



## **GENIUS PROPERTIES LTD.**

### **Condensed Interim Consolidated Financial Statements**

(Unaudited and unreviewed by the Company's Independent Auditors)

**Three-month and six-month periods ended  
June 30, 2017 and 2016**

# GENIUS PROPERTIES LTD.

## Condensed Interim Consolidated Financial Statements

Three-month and six-month periods ended June 30, 2017 and 2016

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### Condensed Interim Consolidated Financial Statements

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# GENIUS PROPERTIES LTD.

## Condensed Interim Consolidated Statements of Financial Position

As at June 30, 2017 and December 31, 2016

(in Canadian dollars)

|                                                                  | Note | June 30<br>2017  | December 31<br>2016 |
|------------------------------------------------------------------|------|------------------|---------------------|
|                                                                  |      | \$               | \$                  |
| <b>Assets</b>                                                    |      |                  |                     |
| <b>Current assets:</b>                                           |      |                  |                     |
| Cash and cash equivalents                                        | 8    | 552,982          | 196,919             |
| Other receivables                                                | 9    | 81,662           | 73,826              |
| Prepaid expenses                                                 |      | 12,768           | 36,441              |
| <b>Total current assets</b>                                      |      | <b>647,412</b>   | <b>307,186</b>      |
| <b>Non-current assets:</b>                                       |      |                  |                     |
| Marketable securities                                            | 10   | -                | 56,875              |
| <b>Total non-current assets</b>                                  |      | <b>-</b>         | <b>56,875</b>       |
| <b>Total assets</b>                                              |      | <b>647,412</b>   | <b>364,061</b>      |
| <b>Liabilities and Equity</b>                                    |      |                  |                     |
| <b>Current liabilities:</b>                                      |      |                  |                     |
| Trade accounts payable and other liabilities                     | 11   | 719,036          | 612,942             |
| Other liability related to flow-through financings               | 12   | 64,577           | 95,370              |
| <b>Total liabilities</b>                                         |      | <b>783,613</b>   | <b>708,312</b>      |
| <b>Equity:</b>                                                   |      |                  |                     |
| Share capital                                                    | 12   | 12,733,059       | 9,439,143           |
| Warrants                                                         | 12   | 209,707          | 239,239             |
| Share options                                                    | 13   | 98,637           | 163,319             |
| Contributed surplus                                              |      | 4,216,829        | 3,952,840           |
| Deficit                                                          |      | (17,239,499)     | (13,983,687)        |
| <b>Total equity attributable to owners of the parent company</b> |      | <b>18,733</b>    | <b>(189,146)</b>    |
| Non-controlling interest                                         |      | (154,934)        | (155,105)           |
| <b>Total equity</b>                                              |      | <b>(136,201)</b> | <b>(344,251)</b>    |
| <b>Total liabilities and equity</b>                              |      | <b>647,412</b>   | <b>364,061</b>      |

Going concern, see Note 2.

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

These financial statements were approved and authorized for issue by the Board of Directors on August 28 2017.

(S) Guy Goulet  
Director

(S) Hubert Vallée  
Director

# GENIUS PROPERTIES LTD.

## Condensed Interim Consolidated Statements of Comprehensive Loss

Three-month and six-month periods ended June 30, 2017 and 2016

(in Canadian dollars)

|                                                                                                          | Note | Three-month period ended |                   | Six-month period ended |                   |
|----------------------------------------------------------------------------------------------------------|------|--------------------------|-------------------|------------------------|-------------------|
|                                                                                                          |      | June 30                  | June 30           | June 30                | June 30           |
|                                                                                                          |      | 2017                     | 2016              | 2017                   | 2016              |
|                                                                                                          |      | \$                       | \$                | \$                     | \$                |
| <b>Expenses:</b>                                                                                         |      |                          |                   |                        |                   |
| Exploration and evaluation expenditures                                                                  | 14   | 2,733,244                | 319,365           | 2,975,958              | 560,243           |
| General and administrative expenses                                                                      | 15   | 185,691                  | 174,245           | 330,402                | 271,161           |
| Loss on disposal of mining properties                                                                    |      | -                        | 1,772             | -                      | 1,772             |
| <b>Operating loss before other expenses (revenues), income tax and loss from discontinued operations</b> |      | <b>2,918,935</b>         | <b>495,382</b>    | <b>3,306,360</b>       | <b>833,176</b>    |
| <b>Other expenses (revenues):</b>                                                                        |      |                          |                   |                        |                   |
| Net change in fair value of marketable securities                                                        |      | -                        | (45,000)          | (12,640)               | (52,500)          |
| Finance expense                                                                                          | 16   | 631                      | 4,274             | (7,188)                | 22,323            |
| Exchange loss (gain)                                                                                     |      | 473                      | (1,091)           | 473                    | (1,005)           |
| Gain on settlement of accounts payable                                                                   | 12   | -                        | (135,388)         | -                      | (141,388)         |
|                                                                                                          |      | 1,104                    | (177,205)         | (19,355)               | (172,570)         |
| <b>Income tax:</b>                                                                                       |      |                          |                   |                        |                   |
| Tax income                                                                                               |      | (8,524)                  | -                 | (30,793)               | -                 |
|                                                                                                          |      | (8,524)                  | -                 | (30,793)               | -                 |
| Net loss from continuing operations                                                                      | 5    | 2,911,515                | 318,177           | 3,256,212              | 660,606           |
| Net loss (earnings) from discontinued operations                                                         |      | (414)                    | -                 | (571)                  | -                 |
| <b>Net loss and comprehensive loss</b>                                                                   |      | <b>2,911,101</b>         | <b>318,177</b>    | <b>3,255,641</b>       | <b>660,606</b>    |
| <b>Net loss from continuing operations attributable to:</b>                                              |      |                          |                   |                        |                   |
| Shareholders of Genius Properties Ltd.                                                                   |      | 2,911,515                | 317,977           | 3,256,212              | 660,169           |
| Non-controlling interests                                                                                |      | -                        | 200               | -                      | 437               |
|                                                                                                          |      | 2,911,515                | 318,177           | 3,256,212              | 660,606           |
| <b>Net loss (earnings) from discontinued operations attributable to:</b>                                 |      |                          |                   |                        |                   |
| Shareholders of Genius Properties Ltd.                                                                   |      | (290)                    | -                 | (400)                  | -                 |
| Non-controlling interests                                                                                |      | (124)                    | -                 | (171)                  | -                 |
|                                                                                                          |      | (414)                    | -                 | (571)                  | -                 |
| <b>Weighted average number of common shares outstanding</b>                                              |      | <b>25,616,439</b>        | <b>13,580,839</b> | <b>22,058,635</b>      | <b>12,932,365</b> |
| <b>Basic and diluted loss (earnings) per share:</b>                                                      |      |                          |                   |                        |                   |
| Basic and diluted loss per share from continuing operations                                              |      | 0.11                     | 0.02              | 0.15                   | 0.05              |
| Basic and diluted loss (earnings) per share from discontinued operations                                 |      | -                        | -                 | -                      | -                 |
| <b>Basic and diluted loss per share:</b>                                                                 |      | <b>0.11</b>              | <b>0.02</b>       | <b>0.15</b>            | <b>0.05</b>       |

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

# GENIUS PROPERTIES LTD.

## Condensed Interim Consolidated Statements of Changes in Equity

Three-month and six-month periods ended June 30, 2017 and 2016

(in Canadian dollars)

|                                                         | Note | Number of shares outstanding | Share capital | Shares to be issued (cancelled) | Warrants  | Share options | Contributed surplus | Deficit      | Total attributable to the owners of the parent company | Non-controlling interest | Total equity |
|---------------------------------------------------------|------|------------------------------|---------------|---------------------------------|-----------|---------------|---------------------|--------------|--------------------------------------------------------|--------------------------|--------------|
|                                                         |      |                              | \$            | \$                              | \$        | \$            | \$                  | \$           | \$                                                     | \$                       | \$           |
| <b>Balance as at December 31 2016</b>                   |      | 17,679,077                   | 9,439,143     | -                               | 239,239   | 163,319       | 3,952,840           | (13,983,687) | (189,146)                                              | (155,105)                | (344,251)    |
| Shares and units issued:                                |      |                              |               |                                 |           |               |                     |              |                                                        |                          |              |
| Private placements                                      | 12   | 5,541,666                    | 661,475       |                                 | 169,775   |               |                     |              | 831,250                                                | -                        | 831,250      |
| As payment of exploration and evaluation expenditures   | 12   | 13,300,000                   | 2,660,000     |                                 |           |               |                     |              | 2,660,000                                              | -                        | 2,660,000    |
| Share issuance costs                                    |      |                              | (27,559)      |                                 |           |               |                     |              | (27,559)                                               | -                        | (27,559)     |
| Share options cancelled                                 |      |                              |               |                                 |           | (64,682)      | 64,682              |              | -                                                      | -                        | -            |
| Warrants expired                                        |      |                              |               |                                 | (199,307) |               | 199,307             |              | -                                                      | -                        | -            |
| Transactions with owners                                |      | 18,841,666                   | 3,293,916     | -                               | (29,532)  | (64,682)      | 263,989             | -            | 3,463,691                                              | -                        | 3,463,691    |
| Net earnings (loss) and comprehensive loss for the year |      |                              |               |                                 |           |               |                     | (3,255,812)  | (3,255,812)                                            | 171                      | (3,255,641)  |
| <b>Balance as at June 30 2017</b>                       |      | 36,520,743                   | 12,733,059    | -                               | 209,707   | 98,637        | 4,216,829           | (17,239,499) | 18,733                                                 | (154,934)                | (136,201)    |
| <b>Balance as at December 31 2015</b>                   |      | 17,097,077                   | 9,152,333     | (875,000)                       | 167,570   | 159,838       | 3,898,650           | (12,908,046) | (404,655)                                              | (173,155)                | (577,810)    |
| Shares and units issued:                                |      |                              |               |                                 |           |               |                     |              |                                                        |                          |              |
| Private placements                                      |      | 580,000                      | 150,000       | (5,000)                         | 23,200    |               |                     |              | 168,200                                                | -                        | 168,200      |
| As payment of exploration and evaluation expenditures   |      | 2,970,400                    | 582,600       | -                               |           |               |                     |              | 582,600                                                | -                        | 582,600      |
| Cancellation on acquisition of assets                   | 4    | (6,000,000)                  | (900,000)     | 900,000                         |           |               |                     |              | -                                                      | -                        | -            |
| As penalty for contract cancellation                    |      | 1,452,000                    | 333,600       | (25,000)                        |           |               |                     |              | 308,600                                                | -                        | 308,600      |
| Warrants expired                                        |      |                              |               |                                 | (19,241)  |               | 19,241              |              | -                                                      | -                        | -            |
| Transactions with owners                                |      | (997,600)                    | 166,200       | 870,000                         | 3,959     | -             | 19,241              | -            | 1,059,400                                              | -                        | 1,059,400    |
| Net loss and comprehensive loss for the year            |      |                              |               |                                 |           |               |                     | (660,169)    | (660,169)                                              | (437)                    | (660,606)    |
| <b>Balance as at June 30 2016</b>                       |      | 16,099,477                   | 9,318,533     | (5,000)                         | 171,529   | 159,838       | 3,917,891           | (13,568,215) | (5,424)                                                | (173,592)                | (179,016)    |

See disclosures of share consolidation completed on February 1, 2017 (Note 12).

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

# GENIUS PROPERTIES LTD.

## Condensed Interim Consolidated Statements of Cash Flows

Three-month and six-month periods ended June 30, 2017 and 2016

(in Canadian dollars)

|                                                                     | Note | Three-month period ended |                  | Six-month period ended |                  |
|---------------------------------------------------------------------|------|--------------------------|------------------|------------------------|------------------|
|                                                                     |      | June 30<br>2017          | June 30<br>2016  | June 30<br>2017        | June 30<br>2016  |
|                                                                     |      | \$                       | \$               | \$                     | \$               |
| <b>Operating activities:</b>                                        |      |                          |                  |                        |                  |
| Net loss from continuing operations                                 |      | (2,911,515)              | (318,177)        | (3,256,212)            | (660,606)        |
| Adjustments for:                                                    |      |                          |                  |                        |                  |
| Tax income                                                          |      | (8,524)                  | -                | (30,793)               | -                |
| Consulting fees paid through issuance of shares                     |      | -                        | 291,800          | -                      | 308,600          |
| Exploration and evaluation expenses paid through issuance of shares |      | 2,500,000                | 342,600          | 2,660,000              | 582,600          |
| Depreciation of property and equipment                              |      | -                        | 3,493            | -                      | 6,987            |
| Change in fair value of marketable securities                       |      | -                        | (45,000)         | (12,640)               | (52,500)         |
| Gain on settlement of accounts payable                              |      | -                        | (141,388)        | -                      | (141,388)        |
| Share-based compensation                                            |      | -                        | 23,200           | -                      | 23,200           |
| Operating activities before changes in working capital items        |      | (420,039)                | 156,528          | (639,645)              | 66,893           |
| Change in other receivables                                         |      | 25,351                   | (62,600)         | (7,836)                | 6,643            |
| Change in prepaid expenses                                          |      | (812)                    | (47,358)         | 23,673                 | (44,215)         |
| Change in trade accounts payable and accrued liabilities            |      | 97,667                   | (148,084)        | 105,152                | (260,294)        |
| Change in working capital items                                     |      | 122,206                  | (258,042)        | 120,989                | (297,866)        |
| Net cash used for operating activities of continuing operations     |      | (297,833)                | (101,514)        | (518,656)              | (230,973)        |
| Net cash used for operating activities of discontinued operations   | 5    | -                        | -                | -                      | -                |
| <b>Cash flows used for operating activities</b>                     |      | <b>(297,833)</b>         | <b>(101,514)</b> | <b>(518,656)</b>       | <b>(230,973)</b> |
| <b>Financing activities:</b>                                        |      |                          |                  |                        |                  |
| Proceeds from private placements                                    |      | 831,250                  | 145,000          | 831,250                | 145,000          |
| Loan payable to a director                                          |      | -                        | -                | -                      | (55,000)         |
| Bank loan repayments                                                |      | -                        | (5,625)          | -                      | (11,250)         |
| Share issuance costs                                                | 12   | (25,846)                 | -                | (26,046)               | -                |
| Net cash from financing activities of continuing operations         |      | 805,404                  | 139,375          | 805,204                | 78,750           |
| Net cash from financing activities of discontinued operations       | 5    | -                        | -                | -                      | -                |
| <b>Cash flows from financing activities</b>                         |      | <b>805,404</b>           | <b>139,375</b>   | <b>805,204</b>         | <b>78,750</b>    |
| <b>Investing activities:</b>                                        |      |                          |                  |                        |                  |
| Proceeds from disposal of marketable securities                     | 10   | -                        | -                | 69,515                 | -                |
| Net cash from investing activities of continuing operations         |      | -                        | -                | 69,515                 | -                |
| Net cash from investing activities of discontinued operations       | 5    | -                        | -                | -                      | -                |
| <b>Cash flows from investing activities</b>                         |      | <b>-</b>                 | <b>-</b>         | <b>69,515</b>          | <b>-</b>         |
| <b>Net change in cash and cash equivalents</b>                      |      | <b>507,571</b>           | <b>37,861</b>    | <b>356,063</b>         | <b>(152,223)</b> |
| <b>Cash and cash equivalents, beginning of year</b>                 |      | <b>45,411</b>            | <b>20,217</b>    | <b>196,919</b>         | <b>210,301</b>   |
| <b>Cash and cash equivalents, end of year</b>                       |      | <b>552,982</b>           | <b>58,078</b>    | <b>552,982</b>         | <b>58,078</b>    |
| Interest paid                                                       |      | -                        | -                | -                      | -                |

Additional disclosures of cash flows information (Note 17).

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

# GENIUS PROPERTIES LTD.

## Notes to Condensed Interim Consolidated Financial Statements

Three-month and six-month periods ended June 30, 2017 and 2016

(in Canadian dollars)

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### 1. Reporting entity:

Genius Properties Ltd. and its subsidiaries (hereafter the "Company" or "Genius Properties" or "GNI") is 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, created during 2014. In 2015, the Company 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 is a company domiciled in Canada. Genius Properties was incorporated on June 6, 2003 under the *Business Corporations Act (Alberta)*. Genius Properties is a public company listed on the Canadian Securities Exchange ("CSE") and its trading symbol is "GNI".

The Company's head office, which is also the main establishment is located at 22 Lafleur Avenue North, suite 203, Saint-Sauveur, Québec, Canada J0R 1R0 and its web site is [www.geniusproperties.ca](http://www.geniusproperties.ca).

### 2. Going concern:

The accompanying consolidated financial statements have been prepared on the basis of the a going concern assumption meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period.

Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt on the Company's ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

For the six-month period ended June 30, 2017, the Company recorded a net loss of \$3,255,641 (\$660,606 in 2016) and has an accumulated deficit of \$17,239,499 as at June 30, 2017 (\$13,983,687 as at December 31, 2016). Besides the usual needs for working capital, the Company must obtain funds to enable it to meet the timelines of its exploration programs and to pay its overhead and administrative costs. The Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable. The Company has not yet generated income nor cash flows from its operations. The Company's ability to generate cash flows is subject to certain conditions: the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to continue the exploration, evaluation, development, construction and ultimately disposal of its mineral properties. As at June 30, 2017, the Company had a negative working capital of (\$136,201) ((\$401,126) as at December 31, 2016) consisting of cash and cash equivalents of \$552,982 (\$196,919 as at December 31, 2016). Management believes that these funds will not be sufficient to meet the obligations and liabilities of the Company. These uncertainties cast significant doubt regarding the Company's ability to continue as a going concern. Any funding shortfall may be met in the future in a number of ways, including but not limited to, the issuance of new equity instruments. While management has been successful in raising financing in the past, there is no assurance that it will succeed in obtaining additional financing in the future.

### 3. Basis of preparation:

#### 3.1 Statement of compliance:

These unaudited and unreviewed condensed interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") in accordance with IAS 34, Interim Financial Reporting.. On August 28, 2017 the Board of Directors approved, for issuance, these consolidated financial statements.

Certain information, in particular the accompanying notes, normally included in the audited annual consolidated financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, these unaudited condensed interim consolidated financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2016.

#### 3.2 Basis of measurement:

The unaudited and unreviewed condensed interim consolidated financial statements have been prepared on the historical cost basis except for where IFRS requires recognition at fair value.

#### 3.3 Basis of consolidation:

A subsidiary is an entity over which the Company has control. The Company 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.

# GENIUS PROPERTIES LTD.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016

(in Canadian dollars)

### 3. Basis of preparation (continued):

#### 3.3 Basis of consolidation (continued):

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The subsidiaries have a reporting date of December 31. The Company 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.

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

#### 3.4 Functional and presentation currency:

Items included in the financial statements of each of the GNI's entities are measured using the currency of the primary economic environment in which those entities operate ("the functional currency"). The condensed interim consolidated financial statements are presented in Canadian dollars, which is Genius Properties functional and presentation currency.

#### 3.5 Use of estimates and judgements:

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying the accounting policies of the Company in the preparation of these condensed interim consolidated financial statements and key assumptions related to these estimation uncertainties are the same as the ones listed and described in the annual audited consolidated financial statements of the Company as at December 31, 2016.

### 4. Assets acquisition:

#### 4.1 Reiva:

On May 26, 2015, the Company acquired from an arm's-length third party certain 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 6,000,000 common shares (30,000,000 pre-consolidation) of the Company at a deemed value of \$0.55 per share (\$0.11 pre-consolidation) 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 6,000,000 common shares (30,000,000 pre-consolidation) issued previously. These common shares were returned to Treasury in January 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 6,000,000 common shares (30,000,000 pre-consolidation) at the date of the cancellation and the Company recorded a loss on cancellation on acquisition of assets in the consolidated statements of comprehensive loss of \$2,400,000.

### 5. Discontinued operations:

On November 11, 2015, the Company announced that it would discontinue 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

The revenues and expenses related to the discontinued operations were separated from the Company's continuing operations activities and are presented on a separate line in the consolidated statement of comprehensive loss.



# GENIUS PROPERTIES LTD.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016

(in Canadian dollars)

### 6. Significant accounting policies:

These condensed interim consolidated financial statements have been prepared following the same accounting policies used in the audited financial statements for the year ended December 31, 2016.

#### 6.1 Adoption of new accounting standards:

The Company did not adopt any new standards, amendments to standards and interpretations during the six-month period ended June 30, 2017.

#### 6.2 New standards and interpretations that have not yet been adopted:

Since the issuance of the Company's audited consolidated financial statements for the year ended December 31, 2016, the IASB and IFRIC have issued no additional new and revised standards and interpretations which are applicable to the Company.

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

The following new standards, interpretations and amendments have been issued but are not yet effective and therefore have not been applied in preparing these financial statements:

##### (i) IFRS 9 - Financial Instruments:

In July 2014, the IASB published IFRS 9 which replaces IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has yet to assess the impact of this new standard on its financial statements.

### 7. Interests in subsidiaries:

The Company'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 | 30%                                                            | (171)                                     | (154,934)       |

No dividends were paid to the NCI during the six-month period ended June 30, 2017 and year ended December 31, 2016.

Summarized financial information, before intragroup eliminations, is set out below:

|                                                   | June 30<br>2017 | December 31<br>2016 |
|---------------------------------------------------|-----------------|---------------------|
| Current assets                                    | \$ 107          | \$ 107              |
| Non-current assets                                | -               | -                   |
| Total assets                                      | 107             | 107                 |
| Current liabilities                               | 96,106          | 96,676              |
| Non-current liabilities                           | 420,447         | 420,447             |
| Total liabilities                                 | 516,553         | 517,123             |
| Equity attributable to shareholders of the parent | (361,512)       | (361,911)           |
| Non-controlling interests                         | (154,934)       | (155,105)           |

# GENIUS PROPERTIES LTD.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016

(in Canadian dollars)

### 7. Interests in subsidiaries (continued):

|                                                                                              | June 30<br>2017 | December 31<br>2016 |
|----------------------------------------------------------------------------------------------|-----------------|---------------------|
|                                                                                              | \$              | \$                  |
| Net loss (income) and comprehensive loss (income) attributable to shareholders of the parent | (290)           | (42,116)            |
| Net loss (income) and comprehensive loss (income) attributable to NCI                        | (124)           | (18,050)            |
| Net loss and total comprehensive loss                                                        | (414)           | (60,166)            |

|                                       | June 30<br>2017 | December 31<br>2016 |
|---------------------------------------|-----------------|---------------------|
|                                       | \$              | \$                  |
| Net cash used in operating activities | -               | -                   |
| Net cash used in investing activities | -               | -                   |
| Net cash from financing activities    | -               | -                   |
| Net cash inflow (outflow)             | -               | -                   |

### 8. Cash and cash equivalents:

|               | June 30<br>2017 | December 31<br>2016 |
|---------------|-----------------|---------------------|
|               | \$              | \$                  |
| Cash          | 531,994         | 69,951              |
| Cash in trust | 20,988          | 126,968             |
|               | 552,982         | 196,919             |

#### Funds reserved for exploration and evaluation expenditures

On December 30, 2016, the Company completed a flow-through private placement of \$317,900. The Company has until December 31, 2017 to incur eligible exploration and evaluation expenditures in order to comply with the requirements of flow-through private placement. As at June 30, 2017, the Company has the obligation to incur an amount of \$215,257 in exploration and evaluation expenditures until December 31, 2017.

There is no guarantee that the Company's exploration and evaluation expenditures will qualify as Canadian exploration expenses, even if the Company 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.

### 9. Other receivables:

|                      | June 30<br>2017 | December 31<br>2016 |
|----------------------|-----------------|---------------------|
|                      | \$              | \$                  |
| Sales tax receivable | 76,662          | 54,569              |
| Other                | 5,000           | 19,257              |
|                      | 81,662          | 73,826              |

### 10. Marketable securities:

|                                     | June 30<br>2017     |              | December 31<br>2016 |              |
|-------------------------------------|---------------------|--------------|---------------------|--------------|
| Shares of publicly traded companies | Number of<br>shares | Amount<br>\$ | Number of<br>shares | Amount<br>\$ |
| BWR Exploration Inc.                | -                   | -            | 200,000             | 10,000       |
| Majescor Resources Inc.             | -                   | -            | 625,000             | 46,875       |
|                                     | -                   | -            | 825,000             | 56,875       |

# GENIUS PROPERTIES LTD.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016

(in Canadian dollars)

### 10. Marketable securities (continued):

#### Investments in Black Widow Resources Inc.

On August 14, 2015, the Company signed an agreement for the disposition of the Vendôme-Sud property in exchange of 1,500,000 common shares of Black Widow Resources Inc. ("BWR") as described in Note 14. 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. On September 30, 2016, Black Widow Resources Inc. changed its name to BWR Exploration Inc.,

During the year ended December 31, 2016, the Company sold 1,300,000 common shares of BWR for proceeds of \$72,395.

During the six-month period ended June 30, 2017, the Company sold the remaining 200,000 common shares of BWR for proceeds of \$9,100.

#### Majescor Resources Inc.

On May 1, 2016, the Company signed an agreement for the disposition of the Montagne B property in exchange of 625,000 common shares of Majescor Resources Inc. ("MJX") as described in Note 14. The fair value of the 625,000 common shares of \$30,000 was determined using the closing price of \$0.02 at the date of signature of the agreement.

During the six-month period ended June 30, 2017, the Company sold all the 625,000 common shares of MJX for proceeds of \$60,415.

### 11. Trade accounts payable and other liabilities:

|                                                                                         | June 30<br>2017 | December 31<br>2016 |
|-----------------------------------------------------------------------------------------|-----------------|---------------------|
|                                                                                         | \$              | \$                  |
| Trade accounts payable and accrued liabilities:                                         |                 |                     |
| To a company controlled by a director and CEO                                           | 43,435          | -                   |
| To a company controlled by a former director and CEO (CEO in 2015 and director in 2016) | 86,441          | 64,833              |
| To a company controlled by a former CFO (CFO in 2016)                                   | 32,000          | 32,000              |
| To a company controlled by a former director (2016)                                     | 4,857           | 4,857               |
| To a company in which a former director is a partner (director and partner in 2016)     | 20,312          | 35,407              |
| Other                                                                                   | 349,691         | 293,545             |
| Part XII.6 tax                                                                          | 182,300         | 182,300             |
|                                                                                         | 719,036         | 612,942             |

### 12. Share capital and warrants:

#### (a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares, without par value, issuable in series.

On February 1st, 2017, in an effort to facilitate greater flexibility in pursuing its plans to advance its projects and to conclude any additional financings required by the Company, Genius Properties, completed a share consolidation on a basis of five pre-consolidation shares for one post-consolidation share. On the share consolidation date, the number of pre-consolidation common shares was 92,395,410. The number of post-consolidation common shares was 18,479,077.

|                                                                  | Number      | Amount<br>\$ |
|------------------------------------------------------------------|-------------|--------------|
| Balance as at December 31, 2015                                  | 17,097,077  | 9,152,333    |
| Cancellation on acquisition assets                               | (6,000,000) | (900,000)    |
| Issued for cash:                                                 |             |              |
| Private placements (common shares)                               | 888,000     | 138,263      |
| Private placements (flow-through shares)                         | 1,271,600   | 140,527      |
| Issued as settlement of accounts payable and payment of expenses | 4,102,400   | 828,020      |
| Issued as finder's fees                                          | 320,000     | 80,000       |
| Balance as at December 31, 2016                                  | 17,679,077  | 9,439,143    |

# GENIUS PROPERTIES LTD.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016

(in Canadian dollars)

### 12. Share capital and warrants (continued):

#### (b) Issued and outstanding:

|                                                                  | Number     | Amount<br>\$ |
|------------------------------------------------------------------|------------|--------------|
| Balance as at December 31, 2016                                  | 17,679,077 | 9,439,143    |
| Issued for cash:                                                 |            |              |
| Private placements (common shares)                               | 5,541,666  | 633,916      |
| Issued as settlement of accounts payable and payment of expenses | 13,300,000 | 2,660,000    |
| Balance as at June 30, 2017                                      | 36,520,743 | 12,733,059   |

#### 2017:

On January 3, 2017, as per the mineral property purchase amended agreement of January 3, 2017 (Note 14), the Company issued 800,000 common shares (4,000,000 pre-consolidation) at a fair value of \$0.20 (\$0.04 pre-consolidation) for a total value of \$160,000 as payment of exploration and evaluation expenditures for the acquisition of Mt Cameron property located in Nova Scotia.

On May 26, 2017, the Company concluded a private placement by issuing 5,541,666 units at a price of \$0.15 per unit for net proceeds of \$803,691 after deducting share issuance costs of \$27,559. No commission was paid in connection with this private placement. Each unit consists of one common share and one-half warrant for a total of 5,541,666 common shares and 2,770,783 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.25 until May 26, 2018. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$169,775 based on the Black-Scholes option pricing model using the assumptions described below (Note 12 (c)).

On May 26, 2017, the Company has entered into two option agreements to acquire a 100% interest in 128 mining claims of the Sakami Property and 78 mining claims of the Robelin Property, both located in Québec, by issuing 6,000,000 common shares and 6,500,000 common shares respectively. The properties are subject to a 2.0% NSR on production, of which half (1/2) may be purchased at any time by the Company for \$1,000,000.

#### 2016:

On January 19, 2016, the Company cancelled 6,000,000 common shares (30,000,000 pre-consolidation) for a total consideration of \$900,000 for the acquisition of all the assets of Reiva as described below and in Note 4.

On April 5, 2016, as per the mineral property purchase agreement of March 21, 2016 and amended on May 4, 2016, the Company issued 1,284,000 common shares (6,420,000 pre-consolidation) at a fair value of \$0.25 (\$0.05 pre-consolidation) per share for a total value of \$321,000 as payment of exploration and evaluation expenditures for the acquisition of Dissimieux Lake property. In addition, the Company issued 184,000 common shares (920,000 pre-consolidation) at a fair value of \$0.25 (\$0.05 pre-consolidation) per share for a total value of \$46,000 as consulting fees. Of these 184,000 common shares (920,000 pre-consolidation), 100,000 common shares (500,000 pre-consolidation) to be issued at a fair value of \$0.25 (\$0.05 pre-consolidation) per share for a total value of \$25,000 was recorded during the year ended December 31, 2015. As result, the impact in earnings for the year ended December 31, 2016 was \$21,000. Finally, the Company issued 320,000 common shares (1,600,000 pre-consolidation) at a fair value of 0.25 (\$0.05 pre-consolidation) per share for a total value of \$80,000 as consulting fees from April 2016 to March 2017. As at December 31, 2016, \$60,440 is recorded as consulting fees and \$19,560 as prepaid expenses.

On May 30, 2016, as per the mineral property purchase agreement of May 4, 2016 (Note 14), the Company issued 1,000,000 common shares (5,000,000 pre-consolidation) at a fair value of \$0.175 (\$0.035 pre-consolidation) per share for a total value of \$175,000 as payment of exploration and evaluation expenditures for the acquisition of properties located in Nova Scotia.

On June 3, 2016, the Company issued 864,000 common shares (4,320,000 pre-consolidation) at a fair value of \$0.175 (\$0.035 pre-consolidation) per share for a total value of \$151,200 in settlement of accounts payable in the amount of \$216,000. No commission was paid in connection with this transaction. These settlements resulted in a gain of \$64,800 on settlement of accounts payable, in earnings.

On June 20, 2016, as per the mineral property purchase agreement of March 21, 2016 and amended on May 4, 2016, the Company issued 770,400 common shares (3,852,000 pre-consolidation) at a fair value of \$0.175 (\$0.035 pre-consolidation) per share for a total value of \$134,820 as payment of exploration and evaluation expenditures for the acquisition of Dissimieux Lake property.

# GENIUS PROPERTIES LTD.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016

(in Canadian dollars)

### 12. Share capital and warrants (continued):

#### (b) Issued and outstanding (continued):

##### 2016 (continued):

On June 21, 2016, the Company concluded a private placement by issuing 580,000 units (2,900,000 pre-consolidation) at a price of \$0.25 (\$0.05 pre-consolidation) per unit for net proceeds of \$143,064 after deducting share issuance costs of \$1,936. No commission was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 580,000 common shares (2,900,000 pre-consolidation) and 580,000 warrants (2,900,000 pre-consolidation). Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.50 (\$0.10 pre-consolidation) until June 21, 2017. These warrants have been recorded at a value of \$50,978 based on the Black-Scholes option pricing model using the assumptions described below (Note 12 (c)).

On November 10, 2016, the Company concluded a private placement by issuing 60,000 units (300,000 pre-consolidation) at a price of \$0.25 (\$0.05 pre-consolidation) per unit for net proceeds of \$15,000. No share issuance costs were incurred and no commission was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 60,000 common shares (300,000 pre-consolidation) and 60,000 warrants (300,000 pre-consolidation). Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.50 (\$0.10 pre-consolidation) until November 10, 2017. These warrants have been recorded at a value of \$5,331 based on the Black-Scholes option pricing model using the assumptions described below (Note 12 (c)).

On December 9, 2016, the Company concluded a private placement by issuing 248,000 units (1,240,000 pre-consolidation) at a price of \$0.25 (\$0.05 pre-consolidation) per unit for net proceeds of \$58,453 after deducting share issuance costs of \$3,547. No commission was paid in connection with this private placement. Each unit consists of one common share and one warrant for a total of 248,000 common shares (1,240,000 pre-consolidation) and 248,000 warrants (1,240,000 pre-consolidation). Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of \$0.50 (\$0.10 pre-consolidation) until December 9, 2017. These warrants have been recorded at a value of \$21,945 based on the Black-Scholes option pricing model using the assumptions described below (Note 12 (c)).

On December 30, 2016, the Company concluded a private placement by issuing 1,271,600 flow-through common shares (6,358,000 pre-consolidation) at a price of \$0.25 (\$0.05 pre-consolidation) per share for net proceeds of \$248,553 after deducting share issuance costs of \$69,347. An amount of \$95,370 representing the premium paid by the investors was recorded in liability related to flow-through shares based on the residual value method. As part of this private placement, the Company also issued a total of 92,128 broker warrants (460,640 pre-consolidation). Each broker warrant entitles its holder to purchase one common share at \$0.25 (\$0.05 pre-consolidation) per share until December 30, 2018. These warrants have been recorded at a value of \$12,656 based on the Black-Scholes option pricing model using the assumptions described below (Note 12 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the consolidated statement of changes in equity. Share issuance costs amounted to \$82,003 including the fair value of the broker warrants of \$12,656. As at December 31, 2016, The Company has the obligation to incur \$317,900 in exploration expenditures in its Nova Scotia mining properties no later than December 31, 2017.

#### (c) Warrants:

The changes to the number of outstanding warrants granted by the Company and their weighted average exercise price are as follows:

|                          | June 30<br>2017                      |                                       | December 31<br>2016                  |                                       |
|--------------------------|--------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|
|                          | Number of<br>outstanding<br>warrants | Weighted<br>average<br>exercise price | Number of<br>outstanding<br>warrants | Weighted<br>average<br>exercise price |
|                          |                                      | \$                                    |                                      | \$                                    |
| Outstanding at beginning | 3,543,636                            | 0.45                                  | 2,623,508                            | 0.45                                  |
| Granted                  | 2,770,833                            | 0.25                                  | 980,128                              | 0.48                                  |
| Expired                  | (3,143,508)                          | 0.46                                  | (60,000)                             | 1.10                                  |
| Outstanding at end       | 3,170,961                            | 0.27                                  | 3,543,636                            | 0.45                                  |

# GENIUS PROPERTIES LTD.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016

(in Canadian dollars)

### 12. Share capital and warrants (continued):

#### (c) Warrants (continued):

The following table provides outstanding warrants information as at June 30, 2017:

| Expiry date       | Number of<br>outstanding<br>warrants | Outstanding warrants |                   |
|-------------------|--------------------------------------|----------------------|-------------------|
|                   |                                      | Exercise<br>price    | Remaining<br>life |
|                   |                                      | \$                   | (years)           |
| November 10, 2017 | 60,000                               | 0.50                 | 0.4               |
| December 9, 2017  | 248,000                              | 0.50                 | 0.4               |
| May 26, 2018      | 2,770,833                            | 0.25                 | 0.9               |
| December 30, 2018 | 92,128                               | 0.25                 | 1.5               |
|                   | 3,170,961                            | 0.27                 | 0.9               |

The following table provides outstanding warrants information as at December 31, 2016:

| Expiry date       | Number of<br>outstanding<br>warrants | Outstanding warrants |                   |
|-------------------|--------------------------------------|----------------------|-------------------|
|                   |                                      | Exercise<br>price    | Remaining<br>life |
|                   |                                      | \$                   | (years)           |
| June 7, 2017      | 2,000,000                            | 0.25                 | 0.4               |
| June 21, 2017     | 580,000                              | 0.50                 | 0.5               |
| June 29, 2017     | 163,508                              | 0.25                 | 0.5               |
| June 29, 2017     | 400,000                              | 1.50                 | 0.5               |
| November 10, 2017 | 60,000                               | 0.50                 | 0.9               |
| December 9, 2017  | 248,000                              | 0.50                 | 0.9               |
| December 30, 2018 | 92,128                               | 0.25                 | 2.0               |
|                   | 3,543,636                            | 0.45                 | 0.5               |

#### 2017:

On May 26, 2017, the Company issued 2,770,833 warrants to shareholders who subscribed to 5,541,666 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.25 per share until May 26, 2018. The value of the warrants was estimated at \$169,775 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

|                                    |          |
|------------------------------------|----------|
| Expected dividend yield            | 0.0%     |
| Share price at grant date          | \$0.20   |
| Expected volatility <sup>(1)</sup> | 154.87%  |
| Risk-free interest rate            | 0.71%    |
| Expected life                      | 1.0 year |

#### 2016:

On June 21, 2016, the Company issued 580,000 warrants (2,900,000 pre-consolidation) to shareholders who subscribed to 580,000 units (2,900,000 pre-consolidation) offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.50 (\$0.10 pre-consolidation) per share until June 21, 2017. The value of the warrants was estimated at \$50,978 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

|                                                      |          |
|------------------------------------------------------|----------|
| Expected dividend yield                              | 0.0%     |
| Share price at grant date (\$0.04 pre-consolidation) | \$0.20   |
| Expected volatility <sup>(1)</sup>                   | 204.72%  |
| Risk-free interest rate                              | 0.60%    |
| Expected life                                        | 1.0 year |

# GENIUS PROPERTIES LTD.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016

(in Canadian dollars)

### 12. Share capital and warrants (continued):

#### (c) Warrants (continued):

##### 2016 (continued):

On November 10, 2016, the Company issued 60,000 warrants (300,000 pre-consolidation) to shareholders who subscribed to 60,000 units (300,000 pre-consolidation) offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.50 (\$0.10 pre-consolidation) per share until November 10, 2017. The value of the warrants was estimated at \$5,331 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

|                                                      |          |
|------------------------------------------------------|----------|
| Expected dividend yield                              | 0.0%     |
| Share price at grant date (\$0.05 pre-consolidation) | \$0.25   |
| Expected volatility <sup>(1)</sup>                   | 195.41%  |
| Risk-free interest rate                              | 0.62%    |
| Expected life                                        | 1.0 year |

On December 9, 2016, the Company issued 248,000 warrants (1,240,000 pre-consolidation) warrants to shareholders who subscribed to 248,000 units (1,240,000 pre-consolidation) offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.50 (\$0.10 pre-consolidation) per share until December 9, 2017. The value of the warrants was estimated at \$21,945 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

|                                                       |          |
|-------------------------------------------------------|----------|
| Expected dividend yield                               | 0.0%     |
| Share price at grant date (\$0.055 pre-consolidation) | \$0.275  |
| Expected volatility <sup>(1)</sup>                    | 188.88%  |
| Risk-free interest rate                               | 0.74%    |
| Expected life                                         | 1.0 year |

On December 30, 2016, the Company issued 92,128 warrants (460,640 pre-consolidation) to broker. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.25 (\$0.05 pre-consolidation) per share until December 30, 2018. The value of the warrants was estimated at \$12,656 at the grant date using the Black-Scholes option pricing model. The assumptions used for the calculation were:

|                                                       |           |
|-------------------------------------------------------|-----------|
| Expected dividend yield                               | 0.0%      |
| Share price at grant date (\$0.035 pre-consolidation) | 0.175\$   |
| Expected volatility <sup>(1)</sup>                    | 188.68%   |
| Risk-free interest rate                               | 0.74%     |
| Expected life                                         | 2.0 years |

(1) The volatility was determined by reference to historical data of the Company shares.

### 13. Share-based compensation:

#### (a) Share option plan:

The Company has a stock option plan whereby the Board of Directors, may grant to directors, officers or consultants of the Company, 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 Company 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 Company or up to twelve months after the beneficiary has left.

The options issued during the year ended December 31, 2016, were issued at a price higher to the closing price the day before the grant.

# GENIUS PROPERTIES LTD.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016

(in Canadian dollars)

### 13. Share-based compensation (continued):

#### (a) Share option plan (continued):

The changes to the number of outstanding share options granted by the Company and their weighted average exercise price are as follows:

|                          | June 30<br>2017                           |                                       | December 31<br>2016                       |                                       |
|--------------------------|-------------------------------------------|---------------------------------------|-------------------------------------------|---------------------------------------|
|                          | Number of<br>outstanding<br>share options | Weighted<br>average<br>exercise price | Number of<br>outstanding<br>share options | Weighted<br>average<br>exercise price |
|                          |                                           | \$                                    |                                           | \$                                    |
| Outstanding at beginning | 965,000                                   | 0.39                                  | 715,000                                   | 0.50                                  |
| Granted                  | -                                         | -                                     | 420,000                                   | 0.25                                  |
| Forfeited                | (355,000)                                 | 0.47                                  | (170,000)                                 | 0.50                                  |
| Outstanding at end       | 610,000                                   | 0.34                                  | 965,000                                   | 0.39                                  |
| Exercisable at end       | 610,000                                   | 0.34                                  | 965,000                                   | 0.39                                  |

The following table provides outstanding share options information as at June 30, 2017:

| Expiry date       | Share options outstanding             |                                           |                   |                   |
|-------------------|---------------------------------------|-------------------------------------------|-------------------|-------------------|
|                   | Number of<br>granted<br>share options | Number of<br>exercisable<br>share options | Exercise<br>price | Remaining<br>life |
|                   |                                       |                                           | \$                | (years)           |
| April 9, 2019     | 160,000                               | 160,000                                   | 0.50              | 1.8               |
| August 6, 2020    | 70,000                                | 70,000                                    | 0.50              | 3.1               |
| September 9, 2021 | 380,000                               | 380,000                                   | 0.25              | 4.2               |
|                   | 610,000                               | 610,000                                   | 0.34              | 3.4               |

The following table provides outstanding warrants information as at December 31, 2016:

| Expiry date       | Share options outstanding             |                                           |                   |                   |
|-------------------|---------------------------------------|-------------------------------------------|-------------------|-------------------|
|                   | Number of<br>granted<br>share options | Number of<br>exercisable<br>share options | Exercise<br>price | Remaining<br>life |
|                   |                                       |                                           | \$                | (years)           |
| April 9, 2019     | 275,000                               | 275,000                                   | 0.50              | 2.3               |
| August 6, 2020    | 270,000                               | 270,000                                   | 0.50              | 3.6               |
| September 9, 2021 | 420,000                               | 420,000                                   | 0.25              | 4.7               |
|                   | 965,000                               | 965,000                                   | 0.39              | 3.7               |

#### 2016 :

On September 9, 2016, the Company granted 420,000 share options (2,100,000 pre-consolidation) to officers, directors and consultants. The options are fully vested on the day of granting, in accordance with the share option plan. The options issued are exercisable at an exercise price of \$0.25 (\$0.05 pre-consolidation) per share and expire on September 9, 2021. The fair value of the options was estimated at \$38,430 (\$0.092 per option) using the Black-Scholes option pricing model. The assumptions used for the calculation were:

|                                                       |           |
|-------------------------------------------------------|-----------|
| Expected dividend yield                               | 0.0%      |
| Share price at grant date (\$0.025 pre-consolidation) | \$0.125   |
| Expected volatility <sup>(2)</sup>                    | 115.60%   |
| Risk-free interest rate                               | 0.71%     |
| Expected life                                         | 5.0 years |

(2) The volatility was determined in comparison with the volatility of comparable publicly traded companies.



# GENIUS PROPERTIES LTD.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016

(in Canadian dollars)

### 14. Exploration and evaluation expenditures:

Exploration and evaluation expenditures by properties are detailed as follows:

|                                | Three-month period ended |                                       |                  | Three-month period ended |                                       |                 |
|--------------------------------|--------------------------|---------------------------------------|------------------|--------------------------|---------------------------------------|-----------------|
|                                | June 30                  |                                       |                  | June 30                  |                                       |                 |
|                                | 2017                     |                                       |                  | 2016                     |                                       |                 |
|                                | Mining rights            | Exploration & evaluation expenditures | Total            | Mining rights            | Exploration & evaluation expenditures | Total           |
|                                | \$                       | \$                                    | \$               | \$                       | \$                                    | \$              |
| <b>Precious metals:</b>        |                          |                                       |                  |                          |                                       |                 |
| Blockhouse                     | 5,311                    | 3,183                                 | 8,494            | 154,700                  | -                                     | 154,700         |
| Kemptville                     | -                        | 2,379                                 | 2,379            | -                        | -                                     | -               |
| Leipsigate                     | -                        | 2,063                                 | 2,063            | -                        | -                                     | -               |
| Dares Lake                     | 120                      | 1,579                                 | 1,699            | -                        | -                                     | -               |
| Sakami                         | 1,212,162                | 6,500                                 | 1,218,662        | -                        | -                                     | -               |
| Robelin                        | 1,302,704                | 13,500                                | 1,316,204        | -                        | -                                     | -               |
| Quiulacochoa - Excelsior       | 182,128                  | -                                     | 182,128          | -                        | -                                     | -               |
| <b>Total precious metals</b>   | <b>2,702,425</b>         | <b>29,204</b>                         | <b>2,731,629</b> | <b>154,700</b>           | <b>-</b>                              | <b>154,700</b>  |
| <b>Industrial metals:</b>      |                          |                                       |                  |                          |                                       |                 |
| Dissimieux Lake                | -                        | 405                                   | 405              | 209,400                  | -                                     | 209,400         |
| Mount Cameron                  | 410                      | 800                                   | 1,210            | -                        | -                                     | -               |
| <b>Total industrial metals</b> | <b>410</b>               | <b>1,205</b>                          | <b>1,615</b>     | <b>209,400</b>           | <b>-</b>                              | <b>209,400</b>  |
| <b>Special metals:</b>         |                          |                                       |                  |                          |                                       |                 |
| Montagne B (25%)               | -                        | -                                     | -                | (44,735)                 | -                                     | (44,735)        |
| <b>Total base metals</b>       | <b>-</b>                 | <b>-</b>                              | <b>-</b>         | <b>(44,735)</b>          | <b>-</b>                              | <b>(44,735)</b> |
| <b>Grand total</b>             | <b>2,702,835</b>         | <b>30,409</b>                         | <b>2,733,244</b> | <b>319,365</b>           | <b>-</b>                              | <b>319,365</b>  |

  

|                              | Six-month period ended |                                       |                  | Six-month period ended |                                       |                |
|------------------------------|------------------------|---------------------------------------|------------------|------------------------|---------------------------------------|----------------|
|                              | June 30                |                                       |                  | June 30                |                                       |                |
|                              | 2017                   |                                       |                  | 2016                   |                                       |                |
|                              | Mining rights          | Exploration & evaluation expenditures | Total            | Mining rights          | Exploration & evaluation expenditures | Total          |
|                              | \$                     | \$                                    | \$               | \$                     | \$                                    | \$             |
| <b>Precious metals:</b>      |                        |                                       |                  |                        |                                       |                |
| Blockhouse                   | 6,536                  | 72,308                                | 78,844           | 154,700                | -                                     | 154,700        |
| Torn gat diamond             | -                      | -                                     | -                | -                      | 230                                   | 230            |
| Kemptville                   | 100                    | 3,129                                 | 3,229            | -                      | -                                     | -              |
| Chocolate Lake               | 1,572                  | -                                     | 1,572            | -                      | -                                     | -              |
| Tancook Island               | 1,048                  | -                                     | 1,048            | -                      | -                                     | -              |
| Leipsigate                   | -                      | 2,336                                 | 2,336            | -                      | -                                     | -              |
| Dares Lake                   | 1,333                  | 3,965                                 | 5,298            | -                      | -                                     | -              |
| Gold River                   | 500                    | -                                     | 500              | -                      | -                                     | -              |
| Sakami                       | 1,212,162              | 6,500                                 | 1,218,662        | -                      | -                                     | -              |
| Robelin                      | 1,302,704              | 13,500                                | 1,316,204        | -                      | -                                     | -              |
| Quiulacochoa - Excelsior     | 182,128                | -                                     | 182,128          | -                      | -                                     | -              |
| <b>Total precious metals</b> | <b>2,708,083</b>       | <b>101,738</b>                        | <b>2,809,821</b> | <b>154,700</b>         | <b>230</b>                            | <b>154,930</b> |
| <b>Base metals:</b>          |                        |                                       |                  |                        |                                       |                |
| Dalquier                     | -                      | -                                     | -                | -                      | 216                                   | 216            |
| <b>Total base metals</b>     | <b>-</b>               | <b>-</b>                              | <b>-</b>         | <b>-</b>               | <b>216</b>                            | <b>216</b>     |

# GENIUS PROPERTIES LTD.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016

(in Canadian dollars)

### 14. Exploration and evaluation expenditures (continued):

|                                | Six-month period ended<br>June 30<br>2017 |                                       |                  | Six-month period ended<br>June 30<br>2016 |                                       |                 |
|--------------------------------|-------------------------------------------|---------------------------------------|------------------|-------------------------------------------|---------------------------------------|-----------------|
|                                | Mining rights                             | Exploration & evaluation expenditures | Total            | Mining rights                             | Exploration & evaluation expenditures | Total           |
|                                | \$                                        | \$                                    | \$               | \$                                        | \$                                    | \$              |
| <b>Industrial metals:</b>      |                                           |                                       |                  |                                           |                                       |                 |
| Wapooos                        | -                                         | -                                     | -                | -                                         | 67                                    | 67              |
| Dissimieux Lake                | -                                         | 855                                   | 855              | 449,400                                   | 365                                   | 449,765         |
| Mount Cameron                  | 163,982                                   | 1,300                                 | 165,282          | -                                         | -                                     | -               |
| <b>Total industrial metals</b> | <b>163,982</b>                            | <b>2,155</b>                          | <b>166,137</b>   | <b>449,400</b>                            | <b>432</b>                            | <b>449,832</b>  |
| <b>Special metals:</b>         |                                           |                                       |                  |                                           |                                       |                 |
| Montagne B (25%)               | -                                         | -                                     | -                | (44,735)                                  | -                                     | (44,735)        |
| <b>Total base metals</b>       | <b>-</b>                                  | <b>-</b>                              | <b>-</b>         | <b>(44,735)</b>                           | <b>-</b>                              | <b>(44,735)</b> |
| <b>Grand total</b>             | <b>2,872,065</b>                          | <b>103,893</b>                        | <b>2,975,958</b> | <b>559,365</b>                            | <b>878</b>                            | <b>560,243</b>  |

Exploration and evaluation expenditures by nature are detailed as follows:

|                                                 | Three-month period ended<br>June 30 |                | Six-month period ended<br>June 30 |                |
|-------------------------------------------------|-------------------------------------|----------------|-----------------------------------|----------------|
|                                                 | 2017                                | 2016           | 2017                              | 2016           |
|                                                 | \$                                  | \$             | \$                                | \$             |
| <b>Exploration and evaluation expenditures:</b> |                                     |                |                                   |                |
| Mining rights                                   | 2,702,835                           | 319,365        | 2,872,065                         | 559,365        |
| Exploration and evaluation expenditures         |                                     |                |                                   |                |
| Geology                                         | 21,579                              | -              | 30,447                            | 878            |
| Prospecting                                     | 6,347                               | -              | 6,347                             | -              |
| Geophysics                                      | -                                   | -              | 1,500                             | -              |
| Drilling                                        | 2,483                               | -              | 65,599                            | -              |
|                                                 | <b>2,733,244</b>                    | <b>319,365</b> | <b>2,975,958</b>                  | <b>560,243</b> |
| <b>Grand total</b>                              | <b>2,733,244</b>                    | <b>319,365</b> | <b>2,975,958</b>                  | <b>560,243</b> |

#### Vendôme-Sud:

On August 18, 2015, the Company 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.

#### Montagne B:

On May 1st, 2016, the Company entered into an option agreement with Majescor Resources Inc. ("MJX") whereby MJX can acquire a 100% interest in the Montagne B property by making an initial cash payment of \$6,250 (paid), by issuing 625,000 common shares (issued) of MJX to the Company and by making a final cash payment of \$6,250 six months after the completion of a minimum private placement of \$200,000. The 625,000 common shares was estimated at a fair value of \$0.08 per share at the date of issuance (September 2, 2016) for a total of \$50,000. The total consideration received \$56,250 was recorded as a gain on disposal of mining properties. On October 25, 2016, MJX announced the termination of option agreement signed on May 1st, 2016. As at December 31, 2016, Genius Properties decided to not renew claims at their expiry.

#### Mine Lorraine - Gisement Blondeau:

On July 25, 2015, the Company 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 Québec 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. As at December 31, 2016, the Company incurred a total of \$235,000 in exploration and evaluation expenditures but did not pay the required cash payment of \$40,000 as at May 1, 2016. Since, Genius Properties did not fulfill its obligations, the agreement to acquire an interest in the Mine Lorraine property has been cancelled.

# GENIUS PROPERTIES LTD.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016

(in Canadian dollars)

### 14. Exploration and evaluation expenditures (continued):

#### Dissimieux Lake (Phosphate):

On March 21, 2016 and amended on May 4, 2016, the Company has entered into an option agreement with Jourdan Resources Inc., to acquire a 100% interest in 15 mining claims located in Dissimieux Lake Phosphate Titanium-REE's property, province of Québec, by issuing 1,200,000 common shares (6,000,000 pre-consolidation) within 15 days following the date of the signature and a number of common shares equivalent to an amount of \$180,000 within 90 days following the signature. On April 5, 2016, the Company issued 1,200,000 common shares (6,000,000 pre-consolidation) at a fair value of \$0.25 (\$0.05 pre-consolidation) per share for a consideration of \$300,000. On June 20, 2016 the Company fulfilled its obligations by issuing 720,000 common shares (3,600,000 pre-consolidation) at a fair value of \$0.175 (\$0.035 pre-consolidation) (value of \$0.25 (\$0.05 pre-consolidation) as per the agreement for \$180,000) per share for a consideration of \$126,000.

As part of the above agreement, the Company issued 134,400 common shares (672,000 pre-consolidation) to a third party as transaction costs. On April 5, 2016, the Company issued 84,000 common shares (420,000 pre-consolidation) common shares at a fair value of \$0.25 (\$0.05 pre-consolidation) per share for a consideration of \$21,000 and on June 20, 2016 the Company issued 50,400 common shares (252,000 pre-consolidation) common shares at a fair value of \$0.175 (\$0.035 pre-consolidation) per share for a consideration of \$8,820.

#### Nova Scotia properties (Gold):

On May 4, 2016, the Company has entered into an option agreement with two prospectors, to acquire a 100% interest in 107 mining claims located in Nova Scotia by issuing 1,000,000 common shares (5,000,000 pre-consolidation) (500,000 common shares (2,500,000 pre-consolidation) for each prospector). In addition, the Company will issue 100,000 common shares (500,000 pre-consolidation) common shares for each \$1,000,000 in exploration and evaluation expenditures incurred by Genius, subject to a maximum of 500,000 common shares (2,500,000 pre-consolidation) An additional 500,000 common shares (2,500,000 pre-consolidation) will be issued if the Company completes a Feasibility Study. Nova Scotia properties consisted of the following properties: Blockhouse Gold (26 claims), Kemptville NS (5 claims), Chocolate Lake NS (6 claims), Tancook Island NS (14 claims), Leipsigate NS (4 claims), Dares Lake NS (28 claims), Gold River NS (1 claims), Londonderry NS (12 claims) and Western Lake NS (11 claims). The properties are subject to a 1.5% NSR of which two-thirds (2/3) may be purchased at any time by the Company for \$1,000,000.

On May 30, 2016, the Company issued 1,000,000 common shares (5,000,000 pre-consolidation) at a fair value of \$0.175 (\$0.035 pre-consolidation) per share for a consideration of \$175,000 and consequently the Company fulfilled its obligations.

#### Mt Cameron Property (Graphite) :

On October 17, 2016, the Company has entered into an option agreement with Mt Cameron Minerals Incorporated and 21 Alpha Resources Inc. to acquire a 80% interest in 82 mining claims located in Nova Scotia for the Mt Cameron Graphite Property, by issuing 600,000 common shares (3,000,000 pre-consolidation), by paying \$175,000 and by incurring \$1,000,000 of exploration expenditures over the next two years. As at December 31, 2016, the Company paid the amount of \$125,000. The properties are subject to a 3% NSR of which a (2.5%) may be purchased at any time by the Company for \$2,000,000.

On January 3, 2017 the Company amended its option agreement with Mt Cameron Minerals Incorporated and 21 Alpha Resources Inc. The amount of cash payment had been reduced to \$125,000 instead of \$175,000 and the number of shares has been increased to 800,000 common shares (4,000,000 pre-consolidation) instead of 600,000 common shares (3,000,000 pre-consolidation). The Company has issued 800,000 common shares (4,000,000 pre-consolidation) to 21 Alpha Resources Inc. at a fair value of \$0.20 (\$0.04 pre-consolidation) per share for a consideration of \$160,000.

#### Sakami Property (Gold):

On April 5, 2017, the Company has entered into an option agreement with many prospectors to acquire a 100% interest in 128 mining claims of the Sakami Property, located in Québec, by issuing 6,000,000 common shares. On May 26, 2017, the Company issued the 6,000,000 common shares and earned 100% interest. The property straddles the contact between Opinaca and La Grande geological sub-provinces over a distance of 35 km in the James Bay territory. The property are subject to a 2.0% NSR on production, of which half (1/2) may be purchased at any time by the Company for \$1,000,000.

#### Robelin Property (Polymetallic):

On April 5, 2017, the Company has entered into an option agreement with many prospectors to acquire a 100% interest in 78 mining claims of the Robelin Property, located in Québec, by issuing 6,500,000 common shares. On May 26, 2017, the Company issued the 6,500,000 common shares and earned 100% interest. The Robelin Property is located 85 km East South East from the town of Kuujuaq. The property are subject to a 2.0% NSR on production, of which half (1/2) may be purchased at any time by the Company for \$1,000,000.

#### Quiulacocha - Excelsior Property (Silver):

On June 12, 2017, the Company has entered into a proposed acquisition agreement with Cerro De Pasco Resources S.A. to acquire a 100% interest in Quiulacocha Tailings & Excelsior Stockpile Property, located in Peru. A cash payment of US\$100,000 (\$134,830) was made on June 12, 2017. The details of the proposed acquisition agreement are explained in note 22.

# GENIUS PROPERTIES LTD.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016

(in Canadian dollars)

### 15. General and administrative expenses by nature:

General and administrative expenses recognized in the net loss of the year is as follows:

|                                                         | Three-month period ended |                 | Six-month period ended |                 |
|---------------------------------------------------------|--------------------------|-----------------|------------------------|-----------------|
|                                                         | June 30<br>2017          | June 30<br>2016 | June 30<br>2017        | June 30<br>2016 |
|                                                         | \$                       | \$              | \$                     | \$              |
| <b>Selling and administrative expenses:</b>             |                          |                 |                        |                 |
| Management and consulting fees                          | 81,653                   | 88,195          | 152,668                | 150,573         |
| Professional fees                                       | 51,971                   | 37,634          | 84,434                 | 46,324          |
| Business development                                    | 24,913                   | -               | 43,104                 | -               |
| Rent and office expenses                                | 10,971                   | 8,976           | 21,764                 | 15,505          |
| Registration, listing fees and shareholders information | 16,183                   | 11,401          | 28,432                 | 25,213          |
| Part XII.6 tax and other non-compliance penalty         | -                        | 1,346           | -                      | 3,359           |
| Share-based compensation                                | -                        | 23,200          | -                      | 23,200          |
| Depreciation of property and equipment                  | -                        | 3,493           | -                      | 6,987           |
|                                                         | 185,691                  | 174,245         | 330,402                | 271,161         |

### Reclassification:

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year, a reclassification within the general and administrative expenses. The reclassification has been done to increase the clarity and usefulness of information presented in the financial statements.

|                                              | Three-month period ended |                 | Six-month period ended |                 |
|----------------------------------------------|--------------------------|-----------------|------------------------|-----------------|
|                                              | June 30<br>2016          | June 30<br>2016 | June 30<br>2016        | June 30<br>2016 |
|                                              | \$                       | \$              | \$                     | \$              |
| <b>General and administrative expenses :</b> |                          |                 |                        |                 |
| <b>Professional fees</b>                     |                          |                 |                        |                 |
| Initial balance                              |                          | 62,450          |                        | 85,097          |
| Adjustments:                                 |                          | (24,816)        |                        | (38,773)        |
| <b>Balance after reclassification:</b>       |                          | 37,634          |                        | 46,324          |
| <b>General and administrative expenses :</b> |                          |                 |                        |                 |
| <b>Management and consulting fees</b>        |                          |                 |                        |                 |
| Initial balance                              |                          | 63,379          |                        | 111,800         |
| Adjustments:                                 |                          | 24,816          |                        | 38,773          |
| <b>Balance after reclassification:</b>       |                          | 88,195          |                        | 150,573         |

### 16. Finance expenses:

Finance expenses recognized in the net loss of the year is as follows:

|                                   | Three-month period ended |                 | Six-month period ended |                 |
|-----------------------------------|--------------------------|-----------------|------------------------|-----------------|
|                                   | June 30<br>2017          | June 30<br>2016 | June 30<br>2017        | June 30<br>2016 |
|                                   | \$                       | \$              | \$                     | \$              |
| Fines, penalties and bank charges | 631                      | 391             | 1,212                  | 935             |
| Interest on bank loan             | -                        | 2,484           | -                      | 4,588           |
| Penalty on contract termination   | -                        | 1,399           | (8,400)                | 16,800          |
| Finance expense                   | 631                      | 4,274           | (7,188)                | 22,323          |

# GENIUS PROPERTIES LTD.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016

(in Canadian dollars)

### 17. Supplemental cash flow information:

The Company entered into the following transactions which had no impact on the cash flows:

|                                                                        | Three-month period ended |                 | Six-month period ended |                 |
|------------------------------------------------------------------------|--------------------------|-----------------|------------------------|-----------------|
|                                                                        | June 30<br>2017          | June 30<br>2016 | June 30<br>2017        | June 30<br>2016 |
|                                                                        | \$                       | \$              | \$                     | \$              |
| Non-cash financing activities:                                         |                          |                 |                        |                 |
| Share issuance costs in trade accounts payable and accrued liabilities | 14,654                   | -               | 14,654                 | -               |
| Non-cash investing activities:                                         |                          |                 |                        |                 |
| Shares issued as exploration and evaluation expenditures               | 2,500,000                | -               | 2,660,000              | -               |

### 18. Related party transactions:

Related parties include the Company'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:

|                   | Three-month period ended |                 | Six-month period ended |                 |
|-------------------|--------------------------|-----------------|------------------------|-----------------|
|                   | June 30<br>2017          | June 30<br>2016 | June 30<br>2017        | June 30<br>2016 |
|                   | \$                       | \$              | \$                     | \$              |
| Consulting fees   | 65,778                   | 52,500          | 98,778                 | 112,350         |
| Professional fees | -                        | 2,000           | -                      | 8,000           |
|                   | 65,778                   | 54,500          | 98,778                 | 120,350         |

In addition to the related party transactions presented elsewhere in these financial statements, the following is a summary of other transactions:

For the three-month and six-month periods ended June 30, 2017, there were no legal fees and share issuance costs charged by a company in which a director is a partner (\$3,853 and \$9,081 for the three-month and six-month periods respectively ended June 30, 2016). In addition, the Company recorded a gain of \$32,630 on settlement of accounts payable in June 2016. There were no trade accounts and other payables as at June 30, 2017 (\$Nil as at December 31, 2016) due to this related party.

For the three-month and six-month periods ended June 30, 2017, legal fees, transaction costs and share issuance costs for an amount of \$20,313 and \$42,716 respectively were charged by a company in which a director is a partner (\$9,701 for the three-month and six-month periods ended June 30, 2016). There were no trade accounts and other payables as at June 30, 2017 (\$35,407 as at December 31, 2016) due to this related party.

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.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

# GENIUS PROPERTIES LTD.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016

(in Canadian dollars)

### 19. Financial assets and liabilities:

The carrying amount and fair value of financial instruments presented in the consolidated statements of financial position related to the following classes of assets and liabilities:

|                                                    | June 30<br>2017    |               | December 31<br>2016 |               |
|----------------------------------------------------|--------------------|---------------|---------------------|---------------|
|                                                    | Carrying<br>amount | Fair<br>value | Carrying<br>amount  | Fair<br>value |
|                                                    | \$                 | \$            | \$                  | \$            |
| <b>Financial assets</b>                            |                    |               |                     |               |
| Loans and receivables                              |                    |               |                     |               |
| Cash and cash equivalents                          | 552,982            | 552,982       | 196,919             | 196,919       |
| Other receivables (excluding sales tax receivable) | 5,000              | 5,000         | 19,257              | 19,257        |
|                                                    | 557,982            | 557,982       | 216,176             | 216,176       |
| <b>Financial assets</b>                            |                    |               |                     |               |
| Available-for-sale investments                     |                    |               |                     |               |
| Marketable securities                              | -                  | -             | 56,875              | 56,875        |
|                                                    | -                  | -             | 56,875              | 56,875        |
| <b>Financial liabilities</b>                       |                    |               |                     |               |
| Financial liabilities measured at amortized cost   |                    |               |                     |               |
| Trade accounts payable and accrued liabilities     | 536,736            | 536,736       | 430,642             | 430,642       |
|                                                    | 536,736            | 536,736       | 430,642             | 430,642       |

The fair value of the marketable securities was calculated using the closing price for the six-month period ended June 30, 2017 and for the year ended December 31, 2016.

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 (that is, derived from prices).
- 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 marketable securities were classified under level 1 in 2017 (level 1 in 2016).

The techniques and evaluation methods used to measure fair value were not changed compared to previous years. The fair value of the loan payable to a director approximates is carrying amount because of the short-term maturity of this instrument.

# GENIUS PROPERTIES LTD.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016

(in Canadian dollars)

### 20. Capital management policies and procedures:

The Company considers the items included in equity and long term loan as capital components.

The Company's capital management objectives are:

- to ensure the Company'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 of the Company.

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 Company's own means.

The Company monitors capital on the basis of the carrying amount of equity. Capital for the reporting periods are presented in the statement of changes in equity.

The Company is not exposed to any externally imposed capital requirements except when the Company issues flow-through shares for which the amount should be used for exploration work. On December 30, 2016, the Company completed a flow-through private placement of \$317,900. As at June 30, 2017, the Company incurred \$102,643 in eligible exploration and evaluation expenditures and consequently the Company has the obligation to incur a remaining balance of \$215,257 in exploration expenditures no later than December 31, 2017 in order to comply with the requirements of flow-through private placement.

The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company finances its exploration and evaluation activities principally by raising additional capital either through private placements or public offerings. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its exploration and evaluation activities or may slow its activities until conditions improve. No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

|        | June 30<br>2017 | December 31<br>2016 |
|--------|-----------------|---------------------|
|        | \$              | \$                  |
| Equity | (136,201)       | (344,251)           |
|        | (136,201)       | (344,251)           |

### 21. Financial instrument risks:

The Company is exposed to various risks in relation to financial instruments. The main types of risks the Company is exposed to are credit risk and liquidity risk.

The Company manages risks in close cooperation with the board of directors. The Company focuses on actively securing short- to medium-term cash flows by minimizing the exposure to financial markets.

#### (a) Price risk:

The Company is exposed to equity securities price risk because of the marketable securities held by the Company. When trading its shares, unfavorable market conditions could result in the disposal of its listed shares at less than its value. As at June 30, 2017, price risk was not considered significant.

#### (b) Credit risk:

Credit risk is the risk that the other party to a financial instrument fails to honour one of its obligations and, therefore, causes the Company to incur a financial loss.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date.

The Company's management considers that all of the above financial assets that are not impaired or past due for each of the reporting dates are of good credit quality.

Credit risk of cash and cash equivalents is considered negligible, since the counterparty is a reputable bank with excellent external credit rating.

# GENIUS PROPERTIES LTD.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016

(in Canadian dollars)

### 21. Financial instrument risks (continued):

#### (b) Credit risk (continued):

None of the Company's financial assets are secured by collateral or other credit enhancements.

#### (c) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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.

Over the past years, the Company has financed its acquisitions of mining rights, exploration expenditures and working capital needs through private financings (issuance of shares in 2016). Management estimates that the cash and cash equivalents as at June 30, 2017 will not be sufficient to meet the Company's needs for cash during the coming year.

Contractual maturities of financial liabilities (including capital and interest) are as follows:

|                                                | June 30<br>2017     |           |                      |            |
|------------------------------------------------|---------------------|-----------|----------------------|------------|
|                                                | Less than<br>1 year | 1-5 years | More than<br>5 years | Total      |
| Trade accounts payable and accrued liabilities | \$ 536,736          | \$ -      | \$ -                 | \$ 536,736 |

  

|                                                | December 31<br>2016 |           |                      |            |
|------------------------------------------------|---------------------|-----------|----------------------|------------|
|                                                | Less than<br>1 year | 1-5 years | More than<br>5 years | Total      |
| Trade accounts payable and accrued liabilities | \$ 430,642          | \$ -      | \$ -                 | \$ 430,642 |

#### (d) Interest rate risk:

As at June 30, 2017, the Company is not exposed to changes in market interest.

### 22. Subsequent events:

On June 12, 2017, the Company has entered into a proposed acquisition agreement (the "Proposed Transaction") with Cerro de Pasco Resources S.A. ("Cerro"), a company incorporated under the laws of Peru, pursuant to which Genius intends to acquire all the issued and outstanding shares of Cerro. Cerro's main asset is an option to acquire 100% interest in the El Metalurgista Concession (where the so-called Quiulacocha Tailings and Excelsior Stockpile are located), located in Peru (the "Property"). Upon exercise of such option, Cerro will become the Property's sole legal and beneficial owner.

Pursuant to the Proposed Transaction, Genius shall acquire all of the issued and outstanding common shares of Cerro de Pasco, for the following considerations:

- on or prior to July 31, 2017, Genius will pay an amount of US\$200,000 to Cerro; if the Cerro shareholders do not approve the Proposed Transaction before August 31, 2017, such amount of US\$200,000 will be converted into a loan, to be reimbursed by Cerro on or prior to August 31, 2018 and which shall bear interest at the rate of 5% per annum;
- on or prior to September 30, 2017, Genius will make available an amount of US\$1,000,000, and on or prior to December 31, 2017, Genius will make available an additional amount of US\$1,200,000, such aggregate amount of US \$2,200,000 to be expended on the Property, for a metallurgical test, preparation of a National Instrument 43-101 technical report, development of the Property and to cover capital requirements related to community relations, permitting and general and administrative expenses; Cerro and Genius will determine together how such amount will be spent; and



# GENIUS PROPERTIES LTD.

## Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016

(in Canadian dollars)

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### 22. Subsequent events (continued):

- after Genius will have made available such aggregate amount of US\$2,500,000 000 (including an amount of US\$100,000 paid on June 12, 2017, see Note 14), Genius will issue to the Cerro shareholders a sufficient number of common shares of its capital stock in exchange for their Cerro shares to allow the Cerro shareholders to hold, after such issuance, in the aggregate, 75% of the total number of Genius common shares issued and outstanding. This transaction will result as a Reverse Takeover from Cerro to Genius.

As part of the Proposed Transaction, immediately before issuing shares to the Cerro shareholders, Genius will spin off all of its current mining properties into a newly created wholly-owned subsidiary ("Subco"). Genius intends to re-distribute a majority of the common shares of Subco to its own shareholders, as a dividend and to list Subco on a stock exchange.

On August 9, 2017, the Company entered into a lease agreement for office space located in Saint-Sauveur, Québec, Canada. This agreement is effective from September 1, 2017 and expire on August 31, 2020. The monthly payment is \$2,000.