



Management's Discussion and Analysis

3D Signatures Inc.

For the three months ended September 30, 2017

Prepared by Management without review by the Company's auditor

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended September 30, 2017

This management's discussion and analysis ("MD&A") of 3D Signatures Inc. (the "Company" or "3DS") for the three months ended September 30, 2017 is as of November 28, 2017. This MD&A was prepared with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. This MD&A should be read in conjunction with the unaudited condensed interim financial statements for the three months ended September 30, 2017 and the related notes thereto, as well as the audited financial statements for the year ended June 30, 2017 and the related notes thereto, which have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Financial Accounting Standards Board ("IASB"). Additional information regarding the Company is available on SEDAR at www.sedar.com and on the Company's website at www.3Dsignatures.com. All amounts are expressed in Canadian dollars.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS AND RISK FACTORS

Certain statements and information in this MD&A contain forward-looking statements or forward-looking information under applicable Canadian securities legislation that may not be based on historical fact, including, without limitation, statements containing the words "believe", "may", "plan", "will", "estimate", "continue", "anticipate", "intend", "expect", "predict", "project", "potential", "ongoing", "could", "would", "seek", "target" or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words and similar expressions.

Forward-looking statements are necessarily based on estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate. Forward-looking statements in this MD&A include, but are not limited to, statements relating to:

- the initiation, timing, cost, progress and success of our research and development programs;
- our ability to advance product candidates into, and successfully complete, clinical trials;
- the timing of, our decision to seek, and our ability to achieve regulatory approval for our current and future diagnostic and prognostic tests (the "Tests") being developed;
- our ability to achieve profitability;
- the Company's ability to establish and maintain relationships with collaborators with acceptable development, regulatory and commercialization expertise, and the benefits to be derived from such collaborative efforts;
- the implementation of our business model and strategic plans;
- our estimates of the size of the potential markets for our Tests;
- our commercialization, marketing and manufacturing capabilities and strategy;
- our ability to protect our intellectual property and operate our business without infringing upon the intellectual property rights of others;
- the therapeutic benefits, effectiveness and safety of our Tests;
- the rate and degree of the market acceptance and clinical utility of our future products, if any;

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- our expectations regarding market risk, including interest rate changes and foreign currency fluctuations;
- the release of the provision against the value of the intangible assets;
- our expectations that clinical results will be detailed and published in peer-reviewed papers and journals;
- our ability to engage and retain the employees required to grow our business; and
- estimates of our expenses, future revenue, capital requirements and our need for additional financing.

Such forward-looking statements reflect our current views with respect to future events, are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by 3DS as of the date of such statements, are inherently subject to significant medical, scientific, business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause our actual results, performance, achievements, prospects or opportunities to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including, but not limited to: (i) obtaining positive results from the Company's clinical trials; (ii) obtaining regulatory approvals for the Company's Tests; (iii) assumptions regarding general business and economic conditions; (iv) the Company's ability to successfully develop the Tests; (v) that our current positive relationships with third parties will be maintained; (vi) the availability of financing on reasonable terms; (vii) the Company's ability to attract and retain skilled staff; (viii) assumptions regarding market competition; (ix) the products and technology offered by the Company's competitors; and (x) the Company's ability to protect patents and proprietary rights.

In evaluating forward-looking statements, current and prospective shareholders should specifically consider various factors, including the risks outlined in this MD&A under the heading "*Risks and Uncertainties*". Should one or more of these risks or uncertainties, or a risk that is not currently known to us, materialize, or should assumptions underlying the forward-looking statements contained herein prove incorrect, actual results may vary materially from those described herein. All forward-looking statements herein are made as of the date of this MD&A and we do not intend, and do not assume any obligation, to update these forward-looking statements except as required by applicable securities laws. Investors are cautioned that forward-looking statements are not guarantees of future performance and are inherently uncertain. Accordingly, investors are cautioned not to put undue reliance on forward-looking statements.

OVERVIEW OF THE COMPANY

3DS is a personalized medicine company with a proprietary software platform designed to predict the course of certain diseases and to tailor treatment options for the individual patient. The technology is based on the three-dimensional analysis of telomeres, the protective caps at the ends of chromosomes (the "**Telomere Technology**"). 3DS' TeloView™ software platform measures the organization of the genome and its correspondence to; the stage of a given disease, the rate of progression of the disease, how different diseases will respond to various therapies, and a drug's efficacy and toxicity. 3DS' proprietary imaging software is designed to go beyond identifying whether a patient suffers from a specific disease or condition. Instead, the TeloView™ platform is designed to inform clinicians and patients with respect to how to personalize treatment and best manage an individual's disease based on their unique TeloView Score™. As healthcare moves increasingly toward better informed, patient-centric approaches, the Company intends for the TeloView™ platform to deliver personalized medicine that allows for better treatments, leading to better outcomes.

The TeloView™ platform is supported by 25 clinical studies involving more than 2,500 patients and 13 different cancers, plus Alzheimer's disease. 3DS benefits from twenty years of research, \$25M of non-

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dilutive investment into its platform and more than 130 supporting publications, and holds a portfolio of patents related to three-dimensional telomere analysis for proliferative diseases, including (but not limited to) hematological disorders such as Hodgkin's lymphoma, multiple myeloma, and chronic myeloid leukemia. Our intellectual property portfolio also covers prostate cancer, breast cancer, lung cancer, melanoma, colorectal cancer, and Alzheimer disease. See below for details on the Company's intellectual property.

3DS believes that it is well positioned in the market for three-dimensional analysis of telomere organization and developing a new class of biomarker for evaluating an individual patient's genome using its proprietary TeloView™ platform. The Company's TeloView™ analysis goes beyond other two-dimensional telomere measurements as a result of its incorporation of the multi-modal and structural parameters of a genome's content and configuration, which are identified and factored into 3DS' TeloView Score™. The Company believes that this is a novel approach in developing a structural biomarker in the diagnostic, prognostic, monitoring and theranostic markets. The TeloView Score™ for each Test is based on a combination of 6 parameters generated by an analysis of individual cells following treatment with a combination of immuno-fluorescence in situ hybridization (FISH) protocol and multi-channel 3D immunofluorescence microscopy. The TeloView™ parameters that contribute to assessing the patient's three dimensional genome status include individual cell and cell population combinations of: telomere number, telomere intensity/length, diameter and volume of the nucleus, relative nuclear position of telomeres, telomere aggregation, and compression of telomeric space. Different combinations of these parameters have proven to be accurate and predictive of a patient's disease status and outcome, potentially making three-dimensional telomere analysis a universal biomarker.

3DS has assembled a team with successful track records in the development and commercialization of biomedical products. The Company intends to advance the development and application of TeloView™ across major inflection points in the lifecycle of the laboratory testing industry. The Company intends to distribute its Tests initially as Laboratory Developed Tests ("LDTs") in collaboration with commercial partners in key markets around the world. The Company also intends to expand the range of its test portfolio through ongoing research and development. The Company also intends to continuously improve the efficiencies and scaling of its laboratory procedures for capturing, treating, and imaging samples of interest through a combination of adoption and further adaptation of automated software and hardware platforms (including digital pathology workflows). In the future, the Company will assess the integration of machine learning and artificial intelligence tools that help identify the optimal cells for analysis, and that compare clinical data to TeloView™ analysis to expand the repertoire of significant parameters to be included in future TeloView Scores™.

3DS has a balanced market entrance strategy of developing and commercializing individual LDTs to generate near-term revenue and a longer-term strategy to seek in-vitro diagnostic device approval from Health Canada, the Food and Drug Administration (the "FDA") in the U.S. and European regulators. In addition to this pursuit and based on the research work of 3DS' co-founder, Dr. Sabine Mai, and other collaborators, with a biopharmaceutical company in 2016, 3DS believes that there are opportunities to partner with biopharmaceuticals companies in research and development trials of drug candidates through the incorporation of 3DS' three-dimensional telomere analysis and proprietary software in such trials. The company is seeking to engage large biopharmaceutical companies in collaborations geared towards improving their drug-screening capabilities and developing companion diagnostics that identify or monitor appropriate patients for a given therapeutic based on 3DS' platform Tests. 3DS continues to actively pursue such arrangements with biopharmaceuticals companies to potentially diversify future revenue streams and to provide incremental opportunities to develop the Tests into companion diagnostics.

3DS' registered and records office is located at 199 Bay Street, Suite 4000, Commerce Court West, Toronto, Ontario, M5L 1A9, and its corporate head office is located at MaRS Centre, South Tower, 101 College Street, Suite 200, Toronto, Ontario M5G 1L7.

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OVERALL PERFORMANCE

The Company recorded a net loss of \$1,066,244 (\$0.02 per Common Share) in the three months ended September 30, 2017 and \$3,370,091 (\$0.11 per Common Share) for the three months ended September 30, 2016. The decrease in net loss of \$2,303,847 was primarily due to listing costs incurred during the three months ended September 30, 2016, arising from the Company's completion of its Qualifying Transaction (as defined in the policies of the TSX Venture Exchange) (the "**Qualifying Transaction**"), completed September 8, 2016. Factors contributing to a decreased net loss sustained during the three months ended September 30, 2017 included expenditures relating to travel and conferences, which were decreased during the three months ended September 30, 2017 due to the Company's efforts to divert resources towards product development. Increases in salaries, wages and benefits led to an offset of the overall decrease in the net loss during the three months ended September 30, 2017, and were the result of the Company's hiring of its Chief Business Officer ("**CBO**") in January 2017, Chief Scientific Officer ("**CSO**") in April 2017, and four laboratory technicians, with starting dates between April 2017 and June 2017. The Company's growth in staff allowed the Company to advance its Hodgkin's lymphoma test ("**Telo-HLTM**") to the third stage of the planned five stage development plan as announced by the Company on October 10th, 2017.

The Company incurred research and development costs of \$369,485 during the three months ended September 30, 2017, compared to \$177,407 during the three months ended September 30, 2016. The Company relocated its head office and laboratories from Winnipeg to Toronto during the fourth quarter of the 2017 Fiscal year ("**FY 2017**") year. As a result of the move, the Company has sustained increased administrative costs relating to the rental of three laboratory spaces in Toronto, and has continued to incur costs relating to this move during the period ending September 30, 2017, including the relocation of key employees from Winnipeg to Toronto. The Company believes that its decision to retain these employees was a critical factor in advancing the Telo-HLTM development to the third stage and to continue work towards commercialization. The Company has since hired four new laboratory technicians to support its product development efforts, leading to an increase in salaries, wages and benefits related to research and development activities. Timing differences relating to purchases of laboratory supplies lead to an overall decrease in expenditures of this nature for the three months ended September 30, 2017 compared to the same period in FY 2017.

The Company incurred general and administrative costs of \$698,800 during the three months ended September 30, 2017 compared to \$1,327,827 during the three months ended September 30, 2016. The Company experienced a decrease in stock-based compensation, a non-cash expense, during the three months ended September 30, 2017, primarily as a result of an adjustment in the fair value of stock options to be granted to a member of the Company's key management personnel at a later date. The Company did not grant any stock options during the period ended September 30, 2017. Additionally, the Company reduced its travel expenses during the period ended September 30, 2017 due to efforts to limit travel to instances where such travel was absolutely necessary. The Company reduced its professional fees expenditures from the prior year as a result of contracts relating to market advisory services in the prior year not having been renewed in the current year, legal fees in the prior year having been incurred in relation to a prepaid consulting contract for business advisory services as well as fees paid for the recruitment of the Company's CEO in September 2016. Increases in investor relations expenses are the result of two investor relations service contracts entered into by the Company during December 2016. The Company incurred increased media related expenditures due to a service contract for online advertising from a period of January 2017 through September 2017. Increases in salaries, wages and benefits during the three months ended September 30, 2017 compared to the same period in FY 2017 are mainly the result of the hiring of the Company's CBO in January 2017.

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The following table provides an overview of the financial results of Q1 FY 2018 as compared to those in Q1 FY 2017:

| For the three months ended September 30 | 2017 | 2016 | Change |
|---|-------------|-------------|-------------|
| Revenue | \$ - | \$ - | \$ - |
| Research and development | 369,485 | 177,407 | 192,078 |
| General and administration | 698,800 | 1,327,827 | (629,027) |
| Listing costs | - | 1,859,107 | (1,859,107) |
| Finance (income) expense, net | (2,041) | 5,750 | (7,791) |
| Net loss | (1,066,244) | (3,370,091) | (2,303,847) |

Research and Development Expenditures:

Set out below are the Company's research and development expenditures for the three months ended September 30, 2017 and 2016:

| For the three months ended September 30 | 2017 | 2016 | Increase (Decrease) |
|---|------------|------------|------------------------|
| Administrative and other expenses | \$ 23,547 | \$ 1,779 | \$ 21,768 |
| Amortization of intangible assets | - | 14,738 | (14,738) |
| Depreciation of property and equipment | 30,256 | 4,690 | 25,566 |
| Laboratory costs | 15,021 | 35,016 | (19,995) |
| Professional fees & consulting | 29,048 | 3,414 | 25,634 |
| Sponsorships | 3,750 | - | 3,750 |
| Salaries, wages & benefits | 225,367 | 116,301 | 109,066 |
| Toronto moving costs | 36,195 | - | 36,195 |
| Travel and conferences | 6,301 | 1,469 | 4,832 |
| | \$ 369,485 | \$ 177,407 | \$ 192,078 |

Research and development expenditures were \$369,485 for the three months ended September 30, 2017 compared to \$177,407 for the three months ended September 30, 2016. Significant changes are as follows:

- Administrative and other expenses of \$23,547 for the three months ended September 30, 2017 (2016 – \$1,779) and Toronto moving costs of \$36,195 (2016 – nil) are the result of the relocation of the Company's head office and operations to the MaRS facility in Toronto during April 2017. As a result of the relocation, the Company includes rented laboratory space within administrative and other expenses. Additionally, the Company continued to incur relocation related costs during the three months ended September 30, 2017. The Company does not anticipate that these costs relating to relocation will be ongoing.
- Amortization expense of intangible assets of nil during the three months ended September 30, 2017, a decrease from \$14,738 during the three months ended September 30, 2016, was the result of the Company recording an impairment loss of \$604,485 during the year ended June 30, 2017, at which time the intangible assets were written down to nil.
- Depreciation expense of property and equipment was \$30,256 for the three months ended September 30, 2017 (2016 - \$4,690). This increase was a result of continued investment in capital assets to support the Company's product development, with purchases of two new laboratory microscopes during the FY 2017 year, one in February 2017 and another in June 2017.

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- Laboratory costs were \$15,021 for the three months ended September 30, 2017 (2016 - \$35,016). The decrease from the comparable period in the prior year was the result of several purchases of lab supplies, including lab chemicals, in which no corresponding purchase was made during the current period. Offsetting the decrease in such expense was the acquisition of patient samples in the three months ended September 30, 2017 in relation to the Company's development work for Telo-HL™.
- Professional fees & consulting expenditures were \$29,048 for the three months ended September 30, 2017 (2016 - \$3,414). The increased expenditures were the result of fees paid to a consultant for software development in respect of the Company's TeloView™ platform, fees paid to an industry expert for analysis of the Company's procedures in its Telo-HL™ development and legal fees relating to patent maintenance as well as research into future patent development.
- Salaries, wages & benefits expenses were \$225,367 for the three months ended September 30, 2017 (2016 - \$116,301). Contributing factors to the increase from the prior year include the hiring of four laboratory technicians between April 2017 and June 2017 as well as the hiring of the Company's CSO in April 2017 and the payment of a cost of living allowance for two product development managers relocating from Winnipeg to Toronto.

Intangible Assets

As a result of the uncertainty surrounding the availability of sufficient capital to complete the commercialization and realization of the Company's intangible assets, the Company recorded a provision against the value of the intangible assets at June 30, 2017. Should the underlying circumstances change, the Company may release this provision in the future.

General and Administration Expenditures:

Set out below are the Company's general and administrative expenditures for the three months ended September 30, 2017 and 2016:

| For the three months ended September 30 | 2017 | 2016 | Increase (Decrease) |
|--|-------------------|---------------------|--------------------------------|
| Administrative and other expenses | \$ 27,782 | \$ 17,822 | \$ 9,959 |
| Investor relations | 29,950 | - | 29,950 |
| Media | 60,835 | 11,094 | 49,741 |
| Professional fees & consulting | 337,098 | 392,619 | (55,521) |
| Salaries, wages and benefits | 200,083 | 152,785 | 47,298 |
| Stock based compensation | 25,898 | 611,719 | (585,821) |
| Stock exchange fees | 5,650 | 250 | 5,400 |
| Travel and conferences | 11,504 | 141,538 | (130,034) |
| | \$ 698,800 | \$ 1,327,827 | \$ (629,027) |

General and administration expenditures were \$698,800 for the three months ended September 30, 2017 compared to \$1,327,827 for the three months ended September 30, 2016. Significant changes are as follows:

- Investor relations expenses were \$29,950 for the three months ended September 30, 2017 (2016 – nil). The increase from the prior year was the result of the commencement of investor relations service engagements with Kilmer Lucas Inc. and Terry Bramhall of Clear Cut Communications. Both engagements commenced in December 2016.
- Media expenditures were \$60,835 for the three months ended September 30, 2017 (2016- \$11,094). Factors contributing to the increase include the amortization of a service contract for online advertising, commencing in January 2017 and concluding in September 2017.
- Professional fees & consulting expenditures were \$337,098 for the three months ended September 30, 2017 (2016 - \$392,619). Factors contributing to the decrease include a decrease

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in legal fees incurred in the prior year and the amortization of prepaid consulting services for market advisory services and human resources consulting.

- Salaries, wages & benefits were \$200,083 for the three months ended September 30, 2017 (2016 - \$152,785). The increase from the prior year was mainly due to the hiring of the Company's CBO, a position created in January 2017.
- Travel and conferences expenditures were \$11,504 for the three months ended September 30, 2017 (2016 - \$141,538). The decrease is attributed to management's efforts to limit travel expenditures relating to administrative, business development and investor relations activities in order to allocate more resources to product development.
- Stock based compensation expenditures were \$25,898 for the three months ended September 30, 2017 (2016 - \$611,719). The decrease is attributable to the current period expense reflecting the service expense of 491,125 unvested shares during the three months ended September 30, 2017, including a recovery of \$56,199 related to the service expense related to 925,000 options to be issued to a member of key management (see note 8 of the condensed consolidated interim financial statements). During the three months ended September 30, 2016, the Company granted 1,083,030 stock options.

Listing costs:

| For the three months ended September 30 | 2017 | 2016 | Decrease |
|---|------|--------------|--------------|
| Listing costs | \$ - | \$ 1,859,107 | \$ 1,859,107 |
| | \$ - | \$ 1,859,107 | \$ 1,859,107 |

The Company's listing costs for the three months ended September 30, 2017 were nil (2016 – \$1,859,107). Listing costs from the comparable period include \$1,310,946, which represents the value of the share-based payment made by the Company's subsidiary, 3D Signatures Holdings Inc., in excess of the value of the assets acquired by the Company immediately prior to the completion of its Qualifying Transaction. Listing costs also include \$175,000, representing the value of shares issued as a finder's fee, and \$373,161 in professional fees, both of which are associated with the Qualifying Transaction.

Finance (income) expense, net:

| For the three months ended September 30 | 2017 | 2016 | Increase (Decrease) |
|---|------------|----------|---------------------|
| Interest on note payable to CCMB | \$ - | \$ 2,859 | \$ (2,859) |
| Foreign exchange, net | (1,227) | 989 | (2,216) |
| Other interest (income) expense, net | (814) | 1,902 | (2,716) |
| | \$ (2,041) | \$ 5,750 | \$ (7,791) |

The Company's finance income for the three months ended September 30, 2017 was \$2,041. The Company's finance expense for the three months ended September 30, 2016 was \$5,750. Factors contributing to the income include the repayment of the CCMB loan during FY 2017, the appreciation of the Canadian dollar against the United States dollar at September 30, 2017, leading to unrealized foreign exchange gains on the Company's United States denominated payables, as well as interest earned on short-term deposits in the current period.

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DISCUSSION OF OPERATIONS

3DS intends to commercialize a portfolio of Tests based on the TeloView™ technology in key global markets. The Company has initiated discussions with third party distributors in a number of regions in anticipation of the commercialization of its Tests. Based on current discussions, these arrangements may, in some cases, result in revenue or profit sharing between the Company and its distribution partner. The scope of involvement from the Company in the operational or commercial portions of these arrangements may vary.

During FY 2017 and following the Qualifying Transaction in September 2016, the Company made necessary changes to its management team. A new CEO, Jason Flowerday, was recruited to lead the Company's commercialization efforts and capital markets strategies. Mr. Flowerday joined the Company as CEO in September 2016, following the Company's listing on the TSXV, to replace the former CEO, Ferenc Somogyvari. Mr. Somogyvari remained on the Board of Directors until May 2017 when he resigned as a director and joined the Company's clinical and Scientific advisory board ("**CSAB**").

On October 19, 2016, 3DS announced its participation in the PRECISE trial. This trial marked the Company's first step toward the validation and approval of clinical risk assessment tests for prostate cancer. The trial work started in the first quarter of 2017, and is estimated to cost approximately \$1.4 million.

On October 27, 2016, 3DS announced the following appointments to its business advisory board ("**BAB**"): Jonathan Goodman, Director & CEO, Knight Therapeutics Inc.; Dr. Heiner Dreismann, past President & CEO, Roche Molecular Diagnostics; and John Lindsay, Founder, SciPartners. On December 5, 2016, the Company announced the addition of Nigel Terrett to the BAB. Mr. Terrett has commercial lab experience, including having served in executive roles with several commercial labs and electronic health record companies such as Excelleris Technologies, Lifelabs Inc. and MDS Diagnostics Inc. On February 15, 2017, the Company announced the appointment of Harry Glorikian to the BAB. Mr. Glorikian provides extensive experience in the biomedical and life sciences industry having worked with both private and publicly listed companies. Mr. Glorikian currently serves on the advisory board of Nucleis and Evidation Health, and is a co-founder and an advisory board member of DrawBridge Health.

On November 14, 2016, the Company introduced its CSAB consisting of Sabine Mai, PhD.; Kenneth C. Anderson, M.D.; Laurence Klotz, M.D.; Hans Knecht, M.D.; Darrel Drachenberg, M.D.; Rami Kotb, M.D.; and Thomas Cremer, M.D. Dr. Ian Smith joined the CSAB in December 2016 and Ferenc Somogyvari joined the CSAB in May 2017. The CSAB serves as a resource to the Board of Directors and the CEO and helps guide the planned clinical development of 3DS' TeloView™ platform from research to validation and regulatory approval. During FY 2017, the CSAB's current focus is Hodgkin's lymphoma, prostate cancer, multiple myeloma, lung cancer and Alzheimer's disease.

On December 7, 2016, the Company presented the preliminary results of an important collaborative initiative between the Company and *Institut Universitaire de Cardiologie et de Pneumologie De Quebec* ("**IUCPQ**") exploring the possibility of identifying a biological marker to distinguish between two deadly forms of lung cancer, multiple synchronous lung adenocarcinoma ("**AC**") and metastatic lung AC. In every blinded patient sample the Company analyzed, 3DS' technology was able to distinguish between the two respective types of lung cancer. The acquisition of three dimensional telomere images and analysis was performed in the Company's reference lab using 3DS' TeloView™ technology. A poster was presented at the International Association for the Study of Lung Cancer 17th World Conference on Lung Cancer which took place in Vienna, Austria from December 4 to December 7, 2016.

On December 9, 2016, the Company announced that Helen Stevenson, founder and CEO of Reformatory Group Inc., was appointed to the Board of Directors replacing Dr. Ian Smith, who stepped down from the Board of Directors and joined the CSAB. Ms. Stevenson subsequently resigned from the Board of Directors on August 11, 2017. On October 7th, 2017, the Company announced that Bruce Colwill had

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resigned from the Company's Board. On October 19, 2017, the Company announced that it had added Keith Cassidy to the Board and to the Company's audit committee. The Company also announced the appointment of Jason Flowerday to the Company's audit committee and Gordon McCauley's appointment as the new chair of the audit committee.

On January 6, 2017, 3DS announced that it had hired Joost van der Mark as CBO. Mr. van der Mark brings more than two decades of executive experience to 3DS, having worked with several international healthcare companies, as well as earlier stage biotechnology and healthcare firms. His experience includes positions at BioSynt Inc., where he served as Vice-President of Corporate Development, Nycomed (now Takeda), Sanofi, and Bayer. He was also a co-founder of Orphan Canada Inc., which subsequently sold its assets to Knight Therapeutics.

On February 21, 2017, Dr. Sabine Mai presented the results of a prospective blood-based prostate cancer pilot study that utilized the TeloView™ software platform at the Molecular Medicine Tri-Conference in San Francisco, California. The prospective prostate cancer patient cohort was assessed to evaluate TeloView™'s potential to blindly stratify 50 intermediate risk prostate cancer patients, with Gleason Scores of 7 and prostate specific antigen levels above 20 nanograms per milliliter of blood, and monitor their disease progression or stability. The finding of the study was that the radical prostatectomy surgery results of the patients studied correlated with the observed three-dimensional nuclear telomeric profiles from their circulating tumour cells, indicating that the TeloView™ platform could predict the stability and aggressiveness of the cancer in the study's 50 intermediate risk prostate cancer patients. A peer-reviewed paper discussing the findings of the study is currently being reviewed and edited, and management expects that this study will be published in a peer-reviewed journal.

On February 23, 2017, the Company announced that the validation program for the Telo-HL™ test had commenced. The Company followed this announcement, on March 29, 2017, by announcing that it had successfully completed internal analytical assay validation for its Telo-HL™ test pursuant to US Food and Drug Administration guidelines. Assay validation of Telo-HL™ included validating the consistency of key reagents and the reproducibility and repeatability of the locked protocol. This marked the completion of the first two stages of the five-stage validation program. On June 8, 2017, the Company announced that the clinical trial component, stage three, of the Telo-HL™ validation program, was successfully underway. This process was completed on September 30, 2017. The remaining stages of the validation program include the validation of the prognostic scoring model (stage four) and, possibly, analytical validation by a certified clinical laboratory (stage five). The Company's test for Hodgkin's lymphoma is its most advanced clinical test, and aims to stratify patients at the point of diagnosis into non-relapsing and relapsing patients so that relapsing patients may be considered for alternative treatments to standard chemotherapy at the beginning of their treatment process. The Company believes that Telo-HL™ could provide several advantages to patients and healthcare system payers, including by potentially indicating new treatment options, enabling shortened treatment cycles, reducing complications from ineffective treatments and allowing for treatment cost savings.

The Company released clinical study results on March 21, 2017 which demonstrated that, based on a swab from the inside of a study participant's cheek, the TeloView™ platform was able to distinguish between those study participants that had Alzheimer's disease and those that did not, and between mild, moderate and severe forms of Alzheimer's disease in study participants. The confirmatory study that produced the results involved a cohort of forty-four age and gender matched healthy, non-caregiver controls, and forty-four Alzheimer's disease study patients. As part of the study, three-dimensional telomeric profiles of the buccal cells of Alzheimer's disease patients and their non-Alzheimer's disease carrying controls were examined, with participant information blinded to the analysis. The study indicates that the TeloView™ platform is a candidate as a non-invasive Alzheimer's disease biomarker and monitoring tool. The results of this study were reported in the peer-reviewed Journal of Alzheimer's Disease under the following citation: Garcia A, Mathur S, Carmela Kalaw Maria, McAvoy Elizabeth, Anderson James, Luedke Angela, Itorralba Justine and Mai Sabine (2017) Quantitative 3D Telomeric

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Imaging of Buccal Cells Reveals Alzheimer's Disease-Specific Signatures. *Journal of Alzheimer's Disease* 58, 139-145.

On April 11, 2017, the Company announced the hiring of Dr. Kevin Little as CSO. Dr. Little joined the Company after several years providing strategic advisory services to help facilitate new life sciences collaborations for public and private sector clients, including Thomson Reuters, Illumina, Janssen, McGill University, and the Global Alliance for Genomics and Health. Dr. Little previously led the PERFORM Centre, a \$36 million health research and community services complex, as the founding Chief Administrative Officer. Prior to that, Dr. Little led the New Zealand government's strategic investment relationships across the biotechnology industry sector. He holds a bachelor of science degree in biology from the University of Victoria, earned his PhD in Experimental Medicine from McGill University, and completed a postdoctoral fellowship in translational neuroscience and clinical gene therapy at the University of Auckland.

On April 18 2017, the Company announced that it was relocating its corporate offices to MaRS in Toronto. Following a screening process, 3DS was selected by MaRS Venture Services to move to the MaRS Discovery District.

On April 27, 2017, the Company announced that it had received the first batch of blood samples for the PRECISE prostate cancer clinical trial ("**PRECISE**"). The Company's participation in PRECISE is expected to assist the Company's validation of its prostate cancer test ("Telo-PCTM"). The Company's Telo-PC test is a blood-based diagnostic test, which is based on the TeloViewTM platform. Recent clinical results presented at the Molecular Medicine Tri-Conference in San Francisco, California have indicated that the Telo-PC test is a candidate to provide an accurate and minimally invasive risk assessment and monitoring platform for prostate cancer. The Company expects that these clinical results will be detailed in peer-reviewed papers and be published in a peer-reviewed journal.

The Company was successful in securing funding through a private placement of 6,000,000 units at \$0.75 per unit for gross proceeds of \$4,500,000. This brokered private placement closed in three tranches between December 2016 and January 2017 (the "**2016 Private Placement**") and afforded the Company the necessary capital to advance its research and development programs as well as the required working capital for its general and administrative expenses.

On July 19, 2017, the Company announced that it has entered into an agreement with a syndicate of agents, to sell by way of a short form prospectus (the "**July 2017 Prospectus**"), on a best efforts agency basis, up to 12,500,000 Common Shares at a price of \$0.40 per Common Share, for aggregate gross proceeds of up to \$5,000,000 (the "2017 Offering"). In addition, the Company granted the agents an option to purchase up to an additional 1,875,000 Common Shares at \$0.40 per Common Share to cover over-allotments, if any. The Company agreed to pay a cash commission to the agents, equal to 8.0% of the gross proceeds of the 2017 Offering, except in respect of any subscriptions by eligible purchasers on a list provided by the Company (the "President's List") and accepted by the agents, for which a commission equal to 2.0% of the gross proceeds from the 2017 Offering raised from such purchasers. The Company has also agreed to reimburse the agents for reasonable expenses incurred, including reasonable legal fees to a maximum of \$50,000 plus disbursements and taxes. Additionally, the Company agreed to pay to the agents a corporate finance fee of \$40,000 plus tax, as well as issue to the agents broker warrants, exercisable at the price of the securities issued in the 2017 Offering as is equal to 8.0% of the aggregate number of Common Shares issued in the 2017 Offering not on the President's List and 2.0% of the aggregate number of Common Shares issued in the 2017 Offering to purchasers on the President's List. Each broker warrant shall be exercisable into one common share at any time prior to the date that is 24 months after the closing date.

On October 4, 2017, the Company announced that it closed a non-brokered private placement (the "Private Placement") of 2,000,000 common shares (the "Shares") at a price of C \$0.25 per Share for gross proceeds of C \$500,000 with ScreenCell SA ("ScreenCell"). ScreenCell is a strategic partner and



Management's Discussion and Analysis

supplier to 3DS and has been a research and development collaborator for many years. ScreenCell currently supplies the Company with a screening system for the capture and isolation of circulating tumor cells ("CTCs") from blood. The proceeds of the Private Placement will be used for clinical operations, namely the Company's Hodgkin's lymphoma clinical trial, including clinical wages and laboratory expenses, and general working capital.

On October 25, 2017, the Company announced that it had appointed a syndicate of agents led by Haywood Securities Inc. ("**Haywood**"), and including Industrial Alliance Securities Inc. (collectively with Haywood, the "**Agents**"), to sell, by way of a private placement (the "**October 2017 Private Placement**") on a best efforts basis, units (the "**Units**") of the Company at a price of \$0.25 per Unit (the "**Issue Price**") for gross proceeds of up to \$2,500,000 (the "**Offering**"). The closing of the Offering is subject to the Company raising a minimum offering amount of \$1,750,000. Each Unit issued pursuant to the Offering will consist of one common share in the capital of the Company (a "**Common Share**") and one half of one Common Share purchase warrant (each whole warrant, a "**Warrant**"). Each Warrant entitles the holder thereof to purchase one additional Common Share at a price of \$0.40 for a period of 24 months from the closing date of the Offering. The Agents have been granted the option (the "**Agents' Option**") to sell up to an additional 2,000,000 Units at the Issue Price, exercisable in whole or in part at any time up to 48 hours prior to the closing of the Offering. On the same date, the Company announced the concurrent termination of the July 2017 Prospectus previously announced on July 19, 2017.

On November 27, 2017, the Company announced its intention to raise \$1.5 million CAD by way of a non-brokered private placement of 7,500,000 units (the "**Units**") at a price of \$0.20 per Unit (the "**November 2017 Private Placement**"). Each Unit will consist of one common share of the Company and one common share purchase warrant exercisable at \$0.35 for 5 years from the date of the closing of the Private Placement. The Company has agreed (i) to pay a cash finder's fee of 6% of the aggregate proceeds raised from subscriptions arranged by certain finders and (ii) to issue broker warrants equal to 6% of the aggregate Units subscribed for pursuant to the subscriptions arranged by such finders. Each broker warrant shall be exercisable for one common share at a price of \$0.35 for a period of 24 months following the closing date of the Private Placement. On the same date, the Company announced the concurrent termination of the October 2017 Private Placement announced on October 25, 2017.

On November 28, 2017, the shareholders of the Company elected John Swift, Jason Flowerday, Dr. Sabine Mai, Gordon McCauley, Keith Cassidy and Ian Fodie to the Company's Board of Directors. The newly elected director, Ian Fodie, was concurrently appointed as chair of the Company's Audit Committee. Mr. Fodie currently services as Principal of IF Only Strategies Ltd and acting Chief Financial Officer of Vividata. In addition, Mr. Fodie has held several executive management and board positions, many of whom are traded on the TSX or TSX Venture Exchange. In addition to Ian Fodie, chair of the Audit Committee, Gordon MacCauley and Keith Cassidy were appointed as remaining members of the Company's Audit Committee. On the same date, the Company appointed Gordon MacCauley to its Governance & Nominating committee as chair with Jason Flowerday and Keith Cassidy serving as the other members of the committee.

The Company expects that additional capital will be necessary to continue the development and commercialization of its Tests and to fund its ongoing general and administrative costs. Management is taking action to limit costs and avoid unnecessary expenses where possible; however, a guarantee of ongoing funding from new or current investors is never a certainty.

Management's Discussion and Analysis

Development Programs and Timelines

The Company has developed plans for pursuing tests in multiple disease areas in a modular fashion, such that each disease program and technology improvement phase may be activated as a stand-alone activity, phased in sequentially, or undertaken concurrently, pending financial resources. Listed here are the priority programs.

Hodgkin's Lymphoma (Telo-HL™)

The Company is in the process of applying its technology to attempt to identify whether standard chemotherapy is likely to benefit an individual or whether an alternative care plan should be considered from the outset of treatment.

Background:

Hodgkin's lymphoma ("HL") is a cancer affecting all ethnicities and ages. According to the Statistics and Epidemiology and End Results Program of the National Cancer Institute of the USA there are two peaks of incidence for HL: people in their late 20's, and again in those over 55 years of age. HL is a highly curable cancer with a five-year survival rate of over 85%. Over 95% of all HL cases fall into four categories, collectively referred to as "classical HL". These cases of HL are diagnosed by the presence of precursor Hodgkin and especially abnormal Reed-Sternberg cells in the lymphatic system (the network of vessels that help drain waste products from infection and cell metabolism in the body). The World Health Organization estimates there are 66,000 new cases of HL globally per year (1,000 in Canada, 8,300 in the United States, and 12,000 in the European Union), with over 200,000 people in the United States currently living with HL. HL affects men (56% of new cases) slightly more frequently than women (44%). The five and ten-year survival rates are 86% and 80%, respectively, with a range between 93% and 77% survival depending on the stage of disease at the time of diagnosis. While global figures are unavailable, with an estimated incidence rate of HL at 2.8 per 100,000 per year (in industrialized countries), there may be as many as 200,000 new cases of HL globally per year. As the developing world gains access to better diagnostics and care, ways to identify affordable treatment options become increasingly important.

Though several options are available for HL patients, care plans are generally established based on disease grading and staging, without further means of personalizing treatment. Most new HL patients are first treated with a cocktail of ABVD (doxorubicin/Adriamycin, bleomycin, vinblastine, dacarbazine) chemotherapy, administered every 2-4 weeks for 2-8 cycles and monitored by PET-CT scanning, at an average total cost of approximately USD\$25,000 per patient according to the American Cancer Society. Unfortunately, 10-20% of patients fail to respond sufficiently within the first year of ABVD chemotherapy. For most patients with relapsed or refractory HL ("RRHL"), the secondary line of therapy is generally high-dose salvage chemotherapy (with drugs other than ABVD), along with autologous stem cell transplantation ("ASCT"). Radiation treatment may also be added in some cases (for combined modality therapy). According to a study published by Shah et al in the Journal of Biology of Bone Marrow Transplantation in 2015, the average cost of ASCT in North America can range from approximately USD\$175,000 - USD\$300,000, including the cost of hospitalization and post-surgical care. If the patient fails to respond to this treatment, more recent options for further treatment have become available, including the antibody-drug conjugate brentuximab vedotin (BV). Costs of treatment with BV most often include accompanying ASCT, at costs that can range from approximately USD\$300,000 - USD\$420,000. Another class of new therapies are the PD-1 inhibitors nivolumab and pembrolizumab, at costs ranging from approximately USD\$100,000 – USD\$150,000 per patient, per year (as assessed by Saltz and Bach, writing in the Journal of American Drug Benefits in 2015). The mean cost of treating a first-line responding patient in the U.S. (over 60 months) is approximately USD\$89,000, whereas the mean cost for treating RRHL is currently over approximately USD\$400,000, a cost that may, in the future, rise as new, more expensive therapies are introduced to clinicians.

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The Company believes that the introduction of Telo-HL™ to the treatment regimen may allow doctors to identify likely responders and non-responders to the first line therapy, at the same time as they are diagnosed. If doctors were able to make such identification at this state, this may give clinicians, patients, and payors clinically actionable information to guide their treatment and reimbursement decisions. Identifying patients who are unlikely to respond to standard therapy may provide clinicians with greater confidence to (i) avoid unnecessary toxicity and complications while their disease continues to worsen, and (ii) to direct their patients towards alternate treatments or enrollment in appropriate trials. Identifying patients who are likely to respond to less-expensive existing treatments may also give clinicians and patients confidence they are doing all that they can, and may provide assistance to health systems and payors they are allocating their resources accordingly.

Program Status:

The Company's lead program, Telo-HL™, entered the later stages of development in late FY 2017 with an expected timeline to commercial launch as an LDT in the U.S. in Q3 of the 2018 fiscal year. 3DS commenced a clinical trial in April 2017, the third of five steps for the validation and commercialization of Telo-HL™. The trial seeks specifically to establish the final TeloView™ Score that is proposed for use to predict, at point of diagnosis, whether patients will respond to standard ABVD chemotherapy or not, thus becoming candidates for a targeted second-line therapy.

Before initiating the Telo-HL™ clinical trial (step three), the Company had completed assay development (step one) and assay validation (step two). In parallel with the step three trial, 3DS is processing further patient cases for the performance validation (step four) of the TeloView™ Score. The final stage (step 5) of the program will consist of an analytical validation study to compare the reproducibility of sample processing by a College of American Pathologists ("CAP") accredited and Clinical Laboratory Improvement Amendments ("CLIA") certified clinical laboratory partner, after which 3DS expects to offer the test commercially as an LDT.

The Telo-HL™ trial has included the analysis of over 400 retrospective HL cases (diagnostic lymph node biopsy and follow-up clinical outcomes) to generate a quality-controlled data set of patients. The process included performing the wet lab (co-immuno-telomeres FISH assay), three-dimensional multi-channel microscopy and selection (and independent secondary operator confirmation) of no less than 30 Hodgkin and 30 Reed-Sternberg cells per patient, followed by TeloView™ software analysis. The clinical trial was multicenter with HL tissue sourced from three national and international university hospitals. The TeloView™ data and its accompanying clinical records are being analyzed by a commercial statistical provider, BioStat Solutions Inc., with the intention of identifying the thresholds and correlations for each parameter that will form the final Telo-HL™ TeloView™ Score. On October 10, 2017, the Company announced that it had completed generating the data for this third stage of the Telo-HL™ program.

A detailed work-back plan with contingencies has been established for completing the required validation work prior to commercializing the Telo-HL™ as an LDT. The Company is currently developing its plan to commercially launch the Telo-HL™ test as an LDT in the United States and anticipates having a commercially available product by the end of calendar Q1 2018. As noted earlier, 3DS is in discussions with third party distributors in the USA and other regions, and the Company anticipates that some of these discussions may materialize into completed arrangements.

Management's Discussion and Analysis

Prostate Cancer (Telo-PC™)

The Company is in the process of applying its TeloView™ platform to the assessment of telomere organization in prostate cancer. According to the American Cancer Society, roughly 1 in 7 men in the developed world will be diagnosed with prostate cancer (“PCa”) in their lifetime.

Background:

The prostate is a gland located beneath the bladder, containing 30 – 50 small sacs responsible for producing a fluid that forms part of the semen. The Statistics and Epidemiology and End Results Program of the National Cancer Institute of the USA confirms that PCa is a highly-treatable disease, with over 95% five-year survival rate. According to the World Health Organization (WHO), nearly 1.1 million new cases of PCa are diagnosed annually around the world (including 161,000 in the United States, 21,000 in Canada, and 390,000 in the European Union). Access to prostate-specific antigen (PSA) testing in blood, for both early detection and monitoring, has produced a large increase in PCa incidence rates in the developed world. According to a study published by Drazer et al in the Journal of Clinical Oncology in 2015, there are nearly 35 million PSA tests performed annually in the U.S., 30% of which are repeat tests. When a man presents with a high PSA level, he is directed to either undergo an MRI scan to confirm the results of the PSA test, or a transrectal ultrasonography (“TRUS”) guided biopsy. During the biopsy procedure, 6-12 cores are collected from the prostate gland in an attempt to capture a representative sampling of the entire organ’s status, which are then examined by a pathologist for potential diagnosis of PCa. A Gleason score, ranging from 2 to 10, is assigned to indicate the tissue’s pathology and how likely it is that a tumor will spread. The lower the Gleason score, the less likely a tumor will spread. Men scoring high enough to be suspected of clinically significant prostate cancer may then be directed to have ablation therapy, or to have their prostate partially or completely removed surgically. Post-surgical tissue can be assessed by a pathologist more accurately to determine the true grade of the cancer.

According to the National Centre for Health Statistics in the USA, approximately 138,000 prostatectomy surgeries are performed in the U.S. annually. Based on a study conducted by Stark et al and published in the Journal of Clinical Oncology in 2014, approximately 56% of men diagnosed with prostate cancer are assessed pre-surgery as Gleason 7, and 29% as Gleason 6. Gleason 6 and 7 are considered medium grade PCa. High grade PCa (Gleason scores 8-10) accounts for approximately 15% of all prostate cancer patients. The success rate of curing cancer by removing the prostate is measured by 5-year PSA relapse-free survival rates. According to the Statistics and Epidemiology and End Results Program of the National Cancer Institute of the USA the 5-year PSA relapse-free survival rates range from 55%–71% and 10-year prostate cancer-specific survival rates range from 72%–92%. Quality of life is a major factor deterring the use of prostatectomy. The American Cancer Society reports that 25% of men experience frequent urine leakage or no bladder control at six months after prostatectomy; however, this number drops to less than 10% by three years. Furthermore, nearly all men suffer some degree of erectile dysfunction following the surgery, for at least 6 months. Men younger than 60 years have higher likelihood of regaining their erectile function within 3 years.

Commenting in a 2014 Medscape article, Gerald Chodak, MD has observed the cost for prostate surgery ranges widely in North America, anywhere from \$10,000 up to \$135,000. Physician fees also vary, from \$4,000 up to \$19,000 (averaging around \$8,000). In the U.S., 20 – 25% of men assessed as having intermediate risk PCa (Gleason 7) on biopsy are found to have less significant cancer when the pathology examination is completed on the entire post-surgical prostate.

Current biomarkers for PCa offer inconsistent information for an individual patient. A study conducted in 2017 by Wei L et al and published in the European Journal of Urology compared the results of the Oncotype Score (Genomic Health), Prolaris (Myriad) and Decipher Score (Genome Dx) performed on four patients, and highlighted the variability between the results of these three prognostic tests. This represents an important opportunity for better testing which could avoid the complications, cost, and

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quality of life impacts of unnecessary surgeries. The Company believes that TeloView™ analysis could assist in fulfilling this need for better testing if performed at various time points in the course of the disease in order to predict progression to more aggressive PCa, better inform the potential need for surgery, and monitor disease progression over time.

Program Status:

3DS is applying TeloView™ in two applications to PCa that seek to predict the most effective treatment plan for an individual patient, through its participation in the PRECISE trial. PRECISE is the first randomized, multicenter study focused on biopsy naive patients (approximately 450 men) with a clinical suspicion of prostate cancer. Following men for up to 24 months, this prospective study is principally designed to compare cancer detection rates and monitoring efficacy between TRUS-guided biopsy and MRI-targeted biopsy. PRECISE will incorporate the Company's blood-based tests into the original biopsy focused investigation as a correlative biomarker, as well as grant access to biopsy tissue for additional 3DS analyses. The Company's participation seeks to establish a baseline of genomic instability for prostate cancer patients, provide follow-up monitoring information, and generate essential data for developing several blood-based clinical tests for the personalized assessment and treatment of prostate cancer patients. The Company seeks to facilitate personalized treatment decisions for each individual prostate cancer patient that can meet one or more of the following clinical needs:

- identify the right patients for the right treatment;
- accurately monitor patients during treatment;
- reduce the number of patients undergoing unnecessary prostate biopsies;
- reduce the number of biopsies over time (for each patient);
- reduce biopsy-related adverse events including infection and pain;
- reduce the over-diagnosis and over treatment of clinically insignificant prostate cancer; and
- reduce the economic burden of diagnosing and treating prostate cancer.

The estimated total cost for the Company to participate in the entire PRECISE trial is \$1.4 million. Approximately \$100,000 has been spent to date on the PRECISE program. The Company is currently prioritizing its cash on hand toward the development of Telo-HL™ and, as a result, the development of Telo-PC™ is being delayed until the Company has funding to complete its development, at which time the development of Telo-PC™ will be resumed.

3DS has executed a Clinical Trial Collaboration Agreement with the Canadian Urology Research Consortium ("CURC") at Sunnybrook Health Sciences Centre in Toronto. The purpose of the collaboration is to evaluate the clinical utility of the three-dimensional telomere technology testing as a correlative biomarker for the prognosis and risk assessment of prostate cancer patients at different stages of the disease. In this collaboration, CURC will provide 3DS with patient samples, including peripheral blood and/or biopsy tissue sections from all patients recruited in the PRECISE trial. 3DS has agreed to compensate CURC for the cost of collecting and shipping the samples to 3DS. The estimated cost of the samples is \$330,000. 3DS has agreed to support the PRECISE trial by providing a sponsorship fee of \$100,000 to CURC, of which the first installment of \$50,000 was paid to CURC at the end of 2016. The second installment is expected to be paid during fiscal 2018.

At this point, the Company is assessing different development and commercialization alternatives that may include collaborations on any remaining clinical trials with one or more existing diagnostics companies that have interest and/or significant experience in PCa biomarkers. Discussions with these third-party organizations are currently ongoing. Until its assessment and final strategy are defined, the Company is unable to provide an accurate forecast of the costs for the remaining Telo-PC™ trials or the sources of funding to complete these studies.

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Multiple Myeloma (Telo-MM™)

Depending on the availability of laboratory resources and funds, the Company may perform exploratory studies involving the TeloView™ platform's application to multiple myeloma, a disease for which preliminary investigations and strong clinical support of TeloView™ already exists.

Background:

Multiple myeloma ("MM") is a cancer characterized by the accumulation in bone marrow of abnormal plasma cells which secrete excessive amounts of immunoglobulins and interfere with normal organ function. According to the American Cancer Society and the International Agency for Research on Cancer, MM accounts for 13% of all hematological cancers, with over 33,000 new cases diagnosed annually in North America and over 33,000 in the EU, and is responsible for nearly 2% of all cancer deaths. Patients diagnosed with asymptomatic Smoldering multiple myeloma (SMM), which does not require immediate treatment, can progress to active MM at a rate of approximately 10% per year for the first five years post-diagnosis. In the case of newly diagnosed MM patients, while a variety of new therapeutic options are now available, nearly 20% of patients will relapse within 1 year regardless of the chosen therapy. To the Company's knowledge, no biomarker currently exists to identify or stratify subsets of high-risk patients at the point of diagnosis, when alternative therapeutic regimens might be deployed

Program Status:

The Company has designed, in collaboration with key clinical partners, two potential pilot studies which can be activated if and when the financial resources are available. These studies aim to establish the early clinical utility potential of the TeloView™ applications to MM, in order to justify or exclude more expansive trials that would bring a Telo-MM™ test (or tests) into the Company's commercial development plan. These two independent pilots can be run separately or together (concurrently or sequentially), on archived samples from previously diagnosed patients with SMM or MM. The aim of these studies will be to determine whether the TeloView™ assay can differentiate subgroups of patients who: i) will progress from SMM to MM sooner, and are candidates for earlier treatment intervention; and ii) will relapse early after initial first-line therapy, and are candidates for alternative forms of therapy or direction into appropriate clinical trials.

By conducting retrospective studies, 3DS has the same opportunity as with Telo-HL™ development: to analyze existing patient samples (in this case, stored bone marrow aspirates) and immediately compare the TeloView™ results to the follow-up clinical data (which patient's disease progressed or did not progress, and whether the patient responded to treatment or not). If the results from either, or both, of these pilot studies indicate TeloView™ values are significantly different between the two groups in each study, the Company may then have the confidence and option to pursue larger trials in MM.

To date, the Company has not spent any funds on Telo-MM™ and the Company is unable to provide an accurate forecast of the cost of these trials or the sources of funding to complete these studies.



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Lung Cancer (Telo-LC™)

Depending on the availability of laboratory resources and funds, the Company may perform exploratory studies involving the TeloView™ platform's application to lung cancer, a disease for which preliminary investigations and clinical support of TeloView™ already exist.

Background:

Lung cancer ("LC") is the leading cause of cancer deaths in both men and women. According to the American Cancer Society and the International Agency for Research on Cancer, in the U.S. five-year survival rates for LC are below 20%, such that LC mortality each year is higher than the combined number of colon cancer, breast cancer, and prostate cancer deaths. The majority of LC cases (85%) are characterized as non-small cell, a group of mostly three types of carcinoma. Nearly 250,000 patients are diagnosed with lung cancer per year in the U.S. and Canada, 60% of whom have already progressed to aggressive (stage IV) disease by the time of diagnosis. The recent and rapidly increasing interest in immunotherapy is poised to have even more significant impact in treating LC, despite the poor correlation between response and the existing predictive biomarkers. This presents several areas of apparent unmet need for better detection, prediction, and monitoring in LC, for which TeloView™ technology may have application, based on previously conducted clinical results.

Program Status:

3DS has been involved in a prior collaboration with the IUCPQ, an internationally-recognized center in cardiopulmonary disease pathology and tissue banking, to apply TeloView™ analyses to lung cancer biopsies.

3DS and IUCPQ have planned to extend their collaborations in LC with a pilot study using TeloView™ analysis to distinguish between two tumor sites which arose as independent cancers (synchronous), or for which one is a primary and other sites are secondary (metastatic).

The Company has since designed, with IUCPQ, a potential pilot study to assess TeloView™ analysis for identifying patients that are likely or not likely to respond to two of the most common immunotherapy agents being used in treating LC patients. Opportunity exists to conduct retrospective analyses on LC patients who have already been treated with either nivolumab or pembrolizumab, with the aim of immediately correlating those TeloView™ outputs with the existing clinical follow-up data for these patients.

The Company anticipates the option of pursuing prospective studies on similar LC patients to determine if a liquid biopsy from circulating tumor cells could provide earlier detection and prognostic information using TeloView™.

If the results are positive from either or both of these pilot studies, the Company could pursue additional, larger trials with the objective of developing a full Telo-LC™ commercial platform.

To date, the Company has not spent any funds on Telo-LC™ and the Company is unable to provide an accurate forecast of the cost of these trials or the sources of funding to complete these studies.

Regulatory Process

The Company's participation in clinical trials is not impacted by a single regulatory process, but rather the Company and its collaborators must secure various ethics approvals and patient consents to access biological specimens and personal medical information. The Company is currently committed to making Telo-HL™ commercially available as a LDT through an accredited partner facility in the United States.

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Federal regulations issued by the Centers for Medicare & Medicaid Services govern the laboratory requirements for standards and certifications, including marketing LDTs. In general terms, the CLIA regulations establish quality standards for laboratory testing performed on specimens from humans, such as blood, body fluid and tissue, for the purpose of diagnosis, prevention, treatment of disease, or assessment of health. Laboratories must adhere to the standards of CLIA, and may deliver their own LDTs provided they fulfill the requirements of an authorized accreditation body such as the CAP.

The commercialization of Tests as In-vitro Diagnostic Devices (“**IVDD’s**”) would require the Company to seek regulatory approval from Health Canada, the FDA and other national oversight bodies if the Company elects to market its Tests as IVDDs. At this point in time, the Company has not decided whether it will seek IVDD status and regulatory approval from Health Canada and the FDA for any of its Tests.

Historic Use of Proceeds

2016 Private Placement

In January 2017, the Company completed a brokered private placement of 6,000,000 units at a price of \$0.75 per unit for total gross proceeds of \$4,500,000. Each unit consists of one Common Share and one Common Share purchase warrant (a “**Warrant**”). Each Warrant entitles the holder thereof to purchase one Common Share until December 16, 2018 at an exercise price of \$0.92 per Common Share. The Warrants are subject to an acceleration clause (the “**Acceleration Clause**”) that allows the Company to accelerate the expiry date of the Warrants in the event that any time after June 16, 2017, the closing price of the Common Shares on the TSX Venture Exchange for a period of 20 consecutive days exceeds \$1.35. Pursuant to the Acceleration Clause, the Company may accelerate the expiry date of the Warrants to that date that is 30 days following the date on which the Company sends notice to the holders of the Warrants of the new expiry date.

The 2016 Private Placement was brokered by a syndicate of agents that, in connection with the initial closing of the 2016 Private Placement, were paid an aggregate cash commission of \$311,257, equal to 8% of the gross proceeds raised under the first tranche of the 2016 Private Placement, and were also issued 415,009 broker warrants, equal to 8% of the units sold pursuant to the first tranche of the 2016 Private Placement. The agents were paid an aggregate cash commission of \$12,918, equal to 8% of the gross proceeds raised under the second tranche of the 2016 Private Placement, and were also issued 17,224 broker warrants, equal to 8% of the units sold pursuant to the second tranche of the 2016 Private Placement. The agents were paid an aggregate cash commission of \$35,824, equal to 8% of the gross proceeds raised under the third tranche of the 2016 Private Placement, and were also issued 47,766 broker warrants, equal to 8% of the units sold pursuant to the third tranche of the Private Placement. Each broker warrant entitles the holder thereof to purchase one common share at a price of \$0.75 until December 16, 2018.

The following table sets out a comparison of the stated use of proceeds for the 2016 Private Placement and how the Company actually used the proceeds from the 2016 Private Placement.

| Intended Use of Proceeds | Actual Use of Proceeds |
|---|--|
| To fund clinical trials and for working capital and general corporate purposes. | <p>The proceeds have been used as intended, to further the Company's clinical trials while meeting the Company's general administrative requirements.</p> <p>As at September 30, 2017, the Company had not fully-expended the funds raised in the 2016 Private</p> |

Management's Discussion and Analysis

Placement.

SUMMARY OF QUARTERLY RESULTS

3DS has not earned revenue as of November 28, 2017.

The following table sets forth selected unaudited consolidated financial information for the periods indicated. The selected consolidated financial information set out below for the three months ended September 30, 2017 has been derived from the unaudited consolidated financial statements and accompanying notes for this period, in each case prepared in accordance with IFRS. Other selected financial information provided below is derived from the Company's unaudited quarterly condensed consolidated interim financial statements and consolidated financial statements for FY 2017 and the 2016 fiscal year for each of the last eight quarters. Certain comparative figures have been reclassified to conform with the current period presentation. These historic results may not be indicative of 3DS' future performance.

| | Three months ended | | | |
|-------------------------------|--------------------|---------------|----------------|-------------------|
| | September 30, 2017 | June 30, 2017 | March 31, 2017 | December 31, 2016 |
| Revenue | \$ - | \$ - | \$ - | \$ - |
| Research and development | 369,485 | 479,102 | 234,636 | 229,016 |
| General and administration | 698,800 | 1,687,364 | 1,928,733 | 1,377,186 |
| Impairment loss | - | 604,485 | - | - |
| Listing costs | - | - | - | - |
| Finance (income) expense, net | (2,041) | (6,056) | 8,453 | 391 |
| Net loss | (1,066,244) | (2,764,895) | (2,171,822) | (1,606,593) |
| Basic loss per share | (0.02) | (0.05) | (0.04) | (0.03) |
| Diluted loss per share | (0.02) | (0.05) | (0.04) | (0.03) |

| | Three Months Ended | | | |
|----------------------------|--------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2016 | June 30, 2016 | March 31, 2016 | December 31, 2015 |
| Revenue | \$ - | \$ - | \$ - | \$ - |
| Research and development | 177,407 | 129,478 | 124,376 | 109,909 |
| General and administration | 1,327,827 | 363,930 | 438,294 | 222,034 |
| Impairment loss | - | - | - | - |
| Listing costs | 1,859,107 | - | - | - |
| Finance expense, net | 5,750 | 17,469 | 7,779 | 5,878 |
| Net loss | (3,370,091) | (510,877) | (570,449) | (337,821) |
| Basic loss per share | (0.11) | (0.02) ^(*) | (0.02) ^(*) | (0.01) ^(*) |
| Diluted loss per share | (0.11) | (0.02) ^(*) | (0.02) ^(*) | (0.01) ^(*) |

^(*) Basic and diluted earnings per share restated for the exchange ratio of 4.0376 as a result of the Company's Qualifying Transaction completed September 8, 2016.

Management's Discussion and Analysis

Variations in the Company's net losses and expenses for the periods above resulted primarily from the following factors:

- Revenue. The Company has not earned revenue to date as it is in the pre-revenue research and development stage.
- Research and development expenses have been trending upwards since three months ended September 2015 as the Company set up laboratory operations, recruited technicians and clinical managers and increased its activity level.
- General and administration expenses increased over the period from June 30, 2015 to June 30, 2017 as the Company engaged more staff and disbursed funds for administrative operations. A significant increase in costs occurred in the first quarter of FY 2017 as the Company began to list its shares on three stock exchanges and had more reporting obligations as a result of becoming a reporting issuer in Canada.
- Listing costs in the first quarter of FY 2017 were directly associated with the Qualifying Transaction and the associated private placement.

LIQUIDITY AND CAPITAL RESOURCES

The Company's Tests are at an early stage of development, and, accordingly, the Company does not generate cash from operations and finances its operations by raising capital through equity issuances and other means.

Sources and Uses of Cash

As at September 30, 2017, the Company had cash resources of \$366,665 compared to \$1,200,395 as at June 30, 2017 and \$1,839,572 at September 30, 2016. As at September 30, 2017 the Company had working capital of \$403,807 compared to working capital of \$1,329,408 as at June 30, 2017 and \$2,412,947 at September 30, 2016. This decrease in cash and cash equivalents is a result of the Company being at a pre-revenue stage and incurring expenditures related to its operations and small capital purchases without obtaining cash inflows from financing activities.

| For the three months ended September 30 | 2017 | 2016 |
|---|-----------|-------------|
| Cash (used in) operating activities | (828,011) | (3,152,955) |
| Cash provided by financing activities | - | 4,976,793 |
| Cash (used in) investing activities | (5,719) | (22,929) |
| Net increase in cash and cash equivalents | (833,730) | 1,839,572 |

Cash used in operating activities for three months ended September 30, 2017 was \$828,011 compared to \$3,152,955 for the three months ended September 30, 2016, a decrease of \$2,324,944. The decrease from the prior year comparable period is primarily the result of the net loss incurred by the Company of \$1,066,244 compared to \$3,370,091 in the prior year, as well as prepayments made on several consulting contracts under which the Company had not yet received performance as at September 30, 2016.

Management's Discussion and Analysis

Cash used in investing activities for the three months ended September 30, 2017 was \$5,719 compared to \$22,929 for the three months ended September 30, 2016, a decrease of \$17,210 from the prior year comparable period. This is the result of purchases of property and equipment of \$8,944 offset by government assistance received of \$3,225. Cash used in investing activities for the three months ended September 30, 2016 was the result of purchases of equipment of \$33,698 and purchases of intangible assets of \$129,185, partially offset by cash assumed by 3DS in the Qualifying Transaction.

Cash from financing activities for the three months ended September 30 2017, was nil, a decrease of \$4,976,793 from the prior year comparable period, which is the result of gross proceeds from an equity financing undertaken by the Company in connection with the Qualifying Transaction, net of cash share issuance costs of \$473,518, totaling \$5,450,213, and advances of notes payable of \$33,800 partially offset by net cash repayments of notes payable of \$33,702.

Funding Requirements

As the Company does not currently earn revenue, it is required to finance its operating expenditures and capital costs. Operational activities during the three months ended September 30, 2017 were financed by the proceeds from the 2016 Private Placement.

The Company expects to finance its ongoing development costs by issuing equity to prospective investors that have expressed an interest in becoming shareholders of the Company and is currently in discussions with such investors. The Company will consider investments through public or private financings. The Company's development programs are modular and can be scaled to accommodate the Company's financing strategy and timing.

Working Capital

The Company had working capital of \$403,807 at September 30, 2017, compared to working capital of \$1,329,408 at June 30, 2017 and \$2,412,947 at September 30, 2016. This decrease in working capital can be attributed to a net loss of \$1,066,244 incurred during the three months ended September 30, 2017, offset by a working capital adjustment of \$229,298, reflecting the value of amortization of contracts prepaid in prior periods amortized in the current period. The prepaid expenditures incurred were as a result of business advisory services fees paid to Knight Therapeutics Inc. and the pre-payment of certain business consulting contracts.

Contractual Obligations

The Company has entered into an operating lease for office space in Winnipeg (the "**Winnipeg Lease**") and a license agreement for lab and office space in Toronto (the "**Toronto Lease**"). The term of the Winnipeg Lease is five years commencing on June 20, 2016 and the term of the Toronto Lease is one year and 16 days commencing on April 15, 2017. Both agreements have the option to extend at the lessee's request; however, the Toronto Lease also requires the lessor's prior written approval before it can be extended. Included within the Winnipeg Lease is an early termination option (the "**Option to Terminate**") allowing for, upon six (6) months written notice, the ability to terminate the lease after the conclusion of the third year of the lease. The monthly expenditure for the Toronto Lease is \$5,550 plus applicable taxes and the monthly expenditure for the Winnipeg Lease is \$1,050 plus applicable taxes for years 1-3 and \$1,093.75 in years 4-5 plus applicable taxes, should the Company not utilize its Option to Terminate.

Liquidity Risk

The Company manages liquidity risk through maintaining sufficient cash to finance its operations and seeking financing from existing shareholders and outside investors as required. The Company may have

Management's Discussion and Analysis

a working capital deficiency in the next twelve months if it is unable to raise enough cash to finance its planned business operations. If the Company does have a working capital deficiency, it may not be able to pay continuing obligations as they become due such as the lease payments in "Contractual Obligations" above. The Company intends to satisfy its continuing operating expenditures through existing cash on hand and under future equity offerings. Using the proceeds from future equity offerings, the Company will work toward the commercialization of its Telo-HL™ test as an LDT, and may undertake additional studies involving prostate cancer, multiple myeloma and lung cancer. The Company will continue to be dependent on raising capital through equity issuances and other means, including the pursuit of non-dilutive grant funding, as required until and unless it achieves the commercialization of its Tests and generates profit from its operations. If financing is not available on reasonable terms as a result of external factors, such as disruptions in the capital markets, the Company's liquidity may be affected.

OUTSTANDING SHARE CAPITAL

As of November 28, 2017, 55,408,780 Common Shares were issued and outstanding. Other outstanding securities convertible into Common Shares are summarized in the following table:

| | Number Outstanding as of November 28, 2017 | Number of Common Shares issuable upon exercise as of November 28, 2017 | Number Outstanding as of September 30, 2017 |
|---|---|---|--|
| Common shares issued and outstanding ⁽¹⁾ | 55,408,780 | 55,408,780 | 53,408,780 |
| Options ⁽²⁾⁽³⁾ | 4,915,952 | 4,915,952 | 4,994,496 |
| Warrants ⁽⁶⁾ | 6,000,000 | 6,000,000 | 6,000,000 |
| Broker Warrants ⁽⁴⁾⁽⁵⁾ | 1,044,813 | 1,044,813 | 1,044,813 |

Notes:

- (1) On October 4, 2017, the Company issued 2,000,000 Common Shares as part of non-brokered private placement.
- (2) Of the 4,994,496 Options outstanding, 4,501,108 are vested and exercisable at a weighted average price of \$0.31 per Common Share.
- (3) On October 1, 2017, 63,281 Options with an exercise price of \$0.72 per Common Share vested.
- (4) 1,245,763 broker warrants were issued in connection with the Company's September 8, 2016 brokered private placement and each entitles the holder thereof to acquire one Common Share at a price of \$0.35 per share until September 8, 2018.
- (5) 480,000 broker warrants were issued in connection with the Company's 2016 Private Placement and each entitles the holder thereof to acquire one Common Share at a price of \$0.75 per Common Share until December 16, 2018.
- (6) 6,000,000 Warrants were issued in connection with the Company's 2016 Private Placement and each entitles the holder thereof to acquire one Common Share at a price of \$0.92 per Common Share until December 16, 2018. The Warrants are subject to the Acceleration Clause such that, in the event the trading price of the Common Shares of the Company is at or above \$1.35 per Common Share for 20 consecutive trading days at any time that is six months after the closing date of the first tranche of the 2016 Private Placement, the Company will have the right to accelerate the expiry date of the Warrants to the date which is 30 days after notice is provided to the warrant holders.

Management's Discussion and Analysis

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

As at September 30, 2017, in the normal course of business, the Company has obligations to make future payments, representing contracts and other commitments that are known and committed as follows:

| | Total | Year ended June 30 | | | | Thereafter |
|--|---------|--------------------|--------|------|------|------------|
| | | 2018 | 2019 | 2020 | 2021 | |
| Accounts payable and accrued liabilities | 849,141 | 849,141 | - | - | - | - |
| Lease of office space | 67,053 | 53,823 | 13,230 | - | - | - |
| Purchase agreement commitments | 17,976 | 17,976 | - | - | - | - |
| | 934,170 | 920,940 | 13,230 | - | - | - |

RELATED PARTY TRANSACTIONS

Key management includes members of the Board of Directors, the CEO, the CFO, the VP Finance, the CBO and the CSO. In addition to their salaries, the Company also provides non-cash benefits and participation in its Stock Option Plan. The following table details the compensation awarded to key management:

| For the three months ended September 30 | 2017 | 2016 |
|---|------------|------------|
| Salaries, fees and short-term benefits | \$ 245,890 | \$ 135,189 |
| Stock-based compensation | 18,331 | 602,665 |
| | \$ 264,221 | \$ 737,854 |

INTERNAL CONTROLS OVER FINANCIAL REPORTING

As a result of the Company's limited administrative staffing levels, internal controls which rely on segregation of duties in many cases are not possible. The Company has recently hired additional accounting and finance staff through a consulting agreement to address this potential weakness. To help mitigate the impact of this, the Company is highly reliant on the performance of compensating procedures and senior management's review and approval.

As a venture issuer, the Company is not required to certify the design and evaluation of the Company's disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), and as such has not completed such an evaluation.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR, as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

Management's Discussion and Analysis

Information about key assumptions and estimation uncertainties that have a risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

- Estimates of inputs into the valuation of stock based compensation
- Measurement and period of use of intangible assets
- Estimates of future enacted corporate tax rates
- Recognition of government assistance

Management has used judgment in its assessment that Plicit Capital Corp., a capital pool company, did not constitute a business at the time of the completion of a Qualifying Transaction as described in Note 6 to the consolidated financial statements for FY 2017.

The condensed consolidated interim financial statements for the three months ended September 30, 2017, have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company is a research and development stage company and as such is primarily dependent on the funding of new investors to continue as a going concern. In the future, the Company's ability to continue as a going concern will be dependent upon its ability to attain profitable operations and generate funds therefrom, and to continue to obtain borrowings from third parties sufficient to meet current and future obligations and/or restructure the existing debt and payables. The condensed consolidated interim financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

CHANGES IN OR ADOPTION OF ACCOUNTING POLICIES

The Company's principal accounting policies are outlined in the Company's annual audited financial statements for FY 2017, and have been consistently presented in the unaudited condensed consolidated interim financial statements for the three months ended September 30, 2017. The Company is currently reviewing its accounting policies and is determining the method the Company expects to use to adopt them and the impact of these accounting policies on its business.

New Standards Issued but Not Yet Effective

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at June 30, 2017, but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

IFRS 2, Share-based payment

In June 2016, the IASB issued amendments to IFRS 2, *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments will apply on after January 1, 2018 for the Company. The Company is currently evaluating the impact of the amendments to IFRS 2 on its consolidated financial statements.

Management's Discussion and Analysis

IFRS 9 Financial instruments

The final version of IFRS 9 was issued in July 2014 as a complete standard including the requirements for classification and measurement of financial instruments, the new expected loss impairment model and the new hedge accounting model. IFRS 9 (2014) will replace International Accounting Standard (“IAS”) 39 *Financial instruments: recognition and measurement*. IFRS 9 is effective for reporting periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this standard on its financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 15, issued in May 2014, will specify how and when entities recognize, measure, and disclose revenue. The standard will supersede all current standards dealing with revenue recognition, including IAS 11 *Construction contracts*, IAS 18 *Revenue*, International Financial Reporting Interpretations Committee (“IFRIC”) 13 *Customer loyalty programmes*, IFRIC 15 *Agreements for the construction of real estate*, IFRIC 18 *Transfers of assets from customers*, and Standard Interpretations Committee (“SIC”) 31 *Revenue – barter transactions involving advertising services*.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this standard on its financial statements.

IFRS 16 Leases

On January 13, 2016, the IASB issued new IFRS 16 *Leases*. The new standard will replace IAS 17 *Leases* and is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*. The Company is currently assessing the impact of this standard on its financial statements.

IAS 12 Recognition of deferred tax assets for unrealized losses

Amendments to IAS 12 require entities to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Additional guidance is provided on estimation of future taxable profits and the circumstances in which taxable profit may reduce the recovery of some assets for more than their carrying amount. The new standard is effective for annual periods beginning on or after January 1, 2017 to be applied retrospectively. Early adoption of the standard is permitted. The Company is currently evaluating the impact of the above amendments on its financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

3DS has no material undisclosed off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on its results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources that is material to investors.

PROPOSED TRANSACTIONS

At present, there are no proposed asset or business acquisitions or dispositions.

Management's Discussion and Analysis

FINANCIAL INSTRUMENTS AND RISKS

The Company's financial instruments at September 30, 2017, June 30, 2017 and September 30, 2016 consist of the following:

| | September 30, 2017 | June 30, 2017 | September 30, 2016 |
|--|-----------------------|------------------|-----------------------|
| Financial Assets | | | |
| Cash and cash equivalents | \$ 366,665 | \$ 1,200,395 | \$ 1,839,572 |
| Amounts receivable | 359,449 | 332,551 | 130,847 |
| Financial Liabilities | | | |
| Accounts payable and accrued liabilities | (849,141) | (864,899) | (604,626) |
| Notes payable | - | - | (64,487) |

The Company classifies its financial assets as (i) financial assets at fair value through profit or loss ("FVTPL"), (ii) loans and receivables or (iii) available-for-sale, and its financial liabilities as either (i) financial liabilities at FVTPL or (ii) other financial liabilities. Appropriate classification of financial assets and liabilities is determined at the time of initial recognition or when reclassified in the statement of financial position.

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets at FVTPL include financial assets held-for-trading and financial assets designated upon initial recognition as FVTPL. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Financial assets at FVTPL are carried in the statement of financial position at fair value with changes in the fair value recognized in the statement of comprehensive income. Transaction costs on FVTPL are expensed as incurred.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held-for-trading. These embedded derivatives are measured at fair value with changes in fair value recognized in the statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

RISKS AND UNCERTAINTIES

Please see the risks outlined under the heading "*Risks and Uncertainties*" in the Company's June 30, 2017 management's discussion and analysis filed on SEDAR (www.sedar.com).

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.