December 31, 2019. As at December 31, 2019 and June 30, 2019, 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. The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer or class/sector of issuers.

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.

The following table shows the estimated sensitivity of the Company's after-tax net loss for the six months ended December 31, 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 December 31, 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%	**$ 145,017**	**$ (145,017)**
4%	**290,033**	**(290,033)**
6%	**435,050**	**(435,050)**
8%	**580,067**	**(580,067)**
10%	**725,083**	**(725,083)**

The following table shows the estimated sensitivity of the Company's after-tax net loss for the six months ended December 31, 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 December 31, 2018:

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%	$ 323,396	$ (323,396)
4%	646,792	(646,792)
6%	970,188	(970,188)
8%	1,293,584	(1,293,584)
10%	1,616,981	(1,616,981)

(b) Currency risk:

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

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

	December 31, 2019		June 30, 2019	
Denominated in U.S. dollars:				
Cash	$	518	$	1,857
Due from brokers		16		16
Accounts payable and accrued liabilities		(17,423)		(17,556)
Due to brokers		(64,360)		(243,817)
Net assets denominated in U.S. dollars	$	(81,249)	$	(259,500)

The following table shows the estimated sensitivity of the Company's after-tax net loss for the six months ended December 31, 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 December 31, 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%	$	(1,194)	$	1,194
4%		(2,389)		2,389
6%		(3,583)		3,583
8%		(4,777)		4,777
10%		(5,972)		5,972

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 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

(c) 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.

Risks:

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

(a) Cash flows:

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

(b) Private issuers and illiquid securities:

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

(c) Simple Agreement for Future Tokens (SAFTs):

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, see "Digital assets" below.

(d) Investment risks:

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

(e) Digital assets:

The Company acquires digital assets which include digital coins, tokens, and SAFTs. The risks associated with digital assets are similar to investments risks, in addition, digital assets have a limited history and the fair value less cost to sell historically has been very volatile. Historical performance of digital assets are not indicative of their future price performance. Certain digital assets are illiquid investments, are subject to various risks, particularly the risk that the Company will be unable to realize the Company's investment objectives by sale or other disposition at attractive prices or otherwise be unable to complete any exit strategy.

The Company has not hedged the conversion of any of its digital assets to traditional fiat currencies.

In addition, the majority of digital assets investments made by the Company are held within the cold wallets (hardware wallets). The cold wallets are used to maintain one or more digital wallets, whose private keys are maintained on computers or other devices that are not connected to the Internet or any other computer network. The cold wallets also keep the private keys that provide access to the digital wallets and facilitate the transfer of digital assets in accordance with the Company's instructions.

Certain tokens are held within the hot wallets (exchange wallets). Security breaches, computer malware and computer hacking attacks have been a prevalent concern of using the hot wallets. Any security breach caused by hacking could cause loss of digital assets.

In addition to the security access to wallets, there is a risk of fraudulent users and the reliability of the underlying blockchain of digital coins and tokens. There is no certainty of knowing the transaction between two individuals who are represented by a private and public key are in fact who they represent and are not a fraudulent individual. Because of how blockchain is set up, through total anonymity, it is difficult to confirm that the risk does not exist that the "person" on the other end may not be who you expect it to be. And there is an inherent risk that the proof of concept being supported by blockchain itself fails. A blockchain relies on a consensus model to operate. If for some reason the majority of participants were no longer invested in the success of the network, it would no longer be considered reliable. As a result, the integrity of transactions would be lost.

(f) Non-controlling interests:

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

(g) Dependence on management:

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

(h) Exchange rate fluctuations:

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

Critical accounting estimates:

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

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

Valuation of privately-held investments:

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

Changes in the fair value of our private investments for company-specific reasons have tended to be infrequent. Changes as a result of general market conditions may be more frequent from period to period during times of significant volatility. Given the relatively size of our private investment portfolio, such changes can have a material impact on our financial condition or operating results. For the six months ended December 31, 2019 and year ended June 30, 2019, the Company had the following changes in its private investments categorized as level 3 in the financial instrument hierarchy:

	Opening balance at July 1,	Purchases	Proceeds on Sell	Realized gains	Transfer to Level 1 or 2	Net unrealized gains (losses)	Ending balance
December 31, 2019	**$ 14,306,703**	**$ 777,151**	**$ (1,504,285)**	**$ 1,216,653**	**$ (4,180,800)**	**$ (5,597,659)**	**$ 5,017,763**
June 30, 2019	$ 12,459,467	$ 2,679,581	$ -	$ -	$ (4,607,988)	$ 3,775,643	$ 14,306,703

Valuation of SAFTs:

The valuation of SAFTs requires management to assess the current financial status and prospects of receiving tokens in the future based upon potentially incomplete or information provided by the investee company, on management's general knowledge of the private company's activities, and on any political or economic events that may impact upon the private company specifically, and to attempt to quantify the impact of such events on the fair value of the SAFT.

The Company has not invested in any SAFTs during the six months ended December 31, 2019. For the six months ended December 31, 2019 and year ended June 30, 2019, the Company had the following changes in its SAFTs categorized as level 3 in the hierarchy (all SAFTs were written down to $0 at June 30, 2019):

	Opening balance at July 1,	Purchases	Transfer to level 1 or 2	Net unrealized losses	Ending balance
December 31, 2019	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
June 30, 2019	$ 1,771,824	$ -	$ (573,248)	$ (1,198,576)	$ -

Deferred tax assets:

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

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

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

Stock-based Compensation Expense/Warrants:

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

During the six months ended September 30, 2019, the Company granted 250,000 stock options to a director of the Company, exercisable at a price of $0.10 per share expiring September 18, 2024.

The fair value of the options granted during the three months ended September 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	**1.51%**
Expected option life in years	**3.5 years**
Expected forfeiture rate	**7.1%**
Fair value per stock option granted on September 18, 2019	**$ 0.03**

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**

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 three months ended December 31, 2019, included in operating, general and administrative expenses is stock-based compensation of $68,367 (three months ended December 31, 2018 - $176,984) relating to the stock options granted to directors, officers, employees and consultants of the Company.

For the six months ended December 31, 2019, included in operating, general and administrative expenses is stock-based compensation of $169,095 (six months ended December 31, 2018 - $285,976) relating to the stock options granted to directors, officers, employees and consultants of the Company.

As at December 31, 2019, the warrants outstanding were as follows:

Number of warrants	Exercise price	Expiry date	Warrant value ($)
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
10,192,026	0.10	July 2, 2022	286,839
5,100,000	0.10	August 20, 2022	106,033
5,200,000	0.10	September 13, 2022	104,622
5,000,000	0.05	November 22, 2022	63,965
61,826,227			$ 4,028,438

The purchase warrants issued during the six months ended December 31, 2019 were valued using the Black-Scholes option pricing model with the following assumptions:

Black-Scholes option valuation model assumptions used:	**July 2, 2019**	**August 20, 2019**	**September 13, 2019**	**November 22, 2019**
Expected volatility	144.31%	144.94%	136.18%	137.05%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%
Risk-free interest rate	1.43%	1.29%	1.58%	1.56%
Expected option life in years	3	3	3	3
Fair value per warrant issued, net of share issuance costs	$ 0.03	$ 0.02	$ 0.02	$ 0.01

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 $561,459.

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

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.

Valuation of Unlisted Warrants of Public Companies:

The Company uses the Black-Scholes option pricing model to calculate the fair value of unlisted warrants of investees if there are sufficient and reliable observable market inputs; if no such market inputs are available, the warrants are valued at intrinsic value. The model requires six key inputs: risk free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life and expected volatility. The first four inputs are facts rather than estimates, while the expected life, expected volatility and expected dividend yield (estimated at 0% based on the Company's history of not paying any dividends) are based on the Company's estimates. A shorter expected life of the warrant, lower volatility number or higher dividend yield used would result in a decrease in the fair value of the warrant. A longer expected life of the warrant or a higher volatility number used would result in an increase in the fair value of the warrant. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. As at December 31, 2019 and June 30, 2019, the fair value of unlisted warrants were $798,919 and $1,243,142, respectively.

Outstanding Share Data:

Subsequent to December 31, 2019, the Company completed a non-brokered private placement financing raising gross proceeds of $590,000 (of which $140,390 was received in December 2019) through the issuance and sale of 19,666,666 units at a price of $0.03 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 $0.05 per share on or before January 28, 2023. A director of the Company and close family members of the CEO subscribed for 15,566,666 units for gross proceeds of $467,000.

As at the date of this MD&A, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of ThreeD are as follows:

Common shares	**Number**
Outstanding	**112,425,565**
Issuable under the exercise of warrants	**80,900,893**
Issuable under the exercise of options	**9,626,543**
Total diluted common shares	**202,953,001**

Refer to Note 8 of the Notes to the consolidated financial statements as at and for the three and six months ended December 31, 2019 for details of the Company's share capital as at December 31, 2019.

Restatement:

During the year ended June 30, 2019, 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 statement of income and comprehensive income for the three and six months ended December 31, 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 six months ended December 31, 2018.

	Three months ended December 31, 2018		
	Previously reported	Adjustments	Restated
Net investment and digital currency gain			
Net realized losses on disposal of investments	$ (1,251,266)	$ -	$ (1,251,266)
Net change in unrealized gains on investments	3,684,701	150,538	3,835,239
Net realized losses disposal of digital assets	(104,619)	-	(104,619)
Net change in unrealized losses on digital assets	(1,338,367)	-	(1,338,367)
	990,449	150,538	1,140,987
Administrative and rental income	52,500		52,500
Other income	18	-	18
	1,042,967	150,538	1,193,505
Expenses			
Operating, general and administrative	628,239	-	628,239
Finance expenses	16,217	-	16,217
	644,456	-	644,456
Income before income taxes	398,511	150,538	549,049
Income tax expense	-	-	-
Net income for the period	398,511	150,538	549,049
Other comprehensive loss			
Exchange differences on translation of foreign operations	(935)	-	(935)
Total comprehensive income for the period	$ 397,576	150,538	$ 548,114
Earnings per common share based on net income for the period			
Basic	$ 0.01	0.02	$ 0.01
Diluted	$ 0.01	0.01	$ 0.01
Weighted average number of common shares outstanding			
Basic	46,247,538	46,247,538	46,247,538
Diluted	46,247,538	46,247,538	46,247,538

		Six months ended December 31, 2018				
		Previously reported		Adjustments		Restated
Net investment and digital currency loss						
Net realized losses on disposal of investments	**$**	(1,639,277)	$	-	$	(1,639,277)
Net change in unrealized gains on investments		2,132,461		71,438		2,203,899
Net realized losses disposal of digital assets		(104,619)		-		(104,619)
Net change in unrealized losses on digital assets		(1,845,193)		-		(1,845,193)
		(1,456,628)		71,438		(1,385,190)
Administrative and rental income		105,000				105,000
Other income		31		-		31
		(1,351,597)		71,438		(1,280,159)
Expenses						
Operating, general and administrative		1,229,975		-		1,229,975
Finance expenses		52,145		-		52,145
		1,282,120		-		1,282,120
Loss before income taxes		(2,633,717)		71,438		(2,562,279)
Income tax expense		-		-		-
Net loss for the period		(2,633,717)		71,438		(2,562,279)
Other comprehensive loss						
Exchange differences on translation of foreign operations		(636)		-		(636)
Total comprehensive loss for the period	**$**	(2,634,353)		71,438	$	(2,562,915)
Loss per common share based on net loss for the period						
Basic and diluted	**$**	(0.06)		0.02	$	(0.06)
Weighted average number of common shares outstanding						
Basic and diluted		43,706,562		43,706,562		43,706,562

Use of Non-GAAP Financial Measures:

This MD&A contains references to “net asset value per share” (basic and diluted) (“NAV”) which is a non-GAAP financial measure. NAV is calculated as the value of total assets less the value of total liabilities divided by the total number of common shares outstanding as at a specific date. NAV (diluted) is calculated as total assets less total liabilities divided by the total number of common shares of the Company outstanding as at a specific date, calculated based upon the assumption that all outstanding securities of the Company that are convertible into or exercisable for common shares have been converted or exercised. The term NAV does not have any standardized meaning according to GAAP and therefore may not be comparable to similar measures presented by other companies. There is no comparable GAAP financial measure presented in ThreeD’s consolidated financial statements and thus no applicable quantitative reconciliation for such non-GAAP financial measure. The Company believes that the measure provides information useful to its shareholders in understanding our performance, and may assist in the evaluation of the Company’s business relative to that of its peers.

Additional Information:

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