

## FORM 52-110F2 DISCLOSURE BY VENTURE ISSUERS

### AUDIT COMMITTEE

*National Instrument 52-110 – Audit Committees* (“NI 52-110”) requires the Corporation, as a venture issuer, to disclose annually in its Information Circular certain information concerning the constitution of its Audit Committee and its relationship with its independent auditor. The following is the Corporation’s required annual disclosure.

#### **Charter of the Audit Committee**

The Corporation’s Audit Committee is governed by an audit committee charter, a copy of which is attached hereto as Schedule “A”.

#### **Composition of the Audit Committee**

The Corporation’s Audit Committee is comprised of three (3) directors, Stéphane Leblanc, Neil Novak and a third member to be appointed after the Meeting. Each member of the Audit Committee is financially literate, as such term is defined in NI 52-110, and two of the members, Neil Novak and the future appointee, are independent, as such term is defined in NI 52-110.

#### **Education and Relevant Experience**

The education and related experience of each of the members of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee is set out below:

**Stéphane Leblanc** has 12 years’ experience in the mining industry. He is currently a director as well as President and CEO of Canadian Metals Inc. a CNSX-listed mineral exploration company since July 2013. He is also President of 9248 a corporation doing business under the name *Quebec Mineral Properties*. 9248 is a private holding company that owns and manages a portfolio of mining claims located in the province of Quebec.

**Neil Novak** is an exploration geologist and consultant. He has been on the Board of Directors of Noront Resources Ltd. (was also VP Exploration for Noront), Simberi Mining Corporation, Cadillac Ventures Inc. and Renforth Resources Inc. He is the President and CEO and director of a public exploration company Black Widow Resources Inc. and continues to own and manage a private family owned geological consulting company Nominex Ltd.

#### **Audit Committee Oversight**

At no time since the commencement of the Corporation’s financial year ended December 31, 2015 was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

#### **Reliance on Certain Exemptions**

At no time since the commencement of the Corporation’s financial year ended December 31, 2015 has the Corporation relied on the exemption provided under Section 2.4 of NI 52-110 (*De minimis Non-audit Services*) or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 (*Exemptions*).

However, the Corporation is a “venture issuer” as defined in NI 52-110 and is relying on the exemption contained in Section 6.1 of NI 52-110, which exempts the Corporation from the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

### **Pre-Approval Policies and Procedures**

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services.

### **External Auditor Service Fees**

The fees paid by the Corporation to its auditor in its previous three financial year-ends, by category, are as follows:

<b>Financial Year Ended</b>	<b>Audit Fees</b>	<b>Audit-Related Fees</b>	<b>Tax Fees</b>	<b>All Other Fees</b>
December 31, 2015	\$38,000	\$Nil	\$Nil	\$Nil
December 31, 2014	\$26,250	\$Nil	\$Nil	\$Nil
December 31, 2013	\$14,000	\$Nil	\$Nil	\$Nil

### **Exemption**

As a « venture issuer » within the meaning of NI 52-110, the Corporation is relying upon the exemption provided by section 6.1 of NI 52-110, which exempts venture issuers from the requirements of Part 3, *Composition of Audit Committee* and Part 5, *Reporting Obligations* of NI 52-110.

## SCHEDULE A

### AUDIT COMMITTEE CHARTER

This charter (the “**Charter**”) sets forth the purpose, composition, responsibilities, duties, powers and authority of the Audit Committee (the “**Committee**”) of the directors (the “**Board**”) of Genius Properties Ltd. (“**Genius Properties**”).

#### 1. Purpose

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to:

- financial reporting and disclosure requirements;
- ensuring that an effective risk management and financial control framework has been implemented by management of Genius Properties; and
- external and internal audit processes.

#### 2. Composition and Membership

- a. The members (collectively "**Members**" and individually a "**Director**") of the Committee shall be appointed by the Board to serve one-year terms and shall be permitted to serve an unlimited number of consecutive terms. . The Board may remove a Member at any time and may fill any vacancy occurring on the Committee. A member of the Committee may resign at any time and a member of the Committee will cease to be a member of the Committee upon ceasing to be a director of Genius Properties.
- b. The Committee will consist of at least three members. If the composition of the Board permits it, a majority of the members of the Committee should be a Director who is independent and every member of the Committee must be financially literate to the extent required by (and subject to the exemptions and other provisions set out in) applicable laws, rules, regulations and stock exchange requirements (collectively "**Applicable Laws**"). In this Charter, the terms "independent" and "financially literate" have the meaning ascribed to such terms by Applicable Laws and include the meaning given to similar terms herein by Applicable Laws to the extent such similar latter terms are applicable under Applicable Laws.
- c. The chairman of the Committee will be appointed by the Board and confirmed by the Committee or appointed by the Committee from time to time and must have such accounting or related financial management expertise as the Board or Committee may determine in their business judgment. The secretary of Genius Properties (the “**Secretary**”) will be the secretary of all meetings and will maintain minutes of all meetings, deliberations and proceedings of the Committee. In the absence of the Secretary at any meeting, the Committee will appoint another person who may, but need not, be a Member to be the secretary of that meeting.

### **3. Meetings**

- a. Meetings of the Committee will be held at such times and places as the Chairman may determine, but in any event not less than two (2) times per year. Any member of the Committee or the auditor of Genius Properties may call a meeting of the Committee at any time upon not less than forty-eight (48) hours advance notice is given to each member of the Committee orally, by telephone, by facsimile or by email, unless all Members are present and waive notice, or if those absent waive notice before or after a meeting. Members may attend all meetings either in person or by conference call.
- b. At the request of the external auditors of Genius Properties, the Chief Executive Officer or the Chief Financial Officer of Genius Properties or any member of the Committee, the Chairman will convene a meeting of the Committee. Any such request will set out in reasonable detail the business proposed to be conducted at the meeting so requested.
- c. The Chairman, if present, will act as the Chairman of meetings of the Committee. If the Chairman is not present at a meeting of the Committee, then the Members present may select one their number to act as Chairman of the meeting.
- d. A majority of Members will constitute a quorum for a meeting of the Committee. Each Member will have one vote and decisions of the Committee will be made by an affirmative vote of the majority. The Chairman will not have a deciding or casting vote in the case of an equality of votes. Powers of the Committee may also be exercised by written resolution signed by all Members.
- e. The Committee may invite from time to time such persons as the Committee considers appropriate fit to attend its meetings and to take part in the discussion and consideration of the affairs of the Committee, except to the extent the exclusion of certain persons is required pursuant to this Charter or by Applicable Laws. The Committee will meet in camera without management at each meeting of the Committee.
- f. In advance of every regular meeting of the Committee, the Chairman, with the assistance of the Secretary, will prepare and distribute to the Members and others as deemed appropriate by the Chairman, an agenda of matters to be addressed at the meeting together with appropriate briefing materials. The Committee may require officers and employees of Genius Properties to produce such information and reports as the Committee may deem appropriate in order to fulfill its duties.

### **4. Duties and Responsibilities**

The duties and responsibilities of the Committee as they relate to the following matters, to the extent considered appropriate or desirable or required by Applicable Laws, are to:

#### **4.1 Financial Reporting and Disclosure**

- a. review and recommend to the Board for approval, the audited annual financial statements of Genius Properties, including the auditors' report thereon, the quarterly financial statements of Genius Properties, the management discussion and analysis of Genius Properties, financial reports of Genius Properties, guidance with respect to earnings per share, and any public release of financial information of Genius Properties through press release or otherwise, with such documents to indicated whether such information has been reviewed by the Board or the Committee;

- b. review and recommend to the Board for approval, where appropriate, financial information contained in any prospectuses, annual information forms, annual report to shareholders, management proxy circular, material change disclosures of a financial nature and similar disclosure documents;
- c. review with management of Genius Properties and with external auditors significant accounting principles and disclosure issues and alternative treatments under International Financial Reporting Standards (“IFRS”) all with a view to gaining reasonable assurance that financial statements are accurate, complete and present fairly Genius Properties’ financial position and the results of its operations in accordance with IFRS;
- d. annually review Genius Properties’ corporate disclosure policy and recommend any proposed changes to the Board for consideration; and
- e. review the minutes from each meeting of the disclosure committee of Genius Properties established pursuant to Genius Properties’ corporate disclosure policy, since the last meeting of the Committee.

#### **4.2 Internal Controls and Audit**

- a. review and assess the adequacy and effectiveness of Genius Properties’ system of internal control and management information systems through discussions with management and the external auditor to ensure that Genius Properties maintains: (a) the necessary books, records and accounts in sufficient detail to accurately and fairly reflect Genius Properties’ transactions; (b) effective internal control systems; and (c) adequate processes for assessing the risk of material misstatement of the financial statement and for detecting control weaknesses or fraud. From time to time the Committee will assess whether a formal internal audit department is necessary or desirable having regard to the size and stage of development of Genius Properties at any particular time;
- b. satisfy itself that management has established adequate procedures for the review of Genius Properties’ disclosure of financial information extracted or derived directly from Genius Properties’ financial statements;
- c. periodically assess the adequacy of such systems and procedures to ensure compliance with regulatory requirements and recommendations;
- d. review and discuss the major financial risk exposures of Genius Properties and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities;
- e. review and assess, and in the Committee’s discretion make recommendations to the Board regarding, the adequacy of Genius Properties’ risk management policies and procedures with regard to identification of Genius Properties’ principal risks and implementation of appropriate systems to manage such risks including an assessment of the adequacy of insurance coverage maintained by Genius Properties; and
- f. review and assess annually, and in the Committee’s discretion make recommendations to the Board regarding, the investment policy of Genius Properties;

#### **4.3 External Audit**

- a. recommend to the Board a firm of external auditors to be engaged by Genius Properties;

- b. ensure the external auditors report directly to the Committee on a regular basis;
- c. review the independence of the external auditors, including a written report from the external auditors respecting their independence and consideration of applicable auditor independence standards;
- d. review and approve the compensation of the external auditors, and the scope and timing of the audit and other related services rendered by the external auditors;
- e. review the audit plan of the external auditors prior to the commencement of the audit;
- f. establish and maintain a direct line of communication with Genius Properties' external and internal auditors;
- g. meet in camera with only the auditors, with only management, and with only the Members at every Committee meeting;
- h. review the performance of the external auditors who are accountable to the Committee and the Board as representatives of the shareholders, including the lead partner of the independent auditors team;
- i. oversee the work of the external auditors appointed by the shareholders of Genius Properties with respect to preparing and issuing an audit report or performing other audit, review or attest services for Genius Properties, including the resolution of issues between management of Genius Properties and the external auditors regarding financial disclosure;
- j. review the results of the external audit and the report thereon including, without limitation, a discussion with the external auditors as to the quality of accounting principles used, any alternative treatments of financial information that have been discussed with management of Genius Properties, the ramifications of their use as well as any other material changes. Review a report describing all material written communication between management and the auditors such as management letters and schedule of unadjusted differences;
- k. discuss with the external auditors their perception of Genius Properties' financial and accounting personnel, records and systems, the cooperation which the external auditors received during their course of their review and availability of records, data and other requested information and any recommendations with respect thereto;
- l. review the reasons for any proposed change in the external auditors which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed auditors before making its recommendations to the Board; and
- m. review annually a report from the external auditors in respect of their internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues.

#### **4.4 Associated Responsibilities**

- a. monitor and periodically review the whistleblower policy and associated procedures for:

- i. the receipt, retention and treatment of complaints received by Genius Properties regarding accounting, internal accounting controls or auditing matters;
  - ii. the confidential, anonymous submission by directors, officers and employees of Genius Properties of concerns regarding questionable accounting or auditing matters; and
  - iii. any violations of any Applicable Laws that relate to corporate reporting and disclosure, and
- b. review and approve the hiring policies of Genius Properties regarding employees and partners, and former employees and partners, of the present and former external auditor of Genius Properties;

#### **4.5 Non-Audit Services**

Pre-approve all non-audit services to be provided to Genius Properties or any subsidiary entities by its external auditors or by the external auditors of such subsidiary entities. The Committee may delegate to one or more of its members the authority to pre-approve non-audit services but pre-approval by such Member or Members so delegated shall be presented to the full audit committee at its first scheduled meeting following such pre-approval.

#### **4.6 Oversight Function**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that Genius Properties' financial statements are complete and accurate or are in accordance with IFRS and applicable rules and regulations. These are the responsibilities of Management and the external auditors. The Committee, the Chairman and any Members identified as having accounting or related financial expertise are Directors, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of Genius Properties, and are specifically not accountable or responsible for the day to day operation or performance of such activities. Although the designation of a Member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of a Member who is identified as having accounting or related financial expertise, like the role of all Members, is to oversee the process, not to certify or guarantee the internal or external audit of Genius Properties' financial information or public disclosure.

#### **5. Reporting**

The Committee shall provide the Board with a summary of all actions taken at each Committee meeting or by written resolution. The Committee will annually review and approve the Committee's report for inclusion in the management proxy circular. The Secretary will circulate the minutes of each meeting of the Committee and each written resolution passed by the Committee to the Board. The Committee shall produce and provide the Board with all reports or other information required to be prepared under Applicable Laws.

#### **6. Access to Information and Authority**

The Committee will be granted unrestricted access to all information regarding Genius Properties and all directors, officers and employees will be directed to cooperate as requested by Members. The Committee has the authority to retain, at Genius Properties' expense, independent legal, financial and other advisors,

consultants and experts, to assist the Committee in fulfilling its duties and responsibilities. The Committee also has the authority to communicate directly with internal and external auditors.

#### **7. Review of Charter**

The Committee will annually review and assess the adequacy of this Charter and recommend any proposed changes to the Board for consideration.