

Interim Condensed Consolidated Financial Statements of



September 30, 2017
(Unaudited - prepared in Canadian dollars)

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THREED CAPITAL INC.**Notes to the Interim Condensed Consolidated Financial Statements****September 30, 2017****(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 September 30, 2017 and June 30, 2017
(Unaudited - prepared in Canadian dollars)**

	<u>Notes</u>	<u>September 30, 2017</u>	<u>June 30, 2017</u>
Assets			
Cash	4	\$ 18,112	\$ 21,973
Due from brokers	4	-	1,104
Prepays and receivables	4	129,445	75,587
Investments, at fair value	3	7,102,016	7,142,584
Property, plant and equipment		16,799	18,049
		<u>\$ 7,266,372</u>	<u>\$ 7,259,297</u>
Liabilities and Equity			
Accounts payable and accrued liabilities	4, 5(b)	\$ 120,885	\$ 175,110
Due to brokers		251,443	-
		<u>372,328</u>	<u>175,110</u>
Equity			
Share capital	6(a)	99,044,631	98,842,373
Contributed surplus	6(c)	24,846,252	24,771,754
Warrants	6(d)	855,575	751,891
Foreign currency translation reserve		840,042	839,375
Deficit		<u>(118,692,456)</u>	<u>(118,121,206)</u>
		<u>6,894,044</u>	<u>7,084,187</u>
		<u>\$ 7,266,372</u>	<u>\$ 7,259,297</u>
Going concern uncertainty	1		
Contingent liability	12		

See accompanying notes to the consolidated financial statements.

THREED CAPITAL INC.**Consolidated Statement of Loss and Comprehensive Loss****Three Months Ended September 30,****(Unaudited - prepared in Canadian dollars)**

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Net investment losses			
Net realized losses on disposal of investments		\$ (145,315)	\$ (78,737)
Net change in unrealized losses on investments		<u>(93,322)</u>	<u>(139,419)</u>
		(238,637)	(218,156)
Interest and other income		21,000	-
		<u>(217,637)</u>	<u>(218,156)</u>
Expenses			
Operating, general and administrative	5, 6(b), 8	350,376	230,552
Finance expenses		3,237	9,190
		<u>353,613</u>	<u>239,742</u>
Loss before income taxes		(571,250)	(457,898)
Income tax expense		-	-
Net loss for the period		(571,250)	(457,898)
Other comprehensive income (loss)			
Exchange differences on translation of foreign operations		667	(144)
Total comprehensive loss for the period		<u>\$ (570,583)</u>	<u>\$ (458,042)</u>
Loss per common share based on net loss for the period	6(e)		
Basic and diluted		<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding	6(e)		
Basic and diluted		50,116,001	18,718,534

See accompanying notes to the consolidated financial statements.

THREED CAPITAL INC.

Consolidated Statement of Changes in Equity Three Months Ended September 30, 2017 and 2016 (Unaudited - prepared in Canadian dollars)

		Number of shares	Share capital	Warrants	Contributed surplus	Foreign currency translation reserve	Deficit	Total equity
Balance as at June 30, 2016	Notes	12,979,404	\$ 96,597,845	\$ -	\$ 24,554,508	\$ 839,332	\$ (120,822,634)	\$ 1,169,051
Net loss for the period		-	-	-	-	-	(457,898)	(457,898)
Exchange differences on translation of foreign operations		-	-	-	-	(144)	-	(144)
Total comprehensive loss for the period		-	-	-	-	(144)	(457,898)	(458,042)
Issued pursuant to private placement		12,000,000	317,885	273,221	-	-	-	591,106
Balance as at September 30, 2016		24,979,404	\$ 96,915,730	\$ 273,221	\$ 24,554,508	\$ 839,188	\$ (121,280,532)	\$ 1,302,115
Balance as at June 30, 2017		47,232,404	\$ 98,842,373	\$ 751,891	\$ 24,771,754	\$ 839,375	\$ (118,121,206)	\$ 7,084,187
Net loss for the period		-	-	-	-	-	(571,250)	(571,250)
Exchange differences on translation of foreign operations		-	-	-	-	667	-	667
Total comprehensive loss for the period		-	-	-	-	667	(571,250)	(570,583)
Stock-based compensation expense	6(b)	-	-	-	74,498	-	-	74,498
Issued pursuant to private placements, net	6(a)(i)	3,000,000	194,258	103,684	-	-	-	297,942
Issued pursuant to marketing services	6(a)(ii)	72,727	8,000	-	-	-	-	8,000
Balance as at September 30, 2017		50,305,131	\$ 99,044,631	\$ 855,575	\$ 24,846,252	\$ 840,042	\$ (118,692,456)	\$ 6,894,044

See accompanying notes to the consolidated financial statements.

THREE CAPITAL INC.
Consolidated Statement of Cash Flows
Three Months Ended September 30, 2017 and 2016
(Unaudited - prepared in Canadian dollars)

	Notes	2017	2016
Cash flows used in operating activities			
Net loss for the period		\$ (571,250)	\$ (457,898)
Items not affecting cash			
Net realized losses on disposal of investments		145,315	78,737
Net change in unrealized losses on investments		93,322	139,419
Issue of share capital pursuant to marketing services	6(a)(ii)	8,000	-
Stock-based compensation expense		74,498	-
Depreciation		1,250	880
		(248,865)	(238,862)
Changes in non-cash working capital balances			
Proceeds on disposal of investments		829,122	44,476
Purchases of investments		(1,027,191)	(200,236)
Increase in prepaids and receivables		(53,858)	(2,793)
Decrease in due from brokers		1,104	-
Decrease in accounts payable and accrued liabilities		(54,225)	(199,082)
Increase in due to brokers		251,443	2,806
		(302,470)	(593,691)
Cash flows from financing activities			
Proceeds pursuant to private placement financings, net	6(a)(i)	297,942	591,106
		297,942	591,106
Net decrease in cash during the period		(4,528)	(2,585)
Exchange rate changes on foreign currency cash balances		667	(144)
Cash, beginning of period		21,973	22,018
Cash, end of period		\$ 18,112	\$ 19,289
Supplemental cash flow information			
Income taxes paid		\$ -	\$ -
Finance expense paid		3,237	9,190
Non-cash financing activities			
Issue of share capital pursuant to marketing services	6(a)(ii)	8,000	-

See accompanying notes to the consolidated financial statements.

THREED CAPITAL INC.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2017

(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, 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.

These interim condensed consolidated financial statements ("interim consolidated statements") were approved for issuance by the Company's board of directors on October 12, 2017.

These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. The Company has incurred a loss for 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, 2017 - \$118,121,206). 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 indicate material uncertainties that 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 or be unable to realize its assets and discharge its liabilities in the normal course of business. Such adjustments can be material.

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").

THREED CAPITAL INC.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2017

(Unaudited - prepared in Canadian dollars)

2. Basis of preparation (continued):

These interim consolidated statements for the three months ended September 30, 2017 and 2016 should be read together with 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 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, 2017, except as follows:

- (i) IAS 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.
- (ii) IAS 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.

(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 ("\$/").

(c) Basis of consolidation:

These interim consolidated statements include the financial statements of ThreeD and its wholly-owned subsidiaries: Brownstone Ventures (Barbados) Inc., Brownstone Comercializadora de Petroleo Ltda., 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.

THREED CAPITAL INC.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2017

(Unaudited - prepared in Canadian dollars)

2. Basis of preparation (continued):

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, 2017.

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.

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 market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available or reliable, the warrants and options are valued at intrinsic value, which

THREED CAPITAL INC.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2017

(Unaudited - prepared in Canadian dollars)

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

is equal to the higher of the closing trade price at the consolidated statement of financial position date of the underlying security less the exercise price of the warrant or option, and zero. These are included in Level 2.

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
September 30, 2017	\$ 7,102,016	\$ 4,707,563
June 30, 2017	7,142,584	4,654,809

(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 September 30, 2017 and June 30, 2017:

	Level 1 Quoted market price	Level 2 Valuation technique – observable market inputs	Level 3 Valuation technique – non-observable market inputs	Total
Investments, at fair value				
September 30, 2017	\$ 657,963	\$ 101,408	\$ 6,342,645	\$ 7,102,016
June 30, 2017	582,554	317,385	6,242,645	7,142,584

Level 2 includes 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.

THREED CAPITAL INC.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2017

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

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 three months ended September 30, 2017 and year ended June 30, 2017. These financial instruments are measured at fair value utilizing non-observable market inputs based on specific company information and general market conditions. The net change in unrealized losses are recognized in the consolidated statements of comprehensive loss.

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

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

Description	Fair value at September 30, 2017	Valuation technique	Unobservable input	% of Investments	Sensitivity to changes in significant unobservable inputs (%)
Unlisted private equities	\$ 6,242,645	Grey market activity	Recent transaction price	87.9	Additional grey market activity
Unlisted private equities	100,000	Grey market activity	New investment during the period	1.4	Additional grey market activity
	\$ 6,342,645			89.3	

Description	Fair value at June 30, 2017	Valuation technique	Unobservable input	% of Investments	Sensitivity to changes in significant unobservable inputs (%)
Unlisted private equities	\$ 5,600,000	Grey market activity	New transaction price	78.4	Additional grey market activity
Unlisted private equities	642,645	Grey market activity	New investment during the period	9.0	Additional grey market activity
	\$ 6,242,645			87.4	

For 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 +/- \$1,585,661 (June 30, 2017 - \$1,560,661) 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,

THREED CAPITAL INC.**Notes to the Interim Condensed Consolidated Financial Statements****September 30, 2017****(Unaudited - prepared in Canadian dollars)**

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

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

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

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

Financial assets and liabilities other than investments at fair value are as follows as at September 30, 2017 and June 30, 2017:

	September 30, 2017	June 30, 2017
Cash	\$ 18,112	\$ 21,973
Due from brokers	-	1,104
Receivables	9,040	25,551
Accounts payable and accrued liabilities	(120,885)	(175,110)
Due to brokers	(251,443)	-
	\$ (345,176)	\$ (126,482)

The carrying values of cash, due from brokers, receivables, accounts payable and accrued liabilities, and due to brokers approximate their fair values due to the short term to maturity for these instruments. Except for cash (Level 1), all are categorized in Level 2.

5. 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").

THREED CAPITAL INC.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2017

(Unaudited - prepared in Canadian dollars)

5. Related party transactions (continued):

- (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).

6. Equity:

- (a) Authorized: unlimited number of common shares (no par value).
 - (i) On July 5, 2017, 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. The Company paid expenses totaling \$2,058 relating to the financing which have not been tax effected.

The purchase warrants 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.

- (ii) In July 2017, the Company entered into an agreement with Agora Internet Relations Corp. ("Agora") pursuant to which Agora will provide marketing, advertising and related services to the Company for a fee of \$40,000 to be paid by the issuance of common shares of the Company. The fee is payable in five installments of \$8,000 each with the first installment paid on August 2, 2017, and the subsequent installments to become payable at the end of each three-month period thereafter. The price of the common shares to be issued as payment for each installment will be set at the closing price of the common shares on the date which such installment becomes payable. The first installment was paid by the issuance of 72,727 common shares at a price of \$0.11 per share for an aggregate price of \$8,000.
- (b) Stock options:

There were no options granted during the three months ended September 30, 2017. For the three months ended September 30, 2017, included in operating, general and administrative expenses is stock-based compensation of \$74,498 (three months ended September 30, 2016 - \$nil) relating to the stock options granted to directors, officers, employees and consultants of the Company.

THREED CAPITAL INC.

Notes to the Interim Condensed Consolidated Financial Statements September 30, 2017 (Unaudited - prepared in Canadian dollars)

6. Equity (continued):

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

Stock options	September 30, 2017		June 30, 2017	
	# of options	Weighted average exercise price	# of options	Weighted average exercise price
Outstanding, at beginning of period	4,202,000	\$ 0.23	399,000	\$ 2.12
Granted	-	-	3,923,000	0.15
Expired	-	-	(120,000)	4.00
Outstanding, at end of period	4,202,000	\$ 0.23	4,202,000	\$ 0.23
Exercisable, at end of period	1,461,661	\$ 0.37	807,829	\$ 0.55

The following table summarizes information about stock options outstanding and exercisable as at September 30, 2017:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
126,500	126,500	\$ 1.70	November 28, 2017
152,500	152,500	1.00	September 9, 2018
3,173,000	1,057,663	0.15	January 16, 2022
500,000	83,332	0.15	April 5, 2022
250,000	41,666	0.15	April 20, 2022
4,202,000	1,461,661		

(c) Contributed surplus comprised the following as at September 30, 2017 and June 30, 2017:

	September 30, 2017	June 30, 2017
Stock-based compensation	\$ 10,403,668	\$ 10,329,170
Expired warrants and broker warrants	14,416,320	14,416,320
Cancellation of common shares under normal course issuer bid	20,639	20,639
Value of cancelled escrowed shares	5,625	5,625
	\$ 24,846,252	\$ 24,771,754

(d) A summary of the status of the Company's warrants as at September 30, 2017 and June 30, 2017 and the changes during the periods then ended are as follows:

Warrants	September 30, 2017		June 30, 2017	
	# of warrants	Weighted average exercise price	# of warrants	Weighted average exercise price
Outstanding, at beginning of period	27,853,000	\$ 0.15	-	\$ -
Issued	3,000,000	0.15	31,053,000	0.14
Exercised	-	-	(3,200,000)	0.10
Outstanding, at end of period	30,853,000	\$ 0.15	27,853,000	\$ 0.15

THREED CAPITAL INC.**Notes to the Interim Condensed Consolidated Financial Statements****September 30, 2017****(Unaudited - prepared in Canadian dollars)**

6. Equity (continued):

The following table summarizes information about warrants exercisable and outstanding as at September 30, 2017:

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

- (e) Basic and diluted loss per common share based on loss for the three months ended September 30:

Numerator:	2017	2016
Net loss for the period	\$ (571,250)	\$ (457,898)

Denominator:	2017	2016
Weighted average number of common shares outstanding – basic	50,116,001	18,718,534
Weighted average effect of diluted stock options and warrants (i)	-	-
Weighted average number of common shares outstanding – diluted	50,116,001	18,718,534

Loss per common share based on net loss for the period:	2017	2016
Basic and diluted	\$ (0.01)	\$ (0.02)

- (i) The determination of the weighted average number of common shares outstanding – diluted excludes 35,055,000 shares related to stock options and warrants that were anti-dilutive for the three months ended September 30, 2017 (three months ended September 30, 2016 – 12,399,000 shares).

THREED CAPITAL INC.**Notes to the Interim Condensed Consolidated Financial Statements****September 30, 2017****(Unaudited - prepared in Canadian dollars)**

6. Equity (continued):

(f) 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 September 30, 2017 and June 30, 2017:

	September 30, 2017	June 30, 2017
Common shares outstanding	50,305,131	47,232,404
Warrants to purchase common shares	30,853,000	27,853,000
Stock options to purchase common shares	4,202,000	4,202,000
Fully diluted common shares outstanding	85,360,131	79,287,404

7. 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.

8. Expenses by nature:

Included in operating, general, and administrative expenses for the three months ended September 30 are as follows:

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

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9. Finance expenses:

Finance expenses for the three months ended September 30, 2017 and 2016 primarily consisted of interest expense from margin borrowings.

10. 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 current liabilities as at September 30, 2017.

11. 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)

THREED CAPITAL INC.

Notes to the Interim Condensed Consolidated Financial Statements

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(Unaudited - prepared in Canadian dollars)

11. Risk management (continued):

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:

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

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

THREED CAPITAL INC.**Notes to the Interim Condensed Consolidated Financial Statements****September 30, 2017****(Unaudited - prepared in Canadian dollars)**

11. Risk management (continued):

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

12. 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.

THREED CAPITAL INC.**Notes to the Interim Condensed Consolidated Financial Statements****September 30, 2017****(Unaudited - prepared in Canadian dollars)**

13. 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.