

Interim Condensed Consolidated Financial Statements of

**ThreeD
Capital**

**March 31, 2020
(Unaudited - prepared in Canadian dollars)**

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THREED CAPITAL INC.**Notes to the Interim Condensed Consolidated Financial Statements****March 31, 2020****(Unaudited - prepared in Canadian dollars)**

Notice to reader pursuant to National Instrument 51-102 – Continuous Disclosure Obligations

Under National Instrument 51-102 – Continuous Disclosure Obligations, if an auditor has not performed a review of a reporting issuer's interim financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

THREE CAPITAL INC.**Consolidated Statement of Financial Position****As at March 31, 2020 and June 30, 2019****(Unaudited - prepared in Canadian dollars)**

	<u>Notes</u>	<u>March 31,</u> <u>2020</u>	<u>June 30,</u> <u>2019</u>
Assets			
Cash	5	\$ 9,153	\$ 137,082
Due from brokers	5	2,707	252
Prepays and receivables	5, 6(f,g)	405,078	455,741
Investments, at fair value	3	5,630,473	20,673,821
Digital assets, at fair value less cost to sell	4	52,490	745,800
Property and equipment	2(a), 7	525,109	100,865
		<u>\$ 6,625,010</u>	<u>\$ 22,113,561</u>

Liabilities and Equity

Accounts payable and accrued liabilities	5, 6(h)	\$ 308,029	\$ 135,045
Due to brokers	5	-	326,981
Lease liabilities	2(a)	425,738	-
Advances from officer	6(j)	-	60,000
		<u>733,767</u>	<u>522,026</u>

Equity

Share capital	8	110,775,006	109,261,469
Shares to be issued	6(j)	57,000	660,728
Contributed surplus	8(e)	27,458,039	27,141,069
Warrants	8(b, c, f)	4,332,213	3,496,833
Foreign currency translation reserve		874,430	875,906
Deficit		<u>(137,605,445)</u>	<u>(119,844,470)</u>
		<u>5,891,243</u>	<u>21,591,535</u>
		<u>\$ 6,625,010</u>	<u>\$ 22,113,561</u>

Commitments	15
Contingent liability	16

See accompanying notes to the interim condensed consolidated financial statements.

THREED CAPITAL INC.**Consolidated Statement of Net Loss and Comprehensive Loss****Three And Nine Months Ended March 31,****(Prepared in Canadian dollars)**

	Notes	Three Months Ended		Nine Months Ended	
		2020	2019 (Restated - Note 17)	2020	2019 (Restated - Note 17)
Net investment and digital asset loss					
Net realized gains (losses) on disposal of investments		\$ (1,409,212)	\$ 86,401	\$ (1,986,250)	\$ (1,552,876)
Net change in unrealized gains (losses) on investments		(1,009,967)	(243,902)	(13,817,471)	1,959,997
Net realized losses on disposal of digital assets		(442)	(61,694)	(111,229)	(166,313)
Net change in unrealized gains (losses) on digital assets		(124,781)	135,760	(75,140)	(1,709,433)
		<u>(2,544,402)</u>	<u>(83,435)</u>	<u>(15,990,090)</u>	<u>(1,468,625)</u>
Administrative and rental income		59,702	55,984	202,911	160,984
Other income		-	-	15	31
		<u>(2,484,700)</u>	<u>(27,451)</u>	<u>(15,787,164)</u>	<u>(1,307,610)</u>
Expenses					
Operating, general and administrative	6, 8(d), 10	554,827	1,114,780	1,887,488	2,344,755
Finance expenses	11	28,971	12,387	86,323	64,532
		<u>583,798</u>	<u>1,127,167</u>	<u>1,973,811</u>	<u>2,409,287</u>
Loss before income taxes		(3,068,498)	(1,154,618)	(17,760,975)	(3,716,897)
Income tax expense		-	-	-	-
Net loss for the period		\$ (3,068,498)	\$ (1,154,618)	(17,760,975)	(3,716,897)
Other comprehensive income (loss)					
Exchange differences on translation of foreign operations		(1,608)	375	(1,476)	(261)
Total comprehensive loss for the period		\$ (3,070,106)	\$ (1,154,243)	\$ (17,762,451)	\$ (3,717,158)
Loss per common share based on net loss for the period					
Basic and diluted	8(g)	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>	<u>\$ (0.20)</u>	<u>\$ (0.08)</u>
Weighted average number of common shares outstanding					
Basic and diluted	8(g)	110,330,327	48,025,204	90,298,957	45,125,094

See accompanying notes to the interim condensed consolidated financial statements.

THREED CAPITAL INC.

Consolidated Statement of Changes in Equity Nine Months Ended March 31, 2020 and 2019 (Unaudited - prepared in Canadian dollars)

		Number of shares	Share capital	Shares to be issued	Warrants	Contributed surplus	Foreign currency translation reserve	Deficit (Restated - Note 17)	Total equity (Restated - Note 17)
Balance as at July 1, 2018 (Restated - Note 17)	Notes	39,345,403	\$ 106,680,839	\$ -	\$ 2,112,781	\$ 26,574,558	\$ 875,797	\$ (116,039,930)	\$ 20,204,045
Net loss for the period		-	-	-	-	-	-	(3,716,897)	(3,716,897)
Exchange differences on translation of foreign operations		-	-	-	-	-	(261)	-	(261)
Total comprehensive loss for the period		-	-	-	-	-	(261)	(3,716,897)	(3,717,158)
Stock-based compensation expense		-	-	-	-	494,844	-	-	494,844
Issued pursuant to private placements, net		9,690,000	1,836,618	-	1,057,333	-	-	-	2,893,951
Issued pursuant to marketing services		100,874	36,160	-	-	-	-	-	36,160
Balance as at March 31, 2019		49,136,277	\$ 108,553,617	\$ -	\$ 3,170,114	\$ 27,069,402	\$ 875,536	\$ (119,756,827)	\$ 19,911,842
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
Net loss for the period		-	-	-	-	-	-	(17,760,975)	(17,760,975)
Exchange differences on translation of foreign operations		-	-	-	-	-	(1,476)	-	(1,476)
Total comprehensive loss for the period		-	-	-	-	-	(1,476)	(17,760,975)	(17,762,451)
Stock-based compensation expense	8(d)	-	-	-	-	208,216	-	-	208,216
Reallocation of expired warrants		-	-	-	(108,754)	108,754	-	-	-
Issued pursuant to private placements, net	6(b), 8(b)	60,158,692	1,513,537	(660,728)	944,134	-	-	-	1,796,943
Shares to be issued	18(c)	-	-	57,000	-	-	-	-	57,000
Balance as at March 31, 2020		122,425,565	\$ 110,775,006	\$ 57,000	\$ 4,332,213	\$ 27,458,039	\$ 874,430	\$ (137,605,445)	\$ 5,891,243

See accompanying notes to the interim condensed consolidated financial statements.

THREED CAPITAL INC.**Consolidated Statement of Cash Flows****Nine Months Ended March 31, 2020 and 2019****(Unaudited - prepared in Canadian dollars)**

	<u>Notes</u>	<u>2020</u>	<u>2019</u> (Restated - Note 17)
Cash flows used in operating activities			
Net loss for the period		\$ (17,760,975)	\$ (3,716,897)
Items not affecting cash			
Net realized losses on disposal of investments		1,986,250	1,552,876
Net change in unrealized losses (gains) on investments		13,817,471	(1,959,997)
Net realized losses on disposal of digital assets		111,229	166,313
Net change in unrealized losses on digital assets		75,140	1,709,433
Issue of share capital pursuant to marketing services	10(d)	-	36,160
Stock-based compensation expense	8(d)	208,216	494,844
Depreciation		132,409	8,398
Finance expense		45,308	-
		(1,384,952)	(1,708,870)
Changes in non-cash working capital balances			
Proceeds on disposal of investments		8,611,683	9,735,743
Purchases of investments		(9,372,056)	(9,985,611)
Proceeds on disposal of digital assets		1,550,426	549,595
Purchases of digital assets		(1,043,485)	(340,048)
Decrease in prepaids and receivables		(6,094)	(385,543)
Decrease in due from brokers		(2,455)	(1,598)
Increase in accounts payable and accrued liabilities		172,984	31,969
Decrease in due to brokers		(326,981)	(781,821)
		(1,800,930)	(2,886,184)
Cash flows from financing activities			
Proceeds pursuant to private placement financings, net	8(b)	1,796,943	2,893,951
Proceeds from advances from officer		(60,000)	-
Proceeds from shares to be issued		57,000	-
Principal payments of lease liabilities		(119,466)	-
		1,674,477	2,893,951
Cash flows used in investing activities			
Purchase of property and equipment		-	(101,621)
		-	(101,621)
Net decrease in cash during the period		(126,453)	(93,854)
Exchange rate changes on foreign currency cash balances		(1,476)	(261)
Cash, beginning of period		137,082	146,130
Cash, end of period		\$ 9,153	\$ 52,015

See accompanying notes to the interim condensed consolidated financial statements.

THREED CAPITAL INC.

Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2020

(Unaudited - prepared in Canadian dollars)

1. Nature of business and going concern uncertainty:

ThreeD Capital Inc. ("ThreeD" or the "Company") is a publicly-traded Canadian-based venture capital firm focused on opportunistic investments in companies in the Junior Resources, 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 130 Spadina Ave., Suite 401, Toronto, Ontario, M5V 2L4, Canada.

These interim condensed consolidated financial statements ("interim consolidated statements") were approved for issuance by the Company's board of directors on May 26, 2020.

2. Basis of preparation:

(a) Statement of compliance:

These interim consolidated statements are unaudited and have been prepared on a condensed basis in accordance with International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee using accounting policies consistent with International Financial Reporting Standards ("IFRS").

These interim consolidated statements for the three and nine months ended March 31, 2020 and 2019 should be read together with 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 these interim consolidated statements as were followed in the preparation of and as described in note 3 of the annual consolidated financial statements as at and for the year ended June 30, 2019.

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;

THREED CAPITAL INC.**Notes to the Interim Condensed Consolidated Financial Statements****March 31, 2020****(Unaudited - prepared in Canadian dollars)**

2. Basis of preparation (continued):

- 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 and equipment' and lease liabilities in 'Lease liabilities' in the consolidated statement of financial position. Property 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	(249,360)
Lease payments adjusted for deposits made	(56,757)
Gross lease liabilities as at July 1, 2019	669,083
Discount at effective interest rates of 10.0% to 15.0%	(169,187)
Net lease liabilities as at July 1, 2019	499,896
Principal payments of lease liabilities	(119,466)
Finance expense	45,308
Net lease liabilities as at March 31, 2020	\$ 425,738

During the nine months ended March 31, 2020, the Company recorded \$45,308 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. (See Note 7)

Net lease liabilities as at July 1, 2019	\$ 499,896
Prepaid rent deposits	56,757
Right of use assets as at July 1, 2019	\$ 556,653
Net accumulated depreciation	(114,309)
Right of use assets as at March 31, 2020	\$ 442,344

(b) Basis of presentation:

These interim consolidated 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 ("\$/").

THREED CAPITAL INC.

Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2020

(Unaudited - prepared in Canadian dollars)

2. Basis of preparation (continued):

(c) Basis of consolidation:

These interim consolidated statements include the financial statements of ThreeD and its wholly-owned inactive subsidiaries: Blockamoto.io Corp., Brownstone Ventures (Barbados) Inc. and 2121197 Ontario Ltd.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, 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 financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the interim consolidated statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The information about significant areas of estimation uncertainty and judgment considered by management in preparing the interim consolidated statements were the same as those in the preparation of the annual financial statements as at and for the year ended June 30, 2019.

3. Investments at fair value and financial instruments hierarchy:

(a) Determination of investments' fair values:

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

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

THREED CAPITAL INC.**Notes to the Interim Condensed Consolidated Financial Statements****March 31, 2020****(Unaudited - prepared in Canadian dollars)**

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

1. Publicly-traded investments (i.e., securities of issuers that are public companies):
 - a. Securities including shares, options and warrants which are traded in an active market, such as on a recognized securities exchange and for which no sales restrictions apply, are presented at fair value based on quoted closing trade prices at the consolidated statement of financial position date or the closing trade price on the last day the security traded if there were no trades at the consolidated statement of financial position date. These are included in Level 1.
 - b. Securities which 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 are included in Level 2.
 - c. For options and warrants which are not traded on a recognized securities exchange, no 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.
 - 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 (securities of issuers that are not public companies):

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

(b) The fair value and cost of investments are as follows:

	Fair Value	Cost
March 31, 2020	\$ 5,630,473	\$ 6,483,933
June 30, 2019	\$ 20,673,821	\$ 7,709,810

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Notes to the Interim Condensed Consolidated Financial Statements

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(Unaudited - prepared in Canadian dollars)

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

(c) 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.

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 March 31, 2020 and June 30, 2019:

Investments, at fair value	Level 1	Level 2	Level 3	Total
	Quoted market price	Valuation technique – observable market inputs	Valuation technique – non-observable market inputs	
March 31, 2020	\$ 1,024,173	\$ 479,579	\$ 4,126,721	\$ 5,630,473
June 30, 2019	\$ 2,945,855	\$ 3,421,263	\$ 14,306,703	\$ 20,673,821

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. This represents the only type of transfer between Levels during the current period.

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the nine months ended March 31, 2020 and year ended June 30, 2019. 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 are recognized in the consolidated statements of comprehensive loss.

	Opening balance at July 1,	Purchases	Proceeds on Sell	Net realized losses	Transfer to Level 1 or 2	Net unrealized gains (losses)	Ending balance
March 31, 2020	\$ 14,306,703	\$ 960,886	\$ (1,504,285)	\$ (283,347)	\$ (4,180,800)	\$ (5,172,436)	\$ 4,126,721
June 30, 2019	\$ 12,459,467	\$ 2,679,581	\$ -	\$ -	\$ (4,607,988)	\$ 3,775,643	\$ 14,306,703

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

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

Description	Fair value at March 31, 2020	Valuation technique	Unobservable input	% of Investments	Volatility to changes in significant unobservable inputs (%)
Unlisted private equities	\$ 2,608,109	Grey market activity	Recent transaction price and discount for lack of marketability	46.3	Additional grey market activity
Unlisted private equities	298,605	Grey market activity	New investment during the period	5.3	Additional grey market activity
Unlisted convertible debentures	1,199,631	Grey market activity	New investment during the period	21.3	Additional grey market activity
Unlisted options and warrants	20,376	Black Scholes	Market prices, volatility, discount rate	0.4	97%-214% volatility
	\$ 4,126,721			73.3	

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	

For these 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 these investments will result in a corresponding +/- \$1,031,680 (June 30, 2019 - \$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.

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

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.

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

(a) Determination of digital assets' fair values:

Digital assets consist of the following:

- (i) electronic currency, coins, or alternative cryptocurrency coins (altcoins) - a type of currency only available in digital form;
- (ii) 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
- (iii) 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).

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. These are included in Level 2.

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.

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.

THREED CAPITAL INC.**Notes to the Interim Condensed Consolidated Financial Statements****March 31, 2020****(Unaudited - prepared in Canadian dollars)**

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

(b) The fair value and cost of digital assets are as follows as at March 31, 2020:

	Cost	FVLCTS
Digital coins	\$ 92	\$ 87
Digital tokens	740,316	52,403
SAFTs	1,191,609	-
	\$ 1,932,017	\$ 52,490

The fair value 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

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.

(c) 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 March 31, 2020:

Digital assets , at fair value	Level 1	Level 2	Level 3	Total
	Quoted market price	Valuation technique – observable market inputs	Valuation technique – non-observable market inputs	
Digital coins	\$ -	\$ 87	\$ -	\$ 87
Digital tokens	-	52,403	-	52,403
SAFTs	-	-	-	-
	\$ -	\$ 52,490	\$ -	\$ 52,490

THREED CAPITAL INC.

Notes to the Interim Condensed Consolidated Financial Statements

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(Unaudited - prepared in Canadian dollars)

4. 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, 2019:

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

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 period or tokens received from SAFTs.

The following table presents the changes in fair value measurements of digital assets classified as Level 3 for the nine months ended March 31, 2020 and year ended June 30, 2019. The net change in unrealized losses are recognized in the consolidated statements of comprehensive loss.

	Opening balance at July 1,	Purchases	Transfer to level 1 or 2	Net unrealized losses	Ending balance
March 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -
June 30, 2019	\$ 1,771,824	\$ -	\$ (573,248)	\$ (1,198,576)	\$ -

A sensitivity analysis was not performed as the digital assets classified in Level 3 have been written down to \$0. 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.

5. Financial assets and liabilities other than investments at fair value:

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

	March 31, 2020	June 30, 2019
Cash	\$ 9,153	\$ 137,082
Due from brokers	2,707	252
Accounts receivable, net of expected credit losses (ii)	84,704	53,575
Accounts payable and accrued liabilities	(308,029)	(135,045)
Due to brokers	-	(326,981)
Lease liabilities	(425,738)	-
Advances from officer	-	(60,000)
	\$ (637,203)	\$ (331,117)

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

- (i) The carrying values of cash, due from brokers, accounts receivable, net of expected credit losses, 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. Lease liabilities is carried at amortized cost.
- (ii) Included in prepaids and receivables are accounts receivable, net of expected credit losses consisting of the following as at March 31, 2020 and June 30, 2019:

	March 31, 2020	June 30, 2019
Accounts receivable	\$ 137,814	\$ 53,575
Expected credit loss provision	(53,110)	-
	\$ 84,704	\$ 53,575

6. 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 nine months ended March 31 were as follows:

Type of expense	Three months ended March 31,		Nine months ended March 31,	
	2020	2019	2020	2019
Salaries and consulting fees	\$ 184,250	\$ 525,250	\$ 552,750	\$ 913,750
Other short-term benefits	2,376	1,573	14,742	15,330
Stock-based compensation expense	36,635	159,282	196,006	369,138
	\$ 223,261	\$ 686,105	\$ 763,498	\$ 1,298,218

Key management personnel are the Chairman/Chief Executive Officer ("CEO"), Chief Financial Officer/Corporate Secretary ("CFO"). During the nine months ended March 31, 2019, a cash bonus of \$500,000 was paid to the CEO.

- (b) During the nine months ended March 31, 2020, the Company completed seven 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. On January 28, 2020, a director and close family members of the CEO subscribed for 15,566,666 units for gross proceeds of \$467,000. On February 24, 2020, close family members of the CEO subscribed for 10,000,000 units for gross proceeds of \$300,000.

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6. Related party transactions (continued):

- (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 March 31, 2020, included in prepaids and receivables is \$84,704 (June 30, 2019 - \$40,680) due from related parties, two companies with a common director. The receivables are for rental and administrative services.
- (g) As at March 31, 2020, included in prepaids and receivables is \$235,417 (June 30, 2019 - \$282,500) in prepaid consulting fees to Park Place Limited, a private company controlled by the CEO.
- (h) As at March 31, 2020, included in accounts payable and accrued liabilities is \$15,538 (June 30, 2019 - \$nil) due to the CFO relating to consulting fees owing to him.
- (i) As at March 31, 2020, included in accounts payable and accrued liabilities is \$14,587 (June 30, 2019 - \$2,556) due to the CEO relating to reimbursement of operating expenses.
- (j) As at March 31, 2020, included in shares to be issued is \$57,000 from the CEO (June 30, 2019 - \$374,982 from two directors and a close family member of the CEO). See Note 18(c).
- (k) 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.

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7. Property and equipment:

Property and equipment are as follows as at March 31, 2020 and June 30, 2019:

Cost	Furniture and fixtures	Leasehold improvements	Computer equipment	Right-of-use assets	Total
Balance – June 30, 2018	\$ 39,394	\$ -	\$ 6,332	\$ -	\$ 45,726
Additions	60,326	31,813	9,483	-	101,622
Balance – June 30, 2019	99,720	31,813	15,815	-	147,348
Right-of-use additions (non-cash)	-	-	-	556,653	556,653
Balance – March 31, 2020	\$ 99,720	\$ 31,813	\$ 15,815	\$ 556,653	\$ 704,001

Accumulated Amortization	Furniture and fixtures	Leasehold improvements	Computer equipment	Right-of-use assets	Total
Balance – June 30, 2018	\$ 28,135	\$ -	\$ 2,925	\$ -	\$ 31,060
Amortization	8,016	3,712	3,695	-	15,423
Balance – June 30, 2019	36,151	3,712	6,620	-	46,483
Amortization	9,536	4,771	3,793	114,309	132,408
Balance – March 31, 2020	\$ 45,687	\$ 8,483	\$ 10,413	\$ 114,309	\$ 178,891

Carrying Value	Furniture and fixtures	Leasehold improvements	Computer equipment	Right-of-use assets	Total
Balance – June 30, 2019	\$ 63,569	\$ 28,101	\$ 9,195	\$ -	\$ 100,865
Balance – March 31, 2020	\$ 54,033	\$ 23,330	\$ 5,402	\$ 442,344	\$ 525,109

8. 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.

- (b) During the nine months ended March 31, 2020, the Company completed seven non-brokered private placement as follows (see also Note 6(b)):

Date	Total gross proceeds	Issuance costs ⁽ⁱ⁾	Number common shares	Number of warrants	Exercise price warrants	Expiry date of warrants
July 2, 2019	\$ 662,482	\$ 2,521	10,192,026	10,192,026	\$ 0.10	July 2, 2022
August 20, 2019	255,000	3,171	5,100,000	5,100,000	0.10	August 20, 2022
September 13, 2019	260,000	3,951	5,200,000	5,200,000	0.10	September 13, 2022
November 22, 2019	165,000	2,627	5,000,000	5,000,000	0.05	November 22, 2022
December 23, 2019 ⁽ⁱⁱ⁾	250,000	6,208	5,000,000	-	-	-
January 28, 2020	590,000	2,073	19,666,666	19,666,666	0.05	January 28, 2023
February 24, 2020	300,000	4,261	10,000,000	10,000,000	0.05	February 24, 2023
Total	\$ 2,482,482	\$ 24,812	60,158,692	55,158,692		

THREED CAPITAL INC.

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8. Equity (continued):

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

The purchase warrants issued during the nine months ended March 31, 2020 were valued using the Black-Scholes option pricing model with the following assumptions (Note 8(f)):

	Black-Scholes option valuation model assumptions used:				Fair value per warrant issued, net of share issuance costs
	Expected volatility (%)	Expected dividend yield (%)	Risk-free interest rate (%)	Expected option life in years	
July 2, 2019	144.31	0.0	1.43	3	0.03
August 20, 2019	144.94	0.0	1.29	3	0.02
September 13, 2019	136.18	0.0	1.58	3	0.02
November 22, 2019	137.05	0.0	1.56	3	0.01
January 28, 2020	159.67	0.0	1.46	3	0.01
February 24, 2020	165.42	0.0	1.30	3	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 \$944,134.

- (c) During the year ended June 30, 2019, the Company completed four non-brokered private placements as follows:

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.

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8. 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:

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.

(d) Stock options:

During the nine months ended March 31, 2020, 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. See Note 6(d)).

The fair value of the options granted during the nine months ended March 31, 2020 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

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8. Equity (continued):

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 March 31, 2020, included in operating, general and administrative expenses is stock-based compensation of \$39,121 (three months ended March 31, 2019 - \$208,868) relating to the stock options granted to directors, officers, employees and consultants of the Company.

For the nine months ended March 31, 2020, included in operating, general and administrative expenses is stock-based compensation of \$208,216 (nine months ended March 31, 2019 - \$494,844) relating to the stock options granted to directors, officers, employees and consultants of the Company.

THREED CAPITAL INC.

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8. Equity (continued):

A summary of the status of the Company's stock options as at March 31, 2020 and June 30, 2019 and changes during the periods then ended is presented below:

Stock options	March 31, 2020		June 30, 2019	
	# of options	Weighted average exercise price	# of options	Weighted average exercise price
Outstanding, at beginning of period	9,543,209	\$ 0.43	5,894,056	\$ 0.54
Granted	250,000	0.10	4,408,327	0.30
Exercised	-	-	(444,444)	0.30
Cancelled/forfeited	(166,666)	0.38	(263,887)	0.42
Expired	-	-	(50,483)	3.00
Outstanding, at end of period	9,626,543	\$ 0.42	9,543,209	\$ 0.43
Exercisable, at end of period	8,727,938	\$ 0.44	6,643,223	\$ 0.48

The following table summarizes information about stock options outstanding and exercisable as at March 31, 2020:

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	83,333	0.63	January 3, 2021
166,666	166,666	1.29	January 9, 2021
979,886	979,886	0.45	January 16, 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	916,666	0.30	September 14, 2023
2,030,553	1,673,614	0.30	December 14, 2023
749,999	375,000	0.30	April 11, 2024
250,000	83,333	0.10	September 18, 2024
9,626,543	8,727,938		

(e) Contributed surplus comprised the following as at March 31, 2020 and June 30, 2019:

	March 31, 2020	June 30, 2019
Stock-based compensation, net of exercises	\$ 12,906,701	\$ 12,698,485
Expired warrants and broker warrants	14,525,074	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
	\$ 27,458,039	\$ 27,141,069

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8. Equity (continued):

- (f) A summary of the status of the Company's warrants as at March 31, 2020 and June 30, 2019 and the changes during the periods then ended are as follows:

Warrants	March 31, 2020		June 30, 2019	
	# of warrants	Weighted average exercise price	# of warrants	Weighted average exercise price
Outstanding, at beginning of period	36,729,532	\$ 0.37	14,353,388	\$ 0.54
Issued	55,158,692	0.07	22,376,144	0.25
Expired	(987,331)	0.54	-	-
Outstanding, at end of period	90,900,893	\$ 0.18	36,729,532	\$ 0.37

The following table summarizes information about warrants exercisable and outstanding as at March 31, 2020:

Number of warrants	Exercise price	Expiry date	Warrant value (\$)
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
19,666,666	0.05	January 28, 2023	251,969
10,000,000	0.05	February 24, 2023	130,706
90,900,893			\$ 4,332,213

- (g) Basic and diluted loss per common share based on net loss for the three and nine months ended March 31:

Numerator:	Three months ended March 31,		Nine months ended March 31,	
	2020	2019	2020	2019
Net loss for the period	\$ (3,068,498)	\$ (1,154,618)	\$ (17,760,975)	\$ (3,716,897)

THREED CAPITAL INC.

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8. Equity (continued):

Denominator:	Three months ended March 31,		Nine months ended March 31,	
	2020	2019	2020	2019
Weighted average number of common shares outstanding - basic	110,330,327	48,025,204	90,298,957	45,125,094
Weighted average effect of diluted stock options and warrants (i)	-	-	-	-
Weighted average number of common shares outstanding – diluted	110,330,327	48,025,204	90,298,957	45,125,094

Loss per common share based on net loss for the period:	Three months ended March 31,		Nine months ended March 31,	
	2020	2019	2020	2019
Basic and diluted	\$ (0.03)	\$ (0.02)	\$ (0.18)	\$ (0.08)

(i) The determination of the weighted average number of common shares outstanding – diluted 100,527,436 shares related to stock options and warrants that were anti-dilutive for the three and nine months ended March 31, 2020 (three and nine months ended March 31, 2019 – 33,531,077 shares).

(h) 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 March 31, 2020 and June 30, 2019:

	March 31, 2020	June 30, 2019
Common shares outstanding	122,425,565	62,266,873
Warrants to purchase common shares	90,900,893	36,729,532
Stock options to purchase common shares	9,626,543	9,543,209
Fully diluted common shares outstanding	222,953,001	108,539,614

9. 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 and equipment are located in Canada and no segmented information has been disclosed as at and for the three and nine months ended March 31, 2020.

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10. Expenses by nature:

Included in operating, general, and administrative expenses for the three and nine months ended March 31 are as follows:

	Three months ended		Nine months ended	
	March 31,		March 31,	
	2020	2019	2020	2019
Salaries and consulting fees	\$ 260,625	\$ 659,687	\$ 815,225	\$ 1,271,616
Other office and general	105,767	126,426	342,667	228,235
Stock-based compensation expense	39,121	208,868	208,216	494,844
Professional fees	7,564	1,480	135,677	27,696
Transaction costs	7,799	38,088	120,234	127,118
Operating lease payments	30,622	70,909	89,088	130,757
Bad debts and provision for expected credit losses	53,110	-	66,860	-
Other employment benefits	11,360	11,083	36,746	31,185
Shareholder relations, transfer agent and filing fees	19,057	23,774	33,011	36,345
Travel and promotion	18,718	3,574	31,272	13,182
Foreign exchange gain	1,084	(29,109)	8,492	(16,223)
	\$ 554,827	\$ 1,114,780	\$ 1,887,488	\$ 2,344,755

11. Finance expenses:

Finance expenses consist of the following for the three and nine months ended March 31:

	Three months ended		Nine months ended	
	March 31,		March 31,	
	2020	2019	2020	2019
Interest expense on margin borrowings	\$ 2,484	\$ 12,387	\$ 41,015	\$ 64,532
Right-of-use assets	26,487	-	45,308	-
Total finance expense	\$ 28,971	\$ 12,387	\$ 86,323	\$ 64,532

12. Supplemental disclosure of cash flow information:

The following table shows the supplemental cash flow information for the nine months ended March 31:

	2020	2019
Finance expense paid	\$ 41,015	\$ 64,532
Income taxes paid	-	-
Issue of share capital pursuant to investment activities	250,000	-
Non-cash financing activities		
Issue of share capital pursuant to marketing services	-	36,160

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13. Management of capital:

There were no changes in the Company's approach to capital management during the nine months ended March 31, 2020. The Company's capital includes all components of equity which amounts to \$5,891,243 as at March 31, 2020 (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 current liabilities as at March 31, 2020.

14. 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 nine months ended March 31, 2020. As at March 31, 2020 and June 30, 2019, the Company held some U.S. denominated investments and the majority 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 nine months ended March 31, 2020 from a change in the closing trade price of the Company's investments and digital assets with all other variables held constant as at March 31, 2020:

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%	\$ 98,599	\$ (98,599)
4%	197,199	(197,199)
6%	295,798	(295,798)
8%	394,398	(394,398)
10%	492,997	(492,997)

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14. Risk management (continued):

The following table shows the estimated sensitivity of the Company's after-tax net loss for the nine months ended March 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 March 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%	\$ 317,745	\$ (317,745)
4%	635,490	(635,490)
6%	953,235	(953,235)
8%	1,270,980	(1,270,980)
10%	1,588,725	(1,588,725)

(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:

	March 31, 2020	June 30, 2019
Denominated in U.S. dollars:		
Cash	\$ 151	\$ 1,857
Due from brokers	16	16
Accounts payable and accrued liabilities	(3,536)	(17,556)
Due to brokers	(22,568)	(243,817)
Net assets denominated in U.S. dollars	\$ (24,177)	\$ (259,500)

The following table shows the estimated sensitivity of the Company's after-tax net loss for the nine months ended March 31, 2020 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 March 31, 2020:

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%	\$ (355)	\$ 355
4%	(711)	711
6%	(1,066)	1,066
8%	(1,422)	1,422
10%	(1,777)	1,777

THREED CAPITAL INC.**Notes to the Interim Condensed Consolidated Financial Statements****March 31, 2020****(Unaudited - prepared in Canadian dollars)**

14. Risk management (continued):

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

(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.

(d) 2019 novel corona virus ("COVID-19"):

During the first quarter of 2020, there was a global outbreak of COVID-19, which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the true extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. The Company continues to monitor its investment and digital assets portfolio and assess the impact COVID-19 will have on its business activities. The extent of the effect of the COVID-19 pandemic on the Company is uncertain.

15. 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.

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 subleasing its former premises.

THREED CAPITAL INC.**Notes to the Interim Condensed Consolidated Financial Statements****March 31, 2020****(Unaudited - prepared in Canadian dollars)**

15. Commitments (continued):

As at March 31, 2020, future minimum annual lease payments under operating leases for premises and equipment are approximately as follows:

Lease obligations (fiscal 2020-2024)	\$	788,595
Lease payments adjusted for additional rent for operating costs		(238,979)
Discount at effective interest rates of 10.0% to 15.0%		(123,878)
Net lease liabilities as at March 31, 2020	\$	425,738

As at March 31, 2020, the Company had no commitments to purchase investments (June 30, 2019 - \$858,400).

16. 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). There has been no further correspondence from the DGH since January 2015.

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 March 31, 2020.

THREED CAPITAL INC.**Notes to the Interim Condensed Consolidated Financial Statements****March 31, 2020****(Unaudited - prepared in Canadian dollars)**

17. 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 nine months ended March 31, 2019 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 nine months ended March 31, 2019.

THREED CAPITAL INC.**Notes to the Interim Condensed Consolidated Financial Statements****March 31, 2020****(Unaudited - prepared in Canadian dollars)**

	Three months ended March 31, 2019		
	Previously reported	Adjustments	Restated
Net investment and digital currency gain			
Net realized gains on disposal of investments	\$ 86,401	\$ -	\$ 86,401
Net change in unrealized gains (losses) on investments	54,720	(298,622)	(243,902)
Net realized losses disposal of digital assets	(61,694)	-	(61,694)
Net change in unrealized gains on digital assets	135,760	-	135,760
	<u>215,187</u>	<u>(298,622)</u>	<u>(83,435)</u>
Administrative and rental income	55,984		55,984
	<u>271,171</u>	<u>(298,622)</u>	<u>(27,451)</u>
Expenses			
Operating, general and administrative	1,114,780	-	1,114,780
Finance expenses	12,387	-	12,387
	<u>1,127,167</u>	<u>-</u>	<u>1,127,167</u>
Loss before income taxes	(855,996)	(298,622)	(1,154,618)
Income tax expense	-	-	-
Net loss for the period	(855,996)	(298,622)	(1,154,618)
Other comprehensive income			
Exchange differences on translation of foreign operations	375	-	375
Total comprehensive loss for the period	<u>\$ (855,621)</u>	<u>(298,622)</u>	<u>\$ (1,154,243)</u>
Loss per common share based on net loss for the period			
Basic and diluted	<u>\$ (0.02)</u>	<u>0.02</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding			
Basic and diluted	48,025,204	48,025,204	48,025,204

THREED CAPITAL INC.**Notes to the Interim Condensed Consolidated Financial Statements****March 31, 2020****(Unaudited - prepared in Canadian dollars)**

17. Restatement (continued):

	Nine months ended March 31, 2019		
	Previously reported	Adjustments	Restated
Net investment and digital currency loss			
Net realized losses on disposal of investments	\$ (1,552,876)	\$ -	\$ (1,552,876)
Net change in unrealized gains (losses) on investments	2,187,181	(227,184)	1,959,997
Net realized losses disposal of digital assets	(166,313)	-	(166,313)
Net change in unrealized losses on digital assets	(1,709,433)	-	(1,709,433)
	(1,241,441)	(227,184)	(1,468,625)
Administrative and rental income	160,984		160,984
Other income	31	-	31
	(1,080,426)	(227,184)	(1,307,610)
Expenses			
Operating, general and administrative	2,344,755	-	2,344,755
Finance expenses	64,532	-	64,532
	2,409,287	-	2,409,287
Loss before income taxes	(3,489,713)	(227,184)	(3,716,897)
Income tax expense	-	-	-
Net loss for the period	(3,489,713)	(227,184)	(3,716,897)
Other comprehensive loss			
Exchange differences on translation of foreign operations	(261)	-	(261)
Total comprehensive loss for the period	\$ (3,489,974)	(227,184)	\$ (3,717,158)
Loss per common share based on net loss for the period			
Basic and diluted	\$ (0.08)	0.02	\$ (0.08)
Weighted average number of common shares outstanding			
Basic and diluted	45,125,094	45,125,094	45,125,094

THREED CAPITAL INC.**Notes to the Interim Condensed Consolidated Financial Statements****March 31, 2020****(Unaudited - prepared in Canadian dollars)**

18. Subsequent events:

- (a) Subsequent to March 31, 2020, 500,000 warrants exercisable at \$0.60 per share and 600,000 warrants exercisable at \$0.45 per share expired unexercised.
- (b) On April 27, 2020, the Company filed articles of amendment to consolidate its issued and outstanding common shares on the basis of one new common share for every four existing common shares. Shareholders' approval of the consolidation was obtained at the Company's annual and special meeting of shareholders held on April 7, 2020.

As at April 27, 2020, the number of post-consolidated common shares of the Company outstanding and the number of post-consolidated common shares issuable pursuant to other outstanding securities of ThreeD are as follows:

Common shares	Number
Outstanding	30,606,368
Issuable under the exercise of warrants	23,500,199
Issuable under the exercise of options	2,387,180
Total diluted common shares	56,493,747

- (c) On May 8, 2020, the Company completed a non-brokered private placement financing raising gross proceeds of \$100,000 through the issuance and sale of 1,000,000 units (post-consolidation) at a price of \$0.10 per unit. Each unit was comprised of one common share of the Company and one common share purchase warrant, each warrant entitling the holder to acquire one common share of the Company at \$0.15 per share on or before May 8, 2023.
- (d) On May 12, 2020, the Company granted 450,000 options (post-consolidation) to directors, exercisable at \$0.10 per share expiring on May 12, 2025.