

**GENIUS PROPERTIES LTD.  
(FORMERLY SYNERGY ACQUISITION CORP.)**

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Interim Financial Statements

**First quarter ended March 31, 2014**

(In Canadian dollars, unless otherwise stated)

**These condensed Interim Financial Statements have not been reviewed by the external auditors of the Corporation.**

# Genius Properties Ltd. (formerly Synergy Acquisition Corp.)

## Interim Statements of Financial Position

(Unaudited)

(in Canadian dollars)

	March 31, 2014 \$	December 31, 2013 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash (note 5)	232,815	739,471
Amounts receivable (note 6)	85,919	20,771
Prepaid expenses	7,620	19,827
	<u>326,354</u>	<u>780,069</u>
<b>Non-current assets</b>		
Investment (note 7)	121,915	29,749
Exploration and evaluation assets (note 8)	637,324	450,527
	<u>759,239</u>	<u>480,276</u>
<b>Total assets</b>	<u>1,085,593</u>	<u>1,260,345</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	104,492	106,766
	<u>104,492</u>	<u>106,766</u>
<b>Equity</b>		
Share capital (note 9)	3,278,121	3,278,121
Warrants (note 9)	206,109	206,109
Contributed surplus	3,493,325	3,493,325
Accumulated other comprehensive income	69,899	9,899
Deficit	(6,066,353)	(5,833,875)
	<u>981,101</u>	<u>1,153,579</u>
<b>Total liabilities and equity</b>	<u>1,085,593</u>	<u>1,260,345</u>
<b>Going concern</b> (note 1)		

Approved by the Board of Directors

/s/ Stéphane Leblanc Director

/s/ Guy-Paul Allard Director

The accompanying notes are an integral part of these financial statements.

# Genius Properties Ltd. (formerly Synergy Acquisition Corp.)

## Interim Statements of Comprehensive Income (Loss)

(Unaudited)

For the three months periods ended March 31, 2014 and 2013

(in Canadian dollars)

	March 31, 2014 \$	March 31, 2013 \$
<b>Expenses</b>		
General and administrative (note 12)	(90,421)	(3,353)
General exploration, net of tax credits	(23,689)	-
Impairment of exploration and evaluation assets (note 8)	(175,534)	-
Gain on warrants valuation	9,666	-
Gain on disposal of exploration and evaluation assets (note 8)	47,500	-
<b>Net loss for the period</b>	<b>(232,478)</b>	<b>(3,353)</b>
<b>Other comprehensive income</b>		
Item that will subsequently be reclassified to net loss:		
Change in fair value of available-for-sale financial assets	60,000	-
<b>Comprehensive loss for the period</b>	<b>(172,478)</b>	<b>(3,353)</b>
<b>Loss per share</b> (note 11)		
Basic	(0.01)	(0.00)
Diluted earnings	(0.01)	(0.00)

The accompanying notes are an integral part of these financial statements.

# Genius Properties Ltd. (formerly Synergy Acquisition Corp.)

## Interim Statements of Changes in Equity

(Unaudited)

For the three months period ended March 31, 2014 and 2013

(in Canadian dollars)

	Number of common shares	Share capital \$	Warrants \$	Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total \$
<b>Balance as at January 1, 2013</b>	3,256,834	2,000,443	-	3,493,325	-	(5,494,656)	(888)
Net loss and comprehensive loss for the period	-	-	-	-	-	(3,353)	(3,353)
<b>Balance as at March 31, 2013</b>	3,256,834	2,000,443	-	3,493,325	-	(5,498,009)	(4,240)
<b>Balance as at January 1, 2014</b>	20,622,945	3,278,121	206,109	3,493,325	9,899	(5,833,875)	1,153,579
Net loss for the period	-	-	-	-	-	(232,478)	(232,478)
Other comprehensive income for the period	-	-	-	-	60,000	-	60,000
<b>Comprehensive loss for the period</b>					60,000	(232,478)	(172,478)
Units and shares issued by private placements (note 9)	-	-	-	-	-	-	-
Units issued by flow-through private placements (note 9)	-	-	-	-	-	-	-
Warrants valuation (note 9)	-	-	-	-	-	-	-
Broker warrants valuation (note 9)	-	-	-	-	-	-	-
Issuance cost of shares and units	-	-	-	-	-	-	-
Shares issued for the acquisition of exploration and evaluation assets (note 9)	-	-	-	-	-	-	-
Transaction with owners	-	-	-	-	60,000	(232,478)	(172,478)
<b>Balance as at March 31, 2014</b>	20,622,945	3,278,121	206,109	3,493,325	69,899	(6,066,353)	981,101

The accompanying notes are an integral part of these financial statements.

# Genius Properties Ltd. (formerly Synergy Acquisition Corp.)

## Interim Statements of Cash Flows

(Unaudited)

For the three months period ended March 31, 2014 and 2013

(in Canadian dollars)

	2014 \$	2013 \$
<b>Operating activities</b>		
Net loss for the period	(232,478)	(3,353)
Adjustments for		
Impairment of exploration and evaluation assets	175,534	-
Gain on warrants valuation	(9,666)	-
Gain on disposal of exploration and evaluation assets	(47,500)	-
	<u>(114,110)</u>	<u>(3,353)</u>
Net changes in working capital items		
Amounts receivables	(65,147)	(170)
Prepaid expenses	12,206	-
Accounts payable and accrued liabilities	(2,274)	(12,819)
	<u>(55,215)</u>	<u>(12,989)</u>
<b>Net cash used in operating activities</b>	<u>(169,325)</u>	<u>(16,342)</u>
<b>Investing activities</b>		
Disposition of exploration and evaluation assets	25,000	-
Acquisition of exploration and evaluation assets	(362,331)	-
<b>Net cash provided by investing activities</b>	<u>(337,331)</u>	<u>-</u>
<b>Financing activities</b>		
Issuance of units and shares by private placements	-	-
Issuance of units by flow-through private placements	-	-
-Issuance cost of shares	-	-
Repayment to related party	-	-
<b>Net cash provided by financing activities</b>	<u>-</u>	<u>-</u>
<b>Net increase (decrease) in cash</b>	(506,656)	(16,342)
<b>Cash – Beginning of Period</b>	<u>739,471</u>	<u>25,766</u>
<b>Cash – End of Period</b>	<u>232,815</u>	<u>9,424</u>
<b>Additional information</b>		
Investment received in consideration of disposal of exploration and evaluation assets	22,500	-
Acquisition of exploration and evaluation assets through issuance of shares	-	-

The accompanying notes are an integral part of these financial statements.

# Genius Properties Ltd. (formerly Synergy Acquisition Corp.)

Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2014 and 2013

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(in Canadian dollars)

## 1 Incorporation, nature of activities and going concern

Genius Properties Ltd. (formerly Synergy Acquisition Corp.) (hereafter the "Corporation") was incorporated under the Business Corporation Act (Alberta) on June 24, 2003. Up to October 17, 2013, the Corporation was listed on the NEX Board of the TSX Venture Exchange and was traded under the symbol SAQ. Since October 17, 2013, the Corporation is a public company listed on the CSE Venture Exchange. Its shares were traded under the symbol "QMP" from October 17, 2013 to January 31, 2014. On January 31, 2014, the Corporation announced a name change to Genius Properties Ltd and its shares are now being traded under the new name and symbol, "GNI".

The Corporation's registered office is located at 425-800 René-Lévesque Blvd., Montréal, Québec.

The Corporation is primarily engaged in the acquisition and exploration of mineral properties and has not yet determined whether the exploration and evaluation assets have economically recoverable ore reserves. Recovery of amounts indicated under exploration and evaluation assets are subject to certain conditions including: the discovery of economically recoverable reserves, the Corporation's ability to obtain the financing required to complete exploration, evaluation, development, construction and, ultimately, the sale of such assets.

The Corporation's quarterly financial statements have been prepared using accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Corporation's ability to continue as a going concern as described in the following paragraph, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and statement of financial position classifications that would be necessary were the going concern assumption would not be appropriate. These adjustments could be material.

For the period ended March 31, 2014, the Corporation reported a comprehensive loss of \$172,478 (\$3,353 for the period ended March 31, 2013) and has an accumulated deficit of \$6,066,353 as at March 31, 2014 (\$5,833,875 as at December 31, 2013). In addition to ongoing working capital requirements, the Corporation must secure sufficient funding to meet its existing commitments for exploration and evaluation programs and pay general and administration costs. As at March 31, 2014, the Corporation had working capital of \$221,862, considering cash of \$232,815. Management estimates that these funds will not be sufficient to meet the Corporation's obligations and budgeted assets through December 31, 2014. Any additional funding may be met in the future in a number of ways including but not limited to, the issuance of new equity instruments. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Corporation or that they will be available on terms which are acceptable to the Corporation. If Management is unable to obtain new funding, the Corporation may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these annual financial statements.

# **Genius Properties Ltd. (formerly Synergy Acquisition Corp.)**

Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2014 and 2013

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(in Canadian dollars)

These quarterly financial statements were approved and authorized for issue by the board of directors on May 23, 2014.

## **2 Summary of significant accounting policies**

The Corporation prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS").

The significant accounting policies used in the preparation of these financial statements are as follows:

### **Basis of measurement**

The financial statements have been prepared under the historical cost basis, except for the investment which is presented at fair value.

### **Exploration and evaluation (E&E) assets**

E&E assets are comprised of deferred E&E expenditures and cost of acquiring mining properties. Expenditures incurred on activities that precede exploration for and evaluations of mineral resources, or all expenditures incurred prior to securing the legal rights to explore an area, are expensed immediately as general exploration expenses in the statement of comprehensive income (loss).

E&E assets includes rights in mining properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits before the feasibility and commercial viability of extracting a mineral resource are demonstrable.

Mining rights are recorded at acquisition cost or at recoverable amount being the higher of its fair value less cost to sell and its value in use, in the case of a devaluation caused by an impairment of value. Proceeds received from the sale or an option on mineral properties are applied in reduction of related carrying costs and any excess or shortfall is recorded as a gain or loss in the statements of comprehensive income (loss). In the case of partial sale, if the carrying costs exceed the proceeds, only the losses are recorded.

From time to time, the Corporation may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that options are exercisable entirely at the discretion of the option holder, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

# Genius Properties Ltd. (formerly Synergy Acquisition Corp.)

## Notes to Condensed Interim Financial Statements

(Unaudited)

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(in Canadian dollars)

E&E assets include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies. They also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. E&E assets include the cost of:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

E&E expenditures for each separate area of interest are capitalized on basis of specific mining claim blocks or areas of geological interest until the E&E assets to which they relate are placed into production, sold or abandoned.

E&E expenditures include overhead expenses directly attributable to the related activities.

Cash flows attributable to capitalized E&E assets are classified as investing activities in the statement of cash flows under the heading increase in exploration and evaluation assets and cash flows attributable to expensed E&E are classified as operating activities in the statement of cash flows.

Although the Corporation has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Corporation's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

### **Impairment of exploration and evaluation assets**

E&E assets are reviewed for impairment whenever there is an indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Impairment reviews for exploration and evaluation assets are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the asset group to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.



# Genius Properties Ltd. (formerly Synergy Acquisition Corp.)

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2014 and 2013

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(in Canadian dollars)

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the statement of comprehensive income (loss) as impairment of exploration and evaluation assets. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized.

### **Income taxes**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income (loss) or in equity, in which case it is recognized in other comprehensive income (loss) or in equity, respectively.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The temporary differences are not provided for if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date and whose implementation is expected over the period during which the deferred tax is realized or recovered.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred income tax assets and liabilities are presented as non-current and are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Changes in deferred tax assets or liabilities are recognized as deferred income tax expense in profit or loss, except where they relate to items that are recognized in other comprehensive income (loss) or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income (loss) or equity, respectively.

# **Genius Properties Ltd. (formerly Synergy Acquisition Corp.)**

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2014 and 2013

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(in Canadian dollars)

### **Flow-through placements**

The Corporation finances some E&E expenditures through the issuance of flow-through units. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The Corporation recognizes a deferred tax liability for flow-through shares and a deferred tax expense, at the moment the eligible expenditures are incurred. The difference between the quoted price of the common shares and the amount the investors pay for the shares (the “premium”) is recognized as other liability which is reversed as a deferred income tax recovery in the statement of comprehensive income (loss), when eligible expenditures have been incurred.

### **Refundable tax credits for mining E&E expenditures**

The Corporation is entitled to a refundable tax credit on qualified mining E&E expenditures incurred in the province of Quebec and on mining duties credits. The credits are accounted for against the E&E expenditures incurred.

### **Share-based compensation**

The Corporation operates equity-settled share-based payments plan for its eligible directors and consultants.

The Corporation accounts for all share-based compensation using the fair value method. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value is calculated based on the Black-Scholes valuation model. Compensation expense is recognized over the tranche’s vesting period based on the number of awards expected to vest, by increasing the contributed surplus. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately in the statement of comprehensive income (loss), with a corresponding adjustment to equity. When stock options are exercised, any consideration paid is credited to share capital.

### **Earnings per share**

Basic earnings per share are computed using the weighted average number of common shares outstanding during the periods. Provided that they are not anti-dilutive, diluted earnings per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants and any unamortized share based compensation amounts are used to repurchase common shares at the prevailing market rate.

### **Financial instruments**

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

# Genius Properties Ltd. (formerly Synergy Acquisition Corp.)

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2014 and 2013

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(in Canadian dollars)

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Corporation classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- iii) *Financial assets and liabilities at fair value through profit or loss*: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statements of comprehensive income (loss). Gains and losses arising from changes in fair value are presented in the statements of comprehensive income (loss) within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the statement of financial position date, which is classified as non-current.
- iv) *Available for sale financial assets*: Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available for sale financial assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income (loss). Available for sale financial assets are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months. Interest on available for sale financial assets, calculated using the effective interest method, is recognized in the statement of comprehensive income (loss) as part of interest income. Dividends on available for sale equity instruments are recognized in the statement of comprehensive income (loss) as part of other gains and losses when the Corporation's right to receive payment is established. When an available for sale financial assets is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of comprehensive income (loss).
- v) *Held-to-maturity investments*: Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Corporation has the intention and ability to hold them until maturity.

Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

- vi) *Loans and receivables*: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially

# Genius Properties Ltd. (formerly Synergy Acquisition Corp.)

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2014 and 2013

(in Canadian dollars)

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recognized at fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

- vii) *Financial liabilities at amortized cost*: Financial liabilities at amortized cost are initially recognized at fair value. They are subsequently measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

The Corporation's financial instruments consist of the following:

	<b>Category</b>
Cash	Loans and receivables
Other receivable	Loans and receivables
Investment (shares)	Available for sale financial assets
Investment (warrants)	Financial assets at fair value through profit or loss
Accounts payable and accrued liabilities	Financial liabilities at amortized cost

### **Impairment of financial assets**

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Corporation recognizes an impairment loss, as follows:

- i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- ii) Available for sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of comprehensive income (loss). This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net loss.
- iii) Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available for sale equity instruments are not reversed.

# **Genius Properties Ltd. (formerly Synergy Acquisition Corp.)**

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2014 and 2013

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(in Canadian dollars)

### **Share capital and warrants**

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period where the transaction occurs. If shares were issued as consideration for the acquisition of a mineral property or some other form of non-monetary assets, they are measured at their fair value according to the quoted price on the day of the conclusion of the agreement.

### **Unit placements**

The Corporation allocates the proceeds from an equity financing between common shares and share purchase warrants based on the relative fair values of each instrument. The fair value of the common shares is calculated by using the TSXV share price on the date of the issuance and is accounted for in share capital and the fair value of the share purchase warrants is determined using the Black-Scholes valuation model and is accounted for separately in the warrants account.

### **Other elements of equity**

Accumulated other comprehensive income includes unrealized gains and losses on available-for-sale financial assets net of relevant income taxes.

Contributed surplus includes charges related to share options not exercised.

Deficit includes all current and prior period retained profits or losses.

### **Segment disclosures**

The Corporation currently operates in a single segment which is the acquisition, exploration, evaluation and development of mineral properties. All of the Corporation's activities are conducted in Quebec, Canada.

## **3 Critical accounting estimates, judgments and assumptions**

Many of the amounts included in the financial statements require management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the financial statements.

Areas of significant estimates affecting the amounts recognized in the financial statements include:

a) **Impairment of non-financial assets**

Pursuant to the Corporation's significant accounting policies, after the legal right to undertake exploration and evaluation activities on a project is acquired, the cost of acquiring mining claims and exploration and evaluation expenditures are capitalized to E&E assets. After capitalization, mining properties are reviewed for impairment whenever there is an indication that the carrying amount may not be recoverable.

# Genius Properties Ltd. (formerly Synergy Acquisition Corp.)

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2014 and 2013

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(in Canadian dollars)

Determining if there are any facts or circumstances indicating impairment, loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases. Determining whether to test for impairment exploration and evaluation assets requires management's judgment regarding the following, among others:

- a) The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- b) Substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned;
- c) Exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or
- d) Sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Additional external factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends and a significant drop in ore prices.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs must be determined. Identifying the cash generating units requires considerable management judgment. In testing an individual asset or cash generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Corporation's assets and losses may occur during the next period.

- b) Impairment of available for sale financial assets

The Corporation follows the guidance of IAS39 to determine when an available for sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the Corporation evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance and operational and financing cash flow.

- c) Provision and contingent liabilities

Judgments are made as to whether a past event has led to a liability that should be recognized in the financial statements or disclosed as a contingent liability. Quantifying any such liability often involves

# **Genius Properties Ltd. (formerly Synergy Acquisition Corp.)**

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(in Canadian dollars)

judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realized. Several of these factors are source of estimation uncertainty.

Area of significant judgment includes:

a) Going concern

The assessment of the Corporation's ability to execute its strategy by funding future working capital requirements involves judgment based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## **4 New accounting standards**

### **New accounting pronouncements**

Certain pronouncements issued by the International Accounting Standards Board (IASB) became mandatory for the period beginning on January 1, 2013. The following new standards and amendments have been adopted by the Corporation in preparing these financial statements.

### **Amendments to IAS 1, Presentation of Financial Statements**

The amendments to IAS 1 became effective for annual periods beginning on or after July 1, 2012 and require entities to group items presented in other comprehensive income (OCI) into those that, in accordance with other IFRSs, will not be reclassified subsequently to profit or loss and those that will be reclassified subsequently to profit or loss when specific conditions are met. The existing option to present items of OCI either before tax or net of tax remains unchanged; however, if the items are presented before tax, then the amendments to IAS 1 require the tax related to each of the two groups of OCI to be shown separately. These amendments have been applied retroactively and only the presentation of items under other comprehensive income has been modified to reflect the amendments.

### **IFRS 13 Fair Value Measurement**

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. The scope of IFRS 13 applies for both financial and non-financial items for which other standards require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances. The application of the new standard did not have any effect on fair value measurement.

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## Accounting standards issued but not yet applied

The IASB issued the following standard which is relevant but has not yet been adopted by the Corporation: IFRS 9, Financial instruments. Certain other new standards and interpretations have been issued but are not expected to have an impact on the Corporation's financial statements. The Corporation has not yet begun the process of assessing the impact that the new standard will have on its financial statements or whether to early adopt it. The following is a brief summary of the new standard:

### IFRS 9 – Financial instruments

IFRS 9 was issued in November 2009. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models for debt instruments in IAS 39, Financial Instruments – Recognition and Measurement, with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. In November 2013, the IASB decided to defer to a date to be announced the implementation of IFRS 9.

## 5 Funds reserved for E&E expenditures

On December 10th and December 27, 2013, the Corporation closed two flow-through financings totalling \$809,000; the Corporation has until December 10, 2014 to spend \$300,000 and until December 27, 2014 to spend \$509,000 on exploration and evaluation work. As at March 31, 2014, the Corporation had \$446,450 to spend in exploration and evaluation work in order to comply with the requirements of flow-through financing (nil as at March 31, 2013).

There is no guarantee that the Corporation's exploration expenses will qualify as Canadian exploration expenses, even if the Corporation is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities could have a negative tax impact for investors.



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## 6 Amounts receivable

	March 31, 2014 \$	December 31, 2013 \$
Tax credit receivable	4,422	4,422
Sales tax receivable	80,665	15,517
Other receivables	832	832
	<u>85,919</u>	<u>20,771</u>

## 7 Investment

	March 31, 2014 \$	December 31, 2013 \$
Balance – Beginning of period	29,749	-
Acquisition	22,500	19,850
Change in fair value	69,666	9,899
	<u>121,915</u>	<u>29,749</u>

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### 8 Exploration and evaluation assets

Capitalized E&E assets are comprised of wholly owned mining rights, interests in properties and deferred E&E expenditures, detailed as follows:

#### Costs and movements of E&E assets

Quebec properties	2014					Write-off & Impairment (c) \$	Balance March 31, 2014 \$
	Balance January 1, 2014 \$	Additions (a) \$	Disposal (b) \$	Tax credits \$			
<b><i>Precious metals</i></b>							
Brosnor-North Mining rights	1,424	-	-	-	-	(407)	1,017
Exploration and evaluation	-	-	-	-	-	-	-
	<u>1,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(407)</u>	<u>1,017</u>
Monster Lake 50% Mining rights	8,238	-	-	-	-	-	8,238
Exploration and evaluation	1,078	98,284	-	-	-	-	99,362
	<u>9,316</u>	<u>98,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,600</u>
Noranda-South Mining rights	2,034	-	-	-	-	-	2,034
Exploration and evaluation	-	-	-	-	-	-	-
	<u>2,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,034</u>
Sapeena Mining rights	5,695	-	-	-	-	-	5,695
Exploration and evaluation	-	7,622	-	-	-	-	7,622
	<u>5,695</u>	<u>7,622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,317</u>
Torngat diamond Mining rights	11,390	-	-	-	-	(610)	10,780
Exploration and evaluation	-	7,066	-	-	-	-	7,066
	<u>11,390</u>	<u>7,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(610)</u>	<u>17,846</u>
Vendôme-Sud 50% Mining rights	-	-	-	-	-	-	-
Exploration and Evaluation	-	38,000	-	-	-	-	38,000
	<u>-</u>	<u>38,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,000</u>

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<b>Quebec properties</b>	<b>Balance January 1, 2014</b>	<b>Additions (a)</b>	<b>Disposal (b)</b>	<b>Tax credits</b>	<b>Write-off &amp; Impairment (c)</b>	<b>Balance March 31, 2014</b>
	\$	\$	\$	\$	\$	\$
<b><i>Base metals</i></b>						
Dalquier Mining rights Exploration and evaluation	27,933	-	-	-	(5,288)	22,645
	-	70,691	-	-	-	70,691
	27,933	70,691	-	-	(5,288)	93,336
Matagami Mining rights Exploration and evaluation	234,724	-	-	-	(100,683)	134,041
	-	-	-	-	-	-
	234,724	-	-	-	(100,683)	134,041
Ruby Lake Mining rights Exploration and evaluation	8,136	-	-	-	(6,916)	1,220
	-	5,081	-	-	-	5,081
	8,136	5,081	-	-	(5,288)	6,301
Massicote Est 40% Mining rights Exploration & evaluation	-	-	-	-	-	-
	-	82,130	-	-	-	82,130
	-	82,130	-	-	-	82,130
<b><i>Industrial metals</i></b>						
Josephis Lake Mining rights Exploration and evaluation	3,458	-	-	-	-	3,458
	-	-	-	-	-	-
	3,458	-	-	-	-	3,458
12L project Mining rights Exploration and evaluation	203	-	-	-	-	203
	-	-	-	-	-	-
	203	-	-	-	-	203

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<b>Quebec properties</b>	<b>Balance January 1, 2014</b>	<b>Additions (a)</b>	<b>Disposal (b)</b>	<b>Tax credits</b>	<b>Write-off &amp; Impairment (c)</b>	<b>Balance March 31, 2014</b>
	\$	\$	\$	\$	\$	\$
Port-Daniel Mining rights Exploration and evaluation	7,119	-	-	-	-	7,119
	-	-	-	-	-	-
	<u>7,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,119</u>
Wapoos Mining rights Exploration and evaluation	2,848	-	-	-	-	2,848
	-	23,652	-	-	-	23,652
	<u>2,848</u>	<u>23,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,500</u>
Zynclinal Mining rights Exploration and evaluation	203	-	-	-	-	203
	-	-	-	-	-	-
	<u>203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>203</u>
<b><u>Special metals</u></b>						
Kontili Mining rights Exploration and evaluation	2,848	-	-	-	(1,627)	1,221
	-	7,444	-	-	-	7,444
	<u>2,848</u>	<u>7,444</u>	<u>-</u>	<u>-</u>	<u>(1,627)</u>	<u>8,665</u>
Lullwitz-Kaeppli Mining rights Exploration and evaluation	1,017	-	-	-	-	1,017
	-	5,200	-	-	-	5,200
	<u>1,017</u>	<u>5,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,217</u>
Versant REE Mining rights Exploration and evaluation	814	-	-	-	-	814
	-	5,581	-	-	-	5,581
	<u>814</u>	<u>5,581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,395</u>

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Quebec properties	Balance January 1, 2014 \$	Additions (a) \$	Disposal (b) \$	Tax credits \$	Write-off & Impairment (c) \$	Balance March 31, 2014 \$
Other properties						
Mining rights	131,365	-	-	-	(60,003)	71,362
Exploration and evaluation	-	11,580	-	-	-	11,580
	131,365	11,580	-	-	(60,003)	82,942
<b><u>SUMMARY</u></b>						
Mining rights	449,449	-	-	-	(175,534)	273,915
Exploration and evaluation	1,078	362,331	-	-	-	363,409
	450,527	362,331	-	-	(175,534)	637,324

### a) Initial purchase of claims

On October 10, 2013, the Corporation purchased all the rights and interest in approximately 2,950 mining claims located in the Province of Quebec (the "Claims") from two private companies (9248-7792 Quebec Inc. ("9248") and 9257-1256 Quebec Inc. ("9257") for a consideration of 10,000,000 common shares of the Corporation at \$0.06, representing the fair value of the stock price on the agreement date. A 0.4% and 0.6% net smelter royalty was retained by the private companies, respectively, where 0.2% and 0.3%, respectively, may be repurchased by the Corporation for a total cash consideration of \$500,000.

### b) Monster Lake property

On November 26, 2013, the Corporation signed a property sale agreement with Mazorro Resources Inc. ("MR") for the Monster Lake property, agreement which was amended on January 24, 2014. The property consists of two blocks totaling 81 mining claims and covers 4,300 hectares. Under the sale agreement, MR acquired 50% of the rights and interests of the Corporation's Monster Lake area property by making cash payments that will total \$80,000 and by issuing up to 4,000,000 common shares and 1,000,000 warrants of MR to the Corporation as follow:

- At the date of approval of the transaction by the regulatory authorities, \$25,000 (in cash), 1,500,000 shares and 1,000,000 warrants. With these first payments of cash, shares and warrants, the Corporation realized a gain on disposal of E&E of \$31,112, after writing off the related mining rights for \$8,238 and exploration and evaluation assets for \$5,500, representing 50% of the costs incurred to date on the Monster Lake property;
- At the delivery of the technical report, the Corporation will receive \$25,000 and 1,500,000 shares;
- At the date of depositing the report on Sedar, the Corporation will receive \$10,000;
- Six (6) months after the deposit of the report, the Corporation will receive \$10,000;
- Twelve (12) months after the signature of the agreement, the Corporation will receive 1,000,000 shares;
- Twelve (12) months after the depositing the report on Sedar, the Corporation will receive \$10,000.

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When the buyer's obligations will be completed, the Corporation will give MR, the option to buy the residual 50% interest in the property for a cash consideration of \$100,000, 24 months after the deposit date of the report at the latest. If the option is exercised, the Corporation will retain a 2% NSR where 1% can be purchased for a cash consideration of \$250,000.

During the period ended March 31<sup>st</sup>, 2014, the Corporation received 1,500,000 shares valued at \$22,500 and a payment of \$25,000 in cash, resulting in a gain on disposal of exploration and evaluation of \$47,500.

### **c) Vendôme-Sud property**

On January 9<sup>th</sup> 2014, the Corporation entered into an agreement with a privately held company, to acquire a 50% interest in 33 claims named Vendôme-Sud property in the Abitibi region, in consideration of all costs associated with an airborne survey (electromagnetic and magnetic) of the 33 claims and production of a 43-101 technical report. Exploration on the Vendôme- Sud property is oriented towards the search for copper, nickel, zinc, silver and gold. (note 13-b))

### **d) Massicote-Est property**

On January 13, 2014, the Corporation entered into an agreement with Canadian Metals, to acquire a 40% interest in 172 claims named Massicote-Est property in the Matagami region, in consideration of all costs associated with an airborne survey (electromagnetic and magnetic) of the 172 mineral claims up to a maximum of \$80,000. The airborne survey was completed during January 2014, raw data has been obtained and geophysical interpretation is still pending. Exploration on the Massicote-Est property is oriented towards the search for gold, silver, copper and zinc. (note 13-b))

### **e) Impairment of mining rights**

As at December 31, 2013, the Corporation identified mining rights that were not renewed before year-end or that would not be renewed as they become expired. Consequently, the fair value of these mining rights was deemed to be nil and an impairment charge of \$150,313 was accounted for the year ended December 31, 2013.

As at March 31, 2014, the Corporation identified mining rights that were not renewed before the end of the period or that would not be renewed as they become expired. Consequently, the fair value of these mining rights was deemed to be nil and an impairment charge of \$175,534 was accounted for the period ended March 31, 2014.

## **9 Share capital and warrants**

### **Authorized**

Unlimited number of common shares, without par value.

Unlimited number of preferred shares, without par value, issuable in series.

### **Issued and fully paid**

a) Shares issued and fully paid through private placements:

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- i) On December 27th, 2013, the Corporation completed a private placement of 2,545,000 units at a price of \$0.20 per unit for a cash consideration of \$509,000. Each unit consists of one flow-through share and one common share warrant which entitles its holder to purchase one common share at a price of \$0.30 until December 27, 2015. A value of \$105,807 was assigned to the warrants and total share issue costs amounted to \$77,176 which includes an amount of \$23,362 as the fair value of the issuance of 236,500 broker warrants; each broker warrant entitles its holder to purchase one common share at \$0.18 for 12 months. The fair value of the warrants was based on the Black-Scholes valuation model, using a risk-free rate of 1.15%, an expected life of two years, an annualized volatility of 100% and a dividend rate of 0%. The fair value of the broker warrants was based on the same model, using a risk-free rate of 1.15%, an expected life of one year, an annualized volatility of 100% and a dividend rate of 0%.

The underlying volatility was determined by reference to historical data of comparable entities.

- ii) On December 27, 2013, the Corporation completed a private placement of 21,111 units at a price of \$0.18 per unit for a cash consideration of \$3,800. Each unit consists of one common share and one common share warrant which entitles its holder to purchase one common share at a price of \$0.30 until December 27, 2015. A value of \$766 was assigned to the warrants.
- iii) On December 10, 2013, the Corporation completed a private placement of 1,500,000 units at a price of \$0.20 per unit for a cash consideration of \$300,000. Each unit consists of one flow-through share and one common share warrant which entitles its holder to purchase one common share at a price of \$0.30 until December 10, 2015. A value of \$62,784 was assigned to the warrants and total share issue costs amounted to \$68,357 which includes an amount of \$13,390 as the fair value of the issuance of 135,000 broker warrants; each broker warrant entitles its holder to purchase one common share at \$0.30 for 24 months. The fair value of the warrants and the broker warrants was based on the Black-Scholes valuation model, using a risk-free rate of 1.08%, an expected life of two years, an annualized volatility of 100% and a dividend rate of 0%.

The underlying volatility was determined by reference to historical data of comparable entities.

- iv) On October 10, 2013, the Corporation completed two non-brokered private placements, raising total gross proceeds of \$167,500, through the issuance of 3,250,000 common shares at a price of \$0.05 and 50,000 common shares at \$0.10 per share. One Director subscribed for 500,000 common shares at \$0.05 per common share.
- v) On March 15, 2012, the Corporation closed a non-brokered private placement of 666,667 common shares of the Corporation at the price of \$0.15 per common share to directors of the Corporation. Gross proceeds were \$100,000 less issuance costs of \$2,276.

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### b) Share issuance for the acquisition of mining properties

On October 10, 2013, the Corporation purchased all the rights and interest in approximately 2,950 mining claims located in the Province of Quebec (the "Claims") from two private companies (9248-7792 Quebec Inc. ("9248") and 9257-1256 Quebec Inc. ("9257")) for a consideration of 10,000,000 common shares of the Corporation at \$0.06, representing the fair value of the stock price on the agreement date. A 0.4% and a 0.6% net smelter royalty was retained by the private companies, respectively, where 0.2% and 0.3%, respectively may be repurchased by the Corporation for a total cash consideration of \$500,000.

### Changes in Corporation warrants are as follows:

Share purchase warrants	Number	2014 Weighted average exercise price \$	Number	2013 Weighted average exercise price \$
Balance – Beginning of period	4,437,611	0.29	-	-
Issued	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Balance – End of period	4,437,611	0.29	-	-

Number of warrants	Exercise price \$	Expiry date
236,500	0.18	December 27, 2014
1,500,000	0.30	December 10, 2015
135,000	0.30	December 10, 2015
2,545,000	0.30	December 27, 2015
21,111	0.30	December 27, 2015

The weighted average contractual life of all warrants outstanding is 20 months as at March 31, 2014.

## 10 Share based payments

The Corporation has a stock option plan whereby the Board of Directors, may grant to directors, officers or consultants of the Corporation, options to acquire common shares. The Board of Directors has the authority to determine the terms and conditions of the grant of options. The Board of Directors approved a "Rolling" stock option plan reserving a maximum of 10% of the shares of the Corporation at the time of the stock option grant, with a vesting period allowed of zero up to eighteen months, when the grant of option is made at market price,



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for the benefit of its directors, officers, employees and consultants. The Plan provides that no single person may hold options representing more than 5% of the outstanding common shares. The number of stock options granted to a beneficiary and the vesting period are determined by the Board of Directors.

The exercise price of any option granted under the Plan is fixed by the Board of Directors at the time of the grant and cannot be less than the market price per common share the day before the grant. The term of an option will not exceed five years from the date of grant. Options are not transferable and can be exercised while the beneficiary remains a director, officer, employee or consultant of the Corporation or up to three months after the beneficiary has left.

No stock options were granted during the periods ended March 31, 2014 and 2013.

### 11 Earnings (loss) per share

The calculation of basic earnings (loss) per share is based on the earnings (loss) for the period divided by the weighted average number of shares outstanding during the period.

	<b>March 31, 2014</b>	<b>March 31, 2013</b>
	<b>\$</b>	<b>\$</b>
Net loss for the period	(232,478)	(3,353)
Weighted average number of common shares outstanding	20,622,945	3,256,834
Basic and diluted loss per share	(0.01)	(0.00)

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### 12 General and administrative expenses

#### Expense by nature

	March 31, 2014 \$	March 31, 2013 \$
<b>General and administrative</b>		
Office expenses	12,980	-
Consulting and management fees	36,904	-
Professional fees	22,381	3,353
Public company expenses	14,180	-
Business development	3,976	-
	<u>90,421</u>	<u>3,353</u>

### 13 Related party transactions

#### a) Remuneration of key management

Key management includes directors and senior executives. The compensation recognized as an expense and paid to key management for services is presented below:

	March 31, 2014 \$	March 31, 2013 \$
Management fees	33,000	-
Legal fees (b)	40,472	-
	<u>73,472</u>	<u>-</u>

During the period ended March 31, 2014, companies controlled by officers and directors charged \$3,000 as office expenses and rent.

#### b) Other

In the first period ended March 31, 2014, legal fees in the amount of \$40,472 were paid to a company in which a director is a partner (nil for the period ended March 31, 2013). This transaction did not provide for special terms and conditions and no guarantees were given or received.

In the period ending March 31, 2014, the Corporation entered into two agreements to acquire mining properties with private companies in which the CEO of the Corporation is also the CEO. The CEO disclosed his interest as a major shareholder and director of the vendors prior to the start of negotiations between the Corporation and the vendor. All negotiations were conducted between the vendor and independent directors acting on the

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Corporation's behalf. The independent directors also received advice from independent legal counsel and consultants in connection with the transaction. The transaction is exempt from the valuation and minority shareholder approval requirements because neither the fair market value of the property nor the consideration for the transaction exceeds 25% of the Corporation's market capitalization( sections 5.5(a) and 5.7 (1)(a) of the regulation).

### **14 Capital management policies and procedures**

The Corporation considers the items included in equity as capital components.

The Corporation's capital management objectives are:

- to ensure the Corporation's ability to continue as a going concern;
- to increase the value of the assets of the business; and
- to provide an adequate return to shareholders.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Corporation's own means.

The Corporation is not exposed to any externally imposed capital requirements except when the Corporation issues flow-through shares for which amounts should be used for E&E work (see note 5). The Corporation does not use long-term debt since it does not generate operating revenues. It finances its exploration and evaluation activities principally by raising additional capital either by private placements or public offerings. There is no dividend policy. Changes in capital are described in the statements of Changes in Equity and the related notes. There were no changes in the Corporation's approach to capital management during the period.

### **15 Financial instruments**

#### **Measurement categories**

As explained in Note 2, financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of comprehensive income (loss). Those categories are: loans and receivables; available for sale financial assets; and, for liabilities, amortized cost. The following table shows the carrying values of assets and liabilities for each of these categories at March 31, 2014 and 2013

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<b>Financial instruments</b>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
	<b>\$</b>	<b>\$</b>
<b>Loans and receivable</b>		
Cash	232,815	739,471
Amounts receivable	85,919	20,771
Prepaid	7,620	19,827
	<hr/>	<hr/>
	326,354	780,069
<b>Available for sale financial assets</b>		
Investment	105,000	-
<b>Financial assets at fair value through profit or loss</b>		
Investment	16,915	-
<b>Liabilities – amortized cost</b>		
Accounts payable and accrued liabilities	104,492	106,766

### Fair values, including valuation methods and assumptions

As at March 31, 2014, the fair value of the investment is \$121,916 (March 31, 2013 – nil); the carrying values of cash, other receivable, accounts payable and accrued liabilities approximate their fair value due to their relative short maturities. The methods and assumptions used in estimating the fair value of available for sale financial assets are as follows:

- Investment: Investment includes listed shares and warrants of an emerging issuer engaged in mineral exploration held by the Corporation. As at March 31, 2014, the value of these shares is \$105,000 and the value of the warrants is \$16,915. While the value of the shares represents the closing price as at March 31, 2014, the value of the warrants was calculated using a Black-Scholes model, using an expected time-period of 2 years, a risk free interest rate of 1.09%, a volatility of 100% and a 0% dividend factor. The underlying volatility was determined by reference to historical data of comparable entities.

### Fair value hierarchy

The following table classifies financial and non-financial assets and liabilities that are recognized on the statement of financial position at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liabilities that are not based on observable market data.

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The financial instruments presented at fair value on the statement of financial position are as follows:

	2014			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Investment	105,000	-	16,915	121,915

### Financial risks factors

The Corporation's activities expose it to a variety of financial risks: price risk, credit risk and liquidity risk. Risk management is carried out by management under policies approved by the Board of Directors. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Corporation's overall risk management program seeks to minimize potential adverse effects on the Corporation's financial performance.

#### a) Price risk

The Corporation is exposed to equity securities price risk because of investments held by the Corporation. When trading its shares, unfavorable market conditions could result in the disposal of its listed shares at less than its value as at March 31, 2014. A 1% variation in the closing price on the stock market would result in an estimated loss of \$1,050 in the period ended March 31, 2014.

#### b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation is subject to concentrations of credit risk through cash. The Corporation reduces its credit risk by maintaining part of its cash in financial instruments held with a Canadian chartered bank.

#### c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet the obligations associated with its financial liabilities. The Corporation has no history of earnings and does not expect to receive revenues from operations in the foreseeable future, if all. The Corporation generates cash flow primarily from its financing activities. Management estimates that the funds as at March 31, 2014 will not be sufficient to meet the Corporation's obligations and budgeted assets through December 31, 2014. Any additional funding may be met in the future in a number of ways including but not limited to, the issuance of new equity instruments. Cash flow forecasting is performed by the Corporation which monitors rolling forecasts of the Corporation's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Surplus cash over, if any, and above balances required for working capital management are invested in interest bearing short-term deposits with a maturity within 12 months, which are selected with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the

# **Genius Properties Ltd. (formerly Synergy Acquisition Corp.)**

Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2014 and 2013

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(in Canadian dollars)

above-mentioned forecasts. Accounts payable and accrued liabilities as at March 31, 2014 consist of items that should be settled within approximately 30 days (see note 1 for information on going concern).

## **16 Subsequent events**

On April 8<sup>th</sup>, 2014, the Corporation announced the creation of a wholly-owned subsidiary, 8845131 Canada Inc.

Subsequently, on April 24<sup>th</sup>, 2014, the Corporation, through its subsidiary, made the acquisition of 100% of the assets of Zippler, which is a geo-location based application and social network.

According to the terms of the agreement, the Corporation will pay the owners and inventors of Zippler, 7,8 million shares, payable in several tranches upon reaching established milestones, as consideration for all assets of Zippler.