

**GENIUS PROPERTIES LTD.**  
*Consolidated interim financial report*  
Third quarter ended September 30, 2016

# GENIUS PROPERTIES LTD.

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## CONSOLIDATED FINANCIAL REPORT

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### CONSOLIDATED INTERIM FINANCIAL REPORT

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# GENIUS PROPERTIES LTD.

## CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (Unaudited)

As at

(in Canadian dollars)

	Notes	September 30, 2016	December 31, 2015
			Restated Note 5
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	56 077	210 301
Amounts receivable	11	38 328	128 887
Prepaid expenses		36 902	11 830
		<u>131 307</u>	<u>351 018</u>
<b>Non-current assets</b>			
Investment	12	111 250	22 500
Property and equipment	13	212 218	222 699
		<u>323 468</u>	<u>245 199</u>
<b>Total assets</b>		<u>454 775</u>	<u>596 217</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade accounts and other payables	15	498 321	862 707
Other liability related to flow-through financings	17	53 820	53 820
Loan payable to a director, without interest (effective rate of 12%), payable in January 2016		-	55 000
Bank loan	16	185 625	202 500
<b>Total liabilities</b>		<u>737 766</u>	<u>1 174 027</u>
<b>EQUITY</b>			
Share capital	17	9 355 552	9 152 333
Shares to be issued (cancelled)	17	15 000	(875 000)
Warrants	17	171 529	167 570
Contributed surplus		4 090 310	4 058 488
Deficit		(13 758 703)	(12 908 046)
<b>Total equity attributable to owners of the parent company</b>		<u>(126 312)</u>	<u>(404 655)</u>
Non-controlling interest		(156 679)	(173 155)
<b>Total equity</b>		<u>(282 991)</u>	<u>(577 810)</u>
<b>Total liabilities and equity</b>		<u>454 775</u>	<u>596 217</u>

Going concern (Note 2)

Subsequent events (Note 27)

Approved by the Board of Directors

/s/ Jimmy Gravel

Director

/s/ Marc Duchesne

Director

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

## GENIUS PROPERTIES LTD.

### CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)

For the nine months periods ended September 30, 2016

(in Canadian dollars)

	Notes	Three-months period ended		Nine-months period ended	
		September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
<b>Expenses</b>					
Exploration and evaluation expenditures	19	72 504	10 466	632 747	20 482
General and administrative expenses	20	141 621	171 015	412 782	847 421
Write-off of intangibles assets			167 231	-	167 231
Write-off of inventories			287 991	-	287 991
<b>Operating loss before other expenses (revenues), income tax and loss from discontinued operations</b>		<u>214 125</u>	<u>636 703</u>	<u>1 045 529</u>	<u>1 323 125</u>
<b>Other expenses (revenues)</b>					
Net change in fair value of investments		750	(15 000)	(51 750)	(15 000)
Financial expenses	21	4 439	-	26 762	-
Exchange loss (gain)		(11 809)	(277)	(12 814)	(8 817)
Gain on disposal of investments		(1 615)	-	(1 615)	-
Gain on disposal of mining assets		(45 522)	(16 055)	(43 750)	(16 055)
Gain on settlement of payables		13 207	-	(128 181)	-
		<u>(40 550)</u>	<u>(31 332)</u>	<u>(211 348)</u>	<u>(39 872)</u>
<b>Net loss and comprehensive loss</b>		<u><u>173 575</u></u>	<u><u>605 371</u></u>	<u><u>834 181</u></u>	<u><u>1 283 253</u></u>
<b>Net loss from continuing operations attributable to :</b>					
Shareholders of Genius Properties Ltd.		190 488	552 943	850 657	1 154 432
Non-controlling interests		(16 913)	52 428	(16 476)	128 821
		<u>173 575</u>	<u>605 371</u>	<u>834 181</u>	<u>1 283 253</u>
<b>Basic and diluted loss per share</b>					
Basic and diluted loss per share from continuing operations					
		<u>(0.00)</u>	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.02)</u>
<b>Basic and diluted loss per share</b>					
		<u>(0.00)</u>	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.02)</u>
<b>Weighted average number of common shares outstanding</b>					
		<u>67 639 256</u>	<u>44 187 058</u>	<u>65 189 609</u>	<u>35 004 930</u>

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

## GENIUS PROPERTIES LTD.

### CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (Unaudited)

For the six months periods ended June 30, 2016

(in Canadian dollars)

	Notes	Share capital		Shares to be issued (cancelled)	Warrants	Contributed surplus	Deficit	Total attributable to owners of the parent company	Non-controlling interest	Total equity
		Number	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance on January 1st, 2015</b>										
Balance as previously reported		31 910 135	4 911 496	26 000	204 134	3 829 155	(8 258 752)	712 033	(66 440)	645 593
Change in accounting policy	5	-	-	-	-	-	-	-	-	-
<b>Balance as restated</b>		<u>31 910 135</u>	<u>4 911 496</u>	<u>26 000</u>	<u>204 134</u>	<u>3 829 155</u>	<u>(8 258 752)</u>	<u>712 033</u>	<u>(66 440)</u>	<u>645 593</u>
Net loss and comprehensive loss							1 154 432	1 154 432	128 821	1 283 253
Sharee issued by private placement		3 091 663	185 500	-	-	-	-	-	-	185 500
Settlement of payables		1 400 000	42 000	-	-	-	-	-	-	42 000
Penalty for contract cancellation		200 000	26 000	(26 000)	-	-	-	-	-	-
Shares issued to paid account payables		3 693 212	221 593							221 593
Share based compensation expense						24 200				24 200
<b>Balance on September 30, 2015</b>		<u>40 295 010</u>	<u>5 386 589</u>	<u>-</u>	<u>204 134</u>	<u>3 853 355</u>	<u>(7 104 320)</u>	<u>2 339 758</u>	<u>62 381</u>	<u>2 402 139</u>
<b>Balance on January 1st, 2016</b>		85 485 410	9 152 333	(875 000)	167 570	4 058 488	(12 908 046)	(404 655)	(173 155)	(577 810)
Issuance of shares										
Payment of exploration and evaluation expenditures	3	14 852 000	582 600	-	-	-	-	582 600	-	582 600
Cancellation on acquisition of assets	3	(30 000 000)	(900 000)	900 000	-	-	-	-	-	-
Private Placement		3 200 000	145 000	15 000	23 200	-	-	183 200	-	183 200
Penalty for contract cancellation	17	7 260 000	333 600	(25 000)	-	-	-	308 600	-	308 600
Issuance of option										
Cancellation of options			42 019			(42 019)				
Share-based payments						54 600		54 600		54 600
Expiry of warrants	17	-	-	-	(19 241)	19 241	-	-	-	-
		(4 688 000)	203 219	890 000	3 959	31 822	-	1 129 000	-	1 129 000
Net loss and comprehensive loss							(850 657)	(850 657)	16 476	(834 181)
<b>Balance on September 30, 2016</b>		<u>80 797 410</u>	<u>9 355 552</u>	<u>15 000</u>	<u>171 529</u>	<u>4 090 310</u>	<u>(13 758 703)</u>	<u>(126 312)</u>	<u>(156 679)</u>	<u>(282 991)</u>

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

# GENIUS PROPERTIES LTD.

## CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (Unaudited)

For the six periods ended June 30, 2016

(in Ca

	Notes	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015
<b>OPERATING ACTIVITIES</b>					
Net loss from continuing operations		(173 575)	(610 830)	(834 181)	(1 283 253)
Non-cash profit or loss items					
Amounts receivable		83 916	672	90 559	27 128
Prepaid expenses		19 143	2 407	(25 072)	87 573
Inventories		-	77 375	-	-
Short term portion of long term loan		(5 625)	(7 500)	(16 875)	(16 875)
Trade accounts and others payables		(58 703)	(253 297)	(318 997)	53 233
Share-based payment		54 600	(17 800)	77 800	24 200
Depreciation - Property and equipment	13	3 494	3 470	10 481	10 356
Gain on settlement payables		96 000	-	(45 388)	-
Gain on disposal of exploration and evaluation assets			(16 055)		(16 055)
Shares issued as a payment of consulting fees		-	263 593	308 600	263 593
Net change in fair value of investments		(36 250)	(15 000)	(88 750)	(15 000)
Write-off of intangible assets			167 231		167 231
Write-off of inventories			210 616		210 616
Share issued as an acquisition of mining rights		-	-	582 600	-
		<u>(17 000)</u>	<u>(195 118)</u>	<u>(259 223)</u>	<u>(487 253)</u>
<b>Net cash related to operating activities</b>					
<b>INVESTING ACTIVITIES</b>					
Acquisition of intangible assets		-	30 000	-	(39 867)
Increase in exploration and evaluation assets		-	-	-	-
		<u>-</u>	<u>30 000</u>	<u>-</u>	<u>(39 867)</u>
<b>Net cash related to investing activities</b>					
<b>FINANCING ACTIVITIES</b>					
Short term loan		-	3 000	(55 000)	59 500
Issuance of shares under private placement		15 000	185 500	160 000	185 500
<b>Net cash related to financing activities</b>		<u>15 000</u>	<u>188 500</u>	<u>105 000</u>	<u>245 000</u>
<b>Net decrease in cash</b>		(2 000)	23 382	(154 223)	(282 120)
<b>Cash and cash equivalents, beginning of period</b>		<u>58 078</u>	<u>17 353</u>	<u>210 301</u>	<u>322 855</u>
<b>Cash, end of period</b>		<u><u>56 078</u></u>	<u><u>40 735</u></u>	<u><u>56 078</u></u>	<u><u>40 735</u></u>

Interest paid

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

# GENIUS PROPERTIES LTD.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

For the nine months periods ended September 30, 2016

(in Canadian dollars)

### NOTE 1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

Genius Properties Ltd. and its subsidiaries (hereafter the "Corporation") was engaged in the acquisition and exploration of mineral properties, in the distribution of consumable products and the development of a geo-localisation software through its subsidiaries, newly created during 2014. In 2015, the Corporation decided to abandon the distribution of consumable products and the development of a geo-localisation software to concentrate its effort in the acquisition and exploration of mineral properties.

Genius Properties Ltd. is incorporated under the Business Corporation Act (Alberta). The address of Genius Properties Ltd. registered office is 2735 Tebbutt, Trois-Rivières, Québec, G9A 5E1.

Genius Properties Ltd. shares are publicly traded on the Canadian Stock Exchange (CSE) under symbol "GNI".

These consolidated interim financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS"), have been approved by the Board of Directors on September 29, 2016 in preparation of their filing.

### NOTE 2. GOING CONCERN ASSUMPTION

The accompanying consolidated interim financial statements have been prepared on the basis of the a going concern assumption meaning the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business.

Given that the Corporation has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Corporation has not yet generated income nor cash flows from its operations. As at September 30, 2016, the Corporation has a deficit of \$13,758,703 (\$9,108,871 as at September 30, 2015) and a working capital deficiency of \$606,459 (working capital deficiency of \$823,009 as at December 31, 2015) which will not be sufficient to support the Corporation's needs for cash during the coming year. The Corporation will require additional funding to be able to advance and retain mining rights interest and to meet ongoing requirements for general operations. These material uncertainties cast significant doubt regarding the Corporation's ability to continue as a going concern.

The Corporation's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties and continued support of suppliers and creditors. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements and the classification used in the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate. Those adjustments could be material.

### NOTE 3. ASSETS ACQUISITIONS

#### Zippler Inc. (100% owned subsidiary)

On April 24, 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 common 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:

- Patent #61976124 deposited at the United States Patent and Trademark Office and all moral rights and form of intellectual property linked with this patent
- Trade mark Zippler
- Internet site and domain attached for Zippler
- 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 common 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 common 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 common 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.

# GENIUS PROPERTIES LTD.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

For the nine months periods ended September 30, 2016

(in Canadian dollars)

### NOTE 3. ASSETS ACQUISITIONS (CONTINUED)

#### Zencig Corp (70% owned subsidiary)

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

- An inventory of 7,101 eCigarettes units
- The data base of potential clients
- The intellectual property for the business, namely the web site, the domain Zencig.com
- 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.

#### Reiva

On May 26, 2015, the Corporation acquired from an arm's-length third party all the assets of Reiva, composed primarily of a portfolio of proprietary brands and exclusive recipes of natural and functional beverages and related products.

All assets were purchased by the issuance of 30,000,000 common shares of the Corporation at a deemed value of \$0.11 per share for a total value of \$3,300,000. The common shares issued were subject to a thirty-six (36) month escrow, in accordance with CSE policies and applicable securities regulation.

On October 27, 2015, the parties agreed to cancel the agreement signed on May 26, 2015 and return to Treasury the 30,000,000 common shares issued previously. These common shares were returned to Treasury in February 2016 and are presented as shares to be cancelled as at December 31, 2015. Share capital was reduced by \$900,000 representing the fair value of the 30,000,000 common shares at the date of the cancellation and the Corporation recorded a loss on cancellation on acquisition of assets in the consolidated statements of comprehensive loss of \$2,400,000.

### NOTE 4. DISCONTINUED OPERATIONS

On November 11, 2015, the Corporation announced that it would discontinued the distribution of consumable products under its subsidiary Zencig and the development of a geo-localisation software under its subsidiary Zippler to concentrate its effort on the acquisition and exploration of mineral properties.

Despite the current boom in e-cigarettes, several factors had a negative effect on the distribution of Zencig products. First of all, the market soon shifted from an emphasis on disposable cigarettes to an emphasis on rechargeable cigarettes. The shift actually happened in less time than it took to address the very first orders. Moreover, the negative recommendations issued by the World Health Organization (WHO) advising against the use of e-cigarettes in public spaces, not to mention a number of admittedly isolated incidents that were the subject of lawsuits and which had an impact on insurance premium increases, are among the numerous other obstacles that arose to hinder the distribution of these products. In other words, a combination of unfavourable factors has made it more commercially viable for the Corporation to take a step back from diversification.

### NOTE 5. CHANGE IN ACCOUNTING POLICIES

#### Exploration and evaluation expenditures

The Corporation retrospectively changed its accounting policy regarding exploration and evaluation expenditures in order to recognize these expenditures directly to profit or loss instead of capitalizing them as exploration and evaluation assets. Management believes that the new presentation provides a clearer picture of the expenses incurred by the Corporation, as well as the nature of these expenses, and that this method is being increasingly preferred in the mining industry.

#### Bank loan

The Corporation retrospectively reclassified from non-current to current its bank loan.



# GENIUS PROPERTIES LTD.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

For the nine months periods ended September 30, 2016

(in Canadian dollars)

### NOTE 6. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation and evaluation of financial statements

The consolidated financial statements are prepared using the significant accounting policies described in the present note. These methods have been applied consistently to all periods presented in these consolidated financial statements.

These consolidated financial statements have been prepared on a historical cost basis.

#### Basis of 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.

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.

Subsidiaries	Jurisdiction of Incorporation	% of Ownership
Zippler Inc. ("Zippler")	Canada	100%
Zencig Corp. ("Zencig")	USA	70%

#### Non-controlling interests

Non-controlling interests ("NCI") represent equity interests owned by outside parties. NCI may be initially measured either at fair value or at the NCI's proportionate share of the recognized amounts of the acquirees identifiable net assets. The choice of measurement is made on a transaction by transaction basis. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity. Total Comprehensive income of subsidiaries is attributed to the shareholders of the Corporation and to the NCI even if this results in the NCI having a deficit balance. Changes in the parent company's ownership interest that do not result in a loss of control are accounted for as equity transactions.

#### Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in the consolidated statement of comprehensive loss.

Non-monetary items are not re-translated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

#### Segment disclosure

The Corporation presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the President and the Board of Directors.

#### 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 in the consolidated statement of financial position when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

The Corporation classifies its financial instruments by category according to their nature and their characteristics. Management determines the classification when the instruments are initially recognized, which is normally the date of the transaction.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value plus directly attributable transaction costs. Subsequently, they are measured at amortized cost. The difference between the initial carrying value and the collection value is recognized in the consolidated statement of comprehensive loss over the duration of the contract using the effective interest rate method. They are presented in current assets when they are recoverable within 12 months of the end of the period; otherwise they are classified as non-current assets.

# GENIUS PROPERTIES LTD.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

For the nine months periods ended September 30, 2016

(in Canadian dollars)

### NOTE 6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If there is objective evidence of an impairment loss, the amount of the loss is equal to the difference between the carrying value of the asset and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. The carrying value of the asset is reduced by using an allowance account. When assets are deemed to be uncollectible, they are written off against the allowance account. When the amount of the impairment loss decreases in a subsequent period and when this decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal is limited to the amortized cost that would have been obtained at the date of impairment reversal had the impairment not been recognized. The amount of impairment loss and the amount of the reversal are recognized in the consolidated statement of comprehensive loss.

#### *Financial assets 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.

#### *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.

#### *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.

The Corporation's financial instruments consist of the following:

Assets / liabilities	Category	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Investments in shares	Available-for-sale financial assets	Fair value
Investments in warrants	Fair value through profit or loss	Fair value
Trade accounts and other payables (except Part XII.6 tax)	Financial liabilities	Amortized cost
Bank loan	Financial liabilities	Amortized cost

#### **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. 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.

#### **Property and equipment**

Property and equipment are stated at historical cost, less any accumulated amortization and any accumulated impairment losses. Historical cost includes all costs directly attributable to the acquisition.

Amortization of property and equipment is calculated, on components that have homogeneous useful lives, using the straight-line method over the following estimated useful lives:

Building	20 years
Machinery and equipment and office furniture	5 years
Computer equipment	3 years

Useful lives, residual values, amortization rates and amortization methods are reviewed annually. Such a review takes into consideration the nature of the assets, their intended uses and technological changes.

Gain or loss on disposal is determined by comparing the proceeds with the carrying amount and is recognized in the consolidated statement of comprehensive loss.

# GENIUS PROPERTIES LTD.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

For the nine months periods ended September 30, 2016

(in Canadian dollars)

### NOTE 6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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 Zengig 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 March 31, 2014, this approval was still pending. However, as described in Note 4, the Corporation decided not to pursue the distribution of these consumable products and therefore wrote-off its intangible asset.

As for the web application resulting from the completion of development of the technical specifications acquired, as described in Note 4, the Corporation decided not to pursue the development of the application and therefore wrote-off its intangible asset.

#### Impairment of other non-financial assets

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 non-financial assets are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the asset group to which the asset belongs.

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

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.

#### 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:

##### *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.

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.

##### *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.

# GENIUS PROPERTIES LTD.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

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(in Canadian dollars)

### NOTE 6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Equity

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.

#### *Flow-Through shares*

The Corporation finances some exploration and evaluation 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. At the time of issuance, the Corporation recognizes a deferred tax liability which represents the difference between the quoted price of the common shares and the amount the investors pay for the shares (the "premium"). This deferred tax liability is recognized as other liability related to flow-through financings and will be reversed as a deferred income tax recovery in the consolidated statement of comprehensive loss, when eligible expenditures have been incurred.

#### *Other elements of equity*

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

Warrants includes charges related to warrants not exercised.

Contributed surplus includes charges related to share options not exercised.

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

#### Exploration and evaluation expenditures

All of the Company's projects are currently in the exploration and evaluation phase.

Exploration and evaluation expenditures are costs incurred in the course of initial search of mineral deposits before the technical feasibility and commercial viability of the extraction have been demonstrated.

The costs directly related to the acquisition of the mineral property rights and the exploration expenditures incurred during the exploration and evaluation phase are expensed.

The Corporation will capitalize its exploration expenditures under property and equipment once technical feasibility and commercial viability of extracting a mineral resource are demonstrated. To date, neither the technical feasibility nor the commercial viability of a mineral resource has been demonstrated.

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 Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

#### *Disposal of interest in connection with the option agreement*

On the disposal of interest in connection with an option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the amounts received directly from the acquirer are recognized as a gain on the disposal of mining properties in the consolidated statement of comprehensive loss.

#### *Refundable tax credits for mining exploration and evaluation expenditures*

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

#### 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.

# GENIUS PROPERTIES LTD.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

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(in Canadian dollars)

### NOTE 6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

#### Leases

Leases are classified as finance leases if they transfer to the lessee substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

#### Finance leases

Assets held under finance leases are initially recognized as Corporation's assets at the fair value of the leased property or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The related liability to be paid to the lessor is recognized in the consolidated statement of financial position as a debt resulting from a finance lease.

Lease payments are apportioned between the financial expenses and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. Financial expenses are recognized directly in the consolidated statement of comprehensive loss.

#### Share-based payments

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.

#### Basic and diluted earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the earnings (loss) attributable to equity holders of the parent company by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting earnings (loss) attributable to equity holders of the parent company, and the weighted average number of common shares outstanding, by the effects of all dilutive potential common shares which include options, warrants and the conversion options of the debentures. Dilutive potential common shares are deemed to have been converted into common shares at the average market price at the beginning of the period or, if later, at the date of issue of the potential common shares.

The diluted loss per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding warrants and share options.

### NOTE 7. FUTURE CHANGES IN ACCOUNTING POLICIES

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Corporation.

Management anticipates that all of the pronouncements will be adopted in the Corporation accounting policies for the first period beginning after the effective date of each pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have an impact on the Corporation's consolidated financial statements.

# GENIUS PROPERTIES LTD.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

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### NOTE 7. FUTURE CHANGES IN ACCOUNTING POLICIES (Continued)

#### IFRS 9, « Financial instruments »

The IASB previously published versions of IFRS 9, «Financial instruments» that introduced new classification and measurement requirements in 2009 and 2010 and a new hedge accounting model in 2013. In July 2014, the IASB released the final version of IFRS 9, «Financial instruments» which replaces earlier versions of IFRS 9 issued and completes IASB's project to replace IAS 39, «Financial Instruments: Recognition and Measurement».

The standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with certain exceptions. Early adoption is permitted. The restatement for the classification and assessment presented for prior periods, particularly with respect to impairment is not required. The Corporation is still evaluating the impact of this standard on its consolidated financial statements.

### NOTE 8. ESTIMATES, JUDGMENTS AND ASSUMPTIONS

When preparing financial statements, management undertakes a number of estimates, judgments and assumptions about recognition and measurement of assets, liabilities, income and expenses. These estimates and judgments 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.

#### Judgments

The following are significant accounting policy judgments, made by management, that had the most significant effect on the consolidated financial statements of the Corporation.

#### *Going concern*

The evaluation of the Corporation's ability to continue as a going concern, to raise additional financing in order to cover its operating expenses and its obligations for the incoming year requires significant judgment based on past experience and other assumptions including the probability that future events are considered reasonable according to the circumstances. Please refer to Note 2 for further information.

#### *Recognition of deferred income tax assets and measurement of income tax expenses*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Corporation's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. If changes were made to management's assessment regarding the Corporation's ability to use future tax deductions, the Corporation could be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

#### *Capitalisation of internally developed software*

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

#### Estimates and assumptions

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

#### *Share-based payments*

The estimation of share-based payment 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 comparative corporations, the probable life of options and the time of exercise of those options. The model used by the Corporation is the Black-Scholes model.

#### *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.

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

# GENIUS PROPERTIES LTD.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

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### NOTE 9. INTERESTS IN SUBSIDIARIES

The Corporation's consolidated financial statements include one subsidiary with a material NCI.

Name	Proportion of ownership interest and voting rights held by NCI	Total Comprehensive Loss allocated to NCI	Accumulated NCI
Zencig	<u>30%</u>	<u>16,476</u>	<u>(156 679)</u>

No dividends were paid to the NCI during the year ended December 31, 2015 and 2014.

### NOTE 10. CASH AND CASH EQUIVALENTS

	September 30, 2016	December 31, 2015
Cash	\$ 56 077	\$ 210 301
	<u>56 077</u>	<u>210 301</u>

#### *Funds reserved for E&E expenditures*

On December 29, 2015, the Corporation completed a flow-through private placement of \$134,595. The Corporation has until December 31, 2016 to incur eligible exploration and evaluation expenditures in order to comply with the requirements of flow-through private placement.

There is no guarantee that the Corporation's exploration and evaluation expenditures 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.

### NOTE 11. AMOUNTS RECEIVABLE

	September 30, 2016	December 31, 2015
Sales tax receivable	\$ 34 140	\$ 117 579
Subscription receivable	-	
Other	<u>4 188</u>	<u>11 308</u>
	<u>38 328</u>	<u>128 887</u>

### NOTE 12. INVESTMENTS

	September 30, 2016	December 31, 2015
Balance, beginning of year	\$ 22 500	\$ 12 881
Acquisition	37 000	30 000
Expiry	-	(12 881)
Net change in fair value	<u>51 750</u>	<u>(7 500)</u>
Balance, end of year	<u>111 250</u>	<u>22 500</u>

#### **Investments in GrowPros Cannabis Ventures Inc.**

On November 26, 2013, the Corporation signed an agreement with Mazorro Resources Inc. ("MR") which was modified on January 24, 2014, for the disposition of 50% of the Monster Lake property in consideration of \$80,000 in cash, 3,000,000 common shares and 2,000,000 warrants as described in Note 20. On December 29, 2014, MR changed its name to GrowPros Cannabis Ventures Inc.

During the year ended December 31, 2013, the Corporation received 1,500,000 common shares and 1,000,000 warrants of MR, which were recorded at estimated fair value, using the Black-Scholes valuation model.

# GENIUS PROPERTIES LTD.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

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### NOTE 12. INVESTMENTS (Continued)

During the year ended December 31, 2014, the Corporation received a second tranche of 1,500,000 shares of MR valued at \$45,000 on the date of transfer. In addition, the Corporation sold the 3,000,000 common shares of MR which resulted in a \$81,061 gain on disposal of investments.

The net change in fair value of \$5,632 recorded in 2014 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%. The estimated fair value of the 1,000,000 warrants is \$12,881 on December 31, 2014.

During the year ended December 31, 2015, the 1,000,000 warrants expired which resulted in a \$12,881 loss on expiry of investments.

#### Investments in Black Widow Resources Inc.

On August 14, 2015, the Corporation signed an agreement for the disposition of the Vendôme-Sud property in exchange of 1,500,000 common shares of Black Widow Resources Inc. ("Black Widow") as described in Note 20. The fair value of the 1,500,000 common shares of \$30,000 was determined using the closing price of \$0.02 at the date of signature of the agreement.

#### Investments in Majescor Resources Inc.

On May 25, 2016, the Corporation signed an agreement for the disposition of the Montagne B property in exchange of 625,000 common shares of Black Widow Resources Inc. ("Black Widow") and a cash payment of \$6,250 at the signature and another 625,000 common shares and a cash payment of \$6,250 six months following signing of agreement as described in Note 20. The fair value of the 625,000 common shares of \$37,500 was determined using the closing price of \$0.06 at the date of signature of the agreement.

### NOTE 13. PROPERTY AND EQUIPMENT

	Building	Machinery and equipment	Office furniture	Computer equipment	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance as at January 1st, 2015	226 156	3 095	1 195	2 680	233 126
Acquisitions	-	4 575	-	-	4 575
Balance as at December 31, 2015	226 156	7 670	1 195	2 680	237 701
Acquisitions	-	-	-	-	-
Write-down	-	-	-	-	-
Balance as at September 30, 2016	226 156	7 670	1 195	2 680	237 701
<b>Accumulated amortization</b>					
Balance as at January 1st, 2015	942	103	60	214	1 319
Amortization	11 308	1 382	239	893	13 822
Write-down	-	-	-	(1 702)	(1 702)
Discontinued operations	-	-	-	1 563	1 563
Balance as at December 31, 2015	12 250	1 485	299	968	15 002
Amortization	8 481	670	180	1 150	10 481
Balance as at September 30, 2016	20 731	2 155	479	2 118	25 483
<b>Carrying amount</b>					
Balance as at December 31, 2015	213 906	6 185	896	1 712	222 699
Balance as at September 30, 2016	205 425	5 515	716	562	212 218



# GENIUS PROPERTIES LTD.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the nine months periods ended September 30, 2016

(in Canadian dollars)

### NOTE 14. INTANGIBLE ASSETS

	September 30, 2016	December 31, 2015
	\$	\$
Balance, beginning of year	-	513 144
Technical specifications	-	-
Patent	-	-
Acquisition of assets	-	3 300 000
Cancellation on acquisition of assets	-	(3 300 000)
Other additions (a)	-	46 978
Write-off of intangibles (Note 4)	-	(560 122)
	-	-
Balance, end of year	-	-

(a) The Corporation incurred development costs following the acquisition of the technical specifications as described in Note 3.

During the year ended December 31, 2015, as described in Note 4, the Corporation decided to discontinued the distribution of consumable products and the development of a geo-localisation software and therefore wrote-off its intangible assets.

### NOTE 15. TRADE ACCOUNTS AND OTHER PAYABLES

	September 30, 2016	December 31, 2015
	\$	\$
Trade accounts and other payables		
To a company controlled by the CEO of the Corporation	43 842	207 928
To a director of the Corporation	-	20 995
To a company in which a director is a partner	-	182 619
Other	361 079	347 300
Part XII.6 tax	93 400	93 400
Due to a director, without interest, payable on demand	-	10 465
	498 321	862 707
	498 321	862 707

### NOTE 16. BANK LOAN

	September 30, 2016	December 31, 2015
	\$	\$
Loan, prime rate plus 1.4% (4.1% at September 30, 2016 and at December 31, 2015 ), secured by a first-ranking immovable mortgage on the building for which the net carrying amount is \$213,906, a first-ranking mortgage of \$25,000 on securities owned by a shareholder of the Corporation and \$25,000 on personal deposit certificates owned by the president of the Corporation, repayable in monthly instalments of \$1,875 and renewable annually.	185 625	202 500
	185 625	202 500

In 2016, the Corporation renewed the loan at prime rate plus 5.25% representing a rate of 7.95%, repayable in monthly instalments of \$1,875.

# GENIUS PROPERTIES LTD.

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(Unaudited)

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### NOTE 17. SHARE CAPITAL

#### Authorized

Unlimited number of common shares, without par value.

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

#### Transactions on share capital

#### 2015

On May 26, 2015, the Corporation issued 30,000,000 common shares at a price of \$0.11 per share for a total consideration of \$3,300,000 for the acquisition of all the assets of Reiva as described in Note 3. These shares will be subject to a thirty-six (36) month escrow, in accordance with CSE policies and applicable securities regulation. As part of this transaction, the Corporation also issued 1,400,000 common shares at a price of \$0.11 per share for a total consideration of \$154,000 as a finders fee.

On June 1, 2015 the Corporation signed a consulting agreement under which 500,000 common shares are required to be issued upon signature. As at December 31, 2015, the shares were still to be issued and accounted as shares to issue in the statement of changes in equity valued at the fair value of services rendered.

On July 17, 2015 the Corporation completed a private placement with the issuance of 1,874,997 common shares at a price of \$0.06 per share for gross proceeds of \$112,500. No warrants were issued under this private placement.

On August 7, 2015, the Corporation completed a private placement with the issuance of 1,216,666 common shares at a price of \$0.06 per share for gross proceeds of \$73,000. No warrants were issued under this private placement.

On August 18, 2015, the Corporation issued 3,693,212 common shares at a price of \$0.04 as part of debt settlement agreements with suppliers for a total amount of \$147,729. As a result, the Corporation recorded a gain on settlement of payables of \$56,208 in the consolidated statement of comprehensive loss.

On October 27, 2015, as described in Note 3, the acquisition of all assets of Reiva was cancelled. As a result, the 30,000,000 common shares issued on May 26, 2015 need to be return to Treasury. These commons shares were return to Treasury on January 19, 2016. As at October 27, 2015, the cancellation of the acquisition have been accounted as shares to be cancelled in the consolidated statement of changes in equity at a price of \$0.03 per share.

On December 7, 2015, the Corporation completed a private placement with the issuance of 10,000,000 units at a price of \$0.03 per unit for gross proceeds of \$300,000. Each Unit is comprised of one common share and one share purchase warrant with each whole warrant entitling the holder to acquire a common share of the Corporation at an exercise price of \$0.05 per share for a period of 18 months. The fair value of the warrants was based on the Black-Scholes valuation model, using a stock price of \$0.02, a risk-free rate of 0.60%, an expected life of 1.5 year, an annualized volatility of 165% and a dividend rate of 0%. As a result, the warrants were valued at \$104,560 and recorded under warrant and as a reduction of share capital in the statement of changes in equity. The Corporation has made estimates as to the volatility of comparable corporations.

On December 29, 2015, the Corporation completed a private placement with the issuance of 2,691,900 flow-through shares at a price of \$0.05 per share for gross proceeds of \$134,595 and the issuance of 498,500 units at a price of \$0.03 per unit for gross proceeds of \$14,955. Each Unit is comprised of one common share and one share purchase warrant with each whole warrant entitling the holder to acquire a common share of the Corporation at an exercise price of \$0.05 per share for a period of 18 months. An amount of \$53,820 representing the premium paid by the investors was reduced from share capital and recorded in Other liability related to flow-through financings. The fair value of the warrants was based on the Black-Scholes valuation model, using a stock price of \$0.02, a risk-free rate of 0.50%, an expected life of 1.5 year, an annualized volatility of 165% and a dividend rate of 0%. As a result, the warrants valued at \$2,493 were recorded under warrant and as a reduction of share capital in the statement of changes in equity. As part of these private placements, the Corporation also issued a total of 319,040 broker warrants. Each broker warrant entitles its holder to purchase one common share at \$0.05 per share for a period of 18 months. The fair value of the broker warrants was based on the Black-Scholes valuation model, using a stock price of \$0.02, a risk-free rate of 0.50%, an expected life of 1.5 year, an annualized volatility of 165% and a dividend rate of 0%. As a result, the broker warrants valued at \$1,276 were recorded under warrant and as share issuance costs as a reduction of share capital in the consolidated statement of changes in equity. Total share issuance costs amounted to \$21,069 including the fair value of the broker warrants of \$1,276. The Corporation has made estimates as to the volatility of comparable corporations.

On December 29, 2015, the Corporation issued 2,000,000 units valued at the fair value of the services rendered of \$200,000 for exploration and evaluation expenditures incurred. Each unit is comprises of one common share and one share pruchase warrant with each whole warrant entitling the holder to acquire one common share of the Corporation at a price of \$0.30 per share for a period of 18 months. The fair value of the warrants was based on the Black-Scholes valuation model, using a stock price of \$0.02, a risk-free rate of 0.50%, an expected life of 1.5 year, an annualized volatility of 165% and a dividend rate of 0%. As a result, the warrants valued at \$40,000 were recorded under warrant and as a reduction of share capital in the consolidated statement of changes in equity. The Corporation has made estimates as to the volatility of comparable corporations.

# GENIUS PROPERTIES LTD.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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### NOTE 17. SHARE CAPITAL (Continued)

#### 2016

On January 19, 2016, the Corporation cancelled 30,000,000 common shares for a total consideration of \$900,000 for the acquisition of all the assets of Reiva as described in Note 3.

On April 5, 2016, the Corporation issued 2,940,000 common shares at a price of \$0.04 as part of debt settlement agreements with suppliers for a total amount of \$117,600. As a result, the Corporation recorded a gain on settlement of payables of \$16,800 in the consolidated statement of comprehensive loss. 6,000,000 was also issued for a consideration of \$240,000 regarding the acquisition of the property Dissimieux.

On May 30, 2016 the Corporation issued 5,000,000 common share for a total consideration of \$150,000 for the acquisition of the property Blockhouse Gold.

On June 3, 2016, the Corporation issued 4,320,000 common shares at a price of \$0.04 as part of debt settlement agreements with suppliers for a total amount of \$216,000.

On June 20, 2016, the Corporation issued 3,600,000 common shares at a price of \$0.05 for a total consideration of \$180,000 regarding the second part of the acquisition of the property Dissimieux. The Corporation issued 252,000 common shares for a consideration of \$12,600 like a finder fees regarding this property.

On June 21, 2016, the Corporation completed a private placement with the issuance of 3,200,000 units at a price of \$0.05 per unit for gross proceeds of \$160,000. Each Unit is comprised of one common share and one share purchase warrant with each whole warrant entitling the holder to acquire a common share of the Corporation at an exercise price of \$0.10 per share for a period of 12 months. The fair value of the warrants was based on the Black-Scholes valuation model, using a stock price of \$0.008, a risk-free rate of 1.5%, an expected life of 1 year, an annualized volatility of 117% and a dividend rate of 0%. As a result, the warrants were valued at \$23,200 and recorded under warrant and as a reduction of share capital in the statement of changes in equity. The Corporation has made estimates as to the volatility of comparable corporations.

On September 30, 2016, the Corporation cancelled 1,200,000 options representing an amount of \$41,019.

#### Warrants

The following table shows the changes in warrants:

	September 30, 2016		December 31, 2015	
Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price	
Outstanding, beginning of period	13 117 540	0.09	4 612 323	0.29
Issued	2 900 000	0.09	12 817 540	0.09
Expired	(300 000)	0.22	(4 312 323)	0.30
Outstanding, end of period	15 717 540	0.09	13 117 540	0.09

The number of outstanding warrants that could be exercised for an equal number of common shares is as follows:

	September 30, 2016		December 31, 2015	
Expiry date	Exercise price	Number of warrants outstanding	Exercise price	Number of warrants outstanding
January 4, 2016	-	-	0.22	300 000
June 7, 2017	0.05	10 000 000	0.05	10 000 000
June 30, 2017	0.05	817 540	0.05	817 540
June 30, 2017	0.30	2 000 000	0.30	2 000 000
June 21, 2017	0.10	2 900 000	-	-
	0.09	15 717 540	0.29	13 117 540

# GENIUS PROPERTIES LTD.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

For the nine months periods ended September 30, 2016

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### NOTE 18. SHARE OPTIONS

#### Share option plan

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.

The following table shows the changes in share options:

	September 30, 2016		December 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of period	3 925 000	0.10	1 725 000	0.10
Granted	2 100 000	0.05	2 200 000	0.10
cancelled	(1 200 000)	0.10	-	-
Forfeited	-	-	(350 000)	0.10
	<u>4 825 000</u>	<u>0.10</u>	<u>3 575 000</u>	<u>0.10</u>
Outstanding, end of period				
	<u>4 825 000</u>	<u>0.10</u>	<u>3 575 000</u>	<u>0.10</u>
Exercisable	<u>4 825 000</u>	<u>0.10</u>	<u>3 575 000</u>	<u>0.10</u>

The fair value of share options granted was determined using the Black & Scholes valuation model based on the following weighted average assumptions:

	September 30, 2016	December 31, 2015
Weighted average price at the grant date	0.03	0.03
Weighted average exercise price	0.05	\$0.10
Expected dividend	0%	-%
Expected average volatility	145.00	145.00
Risk-free average interest rate	0.79	0.79
Expected forfeiture rate	-	-
Expected average life	5 years	5 years
Weighted fair value per share option	0.026	0.02

An expense for share-based payments of \$54,600 (\$44,440 for 2015) was recognized at September 30, 2016.

The Corporation has made estimates as to the volatility of comparable corporations.

The following table presents the details of share options outstanding:

	September 30, 2016		December 31, 2015	
	Number of options outstanding	Estimated contractual time remaining in years	Number of options outstanding	Estimated contractual time remaining in years
Exercise price				
\$				
0.10	1 725 000	2.3	1 725 000	3.27
0.10	1 850 000	3.70	1 850 000	4.60
0.05	<u>2 100 000</u>	<u>10.00</u>	<u>                  </u>	<u>                  </u>
	<u>3 575 000</u>	<u>5.33</u>	<u>3 575 000</u>	<u>3.96</u>

# GENIUS PROPERTIES LTD.

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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# GENIUS PROPERTIES LTD.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the nine months periods ended September 30, 2016

(in Canadian dollars)

### NOTE 19. EXPLORATION AND EVALUATION EXPENDITURES

The following table presents the mining rights and exploration and evaluation expenditures by properties :

	Septembre 30, 2016			December 31, 2015		
	Mining rights	expenditures	Total	Mining rights	expenditures	Total
	\$	\$	\$	\$	\$	\$
<b>Precious metals</b>						
Torn gat diamond	-	230	230	-	-	-
<b>Total precious metals</b>	-	230	230	-	-	-
<b>Base metals</b>						
Dalquier	-	216	216	-	4 126	4 126
Dissimieux	449 400	10 686	460 086			
Mine Lorraine	-	-	-	-	235 000	235 000
<b>Total base metals</b>	449 400	10 902	460 302	-	239 126	239 126
<b>Industrial Metals</b>						
Wapoos	-	67	67	-	-	-
<b>Total industrial metals</b>	-	67	67	-	-	-
<b>Special metals</b>						
Gueret Guinecourt	-	-	-	325	-	325
Montagne B (25%)	2 445	-	2 445	7 152	9 500	16 652
Blockhouse Gold	154 700	15 003	169 703	-	-	-
Others properties	-	-	-	-	-	-
<b>Total special metals</b>	157 145	15 003	172 148	7 477	9 500	16 977
<b>Grand total</b>	<u>606 545</u>	<u>26 202</u>	<u>632 747</u>	<u>7 477</u>	<u>248 626</u>	<u>256 103</u>

The following table presents exploration and evaluation expenditures by nature :

	March 31, 2016	2015
	\$	\$
Mining rights	606 545	7 477
Sale of mining rights	(3 622)	
Exploration and evaluation expenditures		
Geology	26 202	134 500
Geophysics	-	110 000
Sampling	-	4 126
Sale of exploration and evaluation	(41 900)	
	<u>587 225</u>	<u>256 103</u>
Management fees (Note 25)	-	23 184
Claims management	-	3 414
	<u>587 225</u>	<u>282 701</u>

# GENIUS PROPERTIES LTD.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

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(in Canadian dollars)

### NOTE 19. EXPLORATION AND EVALUATION EXPENDITURES (CONTINUED)

#### 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 ("NSR") 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.

Since the acquisition, the Corporation did not renew and/or identified mining claims that would not be renewed as they become expired. At December 31, 2015, the Corporation decided to keep the Wapoos property which consist of 14 mining claims, the Torngat property which consist of 63 mining claims and the Port-Daniel property which consist of 23 mining claims.

#### Monster Lake

On November 26, 2013, the Corporation signed a property sale agreement with Mazorro Resources Inc. ("MR") for the Monster Lake property, 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 total cash payments of \$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, 1,500,000 common shares and 1,000,000 warrants.
- At the delivery of the technical report, \$25,000 and 1,500,000 common shares;
- At the date of depositing the report on Sedar, \$10,000;
- Six (6) months after the deposit of the report, the Corporation will receive \$10,000;
- Twelve (12) months after the signature of the agreement, the Corporation will receive 1,000,000 common shares;
- Twelve (12) months after the depositing the report on Sedar, the Corporation will receive \$10,000.

In 2013, the Corporation received \$25,000 in cash, 1,500,000 common shares and 1,000,000 warrants of MR valued at \$19,850 for a total gain on disposal of a mining property of \$44,850.

In 2014, the Corporation received \$35,000 in cash and 1,500,000 common shares of MR valued at \$45,000 for a total gain on disposal of a mining property of \$80,000.

Subsequently to the year ended December 31, 2015, MR has indicated its intention to terminate the agreement and not to pursue the development of the property. The Corporation will not renew the mining claims as they become expired.

#### Vendôme-Sud

On January 9, 2014, the Corporation entered into an agreement with a company owned by the CEO 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 the 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.

On August 18, 2015, the Corporation sold its property Vendôme-Sud for a consideration of 1,500,000 common shares of Black Widow Resources Inc. valued at \$30,000. A gain on disposal of properties of \$30,000 was recognized in net loss.

#### Massicote-Est

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 mining 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 mining claims up to a maximum of \$80,000. The airborne survey was completed during January 2014, raw data has been obtained and geophysical interpretation was still pending. As at December 31, 2015, the Corporation decided not to renew the claims as they become expired.

#### Montagne B

On July 1, 2014, the Corporation entered into an agreement with a close relative of the president of the Corporation, to acquire a 25% interest in 55 mining 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 mining claims. Exploration on the Montagne "B" is oriented towards the search for special metals. In May 2016, the Corporation sale this property to Majescor Resources Inc. in considerations to receive a cash payment of \$6,250 and issued by Majescor 625,000 common shares at the signature and another cash payment of \$6,250 and 625,000 common shares six months after completion of a private placement.

#### Gueret & Guinecourt Lake

On October 1, 2014, the Corporation entered into an agreement with a company owned by the president of the Corporation, to acquire a 25% interest in 31 mining 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 mining claims. Exploration on the Gueret & Guinecourt property is oriented towards the search for special metals. During the year ended December 31, 2015, the Corporation did not renew the 31 mining claims at their expiry.

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### NOTE 19. EXPLORATION AND EVALUATION EXPENDITURES (CONTINUED)

#### Mine Lorraine - Gisement Blondeau

On July 25, 2015, the Corporation entered into an agreement with Canadian Mining House, to acquire a 10% interest in 83 mining claims named Mine Lorraine-Gisement Blondeau property located in Quebec in consideration of \$40,000 in cash payable no later than May 1, 2016 and by incurring a total of \$230,000 in exploration and evaluation expenditures by December 31, 2015. At December 31, 2015, the Corporation incurred a total of \$235,000 thus fulfilling the requirements.

#### Dissimieux

On March 23, 2016, the Corporation entered into an agreement with Jourdan Resources Inc., to acquire a 100% interest mining claims named Dissimieux Lake Phosphate Titanium-REE's property in consideration of 6,000,000 common shares of the Corporation for a consideration of \$240,000 and an additional 3,600,000 common shares was paid June 20, 2016 for a consideration of \$180,000 to respect the condition of this acquisition and 252,000 common share for a consideration of \$12,600 has been paid like a

#### Blockhouse Gold

On May 10, 2016, The Corporation acquires 100% interest in Blockhouse Gold Property representing 9 mineral exploration properties covering various mineral showing in the south central region of the Province of Nova Scotia . Genius will issued 5,000,000 shares, which are subject to a statutory four month hold period and a 36 months voluntary escrow with a 10% vesting every 6 months (the first one was released at closing) The vendors retained a 1,5% Net Smelter Returns Royalty on the Property. Genius Resources has the right to purchase 2/3 from the vendors for \$1,000,000. The vendors are also entitled to receive staged Share payments from Genius as follows:

- i) 500,000 Shares each time the Corporation incurs an aggregate of \$1,000,000 in work cost on the Property, subject to a maximum of 2,500,000 Shares, and
- ii) 2,500,000 additional Shares if the Purchaser complete a Feasibility Study

### NOTE 20. GENERAL AND ADMINISTRATIVE EXPENSES BY NATURE

	September 30, 2016	September 30, 2015
	\$	\$
Consulting fees	141 300	206 460
Professional fees	112 858	338 930
Regulatory fees	36 001	45 357
Office expenses and other	33 415	166 096
Business development	927	56 067
Depreciation - Property and equipment	10 481	10 311
Income part XII.6	-	-
Share-based payments	77 800	24 200
	412 782	847 421

### NOTE 21. FINANCIAL EXPENSES

	September 30, 2016	Septembre 30, 2015
	\$	\$
Interest on current liabilities and bank charges	182	-
Interest on long-term debts	9 780	-
Penalty on contract termination	16 800	-
	26 762	-

### NOTE 22. RELATED PARTIES

Related parties include the Corporation's joint key management personnel. Unless otherwise stated, balances are usually settled in cash.

Key management includes directors and senior executives. The remuneration of key management personnel includes the following expenses:

	September 30, 2016	September 30, 2015
	\$	\$
Consulting fees	109 200	182 986
Professional fees	36 000	125 722
Share-based compensation expenses	-	9 350
	145 200	318 058

For the period between January to June 2016, a company controlled by the CEO charged \$95,700 and from July to September 2016 the CEO charges \$13,500 (\$135,000 for the period ended September 30, 2015) for consulting fees rendered as CEO.

For the period ended September 30, 2016, a company controlled by the CFO charged \$36,000 (\$44,350 for the period ended September 30, 2015)

These transactions, entered into the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.



# GENIUS PROPERTIES LTD.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the nine months periods ended September 30, 2016

(in Canadian dollars)

### NOTE 23. FINANCIAL ASSETS AND LIABILITIES

#### Categories of financial assets and liabilities

The carrying amounts and fair values of financial instruments presented in the statement of financial position are as follows:

	September 30, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
<b>Financial assets</b>				
Loans and receivables				
Cash and cash equivalents	56 077	56 077	210 301	210 301
Amounts receivable (excluding sales tax receivable)	4 188	4 188	11 308	11 308
Available-for-sale investments				
Investments	111 250	111 250	22 500	22 500
Fair value through profit or loss				
Investments	-	-	-	-
	<u>171 515</u>	<u>171 515</u>	<u>244 109</u>	<u>244 109</u>
<b>Financial liabilities</b>				
Financial liabilities measured at amortized cost				
Trade accounts and other payables	404 921	404 921	769 307	769 307
Loan payable to a director	-	-	55 000	55 000
Bank loan	185 625	185 625	202 500	202 500
	<u>590 546</u>	<u>590 546</u>	<u>1 026 807</u>	<u>1 026 807</u>

The carrying value of cash and cash equivalents, amounts receivables (excluding sales taxes receivable) and trade accounts and other payables is considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

The fair value of the investments was calculated using the Black-Scholes valuation model for September 30, 2016 and the closing price for December 31, 2015 as described in Note 13.

The fair value of the loan payable to a director approximates is carrying amount because of the short-term maturity of this instrument.

The fair value of the bank loan approximates is carrying amount given the debt bears interest at variable rate.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from);
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The investments were classified under level 1.

The techniques and evaluation methods used to measure fair value were not changed compared to previous years.

# GENIUS PROPERTIES LTD.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

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### NOTE 24. INFORMATION ON CAPITAL MANAGEMENT

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.

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. 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.

In its definition of capital, the Corporation includes bank loan and equity. The following table shows the items included in this definition of capital:

	september 30, 2016	December 31, 2015
Bank loan	\$ 185 625	\$ 202 500
Equity	(282 991)	(577 810)
	<u>(97 366)</u>	<u>(375 310)</u>

### NOTE 25. FINANCIAL RISKS

The Corporation is exposed to various risks through its financial instruments, and the following analysis provides a measurement of these risks.

#### 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. At September 30, 2016 and December 31, 2015, price risk is not considered significant.

#### 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 amounts receivable. 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.

#### Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet the obligations associated with its financial liabilities. Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount. Management estimates that the cash and cash equivalents as at June 30, 2016 will not be sufficient to meet the Corporation's needs for cash during the coming year.

Over the past periods, the Corporation has financed its exploration expense commitments, its working capital requirements and acquisitions through private financings. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

# GENIUS PROPERTIES LTD.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

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### NOTE 25. FINANCIAL RISKS (Continued)

The Corporation's liabilities have contractual maturities as summarized below:

	September 30,			
	2016			
	Less than a year	1 to 5 years	More than 5 years	Total
	\$	\$	\$	\$
Trade accounts and other payables	498 321	-	-	498 321
Loan payable to a director	-	-	-	-
Bank loan	<u>185 625</u>	<u>-</u>	<u>-</u>	<u>185 625</u>
	<u>683 946</u>	<u>-</u>	<u>-</u>	<u>683 946</u>

### Interest rate risk

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### NOTE 26. COMMITMENTS

The Corporation has entered into a consulting agreement with a company controlled by the CEO, expiring on April 30, 2020, which call for a monthly payment of \$15,950 for total payments of \$829,400. The minimum payments for the next years are \$191,400 in 2016, 2017, 2018 and 2019 and \$63,800 in 2020. Also, in the case the Corporation would terminate this agreement prior to its natural expiry, an amount of \$382,800 representing a 24 month penalty would be payable.

### NOTE 27. SUBSEQUENT EVENTS