

# GENIUS PROPERTIES LTD.

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Interim Financial Statements

**First quarter ended March 31, 2015**

(In Canadian dollars, unless otherwise stated)

**Genius Properties Ltd.**  
Interim Statements of Financial Position  
(Unaudited)  
(in Canadian dollars)

	March 31 2015 \$	December 31 2014 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 6)	57 964	322,855
Amounts receivable (note 7)	58 842	119,162
Prepaid expenses	62 573	107,836
Inventories (note 8)	287 991	210,616
	<u>467 370</u>	<u>760,469</u>
<b>Non-current assets</b>		
Investment (note 9)	12 881	12,881
Exploration and evaluation assets (note 10)	758 180	752,721
Property and equipment (note 11)	233,040	233,509
Intangible assets (note 12)	552,231	513,144
	<u>1,556,332</u>	<u>1,512,255</u>
<b>Total assets</b>	<u>2,023,702</u>	<u>2,272,724</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	629 221	526,448
Other liability (note 13)	122 962	122,962
Short term portion of long term loan (note 14)	16 875	22,500
	<u>769,058</u>	<u>671,910</u>
<b>Non-current liability</b>		
Long term loan (note 14)	<u>202,500</u>	<u>202,500</u>
<b>Total liabilities</b>	<u>971,558</u>	<u>874,410</u>
<b>Equity</b>		
Share capital (note 15)	4,911,496	4,911,496
Shares to issue	26,000	26,000
Warrants (note 15)	204,134	204,134
Contributed surplus	3,829,155	3,829,155
Deficit	(7,845,563)	(7,474,665)
	<u>1,125,222</u>	<u>1,496,120</u>
Non-controlling interests	<u>(73,078)</u>	<u>(97,806)</u>
<b>Total equity</b>	<u>1,052,144</u>	<u>1,398,314</u>
<b>Total liabilities and equity</b>	<u>2,023,702</u>	<u>2,272,724</u>

**Going concern** (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 consolidated interim financial statements.

# Genius Properties Ltd.

## Interim Statements of Comprehensive Income (Loss)

(Unaudited)

For the three months periods ended March 31, 2015

(in Canadian dollars)

	<b>March 31 2015 \$</b>	<b>March 31 2014 \$</b>
<b>Expenses</b>		
General and administrative (note 18)	(354,768)	(90,421)
Impairment of exploration and evaluation assets (note 10)	-	(175,534)
General exploration, net of tax credits	-	(23,689)
Gain on warrants valuation	-	9,666
Gain on disposal of exploration and evaluation assets (note 10)	-	47,500
	<b>(354,768)</b>	<b>(232,478)</b>
<b>Operating loss</b>		
Foreign exchange loss	8,598	-
	<b>(346,170)</b>	<b>(232,478)</b>
<b>Net loss for the period</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>(346,170)</b>	<b>(172,478)</b>
<b>Net loss and comprehensive loss for the period</b>		
<b>Net loss and comprehensive loss for the period attributable to</b>		
Non-controlling interest	(73,078)	-
Equity holders of the parent	(273,092)	-
	<b>(346,170)</b>	<b>(172,478)</b>
<b>Loss per share</b> (note 17)		
Basic	(0.01)	(0.01)
Diluted earnings	(0.01)	(0.01)

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

# Genius Properties Ltd.

## Interim Statements of Changes in Equity

(Unaudited)

For the three months period ended March 31, 2015

(in Canadian dollars)

	Number of common shares	Share capital \$	Shares to issue	Warrants \$	Contributed surplus \$	Deficit \$	Non-controlling Interests \$	Total \$
	(note 15)	(note 15)	(note 15-d)	(note 15)				
Balance as at January 1, 2014	20,622,945	3,278,121	-	206,109	3,493,325	(5,823,976)	-	1,153,579
Net loss and comprehensive loss for the period	-	-	-	-	-	(172,478)	-	(172,478)
Balance as at March 31, 2014	20,622,945	3,278,121	-	206,109	3,493,325	(5,996,454)	-	981,101
Balance as at January 1, 2015	31,910,135	4,911,496	26,000	204,134	3,829,155	(7,474,665)	(97,806)	1,398,314
Net loss and comprehensive loss for the period	-	-	-	-	-	(370,898)	24,728	(346,170)
Balance as at March 31, 2015	31,910,135	4,911,496	26,000	204,134	3,829,155	(7,845,563)	(73,078)	1,052,144

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

# Genius Properties Ltd.

## Interim Statements of Cash Flows

(Unaudited)

For the three period ended March 31, 2015

(in Canadian dollars)

	2015 \$	2014 \$
<b>Cash flows provided (used in)</b>		
<b>Operating activities</b>		
Net loss for the period	(346,170)	(232,478)
Adjustments for		
Depreciation and amortization	469	-
Impairment of exploration and evaluation assets	-	175,534
Gain on disposal of exploration and evaluation assets	-	(47,500)
Gain on warrants valuation	-	(9,666)
	<u>(345,701)</u>	<u>(114,110)</u>
Net changes in working capital items		
Amounts receivable	60,320	(65,147)
Prepaid expenses	45,263	12,206
Inventories	(77,375)	-
Accounts payable and accrued liabilities	102,773	(2,274)
Short term portion of long term loan	(5,625)	-
	<u>125,356</u>	<u>(55,215)</u>
<b>Net cash used in operating activities</b>	<u>(220,345)</u>	<u>(169,325)</u>
<b>Investing activities</b>		
Acquisition of intangible assets	(39,087)	-
Disposal of exploration and evaluation assets	-	25,000
Acquisition of exploration and and evaluation assets	(5,459)	(362,331)
<b>Net cash provided by (used in) investing activities</b>	<u>(44,546)</u>	<u>(337,331)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(264,891)	(506,656)
<b>Cash and cash equivalents – Beginning of the period</b>	<u>322,855</u>	<u>739,471</u>
<b>Cash and cash equivalents – End of the period</b>	<u>57,964</u>	<u>232,815</u>
<b>Additional information</b>		
Investment received in consideration of disposal of exploration and evaluation assets	-	22,500

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

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

(in Canadian dollars)

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### 1 Incorporation, nature of activities and going concern

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

Genius Properties Ltd. registered office is located at 2735 Tebbutt, Trois-Rivières, Québec, Canada.

Genius Properties Ltd. and its subsidiaries (hereafter the "Corporation") is firstly 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 is secondly engaged in the distribution of consumable products and the development of geo-localisation software through its subsidiaries, newly created during 2014.

The Corporation's annual consolidated 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 consolidated financial statements do not reflect the adjustment's to the carrying values of assets and liabilities, expenses and statement of financial position classifications that would be necessary if the going concern assumption would not be appropriate. These adjustments could be material.

For the period ended March 31, 2015, the Corporation reported a comprehensive loss of \$346,170 (\$172,478 for the period ended March 31, 2014) and has an accumulated deficit of \$7,845,563 as at March 31, 2015 (\$7,474,665 as at December 31, 2014). In addition to ongoing working capital requirements, the Corporation must secure sufficient funding to meet its existing commitments for exploration and evaluation programs, pursue the development of the geolocation software, start its distribution activities and pay general and administration costs. As at March 31, 2015, the Corporation had negative working capital of \$301,688 (positive 88,559 as at December 31, 2014) considering cash and cash equivalents of \$57,964 (322,855 as at December 31, 2014). Management estimates that these funds will not be sufficient to meet the Corporation's obligations and budgeted assets through December 31, 2015. Any additional funding requirements 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

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

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(in Canadian dollars)

operations, and amounts realized for assets might be less than amounts reflected in these annual consolidated financial statements.

These interim consolidated financial statements were approved and authorized for issue by the board of directors on June 01, 2015.

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

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

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

#### **Basis of measurement**

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

#### **Basis of consolidation**

The consolidated financial statements include the accounts of the Corporation and those of its wholly owned subsidiary Zippler Inc. (formerly 8845131 Canada Inc.) with an incorporation in Canada on April 24<sup>th</sup>, 2014 and those of its 70% owned subsidiary Zencig Corp., with an incorporation in USA in July 2014, who purchased all assets of ZenECigarettes Inc. on July 4<sup>th</sup>, 2014.

The financial statements of the subsidiaries are prepared for the same reporting period as the Corporation, using consistent accounting policies. The subsidiaries have a reporting date of December 31. The Corporation attributes total comprehensive loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. All intra-group transactions and balances are eliminated in full on consolidation.

A subsidiary is an entity over which the Corporation has control. The Corporation controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is acquired and de-consolidated from the date that control ceases.

#### **Cash and cash equivalents**

Cash and cash equivalents include deposits held with banks and a guaranteed investment certificate with a maturity less than one year.

#### **Inventories**

Inventories are composed of consumable products which are valued at the lower of cost and net realizable value. The cost is determined using the average cost method.

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

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(in Canadian dollars)

The cost of inventories include the acquisition cost and other costs incurred to bring the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

### **Foreign currency translation**

Functional and presentation currency

Items included in the financial statements of each consolidated entity in the Corporation group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of each consolidated entity.

Transactions and balances

Foreign currency transactions are translated into the functional currency of each entity of the group using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive loss.

Non-monetary assets and liabilities are translated at historical rates, unless such assets and liabilities are carried at market value, in which case, they are translated at the exchange rate in effect at the date of the statement of financial position.

### **Property and equipment**

Property and equipment are held at cost less accumulated depreciation and amortization, and accumulated impairment losses. Cost includes all costs incurred initially to acquire or construct an item of property and equipment, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs incurred subsequently to add to or replace part thereof. Recognition of costs in the carrying amount of an item of property and equipment ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is recognized on a straight-line basis to write down the cost to its estimated residual value, with a constant charge over the useful life of the asset. Depreciation of an asset begins when it is available for use, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The periods applicable are as follows:

Useful life

Building - 20 years

Machinery and equipment - 5 years

Office furniture - 5 years



# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

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(in Canadian dollars)

Computer equipment - 3 years

The residual value, depreciation method and useful life of each asset are reviewed at least at each financial year-end. The carrying amount of an item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognized.

### **Intangible assets**

The Corporation intangible assets include a patent and technical specifications acquired. The original purchased cost incurred and the subsequent internal development costs are capitalized. Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- The development costs can be measured reliably
- The project is technically and commercially feasible
- The Corporation intends to and has sufficient resources to complete the project
- The Corporation has the ability to use or sell the software
- The software will generate probable future economic benefits

Development costs not meeting these criteria for capitalisation and expenditures on the research phase of the projects are expensed as incurred. Directly attributable costs include costs incurred on software development.

The Zencig trademark will be amortized on a straight-line basis over a ten year period, the contractual life of the trademark, once it will be approved by the regulatory authorities. As at December 31, 2014, this approval is still pending but management has no indication that its submission would not be authorized.

As for the web application resulting from the completion of development of the technical specifications acquired, as it is not in service as at December 31, 2014, it has not been amortized.

### **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 consolidated statement of comprehensive 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 with economic potential or to obtain more information about existing mineral deposits.

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 consolidated statements of comprehensive loss. In the case of partial sale, if the carrying costs exceed the proceeds, only the losses are recorded.

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

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(in Canadian dollars)

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.

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 consolidated 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 consolidated 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 title. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

### **Impairment of exploration and evaluation assets and other non-financial assets**

Exploration and evaluation assets and other non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Intangible assets that are not yet in service are reviewed for impairment on an annual basis even if there is no indication of impairment. 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.

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

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(in Canadian dollars)

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.

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 consolidated statement of comprehensive loss. 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 loss or in equity, in which case it is recognized in other comprehensive 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 consolidated 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.

### **Flow through shares**

The Corporation finances some E&E expenditures through the issuance of flow through shares. 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

# **Genius Properties Ltd.**

## **Notes to Condensed Interim Financial Statements**

(Unaudited)

For the three months period ended March 31, 2015

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(in Canadian dollars)

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 will be reversed as a deferred income tax recovery in the consolidated statement of comprehensive 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 based on estimates made by management. The Corporation records those tax credits when there is reasonable assurance with regards to collections and assessments and that the Corporation will comply with the conditions associated to them.

### **Share-based compensation**

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Corporation cannot estimate reliably the fair value of the goods or services received, the Corporation shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and other providing similar services, the Corporation measures the fair value of the services received by reference to the fair value of the equity instrument granted.

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 account stock options. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately in the consolidated statement of comprehensive 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 is calculated by dividing the loss attributable to ordinary equity holders of the parent company by 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

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

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(in Canadian dollars)

expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the consolidated 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:

- i) *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 consolidated statements of comprehensive loss. Gains and losses arising from changes in fair value are presented in the consolidated statements of comprehensive 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 consolidated statement of financial position date, which is classified as non-current.
- ii) *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 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 consolidated statement of comprehensive loss as part of interest income. Dividends on available for sale equity instruments are recognized in the consolidated statement of comprehensive 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 loss to the consolidated statement of comprehensive loss.
- iii) *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 recognized at fair value adjusted for transaction costs. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.
- iv) *Financial liabilities at amortized cost:* Financial liabilities at amortized cost are initially recognized at fair value adjusted for transaction costs. They are measured subsequently 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.

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

(in Canadian dollars)

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The Corporation's financial instruments consist of the following:

	<b>Category</b>
Cash and cash equivalents	Loans and receivables
Amounts 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 (except Part XII.6 tax)	Financial liabilities at amortized cost
Long term loan	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 consolidated statement of comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive loss 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.

### **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 CSE 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.

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

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### 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 operates in three segments separately managed: the first segment is the acquisition, exploration and development of mineral properties. The second segment, since April 24th, 2014, was created with the acquisition by its subsidiary, Zippler Inc. (formerly 8845131 Canada Inc.), of the intangible assets more described as a geolocation based application and social network. During the year, there was no material activity in this segment. The third segment, since July 4<sup>th</sup>, 2014, was created with the acquisition by its subsidiary Zencig Corp, of all the assets of ZenECigarettes Inc. Zencig Corp is a distributor of electronic cigarettes. During the year, there was purchases of inventory but no sales were concluded. Each segment refers to a different entity of the group.

### Operating lease agreements

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are charged to the consolidated statement of comprehensive loss on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses, are charged to income as incurred.

## 3 Critical accounting estimates, judgments and assumptions

Many of the amounts included in the consolidated 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 consolidated financial statements.

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

a) 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. Areas of significant judgments in assessing whether the going concern assumption is appropriate relate to expected timing to secure its financing on a timely basis.

# Genius Properties Ltd.

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b) Capitalisation of internally developed software

Distinguishing the research and development phases of an internally developed software determining whether the recognition requirements for the capitalisation of developments costs are met requires judgments. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

c) Recognition of deferred income tax assets and measurement of income tax expenses

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income exist in the future to utilize these losses within the carry-forward period. By its nature this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

Areas of estimation uncertainty include:

a) Impairment of exploration and evaluation 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:

- i) 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;
- ii) Substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned;
- iii) 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
- iv) 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.



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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 consolidated 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.

d) Share-based compensation expense

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Corporation has made estimates as to the volatility of its own shares, the probable life of options and the time of exercise of those options. The model used by the Corporation is the Black-Scholes model.

e) Impairment test of property and equipment and intangible assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment, losses are a subjective process involving judgment and a number of estimates and interpretations in many cases. 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

# Genius Properties Ltd.

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the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined.

### 4 New accounting standards

Certain pronouncements issued by the International Accounting Standards Board (IASB) became mandatory for the period beginning on January 1, 2014. The following new standards and amendments have been adopted by the Corporation in preparing these consolidated financial statements.

#### IFRIC 21, Levies (“IFRIC 21”)

In May 2013, the IASB issued IFRIC 21, which provides guidance on accounting for levies in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The adoption of IFRIC 21 did not affect the Corporation for any period presented.

#### **Accounting standards issued but not yet applied**

At the date of authorization of these consolidated financial statements, certain new standards, and amendments to existing standards, have been published by the IASB that are not yet effective, and have not been adopted early by the Corporation. Information on those expected to be relevant of the Corporation’s consolidated financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Corporation’s accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Corporation’s consolidated financial statements.

#### *IFRS 9, Financial Instruments (“IFRS 9”)*

The IASB recently released IFRS 9 ‘Financial Instruments’ (2014), representing the completion of its project to replace IAS 39 ‘Financial Instruments: Recognition and Measurement’. The new standard introduces extensive changes to IAS 39’s guidance on the classification and measurement of financial assets and introduces a new ‘expected credit loss’ model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Corporation’s management have yet to assess the impact of IFRS 9 on these consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

# Genius Properties Ltd.

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### 5 Acquisition of assets

Zippler Inc. (100% owned subsidiary)

On April 24<sup>th</sup>, 2014, the Corporation's wholly owned subsidiary Zippler Inc. (formerly 8845131 Canada Inc.) purchased all assets from Zippler Inc. ("Zippler"), technical specifications related to a geolocation based application and social network. According to the terms of the agreement, the owners and inventors of Zippler will receive up to 7.8 million shares for the technical specifications, payable in several tranches upon reaching established milestones, as consideration for all intangible assets of Zippler acquired and as defined in the agreement.

As per the agreement, the intangible assets purchased included:

- i) Patent #61976124 deposited at the United States Patent and Trademark Office and all moral rights and form of intellectual property linked with this patent
- ii) Trade mark Zippler
- iii) Internet site and domain attached for Zippler
- iv) All other assets linked to the platform and web applications or social network, using this geolocation algorithm based on the location and preference of users in function of other users, individual or enterprises

According to the terms of the agreement, the Corporation will remit 7.8 million shares as consideration to the private owners and inventors of Zippler for the technical specifications payable in several tranches upon reaching established milestones; a first tranche of 500,000 shares was issued on the signing of the agreement at \$0.12 per share, for a total of \$60,000. 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.

At the date of transaction, the cost for this acquisition is valued at \$250,000, which represents the estimated fair value of the assets acquired. The fair value was established as being the replacement cost of and was assigned to the technical specifications. No value was assigned to the other assets acquired as per the agreement as their fair value is deemed nil at acquisition date.

Zencig Corp (70% owned subsidiary)

On July 4<sup>th</sup>, 2014, the Corporation's 70% owned subsidiary Zencig Corp., acquired all the following assets of ZenECigarettes Inc:

- i) An inventory of 7,101 eCigarettes units
- ii) The data base of potential clients
- iii) The intellectual property for the business, namely the web site, the domain Zencig.com
- iv) Patent #86226489 deposited at the United States Patent and Trademark Office and all moral rights and form of intellectual property linked with this patent.

All assets were purchased for \$167,500, represented by the payment, in cash, of \$125,000 and the settlement of \$42,500 of a due to a supplier of the seller. An amount of \$158,343 was assigned to the Patent and the residual to the inventory. No value was assigned to the other assets acquired as per the agreement as their fair value is deemed nil at acquisition date.

# Genius Properties Ltd.

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### 6 Funds reserved for E&E expenditures

On December 10th and December 27th, 2013, the Corporation closed two flow-through financings totalling \$809,000; the Corporation had until December 31st, 2014 to spend \$809,000 on exploration and evaluation work. As at December 31, 2014, the Corporation had \$141,340 not spent on those flow-through financings, resulting in an amount of \$17,400 being accounted for Part XII.6 tax, classified in accounts payable and accrued liabilities. On December 29 2014, the Corporation closed one flow-through financing for \$245,925; the Corporation has until December 31, 2015 to spend this flow-through financing in order to comply with the requirements of flow-through financing.

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.

Cash and cash equivalents are composed of the following as at March 31:

	2015 \$	2014 \$
Cash at bank and on hand	17,964	229,845
Cash in trust	-	53,010
Guaranteed investment certificate, 0,8 % maturing in July 2015	40,000	40,000
	<u>57 964</u>	<u>322,855</u>

### 7 Amounts receivable

	2015 \$	2014 \$
Tax credit receivable	572	572
Sales tax receivable	33,322	70,905
Other receivables (1)	24,948	47,685
	<u>58,842</u>	<u>119,162</u>

(1) Includes an amount of \$9,773 receivable from a related party by virtue of common management and directors.

### 8 Inventory

	2015 \$	2014 \$
Consumable products	287,991	210,616

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### 9 Investment

	2015 \$	2014 \$
Balance – Beginning of the period	12,881	29,749
Acquisition (a) (b)	-	45,000
Disposition (c)	-	(67,500)
Net change in fair value	-	5,632
Balance – End of the period	12,881	12,881

- (a) On November 26<sup>th</sup>, 2013, the Corporation signed an agreement which was modified on January 24<sup>th</sup>, 2014, for the disposition of 50% of the Monster Lake property. As part of the selling price, 1,500,000 shares and 1,000,000 warrants of Mazorro Resources Inc. (“MR”) were received and recorded at estimated fair value, using the Black-Scholes model
- (b) During 2014, the Corporation received a second tranche of 1,500,000 shares of MR valued at \$45,000 on the date of transfer
- (c) During the year ended December 31, 2014, the Corporation sold the 3,000,000 shares of MR which resulted in a \$81,061 gain on sale
- (d) The net change in fair value of \$5,632 refers to the change in fair value of the year of the 1,000,000 warrants received from MR. The fair value of the warrants is based on the Black-Scholes valuation model, using a risk-free rate of 1.00%, an expected life of one year, an annualized volatility of 100% and a dividend rate of 0%
- (e) The estimated fair value of the 1,000,000 warrants is \$12,881 on March 31, 2015

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### 10 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

	2015					Balance March 31, 2015 \$
	Balance January 1, 2015 \$	Additions \$	Option payments \$	Tax credits \$	Write-off & Impairment \$	
<i><b>Precious metals</b></i>						
Monster Lake(50%) Mining rights	8,238	-	-	-	-	8,238
Exploration and evaluation	106,411	-	-	-	-	106,411
	<u>114,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,649</u>
Noranda-South Mining rights	2,564	-	-	-	-	2,564
Exploration and evaluation	28,200	-	-	-	-	28,200
	<u>30,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,764</u>
Sapeena Mining rights	5,695	-	-	-	-	5,695
Exploration and evaluation	7,622	-	-	-	-	7,622
	<u>13,317</u>	<u>-</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>18,537</u>	<u>-</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>13,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,945</u>

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<b>Quebec properties</b>	<b>Balance January 1, 2014 \$</b>	<b>Additions \$</b>	<b>Option payments \$</b>	<b>Tax credits \$</b>	<b>Write-off &amp; Impairment \$</b>	<b>Balance December 31, 2014 \$</b>
<b><i>Base metals</i></b>						
Dalquier Mining rights	22,238	-	-	-	-	22,238
Exploration and evaluation	129,547	4,126	-	-	-	133,673
	<u>151,785</u>	<u>4,126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,911</u>
Matagami Mining rights	6,917	-	-	-	-	6,917
Exploration and evaluation	-	-	-	-	-	-
	<u>6,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,917</u>
Ruby Lake Mining rights	1,220	-	-	-	-	1,220
Exploration and evaluation	5,081	-	-	-	-	5,081
	<u>6,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,301</u>
Massicotte Est (40%) Mining rights	-	-	-	-	-	-
Exploration and evaluation	82,253	-	-	-	-	82,253
	<u>82,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,253</u>
<b><i>Industrial metals</i></b>						
Josephis Lake Mining rights	3,255	-	-	-	-	3,255
Exploration and evaluation	-	-	-	-	-	-
	<u>3,255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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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	Balance January 1, 2014 \$	Additions \$	Option payments \$	Tax credits \$	Write-off & Impairment \$	Balance December 31, 2014 \$
<b>Quebec properties</b>						
Port-Daniel Mining rights	4,678	-	-	-	-	4,678
Exploration and evaluation	27,600	-	-	-	-	27,600
	<u>32,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,278</u>
<b>Wapooos</b>						
Mining rights	2,848	-	-	-	-	2,848
Exploration and evaluation	23,652	-	-	-	-	23,652
	<u>26,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,500</u>
Zynclinal Mining rights	-	-	-	-	-	-
Exploration and evaluation	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><i>Special metals</i></b>						
Kontili Mining rights	1,221	-	-	-	-	1,221
Exploration and evaluation	7,444	-	-	-	-	7,444
	<u>8,665</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,665</u>
Lullwitz- Kaepelli Mining rights	611	-	-	-	-	611
Exploration and evaluation	5,200	-	-	-	-	5,200
	<u>5,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,811</u>



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<b>Quebec properties</b>	<b>Balance January 1, 2014 \$</b>	<b>Additions \$</b>	<b>Option payments \$</b>	<b>Tax credits \$</b>	<b>Write-off &amp; Impairment \$</b>	<b>Balance December 31, 2014 \$</b>
Versant REE Mining rights	814	-	-	-	-	814
Exploration and evaluation	5,581	-	-	-	-	5,581
	<u>6,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,395</u>
Gueret Guinecourt (25%) Mining rights	-	-	-	-	-	-
Exploration and evaluation	54,690	-	-	-	-	54,690
	<u>54,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,690</u>
Montagne B (25%) Mining rights	-	853	-	-	-	853
Exploration and evaluation	32,400	-	-	-	-	32,400
	<u>32,400</u>	<u>853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,253</u>
Other properties Mining rights	12,985	480	-	-	-	13,465
Exploration and evaluation	131,071	-	-	-	-	131,071
	<u>144,056</u>	<u>480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,536</u>
<b><u>SUMMARY</u></b>						
Mining rights	87,165	1,333	-	-	-	88,498
Exploration and evaluation	665,556	4,126	-	-	-	669,682
	<u>752,721</u>	<u>5,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>758,180</u>

### 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

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

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### **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 (received in 2013), 1,500,000 shares (received in 2013) and 1,000,000 warrants (received in 2013). 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 at that date on the Monster Lake property;
- At the delivery of the technical report, \$25,000 (received) and 1,500,000 shares (received);
- At the date of depositing the report on Sedar, \$10,000 (received);
- 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.

During the year ended December 31, 2014, the Corporation received \$35,000 plus 1,500,000 shares with a fair value of \$45,000 for a total gain on disposal of exploration and evaluation assets of \$80,000.

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 company owned by the president of the Corporation, 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 Inc. a related party by virtue of common management and directors, 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.

# **Genius Properties Ltd.**

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### **e) Montagne “B” property**

On July 1<sup>st</sup>, 2014, the Corporation entered into an agreement with a close relative of the president of the Corporation, to acquire a 25% interest in 55 claims named Montagne “B” property in the Abitibi region, in consideration of all costs associated with an airborne survey (electromagnetic and magnetic) of the 55 claims. Exploration on the Montagne “B” is oriented towards the search for special metals).

### **f) Gueret & Guinecourt lake property**

On October 1<sup>st</sup>, 2014, the Corporation entered into an agreement with a company owned by the president of the Corporation, to acquire a 25% interest in 31 claims named Gueret & Guinecourt property in the Abitibi region, in consideration of all costs associated with an airborne survey (electromagnetic and magnetic) of the 31 claims. Exploration on the Gueret & Guinecourt property is oriented towards the search for special metals.

### **g) Impairment of mining rights**

As at December 31, 2014, 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 therefore, a total impairment charge of \$368,284 was accounted for the year ended December 31<sup>st</sup>, 2014 (\$150,313 in 2013).

As at March 31, 2015, the Corporation holds interest in a total of 776 claims.

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

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### Costs and movements of E&E assets

Quebec properties	2014					Balance December 31, 2014
	Balance January 1, 2014	Additions	Option payments	Tax credits	Write-off & Impairment	
	\$	\$	\$	\$	\$	\$
<b><i>Precious metals</i></b>						
Brosnor-North Mining rights	1424	-	-	-	(1,424)	-
Exploration and evaluation	-	-	-	-	-	-
	<u>1424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,424)</u>	<u>-</u>
Monster Lake(50%) 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	530	-	-	-	2,564
Exploration and evaluation	-	28,200	-	-	-	28,200
	<u>2,034</u>	<u>28,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,764</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>13,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,945</u>

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

(in Canadian dollars)

<b>Quebec properties</b>	<b>Balance January 1, 2014 \$</b>	<b>Additions \$</b>	<b>Option payments \$</b>	<b>Tax credits \$</b>	<b>Write-off &amp; Impairment \$</b>	<b>Balance December 31, 2014 \$</b>
<b><i>Base metals</i></b>						
Dalquier Mining rights	27,933	-	-	-	(5,695)	22,238
Exploration and evaluation	-	132,729	-	-	(3,182)	129,547
	<u>27,933</u>	<u>132,729</u>	<u>-</u>	<u>-</u>	<u>(8,877)</u>	<u>151,785</u>
Matagami Mining rights	234,724	-	-	-	(227,807)	6,917
Exploration and evaluation	-	-	-	-	-	-
	<u>234,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(227,807)</u>	<u>6,917</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>
Massicotte Est (40%) Mining rights	-	-	-	-	-	-
Exploration and 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>

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

(in Canadian dollars)

<b>Quebec properties</b>	<b>Balance January 1, 2014 \$</b>	<b>Additions \$</b>	<b>Option payments \$</b>	<b>Tax credits \$</b>	<b>Write-off &amp; Impairment \$</b>	<b>Balance December 31, 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>
<b>Wapoos</b>						
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>(203)</u>	<u>-</u>
<b><u>Special metals</u></b>						
Kontili 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- Kaepelli Mining rights	1,017	-	-	-	(406)	611
Exploration and evaluation	-	5,200	-	-	-	5,200
	<u>1,017</u>	<u>5,200</u>	<u>-</u>	<u>-</u>	<u>(406)</u>	<u>5,811</u>

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

(in Canadian dollars)

<b>Quebec properties</b>	<b>Balance January 1, 2014 \$</b>	<b>Additions \$</b>	<b>Option payments \$</b>	<b>Tax credits \$</b>	<b>Write-off &amp; Impairment \$</b>	<b>Balance December 31, 2014 \$</b>
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>
Gueret Guinecourt (25%) Mining rights	-	-	-	-	-	-
Exploration and evaluation	-	54,690	-	-	-	54,690
	<u>-</u>	<u>54,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,690</u>
Montagne B (25%) Mining rights	-	-	-	-	-	-
Exploration and evaluation	-	32,400	-	-	-	32,400
	<u>-</u>	<u>32,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,400</u>
Other properties Mining rights	131,365	-	-	-	(118,380)	12,985
Exploration and evaluation	-	131,071	-	-	-	131,071
	<u>131,365</u>	<u>131,071</u>	<u>-</u>	<u>-</u>	<u>(118,380)</u>	<u>144,056</u>
<b><u>SUMMARY</u></b>						
Mining rights	449,449	2,818	-	-	(365,102)	87,165
Exploration and evaluation	1,078	667,660	-	-	(3,182)	665,556
	<u>450,527</u>	<u>670,478</u>	<u>-</u>	<u>-</u>	<u>(368,284)</u>	<u>752,721</u>

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

(in Canadian dollars)

### 11 Property and equipment

	Building \$	Machinery and equipment \$	Office furniture \$	Computer equipment \$	Total \$
<b>Gross carrying amount</b>					
Balance January 1 <sup>st</sup> , 2015	226,156	3,095	1,195	4,382	234,828
Acquisition	-	-	-	-	-
Balance March 31 <sup>st</sup> , 2015	226,156	3,095	1,195	4,382	234,828
<b>Accumulated depreciation and impairment</b>					
Balance January 1 <sup>st</sup> , 2015	(942)	(103)	(60)	(214)	(1,319)
Depreciation	-	(155)	(60)	(238)	(453)
Balance March 31 <sup>st</sup> , 2015	(942)	(258)	(120)	(452)	(1,772)
<b>Net carrying value March 31, 2015</b>	<b>225,214</b>	<b>2,837</b>	<b>1,075</b>	<b>3,930</b>	<b>233,040</b>

	Building \$	Machinery and equipment \$	Office furniture \$	Computer equipment \$	Total \$
<b>Gross carrying amount</b>					
Balance January 1 <sup>st</sup> , 2014	-	-	-	-	-
Acquisition	226,156	3,095	1,195	4,382	234,828
Balance December 31 <sup>st</sup> , 2014	226,156	3,095	1,195	4,382	234,828
<b>Accumulated depreciation and impairment</b>					
Balance January 1 <sup>st</sup> , 2014	-	-	-	-	-
Depreciation	(942)	(103)	(60)	(214)	(1,319)
Balance December 31 <sup>st</sup> , 2014	(942)	(103)	(60)	(214)	(1,319)
<b>Net carrying value December 31, 2014</b>	<b>225,214</b>	<b>2,992</b>	<b>1,135</b>	<b>4,168</b>	<b>233,509</b>



# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

(in Canadian dollars)

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### 12 Intangible assets

	March 31, 2015 \$	December 31, 2014 \$
Balance – Beginning of year	513,144	-
Technical specifications (note 5)	-	250,000
Patent (note 5)	-	158,343
Increase during the period (a)	39,087	104,801
	<hr/>	<hr/>
Balance – End of period	552,231	513,144
	<hr/>	<hr/>

(a) Represents the development costs incurred following the acquisition of the technical specifications as described in note 5.

### 13 Other liability

	March 31, 2015	December 31, 2014
Balance – Beginning of year	122,962	-
Increase during the year (note 15-a)	-	122,962
	<hr/>	<hr/>
Balance – End of period	122,962	122,962
	<hr/>	<hr/>

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

(in Canadian dollars)

### 14 Long term loan

	2015 \$	2014 \$
Balance – Beginning of year	225,000	-
Increase during the year (a)	-	202,500
Refund at the end of March 31, 2015	5,625	
Current portion of the debt (a)	-	22,500
Balance – End of year	219,375	225,000

- a) A term loan was contracted for the acquisition of the Trois-Rivières warehouse. Condition's of the loan include an interest rate of prime plus 1.4% (4,4% as at December 31, 2014), with a term of one year renewable automatically for a period of 10 years. The loan is secured by a first-ranking immovable hypothec on the warehouse for which the net carrying amount is \$225,214 as at December 31, 2014, a first-ranking hypothec on \$25,000 on securities owned by a shareholder of the Corporation and on personal deposit certificates for \$25,000 owned by the president of the Corporation. A monthly payment of \$1,875 is required for capital reimbursement per the agreement.

### 15 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:
- i) On December 29th, 2014, the Corporation completed a private placement of 1,229,625 flow-through shares at a price of \$0.20 per share for a cash consideration of \$245,925 and 148,900 common shares at a price of \$0.15 for a consideration of \$22,335; total financing being \$268,260 with no warrants issuance. An amount of \$122,962 was reduced from share capital and recorded in Other liability, resulting from a flow-through issuance at premium. Total share issue costs amounted to \$27,371 which includes an amount of \$2,146 as the fair value of the issuance of 111,212 broker warrants; each broker warrant entitles its holder to purchase one common share at \$0.20 for a period of 12 months. The fair value of the broker warrants was based on the Black-Scholes valuation model, using a stock price of \$0.10, a risk-free rate of 1.01%, an expected life of one year, an annualized volatility of 100% and a dividend rate of 0%.
  - ii) On November 21<sup>st</sup>, 2014, the Corporation completed a private placement with the issuance of 2,333,333 shares at a price of \$0.15 per share for a total cash consideration of \$350,000. Share issuance costs amounted to \$5,750. No warrants were issued during this share issuance.

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

(in Canadian dollars)

- iii) 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 \$217,500. Share issuance costs amounted to \$2,296. During this placement, 300,000 warrants were also 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 stock price of \$0.24, a risk-free rate of 1.13%, an expected life of eighteen months, an annualized volatility of 100% and a dividend rate of 0%.
- iv) On June 19<sup>th</sup>, 2014, the Corporation completed a private placement with the issuance of 6,905,332 shares at a price of \$0.15 per share for a total cash consideration of \$1,035,820. Share issuance costs amounted to \$15,585. No warrants were issued during this share issuance. A subscription of \$105,000 was receivable on June 19<sup>th</sup>, 2014 and at the request of the holder, the check and the corresponding 700,000 shares certificate was kept in escrow with the legal advisor of the Corporation. As the check could not be deposited because of lack of funds by December 31<sup>st</sup>, 2014, the shares certificate was cancelled by the legal advisor of the Corporation; therefore, the revised share issuance for this private placement is 6,205,332 shares at a price of \$0.15 per share for a total cash consideration of \$930,820.
- c) Share issuance for the acquisition of intangible assets:
- On April 24<sup>th</sup>, 2014, Zippler Inc (formerly 8845131 Canada Inc.) signed an agreement for the acquisition of 100 % of the assets of Zippler Inc., a geolocation based application and social network. As described in note 5), a first tranche of 500,000 common shares of the Corporation, at \$0.12 per share for a total consideration of \$60,000, was issued by the Corporation to purchase the intangible assets acquired by its subsidiary.
- d) Share issuance for contract settlement:
- On December 22<sup>th</sup>, 2014, the Corporation and North Lion Holding Corp. signed an agreement to settle and terminate the consulting agreement between the parties. It was decided by the parties to issue 200,000 shares to North Lion Holding Corp. and pay expenses incurred of US\$1,320. As at December 31, 2014, the shares were still to be issued and accounted as shares to issue in equity as the year-end closing price. They were issued on January 29, 2015.

### Changes in Corporation warrants are as follows:

Share purchase warrants	Number	2015	Number	2014
		Weighted average exercise price \$		Weighted average exercise price \$
Balance – Beginning of the period	4,612,323	0,29	4,437,611	0.29
Issued	-	-	411,212	0.22
Expired	-	-	(236,500)	(0.18)
Balance – End of the period	4,612,323	0,29	4,612,323	0.29

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

(in Canadian dollars)

		<b>March 31, 2015</b>
<b>Number of warrants</b>	<b>Exercise price \$</b>	<b>Expiry date</b>
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
111,212	0.20	December 29, 2015
300,000	0.22	January 4, 2016

The weighted average contractual life of all warrants outstanding is 9 months as at March 31, 2015.

		<b>December 31, 2014</b>
<b>Number of warrants</b>	<b>Exercise price \$</b>	<b>Expiry date</b>
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
111,212	0.20	December 29, 2015
300,000	0.22	January 4, 2016

The weighted average contractual life of all warrants outstanding is 12 months as at December 31, 2014.

## 16 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, 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, an officer, an employee or consultant of the Corporation or up to twelve months after the beneficiary has left.

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

(in Canadian dollars)

	March 31, 2015		December 31, 2014	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
<b>Stock option</b>				
<b>Balance – Beginning of year</b>				
Granted	1,725,000	0.10	-	-
<b>Balance – End of period</b>	1,725,000	0.10	1,725,000	0.10
<b>Options exercisable end of period</b>	1,725,000	0.10	1,725,000	0.10

On April 10th, 2014, the Corporation granted an aggregate of 1,725,000 options to its directors, officers and consultants with employee-related functions. The options are fully vested on the day of granting, in accordance with the option plan. The options issued are exercisable at the price of \$0.10 until April 9<sup>th</sup>, 2019. The fair value of these options was estimated at \$122,468 using the Black-Scholes option-pricing model with the following assumptions stock price \$0.10, expected dividend yield 0%, expected volatility 100%, expected forfeiture rate of 5%, risk free rate of 1.67% and expected life of 5 years.

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

For the year ended March 31, 2015, the stock-based compensation charged to the consolidated statement of comprehensive loss was \$0 (December 31, 2014 – \$122,468).

As at March 31, 2015, the Corporation had the following stock options outstanding:

Expiry date	Exercise price \$	Options granted	Number of options exercisable	Remaining contractual life (years)
April 9, 2019	0.10	1,725,000	1,725,000	4.00

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

(in Canadian dollars)

### 17 Net loss per share

The calculation of basic net loss per share is based on the net loss for the year divided by the weighted average number of shares outstanding during the year.

	<b>March 31, 2015</b>	<b>March 31, 2014</b>
	<b>\$</b>	<b>\$</b>
Net loss for the year attributable to the equity holders of the parent	(346,170)	(232,478))
Weighted average number of common shares outstanding	20,622,945	20,622,945
Basic and diluted loss per share	(0.01)	(0.01)

Excluded from the calculation of the diluted loss per share for the year ended March 31, 2015 are 4,612,323 share purchase warrants and 1,725,000 stock options because to include them would be anti-dilutive as they would have the effect of decreasing the loss per share.

### 18 General and administrative expenses

#### Expense by nature

	<b>March 31, 2015</b>	<b>March 31, 2014</b>
	<b>\$</b>	<b>\$</b>
<b>General and administrative</b>		
Office expenses and rent	89,800	12,980
Consulting and management fees	118,675	36,904
Share-based compensation expense	-	-
Professional fees	103,269	22,381
Public company expenses	8,357	14,180
Depreciation and amortization	453	-
Business development	34,214	3,976
	<b>354,768</b>	<b>90,421</b>

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

(in Canadian dollars)

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### 19 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:

Related party transactions	March 31, 2015 \$	March 31, 2014 \$
Management fees	73,500	33,000
Legal fees (b)	4,571	40,472
Share-based compensation expenses	-	-
	<u>78,071</u>	<u>73,472</u>

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 \$4,571 were paid to a company in which a director is a partner (\$40,472 for the period ended March 31, 2014). Accounts payable and accrued liabilities include an amount of \$183,004 due to this related party.

These transactions did not provide for special terms and conditions and no guarantees were given or received.

During the year ended December 31, 2014, the Corporation entered into agreements to acquire mining properties with a company in which the Chief executive officer ("CEO") of the Corporation is also a director. 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.

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

(in Canadian dollars)

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### 20 Capital management policies and procedures

The Corporation considers the items included in equity and long term loan 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 as well as to pursue through commercialization the development of its geolocation application.

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 6). The Corporation finances its exploration and evaluation activities, as well as its other 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 consolidated statements of Changes in Equity and the related notes. There were no changes in the Corporation's approach to capital management during the year, except to include the long term loan to the managed capital as at December 31, 2014, following the conclusion of this financing during the year. The amounts managed as capital by the Corporation is therefore \$1,623,314 (\$1,153,579 as at December 31, 2013).

### 21 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 consolidated statement of comprehensive loss. Those categories are: fair value through profit or loss; 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 December 31, 2014 and 2013:



# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

(in Canadian dollars)

<b>Financial instruments</b>	<b>March 31, 2015</b>	<b>December 31, 2014</b>
	<b>\$</b>	<b>\$</b>
<b>Loans and receivable</b>		
Cash and cash equivalents	57,964	322,855
Amounts receivable	58,842	119,162
	<u>116,806</u>	<u>442,017</u>
<b>Available for sale investment</b>		
Investment	-	-
<b>Financial assets at fair value through profit or loss</b>		
Investment	12,881	12,881
<b>Liabilities – amortized cost</b>		
Accounts payable and accrued liabilities (except Part XII.6 tax)	535,821	433,048
Long term loan	219,375	225,000
	<u>755,196</u>	<u>658,048</u>

### Fair values, including valuation methods and assumptions

As at March 31, 2015, the fair value of the investment is \$12,881 (December 31, 2014 – \$12,881); the carrying values of cash and cash equivalents, amounts receivable, accounts payables and accrued liabilities (except Part XII.6 tax) approximate their fair value due to their relative short maturities. The fair value of the long term loan approximates in carrying amount given the loan bears interest at variable rate classified at level 2 of the fair value hierarchy. The methods and assumptions used in estimating the fair value of available for sale financial assets are as follows:

- Investment: Investment includes warrants of an emerging issuer engaged in mineral exploration held by the Corporation. As at March 31, 2015, the value of the warrants is \$12,881. The value of the warrants was calculated using a Black-Scholes model, using an expected time-period of one year, a risk free interest rate of 1.007%, 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 assets and liabilities that are recognized on the consolidated 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).

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

(in Canadian dollars)

- Level 3: Inputs for the asset or liabilities that are not based on observable market data.

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

	2015			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Investment</b>	-	-	11,281	11,281

	2014			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Investment</b>	-	-	11,281	11,281

### Financial risks factors

The Corporation's activities expose it to a variety of financial risks: market risk (including interest rate risk, and price risk), credit risk and liquidity risk. Risk management is carried out by management under policies approved by the Board of directors. The board 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.

#### i) Price risk

The Corporation is exposed to equity securities price risk because of the 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. A 1% variation in the closing price on the stock market would result in an estimated loss of nil in 2015 (\$nil in 2014).

#### ii) 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 and cash equivalents and amount receivables. The Corporation reduces its credit risk by maintaining part of its cash and cash equivalents in financial instruments held with a Canadian chartered bank. Amount receivables is continually monitored to ensure its collection. Therefore, credit risk is not considered significant.

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

(in Canadian dollars)

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### iii) 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 generates cash flow primarily from its financing activities. Management estimates that the funds as at March 31, 2015 will not be sufficient to meet the Corporation's obligations and budgeted assets through December 31, 2015. 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 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 (except Part XII.6 tax) as at March 31, 2015 consist of items that should be settled within approximately 30 days (see note 1 for information on going concern).

	<b>Carrying amount</b>	<b>Current</b>	<b>1 to 5 years</b>	<b>Later than 5 years</b>	<b>Total</b>
<b>Long-term loan</b>	225,000	31,864	144,469	97,755	274,088

### iv) Interest rate risk

As at March 31, 2015, the Corporation is exposed to changes in market interest through long term loan at variable interest rate.

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

(in Canadian dollars)

### 22. Segmented information

The company operates in 3 different segments but has not earned any revenues during the period ended March 31, 2015.

<b>Assets</b>	<b>Genius (mining activities)</b>	<b>Zippler (technology)</b>	<b>Zencig (distribution)</b>	<b>Total</b>
<b>Current assets</b>	428,141	7,828	31,401	<b>467,370</b>
<b>Non-current assets</b>				
Property and equipment	231,657	-	1,383	<b>233,040</b>
Exploration and evaluation assets	758,180	-	-	<b>758,180</b>
Intangible assets	-	384,999	167,232	<b>552,231</b>
Other	12,881	-	-	<b>12,881</b>
<b>Current liabilities</b>	(648,590)	(63,828)	(56,640)	<b>(769,058)</b>
<b>Non-current liabilities</b>	(202,500)	-	-	<b>(202,500)</b>
<b>Total</b>	<b>579,769</b>	<b>328,999</b>	<b>143,376</b>	<b>1052,144</b>

# Genius Properties Ltd.

## Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

(in Canadian dollars)

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### 23 Commitments

#### Lease agreements

As at March 31, 2015, the Corporation has the following commitments under the terms of a lease agreement for a vehicle ending in August 2016 and of a rental agreement for a warehouse located in the United States, ending in July 2015.

	Vehicle	Warehouse	Total
2015	21,369	11,310	32,679
2016	14,246	-	14,246

### 24 Subsequents events

Genius Properties Ltd. announce that further to its news release of May 21, 2015, it has completed the arms-length acquisition of all the assets of Reïva, composed primarily of a portfolio of proprietary brands and exclusive recipes of natural and functional beverages and related products.

**Principal Terms of Transaction** Under the terms of the transaction, Genius will issue to Reïva an aggregate thirty million (30,000,000) new common shares (the "Consideration Shares") from the Corporation's share capital. The Consideration Shares will be subject to a thirty-six (36) month escrow, in accordance with CSE policies and applicable securities regulation.

Denis Richard, the founder of Reïva, is officially named President and Chief Executive Officer of Genius and Stéphane Leblanc is named Executive Vice-President and Secretary. Mr. Leblanc also remain as a Director of the Corporation. In connection with the transaction, finder's fees totaling 1,400,000 shares will be issued by Genius to a non-arm's length party who was specifically commissioned and without whom the transaction would otherwise not have been entered into. The Shares issued as finder's fees will be subject to a twelve (12) month escrow, in accordance with CSE policies and applicable securities regulation.

# **Genius Properties Ltd.**

Notes to Condensed Interim Financial Statements

(Unaudited)

For the three months period ended March 31, 2015

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(in Canadian dollars)