

**GENIUS PROPERTIES LTD.**  
(formerly Synergy Acquisition Corp.)

**Management Discussion and Analysis**  
**Quarter Ended September 30, 2014**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This management's discussion and analysis ("MD&A") follows rule 51-102A of the Canadian Securities administrators regarding continuous disclosure for reporting issuers. It is a complement and supplement to the Corporation's unaudited consolidated interim financial statements and related notes for the period ended September 30, 2014 and should be read in conjunction with both the financial statements for the year ended December 31, 2013 and the annual MD&A for the year ended December 31, 2013. This MD&A represents the view of management on current activities and past and current financial results of the Corporation, as well as an outlook of the activities of the coming months. The Corporation prepared its financial statements in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

### **1.1 DATE**

This MD&A of Genius Properties Ltd.(formerly Synergy Acquisition Corp.)(the "Corporation") of the financial condition and results of the operation of the Corporation constitutes management's review, as at November 28<sup>th</sup>, 2014, of the factors that affected the Corporation's financial and operating performance for the period ended September 30, 2014. Without contrary indication, all the amounts are in Canadian dollars. Additional information relating to the Corporation is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).

### **1.2 FORWARD LOOKING STATEMENTS**

This MD&A contains forward-looking statements that are based on the Corporation's expectations, estimates and projections regarding its business, the mining industry in general and the economic environment in which it operates as of the date of the MD&A. These statements are reasonable but involve a number of risks and uncertainties, and there can be no assurance that they will prove to be accurate. Therefore, actual outcome and results may differ materially from those expressed in or implied by these forward-looking statements. The preliminary economic assessments contained in the Technical Reports referred to in this MD&A, and the estimates contained therein to date are preliminary in nature and are based on a number of assumptions, any one of which, if incorrect, could materially change the projected outcome. Factors that could affect the outcome include, among others: the actual results of current exploration, competition, general business, economic, political and social uncertainties, environmental issues, additional financial requirements and the Corporation's ability to meet such requirements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ from those anticipated.

### **1.3 NATURE OF ACTIVITIES**

*On January 31, 2014*, the Corporation announced that it had completed its previously announced name change from "Synergy Acquisition Corp" to "Genius Properties Ltd.". The common shares of the Corporation commenced trading on the Canadian Securities Exchange under the new corporate name and under the new symbol, "GNI", within the next two or three trading days. The Corporation has also continued into Quebec under the *Canada Business Corporations Act* from Alberta. The name change and the continuation were approved by shareholders of the Corporation at the special meeting of shareholders held on January 6, 2014

The Corporation is at the exploration and evaluation stage and its operations include the acquisition, exploration, evaluation, development of production facilities and ultimately, the sale of exploration and evaluation assets.

The recovery of the exploration and evaluation assets is dependent upon: the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in the properties, the

ability to obtain the necessary financing to complete exploration, evaluation, development and construction of processing facilities, obtaining certain government approvals and proceeds from disposal of assets.

Genius is primarily targeting Quebec's excellent mineral potential to discover new world-class deposits and is the ideal partner for exploration companies and capital pool companies looking for qualified transaction projects of merit. The Company intends to enter various types of agreements on its available mineral properties.

Management is currently evaluating, through specialized wholly-owned subsidiaries of the Corporation, other opportunities in other markets and industries having a strong growth potential to enhance shareholder value.

On April 24, 2014, Zippler Inc (formerly 8845131 Canada Inc.) signed an agreement for the acquisition of 100 % of the assets of Zippler, a geo-location based application and social network.

On July 4th, 2014, Zencig Corp, a 70% owned subsidiary of the Corporation, signed an agreement, in which it purchased all assets of Zen eCigarette Inc, a company specializing in the distribution and processing of electronic cigarettes.

## **1.4 OVERVIEW OF BUSINESS**

### **Mineral properties**

On October 10<sup>th</sup>, 2013, the Corporation entered into an agreement with two Corporations (the "Corporations") to purchase approximately 2,950 mining claims located in Canada. The consideration for this acquisition is that the Corporation agreed to:

- (a) Deliver to the Corporations on closing date 10,000,000 shares of the Corporations at \$0,06;
- (b) A 1,0% net smelter royalty retained by Corporations of which 0,5% may be repurchased by the Corporation for a cash consideration of \$500,000.

Since the claims acquisition the Corporation has initiated a review of the potential of all the mining properties acquired.

#### *Monster Lake property*

On November 26<sup>th</sup>, 2013, the Corporation announced the signing of a property sale agreement with Mazorro Resources Inc. ("Mazorro") for the Monster Lake Area Property (the "Property"). The property is located in north-western Quebec, 44 km southwest of Chibougamau and consists of two blocks totaling 81 mining claims covering 4,300 hectares.

On November 30th, 2013 a NI 43-101 report on these 81 claims was prepared and concluded that the property showed a high potential for gold discovery. A two phase exploration program including geological compilation and field work for a total of \$200,000 was proposed (not including helicopter borne electromagnetic and magnetic surveys).

The terms of the original acquisition agreement (November 26<sup>th</sup>, 2013) were amended on January 24<sup>th</sup>, 2014, and ruled that Mazorro, an arm's length party to the Corporation, will acquire an initial 50% interest in 81 claims by paying the Corporation a total of \$80,000 in cash and issuing a total of 4,000,000 common shares and 1,000,000 warrants. Initial consideration payable includes \$25,000 in cash, 1,500,000 common shares and 1,000,000 warrants (paid during December 2013). Each warrant is exercisable at a price of \$0.10 per share and will expire on December 12, 2015. The balance of the purchase price is payable as follows: \$25,000 cash and 1,500,000

shares upon the receipt of a National Instrument 43-101 compliant technical report on the property; \$10,000 cash payable on the date that the Corporation completes work assessment filings with respect to the claims with further cash payments of \$10,000 payable both six and twelve months thereafter; with a final payment of 1,000,000 common shares payable twelve months following the execution of the original agreement.

Additionally, Mazorro will have an option, exercisable for a period of two years, to acquire the 50% interest retained by the Corporation for a cash payment of \$100,000. Should this option be exercised, the Corporation would retain a 2% net smelter return royalty with Mazorro having the right to purchase one-half (1.0%) of the NSR at any time by paying the Corporation an amount of \$250,000. If the option is not exercised, the parties will enter in a joint venture agreement with a standard dilution clause and will co-fund their proportionate share of project costs. During the option period, the Corporation will remain the manager and operator of the project. An airborne survey was completed during January 2014.

On April 22<sup>nd</sup>, 2014 the Corporation filed a technical report entitled "*NI 43-101 Technical Report Pertaining to: Chibougamau Property, Monster Lake West Block and Meston Lake West Block, Northwestern Quebec, Chibougamau Mining Camp, NTS 32G10 and 32G07*" dated April 4, 2014 and prepared by Donald Th  berge, Eng., M.B.A., an independent qualified person under NI 43-101. The NI 43-101 report is available under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

Since 1984, over 40,000 metres of diamond drilling has been completed by various operators along the over four-kilometre mineralized corridor at the Monster Lake area. In the winter of 2012, TomaGold drilled 16 holes for a total of 2,420 metres on the Annie zone, which resulted in a major discovery of 237.6 grams per tonne of gold over 5.7 metres in hole M-12-60. In 2013, TomaGold drilled 12 holes totalling 5,000 metres on zone 325. All the holes intersected the gold-bearing structure, and seven of the 12 holes returned values of over 10 grams per tonne of gold

#### *Massicotte-Est property*

On January 13, 2014, the Corporation entered into an agreement with Canadian Metals, to acquire a 40% interest in 172 claims named Massicotte-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 Massicotte-Est property is oriented towards the search for gold, silver, copper and zinc.

On February 25, the Corporation announced that it has completed a combined magnetic and time-domain electromagnetic helicopter survey over its Massicotte-East Property, located 35 km west of Matagami.

The airborne survey outlined several combined magnetic and electromagnetic anomalies that are typically caused by massive sulphide occurrences. Out of these anomalies, 31 base metal targets or groups of targets have been defined for further investigation. Most of these targets are located in under explored areas, with no ground geophysical coverage. 68% of these targets have never been drill tested, and the remaining ones have only been subject to a few sparse exploration drill holes and cannot be considered as fully investigated.

Also, a compressive structural interpretation carried-out based on the high resolution magnetic data acquired with this survey enabled the recognition of possible faults and shear zones which are very similar to known gold bearing structures found in the Property's vicinity. In particular E-W structures identified along the Samson group of gold showings about 2 km north of the Property, as well as along other gold showings to the south-east and north-west of the surveyed block, are found throughout the Massicotte-East Property. Moreover, the Property hosts several structures trending like the WNW-ESE gold bearing structure found in the neighbouring Valmond property to the south, which is currently being extensively worked by Midland Exploration and Donner

Metals (Source: Press release by Midland Exploration Inc. dated Jan. 16, 2014). This structure is located 1 km to the south of the Property and actually extends within the Massicotte-East Property to the north-west. Based on these observations, 5 gold exploration target areas have been defined for the Property.

These very encouraging results prompt Genius Properties Ltd to initiate targets follow-up work which will consist in line cutting, geophysical ground surveys and diamond drilling.

The airborne survey was acquired by Prospectair Geosurveys of Gatineau using an Eurocopter's EC120B aircraft towing the ProspecTEM system, a lightweight time-domain electromagnetic system, and a Geometrics magnetometer measuring the total magnetic field. This geophysical configuration flown at low altitude is very cost effective and perfectly adapted to reconnaissance surveys with objectives of measuring ground conductivity to a depth of about 125 m with a very good spatial resolution. The survey covered a total of 172 mineral claims.

The technical information in this news release was prepared by Joël Dubé, Eng., consultant at Dubé & Desaulniers Geoscience, and reviewed by Donald Théberge Eng., M.B.A, both are qualified persons under National Instrument 43-101

#### *Dalquier property*

In January 2014, an helicopter borne survey, including electromagnetic and magnetic methods, was flown over the Dalquier property and results are still pending. The Dalquier property consists of 67 claims in two claims blocks totalling 3,550 ha. This property is located in the Abitibi region of Quebec, approximately 8 km east of the town of Amos. Two types of deposits are searched for: Orogenic gold deposits and Nickel, Copper and PGE (Platinum Group Elements). A NI 43-101 technical report updated on August, 2013, recommended a two phase exploration program totalling \$400,000.

#### *Solumines – NI 43-101*

Since the beginning of January 2014, the consulting firm Solumines received a mandate for the production of NI 43-101 technical reports on different properties held by the Corporation; until now reports on four properties are completed: Lullwitz-Kaeppli, Kontiki, Ruby Lake and Versant REE.

The Lullwitz-Kaeppli property consists of four claims in one block, totalling 231 ha and is located 24 km NNW of the town of La Malbaie in Charlevoix region of Quebec. Minerals searched for are Gold PGE and Gallium, as vein-type or pegmatite type mineralization. A two phase exploration program was recommended for a total amount of \$200,000.

The Kontiki property consists of six claims in one block, totalling 345 ha. It is located 30 km by road to the NNW of the village of St-Siméon in Charlevoix region, Quebec. Minerals searched for are pegmatites enriched in lithium, cesium, tantalum and other rare earth elements. A two phase exploration program totalling \$200,000 was recommended.

The Ruby Lake property, is made of one block of six claims totalling 290 ha. It is located on the east shore of Hudson Bay, Quebec, about 70 km south of the village of Umiujaq. Minerals searched for are of the Mississippi-Valley type lead and zinc deposits. An exploration program totalling \$250,000 was recommended.

The Versant REE property is made up of four claims in one claim block totalling 215 ha. It is located approximately 160 km NNE of the town of Havre St-Pierre, Quebec North Shore region. Minerals searched for on the property are rare-earth elements of pegmatite type. An exploration program totaling \$250,000 was recommended.

### **Subsidiary creation**

On April 8, 2014 the Corporation announced the creation of a wholly-owned subsidiary, 8845131 Canada Inc., through which the Corporation intends to evaluate new business ventures, including but not limited to, opportunities in Technology, Internet, Software, Clean Technology and Biotechnology. Currently, the Board of Directors is reviewing a number of project proposals.

On June 6<sup>th</sup>, 2014, the name of 8845131 Canada Inc. was changed to Zippler Inc.

Stéphane Leblanc, President and CEO, stated: *"We are considering certain changes to our business model in order to counter and resist to the volatility of the resources market. Our new wholly-owned subsidiary will be ready in the event we find new projects that offer strong growth opportunities."*

### **Special advisor nomination**

On April 11, 2014 the Corporation announced the arrival of Claude Rousseau amongst its team as the Special Advisor of Genius. His expertise in telecommunications and his extensive experience of the Quebec market will be a valuable asset to Genius team. He will work closely with all the Corporation's directors for the development of the Corporation.

Claude Rousseau is a businessman working in the province of Québec. Following a career of more than 28 years within a company in the area of telecommunications during which he held several senior executive key positions. Mr. Rousseau serves on the board of several companies, namely Induspac, the Port of Québec, Pro Hockey Life and Équipe Québec.

Stéphane Leblanc, CEO of the Corporation, states: "The arrival of Claude Rousseau, skilled manager in telecommunication and influential business personality in Québec is a confirmation of the growth potential of our Corporation within the market.

### **Acquisition of Zippler's assets by the 100% owned subsidiary, Zippler Inc.(formerly 8845131 Can. Inc.)**

On April 24, 2014 the Corporation announced the acquisition of 100% of the assets of Zippler by the wholly-owned subsidiary Zippler Inc. (formerly 8845131 Canada Inc.). Zippler is a PATENT PENDING location-based social network and microblogging service, using a unique navigation scheme and user interface, that enables its users to locate and interact with people around them, plan group activities, get information, discover cool new things, get targeted local offers and a lot more - all based on your location

As a society, we live busier lives than ever, always on the go. With the Web having shifted to mobile and local, ZIPPLER is at the convergence of SOCIAL + LOCAL + MOBILE. We believe there is a market gap for a new generation of application and social network that can truly be useful to users as they live "geo located lives". Zippler's mission is making people's life easier around where they are.

« This transaction is the result of a strategic decision. » explains Stéphane Leblanc, President of the Corporation. « Creativity is a priority for Genius. When we met the talented team at Zippler, there was instant chemistry. We knew we wanted to enter into this market with that team. I am glad that we reached a mutually beneficial agreement."

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

The transaction was also conditional to the purchaser entering into Agreements with Thomas Scott as key employee and Éric Aubertin as key advisor.

The gap in Social-Local-Mobile is big and represents a huge financial opportunity - potentially a \$500M+ play with secured funding and well executed. Zippler is currently patent pending. And the team has worked hard on refining the concept for a while now. Fundraising efforts will fund the development and commercialization of this useful, fun, and progressive SoLoMo geo Location Based App and Social Network

### **Creation of a 70% owned subsidiary, ZenCig Corp., which acquires all assets of Zen eCigarette**

On July 7, 2014, the Corporation announced that it had completed the previously announced arms-length acquisition of a 70% interest in the assets of Zen eCigarette Inc., ("**Seller**"), a company specializing in the distribution and processing of electronic cigarettes. The assets of the Seller were acquired by a newly created Delaware corporation, ZenCig Corp. ("**ZenCig**") in which Genius has a 70% interest and the principals of the Seller hold 30%. The original terms of the letter of intent were amended prior to the closing such that ZenCig purchased the Seller's assets for an aggregate consideration of \$125,000, paid cash at closing. As part of the transaction, ZenCig also settled an outstanding debt of \$42,500 owed by the Seller to an arms-length third party. The purchased assets include, namely, inventory, goodwill, intellectual property, web domain name [www.zencig.com](http://www.zencig.com), permits and other distribution rights. The principals of the Seller have entered into a consulting agreement with ZenCig and will manage day-to-day operations while Genius will control the corporate affairs of ZenCig. The definitive agreements also include standard not compete and non-solicit undertakings by the principals of ZenCig, as well as standard representations and warranties and indemnification provisions.

Stephane Leblanc, President of Genius, commented: "We are very pleased that the team of Zen eCigarette has joined us to participate in the development of our project. This strategic acquisition enables Genius to achieve a new dimension with a full commercial offering in the electronic cigarette market, one of the markets with the highest growth potential. This strategic move will enable Genius to capture more value and generate cash flows in the short, medium and long term".

ZenCig is a cleaner and healthier alternative to smoking for all. ZenCig is one of the leading electronic cigarette companies in this rapidly emerging and fast-growing market. The Company began online sales in 2011 and expanded to retail in 2013. ZenCig offers the highest quality and latest technology in this market. ZenCig provides an artificial flavored vapor with or without nicotine. A cartridge filled with an aromatic liquid is located in the filter. Ingredients contained in the cartridge include nicotine, artificial flavor and glycerol. During inhalation, the microprocessor enables a spray, mixing the air inhaled with the liquid contained in the cartridge. This vapor is then inhaled by the user. Evaporation of glycerol allows an imitation of real smoke produced by a cigarette. A LED at the end of the cigarette simulates true combustion and the sprayed mixture is delivered at a temperature of 50-60 Celsius degrees which is comparable to regular tobacco cigarette. With a soft filter and same size and weight as a real cigarette, it really gives to its user the most realistic experience of a tobacco cigarette. And without tar, ash and second hand smoke, people can really start to breath again! With its established online presence and the lowest retail price in the world, the ZenCig management team is positioned to leverage its already well-recognized brand and give great value to its shareholders.

Wells Fargo estimates that this market will top \$10 billion by 2017 and Bloomberg Industries projects that sales will exceed those of traditional cigarettes by 2047. The e-cigarette industry is a new and rapidly expanding sector with significant potential for investors. It is widely believed that e-cigarettes represent a healthy alternative to smoking and the development of this market could have a favorable impact by helping regular tobacco users to quit smoking. Recently, many of the largest tobacco companies have announced that they were entering into the e-cigarette market.

### **Board member nomination**

On July 9, 2014, the Corporation announced the appointment of Mr. Claude Rousseau as a new independent director of the Corporation. His expertise in telecommunications and his extensive knowledge of the Quebec market will be a valuable asset to the Genius team. Stéphane Leblanc, CEO of the Corporation, stated: "The appointment of Claude Rousseau, skilled manager in telecommunication and influential business personality in Québec is a statement to the growth potential of our Corporation within the market". "I am very pleased to join the board of directors of Genius and collaborate to manage its future", said Mr. Rousseau. Mr. Rousseau's appointment has been approved by the current board of directors and is subject to CSE approval.

### **Deployment of certain elements of the commercialization strategy**

On August 5, 2014, the Corporation announced that it had hired Contact Financial Corp. ("Contact") to provide advice to the Corporation with respect to corporate development, production and distribution of investor-focused communication tools, and increasing awareness of the Corporation. Contact is a broad-based strategic marketing and communications firm with experience in creating exposure for small- to mid-cap companies. Contact Financial headed by Kirk Gamley, is based in Vancouver, British Columbia with offices in Vancouver, Montreal, Toronto, and affiliate offices in the United States and Europe.

Stéphane Leblanc, President & CEO of Genius, commented: "We are very pleased to be working with Contact in order to increase visibility and market awareness for Genius in the financial community. They bring professional experience in public and investor relations which we believe our shareholders will benefit from through improved corporate communications and marketing activities." Under the agreement, having a term of five months, Contact Financial will receive a monthly fee of \$6,000 (plus GST) in accordance with the Corporation's stock options plan and the policies of the CSE, subject to regulatory approval.

On August 11, 2014, ZenCig Corp., a subsidiary of Genius Properties Ltd. has contracted Natural Management Inc. to launch new innovative ZenCig electronic cigarette products in Canada and the United States. Greg Staley, President of Natural Management Inc. will be the new Vice President of Business Development with ZenCig. Mr. Staley and his sales team will begin driving sales strategies immediately. Mr. Staley has a proven track record of directing business and sales strategy, and leading organizations to achieve growth and increased profitability. He comes to ZenCig with over 20 years of experience in the Consumer Products Industry, beginning with major companies including SC Johnson Wax and Maple Leaf Foods. Mr. Staley more recently directed his big business experience towards small to mid-sized companies where he excelled at taking new and existing brands to market. Working to build business in smaller companies has gained him valuable knowledge and experience to lead and pioneer ZenCig's growth through his industry contacts and over 60 sales agents across Canada and the United States.

"Genius is moving towards a greater focus on the success of our subsidiary companies," commented Stéphane Leblanc, President & CEO of Genius. "Greg has the right background and team assembled to accelerate ZenCig's distribution into the booming electronic cigarette industry." "I am thrilled to join ZenCig Corp. as the new Vice President of Business Development," said Greg Staley. Our experienced team of over 60 agents will ensure rapid distribution of this new and innovative product. ZenCig Corp. will go from modest on-line sales to a major brand that can be found in major chains throughout Canada and the United States. Speed to market will be my expectation and we have the team that will ensure our growth and continued success."

On August 18, 2014, Zippler, a wholly-owned subsidiary of Genius Properties Ltd. announced that Erika Roberts had joined its Development Team. Ms. Roberts is a User Experience (UX) Specialist with over 16 years of experience in France and Canada focusing on User Centered Design (UCD). She helps companies develop strategic roadmaps based on end-user research, information architecture's best practices and usability insights.



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Her expertise also relies on a strong academic background in which she executed user research, both in her two years of PhD in Communication (UQAM / UDM / Concordia) and within the UNESCO-BELL Chair.

On September 10<sup>th</sup>, 2014, ZenCig, one of the subsidiary companies of Genius Properties Ltd., has entered into an agreement with C-Store Distributors ("C-Store") through their Checkstand Program for national distribution of the Company's nicotine and non-nicotine Disposable Electronic Cigarettes. Commencing immediately, ZenCig will have new product launches in 2,000 convenience store outlets with distributors, broker, wholesale and convenience store chain relationships across the U.S. with potential for expansion in up to 5,000 locations.

On November 10<sup>th</sup>, 2014, Genius Properties Ltd. announced that it has entered into an exclusive E-Liquid license agreement with Changning Dekang Biotechnology SRL ("Dekang"), a leading high-tech company engaged in the technological development of pharmaceutical production and sales of raw materials and plant extracts. Under the license agreement, Genius will have the exclusive license to distribute and sell Dekang's Q10 series, Dekang Europe E-liquids, and Detab nicotine alternative products in Canada and the United States.

## 1.5 SELECTED FINANCIAL INFORMATION

The Corporation prepared its financial statements in accordance with International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board. The Corporation's financial statements are presented in Canadian dollars, which is also the functional currency of the Corporation.

### Results of operations for the three months periods ended September 30, 2014, 2013 and 2012

		2014	2013	2012
		\$	\$	\$
<b>EXPENSES</b>				
General and administration charges	Office expenses	(94,658)	-	-
	Consulting and management fees	(126,399)	-	-
	Share based compensation	-	-	-
	Professional fees	(58,595)	(28,982)	(8,946)
	Public company expenses	(14,483)	-	-
	Business development	(170,086)	-	-
	Other expenses	(1,548)	-	-
	<b>Total G&amp;A</b>	<b>(465,769)</b>	<b>(28,982)</b>	<b>(8,946)</b>
General exploration		(2,156)	-	-
Impairment of exploration and evaluation assets		(24,001)	-	-
Loss on warrants valuation		(4,004)	-	-
Foreign exchange gain (loss)		3,628	-	-
<b>Net loss and Comprehensive loss for the period</b>		<b>(492,302)</b>	<b>(28,982)</b>	<b>(8,946)</b>
<b>Total net loss attributable to:</b>				
Non-controlling interests		(56,089)	-	-
Equity holders of parent		(436,213)	-	-
<b>Basic and diluted Net gain (loss) per share</b>		<b>(0.02)</b>	<b>(0.01)</b>	<b>(0.00)</b>

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No dividends were declared or paid in 2014, 2013 or 2012.

Comprehensive loss for the period was \$492,302 (\$28,982 in 2013 and \$8,946 in 2012), including an impairment of exploration and evaluation assets of \$24,001 (nil in 2013 and 2012), net general exploration costs of \$2,156 (nil in 2013 and 2012), a loss of \$4,004 (nil in 2013 and 2012) on warrants re-evaluation of fair value and a foreign exchange gain of \$3,628 (nil in 2013 and 2012). The General and Administrative (G&A) expense for the period of \$465,769 (\$28,982 for 2013 and \$8,946 in 2012) is mainly composed of consulting fees of \$126,399 (nil in 2013 and 2012), professional fees of \$58,595 (\$28,982 in 2013 and \$8,946 in 2012), public company expenses of \$14,483 (nil in 2013 and in 2012) and business development costs of \$170,086 (nil in 2013 and 2012).

**General exploration and evaluation expenditures for the periods ended September 30, 2014, 2013 and 2012**

The general exploration charge net of tax credits during the period ended September 30, 2014 of \$2,156 (nil in 2013 and 2012) represents expenses incurred where the Corporation did not have the option to acquire the claims as the agreement was not yet signed. Under IFRS, the exploration charges can be capitalized only when a company owns the claims or owns the rights to perform an exploration program on the claims.

**Financial Position for the period ended September 30, 2014.**

As at September 30, 2014, the current assets amounts to \$787,552 (\$3,275 as at December 2013), includes cash of \$310,056. As at September 30, 2014, the Corporation had \$360,000 (\$809,000 as at December 2013) to spend in exploration and evaluation work in order to comply with the requirements of flow-through financings. The intangible property for an amount of \$256,510 (nil as at December 2013) includes \$158,343 paid for the acquisition of 100% of assets of Zen eCigarettes by its 70% subsidiary, Zencig Corp. and \$98,167 paid for the acquisition of 100% of assets of Zippler; this last amount includes an issuance of shares valued at \$60,000 (note10 – financial statements). The exploration and evaluation assets of \$593,880 (\$450,527 as at December 2013) represent the total amounts capitalised for the exploration work and the cost of mining claims purchased at the end of each period.

Financial Position	September 30, 2014 \$	December 30, 2013 \$
<b>Current assets</b>	<b>787,552</b>	780,069
<b>Investment</b>	<b>26,458</b>	29,749
<b>Property and equipment</b>	<b>4,088</b>	-
<b>Intangible assets</b>	<b>256,510</b>	-
<b>Exploration and evaluation assets</b>	<b>593,880</b>	450,527
<b>Total Assets</b>	<b>1,668,488</b>	1,260,345
<b>Current liabilities</b>	<b>168,936</b>	106,766
<b>Shareholders' equity</b>	<b>1,499,552</b>	1,153,579
<b>Total liabilities and Equity</b>	<b>1,668,488</b>	1,260,345

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**Exploration activities for period ended September 30, 2014**

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

Quebec properties	2014					Balance September 30, 2014
	Balance January 1, 2014	Additions (a)	Disposal (b)	Tax credits	Write-off & Impairment (c)	
	\$					
<b><i>Precious metals</i></b>						
Brosnor-North Mining rights	1,424	-	-	-	(1,424)	-
Exploration and evaluation	-	-	-	-	-	-
	<u>1,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,424)</u>	<u>-</u>
Monster Lake Mining rights	8,238	-	-	-	-	8,238
Exploration and evaluation	1,078	105,333	-	-	-	106,411
	<u>9,316</u>	<u>105,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,649</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>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>13,317</u>
Torngat diamond Mining rights	11,390	-	-	-	-	11,390
Exploration and evaluation	-	7,147	-	-	-	7,147
	<u>11,390</u>	<u>7,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,537</u>
Vendôme-Sud 50% Mining rights	-	2,288	-	-	-	2,288
Exploration and Evaluation	-	11,657	-	-	-	11,657
	<u>-</u>	<u>11,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,657</u>

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	2014					Balance September 30, 2014 \$
	Balance January 1 2014 \$	Additions (a) \$	Disposal (b) \$	Tax credits \$	Write-off & Impairment (c) \$	
<b>Quebec properties</b>						
<b><i>Base metals</i></b>						
Dalquier Mining rights	27,933	-	-	-	(5,085)	22,848
Exploration and evaluation	-	3,888	-	-	-	3,888
	<u>27,933</u>	<u>3,888</u>	<u>-</u>	<u>-</u>	<u>(5,085)</u>	<u>26,736</u>
Matagami Mining rights	234,724	-	-	-	(206,824)	29,901
Exploration and evaluation	-	-	-	-	-	-
	<u>234,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(206,824)</u>	<u>29,901</u>
Ruby Lake Mining rights	8,136	-	-	-	(6,916)	1,220
Exploration and evaluation	-	5,081	-	-	-	5,081
	<u>8,136</u>	<u>5,081</u>	<u>-</u>	<u>-</u>	<u>(6,916)</u>	<u>6,301</u>
Massicote Est 40% Mining rights	-	-	-	-	-	-
Exploration & evaluation	-	82,253	-	-	-	82,253
	<u>-</u>	<u>82,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,253</u>
<b><i>Industrial metals</i></b>						
Josephis Lake Mining rights	3,458	-	-	-	(203)	3,255
Exploration and evaluation	-	-	-	-	-	-
	<u>3,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(203)</u>	<u>3,255</u>
12L project Mining rights	203	-	-	-	-	203
Exploration and evaluation	-	-	-	-	-	-
	<u>203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>203</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 September 30, 2014 \$</b>
Port Daniel Mining rights	7,119	-	-	-	(2,441)	4,678
Exploration and evaluation	-	27,600	-	-	-	27,600
	<u>7,119</u>	<u>27,600</u>	<u>-</u>	<u>-</u>	<u>(2,441)</u>	<u>32,278</u>
Wapoos Mining rights	2,848	-	-	-	-	2,848
Exploration and evaluation	-	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	203	-	-	-	-	203
Exploration and evaluation	-	-	-	-	-	-
	<u>203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>203</u>
<b><i>Special metals</i></b>						
Kontiki Mining rights	2,848	-	-	-	(1,627)	1,221
Exploration and evaluation	-	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-Kaepfeli Mining rights	1,017	-	-	-	(203)	814
Exploration and evaluation	-	5,200	-	-	-	5,200
	<u>1,017</u>	<u>5,200</u>	<u>-</u>	<u>-</u>	<u>(203)</u>	<u>6,014</u>
Versant REE Mining rights	814	-	-	-	-	814
Exploration and evaluation	-	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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<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 September 30, 2014</b>
	\$	\$	\$	\$	\$	\$
Other properties						
Mining rights	131,365	-	-	-	(92,141)	39,224
Exploration and evaluation	-	163,470	-	-	-	163,470
	<u>131,365</u>	<u>163,470</u>	<u>-</u>	<u>-</u>	<u>(92,141)</u>	<u>202,694</u>
<b>SUMMARY</b>						
Mining rights	449,449	2,288	-	-	(314,863)	136,874
Exploration and evaluation	1,078	455,928	-	-	-	457,006
	<u>450,527</u>	<u>458,216</u>	<u>-</u>	<u>-</u>	<u>(314,863)</u>	<u>593,880</u>

**a) Initial purchase of claims:**

**On October 10th, 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.

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.

**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.

**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.

**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 quarter 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.

As at June 30, 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 \$115,328 was accounted for the period ended June 30, 2014. The Corporation holds a total of 1,044 claims on June 30, 2014.

As at September 30, 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 \$24,001 was accounted for the period ended September 30, 2014. The Corporation holds a total of 926 claims on September 30, 2014.

**1.6 FINANCING ACTIVITIES**

- i) On July 4<sup>th</sup>, 2014, the Corporation completed a private placement with the issuance of 870,000 shares at a price of \$0.25 per share for a total cash consideration of \$267,500. During this placement, 300,000 warrants were issued which entitles its holder to purchase one common share at a price of \$0.22 until January 4, 2016. A value of \$19,241 was assigned to the warrants.

The fair value of the warrants was based on the Black-Scholes valuation model, using a risk-free rate of 1.13%, an expected life of eighteen months, an annualized volatility of 100% and a dividend rate of 0%.

- ii) On June 19, 2014, the Corporation announced that it had closed the non-brokered private placement previously announced on June 18, 2014. Genius raised total gross proceeds of \$1,035,800 through the non-brokered private placement of 6,905,332 of its common shares. The proceeds of the private placement will be used for general corporate purposes. A subscription of \$105,000 is receivable at the end of the period; a check for the same amount and the corresponding share certificates are in escrow with the legal advisor of the corporation. All securities issued in the private placement are subject to a four month hold period.
- iii) *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, until December 27<sup>th</sup>, 2015. 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%.
- iv) *On December 27th, 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<sup>th</sup>, 2015. A value of \$766 was assigned to the warrants.
- v) 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%.
- vi) 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.

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

**Share issuance for the acquisition of intangible assets:**

On April 24th, 2014, Zippler Inc (formerly 8845131 Canada Inc.) signed an agreement for the acquisition of 100 % of the assets of Zippler, a geo-location based application and social network. The Corporation will remit on behalf of Zippler Inc., 7.8 million shares payable in several tranches



upon reaching established milestones. A first tranche of 500,000 common shares of the Corporation, valued at \$0.12 for a total consideration of \$60,000, was issued by the Corporation to pay for the intangible assets acquired by its subsidiary. A second tranche of 1,900,000 shares will be due when the Beta version of the application, will be approved by the Board of Directors of the Corporation. A third and last tranche of 5,400,000 shares will be due when the final version of the application is produced *on line* and is approved by the Board of Directors of the Corporation.

## 1.7 SUMMARY OF QUARTERLY RESULTS

The Corporation prepared its financial statements in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Corporation's financial statements are presented in Canadian dollars, which is also the functional currency of the Corporation.

The following table contains a summary of quarterly results of the last eight quarter-ends.

<u>Quarter ended</u>	<u>Net income (loss)</u>	<u>Comprehensive Income (loss)</u>	<u>Net income per share</u>
September 31,2014	(492,302)	(492,302)	(0.02)
June 30, 2014	(347,154)	(407,154)	(0.02)
March 31,2014	(232,478)	(172,478)	0.00
December 31, 2013	(339,219)	(339,219)	(0.05)
September 30, 2013	(28,982)	(28,982)	(0.01)
June 30, 2013	(8,144)	(8,144)	0.00
March 31, 2013	(3,353)	(3,353)	0.00
December 31, 2012	(4,973)	(4,973)	0.00

## 1.8 RELATED PARTY TRANSACTIONS

### 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:

<b>Related party transactions</b>	<b>Three-months period ended September 30, 2013 \$</b>	<b>Three-months period ended September 30, 2014 \$</b>
Management fees	106,618	-
Share based payments	-	-
	<u>106,618</u>	<u>-</u>

At the end of the period, a receivable of \$9,773 was due by a related party. During the period, companies controlled by officers and directors charged \$3,000 as office expenses and rent.

During the period, legal fees in the amount of \$13,790 were paid to a company in which a director is a partner (nil for the period ended September 30, 2013). This transaction did not provide for special terms and conditions and no guarantees were given or received.

During the first nine months ending September 30, 2014, according to an exploration management agreement dated October 10, 2013, the Corporation paid \$36,915 to a related party representing 8% of the exploration charges incurred for the period.

In the 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 periods ended March 31, 2013 and 2012). This transaction did not provide for special terms and conditions and no guarantees were given or received.

In the period ended March 31, 2014, the Corporation entered into two agreements to acquire mining properties with 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 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).

On April 24 2014, on a total 7,800,000 common shares to be remitted by the Corporation on behalf of Zippler Inc. for the acquisition of Zippler's intangible assets, a first tranche of 500,000 common shares, valued at \$60,000, was issued by the Corporation to purchase the intangible assets acquired by its 100% subsidiary, Zippler Inc.. This resulted in a debt of \$60,000 in Zippler' individual financial statements and a receivable for the same amount in the Corporations individual financial statements; furthermore, during the period, an additional \$229,050 was advanced for product development (intangible assets) and general purposes. These inter-company receivable and payable transactions were eliminated in the consolidated financial statements.

On July 4th, 2014, the Corporation finalized an agreement in which it purchased through its 70% subsidiary, Zencig Corp, all assets of Zen eCigarette Inc. and paid on behalf of its subsidiary, an amount of \$167,500. Furthermore, during the period, an additional \$160,996 was advanced for the development of the commercial activities and for general administration purpose. These inter-company receivable and payable were eliminated in the consolidated financial statements.

## **1.9 LIQUIDITY AND CAPITAL RESOURCES**

The Corporation has a positive working capital of \$618,616 as at September 30, 2014 (negative \$41,367 as at September 30, 2013) including cash of \$205,046. As at September 30, 2014, the Corporation had \$360,000 to spend in exploration and evaluation work in order to comply with the requirements of flow-through financing (nil as at September 30, 2013 and 2012).

The Corporation's principal source of financing is equity financing, the success of which depends on capital markets, the attractiveness of exploration companies to investors, and metal prices. To continue its future exploration activities and be able to support its ongoing operations, the Corporation will need to maintain and expand its relationships with the financial community in order to obtain further equity financing. A financing is mandatory to pay the working capital and to continue the exploration and evaluation of the mining properties.

As of September 30, 2014, there is significant doubt as to the Corporation's ability to meet all its liabilities and commitments as they will fall due, to pay its administrative costs and exploration and evaluation expenses and to pursue its research for new mining properties. There are no guarantees that measures taken by management will be successful.

#### **1.10 OFF-BALANCE SHEET ARRANGEMENTS**

The Corporation has not entered into any off-balance sheet arrangements including, without limitation, in respect of guarantee contracts, contingent interests in assets transferred to entities, derivative financial obligations, or in respect to any obligation under a variable interest equity arrangement.

#### **1.11 CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. There is a full disclosure and description of the Corporation's significant accounting policies, critical policies estimates, judgments and assumptions in the financial statements for the period ended September 30, 2014. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

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

##### **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 exploration and evaluation assets. After capitalization, mining properties are reviewed for impairment annually and if there is any indication that the carrying amount may not be recoverable.

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.

#### **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.

#### **Provisions and contingent liabilities**

Judgements 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 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.

Areas of significant judgement include:

#### **Going concern**

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

### **1.12 NEW ACCOUNTING STANDARDS NOT YET ADOPTED**

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. 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 decide to defer to a date to be announced, the implementation of IFRS 9.

### **1.13 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

#### **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 policies for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The company's overall risk management program seeks to minimize potential adverse effects on the company'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, bad market conditions could result in the disposal of its listed shares at less than value as at September 30, 2014. A 1% variation in the closing price on the stock market would result in a non-material variation.

#### **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 and 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 flows primarily from its financing activities.

Management estimates that the funds as at September 30, 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, if any, over 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 above-mentioned forecasts. Accounts payable and accrued liabilities as at September 30, 2014 consist of items that should be settled within approximately 30 days (note1 to the financial statements for information on going concern).

#### **1.14 RISKS AND UNCERTAINTIES**

An investment in the common shares of the Corporation should be considered highly speculative for a variety of reasons. The following is a general description of certain significant risk factors which should be considered:

- Risks Inherent to Mining Exploration

The Corporation is engaged in the business of acquiring and exploring mineral properties in the hope of locating economic deposits of minerals. The Corporation's property interests are in the exploration and evaluation stage only and are without a known body of commercial ore. Accordingly, there is little likelihood that the Corporation will realize any profits in the short to medium term. Any profitability in the future from the Corporation's business will be dependent upon locating an economic deposit of minerals. However, there can be no assurance, even if an economic deposit of minerals is located, that it can be commercially mined.

- Regulation and Environmental Requirements

The activities of the Corporation require permits from various governmental authorities and are governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, environmental protection and other matters. Increased costs and delays may result of the need to comply with applicable laws and regulations. If the Corporation is unable to obtain or renew licenses, approvals and permits, it may be curtailed or prohibited from proceeding with exploration or development activities.

- Capital Needs

The exploration and evaluation, development, mining and processing of the Corporation's properties may require substantial additional financing. The only current source of future funds available to the Corporation is the sale of additional equity capital and the borrowings of funds. There is no assurance that such funding will be available to the Corporation or that it will be obtained on terms favourable to the Corporation or will provide the Corporation with sufficient funds to meet its objectives, which may adversely affect the Corporation's business and financial position.

In addition, any future equity financings by the Corporation may result in a substantial dilution of the existing shareholders. Failure to obtain sufficient financing may result in delaying or indefinite postponement of further exploration and evaluation, development or production on any or all of the Corporation's properties or even a loss of property interest.

- Commodity Prices

The market price of the Corporation's common shares, its financial results and its exploration and evaluation, development and mining activities have previously been, or may in the future be, significantly adversely affected by the volatility in the price of precious or base minerals, including lithium and phosphate.

- Uninsured Risks

The Corporation's business is subject to a number of risks and hazards, including environmental conditions adverse, environmental regulations, political uncertainties, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Corporation's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

- Going Concern

The future of the Corporation depends on its ability to finance its activities and to develop its assets. Failure to obtain sufficient financing may result in the Corporation not being able to continue its operations, realize its assets and discharge its liabilities in the normal course of business in the foreseeable future.

#### **1.15 QUALIFIED PERSON**

Donald Theberge, Eng., P.Geo., is the Qualified Person under National Instrument 43-101 who has reviewed the scientific and technical information in this document.

#### **1.16 OUTLOOK**

The availability of funds is a function of the capital markets. The Corporation is confident to be in a position to finance itself and to find new mining properties.

The Corporation's ability to continue as a going concern is dependent upon raising additional funds. The outcome of these matters cannot be predicted at this time.

#### **1.17 SUBSEQUENT EVENTS**

On November 20th, 2014, the Corporation completed a non-brokered private placement of 2,333,333 common shares of the Corporation at a price of \$0.15 per share for total gross proceeds of \$350,000.

#### **1.18 DISCLOSURE OF OUTSTANDING SHARE AND WARRANT DATA**

Disclosure of outstanding securities as at November 28, 2014

Common shares outstanding	31,231,610
Options outstanding	1,725,000

<b>Number of options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
1,725,000	\$0.10	April 9, 2019
1,725,000		

Warrants outstanding 4,737,611

<b>Number of warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
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
300,000	\$0.22	January 3, 2016
200,000	\$0.20	April 7, 2016
4,937,611		

#### **1.19 ADDITIONNAL INFORMATION AND CONTINUOUS DISCLOSURE**

Additional information on the Corporation is available through regular filings of quarterly financial statements and press releases on SEDAR ([www.sedar.com](http://www.sedar.com)) or on our web site

#### **CORPORATE INFORMATION**

##### **Management**

(s) Stéphane Leblanc  
 Stéphane Leblanc  
 President

(s) Daniel Bélisle  
 Daniel Bélisle  
 Chief Financial Officer

##### **Directors**

Stéphane Leblanc  
 Patricia Lafontaine  
 Guy-Paul Allard  
 Claude Rousseau

##### **Transfer agent**

Computershare Canada  
 1500 University, Suite 700  
 Montréal (Québec) H3A 3S8

##### **Head office**

800 René-Lévesque, O  
 Suite #425  
 Montréal (Québec) H3B 1X9  
 Tel : 418-717-2553

##### **Auditors**

Raymond Chabot Grant Thornton  
 Montreal (Quebec)

##### **Legal Advisors**

Dentons Canada  
 Montreal (Quebec)