



## **ThreeD Capital Inc.**

### **Management's Discussion and Analysis**

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**For the quarter ended: September 30, 2017**

**Date of report: October 12, 2017**

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 months ended September 30, 2017 and the annual consolidated financial statements as at and for the year ended June 30, 2017. 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, 2017, except as follows:

- (a) International Accounting Standards 7, *Statement of Cash Flows* ("IAS 7") - In January 2016, the IASB issued amendments to IAS 7 pursuant to which entities will be required to provide enhanced information about changes in their financial liabilities, including changes from cash flows and non-cash changes. The implementation of amendments to IAS 7 had no impact to the Company's interim consolidated statements for the three months ended September 30, 2017.
- (b) International Accounting Standards 12, *Income Taxes* ("IAS 12") - In January 2016, the IASB issued amendments to IAS 12, which clarify guidance on the recognition of deferred tax assets related to unrealized losses resulting from debt instruments that are measured at their fair value. IAS 12 amendments are effective for annual periods beginning on or after January 1, 2017. The implementation of amendments to IAS 12 had no impact to the Company's interim consolidated statements for the three months ended September 30, 2017.

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](http://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, technology and biotechnology markets. The Company was continued under the *Canada Business Corporations Act* on December 1, 2011 and its common shares are publicly-traded on the Canadian Securities Exchange under the symbol "IDK". The Company is domiciled in the Province of Ontario and its head office is located at 69 Yonge St., Suite 1010, Toronto, Ontario, Canada.

ThreeD primarily invests in junior opportunities where it can have the greatest impact through support mechanisms. From resource investments through to the disruptive technologies that are at the forefront

of innovation, ThreeD aims to be positioned at the earliest possible stage and work with the investee's management to launch concepts from design to reality.

ThreeD's investment strategy is to invest in multiple private and public companies across a variety of sectors primarily in North America. ThreeD seeks to invest in early stage, promising companies where it may be the lead investor and can additionally provide investees with advisory services, mentoring and access to the Company's network in order to earn increases to the Company's equity stake.

### **Summary:**

- On July 5, 2016, the Company completed a non-brokered private placement financing raising gross proceeds of \$300,000 through the issuance and sale of 3,000,000 units at a price of \$0.10 per unit. Each unit was comprised of one common share of the Company and one common share purchase warrant, each warrant entitling the holder to acquire one common share of the Company at \$0.15 per share on or before July 5, 2020.
- As at September 30, 2017, net asset value per share ("NAV per share") was \$0.14 as compared to \$0.15 as at June 30, 2016, a 7% decrease (See "Use of Non-GAAP Financial Measures" elsewhere in this MD&A).

### **Going concern uncertainty:**

The Company has incurred a loss in the three months ended September 30, 2017 of \$571,250 (three months ended September 30, 2016 - \$457,898) and has an accumulated deficit of \$118,692,456 (June 30, 2016 - \$120,822,634). The Company is a junior venture capital firm and is subject to risks and challenges similar to other companies in a comparable stage. These risks include, but are not limited to, dependence on key individuals, investment risks, market risks, illiquid securities and the ability to maintain adequate cash flows, exchange rate fluctuations and continuing as a going concern. Cash on hand is currently not adequate to cover expected expenditures for the 12 month period ended September 30, 2018 and therefore the Company will be required to secure additional funding and/or sell some investments, some of which are not readily convertible to cash.

These challenges and the continued cumulative operating losses cast significant doubt on the Company's ability to continue as a going concern. These consolidated statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern. Such adjustments can be material.

## Investments:

The fair value and cost of investments are as follows as at September 30, 2017:

Investee	Note (a)	Description of holdings	Cost	Fair Value	% of Fair Value
CKR Carbon Corporation (TSXV: CKR)	(ii)	1,000,000 common shares 1,000,000 warrants expire Mar 29, 2020	\$ 106,160	\$ 56,690	0.8
Goldspot Discoveries Inc. (private)	(iii)	270,000 common shares	135,027	270,000	3.8
Northern Sphere Mining Corp. (CSX: NSM)	(ii)	1,431,000 common shares 75,000 warrants expire Apr 10, 2019 500,000 warrants expire Dec 16, 2019	473,378	271,890	3.8
New Found Gold Corp. (private)	(iii)	13,500,000 common shares	127,501	5,400,000	76.0
SciCann Therapeutics Inc. (private)	(ii)	16,000 common shares	100,000	100,000	1.4
Other publicly traded investments			1,904,852	430,791	6.1
Other private investments			1,860,645	572,645	8.1
			<b>\$4,707,563</b>	<b>\$ 7,102,016</b>	<b>100.0</b>

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

Investee	Note (a)	Description of holdings	Cost	Fair Value	% of Fair Value
CKR Carbon Corporation (TSXV: CKR)	(ii)	1,000,000 common shares 1,000,000 warrants expire Mar 29, 2020	\$ 106,160	\$ 97,541	1.4
Goldspot Discoveries Inc. (private)	(iii)	270,000 common shares	135,027	270,000	3.8
Northern Sphere Mining Corp. (CSX: NSM)	(ii)	1,431,000 common shares 75,000 warrants expire Apr 10, 2019 500,000 warrants expire Dec 16, 2019	473,378	299,426	4.2
New Found Gold Corp. (private)	(iii)	13,500,000 common shares	127,501	5,400,000	75.6
Other publicly traded investments			1,952,098	502,972	7.0
Other private investments			1,860,645	572,645	8.0
			<b>\$4,654,809</b>	<b>\$ 7,142,584</b>	<b>100.0</b>

(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 September 30, 2017, the fair value of investments exceeded original cost by \$2,394,453 as compared to \$2,487,775 as at June 30, 2017. The decrease for the three months ended September 30, 2017 was primarily due to the net change in unrealized losses on investments of \$93,322.

The fair value of the Company's investments as reflected in its consolidated financial statements and 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 September 30, 2017, total investments included securities of private companies with a fair value totalling \$6,342,645 (89% of total fair value of the Company's investments; cost of \$2,223,173). As at June 30, 2017, total investments included securities of private companies with a fair value totalling \$6,242,645 (87% of total fair value of the Company's investments; cost of \$2,123,173). 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.

### **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 September 30, 2017.

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## Results of Operations

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

	<b>Quarter ended</b>			
	<b>September 30, 2017</b>	June 30, 2017	March 31, 2017	December 31, 2016
Net investment gains (losses)	\$ <b>(238,637)</b>	\$ 4,815,226	\$ (306,518)	\$ (399,087)
Net income (loss) for the period	<b>(571,250)</b>	4,466,529	(664,022)	(643,181)
Total comprehensive income (loss) for the period	<b>(570,583)</b>	4,466,991	(663,881)	(643,597)
Earnings (loss) per share based on net income (loss) for the period – basic	<b>(0.01)</b>	0.10	(0.02)	(0.02)

	<b>Quarter ended</b>			
	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Net investment losses	\$ (218,156)	\$ (457,041)	\$ (528,472)	\$ (1,027,952)
Net loss for the period	(457,898)	(960,125)	(743,195)	(1,253,771)
Total comprehensive loss for the period	(458,042)	(736,538)	(741,671)	(1,254,328)
Loss per share based on net loss for the period – basic and diluted	(0.02)	(0.07)	(0.06)	(0.10)

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

### Three months ended September 30, 2017 and 2016:

For the three months ended September 30, 2017, the Company generated net realized losses on disposal of investments of \$145,315, as compared to \$78,737 for the three months ended September 30, 2016. The net realized losses in the current quarter was a result of the dispositions of the Company's non-core investments to generate cash proceeds.

For the three months ended September 30, 2017, the Company recorded a net change in unrealized losses on investments of \$93,322 as compared to \$139,419 for the three months ended September 30, 2016. 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 \$283,481 offset by the reversal of previously recognized net unrealized losses on disposal of investments of \$190,159. In the prior year period, 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 \$207,932 offset by the reversal of previously recognized net unrealized losses on disposal of investments of \$68,513.

For the three months ended September 30, 2017, the Company recorded interest and other income of \$21,000 as compared to nil for the three months ended September 30, 2016. In the current year period, other income consisted of \$21,000 in administration fees from two investees.

For the three months ended September 30, 2017, operating, general and administrative expenses increased by \$119,824 to \$350,376 from \$230,552 for the three months ended September 30, 2016. The increase was primarily due to an increase in stock-based compensation expense, professional fees, and consulting fees as discussed below.

The following is the breakdown of the Company's operating, general and administrative expenses for the indicated three month periods ended September 30. Details of the changes follow the table:

	<b>2017</b>	2016
Salaries and consulting fees (a)	\$ <b>197,933</b>	\$ 175,500
Stock-based compensation expense (b)	<b>74,498</b>	-
Operating lease payments	<b>21,499</b>	21,270
Other office and general	<b>20,932</b>	14,829
Professional fees (c)	<b>20,589</b>	1,393
Transaction costs (d)	<b>8,769</b>	4,114
Travel and promotion	<b>5,508</b>	1,262
Other employment benefits	<b>4,618</b>	4,275
Shareholder relations, transfer agent and filing fees	<b>3,901</b>	4,106
Foreign exchange gain (e)	<b>(7,871)</b>	3,803
	<b>\$ 350,376</b>	\$ 230,552

- (a) Salaries and consulting fees increased by \$22,433 for the three months ended September 30, 2017 as compared to the three months ended September 30, 2016, primarily due to non-claimable input tax credits of \$15,868 on consulting fees. The Company also hired an additional employee during the current period.
- (b) Stock-based compensation expense increased by \$74,498 for the three months ended September 30, 2017 as compared to the three months ended September 30, 2016. 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.
- (c) Professional fees increased by \$19,196 for the three months ended September 30, 2017 as compared to the three months ended September 30, 2016, primarily due to additional accruals for the prior year-end audit and an increase in legal fees for regulatory filings in the U.S.
- (d) Transactions costs increased by \$4,655 for the three months ended September 30, 2017 as compared to the three months ended September 30, 2016, due to an increase 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.
- (e) During the three months ended September 30, 2017, the Company had a foreign exchange gain of \$7,871 as compared to foreign exchange loss of \$3,803 for the three months ended September 30, 2016, an increase of \$11,674. The Company experienced a foreign exchange gain 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 monetary liabilities.

For the three months ended September 30, 2017, the Company had finance expenses of \$3,237 as compared to \$9,190 for the three months ended September 30, 2016. The finance expenses primarily relate to interest expense paid to brokers on margin borrowings.

Net loss for the three months ended September 30, 2017 was \$571,250 (\$0.01 per share) as compared to 457,898 (\$0.02 per share) for the three months ended September 30, 2016.

For the three months ended September 30, 2017, the Company recorded a gain from the exchange differences on translation of foreign operations of \$667 resulting in total comprehensive loss for the period of \$570,583. 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 September 30, 2016, the Company recorded a loss from the exchange differences on translation of foreign operations of \$144 resulting in total comprehensive loss for the period of \$458,042.

## **Cash Flows**

### **Three months ended September 30, 2017 and 2016:**

During the three months ended September 30, 2017, the Company used cash of \$302,470 in operating activities as compared to \$593,691 during the three months ended September 30, 2016. The Company classifies its investment activities (proceeds on disposal of investments, purchases of investments, and due from/to brokers) as operating activities which is the Company's primary business. The Company was significantly more active in the current year period as compared to the same period last year. During the three months ended September 30, 2017, the Company had proceeds from disposition of investments of \$829,122 as compared to \$44,476 during the three months ended September 30, 2016. During the three months ended September 30, 2017, the Company purchased \$1,027,191 of investments as compared to \$200,236 of investments purchased during the three months ended September 30, 2016. The Company also used margin of \$251,443 (due to brokers) for the three months ended September 30, 2017 (three months ended September 30, 2016 - \$2,806).

During the three months ended September 30, 2017, the Company generated net cash of \$297,942 in financing activities from a non-brokered private placement financing as compared to 591,106 for the three months ended September 30, 2016. In three months ended September 30, 2017, the Company raised gross proceeds of \$300,000 through the issuance and sale of 3,000,000 units at a price of \$0.10 per unit. The Company paid expenses totaling \$8,894 relating to the financing. In the three months ended September 30, 2016, the Company raised gross proceeds of \$600,000 through the issuance and sale of 12,000,000 units at a price of \$0.05 per unit. The Company paid expenses totaling \$8,894 relating to that financing.

During the three month ended September 30, 2017 and 2016, the Company had no investing activities.

For the three months ended September 30, 2017, the Company had a net decrease in cash of \$4,528 as compared to \$2,585 for the three months ended September 30, 2016. For the three months ended September 30, 2017, the Company also had a gain from the exchange rate changes on its foreign operations' cash balances of \$667, leaving a cash balance of \$18,112 as at September 30, 2017 as compared to an exchange loss of \$144, leaving a cash balance of \$19,289 as at September 30, 2016.



## 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 September 30, 2017.

## Liquidity and capital resources:

<b>Consolidated statement of financial position highlights</b>	<b>September 30, 2017</b>	<b>June 30, 2017</b>
Cash	\$ <b>18,112</b>	\$ 21,973
Investments, at fair value	<b>7,102,016</b>	7,142,584
Total assets	<b>7,266,372</b>	7,259,297
Due to brokers	<b>251,443</b>	-
Total liabilities	<b>372,328</b>	175,110
Share capital, warrants and broker warrants, contributed surplus	<b>124,746,458</b>	124,366,018
Foreign currency translation reserve	<b>840,042</b>	839,375
Deficit	<b>(118,692,456)</b>	(118,121,206)

Total liabilities increased by \$197,218 to \$372,328 as at September 30, 2017 as compared to \$175,110 as at June 30, 2017. The increase was primarily due to the amount of margin used (due to brokers) of \$251,443 to purchased investments and fund the Company's operating expenses. As at September 30, 2017, total liabilities include \$49,613 (June 30, 2017 - nil) owing to the Chief Financial Officer/Corporate Secretary ("CFO") and the Vice-President of Business Development and General Council ("VP") for accrued consulting fees. As at September 30, 2017, total liabilities also include \$27,132 (June 30, 2017 - \$28,212) accrued for the winding down of its subsidiaries in Barbados and Brazil.

The Company's cash and investments as at September 30, 2017 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 or rely on external sources of capital. The Company expects to have to raise additional funds through debt and/or equity financings to meet its investment and expenditure needs. 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 new premises which started May 1, 2015 for annual payments of approximately \$82,875 (\$6,906 monthly, increased to \$7,166 effective January 1, 2017) plus applicable taxes until April 30, 2018 and office equipment lease payments of \$5,340 annually (\$445 monthly) plus applicable taxes until April 30, 2019.

### 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 months ended September 30 were as follows:

Type of expense	2017	2016
Consulting fees	\$ 116,250	\$ 107,250
Other short-term benefits	1,573	1,227
Stock-based compensation expense	50,438	-
	\$ 168,261	\$ 108,477

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

- (b) As at September 30, 2017, included in accounts payable and accrued liabilities is \$49,613 (June 30, 2017 - nil) relating to consulting fees due to related parties (CFO and VP).

### Off-Balance sheet arrangements:

As at September 30, 2017, 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 September 30, 2017. The Company's capital includes all components of equity which amounts to \$6,894,044 as at September 30, 2017 (June 30, 2017 - \$7,084,187). 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 September 30, 2017.

### Risk management:

The investment operations of ThreeD's business involve the purchase and sale of securities and, accordingly, a portion of the Company's assets are currently comprised of financial instruments. The use of financial instruments can expose the Company to several risks, including market, credit, and liquidity risks. A discussion of the Company's use of financial instruments and their associated risks is provided below.

(a) Market risk:

There were no changes in the way the Company manages market risk during the three months ended September 30, 2017. As at September 30, 2017 and June 30, 2017, the Company held some U.S. denominated investments and 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.

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

Percentage of change in closing trade price	Decrease in after-tax net income from % increase in closing trade price	Increase in after-tax net income from % decrease in closing trade price
2%	\$ 123,220	\$ (123,220)
4%	246,440	(246,440)
6%	369,660	(369,660)
8%	492,880	(492,880)
10%	616,100	(616,100)

The following table shows the estimated sensitivity of the Company's after-tax net loss for the three ended September 30, 2016 from a change in the closing bid price of the Company's investments with all other variables held constant as at September 30, 2016:

Percentage of change in closing trade price	Decrease in after-tax net loss from % increase in closing trade price	Increase in after-tax net loss from % decrease in closing trade price
2%	\$ 32,871	\$ (32,871)
4%	65,743	(65,743)
6%	98,614	(98,614)
8%	131,486	(131,486)
10%	164,357	(164,357)

(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) were denominated in foreign currencies:

	<b>September 30, 2017</b>	June 30, 2017
Denominated in U.S. dollars:		
Cash	\$ <b>740</b>	\$ 504
Due from brokers	<b>34,912</b>	15
Accounts payable and accrued liabilities	<b>(27,799)</b>	(28,212)
Net assets denominated in U.S. dollars	<b>\$ 7,853</b>	\$ (27,693)

The following table shows the estimated sensitivity of the Company's after-tax net loss for the three months ended September 30, 2017 from a change in the U.S. dollar exchange rate in which the Company has significant exposure with all other variables held constant as at September 30, 2017:

<b>Percentage change in U.S. dollar exchange rate</b>	<b>Decrease in after-tax net income from an increase in % in the U.S. dollar exchange rate</b>	<b>Increase in after-tax net income from a decrease in % in the U.S. dollar exchange rate</b>
<b>2%</b>	\$ <b>115</b>	\$ <b>(115)</b>
<b>4%</b>	<b>231</b>	<b>(231)</b>
<b>6%</b>	<b>346</b>	<b>(346)</b>
<b>8%</b>	<b>462</b>	<b>(462)</b>
<b>10%</b>	<b>577</b>	<b>(577)</b>

The following table shows the estimated sensitivity of the Company's after-tax net loss for the year ended June 30, 2017 from a change in the U.S. dollar exchange rate in which the Company has significant exposure with all other variables held constant as at June 30, 2017:

Percentage change in U.S. dollar exchange rate	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%	\$ (407)	\$ 407
4%	(814)	814
6%	(1,221)	1,221
8%	(1,628)	1,628
10%	(2,035)	2,035

## 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) 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.

(d) 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.

(e) 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.

(f) 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 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 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, estimate of recoverable fair value on exploration assets, 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 public companies 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 three months ended September 30, 2017 and year ended June 30, 2017, the Company had the following changes in its private investments categorized as level 3 in the financial instrument hierarchy:

	<b>Opening balance at July 1,</b>	<b>Purchases</b>	<b>Proceeds on dispositions</b>	<b>Realized losses on dispositions</b>	<b>Net unrealized gains</b>	<b>Ending balance</b>
<b>September 30, 2017</b>	<b>\$ 6,242,645</b>	<b>\$ 100,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,342,645</b>
June 30, 2017	265,000	495,672	(39,450)	(260,550)	5,781,973	6,242,645

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.

No options were granted in during the three months ended September 30, 2017. During the year ended June 30, 2017, the Company granted 3,923,000 stock options to directors, officers, employees and consultants of the Company, exercisable at \$0.15 per share expiring between January 16, 2022 and April 20, 2022.

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

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

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

As at September 30, 2017, the warrants outstanding were as follows:

Number of warrants	Exercise price	Expiry date	Warrant value (\$)
<b>8,800,000</b>	\$ 0.10	August 17, 2019	\$ 101,997
<b>7,500,000</b>	0.15	December 1, 2019	192,105
<b>1,500,000</b>	0.15	December 8, 2019	36,849
<b>4,753,000</b>	0.20	February 21, 2020	211,155
<b>1,500,000</b>	0.20	April 6, 2020	78,713
<b>3,800,000</b>	0.15	May 19, 2020	131,072
<b>3,000,000</b>	0.15	July 5, 2020	103,684
<b>30,853,000</b>			\$ 855,575

The purchase warrants issued on July 5, 2017 were valued using the Black-Scholes option pricing model with the following assumptions: expected volatility of 113%; dividend yield of 0%; risk-free interest rate of 1.21%; and an expected life of 3.0 years. The expected volatility is based on the 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 option life in years represents the period of time that the warrants are expected to be



outstanding based on historical warrants issued. The value (net of share issuance costs) assigned to the purchase warrants was \$103,684.

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

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

The expected volatility is based on the average historical volatility over the life of the warrants at the Company's share price. The Company has not paid any cash dividends historically and has no plans to pay cash dividends in the foreseeable future. The risk-free interest rate is based on the yield of Canadian Benchmark Bonds with equivalent terms. The expected warrant life in years represents the period of time that the warrants are expected to be outstanding based on historical warrants issued. The total value (net of share issuance costs) assigned to the purchase warrants was \$368,041.

#### 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 public companies 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 September 30, 2017 and June 30, 2017, there were not sufficient reliable observable market inputs and thus, the Company valued the warrants in its portfolio using their intrinsic value.

#### **Future accounting changes:**

IFRS accounting standards, interpretations and amendments to existing IFRS accounting standards that were not yet effective as at June 30, 2017, are described in Note 17 to the annual consolidated financial statements as at and for the year ended June 30, 2017. The Company is currently assessing what impact the application of those standards or amendments will have on the consolidated financial statements of the Company. The Company intends to adopt the standards, if applicable, when the standards become effective. There have been no other changes to existing IFRS accounting standards and interpretations since June 30, 2017 that are expected to have a material effect on the Company's interim consolidated statements.

### Outstanding Share Data:

As at October 12, 2017, 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:

<b>Common shares</b>	<b>Number</b>
Outstanding	<b>50,305,131</b>
Issuable under the exercise of warrants	<b>30,853,000</b>
Issuable under the exercise of options	<b>4,202,000</b>
<b>Total diluted common shares</b>	<b>85,360,131</b>

Refer to Note 6 of the Notes to the consolidated financial statements as at and for the months ended September 30, 2017 for details of the Company's share capital as at September 30, 2017.

### 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.threedcap.com](http://www.threedcap.com) and the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).