**LISTING STATEMENT**

**FORM 2A**

**FOR A FUNDAMENTAL CHANGE**

**INVOLVING THE ACQUISITION BY GENIUS PROPERTIES LTD.**

**OF CERRO DE PASCO RESOURCES S.A.**

June 6, 2018

**Neither the Canadian Securities Exchange nor any other securities regulatory authority has in any way passed upon the merits of the fundamental change described in this listing statement.**

# TABLE OF CONTENTS

## SCHEDULES

**SCHEDULE A** **Financial Statements of the Issuer**

- **Unaudited condensed interim financial statements of the Issuer for the three-months periods ended March 31, 2018 and 2017**
- **Audited consolidated financial statements of the Issuer for the years ended December 31, 2017 and 2016**
- **Audited consolidated financial statements of the Issuer for the years ended December 31, 2016 and 2015**
- **Audited consolidated financial report for the years ended December 31, 2015 and 2014**

**SCHEDULE B** **Management's Discussion & Analysis of the Issuer**

- **Management's Discussion & Analysis for the three-month period ended March 21, 2018**
- **Management's Discussion & Analysis for the year ended December 31, 2017**
- **Management's Discussion & Analysis for the year ended December 31, 2016**
- **Management's Discussion & Analysis for the year ended December 31, 2015**

**SCHEDULE C** **Financial Statements of the Target**

- **Audited Consolidated Financial Statements for the period ended December 31, 2017**
- **Audited Consolidated Financial Statements for the period ended December 31, 2016**
- **Audited Consolidated Financial Statements for the period ended December 31, 2015**

**SCHEDULE D** **Management's Discussion & Analysis of the Target**

- **Management's Discussion & Analysis for the period ended December 31, 2017**

**SCHEDULE E** **Pro Forma Financial Statements of the Resulting Issuer**

- **Unaudited Pro Forma Consolidated Financial Statements of the Resulting Issuer as of December 31, 2017**

# 1. GENERAL

## 1.1. Glossary of terms

The following is a glossary of certain definitions used in this Listing Statement. Terms and abbreviations used in the schedules to this Listing Statement are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. All dollar amounts referenced herein are shown in Canadian dollars, unless otherwise indicated.

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| **"21 Alpha"** | 21 Alpha Resources Inc. |
| **"Affiliate"** | Unless specified otherwise, has the meaning ascribed to such term in NI 45-106. |
| **"AMF"** | *Autorité des marchés financiers* (Québec). |
| **"AMSAC"** | Activos Mineros S.A.C. |
| **"Associate"** | Unless specified otherwise, has the meaning ascribed to such term in the *Securities Act* (Québec), as amended, including the regulations promulgated thereunder. |
| **"Author"** | Michel Boily, Ph.D., P. geo., author of the Technical Report. |
| **"Black"** | Black Widow Resources Inc. |
| **"Board"** | The board of directors of the Issuer or the Resulting Issuer, as the context requires. |
| **"BranchCo"** | Genius Properties Sucursal del Perú, the Peruvian branch to be established by Genius for the sole purpose of the Proposed Transaction. |
| **"Cash Contribution"** | Cash contributions to be made by the Issuer to the Target prior to the effectiveness of the Merger, in the form of loans in an aggregate amount of US$2,500,000 to be expended on the development of the Property, for metallurgical testing and to cover capital requirements related to community relations, permitting and general and administrative expenses, in accordance with the terms of the Merger Agreement. |
| **"CBCA"** | *Canada Business Corporations Act*, as amended from time to time, including the regulations promulgated thereunder |
| **"CDP Percentage"** | The percentage of the issued and outstanding Common Shares to be issued to Cerro Shareholders determined in accordance with the terms of the Merger Agreement. |
| **"CEO"** | Chief Executive Officer. |
| **"Centromin"** | *Empresa Minera Del Centro del Peru.* |
| **"Cerro de Pasco"** | Cerro de Pasco Resources S.A. |
| **"Cerro Shareholders"** | The holders of Cerro Shares at the time of effectiveness of the Merger. |

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| "**Cerro Shares**" | The common shares in the capital of Cerro de Pasco. |
| "**CFO**" | Chief Financial Officer. |
| "**CIM**" | Canadian Institute of Mining, Metallurgy and Petroleum. |
| "**Closing**" | The closing of the Proposed Transaction. |
| "**Closing Date**" | The date on which the Closing occurs, as agreed by the Issuer and the Target. |
| "**Common Shares**" | The common shares in the capital of the Issuer. |
| "**CSE**" or "**Exchange**" | The Canadian Securities Exchange. |
| "**Desmontera Excelsior**" | The wastedump Desmontera Excelsior. |
| "**EIS**" | An environmental impact study. |
| "**Escrow Agreement**" | The escrow agreement pursuant to which certain securities held by principals of the Resulting Issuer will be deposited with the Transfer Agent, in accordance with the policies of the CSE. |
| "**Escrowed Securities**" | The securities held by principals of the Resulting Issuer subject to restrictions under the Escrow Agreement. |
| "**Excelsior Mineral Pile**" or "**EMP**" | The Excelsior Mineral Pile, which consists of broken rock material representing the ore extracted from the Cerro de Pasco mine that was deemed uneconomic at the time and not processed through the Paragsha plant to be deposited as a stockpile until 2000 on an a valley floor located south of the open pit mine. |
| "**Genius**" | Genius Properties Ltd., a corporation incorporated under the CBCA and listed on the CSE under the trading symbol GNI. |
| "**Genius Properties**" | All mining properties of Genius, namely: the Robelin property (Québec), the Sakami property (Québec), the Dissimieux Lake property (Québec), the Blockhouse Gold property (Nova Scotia) and the Mt. Cameron Property (Nova Scotia). |
| "**IFRS**" | International Financial Reporting Standards. |
| "**INGEMMET**" | The Mining and Metallurgic Geology Institute, the Peruvian governmental agency in charge of granting mining concession titles and collecting fees and penalties. |
| "**Issuer**" | Genius Properties Ltd., a corporation incorporated under the CBCA and listed on the CSE under the trading symbol GNI. |
| "**Jourdan**" | Jourdan Resources Inc. |
| "**Listing Statement**" | This listing statement dated June 6, 2018 |
| "**MCM**" | Mt. Cameron Minerals Inc. |

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| **"MD&A"** | Management's discussion and analysis, as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations* (in Québec, *Regulation 51-102 respecting Continuous Disclosure Obligations*) of the Canadian Securities Administrators. |
| **"MEM"** | The Peruvian Ministry of Energy and Mines. |
| **"Merger"** | The merger of Cerro de Pasco with BranchCo pursuant to Peruvian Laws as provided for in the Merger Agreement. |
| **"Merger Agreement"** | The merger agreement made as of November 9, 2017 between the Issuer and the Target, a copy of which is available on the Issuer's profile on SEDAR, and any amendments made thereto. |
| **"MI 61-101"** | Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* (in Québec, *Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions*) as adopted by the securities regulatory authorities in the provinces of Ontario, Québec, Alberta, Manitoba and Saskatchewan, and the companion policies and forms thereto, as amended from time to time. |
| **"MJX"** | Majescor Resources Inc. |
| **"Mt. Cameron Amendment Agreement"** | The amendment agreement dated April 9, 2018 to an option agreement between the Issuer and MCM relating to the Mt. Cameron property located in Nova Scotia, Canada. |
| **"NEOs"** | Named Executive Officers of the Issuer or the Resulting Issuer, as applicable, namely the CEO or an officer acting in a similar capacity, the CFO and each of the three most highly compensated executive officers whose total compensation was more than $150,000. |
| **"New Cerro de Pasco"** | BranchCo, after being transformed into a corporation (ordinary corporation or closely held corporation) or into a *sociedad comercial de responsabilidad limitada* under Peruvian law. |
| **"NI 43-101"** | National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* (in Québec, *Regulation 43-101 respecting Standards of Disclosure for Mineral Projects*) as adopted by the Canadian Securities Administrators and the companion policies and forms thereto, as amended from time to time. |
| **"NI 45-106"** | National Instrument 45-106 - *Prospectus Exemptions* (in Québec, *Regulation 45-106 respecting Prospectus Exemptions)* as adopted the Canadian Securities Administrators and the companion policies and forms thereto, as amended from time to time. |
| **"NP 46-201"** | National Policy 46-201 - *Escrow for Initial Public Offerings* as adopted the Canadian Securities Administrators and as amended from time to time. |
| **"NSR"** | Net smelter royalty. |
| **"Option"** | The irrevocable and exclusive option to acquire 100% of the Property granted to Cerro de Pasco under the Option Agreement, which was exercised by Cerro de Pasco on January 12, 2018. |

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| **"Option Agreement"** | The option agreement dated February 14, 2017 between Victor Ramon Justo Eduardo Freundt Orihuela, the former sole and exclusive owner of the mining right of the Property, and Cerro de Pasco, pursuant to which Cerro de Pasco was granted the Option. |
| **"Peruvian Mining Law"** | Supreme Decree No. 014-92-EM, the Peruvian general mining law adopted on June 2, 1992. |
| **"Preferred Shares"** | The preferred shares in the capital of the Issuer. |
| **"Property"** | The mining concession called El Metalurgista, identified with code No. 04012094X01 and recorded in file 20002396 of the Public Registry of Mining Rights of the Public Registry Office of Huancayo. The Property is located at the District of Simon Bolivar, Province of Pasco, Department of Pasco, Peru. |
| **"Proposed Transaction"** | The reverse takeover of Genius by Cerro de Pasco's existing shareholders, by way of the Merger, including the related transaction contemplated hereunder. |
| **"Quiulacocha Tailings"** or **"QT"** | The Quiulacocha tailings, which represent the fine-grained residues (tailings) left after processing the Cerro Pasco ore material (rich in Cu-Zn-Ag-Pb), dumped and accumulated in an ancient natural lake from 1943 to 2000. |
| **"Reïva"** | Reïva Global Corporation. |
| **"Repurchase Option"** | Cerro de Pasco's option to buy back the Royalty from the Vendor in accordance with the terms of the Option Agreement. |
| **"Resulting Issuer"** | The Issuer following the completion of the Proposed Transaction. |
| **"Resulting Issuer Options"** | Options to acquire Common Shares, following completion of the Proposed Transaction, in the capital of the Resulting Issuer. |
| **"Resulting Issuer Shares"** | Common Shares, following completion of the Proposed Transaction, in the capital of the Resulting Issuer. |
| **"Royalty"** | The 2% royalty granted by Cerro de Pasco on January 12, 2018 upon exercise of the Option in favor of the Vendor on the El Metalurgista Concession pursuant to the Option Agreement. |
| **"Securities Laws"** | The *Securities Act* (Québec) or equivalent legislation in those provinces, states, and countries which have or assume jurisdiction over the affairs of the Issuer, the Target, the Resulting Issuer and any party to the Merger, and the applicable rules, regulations, rulings, orders, instruments and forms made or promulgated under such laws, as well as the rules, regulations, bylaws and policies of the CSE, as applicable. |
| **"SEDAR"** | The System for Electronic Document Analysis and Retrieval being the official website that provides access to most public securities documents and information filed by Issuers and investment funds with the Canadian Securities Administrators (CSA) in the SEDAR filing system at the website address of www.sedar.com. |
| **"Spin-Off"** | The transfer of the Genius Properties by the Issuer to the Spin-Off Entity. |

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| **"Spin-Off Entity"** | Genius Metals Inc. / Métaux Genius Inc., a wholly-owned Canadian subsidiary of Genius incorporated under the CBCA for the purpose of the Spin-Off. |
| **"Spin-Off Entity Shares"** | The common shares in the capital of the Spin-Off Entity. |
| **"Stock Option Plan"** | The Issuer's rolling stock option plan adopted on July 11, 2016. |
| **"Spin-Off Private Placement"** | The private placement of a minimum of Spin-Off Entity Shares for gross proceeds to the Spin-Off Entity of a minimum of $750,000 and a maximum of $3,000,000. |
| **"Target"** | Cerro de Pasco. |
| **"Technical Report"** | Technical report prepared in accordance with NI 43-101 dated November 9, 2017 and amended on May 25, 2018 as prepared by Michel Boily, Ph.D., P.geo. and titled "The Excelsior Mineral Pile (EMP) and Quiulacocha Tailings (QT) associated with the Cerro de Pasco Mine, Cerro de Pasco District, Altiplano Region, North-Central Peru" in respect of the Property, a copy of which is available on SEDAR. |
| **"Transfer Agent"** | Computershare Investor Services Inc., the Issuer's transfer agent and registrar. |
| **"TSPL"** | Investments TSPL Inc. |
| **"Vendor"** | Victor Ramon Justo Eduardo Freundt Orihuela. |
| **"Volcan"** | Volcan Compañia Minera S.A.A. |
| **"Zencig"** | Genius' 70% owned nonmaterial subsidiary Zencig Corp. (USA), the 30% remaining interest being held by North Lion Holding Corp. |
| **"Zippler"** | Genius' wholly-owned non-material subsidiary Zippler Inc. (formerly 8845131 Canada Inc.). |

## 1.2. Effective Date of Information

All information in this Listing Statement is as of June 6, 2018 unless otherwise indicated.

## 1.3. Forward Looking Statements

***Cautionary Statement Regarding Forward-Looking Statements***

The information provided in this Listing Statement, including information incorporated by reference, may contain "forward-looking information" and "forward-looking statements" (the "**forward-looking statements**"), within the meaning of applicable securities legislation, about Genius Properties Ltd. (the "**Issuer**") and Cerro de Pasco Resources S.A. ("**Cerro de Pasco**").

In addition, the Issuer may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Issuer that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Issuer that address activities, events or developments that the Issuer expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments, future price of commodities, the estimation of mineral resources; regulatory compliance, capital expenditures, planned exploration activities, including but not limited to costs and timing of development of new deposits and future acquisitions or properties or mineral rights, the interpretation of geological information; the payment of net smelter royalties; permitting time lines, currency fluctuations, requirements for additional capital, including but not limited to, future financings, future profitability, governmental regulation of mining operations, the obtaining of required licences, permits and regulatory approvals, reclamation expenses and the acquisition of new properties. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations and beliefs of the Issuer and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- the speculative and competitive nature of resource exploration, development and operations;
- the availability of financing opportunities, risks associated with business and economic conditions such as changes in metal prices, dependence on management and conflicts of interest;
- accidents, labour disputes, inability to obtain third party contracts, equipment, supplies, appropriate permits or other governmental approvals, and other risks of the mining industry generally and specifically in Peru; and
- other risks described in this Listing Statement and described from time to time in documents filed by the Issuer with Canadian securities regulatory authorities.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including: (a) expectations and assumptions concerning timing of receipt of required shareholder and regulatory approvals and any applicable third party consents, if any; and (b) expectations and assumptions concerning the success of the operation of the Issuer. Although the Issuer believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct.

Consequently, all forward-looking statements made in this Listing Statement and other documents of the Issuer are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Issuer. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Issuer and/or persons acting on the Issuer’s behalf may issue. The Issuer undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

### 1.4. Currency

Unless otherwise indicated herein, references to “$”, “CDN$” or “Canadian dollars” are to Canadian dollars, references to “US$” are to U.S. dollars, and references to “S/” or “PEN” are to Peruvian Soles. The Issuer’s accounts are maintained in Canadian dollars.

## 1.5. Accounting Principles

All financial information in this Listing Statement is prepared in accordance with IFRS.

## 1.6. Information Concerning the Target

The information contained or referred to in this Listing Statement relating to the Target has been furnished by the Target. In preparing this Listing Statement, the Issuer has relied upon the Target to ensure that the Listing Statement contains full, true and plain disclosure of all material facts relating to the Target. Although the Issuer has no knowledge that would indicate that any statements contained herein concerning the Target are untrue or incomplete, neither the Issuer nor any of its principals assumes any responsibility for the accuracy or completeness of such information or for any failure by the Target to ensure disclosure of events or facts that may have occurred which may affect the significance or accuracy of any such information.

## 1.7. Market Industry and Data

This Listing Statement includes market and industry data that has been obtained from third party sources, including industry publications. The Issuer believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, the Issuer has not independently verified any of the data from third party sources referred to in this Listing Statement or ascertained the underlying economic assumptions relied upon by such sources.

# 2. CORPORATE STRUCTURE

## 2.1. Corporate Name and Head & Registered Office

The head and registered office of Genius Properties Ltd. ("**Genius**" or the "**Issuer**") is located at 22 Lafleur Nord, suite 203, Saint-Sauveur, Québec, J0R 1R0, Canada.

The head and registered office of Cerro de Pasco Resources S.A. ("**Cerro de Pasco**" or the "**Target**") is located at Avenida Jorge Basadre 607, Office 226, San Isidro, Lima, Peru. Upon completion of the Proposed Transaction, the Target will be merged with a Peruvian branch of the Issuer.

## 2.2. Jurisdiction of Incorporation and Amendments to Constating Documents

The Issuer was incorporated under the *Business Corporations Act* (Alberta) on June 24, 2003 as a capital pool company named Heartwood Capital Corporation. On March 29, 2006, the Issuer completed its qualifying transaction and concurrently changed its name to Neo Alliance Minerals Inc. Following the completion of a reorganization, the Issuer changed its name to Synergy Acquisition Corp. effective December 16, 2010.

On January 28, 2014, the Issuer continued from the *Business Corporations Act* (Alberta) to the CBCA, changed its head office from the Province of Alberta to the Province of Québec and changed its name from Synergy Acquisition Corp. to Genius Properties Ltd. / Les Propriétés Genius Ltée. The common shares of the Issuer commenced trading on the Canadian Securities Exchange ("**CSE**") under the new corporate name and under the new symbol, "GNI" in February 2014.

Effective February 1, 2017, the Common Shares of the Issuer were consolidated on a basis of 1 post-consolidation Common Share for every 5 pre-consolidation Common Shares.

The Issuer is a reporting issuer in British Columbia, Alberta, Ontario and Québec.

The Target was incorporated under the General Corporate Law of Peru (Law N° 26887) on October 31, 2003. Since the date of its incorporation, the Target has not materially amended its constating documents, other than its transformation from a closely held corporation (*sociedad anónima cerrada*) to an ordinary corporation (*sociedad anónima*) on July 23, 2012.

## 2.3. Inter-corporate Relationships

The Issuer currently has two nonmaterial subsidiaries, namely Zippler Inc. ("**Zippler**") which is incorporated in Canada and Zencig Corp. ("**Zencig**") which is incorporated in the United States. The Issuer holds 100% of the common shares of Zippler and 70% of the common shares of Zencig. North Lion Holding Corp. is the holder of the remaining 30% interest in Zencig. Zippler and Zencig are both currently in the process of being dissolved.

The Target currently has no subsidiaries.

All references within this Listing Statement to the Resulting Issuer refer to the Issuer immediately following the completion of the Proposed Transaction and include the Target, unless otherwise indicated.

## 2.4. Fundamental Change

On November 9, 2017, the Issuer entered into the Merger Agreement with the Target providing the terms of the Proposed Transaction, by which the Issuer (through BranchCo) will absorb Target by means of the Merger. The Merger Agreement is available on SEDAR. The main asset of Cerro de Pasco is a 100% interest in the Property. Cerro de Pasco became the sole legal and beneficial owner of the Property further to the exercise of the Option.

Cerro de Pasco and Genius will effect the Proposed Transaction by merging Cerro de Pasco with BranchCo to continue as the Peruvian branch of the Issuer under Peruvian laws, such that existing security holders of Cerro de Pasco will become security holders of Genius. In accordance with the terms of the Proposed Transaction, Genius will (i) issue a sufficient number of Common Shares to allow the Cerro Shareholders to hold, after such issuance, in the aggregate, 75% of the total number of Common Shares issued and outstanding after the Proposed Transaction (subject to an increase as described below), and (ii) make the Cash Contribution to Cerro de Pasco in an aggregate amount of US$2,500,000.

The percentage of common shares to be held by the Cerro Shareholders will be increased pro rata if the Cash Contribution made by Genius is of a total amount of less than US$2,500,000.

Following the Proposed Transaction, Cerro de Pasco will be legally extinguished and, accordingly, the Cerro Shares will be cancelled. Genius will receive all of the assets and liabilities of Cerro de Pasco.

The Cash Contribution will be expended, based on the joint determination of Genius and Cerro de Pasco (each acting reasonably), on the development of the Property, for metallurgical testing and to cover capital requirements related to community relations, permitting and general and administrative expenses.

As a result of the Proposed Transaction, the board of directors of the Resulting Issuer shall be comprised of six directors, four of which will be former representatives of Cerro de Pasco and two of which will be current directors of Genius. The Resulting Issuer will conduct the principal business conducted by the Target prior to its absorption by Genius (through BranchCo), being the acquisition and development of the Property.

The Proposed Transaction is an arm's length Fundamental Change of the Issuer within the meaning of *Policy 8 – Fundamental Changes & Changes of Business* of the CSE and is subject to a number of conditions precedent, including the receipt of all requisite regulatory, corporate and shareholder approvals, including that of the CSE.

*Disposition of Genius Properties*

As part of the Proposed Transaction, prior to issuing securities to the Cerro Shareholders, Genius proposes to proceed to the Spin-Off by transferring all of its current mining properties (the "**Genius Properties**") into Genius Metals Inc. / Métaux Genius Inc., a wholly-owned Canadian subsidiary of Genius (the "**Spin-Off Entity**"). Genius intends to continue the exploration and development of the Genius Properties through the Spin-Off Entity, and will, prior to the Closing Date, re-distribute the common shares of the Spin-Off Entity to its current shareholders and list them on a stock exchange such that the Spin-Off Entity will become a distinct public entity, as further described below.

Subject to the approval of its shareholders, Genius will transfer substantially all of its assets and liabilities to the Spin-Off Entity. In consideration for such transfer, the Spin-Off Entity will issue to Genius 9,797,790 Spin-Off Entity Shares at a deemed issue price of $0.526 per share having an aggregate value of approximately $5,150,000. Genius will distribute the 9,797,790 shares of the Spin-Off Entity to Genius Shareholders, on the basis of one Spin-Off Entity Share for six Common Share held on the record date for such distribution, which record date will be immediately prior to the completion of the Proposed Transaction.

In order to qualify for the listing of its shares on a stock exchange, the Spin-Off Entity will effect a private placement of Spin-Off Entity Shares for gross proceeds to the Spin-Off Entity of a minimum of $750,000 and a maximum of $3,000,000 (the "**Spin-Off Private Placement**"). Current Genius Shareholders will hold approximately 87.3% of the SpinCo Shares in the event of a minimum SpinCo Private Placement and approximately 63.2 % of the SpinCo Shares in the event of a maximum SpinCo Private Placement, and (ii) new investors will hold approximately 12.7% of the SpinCo Shares in the event of a minimum SpinCo Private Placement and approximately 36.8 % of the SpinCo Shares in the event of a maximum SpinCo Private Placement.

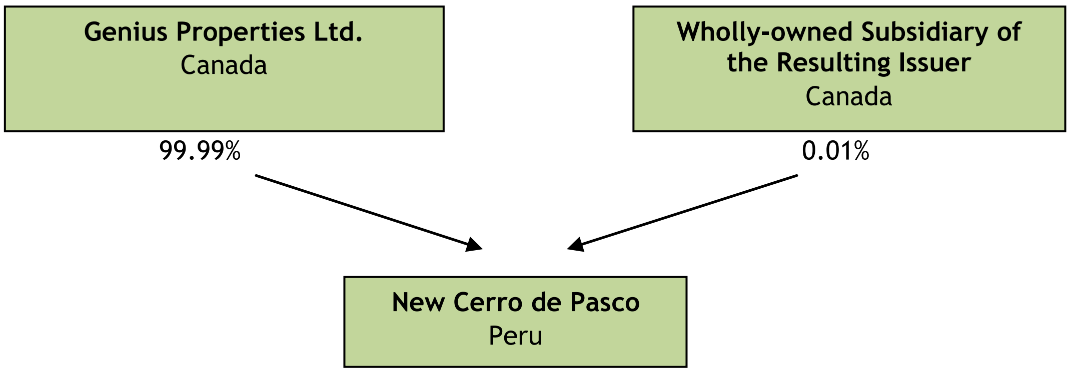
The Spin-Off is a related party transaction pursuant to MI 61-101, as the Spin-Off Entity will be an affiliate controlled by the Issuer. Part 5 of MI 61-101 which imposes formal valuation and minority approval requirements does not however apply to the Spin-Off for the parties to the Spin-Off consist solely of the Issuer and a wholly-owned subsidiary entity. Moreover, the Spin-Off is a downstream transaction of the Issuer under MI 61-101.

*Specific conditions related to the closing of the Proposed Transaction*

The specific conditions that must be met in relation to the closing of the Proposed Transaction are: (i) the completion of the Spin-Off by Genius; (ii) the approval of the Proposed Transaction by the board of directors and the shareholders of both Genius and Cerro de Pasco; (iii) the receipt of all necessary regulatory approvals, including the approval of the Proposed Transaction by the CSE; (iv) the absence of any orders, decrees, proceedings or laws that would either preclude, restrain, enjoin, prohibit or make illegal any of the transactions contemplated by the Merger Agreement; (v) the receipt of all required consents under any material contract of both Genius and Cerro de Pasco which are necessary for the completion of the Merger Agreement; (vi) the successful performance in all material respects of all of the covenants of both Genius and Cerro de Pasco under the Merger Agreement; (vii) the representations and warranties of both Genius and Cerro de Pasco under the Merger Agreement must be true and correct in all material respects as of the Closing Date; (viii) the appointment of four representatives of Cerro de Pasco and two representatives of Genius to the six member Board of Genius, with one representative of each Cerro de Pasco and Genius being named as authorized bank signatories with respect to Genius' bank accounts; (ix) the receipt of Genius of the resignation and mutual release of any current director of Genius resigning in connection with the completion of the Proposed Transaction, in a form satisfactory to Cerro de Pasco, acting reasonably; (x) the number of Resulting Issuer Shares held by former Cerro Shareholders being equal to the CDP Percentage of Genius Shares, on a post-closing basis; (xi) the delivery of all applicable closing document required under the Merger Agreement to both Genius and Cerro de Pasco; and (xii) the absence of material change in the business and operations of Cerro de Pasco and Genius.

Upon completion of the Proposed Transaction, BranchCo shall exist as a Peruvian branch of the Issuer. Shortly after the Closing Date, it is anticipated that BranchCo will be transformed into a corporation (ordinary corporation or closely held corporation) or into a *sociedad comercial de responsabilidad limitada*. Peruvian law requires that Peruvian companies have at least two shareholders. Under Peruvian legislation requirements, the transformed company (the "**New Cerro de Pasco**") will need to have at least one shareholder in addition to Genius, which is expected to be a wholly-owned subsidiary of the Resulting Issuer.

The inter-corporate relationships after giving effect to the Proposed Transaction is anticipated to be as follows:




**2.5. Non Corporate Issuers and Issuers incorporated outside of Canada.**

This section is not applicable to the Issuer.

**3. GENERAL DEVELOPMENT OF THE BUSINESS**

**3.1. Three Year History**

From inception, the Issuer was primarily an exploration stage company engaged in the acquisition and exploration of mineral resource properties of merit in Québec.

*Year ended December 31, 2015*

On January 30, 2015 the Issuer announced that it had entered into a debt settlement agreement with North Lion Holding Corp., a company that provided management and administrative services to Genius' wholly-owned subsidiary ZenCig, pursuant to which both parties agreed to a mutual and final settlement of debt owed to North Lion Holding Corp. following the termination of a service agreement by the issuance of 200,000 Common Shares.

On April 7, 2015 the Issuer signed a letter of intent with TSPL to sell all of the issued and outstanding shares of its subsidiary Zippler. The Issuer agreed to sell the shares of Zippler in consideration for the issuance to the Issuer of 16,000,000 common shares of TSPL, a deemed value of $ 3.2 million. The Issuer however terminated the letter of intent with TSPL in June of 2015.

In June 2015 , the Issuer completed a transaction with 9191364 Canada Inc., a company doing business under the name Reïva Global Corporation ("**Reïva**"), for the acquisition of all the assets of Reïva, composed primarily of a portfolio of proprietary brands and exclusive recipes of functional foods and natural health beverages. Under the terms of the transaction, the Issuer issued to Reïva an aggregate of 30,000,000 Common Shares. In October 2015, the Issuer and 9191364 Canada Inc. agreed to terminate and resolve this agreement.

In August 2015, the Issuer announced the sale of its Vendôme Sud property to Black Widow Resources Inc (“**Black**”). Pursuant to the sale, Black acquired 100% of the rights and interest in the Vendôme Sud property for a consideration of 1,500,000 common shares of Black issued to the Issuer.

On November 11, 2015, the Issuer 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 in order to concentrate its effort on the acquisition and exploration of mineral properties. Zippler and Zencig are both currently in the process of being dissolved.

*Year ended December 31, 2016*

On March 23, 2016, the Issuer announced the acquisition of the Dissimieux Lake Titanium-Phosphate-REE's property from Jourdan Resources Inc. (“**Jourdan**”) located within the La Blache Lake Anorthositic Complex, located in the Province of Québec. Under the terms of the agreement, the Issuer acquired a 100% interest in 15 claims by issuing Jourdan a total of 6,000,000 Common Shares at a fair value of $0.05 per share for a consideration of $300,000 as well as 720,000 Common Shares at a fair value of $0.175 per share for a consideration of $126,000.

A 2% net smelter royalty (“**NSR**”) was granted to Jourdan with the Issuer having the right to purchase half (1.0%) of the NSR at any time by paying Jourdan $1,000,000.

On May 10, 2016, the Issuer announced the acquisition of a 100% interest in nine mineral exploration properties covering various mineral showings in the south central region of the Province of Nova Scotia. The vendors received from the Issuer an aggregate of 1,000,000 Common Shares and retained a 1.5% NSR royalty on the property. The Issuer has the right to purchase 2/3 of the NSR royalty from the vendors for $1,000,000. The vendors are also entitled to receive staged share payments from the Issuer as follows: (i) 500,000 shares each time the Issuer incurs an aggregate of $1,000,000 in work costs on the property, subject to a maximum of 500,000 shares, and (ii) 500,000 additional shares if the Issuer complete a feasibility study.

In May 2016, the Issuer entered into an option agreement with Majescor Resources Inc. (“**MJX**”) whereby MJX could acquire a 100% interest in the Montagne B lithium properties (approximately 708 hectares), located in central Québec. by making an initial cash payment of $6,250 (paid), by issuing 625,000 common shares (issued) of MJX to the Issuer 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 of MJX 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 1, 2016. As at December 31, 2016, the Issuer decided not to renew the Montagne B lithium properties claims at their expiry.

In October 2016, the Issuer entered into agreements with Mt. Cameron Minerals Inc. (“**MCM**”) and 21 Alpha Resources Inc. (“**21 Alpha**”) to acquire an 80% interest in 82 mining claims located in Nova Scotia for the Mt Cameron Graphite property, by issuing 600,000 Common Shares, by paying $175,000 and by incurring $1,000,000 of exploration expenditures over two years. The property is subject to a 3% NSR of which 2.5% may be purchased at any time by the Issuer for $2,000,000. In early 2017, the Issuer amended its option agreement with MCM and 21 Alpha. The cash payment was reduced to $125,000 instead of $175,000 and the number of shares was increased to 800,000 Common Shares instead of 600,000 Common Shares. The Issuer has issued 800,000 Common Shares to 21 Alpha. at a fair value of $0.20 per share for a consideration of $160,000. The option agreement with MCM was further amended on April 9, 2018 in order to extend the deadlines granted to the Issuer to incur expenditures on the property (the “**Mt. Cameron Amendment Agreement**”). Pursuant to the Mt. Cameron Amendment Agreement, the Issuer has until December 31, 2018 and December 31, 2019 to incur expenditures in amounts of $500,000 each time in order to acquire an initial 80% interest in the property. The Issuer issued an additional 200,000 Common Shares to MCM as consideration for the deadlines extension under the Mt. Cameron Amendment Agreement.

*Year ended December 31, 2017*

Effective February 1, 2017, the Common Shares of the Issuer were consolidated on a basis of 1 post-consolidation Common Share for every 5 pre-consolidation Common Shares.

In April 2017, the Issuer entered into definitive purchase and sale agreements to acquire a 100% interest in the Sakami and Robelin properties, which cover various mineral resources in the Province of Québec, in consideration of which the Issuer issued 6,000,000 and 6,500,000 Common Shares, respectively, at a deemed price of $0.15 per share. Each property is subject to a 2% NSR royalty on production, half of which can be bought back for a cash payment of $1,000,000.

On November 9, 2017, the Issuer entered into the Merger Agreement with Cerro de Pasco setting out the terms of the Proposed Transaction. See details of the Proposed Transaction under Item 2.4 "*Fundamental Change*".

On November 9, 2017, the Issuer also completed and filed on SEDAR the Technical Report relating to the Property. Such Technical Report was amended and restated as of May 25, 2018 and filed on SEDAR.

In December 2017, Genius completed a non-brokered private placement for total gross proceeds of over $1 million through the issuance of 5,428,500 units at a price of $0.15 per unit, for gross proceeds of $814,275 and 1,062,500 flow-through shares at a price of $0.20 per flow-through share, for gross proceeds of $212,500. Each unit was comprised of one Common Share and one-half of one common share purchase warrant. Each such warrant entitles its holder to purchase one additional Common Share at a price of $0.25 per Common Share for a period of 12 months from the date of issuance.

*Current Financial Year*

In April 2018, the Issuer completed a non-brokered private placement for aggregate gross proceeds of $2,336,250. A total of 15,575,001 units of the Corporation were issued, each unit consisting of one Common Share and one-half of one common share purchase warrant, at a price of $0.15 per unit. Each warrant entitles its holder to purchase one additional Common Share at a price of $0.25 for a period of 12 months from the date of their issuance. The net proceeds will be used for working capital and as part of the Cash Contribution in connection with the Proposed Transaction with Cerro de Pasco.

As part of the Proposed Transaction, the Issuer intends to complete the Spin-Off and thereafter focus on the development of the Property.

***Business of the Target***

The Target is a company incorporated in Peru with no active operations or assets other than the Property which the Target acquired upon exercise of the Option on January 12, 2018. The Target has had no active operations in the last three years.

Cerro de Pasco exercised the Option on January 12, 2018 and executed the public deed whereby it formally acquired title over the concession and paid the former titleholder, Mr. Victor Ramon Justo Eduardo Freundt Orihuela, the balance of the US$ 853,700 purchase price. As a result, Cerro de Pasco is now the exclusive titleholder of the concession, holding a 100% interest over it. Mr. Freundt retains the right to receive a 2% NSR royalty on the products obtained from the concession. This royalty can be bought back entirely by Cerro de Pasco as of initiation of commercial production in the concession, by paying a consideration of US$ 3 million if the royalty is bought back by the end of the 2nd year, US$ 3.5 million if bought back by the end of the 3rd year, or US$ 4 million if bought back by the end of the 4th year.

***Operating Revenue***

Neither the Issuer nor the Target has generated any material operating revenue since inception other than interest income from time to time. Management anticipates that the Resulting Issuer will continue to experience net losses as a result of ongoing research and development costs and general corporate and administrative costs and expenses until such time as revenue generating activities are commenced.

The Resulting Issuer's future financial performance is dependent on many external factors. Circumstances and events that could materially affect the Resulting Issuer's future financial performance are set out under Item 17 *"Risk Factors"* below.

### 3.2. Significant Acquisitions and Dispositions

Please refer to Item 3.1 "*General Development of the Business*".

### 3.3. Trends, Commitments, Events or Uncertainties

Other than as discussed below, there are no trends, commitments, events or uncertainties known to management which could reasonably be expected to have a material effect on the Issuer's business, the Issuer's financial condition or results of operations. However, there are significant risks associated with the Issuer's business, as described under Item 17 *"Risk Factors"*.

Under Peruvian mining regulations, a mining concession such as the Property is independent from the surface land under which it is located. Therefore, prior to the beginning of any reprocessing activity on the Property, an agreement will have to be reached with the owner of the surface land where the Property is located.

In accordance with Peruvian legal requirements, a notice of the resolution to be taken by the general shareholders meeting of Cerro de Pasco approving the Merger will be published three times in order to offer creditors of Cerro de Pasco the possibility to object to the Merger within 30 days of the date of the third publication.

## 4. NARRATIVE DESCRIPTION OF THE BUSINESS

### 4.1. General

#### 4.1.1. Business of the Issuer

The principal business currently carried on by the Issuer is the acquisition, exploration and, if warranted, development of natural resource properties of merit in Québec.

The management team's goal is to make the Resulting Issuer a successful mining company in Peru by focusing on the advancement of the development and operation of the Property.

*(a) Business Objectives*

Over the next 12-month period, the objectives of the Resulting Issuer are:

i. to negotiate and enter into an agreement with Volcan for the usage of their milling and processing infrastructure;

ii. to complete the acquisition of the surface land known as "Parcela K";

iii. to perform metallurgical testing and bulk sampling on the Property;

iv. to perform geological modeling on the Property;

v. to complete an Environmental Impact Assessment study on the Property; and

vi. to complete engineering studies on optimization of the existing milling and processing infrastructure and to pursue the operation of the Property.

*(b) Significant Events or Milestones*

The principal milestones that must occur for the stated 12-month period business objectives described above to be accomplished are as follows:

| Milestone | Target Date | Estimated Costs |
|---|---|---|
| Negotiation of an agreement with Volcan for the usage of their milling and processing facilities | Q3 2018 | $80,000 |
| Acquisition of the surface land known as “Parcela K” | Q4 2018 | $100,000 |
| Metallurgical testing and bulk sampling | Q1 2019 | $1,000,000 |
| Geological modeling | Q1 2019 | $500,000 |
| Environmental Impact Assessment study on the Property | Q3 2018 | $30,000 |
| Engineering studies on optimization of the existing milling and processing infrastructure and beginning of the operation of the Property | Q4 2018 | $2,000,000 |
| **TOTAL** | | **$3,710,000** |

*(c) Funds available to the Issuer*

As at May 30, 2018, the Issuer had working capital amounting to approximately $1,500,000.

The ability of the Resulting Issuer to continue operations is dependent upon successfully raising the necessary financing to complete future development and operations, and achieving future profitable production for proceeds in excess of carrying amounts. These pursuits may be delayed given the challenges faced by companies seeking to raise funds through the issuance of shares. In this regard, as soon as possible following filing of the Listing Statement the Issuer intends to arrange a private placement of units of $3,500,000 in gross proceeds. The proceeds will be used for general working capital purposes, to fund the acquisition of Cerro de Pasco and to advance the operations on the Property.

Upon completion of the Proposed Transaction, the Resulting Issuer anticipates it will have an estimated $4,750,000 in funds available, comprised of:

| Description | Amount |
|---|---|
| Approximate working capital of the Issuer as at May 30, 2018 | $1,500,000 |
| Approximate working capital of the Target as at May 30, 2018 | $50,000 |
| Net proceeds from private financing(s) (less estimated commission and fees) of the Issuer | $3,300,000 |

| Description | Amount |
|---|---|
| Less estimated remaining transaction costs of the Issuer and the Target associated with the Proposed Transaction (including legal fees, audit fees, fees of the CSE and other expenses) | ($100,000) |
| **TOTAL** | **$4,750,000** |

*(d) Purposes of Funds*

It is the Resulting Issuer's intention to use these funds for a period of twelve months after the closing of the Proposed Transaction as follows:

| Use of Funds | Funds to be Expended |
|---|---|
| Development activities on the Property in the next 12 months | $3,710,000 |
| General and Administrative Expenses for the next 12 months [(1)] | $1,050,000 |
| Unallocated Working Capital | $10,000 |
| **TOTAL** | $4,750,000 |

Note:

(1) General and administrative costs for the next 12 months are expected to be comprised of: executive compensation of $500,000, travel expenditures of $50,000, investor relations, marketing and shareholder communication of $100,000, consulting and employment fees of $200,000, professional expenses of $150,000 and office, insurance, transfer agent and other miscellaneous expenses of $50,000.

The Resulting Issuer intends to spend the funds available to it upon completion of the Proposed Transaction to further the stated business objectives of the Resulting Issuer. There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Resulting Issuer to achieve its stated business objectives.

### 4.1.2. Principal Products or Services

The Issuer is, and the Resulting Issuer will be, in the mineral exploration business, does not have any marketable products at this time and is not distributing any products at this time. In addition, the Resulting Issuer does not know when the Property will reach the development stage and if so, what the estimated costs would be to reach commercial production.

### 4.1.3. Production and Sales

All aspects of the Resulting Issuer's business will require specialized skills and knowledge. Such skills and knowledge include the areas of geology, drilling, logistical planning, geophysics, metallurgy and mineral processing, implementation of exploration programs and accounting. Management of the Issuer is, and of the Resulting Issuer will be, composed of individuals who have extensive expertise in the mineral exploration industry and exploration finance and are complemented by the board of directors of the Issuer.

The mineral exploration and development business is subject to mineral price cycles. The marketability of minerals and mineral concentrates is also affected by worldwide economic cycles.

The Resulting Issuer's exploration activities will be subject to various laws and regulations in the jurisdiction in which it operates relating to the protection of the environment. Due to the early stage of the Resulting Issuer's expected activities, environmental protection requirements are expected to have a minimal impact on the Resulting Issuer's capital expenditures and competitive position. If needed, the Resulting Issuer will make and will continue to make expenditures to ensure compliance with applicable laws and regulations. New environmental laws and regulations, amendments to existing laws and regulations, or more stringent implementations of existing laws and regulations could have a material adverse effect on the Resulting Issuer by potentially increasing capital and/or operating costs.

As of December 31, 2017, the Issuer had one permanent full time employee and no permanent part time employee. The operations of the Issuer are managed by its directors and officers. The Issuer engages consultants from time to time in the areas of mineral exploration, geology and business negotiations as required to assist in evaluating its interests and recommending and conducting work programs.

As of December 31, 2017, the Target had one permanent full time employee and one permanent part time employee. The operations of the Target are managed by its directors and officers. The Target engages consultants from time to time in the areas of mineral exploration, geology and business negotiations as required to assist in evaluating its interests and recommending and conducting work programs.

The Resulting Issuer expects to have one permanent full time employee and one permanent part time employee. The operations of the Resulting Issuer are expected to be managed by its directors and officers. The Resulting Issuer anticipates engaging consultants from time to time in the areas of mineral exploration, geology and business negotiations as required to assist in evaluating its interests and recommending and conducting work programs.

All of the Resulting Issuer's mineral properties and significant exploration programs will be in Peru, exposing it to the socioeconomic conditions as well as the laws governing the mining industry in that country. Inherent risks with conducting foreign operations include, but are not limited to, high rates of inflation; currency risk; military repression, war or civil war, social and labour unrest, organized crime and hostage taking, which cannot be predicted and could have a material adverse effect on the Resulting Issuer's operations and profitability. The government in Peru is currently generally supportive of the mining industry but changes in government laws and regulations including taxation, royalties, the repatriation of profits, restrictions on production, export controls, changes in taxation policies, environmental and ecological compliance, expropriation of property and shifts in the political stability of the country could adversely affect the Resulting Issuer's exploration, development and production initiatives in Peru and could potentially lead to expropriation of mining rights. The near term success of the Resulting Issuer will be dependent on the results of its exploration and development programs and on Peru remaining an attractive jurisdiction for mineral development.

### 4.1.4. Competitive Conditions and Position

The mineral exploration and mining industry is very competitive and the Resulting Issuer will be required to compete for the acquisition of mineral permits, claims, leases and other mineral interests for exploration and development projects. The Resulting Issuer will compete with many companies that have greater financial resources and technical facilities than itself. Significant competition exists for the limited number of mineral acquisition opportunities available in the Resulting Issuer's sphere of operations. As a result of this competition, the Resulting Issuer's ability to acquire additional attractive mining properties on terms it considers acceptable may be adversely affected and will depend on its ability to obtain additional financing to fund further exploration activities.

### 4.1.5. Lending Operations, Investment Policies and Restrictions

Neither the Issuer nor the Target has adopted any specific policies or restrictions regarding investments or lending, but will ensure any investment or debt activities incurred are in the best interests of the Resulting Issuer and its shareholders. The Resulting Issuer expects that in the immediate future in order to maintain and develop the Property, it will need to raise additional capital through a combination of debt and equity. If the Resulting Issuer is unable to raise the necessary capital to meet its obligations as they become due, the Resulting Issuer may have to curtail its operations or obtain financing at unfavourable terms.

#### 4.1.6. Bankruptcy and Receivership

Neither the Issuer nor the Target has been the subject of any bankruptcy or any receivership or similar proceedings against it or its subsidiaries or any voluntary bankruptcy, receivership or similar proceedings by it or its subsidiaries, within the three most recently completed financial years or the current financial year.

#### 4.1.7. Material Restructuring

Other than with respect to the consolidation of its Common Shares on a basis of 1 post-consolidation Common Share for every 5 pre-consolidation Common Shares, the Issuer has not been subject to any material restructuring transaction within the three most recently completed financial years nor is the Issuer proposing any material restructuring transaction for the current financial year, other than with respect to the Spin-Off and Proposed Transaction. In 2015, the Issuer discontinued the distribution of consumable products under its subsidiary Zencig and the development of a geo-localisation software under its subsidiary Zippler to concentrate its effort on the acquisition and exploration of mineral properties. Zippler and Zencig are both currently in the process of being dissolved.

The Target has not completed any reorganization in its last three financial years, nor is the Target proposing any material restructuring transaction for the current financial year, other than with respect to the Proposed Transaction.

#### 4.1.8. Social and Environmental Policies

The Resulting Issuer is not expected to adopt any specific social or environmental policies that are fundamental to its operations (such as policies regarding its relationship with the environment, with the communities in the vicinity of its facilities or human rights policies). However, steps have been taken and discussions initiated with local communities and the Resulting Issuer's management, with the assistance of its contractors and advisors, will ensure its ongoing compliance with local environmental laws in the jurisdictions in which it does business.

### 4.2. Companies with Asset-backed Securities Outstanding

Neither the Issuer nor the Target has any asset backed securities. The Resulting Issuer will not have any asset-backed securities.

### 4.3. Mineral Projects

The Target has exercised the Option and upon the completion of the Merger and the conversion of BranchCo into New Cerro de Pasco, the Property shall be the sole material property of New Cerro de Pasco.

The Issuer commissioned Michel Boily, Ph.D., P. geo. (the "**Author**") to prepare the Technical Report on the Property. The Technical Report, which has been prepared in accordance with NI 43-101, has an effective date of November 9, 2017 and was amended on May 25, 2018. The Technical Report has been filed on SEDAR. The following information concerning the Property is derived from the Technical Report and is qualified in its entirety by the full Technical Report. Readers are encouraged to review the Technical Report in full in conjunction with this Listing Statement.

The Author is an independent qualified person under NI 43-101. The Author reviewed and based the Technical Report on historical data, maps and reports provided by Cerro de Pasco and the Issuer. Data and information were also extracted from reports available in the public record and from the website of Mining and Metallurgic Geology Institute ("**INGEMMET**"). Some of these reports were prepared before the implementation of NI 43-101 norms and did not follow the accepted rules and procedures. Although many authors of such reports appear to be qualified and the information was prepared in accordance with standards acceptable to the exploration community at the time, the data does not fully meet present requirements. The Author believes the information provided is verifiable in the field, and that it is a reasonable representation of the mineralization. The author was prevented to visit the property due to the harsh climatic conditions prevailing at the time of writing this report. The author is planning to visit the site in July 2018.

#### 4.3.1. Property Description and Location

The Property consists of the El Metalurgista Concession and Parcela "K" surface land, the latter including the previous concession. The Issuer proposes, through the acquisition of the El Metalurgista and Parcela "K" concessions, to exploit the mineralized material contained within the Excelsior Mineral Pile ("**EMP**") and Quiulacocha Tailing ("**QT**") forming stockpiles and residues generated by the processing of the Cerro de Pasco Mine Pb-Zn-Ag-Cu ore located in east-central Peru.

El Metalurgista Concession was acquired by the Target from Mr. Victor Ramón Justo Eduardo Freundt Orihuela through the exercise of the Option on January 12, 2018, whereas the Parcela "K" surface land is in the process of being acquired by the Target.

***El Metalurgista Concession***

The El Metalurgista Concession is situated 310 km by road northeast of the capital city of Lima. It belongs to the Cerro de Pasco map sheet (22k) within the Department of Pasco, Province of Pasco, Simon Bolivar District. The district hosts multiple mining operations and is strongly associated with lead/zinc/silver sulphide ore deposits as well as large copper porphyries. The El Metalurgista Concession occupies an area of 95.74 hectares. The El Metalurgista Concession lies between the city of Cerro de Pasco to the northeast, and the town of Quiulacocha to the southwest. The approximate center coordinates of the El Metalurgista Concession are: 360699mE and 8817995mN (WGS84, Zone 18S) or Long. -76°16'25'' and Lat. 10°41'24''.

The El Metalurgista Concession was staked in 1972 and the title granted in 1989. It was acquired under a different system relative to the one currently in use. The title under such abrogated regime would include the "dumps, tailings and slag located within the area of the mining concession". This is in contrast to the current system, in which the mining concession grants only the right to exploit "metallic" or "non-metallic" minerals. It is in good standing and if free and clear of recorded encumbrances (including securities on movable goods) and there are no outstanding debts regarding the validity fees and minimum production penalties applicable to the El Metalurgista Concession. The El Metalurgista Concession has achieved the granting of a firm and definitive concession title and the registered title holder of the El Metalurgista Concession is now Cerro de Pasco.

Cerro de Pasco is the registered titleholder of the Property. Hence, as a result of the Merger the Issuer (through BranchCo) will become the new owner of the Property and will have to register such acquisition with the Peruvian Public Registries.

Under Peruvian mining regulations, mining concessions do not have a validity period; provided that all legal obligations such as payment of validity fees and production penalties are complied with. Thus, there are no conditions for their renewal. However, under the new minimum production regime (which will be in force in 2019) a mining concession (which includes the El Metalurgista Concession) could be cancelled after 30 years, counted, in principle, as from the issuance of the mining concession title, if minimum production is not reached within such term. In the case of the El Metalurgista Concession (because it was obtained before 31 December 2008), the abovementioned 30 year term shall be counted as from 2008.

Under the Peruvian Mining Law, mining exploration, exploitation, mining labor, beneficiation and mining transport (except storage, reconnaissance, prospecting and trade) are carried out exclusively by means of concessions. A concession provides its titleholder with the exclusive right to undertake a specific mining activity within a determined area, but does not grant the titleholder the right to own the surface land where the concession is located nor exempts it from obtaining other additional permits required under law for performing its activities.

There are 4 types of concessions provided by the Peruvian Mining Law. The El Metalurgista Concession falls into the mining concession category. This is a property right, independent from the ownership of surface land on which it is located. It allows its holder to carry out exploration and exploitation activities (of either metallic or non-metallic substances) within the area established in the respective concession title, provided that prior to the beginning of any mining activity, the relevant concession title is granted and other applicable administrative authorizations are obtained (e.g. environmental, use of water, use of explosives, etc.). Mining concessions are granted by INGEMMET.

Under Peruvian law, title over a concession does not grant its holder ownership or a possession title over the surface land under which it is located. Therefore, in order for the holder of a concession to proceed with the activities authorized by it, the holder must purchase the corresponding surface land, reach an agreement with the owners of the surface land for its temporary use or obtain the imposition of a legal easement by MEM, which is rarely granted.

The Property is subject to an option agreement (the "**Option Agreement**") dated February 14, 2017, entered between Victor Ramon Justo Eduardo Freundt Orihuela, (the "**Vendor**") and Cerro de Pasco. In accordance with article 165 of the Peruvian General Mining Law, the Vendor, being the sole and exclusive owner of the mining right of the El Metalurgista Concession granted Cerro de Pasco an irrevocable and exclusive option to acquire 100% of the Metalurgista Concession (the "**Option**"), subject to compliance by Cerro de Pasco with the terms and conditions set forth in the Option Agreement. Cerro de Pasco exercised the Option on January 12, 2018 and publicly registered its acquisition of the Property in March 2018.

The price for the transfer of 100% of the mining property is US$ 853,700. In accordance with the terms and conditions provided in the Option Agreement, having the Option been exercised by Cerro de Pasco, the latter constituted a charge on El Metalurgista Concession in the form of a 2% NSR royalty (the "**Royalty**") in favor of the Vendor and payable by Cerro de Pasco. The Royalty will be effective upon start of commercial production, will be applied to all the products coming from the El Metalurgista Concession, and will subsist as long as there are products to be extracted therefrom.

In accordance with the terms of the Option Agreement, and once the start of the commercial production is confirmed, Cerro de Pasco will have an option to buy back the Royalty from the Vendor (the "**Repurchase Option**"), in exchange for the following consideration:

(a) the sum of US$ 3,000,000 if Cerro de Pasco exercise the Repurchase Option within the first 24 months of the start of commercial production; or

(b) the sum of US$ 3,500,000 if Cerro de Pasco exercises the Repurchase Option after 24 months of the verified start of commercial production and up to 36 months after the start of commercial production; or

(c) the sum of US$ 4,000,000 in case Cerro de Pasco exercises the Repurchase Option after 36 months of the verified start of commercial production and up to 48 months after the start of commercial production.

***Parcela "K"***

The Parcela "K" surface land (293.5 ha) contains the area on which sits the Excelsior Stockpile. Parcela "K" is situated in the Cerro de Pasco Province near the core of the urban district of Champamarca at an altitude of 4,300 m above sea level. The center of Parcela "K" sits at latitude 10°39' S and longitude -76°00'W corresponding to UTM values of 361000mE and 88181850mN (WGS84; Zone 18S).

The northern and eastern boundaries of the Excelsior Mining Stockpile coincides with the northeastern limits of Parcela “K” about 500 m to the southwest of the Cerro de Pasco Mine open pit.

The Parcela “K” surface land is owned by Activos Mineros S.A.C. (“**AMSAC**”), a Peruvian State-owned company. AMSAC was created in 2006 and its main purpose is to remedy all remaining liabilities of Centromin (late Peruvian State mining company) concerning the Cerro de Pasco Mine and as such is the owner of material outside of the El Metalurgista Concession and within Parcela “K”. AMSAC was nominated, by Supreme Decree, the company responsible to carry out the remediation and to establish agreements with private companies to transfer all accumulated wastes such as dumps and tailings, among them the Quiulacocha Tailings pond and the Excelsior Stockpile after the closure of the Cerro Pasco Mine. The Target started in early 2012 to gain access over the entire area known as Parcela “K” and is planning to acquire the entire area. At the time, the Target formed, with the MEM and rural communities located within the area occupied by the stockpile and tailings, a “dialogue table” with the purpose of suspending AMSAC’s activities which are aimed at undertaking a closure plan, and to transfer Parcela “K” to the Target. The Target intends to conduct mining activities in the area and to stop AMSAC’s closing efforts.

It is expected that the Resulting Issuer will extend its mineral rights over the entire Excelsior Mineral Pile following an agreement to be negotiated with AMSAC. There is however no guarantee that the Resulting Issuer will reach such an agreement with AMSAC. See Figure 1 below.

***Environmental Liabilities***

Companies that carry out mining activities (which includes tailings, stockpiles and slag reprocessing) are obliged to perform in such a manner ensuring the protection of the environment by controlling and mitigating the environmental impact of their activities. Consequently, and according to applicable Peruvian laws and regulations, the execution of mining activities requires the prior approval of an environmental management instrument (i.e. Environmental Impact Study, Semi detailed Environmental Impact Study or Environmental Impact Declaration, as the case may be). The applicable environmental management instrument depends on the level of impact that the specific activity may generate to the environment.

Projects are categorized as follows: a) Category I: projects that imply the execution of activities with non-significant impact on the environment. This type of projects requires the filing of an environmental statement; b) Category II: projects implying the execution of activities having a moderate impact on the environment. This type of projects requires the approval of a semi-detailed environmental impact assessment by the MEM’s Directorate of Mining Environmental Affairs and is subject to a process of public hearings in the locations where the project will be developed; and c) Category III: projects that imply the execution of activities with significant impact on the environment (i.e. exploitation and/or beneficiation activities). Category III projects require the approval of a detailed EIS. EISs are approved by the National Service of Environmental Certification for Sustainable Investments, a specialized technical governmental agency in charge of reviewing and approving EIS related to projects involving activities, works or services that may cause significant impacts to the environment.

The approval process involves workshops and public hearings in the locations where the project will be developed.

When preparing any environmental impact instrument, mining titleholders must gather and analyze the social, environmental and economic concerns of the population that lives or works in areas surrounding the project, prior to the authorization of any activity. Mining titleholders must, along those lines, implement different public participation measures, prior to, and during the, preparation of the relevant environmental impact instrument, as well as during its evaluation by the relevant authority. The relevant environmental management instrument must include a public participation plan describing the measures that shall be implemented by the mining titleholder.

According to INGEMMET, the granting of mining concessions does not qualify as an "administrative measure" that potentially affects the rights of indigenous and native peoples, because it does not grant, per se, a right to explore and exploit mineral deposit (additional permits are required for those activities). Accordingly, the granting of mining concessions has not been included among the measures that require consultation procedures with indigenous peoples.

The MEM has established that consultation procedure is enforceable, if and when applicable, prior to the commencement of: a) exploration activities, b) exploitation activities and c), beneficiation activities.

The Excelsior property contains the Excelsior Mineral Pile (EMP stockpile) and the Quiulacocha Tailings. The proposed plan for building the mining installations and infrastructures implies the use all available space located at the right side margin, NW of the QT and EMP sites within the Parcela "K" concession.

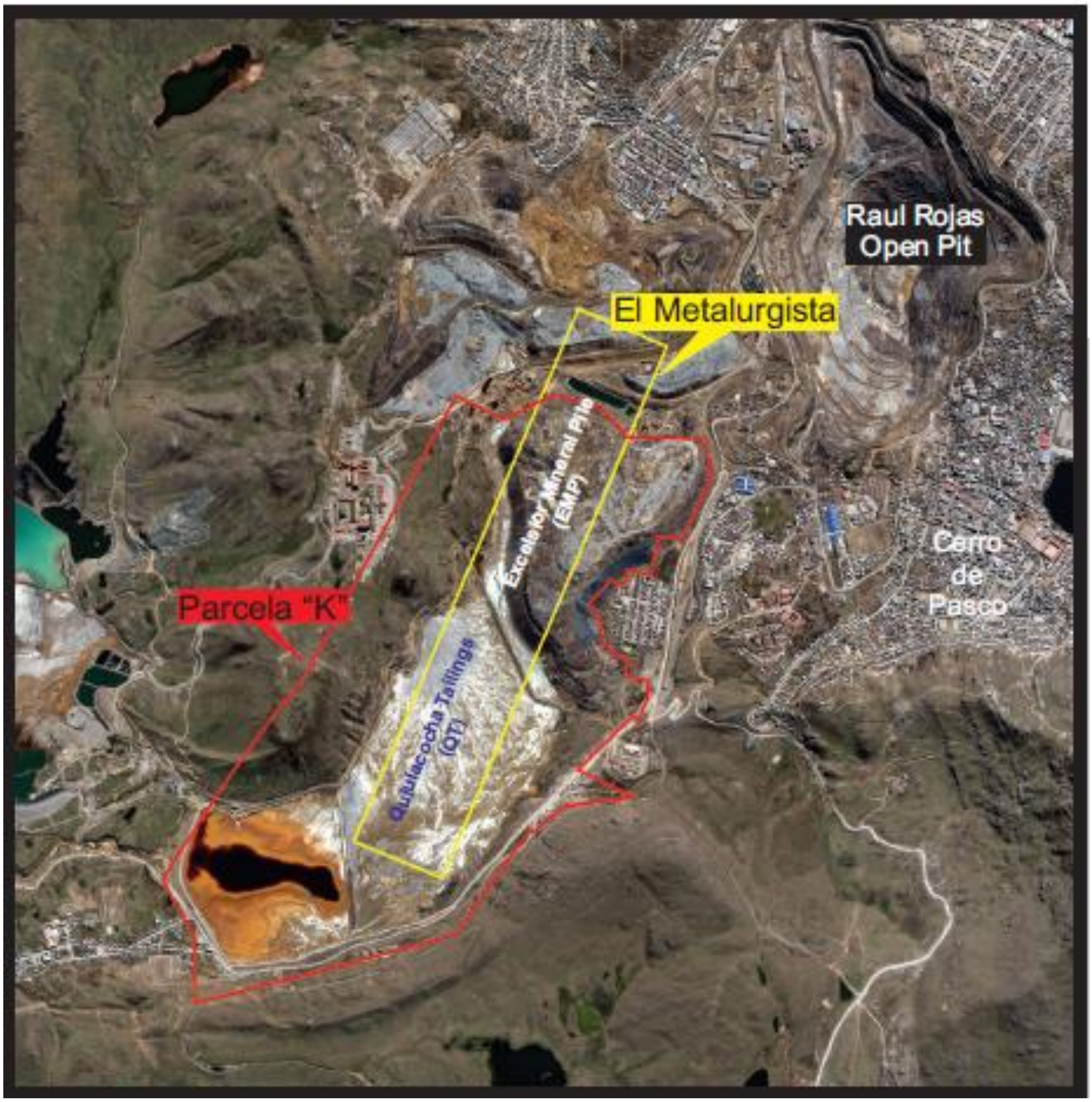



*Figure 1: Localization and boundaries of the El Metalurgista and Parcela "K" concessions.*

### 4.3.2. Accessibility, Climate, Local Resources, Infrastructure and Physiography

Accessibility

The El Metalurgista Concession is situated 170 km SE of Lima as crow flies. Traveling by car or 4x4 vehicle from Lima to Cerro de Pasco takes about 6 to 7 hours via Highway 20A provided there are no unforeseen hurdles (rock-falls, landslides, vehicular accidents, snowstorms, fog, etc.). One can also travel by plane from Lima to the city of Jauja and then by car on a distance of 140 km to Cerro de Pasco.

Climate

At 4,330 m above sea level, Cerro de Pasco possesses an alpine climate. The town experiences two distinct seasons: a wet season lasting from November to April characterized by frequent rain and snow (1,847 mm) and a dry season extending from May through October with minimal rain (249 mm). Maximum and minimum temperatures for December and June are: 13.0°C to -0.1°C and 12.7°C to -4.0°C respectively, with the average yearly temperature hovering around 5.5°C. The alpine climate, although harsh, permits mining activities year round.

Local Resources and Infrastructure

The town of Cerro de Pasco (population 66,252) is a mining town built on the development of a world-class Zn-Pb-Ag-Cu deposit that has been in production for more than a century. The El Metalurgista Concession sits immediately west of the Cerro de Pasco city limits. The site underwent continuing mining operations by Volcan Compañia Minera S.A.A. ("**Volcan**") and others. There is a longstanding tradition in support of the mining industry by the population who possesses various expertise tied to mining operations.

All goods and services can be acquired in the capital Lima, accessible by a paved road from Cerro de Pasco. The latter holds a university that includes a faculty of geology and possesses all the amenities and services such as electric power, railway, water service, modern hotels, two hospitals (one of which includes an intensive-care unit) and restaurants.

Physiography

The Property is located within the "Altiplano-Puna" (upland plateau) in the "Sierra" (highlands) of west-central Peru. The Puna has been sculpted by glaciers flattening the terrain, forming valleys and depositing moraines. After the retreat of the glaciers, a series of depressions were filled by glacial meltwater and now by the pluvial recharges and seepages from the surrounding lands. Therefore, lakes and lagoons (Punrun, Acucocha, Huaroncocha, Shegue, Alcacocha) are principally of glacial origin. Cerro de Pasco is located on the Bombon plateau, an extensive cold high-altitude plain flanked by the Western and Eastern Cordilleras that extend to the Junín region. The Pasco Province is the site of the most important watershed in the country; the Nudo de Pasco at the convergence of the various Cordilleras of the Andes. The Nudo de Pasco consisting of a high Andean plateau, divides the northern and southern Andean Mountains.

Fauna and Flora

In the Peruvian Puna, such as near Cerro de Pasco, the fauna is not large and varied. The animal species include the grey deer of the Andes, the vizcacha, the condor, the taruca, the guinea pig in addition to live camelids such as llamas and the vicuña. Other highland species are the wildcat, the skunk, the vulture, and various birds of the family of the partridges.

In the high Puna, grass and small stands of quenuales are present. The quinual or quenual trees constitute remnants of ancient forests. Grasses predominate, such as the ichu grass and the chiligua.

### 4.3.3. History

*Cerro de Pasco Mine*

Don Jose Ugarte, the first miner on record in the district, began mining the silver ore in 1630. High grade, near surface silver ore was nearly mined out during the earlier part of the 20th century. High grade copper ore with gold by-product was the focus of the mining activity for the next 60 years in the mining district leading to the formation of one of the largest mining corporation of Peru. In the early 1960s, copper ore was nearly depleted and the company started mining the lead-zinc silver sulphide ores.

The Cerro de Pasco Copper Corporation was founded by two mining entrepreneurs (Haggin and McCune), who staked the claims and began the modernization and expansion of facilities at the Cerro de Pasco mine which would become a major copper producer during the first half of the 20th century. The company then sold all of its Peruvian mining assets to the newly-formed and state-owned Empresa Minera Del Centro del Peru ("**Centromin**") in 1974. From 1960 to 1990, the production at the Cerro de Pasco mine was evaluated at 10,000 t /day. The bulk of the ore materiel was processed through the Paragsha concentrator with a feed containing about 60% ore from the open pit and 40% of underground ore. In 1999, Volcan. acquired Empresa Minera Paragsha, which included the Cerro de Pasco mining operation, after which the greater part of the Zn-Pb-Cu-Ag ore bodies was extracted.

Although the production was suspended in 2012, Volcan still had a production of 6,000 tpd from the Paragsha and San Expedito concentrators and treated 399,000 t of ore, yielding 12,000 t of Zn, 5,000 t of Pb and 1.1 M oz of Ag as late as 2015.

*The Paragsha Concentrator*

The Paragsha Concentrator was commissioned in 1943 with an initial capacity of 700 t /day of copper ore. Since that time, the mill was expanded and modified several times and in 2012 was processing in excess of 12,000 t/day. The plant is still owned by Volcan. Operations at the plant were halted on December 23, 2013 resulting from a lower production output at the underground mine and due to the production stoppage at the Raul Rojas open pit.

*The Excelsior Mining Pile*

The EMP contains from 85 to 95 Mt of predominately low grade mineralization extracted from the Raul Rojas Mine. When the Cerro de Pasco underwent privatization in September 1999; both the EMP and QT were given in a transfer option to Volcan for a one-year period, during which the company used the EMP to dump the stockpile from the Raul Rojas Mine until September 2000. Then, Volcan decided to return the EMP and QT to Centromin.

*Metallurgical Testing – 2009 (Volcan)*

Flotation tests were carried out in 2009 by Volcan on samples collected from trial pits dug in the EMP. Then, further testing were conducted on ore-rich bearing zones with samples selected from RC drill holes fragments and then tests were completed on composite samples. Composite samples were treated only when the total Pb+Zn concentrations > 2.5 wt. %. Test pit samples were gathered from a 6 m depth and composited to represent five different populations corresponding to the established zones. Averages recoveries obtained were: 35.9 % (Pb), 41.6 % (Zn) and 28.2 % (Ag). The same samples were also tested at the Plenge laboratory and even presented lower recovery rates. During the course of RC drilling performed by Volcan in 2009, five samples from deeper zones of the EMP containing > 2.5 wt. % Pb + Zn were composited into one sample. Furthermore, all RC samples with Pb + Zn concentrations > 2.5 wt. % were regrouped into one major composite representing the entire EMP.

In conclusions, Wheeler (2009) presented the best case metallurgical parameters determined from various metallurgical testing and from Volcan's experience with other marginal Pb, Zn and 32 Ag ores at the Cerro de Pasco mineOverall, the best case scenario yielded recovery rates of 36.69% (Zn), 34.56% (Pb) and 35.73% (Ag in the Pb concentrate).

*Metallurgical Testing – 2012 (Cerro de Pasco)*

In 2012, Cerro de Pasco conducted a review of the existing historical metallurgical data produced by Volcan, Centromin, and Cerro de Pasco Copper Corporation (Anonymous, 2014). In its report, Cerro de Pasco presented findings to improve the recovery of Cu, Pb, Zn, and Ag contained within the EMP. 24 individual laboratory flotation tests were performed on samples collected from the stockpile. The metallurgical testing was conducted at the Volcan laboratory in Cerro de Pasco. Investigations sought to maximize the efficiency of the metallurgical recovery by: a) Evaluating various new and conventional methods to improve the recovery of sulphides and oxides, b) Evaluating the impact of other operational parameters such as grind size and flotation residence time and c), Creating two flotation circuits one for sulphides and the second for oxides.

The assay result for a mix sample from the EMP yielded 0.61 wt. % Pb, 2.10 wt. % Zn and 49 g/t Ag. Laboratory testing generated recoveries of 73.6% (Zn), 69.7% (Pb) and 56.9% (Ag) indicating high recoveries efficiencies can be achieved by optimizing the use of reagents and the flotation procedures. Recovery metallurgical testing were carried out by Cerro de Pasco at a pilot plant in San Expedito (a small concentrator now decommissioned) to develop three scenarios for the project implementation. In an optimistic scenario, a maximum 50 wt. %, lead concentrate was produced because the maximum grade obtained in the test/assay was 59.46 wt. % Pb. An 80 % lead recovery is envisaged because the minimum lead displacement to zinc concentrate was 0.76%. A maximum zinc concentrate of 55 wt. % is obtained because a maximum grade of 64.0 wt. % Zn is attained in the test/assay. The zinc recovery is 85% because the minimum zinc displacement to the lead concentrate was 2.46%. In the probabilistic scenario, the average yield in the metallurgical tests/assays at the pilot plant and laboratory is taken. The pessimistic scenario considers the minimum recovery rate obtained in the laboratory level and in some trial runs carried out at the pilot plant. It is expected the silver recovery rate (in the Zn and Pb concentrates) to be 62.64% in the optimistic scenario, since in the bulk flotation tests the recovery was 50.48 %. The probabilistic scenario yielded a 63.20 % recovery because zinc flotation recovery is only 23.20%, whereas the Ag recovery is lowered to 49.4% in the pessimistic scenario.

Cerro de Pasco used new and historical metallurgical test work and their operational experience to redesign a flow sheet showing an increase in the metallurgical yield of the EMP materials. The flow sheet was based on metallurgical tests/assays carried out during standard operation at the Paragsha concentrator, the probabilistic scenario described above and on the re-engineering of the currently idle Paragsha concentrator.

Low zinc recoveries were previously attributed to a reduced floatability using non-suitable reagents, a low kinetic floating capacity and a low zinc concentrate grade given the lack of selectivity when bypassing the cleaning stages. Here the optimistic scenario is put forward. To obtain the proposed recovery, the circuit will include two rougher stages and one scavenger stage. In the second rougher stage, the zinc oxides will be recovered and will be subject to a sulphidation process. The circuit will also contain four cleaning stages. In the fourth stage, the achieved zinc concentrate was 55.00 wt. % Zn and was be processed in two flotation cells.

Previous low lead recoveries during the flotation stage were caused by using of inappropriate reagents and by a low kinetic flotation capacity. Low lead concentrate grades were also attributed to a lack of selectivity when bypassing of the cleaning stages. CDPR new circuit was also designed to produce a copper concentrate through a separation stage of the bulk concentrate. The projected circuit will produce a bulk concentrate based on the optimistic scenario. The circuit will accommodate two rougher stages, one scavenger stage and a flotation circuit for the tailings first cleaner and scavenger concentrate generating a lead flotation of 0.14 wt. % Pb. In the second rougher stage, the lead oxides will be recovered and will be subject to a sulphidation process. The circuit will incorporate four cleaning stages. A bulk concentrate of 4.33 wt. % Cu and 43.03 wt. % Pb will be obtained in the fourth stage.

*The Quiulacocha Tailings*

The area of the Quiulacocha Tailings was formerly a natural lake receiving tailings from copper mineral processing, mainly enargite ($Cu_3AsS_4$), since the early 20th century, from a small now closed concentration plant located in the southeast border of the QT. From 1943 until 1992, the largest volume of tailings was issued from the Paragsha and San Expedito concentrators processing lead and zinc minerals. In 1992, the QT reached full capacity and now occupies an area of 115 Ha. The residues from the Paragsha concentrator were sent, without previous classification or thickening, directly to the QT until 1965 at which point hydraulic back-fill started to be used in underground operation. From then to 1992, the residues were classified in cyclones, sending the thick portion (35%) to the mine as back fill and the fine portion (65%) to the QT. In the QT, there is a natural segregation of particle size, with the thicker sand particles in the higher part of QT proximal to EMP with fines migrating towards the tailings dam.

Between 2003 and 2004, Cory Gold Mining completed drilling using an auger rig on portion of the QT.

*Metallurgical Testing – 1998 (Centromin)*

In October, 1998, Centromin hired MINDECO-MITSUI Mineral Engineering Development Ltd to characterize the mineralogy of QT. Liberation measurements was performed on 1000 points per polished thin samples after the ore material went through different processing (ex: rougher, scavenger, cleaner). The liberation process of galena (Pb) and sphalerite (Zn) was deemed satisfactory.

A series of metallurgical tests were conducted by Centromin in 1998 to evaluate the extraction of economic minerals from the QT via a flotation process. Samples were collected considering the material grain size since the flow of the tailings particles and subsequent sedimentation were sorted by gravitation. Figure 2 to 4 illustrate the floatability of lead and zinc for coarse, medium and fine-grained tailings material at a rougher stage and show the rougher concentrate grades and recovery rates. The determination Pb and Zn losses as a function of particle size shows the greatest losses occurring in particles equivalent to -200 mesh (74 microns).

**SECTOR 1: COARSE-GRAINED MATERIAL**
**METALLURGICAL SAMPLES FROM QTP**
**Tyler Mesh: 45% -200 mesh**
**STANDARD CONDITIONS MILL PLANT "PARAGSHA"**

| PRODUCTS | | GRADES | | | | DISTRIBUTIONS (%) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | % WEIGHT | Pb (wt. %) | Zn (wt. %) | Ag (g/t) | Fe (wt, %) | Pb | Zn | Ag | Fe |
| Test # 1 | | | | | | | | | |
| Froth Ro. Lead | 4.65 | 6.10 | 6.00 | 288.00 | 41.50 | 59.53 | 20.58 | 20.01 | 4.36 |
| Froth Ro. Zinc | 6.90 | 1.00 | 8.55 | 135.00 | 36.00 | 14.48 | 43.53 | 13.92 | 5.62 |
| Final tailing | 88.45 | 0.14 | 0.55 | 50.00 | 45.00 | 25.99 | 35.89 | 66.07 | 90.02 |
| Ore head Calc | 100.00 | 0.48 | 1.36 | 67.00 | 44.20 | 100.00 | 100.00 | 100.00 | 100.00 |
| Ore head tested | | 0.45 | 1.40 | 65.00 | 45.50 | | | | |

| PRODUCTS | | GRADES | | | | DISTRIBUTIONS (%) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | % WEIGHT | Pb (wt. %) | Zn (wt. %) | Ag (g/t) | Fe (wt, %) | Pb | Zn | Ag | Fe |
| Test # 2 | | | | | | | | | |
| Froth Ro. Lead | 8.50 | 3.24 | 3.75 | 130.00 | 55.00 | 70.99 | 27.86 | 25.45 | 9.37 |
| Froth Ro. Zinc | 12.30 | 0.40 | 5.23 | 70.00 | 45.70 | 12.68 | 56.22 | 19.83 | 11.27 |
| Final tailing | 79.20 | 0.08 | 0.23 | 30.00 | 50.00 | 16.33 | 15.92 | 54.72 | 79.36 |
| Ore head Calc | 100.00 | 0.39 | 1.14 | 43.00 | 49.90 | 100.00 | 100.00 | 100.00 | 100.00 |
| Ore head tested | | 0.35 | 1.00 | 45.00 | 50.00 | | | | |

| PRODUCTS | | GRADES | | | | DISTRIBUTIONS (%) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | % WEIGHT | Pb (wt. %) | Zn (wt. %) | Ag (g/t) | Fe (wt, %) | Pb | Zn | Ag | Fe |
| Test # 3 | | | | | | | | | |
| Froth Ro. Lead | 7.70 | 3.70 | 3.55 | 265.00 | 40.50 | 57.98 | 25.29 | 34.04 | 7.18 |
| Froth Ro. Zinc | 9.40 | 1.05 | 6.65 | 112.00 | 41.00 | 20.09 | 57.84 | 17.56 | 8.87 |
| Final tailing | 82.90 | 0.13 | 0.22 | 35.00 | 44.00 | 21.93 | 16.87 | 48.40 | 83.95 |
| Ore head Calc | 100.00 | 0.49 | 1.08 | 60.00 | 43.40 | 100.00 | 100.00 | 100.00 | 100.00 |
| Ore head tested | | 0.45 | 1.00 | 65.00 | 40.50 | | | | |

*Figure 2: Metallurgical testing on coarse material from the QTP, Sector I.*

| SECTOR 2: MEDIUM-COARSE-GRAINED MATERIAL | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| METALLURGICAL SAMPLES FROM QTP | | | | | | | | | |
| Tyler Mesh: 75% -200 mesh | | | | | | | | | |
| STANDARD CONDITIONS MILL PLANT "PARAGSHA" | | | | | | | | | |
| PRODUCTS | | GRADES | | | | DISTRIBUTIONS (%) | | | |
| | % WEIGHT | Pb (wt. %) | Zn (wt. %) | Ag (g/t) | Fe (wt. %) | Pb | Zn | Ag | Fe |
| Test # 11 | | | | | | | | | |
| Froth Ro. Lead | 11.30 | 4.50 | 3.80 | 508.00 | 50.50 | 62.78 | 18.66 | 58.99 | 12.49 |
| Froth Ro. Zinc | 19.00 | 1.00 | 8.75 | 100.00 | 49.00 | 23.46 | 72.25 | 19.52 | 20.38 |
| Final tailing | 69.70 | 0.16 | 0.30 | 30.00 | 44.00 | 13.77 | 9.09 | 21.49 | 67.13 |
| Ore head Calc | 100.00 | 0.81 | 2.30 | 97.00 | 45.70 | 100.00 | 100.00 | 100.00 | 100.00 |
| Ore head tested | | 0.80 | 2.30 | 95.00 | 45.00 | | | | |

| PRODUCTS | | GRADES | | | | DISTRIBUTIONS (%) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | % WEIGHT | Pb (wt. %) | Zn (wt. %) | Ag (g/t) | Fe (wt. %) | Pb | Zn | Ag | Fe |
| Test # 12 | | | | | | | | | |
| Froth Ro. Lead | 7.74 | 8.35 | 5.00 | 565.00 | 35.20 | 61.92 | 13.89 | 40.51 | 5.94 |
| Froth Ro. Zinc | 12.40 | 1.90 | 17.00 | 148.00 | 24.00 | 22.69 | 76.03 | 17.09 | 6.52 |
| Final tailing | 79.90 | 0.20 | 0.35 | 57.00 | 50.00 | 15.39 | 10.09 | 42.41 | 87.54 |
| Ore head Calc | 100.00 | 1.04 | 2.77 | 107.00 | 45.60 | 100.00 | 100.00 | 100.00 | 100.00 |
| Ore head tested | | 1.20 | 2.70 | 105.00 | 50.00 | | | | |

| PRODUCTS | | GRADES | | | | DISTRIBUTIONS (%) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | % WEIGHT | Pb (wt. %) | Zn (wt. %) | Ag (g/t) | Fe (wt. %) | Pb | Zn | Ag | Fe |
| Test # 13 | | | | | | | | | |
| Froth Ro. Lead | 5.20 | 9.50 | 9.40 | 625.00 | 48.30 | 57.67 | 16.31 | 38.71 | 4.92 |
| Froth Ro. Zinc | 8.10 | 1.80 | 22.40 | 100.00 | 42.50 | 17.02 | 60.54 | 9.65 | 6.74 |
| Final tailing | 86.70 | 0.25 | 0.80 | 50.00 | 52.00 | 25.31 | 23.14 | 51.64 | 88.33 |
| Ore head Calc | 100.00 | 0.86 | 3.00 | 84.00 | 51.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| Ore head tested | | 0.85 | 3.00 | 85.00 | 52.00 | | | | |

*Figure 3: Metallurgical testing on medium-coarse grained material from the QTP, Sector II.*

| SECTOR 3: FINE_GRAINED MATERIAL | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| METALLURGICAL SAMPLES FROM QTP | | | | | | | | | |
| Tyler Mesh: 95% -200 mesh | | | | | | | | | |
| STANDARD CONDITIONS MILL PLANT "PARAGSHA" | | | | | | | | | |
| PRODUCTS | | GRADES | | | | DISTRIBUTION (%) | | | |
| | % WEIGHT | Pb (wt. %) | Zn (wt. %) | Ag (g/t) | Fe (wt. %) | Pb | Zn | Ag | Fe |
| Test # 21 | | | | | | | | | |
| Froth Ro. Lead | 3.75 | 6.00 | 5.80 | 880.00 | 53.00 | 49.21 | 20.25 | 36.49 | 4.00 |
| Froth Ro. Zinc | 4.01 | 1.65 | 14.00 | 190.00 | 40.00 | 14.47 | 52.27 | 8.43 | 3.23 |
| Final tailing | 92.24 | 0.18 | 0.32 | 54.00 | 50.00 | 36.32 | 27.48 | 55.08 | 92.78 |
| Ore head Calc | 100.00 | 0.46 | 1.07 | 90.00 | 49.70 | 100.00 | 100.00 | 100.00 | 100.00 |
| Ore head tested | | 0.50 | 1.10 | 90.00 | 49.00 | | | | |
| PRODUCTS | | GRADES | | | | DISTRIBUTION (%) | | | |
| | % WEIGHT | Pb (wt. %) | Zn (wt. %) | Ag (g/t) | Fe (wt. %) | Pb | Zn | Ag | Fe |
| Test # 22 | | | | | | | | | |
| Froth Ro. Lead | 2.80 | 9.12 | 4.30 | 985.00 | 44.00 | 65.14 | 11.50 | 35.26 | 2.27 |
| Froth Ro. Zinc | 3.45 | 0.70 | 16.00 | 245.00 | 40.00 | 6.16 | 52.70 | 10.81 | 2.55 |
| Final tailing | 93.75 | 0.12 | 0.40 | 45.00 | 55.00 | 28.70 | 35.80 | 53.93 | 95.18 |
| Ore head Calc | 100.00 | 0.39 | 1.05 | 78.00 | 54.20 | 100.00 | 100.00 | 100.00 | 100.00 |
| Ore head tested | | 0.40 | 1.10 | 80.00 | 54.00 | | | | |
| PRODUCTS | | GRADES | | | | DISTRIBUTION (%) | | | |
| | % WEIGHT | Pb (wt. %) | Zn (wt. %) | Ag (g/t) | Fe (wt. %) | Pb | Zn | Ag | Fe |
| Test # 23 | | | | | | | | | |
| Froth Ro. Lead | 3.44 | 4.10 | 0.97 | 580.00 | 43.60 | 58.83 | 5.99 | 41.47 | 3.06 |
| Froth Ro. Zinc | 6.70 | 0.40 | 5.40 | 85.00 | 37.80 | 11.18 | 64.96 | 11.84 | 5.17 |
| Final tailing | 89.86 | 0.08 | 0.18 | 25.00 | 50.00 | 29.99 | 29.04 | 46.69 | 91.76 |
| Ore head Calc | 100.00 | 0.24 | 0.56 | 48.00 | 49.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| Ore head tested | | 0.25 | 0.60 | 50.00 | 50.00 | | | | |

*Figure 4: Metallurgical testing on fine-grained material from the QTP, Sector III.*

*Metallurgical Testing – 2012 (Cerro de Pasco)*

In 2012, Cerro de Pasco presented, based on Centromin historical results, expected metallurgical results including Cu, Pb, Zn and Ag grades and recoveries with a 3,000 tpd feed. Four estimated final grades of 50 wt. % (Pb), 55 wt. % (Zn) and 2800 ppm (Ag), corresponding to recoveries of 85.7%, 85.1% and 55.1% respectively were obtained, as depicted in Figure 5 below.

| METALLURGICAL BALANCE - TAILING POND QUIULACOCHA (QT) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Grades | | | | Recovery (%) | | | |
| PRODUCT | TMDPH | Cu (wt. %) | Pb (wt. %) | Zn (wt. %) | Ag g/t | Cu | Pb | Zn | Ag |
| Ore Head | 125.00 | 0.10 | 0.60 | 1.30 | 50 | 100.00 | 100.00 | 100.00 | 100.00 |
| Conc. Lead | 1.29 | 4.50 | 50.00 | 4.70 | 2800 | 54.79 | 85.73 | 3.72 | 55.11 |
| Conc. Zinc | 2.51 | 0.26 | 0.40 | 55.00 | 540 | 6.19 | 1.34 | 85.09 | 20.78 |
| Final Tailing | 121.20 | 0.03 | 0.08 | 0.15 | 13 | 39.02 | 12.93 | 11.19 | 24.11 |
| Ore Head Calc. | 125.00 | 0.08 | 0.60 | 1.30 | 52 | 100.00 | 100.00 | 100.00 | 100.00 |
| | | | | | | | | | |
| Lead Tailing Calc. | 123.71 | 0.04 | 0.09 | 1.26 | 24 | 45.21 | 14.27 | 96.28 | 44.89 |

*Figure 5: Metallurgical Balance at QTP.*

<u>*Non-Compliant Historical Mineral Resource Estimates on the QT and EMP*</u>

There were at least three historical attempts to establish Mineral Resources Estimates for the EMP and two proposed estimates for the QT. These estimates all have deficiencies that would render them, in their current state, non-compliant with the current NI 43-101 norm and CIM norms for Mineral Resources estimates.

### 4.3.4. Geological Setting

<u>Geology of the Peruvian Andes</u>

From the coast of Peru in the west to the Brazilian craton to the east, the geological framework of the Peruvian Andes consists of parallel morphotectonic elements that include the forearc, batholithic rocks and volcanics of the Western Cordillera, the Paleozoic-Mesozoic rocks of the Eastern Cordillera and the Sub-Andean basins and fold-and-thrust belt. The forearc is made of the submerged Andean slope and the emergent coast. These are limited to the east by the Coastal Batholith and to the west by the Peru-Chile trench. The forearc basins are filled with Jurassic-Early Tertiary marine and continental sedimentary deposits (Dunbar et al., 1990). South of the Abancay Deflection (~13.5°S) the forearc basins are mainly filled with Oligocene through Holocene shallow marine and continental alluvium interlayered with ignimbrites. The southern Peruvian region of Western Peru exposes abundant Quaternary volcanic rocks (stratovolcanoes), mainly andesites and rhyolites. The Coastal Batholith, which is about 50 km wide, runs along the entire western margin of Peru, and is overlain by Cenozoic volcanics and sedimentary deposits.

<u>Geology of the Cerro de Pasco Area</u>

At Cerro de Pasco, the magmatic center was emplaced directly west of a major high-angle, N 15°W-striking reverse fault ("the Longitudinal Fault"), mainly intruding weakly metamorphosed shales of the Middle Paleozoic Excelsior Group, the oldest lithological unit in the area, and polymictic conglomerates and sandstones of the Middle-Late Triassic Mitu Group (Spikings et al., 2016). East of the Longitudinal Fault there is a thick sequence (about 1,000 m) of massive carbonate rocks, mainly limestones with locally sandy intercalations, black bituminous limestones, and beds with chert nodules belonging to the Late Triassic Chambará Formation. The latter is part of the Pucará Group that overlies the Excelsior and Mitu groups (Rosas et al., 2007; Angeles, 1999). The sedimentary sequence was folded prior to the Mid-Miocene magmatism, thus creating the main structural feature in the area; the Cerro anticline with a north-south axis and plunging to the north (Baumgartner et al., 2008; Angeles, 1999).

The magmatic core of the Cerro de Pasco district consists of a large diatreme-dome complex, 2.5 km in diameter, which was formed by a succession of phreatomagmatic and magmatic events (Baumgartner et al., 2009; Rogers, 1983EW–trending quartz-monzonite porphyry dykes cut the diatreme breccias and the magmatic domes. These dykes do not propagate into the Excelsior shales west of the diatreme dome complex; to the east they crosscut locally the carbonate sequence. The end of the phreatomagmatic and magmatic activity at Cerro de Pasco is marked by the emplacement of numerous, 20 cm to 3 m-wide, E-W-trending, milled-matrix fluidized breccia dykes, occurring in various parts of the diatreme-dome complex.

Following this event, epithermal base metal mineralization took place, mainly in carbonate rocks along the eastern margin of the magmatic complex (Baumgartner et al., 2008; Einaudi, 1977). A striking feature of the Cerro de Pasco mineralization is the occurrence of an NS-trending, 1.5 km-long, 250 m-wide, and more than 550 m-deep, funnel-shaped massive pyrite-quartz body that replaced mainly carbonate rocks from the Pucará Group, as well as, subordinately, the diatreme dome complex itself (Baumgartner et al., 2008; Baumgartner, 2007). At least five main pipe-like, up to 150 m-wide, massive pyrrhotite-dominated bodies have been recognized. They grade outward into massive Fe-rich sphalerite (up to 80% in volume) and galena. 7.5- Pb-Zn-Ag-Cu Mineralization at the Cerro de Pasco Mine

The Quiulacocha Tailings

The material for the Quiulacocha and Ocroyoc tailings impoundments derives from the polymetallic Zn-Pb-(Ag-Bi-Cu) deposit at Cerro de Pasco. The Quiulacocha Tailings are located 1.5 km S-SW of the mine. During the first part of the 20$^{th}$ century, copper mineralization associated with enargite was mined with the flotation plant for the Cu-ore located in the southwestern (SW) part of the Quiulacocha Tailings impoundment. At the time, the tailings were directly deposited in the depression left by the natural Quiulacocha lake which is today located below the acid mine drainage pond on the surface of the impoundment. The deposition of tailings at Quiulacocha ceased in 1992 after 50 years of operation. The Quiulacocha Tailings cover a surface of 114 ha and contain 79 Mt tailings @ ~ 50 wt. % pyrite. The tailings are partially overlain by the EMP.

From 1947 onward, exploitation of Pb-Zn was preferred when a new flotation plant was commissioned near the open pit forcing the discharge and deposition point to the northeastern part of the tailings closer to the flotation plant. Therefore, today, the Cu-tailings reside in the SW part of Quiulacocha, in the former natural lake of Quiulacocha and underlie the Zn-Pb tailings in the central part of Quiulacocha. The two tailing types are separated by a floating dyke.

Two different types of tailings were distinguished (Wade et al., 2006): a) Cu-rich sulphide tailings and b), Zn-Pb-rich sulphidic tailings. The Cu-sulfide tailings are characterized by a mineralogy composed of pyrite, enargite, chalcopyrite, sphalerite and galena. Quartz forms the dominant gangue mineral and is associated with aluminosilicates such as dickite/kaolinite and alunite. Primary carbonates (i. e. dolomite and siderite) are very scarce. The acid conditions prevailing in the SW part of the tailings (near the acid mine drainage pond; pH ~2.3) and the oxidation of sulfide minerals such as enargite and chalcopyrite lead to the liberation of Cu, which is mobile in acidic conditions. Cu was then leached out towards the primary zone, characterized by a low pH and reducing condition, where it precipitated as secondary sulfides such as covellite. The Zn-Pb-rich sulfidic tailings are characterized by a mineralogy defined by pyrite, sphalerite, galena and pyrrhotite. Carbonates such as dolomite and siderite formed the principal gangue with silicates, mainly quartz, also present. The tailings deposition process generated a grain size fractionation from coarser close to the EMP (former deposition site) to finer with increasing distance from the deposition site. Sulfide oxidation and the subsequent acid mine drainage formation lead to the dissolution of primary carbonates and silicates, resulting in the crystallization of secondary gypsum and possibly siderite.

The Quiulacocha Tailings have developed an oxidation zone with a thickness ranging from several mm to a maximum 25 cm (pH =1.9 to 4.8). Zones with a very thin oxidation layer showed pore space cementation by secondary minerals forming a hard and compact layer called the “cemented zone”. The mineralogy of the oxidation zone is characterized by residues of pyrite, quartz and secondary phases such as jarosite, gypsum, siderite, and Fe-hydroxides, mainly goethite. The oxidation of sulfide minerals generated acid solutions that mobilized the base metals (Fe, Cu, Zn, Pb). The reaction of the acid waters with the gangue minerals caused their dissolution and subsequent liberation of cations such as $K^+$, $Na^+$ and $Ca^{+2}$. These cations played a key role in the formation of secondary phases such as jarosite, gypsum, and siderite.

The Excelsior Mineral Pile

The Excelsior Mineral Pile was filled from 1943 until 2000 initially as a deposit for rocks with non-economic Cu and later for non-economic Zn and Pb concentrations. The stockpile occupies an area of 94 ha and is located in the SW corner of the open pit mine at the bottom of a valley that consists of Devonian phyllites and shales. It contains 26,400,000 m3 of fragmentary rocks and in part partly overlies the downstream Quiulacocha Tailings with ca. 60 ha covered and 114 ha not covered.

The EMP is made of rock fragments presenting an average size of 10 cm, which can reach up to 2.5 m in diameter. Smuda et al. (2007) estimated the fraction of grains < 2 mm to 10 vol. %. The stockpile consists of three terraces constructed by the release of fractured rocks at the slopes of the different terraces representing a mix of different rock types. Stockpiling was initiated in the northern part with rocks from the Cu-ore and progressed with the later dumping of rocks from the Zn–Pb ore progressively to the south and from the 1st terrace to the 3rd terrace, respectively. The surfaces of the terraces were covered with a 10 to 30 cm thick layer of pyrite-rich waste rocks to prevent heavy mine equipment from getting stuck. The maximum height of the stockpile is 55 m with the slope inclination dipping between 33° and 36°.

*Rock Assemblages and Mineralogy of the EMP*

Smuda et al. (2007) recognized three different assemblages from the EMP: 1) Sulphide-rich rocks from the quartz–pyrite ore body accompanied by Fe-oxide-rich oxidation products near the surface, 2) Sericitized monzonites/volcanic rocks and 3) Carbonate (dolomitic) rocks from the host rock formation.

*Quartz–Pyrite Rocks*

The main rock assemblage at the EMP is derived from the quartz–pyrite body. Quartz and pyrite are major phases dominating the mineral assemblage. The ore minerals consist of sphalerite, tennantite, cerussite, galena, enargite and coronadite identified as minor and trace phases. Anglesite is a primary and possibly secondary trace mineral. The quartz-pyrite rocks enclose enargite possessing small Ag concentrations. Bi and Ag bearing minerals are also present in material made of clay with pyrite±quartz forming small and compact grey-colored fragments. There is a high content of Ag but the assemblage is less mineralized in Pb and Zn. Some of the quartz-pyrite stockpile comes from the oxidized top of the quartz–pyrite body and contains quartz and hematite/goethite as major phases accompanied by jarosite, hematite, limonite including some Ag.

*Volcanic Rocks*

Volcanic rocks (quartz monzonite/agglomerate) in contact with the orebodies could have contained up to 15 vol. % of disseminated pyrite which is masked by the sericitic alteration during the sulfide deposition. Pyrite crystals in volcanic rocks are small in size (<1 mm) and the rock matrix is highly porous. Volcanic rocks are strongly altered throughout the EMP. Boulders of volcanic rocks up to 1 m in diameter have already completely decomposed into white, loose material with grain sizes of several mm and a strongly acidic paste. Microscopic and XRD studies indicated the main primary mineral fractions are quartz (20 vol. %) and altered relicts of albite ($NaAlSi_3O_8$) (5 vol. %). Clusters of secondary minerals (microcrystalline Fe-hydroxides, muscovite, kaolinite and gypsum) constituted the major fraction (>70 vol. %). Only relicts of pyrite remained, contributing < 1 vol. % of the total volcanic rock mineral assemblage.

*Carbonate Host Rocks*

Carbonate host rocks constitute < 5 wt. % of the stockpile. The dolomitic carbonates are commonly recrystallized displaying a yellowish-brown coloration. Quartz, dolomite and siderite form the major mineral phases. The assemblage also contains ankerite, hematite, pyrite, sphalerite and galena. Zinc carbonates and sulfates are suspected.

#### 4.3.5. Exploration Information

No exploration work was conducted on the Property by, or on behalf of, the Issuer.

#### 4.3.6. Mineralization

Mineralization types within the QT and EMP reflect that of the Cerro de Pasco open pit and underground mine as they represent residues after processing (tailing) or waste (stockpile) with metal concentrations deemed too low to warrant beneficiation. The EMP and QT rocks and sludge underwent strong weathering and attack by acid waters which produced secondary minerals such as anglesite, gypsum, jarosite, hematite, limonite and goethite. The QT sludge contains galena (Pb, Ag), tetrahedrite (Cu), tennantite (Cu) enargite (Cu), chalcopyrite (Cu), sphalerite (Zn) and bismuthinite (Bi) forming exploitable minerals. Ag grains also occurs as < 20 mm grains mixed with pyrite, chalcopyrite, enargite, sphalerite, galena and bismuthine. The mineralization is contained within 79 Mt of Quiulacocha Tailings @ ~ 50 wt. % pyrite covering a surface of 114 ha. The EMP reveals three different assemblages: 1) sulfide-rich rocks from the quartz-pyrite ore body accompanied by Fe-oxide-rich oxidation products near the surface, 2) sericitized monzonites/volcanic rocks and 3), carbonate (dolomitic) rocks from the host rock formation. Metal-bearing minerals consist of sphalerite, tennantite, cerussite, enargite, galena (Ag-rich) and sphalerite. The EMP mineralization is contained within 26,400,000 m3 of fragmentary rocks. As a rule of thumb, material of the QT and EMP considered fit for exploitation must contain concentrations of Pb (wt. %) +Zn (wt. %) > 2.5 corresponding to Ag values ranging between 50 and 100 ppm.

#### 4.3.7. Drilling

No drilling campaign was conducted on the Property by, or on behalf of, the Issuer.

#### 4.3.8. Sampling and Analysis

Not applicable.

#### 4.3.9. Security of Samples

Not applicable.

#### 4.3.10. Mineral Resources and Mineral Reserves

No mineral resources or mineral reserves estimates were produced on the Property by, or on behalf of, the Issuer or the Target. There were at least three historical attempts to establish Mineral Resources Estimates for the EMP and two proposed estimates for the QT. These estimates all have deficiencies that would render them, in their current state, non-compliant with the current NI 43-101 norm and CIM norms for Mineral Resources estimates.

#### 4.3.11. Mineral Processing and Metallurgical Testing

Recovery metallurgical testing were carried out by Cerro de Pasco at a pilot plant in San Expedito (a small concentrator now decommissioned) to develop three scenarios for the project implementation. In an optimistic scenario, a 50 wt. %, Pb concentrate is produced with an 80 % recovery. A maximum zinc concentrate of 55 wt. % is obtained with a recovery of 85%, whereas a 63% recovery rate is attained for silver. Cerro de Pasco' new circuit was also designed to produce a copper concentrate through a separation stage of the bulk concentrate. The projected lead circuit will produce a bulk concentrate based on the optimistic scenario. The circuit will accommodate two rougher stages, one scavenger stage and a flotation circuit for the tailings first cleaner and scavenger concentrate generating a lead flotation of 0.14 wt. % Pb. In the second rougher stage, the lead oxides will be recovered and will be subject to a sulphidation process. The circuit will incorporate four cleaning stages. A bulk concentrate of 4.33 wt. % Cu and 43.03 wt. % Pb will be obtained in the fourth stage. The Zn circuit will include two rougher stages and one scavenger stage. In the second rougher stage, the zinc oxides will be recovered and will be subject to a sulphidation process. The circuit will also contain four cleaning stages. In the fourth stage, the achieved zinc concentrate is 55.00 wt. % Zn and will be processed in two flotation cells.

#### 4.3.12. Mining Operations

There are no active mining operations at the Property.

#### 4.3.13. Mining Method

*Exploitation of the EMP*

Mining of the EMP should be highly mechanized and selective with the cut and loading done by hydraulic shovel and transport carried out by trucks and dump trucks. The removal and managing of the remaining rubble will be assigned to tractors, front loaders and graders. Since the EMP was built using 100 t dump trucks, in theory several loads would have come from one particular group of trucks working in a specific area of the open pit or underground works, so that the stockpile would have grown with loads having similar properties and grades being placed together. These small loads should be extracted using 30-50 t backhoes and 20 t trucks under close geological supervision. Selective mining is planned using a 2 m or 5 m bench height, top-down mining configuration. Cerro de Pasco believes at least 75% of the EMP material can be visually separated into extractable material/waste on the basis of the mineralization content. The mining operations will start in the SW sector, adjacent to the industrial area to be terminated in the sector adjacent to the Champamarca Urban Community, leaving for the last exploitation stage a berm of rubble (currently covered by a geomat). This berm will serve as a buffer zone separating the mining operations from the community. To decrease the waste volume, limestone will be used as rock fill for the QT; such as the divisions of containment dykes within the tailings.

*Exploitation of the QT*

The proposed exploitation of the QT entails the construction of an “Ancillary Tailings Deposit” allowing waste dumping during the early exploitation periods, until the creation of internal spaces within the QT through the construction of rock fills retaining walls. Re-pulping of the QT sludge will proceed by using pressurized water to transport the material toward the processing plant where the pulp will be reconditioned before entering the plant. Spraying pressurized water is done so that the pulp migrates gravitationally from the work front towards the pool containing the pump which will aspire the pulp to a 30% to 60% solid. This stage will transform the QT material into pulp of optimal physical characteristics ready for processing by differential flotation. The pulp transported to the processing plant will be send to collector tanks equipped with mechanical stirrers. The pulp pumped from these tanks will be sorted through a system of hydro-cyclones, with the overflow sent to a thickening tank and then to a differential flotation procedure while the hydro-cyclones underflow will be recycled to be grinded.

#### 4.3.14. Recovery Method

At this stage of the project, a general approach to the recovery of the mineralization provided by the EMP and QT can be proposed. A processing plant should treat the mineralized material provided by the QT and EMP in a 30/70 proportion. The plant will receive the overflow pulp from the re-pulping hydro-cyclones containing 30% to 60% solid material. The pulp will proceed to a differential flotation system where it will produce initial bulk concentrates and final concentrates. The flotation circuit will mainly consider the mineralogical composition of the processed material. A Zn, Pb, Ag initial bulk concentrate generated from the EMP with an Ag–rich tailings from the QT will be undergo a cyanidation stage. The Zn-Pb-Ag bulk concentrate will first undergo bio-lixiviation before entering a solid/liquid separation phase. The produced Pb-Ag-rich solid phase will be submitted to another lixiviation process to recover silver and lead and finally be submitted to the refining stage. The liquid phase will pass through an iron elimination process followed by solvent extraction and electroprocurement. Finally an organic reactive is used for zinc extraction by acid mean and zinc cathodes are obtained by the application of electric power The QT material obtained from the differential flotation banks will be sent to a cyanidation process to recover Ag after entering the refining stage. All liquid/solid residues used up in the cyanidation process enter a cyanide elimination process before being discharged to the new tailings as "waste".

#### 4.3.15. Project Infrastructure

Mining the QT and EMP will require: a processing plant, an acid water treatment plant, an ancillary tailings deposit, a top soil deposit, workshops, offices, base camps, a truck yard, an industrial water network system and an electric energy network system. For economic, operational, environmental and social criteria, CICA Ingenieros proposed to use all available spaces located at the right side margin, NW of the QT and EMP sites within the Parcela "K", to build the installations.

The processing plant should treat the mineralized material provided by the QT and EMP in a 30/70 proportion. The plant will receive the overflow pulp from the re-pulping hydro-cyclones containing 30% to 60% solid material. The pulp will proceed to a differential flotation system where it will produce initial bulk concentrates and final concentrates. A Zn, Pb, Ag initial bulk concentrate is generated from the EMP with an Ag-rich tailings from the QT undergoing a cyanidation stage. The water acid treatment plan will process high concentrations of dissolved sulphates in a two stage treatment: the first one to eliminate the sulphates and a second stage to precipitate the left-over sulphates with the remainder of the metallic elements. The solid material produced during the first stage is separated via Flotation by Dissolved Air (FAD). During the second stage, muds produced are recirculated with High Density Muds (HDS). After mixing the mud with lime, this solution will be directed to a first reactor filling it with the acid water and then in a second reactor injected with air or ozone. The reactor tanks feed a sedimentation pond where solid/liquid separation is carried out

#### 4.3.16. Environmental Management Plan and Closure

Cerro de Pasco put forward an Environmental Management Plan that consists of several different programs, including: a residue management program, ancillary tailings deposits, modification of the main dyke, an air quality control program, a superficial waters quality control program, an effluent monitoring program and a noise control program.

During closure, the waste material processed from the EMP must be moved to different locations to that of the exploited material and must be enclosed in a neutral material containing limestone. After compacting, the waste material will be covered by a layer of impermeable material, a draining layer, a topsoil layer and a cover of vegetation. This must be conducted with the construction of a principal and a secondary draining systems.

#### 4.3.17. Exploration and Development

Not Applicable.

### 4.4. Oil and Gas Operations

Neither the Issuer nor the Target has oil and gas operations. The Resulting Issuer will not have any oil and gas operations.

## 5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

### 5.1. Annual Information

#### 5.1.1. Annual Information for the Issuer

The following financial data summarizes selected financial data for the Issuer prepared in accordance with IFRS for the years ended December 31, 2017, 2016 and 2015. The information presented below is derived from the Issuer's financial statements which were audited by the Issuer's independent auditor.

The information set forth below should be read in conjunction with the Issuer's annual financial statements and related notes thereto. Please refer to Schedule "A" for the Issuer's financial statements.

| | Quarter Ended March 31, 2018 (Unaudited) | Year Ended December 31, 2017 (Audited) | Year Ended December 31, 2016 (Audited) | Year Ended December 31, 2015 (Audited) |
|---|---|---|---|---|
| Revenue | Nil | Nil | Nil | Nil |
| Income (loss) from continuing operations, in total and on a per share basis | (301,322)<br>(0.01) | (3,720,337)<br>(0.13) | (1,157,767)<br>(0.08) | (3,651,827)<br>(0.07) |
| Net income (loss), in total and on a per share basis | (301,755)<br>(0.01) | (3,719,230)<br>(0.13) | (1,057,591)<br>(0.07) | (4,756,009)<br>(0.09) |
| Assets | 1,611,447 | 1,097,376 | 364,061 | 596,217 |
| Long-term financial liabilities | 4.356 | 4,894 | Nil | Nil |
| Cash dividends per Common Share | Nil | Nil | Nil | Nil |

During the quarter ended March 31, 2018, the Issuer realized a net loss from continuing operations of $301,322 as compared to a net loss from continuing operations of $344,697 for the quarter ended March 31, 2017. This net loss from continuing operations is mostly attributable to lower amounts of exploration and evaluation expenditures recognized and higher amounts of general and administrative expenses due to the work on the Proposed Transaction with Cerro de Pasco Resources S.A.

During the year ended December 31, 2017, the Issuer realized a net loss from continuing operations of $3,720,337 as compared to a net loss from continuing operations of $1,157,767 for the year ended December 31, 2016. The increase of $2,562,570 for the year ended December 31, 2017 as compared to 2016 in net loss from continuing operations is attributable to a significant increase of $2,208,450 in exploration expenditures ($3,008,318 in 2017 compared to $799,868 in 2016), and more particularly by the acquisition of Sakami and Robelin properties.

During the year ended December 31, 2016, the Issuer realized a net loss from continuing operations of $1,157,767 as compared to a net loss from continuing operations of $3,651,827 for the year ended December 31, 2015. The significant decrease of $2,494,060 for the year ended December 31, 2016 as compared to 2015 in net loss from continuing operations is attributable to the loss on cancellation on acquisition of assets of $2,400,000 recorded in 2015 as compared to a loss of cancellation on acquisition of assets of $Nil for the year ended December 31, 2016.

During the year ended December 31, 2015, the Issuer realized a net loss from continuing operations of $3,651,827 as compared to a net loss from continuing operations of $1,710,304 for the year ended December 31, 2014. The significant increase of $1,941,523 for the year ended December 31, 2015 as compared to 2014 in net loss from continuing operations is mainly attributable to the loss on cancellation on acquisition of assets of $2,400,000 recorded in 2015 as compared to a loss of cancellation on acquisition of assets of $Nil for the year ended December 31, 2014.

### 5.1.2. Annual Information for the Target

The following table sets out certain selected consolidated financial information of the Target for the years ended December 31, 2017, 2016 and 2015. Please refer to Schedule "C" for the Target's financial statements.

| | Year Ended December 31, 2017 (Audited) | Year Ended December 31, 2016 (Audited) | Year Ended December 31, 2015 (Audited) |
|---|---|---|---|
| Revenue | Nil | Nil | Nil |
| Income (loss) from continuing operations | (610,002) | (47,228) | (139,197) |
| Net income (loss) | (610,002) | (33,432) | (238,679) |
| Assets | 1,542,122 | 700,394 | 702,055 |
| Long-term financial liabilities | Nil | Nil | Nil |
| Cash dividends per Common Share | Nil | Nil | Nil |

## 5.2. Quarterly Information

The tables below present information for each of the eight most recently completed quarters ending at the end of the most recently competed fiscal year of the Issuer.

| Fiscal 2017 | | | | |
|---|---|---|---|---|
| | Q1 ($) | Q2 ($) | Q3 ($) | Q4 ($) |
| Revenue | Nil | Nil | Nil | Nil |
| Income (loss) from continuing operations, in total and on a per share basis | (344,697)<br>(0.02) | (2,911,515)<br>(0.11) | (380,130)<br>(0.01) | (83,995)<br>(0.00) |
| Net income (loss) | (344,540) | (2,911,515) | (380,130) | (83,045) |

| Fiscal 2016 | | | | |
|---|---|---|---|---|
| | Q1 ($) | Q2 ($) | Q3 ($) | Q4 ($) |
| Revenue | Nil | Nil | Nil | Nil |
| Income (loss) from continuing operations, in total and on a per share basis | (342,429)<br>(0.03) | (318,177)<br>(0.02) | (173,575)<br>(0.01) | (323,586)<br>(0.02) |

| Fiscal 2016 | | | | |
|---|---|---|---|---|
| | Q1<br>($) | Q2<br>($) | Q3<br>($) | Q4<br>($) |
| Net income (loss) | (342,429) | (318,177) | (173,575) | (323,586) |

***Summary Pro Forma Financial Information for the Resulting Issuer***

A pro forma consolidated statement of financial position for the Resulting Issuer giving effect to the Proposed Transaction as at December 31, 2017 is attached to this Listing Statement as Schedule "E".

**5.3. Dividends**

The Issuer does not have a dividend policy and does not pay dividends to its shareholders.

The Issuer has not paid dividends on its Common Shares since incorporation. Subject to the requirements of the CBCA, there are no restrictions in the Resulting Issuer's articles or elsewhere which would prevent the Resulting Issuer from paying dividends following the completion of the Proposed Transaction. All of the Resulting Issuer's Shares are entitled to an equal share in any dividends declared and paid. However, it is not contemplated that any dividends will be paid on the Resulting Issuer's shares in the immediate or foreseeable future. It is anticipated that all available funds will be invested to finance the growth of the Resulting Issuer's business. The directors of the Resulting Issuer will determine if, and when, dividends will be declared and paid in the future from funds properly applicable to the payment of dividends based on the Resulting Issuer's financial position at the relevant time.

**5.4. Foreign GAAP**

This is not applicable to the Issuer.

**6. MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Issuer's management's discussion and analysis ("**MD&A**") of financial condition and results of operations for the years ended December 31, 2017, 2016 and 2015, as well as the MD&A of financial condition and results of operations for the quarter that ended March 31, 2018, are attached to this Listing Statement as Schedule "B". The MD&A should be read in conjunction with the Issuer's financial statements which are attached hereto as Schedules "A" and are available on SEDAR.

MD&A of the Target for the year ended December 31, 2017 is attached to this Listing Statement as Schedule "D", and should be read in conjunction with the financial statements for the Target which are attached hereto as Schedule "C" to this Listing Statement.

The MD&A may contain forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of genius and the Target to be materially different from actual future results. Please see "*Forward Looking Statements*" above.

**7. MARKET FOR SECURITIES**

The Common Shares of the Issuer are listed on the CSE under the symbol "GNI" and are expected to resume trading on the CSE following filing of this Listing Statement. The trading symbol for the Resulting Issuer's Shares on the CSE is expected to be "CDPR".

## 8. CONSOLIDATED CAPITALIZATION

The Issuer's authorized share capital comprises an unlimited number of Common Shares without par value. The following table sets forth the consolidated capitalization of the Issuer as at December 31, 2017 and the expected consolidated share capital of the Resulting Issuer following completion of the Proposed Transaction:

| | Authorized | As at December 31, 2017 | Immediately prior to completion of the Proposed Transaction | As at completion of the Proposed Transaction |
|---|---|---|---|---|
| **Common Shares** | Unlimited | 43,011,743 | 58,786,744(1) | 235,146,976 |
| **Options** | 10% of issued and outstanding capital(2) | 160,000 | 80,000 | 80,000 |
| **Warrants(3)** | N/A | 5,598,211 | 13,385,711(4) | 13,385,711 |

Notes:

(1) Includes 10,373,334 Common Shares comprising units issued under a private placement on April 6, 2018; 200,000 Common Shares issued as consideration under the Mt. Cameron Amendment Agreement; and 5,201,667 Common Shares comprising units issued under a private placement on April 27, 2018.

(2) The number of stock options that the Resulting Issuer may grant is limited by the terms of the Stock Option Plan and policies of the CSE. See Item 9 "*Options to Purchase Securities*".

(3) Includes 21,000 broker common share purchase warrants issued by the Issuer in connection with a private placement offering having an exercise price of $0.25 per Common Share and expiring on December 8, 2018.

(4) Includes 5,186,667 common share purchase warrants comprising units issued under a private placement on April 6, 2018 and 2,600,833 common share purchase warrants comprising units issued under a private placement on April 27, 2018, all having an exercise price of $0.25 per Common Share and expiring on April 27, 2019.

There has been no other material change in the share and loan capital of the Issuer since the date of the financial statements for the financial year ended December 31, 2017.

## 9. OPTIONS TO PURCHASE SECURITIES

The Issuer has adopted a rolling stock option plan (the "**Stock Option Plan**"), which provides that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares at the time of grant. The Stock Option Plan was approved by the Shareholders and adopted by the Issuer on July 11, 2016.

The objective of the Stock Option Plan is to provide for and encourage ownership of Common Shares of the Issuer by its directors, officers, key employees and consultants and those of any subsidiary companies so that such persons may increase their stake in the Issuer and benefit from increases in the value of the Common Shares. The Stock Option Plan is designed to be competitive with the benefit programs of other companies in the industry. Management believes that the Stock Option Plan is a significant incentive for the directors, officers, key employees and consultants to continue and to increase their efforts in the Issuer's operations to the mutual benefit of both the Issuer and such individuals.

Some of the material attributes of the Stock Option Plan are as follows:

- options may be granted to directors, employees, management company employees and consultants;

- the exercise price of options granted shall be determined by the Board in accordance with the policies of the CSE;
- under the Stock Option Plan, the aggregate number of Common Shares reserved for issuance shall not exceed ten percent (10%) of the Common Shares issued and outstanding from time to time;
- no single participant may be issued options representing greater than five percent (5%) of the number of outstanding Common Shares in any 12 month period; the number of Common Shares reserved under option for issuance to any one consultant of the Issuer may not exceed two percent (2%) of the number of outstanding Common Shares in any 12 month period;
- options shall not be granted if the exercise thereof would result in the issuance of more than two percent (2%) of the issued Common Shares of the Issuer in any twelve-month period to any one consultant of the Issuer (or any of its subsidiaries);
- the aggregate number of options granted to persons employed in investor relation activities must not exceed two percent (2%) of the outstanding Common Shares in any 12 month period unless the CSE permits otherwise. Options issued to consultants providing investor relations services must vest in stages over 12 months with no more than one quarter of the options vesting in any three month period;
- the Board may determine the term of the options, but the term shall in no event be greater than ten years from the date of issuance;
- generally, the options expire three months from the date on which a participant ceases to be a director, officer, employee, management company employee or consultant of the Issuer; and
- terms of vesting of the options, the eligibility of directors, officers, employees, management company employees and consultants to receive options and the number of options issued to each participant shall be determined at the discretion of the Board, subject to the policies of the CSE.

The table below presents information as to options to purchase securities of the Issuer or a subsidiary of the Issuer as of May 30, 2018.

| | **Position of Holder** | **Number of Options** | **Exercise Price ($)** | **Expiry Date** |
|---|---|---|---|---|
| (a) | Current and Past Executive Officers of the Issuer | Nil | Nil | Nil |
| (b) | Current and Past Directors of the Issuer not included in (a) (1 person) | 60,000 | 0.25 | September 9, 2021 |
| (c) | Current and Past Executive Officers of Subsidiaries not included in (a) nor (b) | Nil | Nil | Nil |
| (d) | Current and Past Directors of the Issuer not included in (a), (b) nor (c) | Nil | Nil | Nil |
| (e) | Other employees and past employees of the Issuer | Nil | Nil | Nil |

| | Position of Holder | Number of Options | Exercise Price ($) | Expiry Date |
|---|---|---|---|---|
| (f) | Other employees and past employees of subsidiaries of the Issuer | Nil | Nil | Nil |
| (g) | Consultants of the Issuer | 20,000 | 0.25 | September 9, 2021 |
| (h) | Any other person or company | Nil | Nil | Nil |

## 10. DESCRIPTION OF THE SECURITIES

### 10.1. General

The Issuer has an authorized capital of an unlimited number of Common Shares and preferred shares issuable in series (the "**Preferred Shares**") all without nominal or par value, of which 58,786,744 Common Shares are issued and outstanding as fully paid and non-assessable as of April 30, 2018.

***Summary of the principal attributes of the Common Shares***

*Voting Rights*. The holders of the Common Shares are entitled to receive notice of, attend and vote at any meeting of the shareholders of the Issuer. The Common Shares carry one vote per share. There are no cumulative voting rights.

*Dividends*. Subject to the preferences accorded to the holders of the Preferred Shares, the holders of Common Shares are entitled to receive on a pro rata basis such dividends as may be declared by the Board, out of funds legally available therefor. There are no indentures or agreements limiting the payment of dividends.

*Profits*. Each Common Share is entitled to share pro rata in any profits of the Issuer to the extent they are distributed either through the declaration of dividends or otherwise distributed to shareholders, or on a winding up or liquidation.

*Rights on Dissolution*. In the event of the liquidation, dissolution or winding up of the Issuer, the holders of the Common Shares will be entitled to receive on a pro rata basis all of the assets of the Issuer remaining after payment of all the Issuer's liabilities and after the payment to the holders of the Preferred Shares, in accordance with the preference on liquidation, dissolution or winding-up accorded to the holders of the Preferred Shares.

*Pre-Emptive. Conversion and Other Rights*. No pre-emptive, redemption, sinking fund or conversion rights are attached to the Common Shares, and the Common Shares, when fully paid, will not be liable to further call or assessment. No other class of shares may be created without the approval of the holders of Common Shares. There are no provisions discriminating against any existing or prospective holder of Common Shares as a result of such shareholder owning a substantial number of Common Shares.

*Remedies*. Holders of Common Shares may make use of the various shareholder remedies available pursuant to the CBCA.

***Summary of the principal attributes of the Preferred Shares***

*Issuance*. The board of directors of the Issuer may at any time and from time to time issue Preferred Shares in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the board of directors.

The board of directors of the Issuer may from time to time fix, before issuance, the designation, rights, privileges, restrictions and conditions attaching to each series of Preferred Shares including, without limiting the generality of the foregoing, the amount, if any, specified as being payable preferentially to such series on a distribution of capital of the Issuer; the extent, if any, of further participation in a distribution of capital; voting rights, if any; any dividend rights (including whether such dividends be preferential, or cumulative or non-cumulative), if any.

*Dividends*. The holders of each series of Preferred Shares shall be entitled, in priority to the holders of Common Shares and any other shares of the Corporation ranking junior to the Preferred Shares with respect to the payment of cumulative dividends, to be paid rateably with the holders of each series of Preferred Shares, the amount of cumulative dividends, if any, specified as being payable preferentially to the holders of such series.

*Rights on Dissolution*. In the event of the liquidation, dissolution or winding-up of the Issuer, whether voluntary or involuntary, the holders of each series of Preferred Shares shall be entitled, in priority to the holders of Common Shares and any other shares of the Issuer ranking junior to the Preferred Shares on a distribution of capital, to be paid rateably with the holders of each other series of Preferred Shares the amount, if any, specified as being payable preferentially to the holders of such series on a distribution of capital of the Issuer.

*Remedies*. Holders of Preferred Shares may make use of the various shareholder remedies available pursuant to the CBCA.

***Target's Capital Stock***

The Target's current capital stock is S/ 523,315.25, divided in 52,331,525 voting shares, with a par value of S/ 0.01 each, fully subscribed and paid. The amount of capital stock will be increased each time the General Shareholders Meeting of Target (or the board, if the General Shareholders Meeting delegates such faculty) validly takes a resolution in that sense, upon new contributions (in cash or in kind), conversions of credits or other forms permitted by Peruvian law. There is no maximum amount or cap of the capital stock. The management of the Target expects to increase the capital stock prior to the effectiveness of the merger with BranchCo, primarily through conversion of outstanding debts towards shareholders.

The holders of Target Shares are entitled to receive notice of and to attend and vote at all meetings of shareholders of the Target and each attending shareholder has the right to vote, in person or by proxy, at all meetings of the shareholders of the Target. Provided that distributable profits would exist, the holders of the Target Shares would be entitled to receive dividends if, as and when declared by the General Shareholders Meeting and, subject to the rights of creditors ranking in priority to with the holders of the Target Shares, to participate in any distribution of property or assets upon the liquidation of the Target.

The holders of the Target Shares have pre-emptive rights (*derecho de suscripción preferente*) to subscribe any new shares created in connection with capital increases derived from new contributions (in cash or in kind) or from conversion of credits. The proceeding for the exercise of the pre-emptive right is regulated by Peruvian law and has to be followed each time the General Shareholders Meeting of the Target approves such capital increases.

The holders of the Target Shares also have the right to separation from the company in certain legally foreseen circumstances. The merger between Target and BranchCo would trigger the separation right of the holders of the Target Shares who voted against the merger or did not attend the shareholders meeting where such decision was taken. In case of separation, Target would have to pay to the separating shareholders the amount to be agreed to or, in the absence of agreement, the pro rata book value corresponding to the shares of the separating shareholder. In the case of Target, given that it is expected that at the time the merger with BranchCo will be approved the net worth of Target (i.e., assets minus liabilities) will be positive in a relatively small amount, it seems unreasonable that any shareholder exercises its separation right rather than accepting to exchange its interest in the Target for shares in Genius, because the amount that a separating shareholder would receive as payment would be a small one.

### 10.2. Debt Securities

The Issuer has no debt securities outstanding.

### 10.3. Other Securities

In addition to the Options outstanding as outlined at "*Item 9 – Options to Purchase Securities*" above, the Issuer has 13,385,711 common share purchase warrants currently outstanding exercisable as described in the table below.

| Date of Issuance | Warrants | Exercise Price | Expiration Date |
|---|---|---|---|
| April 27, 2018 | 2,600,833 | $0.25 | April 27, 2019 |
| April 6, 2018 | 5,186,667 | $0.25 | April 27, 2019 (1) |
| December 30, 2017 | 92,128 | $0.25 | December 30, 2018 (1) |
| December 29, 2017 | 83,250 | $0.25 | April 27, 2019 (1) |
| December 21, 2017 | 788,500 | $0.25 | April 27, 2019 (1) |
| December 15, 2017 | 1,692,500 | $0.25 | April 27, 2019 (1) |
| December 8, 2017 | 21,000 | $0.25 | December 8, 2018 |
| December 8, 2017 | 150,000 | $0.25 | April 27, 2019 (1) |
| May 26, 2017 | 2,770,833 | $0.25 | April 27, 2019 (1) |

Note:

(1) The expiration date for these common share purchase warrants was extended to April 27, 2019 in order to compensate for the extended halt of the Issuer securities affecting investors who participated in private placements of the Issuer during the year 2017.

### 10.4. Modification of Terms

Not applicable.

### 10.5. Other Attributes

Please refer to Item 10.1 above under the heading "*Summary of the principal attributes of the Preferred Shares*".

### 10.6. Prior Sales

During the 12-month period preceding the date of this Listing Statement, the Issuer has issued the following securities:

| Date | Number of Securities | Issue Price |
|---|---|---|
| April 27, 2018 | 5,201,667 Units(1) | $0.15 |
| April 11, 2018 | 200,000 Common Shares | $0.15(2) |
| April 6, 2018 | 10,373,334 Units(1) | $0.15 |
| December 29, 2017 | 166,500 Units(1) | $0.15 |
| December 21, 2017 | 1,577,000 Units(1) | $0.15 |
| December 21, 2017 | 85,000 FT Shares | $0.20 |
| December 15, 2017 | 3,385,000 Units(1) | $0.15 |
| December 15, 2017 | 977,500 FT Shares | $0.20 |
| December 8, 2017 | 300,000 Units(1) | $0.15 |
| May 26, 2017 | 5,541,666 Common Shares | $0.15 |
| May 26, 2017 | 6,000,000 Common Shares | $0.15 |
| May 26, 2017 | 6,500,000 Common Shares | $0.15 |

Notes:

(1) Each Unit is comprised of one Common Share and one-half common share purchase warrant. Each warrant entitles its holder to purchase one additional Common Share at a price of $0.25 until April 27, 2019.

(2) Deemed price as per the Mt. Cameron Amendment Agreement.

## 10.7. Stock Exchange Price

The Common Shares are listed and posted for trading on CSE. The following table sets out the price ranges and volume traded of Common Shares on the CSE on a monthly basis for the current quarter and the immediately preceding quarter and on a quarterly basis for the next preceding seven quarters:

| Period(1) | High ($) | Low ($) | Volume |
|---|---|---|---|
| Period ended May 31, 2018 | - | - | - |
| Month ended April 30, 2018 | - | - | - |
| Month ended March 31, 2018 | - | - | - |
| Month ended February 28, 2018 | - | - | - |
| Month ended January 31, 2018 | - | - | - |
| Quarter ended December 31, 2017 | 0.16 | 0.12 | 4,002,865 |
| Quarter ended September 30, 2017 | 0.21 | 0.14 | 5,901,080 |
| Quarter ended June 30, 2017 | 0.25 | 0.115 | 2,002,817 |
| Quarter ended March 31, 2017 | 0.375(2) | 0.035 | 6,029,761 |

| Period[1] | High ($) | Low ($) | Volume |
|---|---|---|---|
| Quarter ended December 31, 2016 | 0.06 | 0.03 | 10,062,807 |
| Quarter ended October 31, 2016 | 0.045 | 0.02 | 6,398,916 |
| Quarter ended June 30, 2016 | 0.05 | 0.015 | 17,839,122 |

Notes:

(1) The Common Shares were halted on November 9, 2017 pending the announcement of the Merger Agreement. The last trade of the Common Shares prior to the trade halt was on November 8, 2017 at a price of $0.16.

(2) Effective February 1, 2017, the Common Shares of the Issuer were consolidated on a basis of 1 post-consolidation Common Share for every 5 pre-consolidation Common Shares.

The Target's shares are not listed or posted for trading on any stock exchange.

## 11. ESCROWED SECURITIES

As at June 6, 2018, the Issuer has no securities held in escrow. No securities are otherwise subject to any contractual restrictions on transfer.

In connection with the proposed requalification for listing of the Common Shares on the CSE following the completion of the Proposed Transaction, all securities held by "Related Persons" are required to be subject to an escrow agreement pursuant to Policy 8 (the "**Escrow Agreement**").

For the purposes of this section, **"Related Persons"** means, with respect to the Resulting Issuer:

a. the partners, directors and senior officers of the Resulting Issuer or any of its material operating subsidiaries;

b. promoters of the Issuer during the two years preceding this Listing Statement;

c. those who own or control more than 10% of the Resulting Issuer's voting securities; and

d. Associates and Affiliates of any of the above.

Related Persons must enter into an escrow agreement that provides for the escrow of the Related Persons' shares for a period of 36 months. Escrow releases will be scheduled as follows: 10% will be released on the date that the shares commence trading on the Exchange followed by six subsequent releases of 15% each every six months thereafter.

The Exchange will allow earlier releases from escrow where the Issuer demonstrates that it would be the equivalent of an "established issuer" under National Policy 46-201 *Escrow for Initial Public Offerings* ("**NP 46-201**") and such early release would be permitted if the Issuer were an "established issuer."

The Issuer is currently classified as an "emerging issuer" under NP 46-201. An "emerging issuer" is one that does not meet the "established issuer" criteria (which includes issuers listed on the Toronto Stock Exchange in its non-exempt category and issuers that meeting Tier 1 listing requirements of the Exchange). Based on the Issuer being an "emerging issuer", the Escrowed Securities will be subject to a three-year escrow period.

If the Resulting Issuer achieves "established issuer" status during the term of the Escrow Agreement, it will 'graduate' resulting in a catch-up release and an accelerated release of any securities remaining in escrow under the 18-month schedule applicable to established issuers as if the Issuer had originally been classified as an established issuer.

A total of 117,063,821 Resulting Issuer Shares representing approximately 49.78% of the issued and outstanding Resulting Issuer Shares on the Closing Date will be deposited into escrow pursuant to the Escrow Agreement (the "**Escrowed Securities**").

The particulars of the holders of the Escrowed Securities pursuant to the Escrow Agreement is as outlined in the table below:

| Name of Shareholder | Number of Resulting Issuer Shares to be Held in Escrow | Percentage of Resulting Issuer Shares |
|---|---|---|
| Alpha Capital Anstalt | 56,629,663 | 24.08% |
| Frank Hodgson | 27,067,928 | 11.51% |
| Steven Allen Zadka | 25,068,793 | 10.66% |
| Guy Goulet | 2,837,544 | 1.21% |
| Manuel Lizandro Rodriguez Mariategui Canny | 3,985,198 | 1.69% |
| John Geoffrey Booth | 700,000 | 0.30% |
| Keith Philip Brill | 574,695 | 0.24% |
| Robert Boisjoli | 200,000 | 0.09% |
| Total | 117,063,821 | 49.78% |

Note:

(1) The Escrowed Securities will be deposited with the Transfer Agent and will be released in accordance with the Escrow Agreement and the policies of the CSE.

Additionally, subject to the approval of the Cerro Shareholders, 176,360,232 Resulting Issuer's Shares to be issued to the Cerro Shareholders as part of the Reverse Take-Over (inclusive of 85,683,654 Resulting Issuer's Shares to be issued to Alpha Capital Anstalt, Steven Allen Zadka and Manuel Lizandro Rodriguez Mariategui Canny who will be "Related Persons" of the Resulting Issuer) will be subject to escrow under an escrow agreement to be entered into among the Resulting Issuer, Computershare Investor Services Inc. as escrow agent and the Cerro Shareholders, in terms equivalent to those of the Escrow Agreement.

## 12. PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and executive officers of the Issuer, no persons beneficially own, directly or indirectly, or exercise control or direction over shares carrying more than 10% of the voting rights attached to all outstanding Common Shares of the Issuer as of May 30, 2018:

To the knowledge of the proposed directors and executive officers of the Resulting Issuer, after giving effect to the Proposed Transaction, the following persons will beneficially own, directly or indirectly, or exercise control or direction over shares carrying more than 10% of the voting rights attached to all outstanding Resulting Issuer Shares as of the Closing Date:

| Name | Number of Common Shares[(1)] | Percentages of Common Shares |
|---|---|---|
| Alpha Capital Anstalt | 56,629,663 | 24.08% |
| Frank Hodgson | 27,067,928 | 11.51% |

| Name | Number of Common Shares(1) | Percentages of Common Shares |
|---|---|---|
| Steven Allen Zadka | 25,068,793 | 10.66% |

Note:

(1) These Resulting Issuer Shares will be subject to escrow restrictions under the Escrow Agreement. See Item 11 "*Escrowed Securities*".

## 13. DIRECTORS AND OFFICERS

### 13.1. Name, Occupation and Security Holding

The Issuer's current directors are Guy Goulet (President and Chief Executive Officer), John Geoffrey Booth and Hubert Vallée.

Following completion of the Proposed Transaction, Guy Goulet and John Geoffrey Booth will remain on the Board of the Resulting Issuer, while Hubert Vallée will resign as a director of the Resulting Issuer in favour of the nominees of the Target, being Steven Allen Zadka, Frank Hodgson, Manuel Lizandro Rodriguez Mariategui Canny and Keith Philip Brill.

The term of office of each of the present directors expires at the Issuer's next annual general meeting. Each director elected or appointed will hold office until the next annual general meeting of the Resulting Issuer or until his or her successor is elected or appointed, unless his or her office is earlier vacated in accordance with the articles of the Resulting Issuer or with the provisions of the CBCA.

The following table sets out the names of the proposed directors and officers of the Resulting Issuer, the province and municipality in which each is ordinarily resident, all offices of the Resulting Issuer proposed to be held by each of them, their principal occupations during the past five years and the expected number of Resulting Issuer Shares beneficially owned by each, directly or indirectly, or over which control or direction is exercised, following completion of the Proposed Transaction.

| Name, Jurisdiction of Residence, Proposed Offices | Principal Occupation During Last Five Years | Prior Director or Officer of the Issuer or Target | Number of Resulting Issuer Shares upon completion of the Proposed Transaction (1) | Percentage of Class Held or Controlled on completion of the Proposed Transaction |
|---|---|---|---|---|
| Guy Goulet<br>Québec, Canada<br>President, CEO and Director | Geological Engineer<br>President and CEO of the Issuer and previously President & CEO Maya Gold & Silver | Current Director and Officer of the Issuer | 2,837,544 | 1.21% |
| Steven Allen Zadka<br>New York, USA<br>Executive Chairman of the Board | President and Director of the Target<br>Managing director at Sunrise Securities LLC / Trump Securities LLC | Current Director and Officer of the Target | 25,068,793 | 10.66% |
| John Geoffrey Booth(2)<br>London, UK<br>Director | Lawyer and Corporate Director<br>Previously co-founder, Chairman & CEO Midpoint Holdings (TSXV - MPT) until December 2015 | Current Director of the Issuer | 700,000 | 0.30% |

| Name, Jurisdiction of Residence, Proposed Offices | Principal Occupation During Last Five Years | Prior Director or Officer of the Issuer or Target | Number of Resulting Issuer Shares upon completion of the Proposed Transaction [(1)] | Percentage of Class Held or Controlled on completion of the Proposed Transaction |
|---|---|---|---|---|
| Frank Hodgson[(2)]<br>Gibraltar, Gibraltar<br>Director | Corporate investor via Small Private Equity Companies based in Mayfair London | Current Director of the Target | 27,067,928 | 11.51% |
| Manuel Lizandro Rodriguez Mariategui Canny<br>Lima, Peru<br>Director | Director of Austria Duvaz,CEO of Minera Valor, Executive Director of the Peruvian Aquaculture Company and President of the Investment and Risk Committee of Inversiones Don Lizandro | Current Director of the Target | 3,985,198 | 1.69% |
| Keith Philip Brill[(2)]<br>New York, United States<br>Director | Management consultant with Gartner, Inc. since 2016. Prior to joining Gartner, Inc., Mr. Brill was a principal consultant for PA Consulting Group, Inc., a leading UK-based global consulting firm | Current Director of the Target | 574,695 | 0.24% |
| Robert Boisjoli<br>CFO | CEO of AKESOgen, Inc., Chairman of Palos Management Inc., Managing Director of Atwater Financial Group and Partner at Robert Boisjoli & Associates S.E.C. | Current CFO of the Issuer | 200,000 | 0.09% |

Notes:

(1) Based on the number of Resulting Issuer Shares beneficially owned, directly or indirectly, or over which control or direction is exercised as at the date of this Listing Statement assuming the completion of the Proposed Transaction.

(2) Proposed members of the Audit Committee. Each proposed member is financially literate as is defined under National Instrument 52-110 - *Audit Committees*.

The information as to shares beneficially owned, directly or indirectly, or over which control or direction is exercised, is based upon information furnished to the Issuer by the proposed respective directors and officers as at the date hereof. After giving effect to the Proposed Transaction, the directors, officers, insiders and promoters of the Resulting Issuer, and their respective associates and affiliates, as a group, will hold an aggregate of 66,246,935 Resulting Issuer Shares, representing approximately 28.17% of the issued and outstanding Resulting Issuer Shares.

The directors and officers will devote their time and expertise as required by the Resulting Issuer, however, it is not anticipated that any director or officer will devote 100% of their time to the activities of the Resulting Issuer, other than the President and CEO. See also item 13.6 "*Management*" below. None of the proposed directors and officers of the Resulting Issuer have entered into non-competition or non-disclosure agreements with the Resulting Issuer.

## 13.2. Committees

The sole committee of the Issuer is the audit committee, comprised of John Geoffrey Booth, Hubert Vallée and Guy Goulet. It is expected that the Resulting Issuer's audit committee will be comprised of John Geoffrey Booth, Frank Hodgson and Keith Philip Brill.

## 13.3. Cease Trade Orders and Bankruptcies

Except as described below, as at the date of this Listing Statement and within the ten years before the date of this Listing Statement, no proposed director, officer nor a proposed shareholder holding sufficient number of securities of the Resulting Issuer to materially affect control of the Resulting Issuer:

(a) is or has been a director or executive officer of any company (including the Issuer), that:

   (i) while that person was acting in that capacity, was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

   (ii) after that person ceased to be a director or executive officer, was subject to a cease trade order or similar order which resulted from an event that occurred while that person was acting in the capacity as director or executive officer that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

   (iii) while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has within 10 years before the date of the Listing Statement became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officers or shareholders.

Mr. Zadka, current director and officer of the Target and proposed executive Chairman of the board of directors of the Resulting Issuer, entered into compromises with creditors for personal credit card debts and matters in the aggregate amount of US$ 42,964.00 incurred during 2008 due to a reduction of income. A payment of US$ 280,218.00 was also paid by Mr. Zadka as settlement for a loan on a home that was sold short of the value of the balance of the loan (US$ 562,000.00) during the global financial crisis. The foregoing debts were settled directly with the creditors between 2009 and 2013.

## 13.4. Penalties and Sanctions

Except as described below, proposed director, executive officer or promoter of the Issuer nor a proposed shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has, within the ten years prior to the date of this Listing Statement, been subject to:

(a) any penalties or sanctions imposed by a court or securities regulatory authority relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

In 2008, a fine of $57,500 was imposed to Guy Goulet, personally, by the *Autorité des marchés financiers* (Québec) (the "**AMF**"). The AMF alleged that Mr. Goulet was in default to declare, within ten days, the changes to his control over the securities of H2O Innovation Inc. The allegations against Mr. Goulet were not related to the default of filing his insider trading reports, but only for late filing of his reports. In addition, the late filings resulted from a misinterpretation, in good faith, of the provisions of the Act, as Mr. Goulet believed that he had ten business days to file his insider trading reports.

### 13.5. Conflicts of Interest

Certain proposed directors and officers of the Resulting Issuer are also directors, officers or shareholders of other companies that are engaged in similar business. These associations to other public companies may give rise to conflicts of interest from time to time. Under the applicable laws, the directors and senior officers are required by law to act honestly and in good faith with a view to the best interests of the Resulting Issuer. In the event that such a conflict of interest arises at a meeting of the Resulting Issuer's directors, a director who has such a conflict will disclose such interest in a contract or transaction and will abstain from voting on any resolution in respect of such contract or transaction. See also Item 17 "*Risk Factors*".

### 13.6. Management

The following is a brief description of the proposed key management of the Resulting Issuer. None of these management personnel have entered into non-disclosure or non-competition agreements with the Issuer, but the Resulting Issuer will consider whether to enter into such agreements following the Closing Date.

Mr. Guy Goulet (age: 56), proposed President, CEO and director of the Resulting Issuer, has been the President, the Chief Executive Officer and a director of the Issuer since April 6, 2017. Mr. Goulet, is a geological engineer, who graduated from Ecole Polytechnique de Montréal in 1986. He has been active in the mining sector for more than 30 years and is a member of the Ordre des Ingénieurs du Québec. From 1995 to 2000 he has been a member of the Board and CEO of five publicly traded Canadian mining companies. He has been co-credited for the restart of the Wrightbar gold mine in Val d'Or, Québec in 1996. In parallel, he has conducted in collaboration with Hydro-Québec (LTD division) and Group STAS the only project leading to the production of lithium metal from high purity lithium carbonate. From 2000 to 2008, he served as co-founder, president and chairman of H2O Innovation Inc., a water treatment company that manufactures and installs integrated systems for various markets. He joined Maya Gold & Silver Inc. as President and CEO from November 2008 to June 2017 and was co-credited for the restart of the Zgounder silver mine in Morocco. During his career, Mr. Goulet capital raised over $150 million through the TSXV.

Mr. Steven Allen Zadka (age: 36), proposed executive Chairman of the board of directors of the Resulting Issuer, is a visionary entrepreneur and investor. Mr. Zadka started his career over 15 years ago with a simple task in mind of utilizing financial strength to realize commercial potential of an asset where value is understood. With his vision he has come to the forefront of the natural resources and mining industries in his current executive role at Cerro de Pasco. Over the years, Mr. Zadka has orchestrated strategy for dozens of projects around the globe in energy and resource development. Mr. Zadka also has extensive experience in Investment banking, capital markets, mergers and acquisitions, and corporate finance. Mr. Zadka currently holds the title of Managing Director at Sunrise Securities LLC / Trump Securities LLC, a New York City based investment bank. Prior to that Mr. Zadka was an investment banker at Adar Capital Advisors, an associate at Casimir Capital LP, and senior consultant at Mine Management. Mr. Zadka has spent a significant amount of time in South America. Mr. Zadka holds a B.S. from Baruch College in New York City.

Mr. John Geoffrey Booth (age: 52), proposed director of the Resulting Issuer, has been a director of the Corporation since June 22, 2017. Mr. Booth holds a BSc(Hons) in biology and environmental science, both Canadian and US law degrees (LLB, JD) and a Masters in international finance, tax and environmental law from King's College, University of London (LLM). He is called to bars of Ontario, New York and District of Columbia and has over 25 years of international experience in financial services as an investment banker, broker, strategy consultant, fund manager, director and chief executive officer. He has worked with Merrill Lynch International, ICAP, ABN AMRO Bank NV, CIBC, the World Bank, Climate Change Capital and Conservation Finance International over his career and has also co-founded three financial services businesses, the most recent being Midpoint Holdings Ltd. the world's first peer to peer foreign exchange netting and international payments platform which he listed on the TSXV in 2013, and where he served as Chairman and CEO until December of 2015. Mr. Booth currently serves as the non-executive Chairman of Laramide Resources Ltd. (TSX/ASX), the non-executive Chairman of European Electric Metals (TSXV), and as a non-executive director and head of the Audit committee of Cub Energy Ltd. (TSXV). He has served as a nominee non-executive director for the European Bank for Reconstruction and Development nominee and as a non-executive director of the Ottawa RiverKeeper environmental charity. Mr. Booth resides in London, UK.

Mr. Frank Hodgson (age: 59), proposed director of the Resulting Issuer, has over 30 years' experience in the Central London residential property market as a developer and investor. Mr. Hodgson's years of experience in the Central London residential market started in the 1980's Docklands boom, trading hundreds of properties as a principal. Mr. Hodgson then pioneered the 'Swale Project' a major scheme in Kent with partners, Bovis, Medway Port Authority, Bowater and UK Paper providing 2000 homes, a 250 acre extension to the existing Sheerness Docks and 300 acres of Business Par working closely with Central Government to improve road links to the region. Thereafter Mr. Hodgson took full advantage of the last property correction in the early 1990's by acquiring £200m of distressed opportunities from liquidators, banks and other forced sellers in Central London extending leases, refurbishing, redeveloping, managing and finally disposing, for an average return in excess of 15% per annum. Mr. Hodgson is now a corporate investor via Small Private Equity Companies based in Mayfair London.

Mr. Manuel Lizandro Rodriguez Mariategui Canny (age: 54), proposed director of the Resulting Issuer, is a Peruvian entrepreneur with more than 20 years of experience in the mining sector. He leads the board of directors of Austria Duvaz, a company with over 100 years of mining history. He is also CEO of Minera Valor, Executive Director of the Peruvian Aquaculture Company and President of the Investment and Risk Committee of Inversiones Don Lizandro. Manuel has succeeded in taking these companies to the forefront of technology, increasing its value through high productivity, as well as social and environmental responsibility.

Mr. Keith Philip Brill (age: 39), proposed director and Corporate Secretary of the Resulting Issuer, has been a management consultant with Gartner, Inc. (NYSE: IT), the world's leading research and advisory company, since 2016. At Gartner, Inc., he advises commercial and public sector organizations on business and IT transformation programs involving technology modernization, strategic sourcing, organizational design and change, people/talent management and IT financial management. Prior to joining Gartner, Inc., Mr. Brill was a principal consultant for PA Consulting Group, Inc., a leading UK-based global consulting firm. There he worked with multinational Fortune 500 companies leading financial and operational aspects of IT outsourcing and operational efficiency projects across the health care, pharmaceutical and manufacturing sectors. Mr. Brill received an International Master of Business Administration (IMBA) from the Moore School of Business, University of South Carolina in May 2005. He graduated from the South Carolina Honors College, University of South Carolina in May 2003 with a Bachelor of Science, *magna cum laude*, major in Economics and Finance, minor in Spanish.

Mr. Robert Boisjoli (age: 60), proposed CFO of the Resulting Issuer, is a Fellow Chartered Professional Accountant, with over 30 years of operational and advisory experience. Mr. Boisjoli is currently the Chief Executive Officer of AKESOgen, Inc., an integrated genomics services company. He is also Chairman of Palos Management Inc. and managing director of Atwater Financial Group, a company specializing in mergers and acquisitions, and a partner at Robert Boisjoli & Associates S.E.C., a consulting firm specializing mainly in business valuations. Robert has been the founder of two life science companies where he has acted as Chief Financial Officer, Chief Operating Officer and Chief Executive Officer. Mr. Boisjoli sits on the boards of directors of various public and private companies where is he is also the audit committee chairman. He was also an investment banker with various Canadian securities' firms. Mr. Boisjoli also is a Board Member of various not-for-profit organizations in the community and within the profession.

## 14. CAPITALIZATION

The following section is based on the Issuer having 58,786,744 Common Shares issued and outstanding immediately prior to the Merger and anticipating that 176,360,232 Resulting Issuer Shares will be issued to Cerro Shareholders on the Closing Date, resulting in an aggregate 235,146,976 Resulting Issuer Shares being issued and outstanding following completion of the Proposed Transaction.

### 14.1. Issued Capital

The following table shows the issued capital of the Resulting Issuer following completion of the Proposed Transaction:

| | Number of Securities (non-diluted) | Number of Securities (fully-diluted) | % of Issued (non-diluted) | % of Issued (fully diluted) |
|---|---|---|---|---|
| Public Float | | | | |
| Total outstanding (A) | 235,146,976 | 248,612,686(3) | 100% | 100% |
| Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B) | 117,063,821(1) | 117,976,822 | 48.78% | 47.45% |
| Total Public Float (A-B) | 118,083,155 | 130,635,864 | 50.22% | 52.54% |
| Freely-Tradeable Float | | | | |
| Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C) | 186,966,359(2) | 194,753,859(4) | 79.51% | 78.34% |
| Total Tradeable Float (A-C) | 48,180,617 | 53,858,827 | 20.49% | 21.66% |

Notes:

(1) See section 11 "*Escrowed Securities*".

(2) This number represents the 117,063,821 Escrowed Securities held by "Related Person" of the Resulting Issuer, plus the 176,360,232 Resulting Issuer's Shares to be issued to the Cerro Shareholders as part of the Reverse Take-Over (subject to the approval of the Cerro Shareholders) minus the 85,683,654 Resulting Issuer's Shares to be issued to Alpha Capital Anstalt, Steven Allen Zadka and Manuel Lizandro Rodriguez Mariategui Canny

which are already accounted for in the 117,063,821 Escrowed Securities. 10% of the shares will be released from escrow on the date that the shares commence trading on the Exchange followed by six subsequent releases of 15% each every six months thereafter.

(3) See section 14.4 "*Convertible Securities*" for a description of the 13,465,710 outstanding convertible securities.

(4) A total of 7,787,500 common share purchase warrants issued by Genius on April 6 and April 27, 2018 are subject to a 4-month hold period in accordance with National Instrument 45-102 – *Resale of Securities*.

### 14.2. Public Securityholders (Registered)

The following table shows the public securityholders of the Resulting Issuer following completion of the Proposed Transaction. For the purposes of this section, "public securityholders" are persons (registered) other than persons enumerated in section (B) of the previous chart.

| **Size of Holding** | **Number of holders** | **Total number of securities**(1) |
|---|---|---|
| 1 – 99 securities | 1 | 2 |
| 100 – 499 securities | 48 | 5,773 |
| 500 – 999 securities | 5 | 3,786 |
| 1,000 – 1,999 securities | 18 | 21,972 |
| 2,000 – 2,999 securities | 5 | 12,273 |
| 3,000 – 3,999 securities | 3 | 9,980 |
| 4,000 – 4,999 securities | 9 | 40,069 |
| 5,000 or more securities | 165 | 235,053,121 |
| | 254 | 235,146,976 |

Note:

(1) The information from the above table is derived from a registered shareholder list of the Issuer as at April 19, 2018 as provided by the Transfer Agent and the registered shareholder list of the Target as at April 19, 2018.

### 14.3. Public Securityholders (Beneficial)

The following table shows the beneficial securityholders of the Resulting Issuer following completion of the Proposed Transaction. For the purposes of this section, "beneficial securityholders" includes (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings.

| Size of Holding | Number of holders | Total number of securities (1) |
|---|---|---|
| 1 – 99 securities | 20 | 961 |
| 100 – 499 securities | 84 | 15,127 |
| 500 – 999 securities | 21 | 22,638 |
| 1,000 – 1,999 securities | 40 | 51,688 |
| 2,000 – 2,999 securities | 20 | 44,139 |
| 3,000 – 3,999 securities | 11 | 37,580 |
| 4,000 – 4,999 securities | 16 | 69,753 |
| 5,000 or more securities | 486 | 224,813,736 |
| Unable to confirm | – | 91,354 |

Note:

(1) The information from the above table is derived from a registered shareholder list of the Issuer as at April 19, 2018 as provided by the Transfer Agent and the registered shareholder list of the Target as at April 19, 2018.

### 14.4. Convertible Securities

The Issuer currently has the following convertible securities outstanding:

(a) 80,000 options exercisable at a price of $0.25 per Common Share expiring on September 9, 2021;

(b) 21,000 broker common share purchase warrants exercisable at a price of $0.25 per Common Share expiring on December 8, 2018; and

(c) 13,364,710 common share purchase warrants exercisable at a price of $0.25 per Common Share until April 27, 2019.

On the completion of the Proposed Transaction, the Resulting Issuer is expected to the following convertible securities outstanding:

(a) 80,000 Resulting Issuer Options bearing an exercise price of $0.25 per Resulting Issuer Share and expiring on September 9, 2021;

(b) 21,000 Resulting Issuer broker common share purchase warrants exercisable at a price of $0.25 per Resulting Issuer Share expiring on December 8, 2018; and

(c) 13,364,710 Resulting Issuer common share purchase warrants exercisable at a price of $0.25 per Resulting Issuer Share until April 27, 2019.

## 15. EXECUTIVE COMPENSATION

### 15.1. Executive Compensation of the Issuer

In this section, Named Executive Officer ("**NEOs**") of the Issuer means the CEO or an officer acting in a similar capacity, the CFO and each of the three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers at the end of the most recently completed financial year, and whose total compensation was more than $150,000 as well as any additional individuals for whom disclosure would have been provided except that the individual was not serving as an executive officer of the Issuer at the end of the most recently completed financial year.

***Director and Named Executive Officer Compensation***

The following table (presented in accordance with National Instrument Form 51-102F6V), is a summary compensation (excluding compensation securities) paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, to the directors and NEOs for each of the Issuer' two most recently completed financial years.

| Table of Compensation Excluding Compensation Securities | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name and Position** | **Year ended Dec. 31** | **Salary, Consulting Fee, Retainer or Commission ($)** | **Bonus ($)** | **Committee or Meeting Fees ($)** | **Value of Perquisites ($)** | **Value of all Other Compensation ($)** | **Total Compensation ($)** |
| **Guy Goulet**[1] Director, President and CEO | 2017 | 117,778[2] | - | - | - | - | 117,778 |
| | 2016 | - | - | - | - | - | - |
| **Benoit Forget**[3] Former Interim CFO | 2017 | 22,500[4] | - | - | - | - | 22,500 |
| | 2016 | - | - | - | - | - | - |
| **Stéphane Leblanc**[5] Former President, CEO and CFO | 2017 | 25,000 [6] | - | - | - | - | 25,000 |
| | 2016 | 114,750 [6] | - | - | - | - | 114,750 |
| **Liette Nadon**[7] Former CFO | 2017 | - | - | - | - | - | - |
| | 2016 | 48,000 [8] | - | - | - | - | 48,000 |
| **Jimmy Gravel**[9] Former President, CEO and Director | 2017 | 18,000 | - | - | - | - | - |
| | 2016 | 27,000 | - | - | - | - | 27,000 |
| **Hubert Vallée**[10] Director | 2017 | - | - | 15,748 | - | - | 15,748 |
| | 2016 | - | - | - | - | - | - |
| **John Geoffrey Booth**[11] Director | 2017 | - | - | 15,000 | - | - | 15,000 |
| | 2016 | - | - | - | - | - | - |
| **Marc Duchesne**[12] Former Director | 2017 | - | - | - | - | - | - |
| | 2016 | - | - | - | - | - | - |

| Table of Compensation Excluding Compensation Securities | | | | | | | |
|---|---|---|---|---|---|---|---|
| Name and Position | Year ended Dec. 31 | Salary, Consulting Fee, Retainer or Commission ($) | Bonus ($) | Committee or Meeting Fees ($) | Value of Perquisites ($) | Value of all Other Compensation ($) | Total Compensation ($) |
| **Frank Guillemette**(13) Former Director | 2017 | - | - | - | - | - | - |
| | 2016 | - | - | - | - | - | - |
| **Maxime Lemieux** (14) Former Director | 2017 | - | - | - | - | - | - |
| | 2016 | - | - | - | - | - | - |
| **Neil Novak** (15) Former Director | 2017 | - | - | - | - | - | - |
| | 2016 | - | - | - | - | - | - |

Notes:

(1) Mr. Goulet was appointed as director, president and CEO of the Issuer on April 5, 2017.

(2) These amounts were payable to 7002513 Canada Inc., a management corporation controlled by Mr. Guy Goulet, and represent mainly consulting fees.

(3) Mr. Forget was acting as Interim CFO of the Issuer from August 28, 2017 to April 1, 2018.

(4) These amounts were payable to Benoit Forget Consultant inc., a management corporation controlled by Mr. Benoît Forget, and represent mainly consulting fees.

(5) Mr. Stéphane Leblanc was appointed as Interim President and CEO in December, 2014. His mandate as President, CEO and director of the Issuer terminated on September 9, 2016. He acted as the Issuer's Interim CFO from January 1, 2017 to July 11, 2017.

(6) These amounts were payable to 9248-7792 Québec Inc., a management corporation controlled by Mr. Leblanc, and represent mainly consulting fees.

(7) Mrs. Nadon acted as CFO from March 26, 2015 to December 31, 2016.

(8) These amounts were payable to Gestion LL Nadon inc., a management corporation controlled by Mrs. Nadon, and represent mainly consulting fees.

(9) Mr. Gravel acted as Director of the Issuer from September 29, 2016 to June 22, 2017 and acted as President and CEO of the Issuer from September 29, 2016 to April 5, 2017.

(10) Mr. Vallée was appointed as director of the Issuer on July 11, 2016.

(11) Mr. Booth was appointed as director of the Issuer on June 22, 2017.

(12) Mr. Duchesne resigned as director of the Issuer on June 8, 2017.

(13) Mr. Guillemette acted as President and Director of the Issuer from September 12, 2016 to September 29, 2016.

(14) Mr. Lemieux resigned as director of the Issuer on June 8, 2017.

(15) Mr. Novak resigned as director of the Issuer on October 14, 2016.

### *Stock Options and Other Compensation Securities*

No compensation securities were granted or issued to NEOs and directors of the Issuer or its subsidiaries by the Issuer during the fiscal year ended December 31, 2017 for services provided or to be provided, directly or indirectly, to the Issuer.

No compensation securities were exercised by any directors or NEOs during the year ended December 31, 2017.

No compensation securities were re-priced, cancelled and replaced, had their term extended, or otherwise materially modified during the year ended December 31, 2017, except with regards to adjustments following the stock consolidation as of February 1, 2017.

***Stock Option Plan***

The only incentive plan maintained by the Issuer is the Stock Option Plan, the material terms of which are described above at Item 9 - *"Options to Purchase Securities"*.

***Oversight and Description of Director and Named Executive Compensation***

Compensation Program Objectives

The objectives of the Issuer's executive compensation program are as follows:

- to attract, retain and motivate talented executives who create and sustain the Issuer's continued success;
- to align the interests of the Issuer's executives with the interests of the Issuer's Shareholders; and
- to provide total compensation to executives that is competitive with that paid by other companies of comparable size engaged in similar business in appropriate regions.

Overall, the executive compensation program aims to design executive compensation packages that meet executive compensation packages for executives with similar talents, qualifications and responsibilities at companies with similar financial, operating and industrial characteristics.

Purpose of the Compensation Program

The Issuer's executive compensation program has been designed to reward executives for reinforcing the Issuer's business objectives and values, and for their individual performances.

Elements of Compensation Program

The executive compensation program consists of a combination of base salary, performance bonus and stock options.

Purpose of Each Element of the Executive Compensation Program

The base salary of a NEO is intended to attract and retain executives by providing a reasonable amount of non-contingent remuneration.

In addition to a fixed base salary, each NEO is eligible to receive a bonus meant to motivate the NEO and is determined on a case by case basis. Awards under this plan are made by way of cash payments only, which payment are made at the end of the financial year.

Stock options are generally awarded to NEO on an annual basis. The granting of stock options upon hire aligns NEO's rewards with an increase in shareholder value over the long term. The use of stock options encourages and rewards performance by aligning an increase in each NEO's compensation with increases in the Issuer's performance and in the value of the Shareholders' investments.

Determination of the Amount of Each Element of the Executive Compensation Program

*Intervention of the Board of Directors*

Compensation of the NEOs of the Issuer, other than the CEO, is reviewed annually by the CEO, who makes recommendations to the Board. The Board reviews the recommendations of the CEO and approves the compensation of the NEOs based on the recommendations of the CEO. Compensation of the CEO and members of the Board is reviewed annually by the Board.

*Base Salary*

The base salary review of each NEO takes into consideration the current competitive market conditions, experience, performance, and the particular skills of the NEO. Base salary is not evaluated against a formal "peer group". The Board relies on the general experience of its members in setting base salary amounts.

*Performance Bonuses*

Annual bonuses granted to NEOs are determined on a case by case basis and may be awarded at the sole discretion of the Board for individual achievements, contributions or efforts that the Board has determined can reasonably be expected to have a positive impact on shareholder value. The factors considered in assessing the bonus amounts include, but are not limited to, the position of the NEO and expense control.

*Stock Options*

The Issuer has adopted a formal plan (the "**Stock Option Plan**"), under which stock options are granted to directors, officers, employees and consultants as an incentive to serve the Issuer in attaining its goal of improved shareholder value. The Board determines which NEOs (and other persons) are entitled to participate in the Stock Option Plan, determines the number of options granted to such individuals, determines the date on which each option is granted and the corresponding exercise price.

The Board makes these determinations subject to the provisions of the Stock Option Plan and, where applicable, the policies of the CSE. For further information regarding the Stock Option Plan refer to Item 9 "Options to Purchase Securities".

Link to Overall Compensation Objectives

Each element of the executive compensation program has been designed to meet one or more objectives of the overall program.

The fixed base salary of each NEO, combined with the granting of stock options and bonus, has been designed to provide total compensation which the Board believes is competitive.

External Compensation Consultants

During the fiscal years ended December 31, 2017 and 2016, the Issuer did not retain the services of an executive compensation consultant to assist the Board in determining the compensation for any of the Issuer's NEOs.

Compensation Risk Management

The Board has not proceeded to an evaluation of the implications of the risks associated with the Issuer's compensation policies and practices. The Issuer has not adopted a policy forbidding directors or officers from purchasing financial instruments that are designed to hedge or offset a decrease in market value of the Issuer's securities granted as compensation or held, directly or indirectly, by directors or officers. The Issuer is not, however, aware of any directors or officers having entered into this type of transaction.

Pension Plan Benefits

The Issuer does not have a pension plan that provides for payments or benefits to the NEOs, nor to the directors at, following, or in connection with retirement.

Employment, Consulting and Management Agreements

With the exception of a consultancy agreement with Mr. Jimmy Gravel, former President and CEO, providing for a 30 days termination notice, there was no employment contracts or other agreements in place during the last completed financial year providing for payment in case of termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Issuer or a change in an NEO's responsibilities. There were also no employment contract or other agreement in place under which compensation was provided or is payable in respect of services provided to the Issuer or any of its subsidiaries that were performed by a director or NEO, or performed by any other party but are services typically provided by a director or a NEO.

Liability insurance

The directors and officers are covered by liability insurance. The Issuer has a Directors' and Officers' Liability and Issuer Reimbursement Insurance policy that provides coverage of up to $5,000,000 per claim and insurance period, for which it pays an annual premium of $11,850. The policy has a $25,000 deductible that the Issuer has undertaken to cover in the event of a claim.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out certain details as at December 31, 2017 with respect to compensation plans pursuant to which equity securities of the Issuer are authorized for issuance:

| Plan Category | Number of securities to be issued upon exercise of outstanding options | Weighted-average exercise price of outstanding options | Number of securities available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
|---|---|---|---|
| Equity compensation plans approved by securityholders(1) | 160,000 | $0.25 | 4,141,174 |
| Equity compensation plans not approved by securityholders | - | - | - |
| **Total** | 160,000 | $0.25 | 4,141,174 |

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

During the financial year ended December 31, 2017, and as at the date of this Listing Statement, no director, officer, employee, nor any former executive officer, director and employee of the Issuer, has been indebted, or is presently indebted, to the Issuer, or to another entity if the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Issuer or any of its subsidiaries.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed herein and in the audited financial statements of the Issuer for the year ended December 31, 2017, the Issuer is not aware that any of the directors, nominees, officers or other insiders of the Issuer or any persons associated or otherwise related to any of them has had an interest in any material transaction carried out since the commencement of the most recently completed financial year of the Issuer and which has materially affected or is likely to materially affect the Issuer.

## MANAGEMENT CONTRACTS

The management functions of the Issuer are not performed to any substantial degree by any person or company other than the directors and executive officers of the Issuer.

## 15.2. Executive Compensation of the Resulting Issuer

Upon completion of the Proposed Transaction, it is anticipated that the Resulting Issuer will establish a compensation committee which will recommend how directors will be compensated for their services as directors.

### *Director and Named Executive Officer Compensation*

In the interim and until such time as a compensation committee is determined, set out below is a summary of the anticipated compensation for each of the Resulting Issuer's Named Executive Officers and Directors for the 12-month period after giving effect to the Proposed Transaction, to the extent known:

| **Table of compensation excluding compensation securities** (For the 12 months following the completion of the Proposed Transaction) | | | | | | |
|---|---|---|---|---|---|---|
| **Name and Position** | **Salary, Consulting Fee, Retainer or Commission ($)** | **Bonus ($)** | **Committee or Meeting Fee ($)** | **Value of Perquisites ($)** | **Value of all Other Compensation** | **Total Compensation ($)** |
| Guy Goulet President and Director | 160,000 | - | - | - | - | 160,000 |
| Steven Allen Zadka CEO and Director | 160,000 | - | - | - | - | 160,000 |
| Robert Boisjoli CFO | 60,000 | - | - | - | - | 60,000 |
| John Geoffrey Booth Director | 30,000 | - | - | - | - | 30,000 |
| Frank Hodgson Director | - | - | - | - | - | - |
| Manuel Lizandro Rodriguez Mariategui Canny Director | 120,000 | - | - | - | - | 120,000 |
| Keith Philip Brill Director | - | - | - | - | - | - |

*External Management Companies*

It is not currently anticipated that any NEOs or directors of the Resulting Issuer will be retained or employed by an external management company.

*Stock option plans and other incentive plans*

The Resulting Issuer will continue to utilize the Stock Option Plan, the material terms of which are described above at Item 9 – "*Options to Purchase Securities*". However, the Resulting Issuer does not initially expect to grant or issue any compensation securities to NEO or director for services provided or to be provided, directly or indirectly to the Resulting Issuer.

*Employment, consulting and management agreements*

The Resulting Issuer does not initially expect to enter into any agreements or arrangements under which compensation will be provided to any NEOs or directors or any persons providing services typically provided by a director or NEO.

*Oversight and Description of Director and Named Executive Officer Compensation*

Upon completion of the Proposed Transaction, it is anticipated that the Resulting Issuer will establish a compensation committee which will recommend how directors will be compensated for their services as directors. The compensation committee is expected to recommend the granting of stock options in such amounts and upon such terms as may be recommended by the compensation committee and approved by the Board from time to time.

The compensation committee will also consider and make recommendations with respect to the compensation of the executive officers of the Resulting Issuer. It is anticipated that all executive officers of the Resulting Issuer will receive cash compensation and stock option grants in line with market practice for public issuers in the same industry and market and of the same size as the Resulting Issuer.

*Pension Disclosure*

The Resulting Issuer does not expect to have any pension or retirement plan applicable to the NEOs or directors.

*Securities Authorized for Issuance under Equity Compensation Plans*

The following table sets forth information with respect to the Resulting Issuer outstanding securities under the Stock Option Plan as at the Closing Date.

| Plan Category | Number of securities to be issued upon exercise of outstanding options | Weighted-average exercise price of outstanding options | Number of securities available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
|---|---|---|---|
| Equity compensation plans approved by securityholders | 80,000 | 0.25 | 23,434,697 |
| Equity compensation plans not approved by securityholders | - | - | - |
| Total | 80,000 | 0.25 | 23,434,697 |

*Management Contracts*

The Resulting Issuer does not anticipate any management functions of the Resulting Issuer will be performed by a person or company other than the directors or senior officers of the Resulting Issuer.

## 16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

### 16.1. Aggregate Indebtedness

No officers, directors, employees and former officers, directors and employees of the Issuer or any of its subsidiaries is indebted to the Issuer or any of its subsidiaries, nor is any indebtedness of any such person to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Issuer or any of its subsidiaries.

## 17. RISK FACTORS

### 17.1. General

The following are certain factors relating to the business of the Resulting Issuer, which factors investors should carefully consider when making an investment decision concerning the shares of the Resulting Issuer. The Resulting Issuer will face a number of challenges in the development of its business. These risks and uncertainties are not the only ones facing the Resulting Issuer. Additional risks and uncertainties not presently known to the Resulting Issuer or which are currently deemed immaterial, may also impair the operations of the Resulting Issuer. If any such risks actually occur, shareholders could lose all or part of their investment and the financial condition, liquidity and results of operations of the Resulting Issuer could be materially adversely affected and the ability of the Resulting Issuer to implement its growth plans could be adversely affected.

### 17.2. Risks Related to the Proposed Transaction

*Completion of the Proposed Transaction*

There are risks associated with the Proposed Transaction including (i) market reaction to the Proposed Transaction and the future trading prices of the Resulting Issuer Shares cannot be predicted; (ii) uncertainty as to whether the Proposed Transaction will have a positive impact on the entities involved in the transactions; and (iii) there is no assurance that required approvals will be received.

The completion of the Proposed Transaction is subject to several conditions under the Merger Agreement. In the event that any of those conditions is not satisfied or waived, the Proposed Transaction may not be completed.

### 17.3. Risk Related to the Target's Business

*Mineral exploration is speculative and uncertain and involves a high degree of risk*

The exploration for, and development of, mineral deposits involves a high degree of risk, which even a combination of careful evaluation, experience and knowledge may not eliminate. Resource exploration and development is a speculative business, characterized by a number of significant risks, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, although present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Resulting Issuer may be affected by numerous factors that are beyond the control of the Resulting Issuer and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Resulting Issuer not receiving an adequate return on investment capital.

The Resulting Issuer's operations will be subject to all of the hazards and risks normally encountered in the exploration, development and production of minerals. These include unusual and unexpected geological formations, rock falls, seismic activity, flooding and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability, in addition to affecting the timing, costs and success of exploration programs and future development. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution, and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Resulting Issuer.

***Production and Cost Estimates***

No assurance can be given that the intended or expected production schedules or the estimated cash costs and capital expenditures will be achieved. Failure to achieve production or cost estimates or material increases in costs could have an adverse impact on future cash flows, profitability, results of operations and financial condition of the Resulting Issuer. Many factors may cause delays or cost increases, including labour issues, disruptions in power, transportation or supplies, and mechanical failure. In addition, short-term operating factors, such as the processing of new or different ore grades, may cause a mining operation to be less profitable in any particular period.

***Dependence on the Property***

The Resulting Issuer will be solely focused on the exploration and development of the Property. Unless the Resulting Issuer acquires additional property interests, any adverse developments affecting the Property could have a material adverse effect upon the Resulting Issuer and would materially and adversely affect any profitability, financial performance and results of operations of the Resulting Issuer.

It is expected that the Resulting Issuer will extend its mineral rights on the Property over the entire Excelsior Mineral Pile following an agreement to be negotiated with AMSAC. There is however no guarantee that the Resulting Issuer will reach such an agreement with AMSAC. The failure to reach such an agreement could have a material adverse effect upon the Resulting Issuer and could materially and adversely affect any profitability, financial performance and results of operations of the Resulting Issuer.

There is no assurance that the Resulting Issuer's mineral exploration and development programs at the Property will result in the definition of bodies of commercial mineralization. There is also no assurance that even if commercial quantities of mineralization are discovered that Property will be brought into commercial production. Failure to do so will have a material adverse impact on the Resulting Issuer's operations and potential future profitability. The discovery of bodies of commercial mineralization is dependent upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which are the particular attributes of the deposit (such as size, grade and proximity to infrastructure), metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Most of the above factors are beyond the Resulting Issuer's control.

***Foreign Operations***

The Resulting Issuer will be conducting its exploration and development activities in Peru. The Issuer believes that the Government of Peru strongly supports the development of its natural resources by foreign operators. However, there is no assurance that future political and economic conditions in Peru will not result in the government adopting different policies respecting foreign development and ownership of mineral resources. Any such changes in policy may result in changes in laws affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, which may affect both the ability of the Resulting Issuer to undertake exploration and development activities in respect of future properties in the manner currently contemplated, as well as its ability to continue to explore and develop those properties in respect of which it has obtained exploration and development rights to date. The possibility that a future government of Peru may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

Instabilities can exist in relation to both the national government and local government. Certain political events can affect the enforceability of regional head's decrees or writs, especially in the mining and exploration industries which have strong connections with local autonomy and local authorities. Taxation regulations are also flexible and subject to change, which may cause the Resulting Issuer to incur additional taxation costs. Operating in emerging markets can also increase the risk that contractual and/or mineral rights may be disregarded or unilaterally altered.

The economy of Peru differs significantly from the economies of Canada, the United States and Western Europe in such respects as structure, level of development, gross national product, growth rate, capital reinvestment, resource allocation, self-sufficiency, rate of inflation and balance of payments position, among others. Growth rates, inflation rates and interest rates of developing nations are expected to be more volatile than those of western industrial countries. The Resulting Issuer's operations will be located in Peru and so are subject to risks associated with operating in a foreign jurisdiction, including political, infrastructure, legal and other unique risks. Operations may also be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation, environmental legislation and safety factors.

Furthermore, in the event of disputes arising from Resulting Issuer's activities in Peru, Resulting Issuer may be subject to the jurisdiction of courts outside of Canada or that do not enforce Canadian judgments, which could adversely affect the outcome of the dispute. This could result in heightened risks such as (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or in an ownership dispute, being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience of the judiciary and courts in such matters. Peruvian business people, government officials and agencies and the judicial system's commitment to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to the licenses and agreements for business. There can be no assurance that joint ventures, licenses, license applications or other legal arrangements entered into by the Resulting Issuer will not be adversely affected by the actions of government authorities or others and the effectiveness and enforcement of such arrangements in Peru cannot be guaranteed.

***Political Stability and Governmental Regulation***

The Resulting Issuer is exposed to risks of political instability and changes in government policies, laws and regulations in the country in which it operates. All of the Resulting Issuer's assets will consist of its mineral interests in Peru that may be adversely affected in varying degrees by political instability, government regulations relating to the mining industry and foreign investment therein, and the policies of other nations in respect of Peru. Any changes in regulations or shifts in political conditions are beyond the Issuer's control and may adversely affect its business. The Resulting Issuer's operations may be adversely affected in varying degrees by government regulations, including those with respect to restrictions on foreign ownership, state-ownership of strategic resources, production, price controls, export controls, income taxes, expropriation of property, employment, land use, water use, environmental legislation and mine safety.

The Resulting Issuer's operations, and the development of its properties, are subject to obtaining and maintaining licenses and permits from appropriate governmental authorities. There is no assurance that such licenses and permits can be obtained, renewed or reregistered, as applicable, or that delays will not occur in obtaining all necessary licenses and permits or renewals of such licenses and permits for the Property or additional permits required in connection with future exploration and development programs. Any failure to obtain or maintain the necessary licenses and permits to advance the exploration of the Property will have a material adverse impact on the Resulting Issuer and its business, assets, financial condition, results of operations and prospects.

*Community Relations*

The Company's relationships with the communities in which it operates and other stakeholders are critical to ensure the future success of its existing operations and the construction and development of its projects. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Publicity adverse to the Company's operations, or the mining industry generally, could have an adverse effect on the Company and may impact relationships with the communities in which the Company operates and other stakeholders. While the Company is committed to operating in a socially responsible manner, there can be no assurance that its efforts in this respect will mitigate this potential risk.

*Title to Mineral Properties*

There is no assurance that applicable governmental bodies will not revoke or significantly alter the conditions of the applicable mining title that are included in the Property or that such mining title will not be challenged or impugned by third parties. The Property may be subject to prior unregistered agreements of transfer or indigenous land claims, and title may be affected by undetected defects. Until any such competing interests have been determined, there can be no assurance as to the validity of title of the Property and any other mining or property interests derived from or in replacement or conversion of or in connection with the claims comprising the Property or the size of the area to which such claims and interests pertain.

There is a risk that local communities or affected groups may take actions to delay, impede or otherwise terminate the contemplated activities of the Resulting Issuer. There can be no guarantee that the Resulting Issuer will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out significant exploration and development activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Resulting Issuer may need to rely on the assistance of local officials or the courts in such jurisdiction, which assistance may not be provided or, if provided, may not be effective.

*Infrastructure*

Exploration, development and processing activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important elements of infrastructure, which affect access, capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploration or development of the Property. If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploration or development of the Property will be commenced or completed on a timely basis, if at all. Furthermore, unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of necessary infrastructure could adversely affect our operations.

*Fluctuating Price of Commodities*

Future production, if any, from the Resulting Issuer's mineral properties will be dependent upon the prices of commodities being adequate to make these properties economic. Materially adverse fluctuations in the price of commodities may adversely affect the Resulting Issuer's financial performance and results of operations. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the control of the Issuer, including levels of supply and demand, industrial development levels, inflation and the level of interest rates, the strength of the U.S. dollar and geopolitical events in significant producing countries. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments as well as other global economic conditions.

All commodities, by their nature, are subject to wide price fluctuations and future material price declines will result in a decrease in the value of the commodity held, and/or revenue or, in the case of severe declines that cause a suspension or termination of production by relevant operators, a complete cessation of revenue from streams, royalties or interests in mineral properties applicable to the relevant commodities. There is no assurance that, even if commercial quantities are produced, a profitable market will exist for them.

***Competitive Risks***

The mineral resource industry is competitive in all of its phases. The Resulting Issuer competes with other companies, some of which have greater financial and other resources than the Resulting Issuer and, as a result, may be in a better position to compete for future business opportunities. The Resulting Issuer competes with other exploration and mining companies for the acquisition of leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. There can be no assurance that the Resulting Issuer can compete effectively with these companies.

***Government and Regulatory Risks***

The Resulting Issuer's activities will be subject to various laws governing mineral concession acquisition, mineral exploration, development, mining, production, exports, taxes, labour standards and occupational health, safety, waste disposal, toxic substances, land use, environmental protection, mine safety, water use, land claims of local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner, which could limit or curtail the Resulting Issuer's activities. Companies engaged in exploration activities and in the development and operation of mines and related facilities may experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits.

Amendments to current laws, regulations and permits governing activities of exploration and mining companies, or more stringent implementation thereof, could have a material adverse impact on the Resulting Issuer and cause increases in expenses or require abandonment or delays in activities.

Failure to comply with any applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing activities to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

***Environmental Risks***

All phases of the Resulting Issuer's operations with respect to the Property will be subject to environmental regulation in Peru. Environmental legislation in Peru involves strict standards and may entail increased scrutiny, fines and penalties for non-compliance, stringent environmental assessments of proposed projects and a high degree of responsibility for companies and their officers, directors and employees. Changes in environmental regulation, if any, may adversely impact the Resulting Issuer's operations and future potential profitability. In addition, environmental hazards may exist on the Property which are currently unknown. The Resulting Issuer may be liable for losses associated with such hazards, or may be forced to undertake extensive remedial cleanup action or to pay for governmental remedial cleanup actions, even in cases where such hazards have been caused by previous or existing owners or operators of the properties, or by the past or present owners of adjacent properties or by natural conditions. The costs of such cleanup actions may have a material adverse impact on the Resulting Issuer's operations and future potential profitability. It may be difficult or impossible to assess the extent to which such damage was caused by the Resulting Issuer or by the activities of previous operators, in which case, any indemnities and exemptions from liability may be ineffective, and the Resulting Issuer may be responsible for the costs of reclamation.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

The Resulting Issuer may be subject to reclamation requirements designed to minimize long-term effects of mining exploitation and exploration disturbance by requiring the operating company to control possible deleterious effluents and to re-establish to some degree pre-disturbance land forms and vegetation. Any significant environmental issues that may arise, however, could lead to increased reclamation expenditures and could have a material adverse impact on the Resulting Issuer's financial resources.

***License and Permits***

In the ordinary course of business, the Resulting Issuer will be required to obtain and renew governmental licenses or permits for exploration, development, construction and commencement of mining at the Property. The duration and success of the Resulting Issuer's efforts to obtain and renew licenses or permits are contingent upon many variables not within the Resulting Issuer's control, including the interpretation of applicable requirements implemented by the licensing authority. The Resulting Issuer may not be able to obtain or renew licenses or permits that are necessary to its operations, including, without limitation, an exploitation license, or the cost to obtain or renew licenses or permits may exceed what the Resulting Issuer believes they can recover from the Property. Any unexpected delays or costs associated with the licensing or permitting process could delay the development or impede the operation of a mine, which could adversely impact the Resulting Issuer's operations and profitability.

***Uninsured risks***

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

Although the Resulting Issuer will maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all such risks and the Resulting Issuer may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Resulting Issuer or to other companies in the mining industry on acceptable terms. Losses from these events may cause the Resulting Issuer to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

### 17.4. General Operational Risks

***Additional Funding Requirements***

The exploration and development of the Property will require additional capital. When such additional capital is required, the Resulting Issuer will need to pursue various financing transactions or arrangements, including joint venturing of projects, debt financing, equity financing or other means. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Resulting Issuer and might involve substantial dilution to existing shareholders. The Resulting Issuer may not be successful in locating suitable financing transactions in the time period required or at all. A failure to raise capital when needed would have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations. Any future issuance of securities to raise required capital will likely be dilutive to existing shareholders. In addition, debt and other debt financing may involve a pledge of assets and may be senior to interests of equity holders. The Resulting Issuer may incur substantial costs in pursuing future capital requirements, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. The ability to obtain needed financing may be impaired by such factors as the capital markets, the price of commodities and/or the loss of key management personnel. Further, if the price of commodities decreases, then potential revenues from the Property will likely decrease and such decreased revenues may increase the requirements for capital. Failure to obtain sufficient financing will result in a delay or indefinite postponement of development or production at the Property.

***Lack of Operating Cash Flow***

The Resulting Issuer currently has no source of operating cash flow and is expected to continue to do so for the foreseeable future. The Resulting Issuer's failure to achieve profitability and positive operating cash flows could have a material adverse effect on its financial condition and results of operations.

***Reliance on Personnel***

If the Resulting Issuer is not successful in attracting and retaining highly qualified personnel, the Resulting Issuer may not be able to successfully implement its business strategy.

The Resulting Issuer will be dependent on a number of key management personnel, including the services of certain key employees. The Resulting Issuer's ability to manage its exploration, appraisal and potential development and mining activities will depend in large part on the ability to retain current personnel and attract and retain new personnel, including management, technical and a skilled workforce. The loss of the services of one or more key management personnel could have a material adverse effect on the Resulting Issuer's ability to manage and expand the business.

***Adverse General Economic Conditions***

The unprecedented events in global financial markets in the past several years have had a profound impact on the global economy. Many industries, including the mineral resource industry, were impacted by and continue to be impacted by these market conditions. Some of the key impacts of the financial market turmoil included contraction in credit markets resulting in a widening of credit risk, devaluations, high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. A similar slowdown in the financial markets or other economic conditions, including but not limited to, inflation, fuel and energy costs, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect the Resulting Issuer's operations.

***Enforcement of Civil Liabilities***

The majority of the Resulting Issuer's assets will be located outside of North America. As a result, it may be difficult for an investor to enforce a judgment obtained in a Canadian court or a court of another jurisdiction of residence predicated upon the civil liability provisions of provincial securities laws or other laws of Canada or the equivalent laws of other jurisdictions outside Canada against those persons. In the event of a dispute arising in respect of the Resulting Issuer's foreign operations, the Resulting Issuer may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada or elsewhere. The Resulting Issuer's inability to enforce its contractual rights could have a material adverse effect on its future cash flows, earnings, results of operations and financial condition, as well as its business, assets and prospects.

***Fluctuations in Foreign Exchange Rates***

International prices of various commodities are denominated in United States Dollars and a portion of the Resulting Issuers future capital expenditure and ongoing expenditure may be denominated in United States Dollars and Peruvian sol, whereas the income and expenditure of the Resulting Issuer are and will be taken into account in Canadian currency, exposing the Resulting Issuer to the fluctuations and volatility of the rate of exchange between the United States Dollar and Peruvian sol and the Canadian Dollar as determined in international markets. The Issuer currently does not engage in any hedging or derivative transactions to manage foreign exchange risk. As the Resulting Issuer's operations change, its directors will review this policy periodically going forward. There can be no assurance that fluctuations in foreign exchange rates will not have a material adverse effect upon the Resulting Issuer's financial performance and results of operations.

***Conflicts of Interest***

Certain of the directors and officers of the Resulting Issuer will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such directors and officers of the Resulting Issuer may become subject to conflicts of interest. The CBCA provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the CBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the CBCA. To the proposed management of the Resulting Issuer's knowledge, as at the date hereof there are no existing or potential material conflicts of interest between the Resulting Issuer and a proposed director or officer of the Resulting Issuer except as otherwise disclosed herein.

***Investment Risk***

Potential investors and shareholders should be aware that there are risks associated with any securities investment. The prices at which the Resulting Issuer's shares trade may be above or below the issue price, and may fluctuate in response to a number of factors. Furthermore, the stock market, and in particular the market for mining and exploration companies, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. There can be no guarantee that these trading prices and volumes will be sustained. These factors may materially affect the market price of the Resulting Issuer Shares, regardless of the Resulting Issuer's operational performance.

***Dilution***

Following completion of the Proposed Transaction, the Resulting Issuer may issue additional equity securities to finance its activities. If the Resulting Issuer issues common shares, existing holders of such shares may experience dilution in the Resulting Issuer. Moreover, when the Resulting Issuer's intention to issue additional equity securities becomes publicly known, the Resulting Issuer's share price may be materially adversely affected.

## 18. PROMOTERS

Other than the directors and officers of the Issuer, management is not aware of any person or company who could currently be or would have been within the two years immediately preceding the date of this Listing Statement characterized as performing Investor Relations Activities (as defined in the CSE policies) for the Issuer or a subsidiary of the Issuer.

## 19. LEGAL PROCEEDINGS

### 19.1. Legal Proceedings

Except as described below, there are no legal proceedings to which either the Issuer or the Target is a party, or of which any of its property is the subject matter, and no such proceedings are known to the management of the Issuer or the Target to be contemplated.

Target plans to initiate a judicial proceeding against AMSAC and Consorcio San Camilo. AMSAC is a company owned by the Peruvian government (through the MEM), which purpose consists in the remediation of the mining liabilities. AMSAC awarded to Consorcio San Camilo the works related to the closure plan of the wastedump Desmontera Excelsior ("**Desmontera Excelsior**"). Consorcio San Camilo is conducting the closure plan under the orders of AMSAC.

The El Metalurgista Concession, which Target acquired by exercising the purchase option on January 12, 2018, extends over a significant part of the area where Desmontera Excelsior is located. As titleholder of the El Metalurgista Concession Target has, according to Peruvian law, the exclusive right to use and benefit from the wastes deposited in Desmontera Excelsior. Therefore, the activities of AMSAC and Consorcio San Camilo affect the property right of the Target over its mining concession. Additionally, Target considers that the use by Target of the mining waste deposited in Desmontera Excelsior would be a more convenient solution (from an environmental, social and economic point of view) than the remediation activities (consisting in the closure of Desmontera Excelsior) that are currently being conducted.

Target will also request that the closure activities of Desmontera Excelsior be suspended in the area covered by the El Metalurgista Concession while the judicial proceedings are outstanding. [NTD: ask Nicolas Cordejo to update as necessary prior to filing if there have been any developments]

### 19.2. Regulatory actions

The Issuer is not subject to any penalties or sanctions imposed by any court or regulatory authority relating to securities legislation or by a securities regulatory authority, nor has the Issuer entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that are necessary to provide full, true and plain disclosure of all material facts relating to the Issuer's securities or would be likely to be likely to be considered important to a reasonable investor making an investment decision.

## 20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except in regards to the executive compensation of directors and officers as described under Item 15 no director or executive officer, insider, or any associate or affiliate of such insider or director or executive officer, has had any material interest, direct or indirect, in any material transaction of within three years before the date of this Listing Statement, which has materially affected the Issuer or will materially affect the Resulting Issuer.

## 21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

The Issuer's auditor is Raymond Chabot Grant Thornton LLP, Chartered Professional Accountants, 2000-600 de la Gauchetière West, Montréal, Québec H3B 4L8. It is anticipated that the auditors of the

Resulting Issuer will remain Raymond Chabot Grant Thornton LLP. The Issuer's transfer agent and registrar is Computershare Investor Services Inc. at its offices in Montréal.

The Target's auditor is RSM Panez, Chacaliaza & Asociados, Av. De La Floresta 497, 2do. Piso Urb. Chacarilla del Estanque, San Borja, Lima-Perú. The Target does not have a transfer agent.

## 22. MATERIAL CONTRACTS

There are no contracts, other than those herein disclosed and other than those entered into in the ordinary course of the Issuer's and the Target's business, that are material to the Resulting Issuer and which are still in effect as of the date of this Listing Statement :

- Merger Agreement entered into on November 9, 2017 between the Issuer and the Target as further described under Item 2.4 "Fundamental Change" herein;

- Lease Agreement entered into between the Issuer and Group LPCA on August 9, 2017, effective from September 1, 2017 to August 31, 2020 and providing for a monthly payment is $2,000 for office space located in Saint-Sauveur, Québec, Canada; and

- The Option Agreement dated February 14, 2017 between Victor Ramon Justo Eduardo Freundt Orihuela, the former sole and exclusive owner of the mining right of the Property, and Cerro de Pasco, pursuant to which Cerro de Pasco was granted the Option, as further described under Item 4.3.1 "Property Description and Location" herein.

## 23. INTEREST OF EXPERTS

### 23.1. Names of Experts

Michel Boily, PhD., P. geo. was responsible for preparing the Technical Report, and is an independent qualified person as defined in NI 43-101.

Raymond Chabot Grant Thornton LLP prepared the auditor's reports for the audited financial statements of the Issuer which are attached as Schedule "A" hereto

RSM Panez, Chacaliaza & Asociados prepared the auditor's reports for the audited annual financial statements of the Target which are attached as Schedule "C" hereto.

Raymond Chabot Grant Thornton LLP, the Issuer's auditor and RSM Panez, Chacaliaza & Asociados, the Target's auditor, are independent.

### 23.2. Interests of Experts

To the knowledge of the Issuer, none of the experts above or their respective Associates or Affiliates, beneficially owns, directly or indirectly, any securities of the Issuer, has received or will receive any direct or indirect interests in the property of the Issuer or is expected to be elected, appointed or employed as a director, officer or employee of the Resulting Issuer or any Associate or Affiliate thereof.

## 24. OTHER MATERIAL FACTS

Neither the Issuer nor the Target are aware of any other material facts relating to the Issuer or the Target or to the Proposed Transaction that are not disclosed under the preceding items and are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Issuer, the Target and the Resulting Issuer, other than those set forth herein.

## 25. FINANCIAL STATEMENTS

Schedule "A" contains the audited consolidated financial statements of the Issuer for the years ended December 31, 2017 and 2016; the audited consolidated financial statements of the Issuer for the years ended December 31, 2016 and 2015; and the audited consolidated financial report of the Issuer for the years ended December 31, 2015 and 2014.

Schedule "B" contains the MD&A of the Issuer for the years ended December 31, 2017, 2016 and 2015.

Schedule "C" contains the audited consolidated financial statements of the Target for the years ended December 31, 2017, 2016 and 2015.

Schedule "D" contains the MD&A of the Target for the year ended December 31, 2017.

Schedule "E" contains the pro-forma financial statements of the Resulting Issuer as at December 31, 2017.

**CERTIFICATE OF THE ISSUER**

Pursuant to a resolution duly passed by its board of directors, Genius Properties Ltd., hereby applies for the listing of the above mentioned securities on the Exchange. The foregoing contains full, true and plain disclosure of all material information relating to Genius Properties Ltd. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated this 6th day of June, 2018.

*(s) Guy Goulet*

Guy Goulet
President, Chief Executive Officer
and Director

*(s) Robert Boisjoli*

Robert Boisjoli
Chief Financial Officer

*(s) John Geoffrey Booth*

John Geoffrey Booth
Director

*(s) Hubert Vallée*

Hubert Vallée
Director

## CERTIFICATE OF THE TARGET

The foregoing contains full, true and plain disclosure of all material information relating to Cerro de Pasco Resources S.A. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated this 6th day of June, 2018.

| | |
|---|---|
| *(s) Steven Allen Zadka* | *(s) Manuel Lizandro Rodriguez Mariategui Canny* |
| Steven Allen Zadka<br>President and Director | Manuel Lizandro Rodriguez Mariategui Canny<br>General Manager and Director |
| *(s) Frank Hodgson* | *(s) Keith Philip Brill* |
| Frank Hodgson<br>Director | Keith Philip Brill<br>Director |

# SCHEDULE A

## FINANCIAL STATEMENTS OF THE ISSUER

# GENIUS PROPERTIES LTD.

## Condensed Interim Consolidated Financial Statements

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

## Three-month periods ended
## March 31, 2018 and 2017

# GENIUS PROPERTIES LTD.

## Condensed Interim Consolidated Financial Statements

Three-month periods ended March 31, 2018 and 2017

**Condensed Interim Consolidated Financial Statements**

# GENIUS PROPERTIES LTD.

## Condensed Interim Consolidated Statements of Financial Position

As at March 31, 2018 and December 31, 2017

(in Canadian dollars)

| | Note | March 31 2018 | December 31 2017 |
|---|---|---|---|
| | | $ | $ |
| **Assets** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | 7 | 551,907 | 304,536 |
| Other receivables | 8 | 42,531 | 101,713 |
| Prepaid expenses | | 2,500 | 23,615 |
| Loan to a non-related company | 9 | 989,050 | 649,000 |
| **Total current assets** | | 1,585,988 | 1,078,864 |
| **Non-current assets:** | | | |
| Property and equipment | 11 | 25,459 | 18,512 |
| **Total non-current assets** | | 25,459 | 18,512 |
| **Total assets** | | 1,611,447 | 1,097,376 |
| **Liabilities and Equity** | | | |
| **Current liabilities:** | | | |
| Trade accounts payable and other liabilities | 12 | 723,325 | 695,263 |
| Other liability related to flow-through financings | | 40,299 | 42,500 |
| Loan payable to a director, without interest | | 180,000 | - |
| Current portion of obligation under capital lease | 13 | 2,061 | 2,058 |
| **Total liabilities** | | 945,685 | 739,821 |
| **Non-current liabilities:** | | | |
| Obligation under capital lease | 13 | 4,356 | 4,894 |
| **Total non-current liabilities** | | 4,356 | 4,894 |
| **Total liabilities** | | 950,041 | 744,715 |
| **Equity:** | | | |
| Share capital | 14 | 13,604,399 | 13,604,399 |
| Shares to be issued | 14 | 610,500 | - |
| Warrants | 14 | 263,542 | 263,542 |
| Share options | 15 | 7,320 | 14,640 |
| Contributed surplus | | 4,335,422 | 4,328,102 |
| Deficit | | (18,004,874) | (17,703,249) |
| **Total equity attributable to owners of the parent company** | | 816,309 | 507,434 |
| Non-controlling interest | | (154,903) | (154,773) |
| **Total equity** | | 661,406 | 352,661 |
| **Total liabilities and equity** | | 1,611,447 | 1,097,376 |

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 May 30 2018.

| | |
|---|---|
| (S) Guy Goulet | (S) Hubert Vallée |
| Director | Director |

# GENIUS PROPERTIES LTD.

## Condensed Interim Consolidated Statements of Comprehensive Loss

Three-month periods ended March 31, 2018 and 2017

(in Canadian dollars)

| | | Three-month period ended | |
|---|---|---|---|
| | Note | March 31 2018 | March 31 2017 |
| | | $ | $ |
| **Expenses:** | | | |
| Exploration and evaluation expenditures | 16 | 24,363 | 242,714 |
| General and administrative expenses | 17 | 300,336 | 144,711 |
| **Operating loss before other expenses (revenues), income tax and loss from discontinued operations** | | 324,699 | 387,425 |
| **Other expenses (revenues):** | | | |
| Net change in fair value of marketable securities | | - | (12,640) |
| Finance expense (income) | 18 | 1,759 | (7,819) |
| Exchange gain | | (22,935) | - |
| | | (21,176) | (20,459) |
| **Income tax:** | | | |
| Income tax | | (2,201) | (22,269) |
| | | (2,201) | (22,269) |
| Net loss from continuing operations | | 301,322 | 344,697 |
| Net loss (earnings) from discontinued operations | 4 | 433 | (157) |
| **Net loss and comprehensive loss** | | 301,755 | 344,540 |
| **Net loss from continuing operations attributable to:** | | | |
| Shareholders of Genius Properties Ltd. | | 301,322 | 344,697 |
| Non-controlling interests | | - | - |
| | | 301,322 | 344,697 |
| **Net loss (earnings) from discontinued operations attributable to:** | | | |
| Shareholders of Genius Properties Ltd. | | 303 | (110) |
| Non-controlling interests | | 130 | (47) |
| | | 433 | (157) |
| **Weighted average number of common shares outstanding** | | 43,011,743 | 18,461,299 |
| **Basic and diluted loss (earnings) per share:** | | | |
| Basic and diluted loss per share from continuing operations | | 0.01 | 0.02 |
| Basic and diluted loss (earnings) per share from discontinued operations | | - | - |
| **Basic and diluted loss per share:** | | 0.01 | 0.02 |

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 periods ended March 31, 2018 and 2017

(in Canadian dollars)

| | Note | Number of shares outstanding | Share capital | Shares to be issued | Warrants | Share options | Contributed surplus | Deficit | Total attributable to the owners of the parent company | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Balance as at December 31 2017** | | 43,011,743 | 13,604,399 | - | 263,542 | 14,640 | 4,328,102 | (17,703,249) | 507,434 | (154,773) | 352,661 |
| Shares to be issued pursuant to private placement | | | | 610,500 | | | | | 610,500 | | 610,500 |
| Share options cancelled | | | | | | (7,320) | 7,320 | | - | - | - |
| Transactions with owners | | - | - | 610,500 | - | (7,320) | 7,320 | - | 610,500 | - | 610,500 |
| Net (loss) and comprehensive loss for the period | | | | | | | | (301,625) | (301,625) | (130) | (301,755) |
| **Balance as at March 31 2018** | | 43,011,743 | 13,604,399 | 610,500 | 263,542 | 7,320 | 4,335,422 | (18,004,874) | 816,309 | (154,903) | 661,406 |
| | | | | | | | | | | | |
| **Balance as at December 31 2016** | | 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: | | | | | | | | | | | |
| As payment of exploration and evaluation expenditures | | 800,000 | 160,000 | - | | | | | 160,000 | - | 160,000 |
| Share options cancelled | | | - | | | (5,324) | 5,324 | | - | | - |
| Transactions with owners | | 800,000 | 160,000 | - | - | (5,324) | 5,324 | - | 160,000 | - | 160,000 |
| Net (loss) earnings and comprehensive loss for the period | | | | | | | | (344,587) | (344,587) | 47 | (344,540) |
| **Balance as at March 31 2017** | | 18,479,077 | 9,599,143 | - | 239,239 | 157,995 | 3,958,164 | (14,328,274) | (373,733) | (155,058) | (528,791) |

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 periods ended March 31, 2018 and 2017

(in Canadian dollars)

| | Note | Three-month period ended March 31 2018 | March 31 2017 |
|---|---|---|---|
| | | $ | $ |
| **Operating activities:** | | | |
| Net loss from continuing operations | | (301,322) | (344,697) |
| Adjustments for: | | | |
| Tax income | | (2,201) | (22,269) |
| Exploration and evaluation expenses paid through issuance of shares | | - | 160,000 |
| Depreciation of property and equipment | | 1,448 | - |
| Change in fair value of marketable securities | | - | (12,640) |
| Operating activities before changes in working capital items | | (302,075) | (219,606) |
| Change in other receivables | | 59,182 | (33,187) |
| Change in prepaid expenses | | 21,115 | 24,485 |
| Change in trade accounts payable and accrued liabilities | | 38,300 | 7,485 |
| Change in working capital items | | 118,597 | (1,217) |
| Net cash used for operating activities of continuing operations | | (183,478) | (220,823) |
| Net cash used for operating activities of discontinued operations | 4 | - | - |
| **Cash flows used for operating activities** | | (183,478) | (220,823) |
| **Financing activities:** | | | |
| Proceeds from shares to be issued | | 610,500 | - |
| Loan payable to a director | | 180,000 | - |
| Capital lease repayments | | (535) | - |
| Share issuance costs | | (1,800) | (200) |
| Net cash from (used for) financing activities of continuing operations | | 788,165 | (200) |
| Net cash from financing activities of discontinued operations | 4 | - | - |
| **Cash flows from (used for) financing activities** | | 788,165 | (200) |
| **Investing activities:** | | | |
| Acquisition of property and equipment | | (17,266) | - |
| Proceeds from disposal of marketable securities | 10 | - | 69,515 |
| Loan to a non-related company | | (340,050) | - |
| Net cash (used for) from investing activities of continuing operations | | (357,316) | 69,515 |
| Net cash from investing activities of discontinued operations | 4 | - | - |
| **Cash flows (used for) from investing activities** | | (357,316) | 69,515 |
| **Net change in cash and cash equivalents** | | 247,371 | (151,508) |
| **Cash and cash equivalents, beginning of period** | | 304,536 | 196,919 |
| **Cash and cash equivalents, end of period** | | 551,907 | 45,411 |

| | | | |
|---|---|---|---|
| Interest paid | | 796 | - |

Additional disclosures of cash flows information (Note 19).

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

## 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.

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.

## 2. Going concern:

The accompanying consolidated financial statements have been prepared on the basis of the on 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 three-month period ended March 31, 2018, the Company recorded a net loss of $301,755 ($344,540 in 2017) and has an accumulated deficit of $18,004,874 as at March 31, 2018 ($17,703,249 as at December 31, 2017). 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. As at March 31, 2018, the Company had a working capital of $640,303 ($339,043 as at December 31, 2017) consisting of cash and cash equivalents of $551,907 ($304,536 as at December 31, 2017). 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. Given that 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 recovery of the cost of exploration and evaluation assets as well as other tangible and intangible assets, 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 these assets. During the three-month period ended March 31, 2018, the Company has raised $610,500 from private placements which were concluded on April 6, 2018 combined with other closing in April 2018 (See the Subsequent events (Note 22)) consisting of common shares to fund exploration works and working capital. 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.

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, 2017.

### 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.

**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, 2017.

**4. Discontinued operations:**

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

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

The following table shows the net loss (earnings) from discontinued operations:

| | Genius | Zencig | Zippler | March 31 2018 Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Other revenues** | | | | |
| Exchange loss | - | 433 | - | 433 |
| | - | 433 | - | 433 |
| **Net earnings and comprehensive income** | - | 433 | - | 433 |

(in Canadian dollars)

**4. Discontinued operations (continued):**

| | Genius | Zencig | Zippler | March 31 2017 Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Other expenses (revenues)** | | | | |
| Exchange gain | - | (157) | - | (157) |
| | - | (157) | - | (157) |
| **Net earnings and comprehensive income** | - | (157) | - | (157) |

**5. 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, 2017.

**5.1 Adoption of new accounting standards:**

The Company did not adopt any new standards, amendments to standards and interpretations during the three-month period ended March 31, 2018.

**5.2 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, 2017, 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 application of this new standard will not have significant impact on the financial statements.

**6. 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% | 130 | (154,903) |

No dividends were paid to the NCI during the three-month period ended March 31, 2018 and year ended December 31, 2017.

(in Canadian dollars)

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

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

| | March 31 2018 | December 31 2017 |
|---|---|---|
| | $ | $ |
| Current assets | 107 | 107 |
| Non-current assets | - | - |
| Total assets | 107 | 107 |
| Current liabilities | 96,002 | 95,569 |
| Non-current liabilities | 420,447 | 420,447 |
| Total liabilities | 516,449 | 516,016 |
| Equity attributable to shareholders of the parent | (361,439) | (361,136) |
| Non-controlling interests | (154,903) | (154,773) |

| | March 31 2018 | December 31 2017 |
|---|---|---|
| | $ | $ |
| Net loss (income) and comprehensive loss (income) attributable to shareholders of the parent | 303 | (110) |
| Net loss (income) and comprehensive loss (income) attributable to NCI | 130 | (47) |
| Net loss and total comprehensive loss | 433 | (157) |

| | March 31 2018 | December 31 2017 |
|---|---|---|
| | $ | $ |
| Net cash used in operating activities | - | - |
| Net cash used in investing activities | - | - |
| Net cash from financing activities | - | - |
| Net cash inflow (outflow) | - | - |

### 7. Cash and cash equivalents:

| | March 31 2018 | December 31 2017 |
|---|---|---|
| | $ | $ |
| Cash | 530,985 | 245,310 |
| Cash in trust | 5,922 | 44,226 |
| Guaranteed investment certificate, 0.9 % maturing in October 2018 is used as guarantee for credit card | 15,000 | 15,000 |
| | 551,907 | 304,536 |

**Funds reserved for exploration and evaluation expenditures**

On December 15 and 21, 2017, the Company completed a flow-through private placement of $212,500. The Company has until December 31, 2018 to incur eligible exploration and evaluation expenditures in order to comply with the requirements of flow-through private placement. As at March 31, 2018, the Company has the obligation to incur an amount of $201,502 in exploration and evaluation expenditures until December 31, 2018.

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.

(in Canadian dollars)

## 8. Other receivables:

| | March 31 2018 | December 31 2017 |
|---|---|---|
| | $ | $ |
| Sales tax receivable | 38,306 | 56,140 |
| Other | 4,225 | 45,573 |
| | 42,531 | 101,713 |

## 9. Loan to a non-related company:

| | March 31 2018 | December 31 2017 |
|---|---|---|
| | $ | $ |
| Loan to Cerro de Pasco Resources S.A. (1) | 989,050 | 649,000 |
| | 989,050 | 649,000 |

(1) **Summary of the Proposed Transaction with Cerro de Pasco Resources S.A.:**

On November 9, 2017, the Company has entered into a merger agreement (the "Proposed Transaction") with Cerro de Pasco Resources S.A. ("Cerro"), a company incorporated under the laws of Peru, pursuant to which will result in a merger of Genius and Cerro de Pasco. Cerro's main asset is a 100% interest in the El Metalurgista Concession (where the so-called Quiulacocha Tailings and Excelsior Stockpile are located), located in Peru (the "Property").

Cerro de Pasco and Genius Properties shall effect the Proposed Transaction by merging Cerro de Pasco with a branch of Genius Properties to be established under Peruvian laws (“BranchCo”), such that existing security holders of Cerro de Pasco will become security holders of Genius Properties. In accordance with the terms of the Proposed Transaction, Genius Properties shall (i) issue a sufficient number of common shares of its share capital to allow the current shareholders of Cerro De Pasco (“Cerro Shareholders”) to hold, after such issuance, in the aggregate, 75% (subject to an increase as described below) of the total number of common shares of the Corporation issued and outstanding after the Proposed Transaction and (ii) make a cash contribution in the form of a loan (the “Cash Contribution”) to Cerro de Pasco in an aggregate amount of US$2,500,000, of which US$766,456 (CAD$989,050) have already been made.

The Cash Contribution will be expended, based on the joint determination of Genius Properties and Cerro de Pasco (each acting reasonably), on the development of the Property, for metallurgical testing and to cover capital requirements related to community relations, permitting and general and administrative expenses.

The percentage of common shares to be held by the Cerro Shareholders may be increased pro rata if the Cash Contribution made by Genius Properties is of a total amount of less than US$2,500,000.

As a result of the Proposed Transaction, the board of directors of Genius Properties shall be comprised of six directors, four of which will be appointed by Cerro de Pasco and two of which will be current directors of Genius Properties.

**Spin-Off of Genius Properties:**

As part of the Proposed Transaction, prior to issuing securities to the Cerro Shareholders, Genius Properties will spin off all of its current mining properties into a new wholly-owned Canadian subsidiary (the “Reorganization”). Genius Properties intends to continue the exploration and development of the Company's properties through this new subsidiary, to re-distribute the common shares of this subsidiary to its current shareholders and to list it on a stock exchange.

**Specific conditions related to the closing:**

The specific conditions that must be met in relation to the closing of the Proposed Transaction are: (i) the completion of the Reorganization by Genius Properties; (ii) the approval of the Proposed Transaction by the board of directors and the shareholders of both parties; (iii) the approval of the Proposed Transaction by the Exchange; and (iv) the absence of material change in the business and operations of Cerro De Pasco and Genius Properties.

**Certain Risks associated with the Proposed Transaction:**

Under Peruvian mining regulations, a mining concession such as the Property is independent from the surface land on which it is located. Therefore, prior to the beginning of any reprocessing activity on the Property, an agreement will have to be reached with the owner of the surface land where the Property is located.

(in Canadian dollars)

## 10. Marketable securities:

**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"). 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 year ended December 31, 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. ("MXJ") 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 year ended December 31, 2017, the Company sold all the 625,000 common shares of MJX for proceeds of $60,415.

## 11. Property and equipment:

| | Office furnitures | Computer equipment | Software | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Cost** | | | | |
| As at December 31, 2016 | - | - | - | - |
| Acquisitions | 8,545 | 8,482 | 1,989 | 19,016 |
| As at December 31, 2017 | 8,545 | 8,482 | 1,989 | 19,016 |
| Acquisitions | 7,895 | 500 | - | 8,395 |
| As at March 31, 2018 | 16,440 | 8,982 | 1,989 | 27,411 |
| **Accumulated depreciation** | | | | |
| As at December 31, 2016 | - | - | - | - |
| Depreciation | 216 | 253 | 35 | 504 |
| As at December 31, 2017 | 216 | 253 | 35 | 504 |
| Depreciation | 637 | 712 | 99 | 1,448 |
| As at March 31, 2018 | 853 | 965 | 134 | 1,952 |
| **Net book value** | | | | |
| As at December 31, 2017 | 8,329 | 8,229 | 1,954 | 18,512 |
| As at March 31, 2018 | 15,587 | 8,017 | 1,855 | 25,459 |

## 12. Trade accounts payable and other liabilities:

| | March 31 2018 | December 31 2017 |
|---|---|---|
| | $ | $ |
| Trade accounts payable and accrued liabilities: | | |
| To a company controlled by a director and CEO | 45,990 | 15,330 |
| To a director and CEO | - | 35,184 |
| To a director | 1,331 | - |
| To a company controlled by a former director and former CEO (Director and CEO in 2016) | 61,441 | 61,441 |
| To a company controlled by the former CFO (CFO in 2017) | 25,000 | 25,000 |
| To a company controlled by the former CFO (CFO in 2016) | 32,000 | 32,000 |
| Other | 344,363 | 311,686 |
| Part XII.6 tax | 209,787 | 209,787 |
| Source deductions and contributions | 3,413 | 4,835 |
| | 723,325 | 695,263 |

(in Canadian dollars)

## 13. Obligation under capital lease:

| | March 31 2018 | December 31 2017 |
|---|---|---|
| | $ | $ |
| Office equipment lease, 9.66% annual interest, maturing in December 2020 | 6,417 | 6,952 |
| Less: current portion | (2,061) | (2,058) |
| | 4,356 | 4,894 |

Minimum lease payments required in the next nine-month period ended December 31, 2018 and the two years ended December 31, 2019 and 2020 under capital lease are as follows:

| | Capital | Interest | Payments |
|---|---|---|---|
| | $ | | $ |
| 2018 | 1,523 | 421 | 1,944 |
| 2019 | 2,218 | 374 | 2,592 |
| 2020 | 2,676 | 153 | 2,829 |
| | 6,417 | 948 | 7,365 |

The capital lease is secured by the underlying leased asset.

## 14. 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.

| | Number | Amount |
|---|---|---|
| | | $ |
| Balance as at December 31, 2016 | 17,679,077 | 9,439,143 |
| Issued for cash: | | |
| Private placements (common shares) | 10,970,166 | 1,351,433 |
| Private placements (flow-through shares) | 1,062,500 | 153,823 |
| Issued as payment of expenses | 13,300,000 | 2,660,000 |
| Balance as at December 31, 2017 | 43,011,743 | 13,604,399 |

### (b) Issued and outstanding:

| | Number | Amount |
|---|---|---|
| | | $ |
| Balance as at December 31, 2017 | 43,011,743 | 13,604,399 |
| Balance as at March 31, 2018 | 43,011,743 | 13,604,399 |

**2017:**

On January 3, 2017, as per the mineral property purchase amended agreement of January 3, 2017 (Note 16), the Company issued 800,000 common shares at a fair value of $0.20 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 $804,266 after deducting share issuance costs of $26,984. 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 $163,823 based on the Black-Scholes option pricing model using the assumptions described below (Note 16 (d)).

**14. Share capital and warrants (continued):**

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

**2017 (continued):**

On April 5, 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 on May 26, 2017, 6,000,000 common shares and 6,500,000 common shares respectively for a total value of $2,500,000 (Note 16).

On December 8, 2017, the Company concluded a private placement by issuing 300,000 units at a price of $0.15 per unit for net proceeds of $41,376 after deducting share issuance costs of $3,624. A commission of $3,150 was paid in connection with this private placement. Each unit consists of one common share and one-half warrant for a total of 300,000 common shares and 150,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 until December 8, 2018. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $4,609 based on the Black-Scholes option pricing model using the assumptions described below (Note 16 (d)). As part of this private placement, the Company also issued a total of 21,000 broker warrants. Each broker warrant entitles its holder to purchase one common share at $0.25 per share until December 8, 2018. These warrants have been recorded at a value of $767 based on the Black-Scholes option pricing model using the assumptions described below (Note 16 (d)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to $4,391 including the fair value of the broker warrants of $767.

On December 15, 2017, the Company concluded a private placement by issuing 3,385,000 units at a price of $0.15 per unit for net proceeds of $500,604 after deducting share issuance costs of $7,146. A commission of $1,800 was paid in connection with this private placement. Each unit consists of one common share and one-half warrant for a total of 3,385,000 common shares and 1,692,500 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 until December 15, 2018. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $50,353 based on the Black-Scholes option pricing model using the assumptions described below (Note 16 (d)).

On December 15, 2017, the Company concluded a private placement by issuing 977,500 flow-through common shares at a price of $0.20 per share for net proceeds of $179,502 after deducting share issuance costs of $15,998. A commission of $13,640 was paid in connection with this private placement. An amount of $39,100 representing the premium paid by the investors was recorded in liability related to flow-through shares based on the residual value method. As at December 31, 2017, The Company has the obligation to incur $195,500 in exploration expenditures in its Québec mining properties no later than December 31, 2018.

On December 21, 2017, the Company concluded a private placement by issuing 1,577,000 units at a price of $0.15 per unit for net proceeds of $232,860 after deducting share issuance costs of $3,690. A commission of $1,200 was paid in connection with this private placement. Each unit consists of one common share and one-half warrant for a total of 1,577,000 common shares and 788,500 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 until December 21, 2018. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $28,922 based on the Black-Scholes option pricing model using the assumptions described below (Note 16 (d)).

On December 21, 2017, the Company concluded a private placement by issuing 85,000 flow-through common shares at a price of $0.20 per share for net proceeds of $16,821 after deducting share issuance costs of $179. No commission was paid in connection with this private placement. An amount of $3,400 representing the premium paid by the investors was recorded in liability related to flow-through shares based on the residual value method. As at December 31, 2017, The Company has the obligation to incur $17,000 in exploration expenditures in its Québec mining properties no later than December 31, 2018.

On December 29, 2017, the Company concluded a private placement by issuing 166,500 units at a price of $0.15 per unit for net proceeds of $23,214 after deducting share issuance costs of $1,761. A commission of $1,499 was paid in connection with this private placement. Each unit consists of one common share and one-half warrant for a total of 166,500 common shares and 83,250 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 until December 29, 2018. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $2,412 based on the Black-Scholes option pricing model using the assumptions described below (Note 16 (d)).

**(c) Shares to be issued:**

As at March 31, 2018, 4,070,000 units at $0.15 per unit were issuable for cash proceeds received of $610,500. Each unit consists of one common share and one-half warrant. Each warrant allows the holder to purchase one common share at a price of $0.25 per common share until April 6, 2019. The shares are part of a private placement concluded on April 6, 2018 (See the Subsequent events (Note 22)).

(in Canadian dollars)

**14. Share capital and warrants (continued):**

**(d) Warrants:**

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

| | | March 31 2018 | | December 31 2017 |
|---|---|---|---|---|
| | Number of outstanding warrants | Weighted average exercise price | Number of outstanding warrants | Weighted average exercise price |
| | | $ | | $ |
| Outstanding at beginning | 5,598,211 | 0.25 | 3,543,636 | 0.45 |
| Granted | - | - | 5,506,083 | 0.25 |
| Expired | - | - | (3,451,508) | 0.46 |
| Outstanding at end | 5,598,211 | 0.25 | 5,598,211 | 0.25 |

The following table provides outstanding warrants information as at March 31, 2018:

| | | | Outstanding warrants |
|---|---|---|---|
| Expiry date | Number of outstanding warrants | Exercise price | Remaining life |
| | | $ | (years) |
| December 8, 2018 | 21,000 | 0.25 | 0.7 |
| December 30, 2018 | 92,128 | 0.25 | 0.8 |
| April 27, 2019 (1) | 5,485,083 | 0.25 | 1.1 |
| | 5,598,211 | 0.25 | 1.1 |

The following table provides outstanding warrants information as at December 31, 2017:

| | | | Outstanding warrants |
|---|---|---|---|
| Expiry date | Number of outstanding warrants | Exercise price | Remaining life |
| | | $ | (years) |
| December 8, 2018 | 21,000 | 0.25 | 0.9 |
| December 30, 2018 | 92,128 | 0.25 | 1.0 |
| April 27, 2019 (1) | 5,485,083 | 0.25 | 1.3 |
| | 5,598,211 | 0.25 | 1.3 |

(1) On May 3, 2018, the Company extended to April 27, 2019, warrants originally issued on May 26, 2017, December 8, 2017, December 15, 2017, December 21, 2017 and December 29, 2017, which were all originally valid for 12 months.

**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 originally, and extended to April 27, 2019 as per a May 3, 2018 amendment. The value of the warrants was estimated at $163,823 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 (1) | 154.87% |
| Risk-free interest rate | 0.71% |
| Expected life | 1.0 year |

(in Canadian dollars)

**14. Share capital and warrants (continued):**

**(d) Warrants (continued):**

**2017 (continued):**

On December 8, 2017, the Company issued 150,000 warrants to shareholders who subscribed to 300,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.25 per share until December 8, 2018 originally, and extended to April 27, 2019 as per a May 3, 2018 amendment. The value of the warrants was estimated at $4,609 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 | $0.16 |
| Expected volatility (1) | 92.85% |
| Risk-free interest rate | 1.50% |
| Expected life | 1.0 year |

On December 8, 2017, the Company issued 21,000 warrants to broker. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.25 per share until December 8, 2018. The value of the warrants was estimated at $767 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 | $0.16 |
| Expected volatility (1) | 92.85% |
| Risk-free interest rate | 1.50% |
| Expected life | 1.0 year |

On December 15, 2017, the Company issued 1,692,500 warrants to shareholders who subscribed to 3,385,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.25 per share until December 15, 2018 originally, and extended to April 27, 2019 as per a May 3, 2018 amendment. The value of the warrants was estimated at $50,353 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 | $0.16 |
| Expected volatility (1) | 90.80% |
| Risk-free interest rate | 1.55% |
| Expected life | 1.0 year |

On December 21, 2017, the Company issued 788,500 warrants to shareholders who subscribed to 1,577,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.25 per share until December 21, 2018 originally, and extended to April 27, 2019 as per a May 3, 2018 amendment. The value of the warrants was estimated at $28,922 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 | $0.16 |
| Expected volatility (1) | 105.39% |
| Risk-free interest rate | 1.68% |
| Expected life | 1.0 year |

On December 29, 2017, the Company issued 83,250 warrants to shareholders who subscribed to 166,500 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.25 per share until December 29, 2018 originally, and extended to April 27, 2019 as per a May 3, 2018 amendment. The value of the warrants was estimated at $2,412 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 | $0.16 |
| Expected volatility (1) | 89.12% |
| Risk-free interest rate | 1.68% |
| Expected life | 1.0 year |

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

(in Canadian dollars)

### 15. 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.

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

| | | March 31 2018 | | December 31 2017 |
|---|---|---|---|---|
| | Number of outstanding share options | Weighted average exercise price | Number of outstanding share options | Weighted average exercise price |
| | | $ | | $ |
| Outstanding at beginning | 160,000 | 0.25 | 965,000 | 0.39 |
| Granted | - | - | - | - |
| Forfeited | (80,000) | 0.25 | (805,000) | 0.42 |
| Outstanding at end | 80,000 | 0.25 | 160,000 | 0.25 |
| Exercisable at end | 80,000 | 0.25 | 160,000 | 0.25 |

The following table provides outstanding share options information as at March 31, 2018:

| | | | | Share options outstanding |
|---|---|---|---|---|
| Expiry date | Number of granted share options | Number of exercisable share options | Exercise price | Remaining life |
| | | | $ | (years) |
| September 9, 2021 | 80,000 | 80,000 | 0.25 | 3.4 |
| | 80,000 | 80,000 | 0.25 | 3.4 |

The following table provides outstanding warrants information as at December 31, 2017:

| | | | | Share options outstanding |
|---|---|---|---|---|
| Expiry date | Number of granted share options | Number of exercisable share options | Exercise price | Remaining life |
| | | | $ | (years) |
| September 9, 2021 | 160,000 | 160,000 | 0.25 | 3.7 |
| | 160,000 | 160,000 | 0.25 | 3.7 |

For the three-month period ended March 31, 2018, the share-based compensation recognized in the statement of comprehensive loss is $0 ($0 for the three-month period ended March 31, 2017).

(in Canadian dollars)

## 16. Exploration and evaluation expenditures:

Exploration and evaluation expenditures by properties are detailed as follows:

| | Three-month period ended March 31 2018 | | | Three-month period ended March 31 2017 | | |
|---|---|---|---|---|---|---|
| | Mining rights | Exploration & evaluation expenditures | Total | Mining rights | Exploration & evaluation expenditures | Total |
| | $ | $ | $ | $ | $ | $ |
| **Precious metals:** | | | | | | |
| Blockhouse | 180 | - | 180 | 1,225 | 69,125 | 70,350 |
| Kemptville | - | - | - | 100 | 750 | 850 |
| Chocolate Lake | (1,452) | - | (1,452) | 1,572 | - | 1,572 |
| Tancook Island | - | - | - | 1,048 | - | 1,048 |
| Leipsigate | - | - | - | - | 273 | 273 |
| Dares Lake | - | - | - | 1,213 | 2,386 | 3,599 |
| Gold River | 262 | - | 262 | 500 | - | 500 |
| Sakami | 3,792 | 8,805 | 12,597 | - | - | - |
| Robelin | 1,642 | - | 1,642 | - | - | - |
| **Total precious metals** | 4,424 | 8,805 | 13,229 | 5,658 | 72,534 | 78,192 |
| **Industrial metals:** | | | | | | |
| Dissimieux Lake | 8,660 | 375 | 9,035 | - | 450 | 450 |
| Mount Cameron | 280 | 1,819 | 2,099 | 163,572 | 500 | 164,072 |
| **Total industrial metals** | 8,940 | 2,194 | 11,134 | 163,572 | 950 | 164,522 |
| **Grand total** | 13,364 | 10,999 | 24,363 | 169,230 | 73,484 | 242,714 |

Exploration and evaluation expenditures by nature are detailed as follows:

| | Three-month period ended | |
|---|---|---|
| | March 31 2018 | March 31 2017 |
| | $ | $ |
| **Exploration and evaluation expenditures:** | | |
| Mining rights | 13,364 | 169,230 |
| Exploration and evaluation expenditures | | |
| Geology | 2,920 | 8,868 |
| Prospecting | 2,910 | - |
| Geophysics | 3,800 | 1,500 |
| Drilling | 1,369 | 63,116 |
| | 24,363 | 242,714 |
| **Grand total** | 24,363 | 242,714 |

**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 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 at a fair value of $0.25 per share for a consideration of $300,000. On June 20, 2016 the Company fulfilled its obligations by issuing 720,000 common shares at a fair value of $0.175 (value of $0.25 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 to a third party as transaction costs. On April 5, 2016, the Company issued 84,000 common shares common shares at a fair value of $0.25 per share for a consideration of $21,000 and on June 20, 2016 the Company issued 50,400 common shares common shares at a fair value of $0.175 per share for a consideration of $8,820.

**16. Exploration and evaluation expenditures (continued):**

**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 (500,000 common shares for each prospector). In addition, the Company will issue 100,000 common shares common shares for each $1,000,000 in exploration and evaluation expenditures incurred by Genius, subject to a maximum of 500,000 common shares. An additional 500,000 common shares will be issued if the Company completes a Feasibility Study. Nova Scotia properties consisted of the following properties: Blockhouse Gold (26 claims), Kemptville NS (10 claims), Chocolate Lake NS (6 claims), Dares Lake NS (6 claims) and Gold River NS (1 claim). 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 at a fair value of $0.175 per share for a consideration of $175,000 and consequently the Company fulfilled its obligations.

On August 10, 2017, the Company acquired the Meaghers Property (243 claims) by staking claims.

**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, 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 instead of 600,000 common shares. The Company has issued 800,000 common shares to 21 Alpha Resources Inc. at a fair value of $0.20 per share for a consideration of $160,000.

On March 8, 2018 the Company amended its option agreement with Mt Cameron Minerals Incorporated. The Company has to incur exploration expenditures as follows: $500,000 on or before December 31, 2018 and $500,000 on or before December 31, 2019 instead of $500,000 on or before December 31, 2017 and $500,000 on or before December 31, 2018. In consideration for the postponement of the deadlines of one year to incur the exploration expenditures, the Company will issue a total of 200,000 common shares to shareholders of Mt Cameron Minerals Inc. (See the Subsequent events (Note 22)).

**Sakami Property (Gold):**

On April 5, 2017, the Company has entered into an option agreement 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 acquired 100% interest by issuing the 6,000,000 common shares at a fair value of $0.20 per share for a consideration of $,1,200,000. 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. As at December 31, 2017, the Company holds 157 claims.

**Robelin Property (Polymetallic):**

On April 5, 2017, the Company has entered into an option agreement with 4 prospectors (one prospector is a former officer (CFO) and another prospector is a new officer (CEO)) 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 acquired 100% interest by issuing the 6,500,000 common shares at a fair value of $0.20 per share for a consideration of $,1,300,000 ($140,000 for a former officer (CFO) and $500,000 for a new officer (CEO)). The Robelin Property is located 85 km East South East from the town of Kuujjuaq. 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 (Silver):**

On June 12, 2017, the Company has entered into a proposed acquisition agreement completed on November 9, 2017 as a merger agreement with Cerro De Pasco Resources S.A.to acquire a 100% interest in Quiulacocha Tailings & Excelsior Stockpile Property, located in Peru. The details of the merger agreement are explained in note 10.

(in Canadian dollars)

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

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

| | Three-month period ended | |
|---|---|---|
| | **March 31 2018** | **March 31 2017** |
| | **$** | **$** |
| **Selling and administrative expenses:** | | |
| Salaries and employee benefit expense | 19,254 | - |
| Management and consulting fees | 62,747 | 71,015 |
| Professional fees | 85,398 | 32,463 |
| Business development | 96,003 | 18,191 |
| Rent and office expenses | 28,437 | 10,793 |
| Registration, listing fees and shareholders information | 7,049 | 12,249 |
| Depreciation of property and equipment | 1,448 | - |
| | 300,336 | 144,711 |

### 18. Finance expenses:

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

| | Three-month period ended | |
|---|---|---|
| | **March 31 2018** | **March 31 2017** |
| | **$** | **$** |
| Fines, penalties, bank charges & other interest | 1,759 | 581 |
| Penalty on contract termination | - | (8,400) |
| Finance expense | 1,759 | (7,819) |

### 19. Supplemental cash flow information:

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

| | Three-month period ended | |
|---|---|---|
| | **March 31 2018** | **March 31 2017** |
| | **$** | **$** |
| Non-cash financing activities: | | |
| Share issuance costs in trade accounts payable and accrued liabilities | 9,797 | 12,941 |
| Non-cash investing activities: | | |
| Shares issued as exploration and evaluation expenditures | - | 160,000 |

### 20. 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 | |
|---|---|---|
| | **March 31 2018** | **March 31 2017** |
| | **$** | **$** |
| Consulting fees | 40,000 | 33,000 |
| | 40,000 | 33,000 |

(in Canadian dollars)

### 20. Related party transactions (continued):

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 period ended March 31, 2018, there were no legal fees, transaction costs and share issuance costs charged by a company in which a former director is a partner ($22,404 for the three-month period ended March 31, 2017). There were no trade accounts and other payables due to this related party as at March 31, 2018 ($Nil as at December 31, 2017).

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.

### 21. Lease:

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.

The minimum annual lease payments are as follows:

| | $ |
|---|---|
| 2017 | 6,000 |
| 2018 | 24,000 |
| 2019 | 24,000 |
| 2020 | 16,000 |
| | 70,000 |

The Company's operating lease agreement do not contain any contingent rent clauses. None of the operating lease agreement contain renewal or purchase options on escalation clauses or any restrictions regarding dividends, further leasing or additional debt. No sublease payments or contingent rent payment were made or received. No sublease income is expected as all assets held under lease agreements are used exclusively by the Company.

### 22. Subsequent events:

On April 6, 2018, the Company concluded a private placement by issuing 10,373,334 units at a price of $0.15 per unit for gross proceeds of $1,556,000. Each unit consists of one common share and one-half of a warrant for a total of 10,373,334 common shares and 5,186,671 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 and until April 6, 2019.

On April 11, 2018, the Company issued 200,000 common shares at a fair value of $0.16 per share for a consideration of $32,000 to shareholders of Mt Cameron Minerals Inc. as per the amendment of April 11, 2018 for the postponement of the deadlines of one year to incur the exploration expenditures.

On April 27, 2018, the Company concluded a private placement by issuing 5,201,667 units at a price of $0.15 per unit for gross proceeds of $780,250. Each unit consists of one common share and one-half of a warrant for a total of 5,201,667 common shares and 2,600,832 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 and until April 27, 2019.

# GENIUS PROPERTIES LTD.

**Consolidated Financial Statements**

**Years ended**
**December 31, 2017 and 2016**

# GENIUS PROPERTIES LTD.
## Consolidated Financial Statements
Years ended December 31, 2017 and 2016

Raymond Chabot
Grant Thornton

# Independent Auditor's Report

**Raymond Chabot**
**Grant Thornton** LLP
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National Bank Tower
600 De La Gauchetière Street West
Montréal, Quebec  H3B 4L8

**T** 514-878-2691

To the Shareholders of
Genius Properties Ltd.

We have audited the accompanying consolidated financial statements of Genius Properties Ltd., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Genius Properties Ltd. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

**Emphasis of matter**

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements, which indicates the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Raymond Chabot Grant Thornton LLP[1]

Montréal
April 25, 2018

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[1] CPA auditor, CA public accountancy permit no. A115879

# GENIUS PROPERTIES LTD.
## Consolidated Statements of Financial Position
As at December 31, 2017 and 2016
(in Canadian dollars)

| | Note | December 31 2017 | December 31 2016 |
|---|---|---|---|
| | | $ | $ |
| **Assets** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | 8 | 304,536 | 196,919 |
| Other receivables | 9 | 101,713 | 73,826 |
| Prepaid expenses | | 23,615 | 36,441 |
| Loan to a non-related company | 10 | 649,000 | - |
| **Total current assets** | | 1,078,864 | 307,186 |
| **Non-current assets:** | | | |
| Marketable securities | 11 | - | 56,875 |
| Property and equipment | 12 | 18,512 | - |
| **Total non-current assets** | | 18,512 | 56,875 |
| **Total assets** | | 1,097,376 | 364,061 |
| **Liabilities and Equity** | | | |
| **Current liabilities:** | | | |
| Trade accounts payable and other liabilities | 13 | 695,263 | 612,942 |
| Other liability related to flow-through financings | 15 | 42,500 | 95,370 |
| Current portion of obligation under capital lease | 14 | 2,058 | - |
| **Total current liabilities** | | 739,821 | 708,312 |
| **Non-current liabilities:** | | | |
| Obligation under capital lease | 14 | 4,894 | - |
| **Total non-current liabilities** | | 4,894 | - |
| **Total liabilities** | | 744,715 | 708,312 |
| **Equity:** | | | |
| Share capital | 15 | 13,604,399 | 9,439,143 |
| Warrants | 15 | 263,542 | 239,239 |
| Share options | 16 | 14,640 | 163,319 |
| Contributed surplus | | 4,328,102 | 3,952,840 |
| Deficit | | (17,703,249) | (13,983,687) |
| **Total equity attributable to owners of the parent company** | | 507,434 | (189,146) |
| Non-controlling interest | | (154,773) | (155,105) |
| **Total equity** | | 352,661 | (344,251) |
| **Total liabilities and equity** | | 1,097,376 | 364,061 |

Going concern, see Note 2.

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

These financial statements were approved and authorized for issue by the Board of Directors on April 25 2018.

| | |
|---|---|
| (S) Guy Goulet | (S) John Booth |
| Director | Director |

## GENIUS PROPERTIES LTD.

### Consolidated Statements of Comprehensive Loss

Years ended December 31, 2017 and 2016

(in Canadian dollars)

| | Note | December 31 2017 | December 31 2016 |
|---|---|---|---|
| | | $ | $ |
| **Expenses:** | | | |
| Exploration and evaluation expenditures | 17 | 3,008,318 | 799,868 |
| General and administrative expenses | 18 | 805,056 | 638,729 |
| Gain on disposal of property and equipment | | - | (25,318) |
| Write-off of property and equipment | | - | 6,620 |
| Gain on disposal of mining properties | 17 | - | (56,250) |
| **Operating loss before other expenses (revenues), income tax and loss from discontinued operations** | | 3,813,374 | 1,363,649 |
| **Other expenses (revenues):** | | | |
| Net change in fair value of marketable securities | | (12,640) | (56,770) |
| Finance (income) expense | 19 | (5,062) | 12,569 |
| Exchange loss | | 20,671 | 40 |
| Gain on settlement of accounts payable | | (636) | (107,901) |
| | | 2,333 | (152,062) |
| **Income tax:** | | | |
| Income tax | 20 | (95,370) | (53,820) |
| | | (95,370) | (53,820) |
| Net loss from continuing operations | | 3,720,337 | 1,157,767 |
| Net earnings from discontinued operations | 5 | (1,107) | (100,176) |
| **Net loss and comprehensive loss** | | 3,719,230 | 1,057,591 |
| **Net loss from continuing operations attributable to:** | | | |
| Shareholders of Genius Properties Ltd. | | 3,720,337 | 1,157,767 |
| Non-controlling interests | | - | - |
| | | 3,720,337 | 1,157,767 |
| **Net loss (earnings) from discontinued operations attributable to:** | | | |
| Shareholders of Genius Properties Ltd. | | (775) | (82,126) |
| Non-controlling interests | | (332) | (18,050) |
| | | (1,107) | (100,176) |
| **Weighted average number of common shares outstanding** | | 29,623,489 | 14,555,635 |
| **Basic and diluted loss (earnings) per share:** | | | |
| Basic and diluted loss per share from continuing operations | | 0.13 | 0.08 |
| Basic and diluted loss (earnings) per share from discontinued operations | | - | (0.01) |
| **Basic and diluted loss per share:** | | 0.13 | 0.07 |

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

# GENIUS PROPERTIES LTD.

## Consolidated Statements of Changes in Equity

Years ended December 31, 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Balance as at December 31 2016** | | 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 | 15 | 10,970,166 | 1,395,406 | | 250,119 | | | | 1,645,525 | - | 1,645,525 |
| Flow-through private placement | 15 | 1,062,500 | 170,000 | | | | | | 170,000 | - | 170,000 |
| As payment of exploration and evaluation expenditures | 15 | 13,300,000 | 2,660,000 | | | | | | 2,660,000 | - | 2,660,000 |
| Share issuance costs | | | (60,150) | | 767 | | | | (59,383) | - | (59,383) |
| Share options cancelled | | | | | | (148,679) | 148,679 | | - | - | - |
| Warrants expired | | | | | (226,583) | | 226,583 | | - | - | - |
| Transactions with owners | | 25,332,666 | 4,165,256 | - | 24,303 | (148,679) | 375,262 | - | 4,416,142 | - | 4,416,142 |
| Net earnings (loss) and comprehensive loss for the year | | | | | | | | (3,719,562) | (3,719,562) | 332 | (3,719,230) |
| **Balance as at December 31 2017** | | 43,011,743 | 13,604,399 | - | 263,542 | 14,640 | 4,328,102 | (17,703,249) | 507,434 | (154,773) | 352,661 |
| | | | | | | | | | | | |
| **Balance as at December 31 2015** | | 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 issued: | | | | | | | | | | | |
| Cancellation on acquisition of assets | 4 | (6,000,000) | (900,000) | 900,000 | | | | | - | - | - |
| Private placements | | 888,000 | 143,746 | | 78,254 | | | | 222,000 | - | 222,000 |
| Flow-through private placement | | 1,271,600 | 222,530 | | | | | | 222,530 | - | 222,530 |
| As prepaid expenses | | 320,000 | 19,560 | | | | | | 19,560 | - | 19,560 |
| As a settlement of accounts payables | | 864,000 | 151,200 | | | | | | 151,200 | - | 151,200 |
| As payment of exploration and evaluation expenditures | | 3,054,400 | 630,820 | | | | | | 630,820 | - | 630,820 |
| As payment of consulting fees | | 184,000 | 106,440 | (25,000) | | | | | 81,440 | - | 81,440 |
| Share issuance costs | | | (87,486) | | 12,656 | | | | (74,830) | - | (74,830) |
| Share options cancelled | | | | | | (34,949) | 34,949 | | - | - | - |
| Warrants expired | | | | | (19,241) | | 19,241 | | - | - | - |
| Share-based compensation | | | | | | 38,430 | | | 38,430 | - | 38,430 |
| Transactions with owners | | 582,000 | 286,810 | 875,000 | 71,669 | 3,481 | 54,190 | - | 1,291,150 | - | 1,291,150 |
| Net loss and comprehensive loss for the year | | | | | | | | (1,075,641) | (1,075,641) | 18,050 | (1,057,591) |
| **Balance as at December 31 2016** | | 17,679,077 | 9,439,143 | - | 239,239 | 163,319 | 3,952,840 | (13,983,687) | (189,146) | (155,105) | (344,251) |

See disclosures of share consolidation completed on February 1, 2017 (Note 15).

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

# GENIUS PROPERTIES LTD.

## Consolidated Statements of Cash Flows

Years ended December 31, 2017 and 2016

(in Canadian dollars)

| | Note | December 31 2017 | December 31 2016 |
|---|---|---|---|
| | | $ | $ |
| **Operating activities:** | | | |
| Net loss from continuing operations | | (3,720,337) | (1,157,767) |
| Adjustments for: | | | |
| Income tax | | (95,370) | (53,820) |
| Consulting fees paid through issuance of shares | | - | 81,440 |
| Exploration and evaluation expenses paid through issuance of shares | | 2,660,000 | 630,820 |
| Write-off of receivables | | 5,000 | 809 |
| Write-off of property and equipment | | - | 6,620 |
| Depreciation of property and equipment | 12 | 504 | 11,397 |
| Gain on disposal of property and equipment | | - | (25,318) |
| Gain on disposal of mining properties | | - | (50,000) |
| Change in fair value of marketable securities | | (12,640) | (56,770) |
| Gain on settlement of accounts payable | | (636) | (107,901) |
| Share-based compensation | | - | 38,430 |
| Operating activities before changes in working capital items | | (1,163,479) | (682,060) |
| Change in other receivables | | (32,887) | 39,477 |
| Change in prepaid expenses | | 12,826 | (5,051) |
| Change in trade accounts payable and accrued liabilities | | 76,737 | 97,146 |
| Change in working capital items | | 56,676 | 131,572 |
| Net cash used for operating activities of continuing operations | | (1,106,803) | (550,488) |
| Net cash used for operating activities of discontinued operations | 5 | - | - |
| **Cash flows used for operating activities** | | (1,106,803) | (550,488) |
| **Financing activities:** | | | |
| Proceeds from private placements | 15 | 1,645,525 | 231,000 |
| Proceeds from flow-through placement | 15 | 212,500 | 317,900 |
| Capital lease repayments | | (93) | - |
| Repayment of loan payable to a director | | - | (50,000) |
| Bank loan repayments | 14 | - | (202,500) |
| Share issuance costs | 15 | (60,927) | (61,689) |
| Net cash from investing activities of continuing operations | | 1,797,005 | 234,711 |
| Net cash from investing activities of discontinued operations | | - | - |
| **Cash flows from financing activities** | | 1,797,005 | 234,711 |
| **Investing activities:** | | | |
| Acquisition of property and equipment | 12 | (3,100) | - |
| Proceeds from disposal of marketable securities | 11 | 69,515 | 72,395 |
| Proceeds from disposal of property and equipment | 12 | - | 230,000 |
| Loan to a non-related company | | (649,000) | - |
| Net cash from (used for) investing activities of continuing operations | | (582,585) | 302,395 |
| Net cash used for investing activities of discontinued operations | 5 | - | - |
| **Cash flows from (used for) investing activities** | | (582,585) | 302,395 |
| **Net change in cash and cash equivalents** | | 107,617 | (13,382) |
| **Cash and cash equivalents, beginning of year** | | 196,919 | 210,301 |
| **Cash and cash equivalents, end of year** | | 304,536 | 196,919 |
| Interest paid | | (421) | (11,955) |

Additional disclosures of cash flows information (Note 21).

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

## 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.

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.

## 2. Going concern:

The accompanying consolidated financial statements have been prepared on the basis of the on 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 year ended December 31, 2017, the Company recorded a net loss of $3,719,230 ($1,057,591 in 2016) and has an accumulated deficit of $17,703,249 as at December 31, 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. As at December 31, 2017, the Company had a working capital of $339,043 (a negative working capital of ($401,126) as at December 31, 2016) consisting of cash and cash equivalents of $304,536 ($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. Given that 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 recovery of the cost of exploration and evaluation assets as well as other tangible and intangible assets, 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 these assets. During the year ended December 31, 2017, the Company has raised $1,858,025 from private placements consisting of common shares and flow-through shares to fund exploration works and working capital. 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 annual consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") applicable to the preparation of annual consolidated financial statements. The accounting policies applied in these consolidated financial statements are based on IFRS issued and in effect as at year end.

### 3.2 Basis of measurement:

The 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.

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.

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

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

| 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 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 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.

**(a) Significant management judgment:**

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effects on the financial statements.

*Going concern*

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meets its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

*Recognition of deferred income tax assets and measurement of income tax expense*

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period (see Note 6).

**(b) Estimation uncertainty:**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities and expenses is provided below. Actual results may be substantially different.

*Share-based compensation*

The estimation of share-based compensation costs requires the selection of an appropriate valuation model and data and consideration as to the volatility of the Company's own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model (see Note 16).

(in Canadian dollars)

## 3. Basis of preparation (continued):

### 3.5 Use of estimates and judgements (continued):

#### (b) Estimation uncertainty (continued):

*Provision and contingent liabilities*

Judgments are made as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realized. Several of these factors are source of estimation uncertainty.

## 4. Assets acquisition:

### 4.1 Reiva:

On May 26, 2015, the Company acquired from an arm's-length third party partial 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 of the Company at a deemed value of $0.55 per share for a total value of $3,300,000. The common shares issued were subject to a thirty-six (36) month escrow, in accordance with CSE policies and applicable securities regulation.

On October 27, 2015, the parties agreed to cancel the agreement signed on May 26, 2015 and return to Treasury the 6,000,000 common shares 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 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 discontinued the distribution of consumable products under its subsidiary Zencig and the development of a geo-localisation software under its subsidiary Zippler to concentrate its effort on the acquisition and exploration of mineral properties.

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

The following table shows the net loss (earnings) from discontinued operations:

| | Genius | Zencig | Zippler | December 31 2017 Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Other revenues** | | | | |
| Exchange gain | - | (1,107) | - | (1,107) |
| | - | (1,107) | - | (1,107) |
| **Net earnings and comprehensive income** | - | (1,107) | - | (1,107) |

(in Canadian dollars)

**5. Discontinued operations (continued):**

| | Genius | Zencig | Zippler | December 31 2016 Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Expenses** | | | | |
| General and administrative expenses | - | 4,254 | - | 4,254 |
| Gain on settlement of accounts payable | - | (45,277) | (39,388) | (84,665) |
| **Operating loss before other expenses (revenues)** | - | (41,023) | (39,388) | (80,411) |
| **Other expenses (revenues)** | | | | |
| Exchange loss (gain) | - | (19,143) | (622) | (19,765) |
| | - | (19,143) | (622) | (19,765) |
| **Net loss and comprehensive loss** | - | (60,166) | (40,010) | (100,176) |

**6. Significant accounting policies:**

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and in preparing the statements of financial position, unless otherwise indicated.

**6.1 Non-controlling interests:**

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

**6.2 Foreign currency transactions and balances:**

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

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

**6.3 Segment disclosure:**

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

The Company has only one operating segment which consist in the mining activities. All non-current assets are in Canada.

**6.4 Financial instruments:**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

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

**6. Significant accounting policies (continued):**

**6.4 Financial instruments (continued):**

Financial assets and financial liabilities are measured subsequently as described below.

**(a) Financial assets:**

For the purpose of subsequent measurement, financial assets are classified as loans and receivables and available-for-sale assets upon initial recognition.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance expenses or financial income, if applicable.

- *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Discounting is omitted if its effect is not significant.

Loans and receivables comprise cash and cash equivalents, other receivables (excluding sales tax receivable) and loan to a non-related company.

- *Financial assets at fair value through profit or loss:*

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. Derivatives are also included in this category unless they are designated as hedges.

Gains and losses arising from changes in fair value are presented in the consolidated statements of comprehensive loss in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the consolidated statement of financial position date, which is classified as non-current.

- *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories.

Shares of publicly traded companies within marketable securities are classified as available-for-sale financial assets. They are initially recognized at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized in other comprehensive loss and presented within equity in accumulated other comprehensive loss. When an investment is derecognized, the cumulative gain or loss in other comprehensive loss is transferred to profit or loss. Impairment loss is recognized in the statement of loss.

Investments in publicly traded companies are recorded at fair value based on quoted closing prices at the statement of financial position date. Unrealized gains and losses are recorded in other comprehensive loss.

**(b) Financial liabilities:**

Financial liabilities are measured initially at fair value plus transactions costs.

The Company's financial liabilities include trade accounts payable and accrued liabilities (except Part XII.6 tax).

Financial liabilities are measured subsequently at amortized cost using the effective interest method. All interest related charges are reported within finance expenses, if applicable.

## 6. Significant accounting policies (continued):

### 6.5 Impairment of financial assets:

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is an objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- a breach of contract such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

If such evidence exists, the Company recognizes an impairment loss, as follows:

- *Financial assets carried at amortized cost:*

  The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

  Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

- *Available for sale financial assets:*

  The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the consolidated statement of comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive loss that is reclassified to net loss. Impairment losses on available for sale assets are not reversed.

### 6.6 Basic and diluted loss per share:

Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to common shareholders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares which include options and warrants. Dilutive potential common shares are deemed to have been converted into common shares at the average market price at the beginning of the period or, if later, at the date of issue of the potential common shares. The diluted loss per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding warrants and share options.

### 6.7 Cash and cash equivalents:

Cash and cash equivalent consist of cash, cash in trust and guaranteed investment certificate, as well as other highly-liquid short-term investments, easily convertible in a known amount of cash and subject to negligible risk of value impairment.

### 6.8 Property and equipment:

Property and equipment are held at cost less accumulated depreciation and accumulated impairment losses.

Cost includes all costs incurred initially to acquire or construct an item of property and equipment, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs incurred subsequently to add to or replace part thereof.

Recognition of costs in the carrying amount of an item of property and equipment ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

**6. Significant accounting policies (continued):**

**6.8 Property and equipment (continued):**

The estimated useful lives are as follows:

| Asset | Period |
|---|---|
| Building | 20 years |
| Machinery and equipment | 5 years |
| Office equipment and furnitures | 5 years |
| Software | 5 years |
| Computer equipment | 3 years |

The residual value, depreciation method and useful life of each asset are reviewed at least at each financial year-end.

The carrying amount of an item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognized.

**6.9 Impairment of non-financial assets:**

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Impairment reviews for non-financial assets are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the asset group to which the asset belongs.

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

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the consolidated statement of comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized.

**6.10 Exploration and evaluation expenditures:**

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

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

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

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

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company’s titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

- *Disposal of interest in connection with the option agreement:*

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

## 6. Significant accounting policies (continued):

### 6.10 Exploration and evaluation expenditures (continued):

- *Refundable tax credits and grants for mining exploration and evaluation expenditures:*

  The Company is entitled to a refundable tax credit and grants on qualified mining exploration and evaluation expenditures incurred and on mining duties credits. The credits and grants are accounted for against the exploration and evaluation expenditures incurred based on estimates made by management. The Company records those tax credits and grants when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

### 6.11 Provisions, contingent liabilities and contingent assets:

Provisions are recognized when present legal or constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes, decommissioning, restoration and similar liabilities, or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company’s operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company’s operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible, given that the Company’s operations are still in the exploration and evaluation stage. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

As at December 31, 2017 and 2016 the Company had no contingent liabilities and therefore no provision was recorded in the annual financial statements.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

### 6.12 Income taxes:

When applicable, tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized directly in equity.

However, since the Company is in the exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprise only of deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company’s forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

## 6. Significant accounting policies (continued):

### 6.12 Income taxes (continued):

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax in profit or loss, except where they relate to items that are recognized directly in equity, in which case the related deferred tax is also recognized in equity.

Under the provisions of tax legislation relating to flow-through shares, the Company is required to renounce its right to tax deductions for expenses related to exploration activities to the benefit of the investors. When the Company has renounced to its tax deductions and has incurred its admissible expenditures, the sale of tax deductions is recognized in profit or loss as a reduction to deferred tax expense.

### 6.13 Leases:

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

### 6.14 Equity:

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs.

If shares are issued following the exercise of share options, or warrants, this account also includes the charge previously accounted to the warrants and share options accounts. Furthermore, if shares are issued following the acquisition of mining property or other non-financial assets, shares are valued at fair value of mining property on the day the agreement was concluded.

### 6.15 Unit placements:

The funds from unit placement are allocated between shares and warrants using the relative fair value method. The fair value of the common shares is recognized in equity based on the share price at the date of issue. The fair value of the warrants is determined using the Black-Scholes valuation model and is recorded separately under "warrants".

### 6.16 Flow-through placements:

Issuance of flow-through shares represents in substance an issue of ordinary shares and the sale of the right to tax deductions to the investors. When the flow-through shares are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the statement of financial position. The proceeds received from flow-through placements are allocated between share capital and other liabilities using the residual method. Proceeds are first allocated to shares according to the quoted price of shares at the time of issuance and the residual proceeds, if any, are allocated to other liabilities. The liability component recorded initially on the issuance of shares is reversed on renouncement of the right to tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income tax expense.

The proceeds received from flow-through units are allocated between share capital, warrants and the liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and the residual proceeds are allocated to warrants and to the liability, allocating a first amount to warrant measured at fair value using Black-Scholes model.

### 6.17 Other elements of equity:

Warrants and share options accounts include unrealized charges related to share options and warrants until they are exercised, if applicable. Contributed surplus includes compensation expense related to share options and warrants not exercised.

Deficit includes all current and prior year retained losses.

### 6.18 Equity-settled share-based compensation:

The Company has an equity-settled share-based compensation plan for its eligible directors, employees and consultants. The Company's plan is not cash-settled.

(in Canadian dollars)

**6. Significant accounting policies (continued):**

**6.18 Equity-settled share-based compensation (continued):**

All goods and services received in exchange for the grant of any share-based compensations are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, it must measure their value indirectly by reference to the fair value of the equity instruments granted.

For transactions with employees and with parties providing similar services, the Company evaluates the fair value of services received by reference to the fair value of equity instruments granted.

All equity-settled share-based compensation (except warrants to brokers) are ultimately recognized as an expense in the profit or loss with a corresponding credit to the Share options account. Equity-settled share-based compensation to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to warrants, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

**6.19 New standards and interpretations that have not yet been adopted:**

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board (IASB) but are not yet effective, and have not been adopted early by 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 application of this new standard will not have significant impact on the 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% | (332) | (154,773) |

No dividends were paid to the NCI during the years ended December 31, 2017 and 2016.

(in Canadian dollars)

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

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

| | December 31 2017 | December 31 2016 |
|---|---|---|
| | $ | $ |
| Current assets | 107 | 107 |
| Non-current assets | - | - |
| Total assets | 107 | 107 |
| Current liabilities | 95,569 | 96,676 |
| Non-current liabilities | 420,447 | 420,447 |
| Total liabilities | 516,016 | 517,123 |
| Equity attributable to shareholders of the parent | (361,136) | (362,018) |
| Non-controlling interests | (154,773) | (155,105) |

| | December 31 2017 | December 31 2016 |
|---|---|---|
| | $ | $ |
| Net loss (income) and comprehensive loss (income) attributable to shareholders of the parent | (775) | (42,116) |
| Net loss (income) and comprehensive loss (income) attributable to NCI | (332) | (18,050) |
| Net loss and total comprehensive loss | (1,107) | (60,166) |

| | December 31 2017 | December 31 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:

| | December 31 2017 | December 31 2016 |
|---|---|---|
| | $ | $ |
| Cash | 245,310 | 69,951 |
| Cash in trust | 44,226 | 126,968 |
| Guaranteed investment certificate, 0.9 % maturing in October 2018 is used as guarantee for credit card | 15,000 | - |
| | 304,536 | 196,919 |

**Funds reserved for exploration and evaluation expenditures**

On December 15 and 21, 2017, the Company completed a flow-through private placement of $212,500. The Company has until December 31, 2018 to incur eligible exploration and evaluation expenditures in order to comply with the requirements of flow-through private placement.

There is no guarantee that the 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.

(in Canadian dollars)

**9. Other receivables:**

| | December 31 2017 | December 31 2016 |
|---|---|---|
| | $ | $ |
| Sales tax receivable | 56,140 | 54,569 |
| Other | 45,573 | 19,257 |
| | 101,713 | 73,826 |

**10. Loan to a non-related company:**

| | December 31 2017 | December 31 2016 |
|---|---|---|
| | $ | $ |
| Loan to Cerro de Pasco Resources S.A. (1) | 649,000 | - |
| | 649,000 | - |

(1) **Summary of the Proposed Transaction with Cerro de Pasco Resources S.A.:**

On November 9, 2017, the Company has entered into a merger agreement (the "Proposed Transaction") with Cerro de Pasco Resources S.A. ("Cerro"), a company incorporated under the laws of Peru, pursuant to which will result in a merger of Genius and Cerro de Pasco. Cerro's main asset is a 100% interest in the El Metalurgista Concession (where the so-called Quiulacocha Tailings and Excelsior Stockpile are located), located in Peru (the "Property").

Cerro de Pasco and Genius Properties shall effect the Proposed Transaction by merging Cerro de Pasco with a branch of Genius Properties to be established under Peruvian laws (“BranchCo”), such that existing security holders of Cerro de Pasco will become security holders of Genius Properties. In accordance with the terms of the Proposed Transaction, Genius Properties shall (i) issue a sufficient number of common shares of its share capital to allow the current shareholders of Cerro De Pasco (“Cerro Shareholders”) to hold, after such issuance, in the aggregate, 75% (subject to an increase as described below) of the total number of common shares of the Corporation issued and outstanding after the Proposed Transaction and (ii) make a cash contribution in the form of a loan (the “Cash Contribution”) to Cerro de Pasco in an aggregate amount of US$2,500,000, of which US$516,456 (CAD$649,000) have already been made.

The Cash Contribution will be expended, based on the joint determination of Genius Properties and Cerro de Pasco (each acting reasonably), on the development of the Property, for metallurgical testing and to cover capital requirements related to community relations, permitting and general and administrative expenses.

The percentage of common shares to be held by the Cerro Shareholders may be increased pro rata if the Cash Contribution made by Genius Properties is of a total amount of less than US$2,500,000.

As a result of the Proposed Transaction, the board of directors of Genius Properties shall be comprised of six directors, four of which will be appointed by Cerro de Pasco and two of which will be current directors of Genius Properties.

**Spin-Off of Genius Properties:**

As part of the Proposed Transaction, prior to issuing securities to the Cerro Shareholders, Genius Properties will spin off all of its current mining properties into a new wholly-owned Canadian subsidiary (the “Reorganization”). Genius Properties intends to continue the exploration and development of the Company's properties through this new subsidiary, to re-distribute the common shares of this subsidiary to its current shareholders and to list it on a stock exchange.

(in Canadian dollars)

**10. Loan to a non-related company (continued):**

**Specific conditions related to the closing:**

The specific conditions that must be met in relation to the closing of the Proposed Transaction are: (i) the completion of the Reorganization by Genius Properties; (ii) the approval of the Proposed Transaction by the board of directors and the shareholders of both parties; (iii) the approval of the Proposed Transaction by the Exchange; and (iv) the absence of material change in the business and operations of Cerro De Pasco and Genius Properties.

**Certain Risks associated with the Proposed Transaction:**

Under Peruvian mining regulations, a mining concession such as the Property is independent from the surface land on which it is located. Therefore, prior to the beginning of any reprocessing activity on the Property, an agreement will have to be reached with the owner of the surface land where the Property is located.

**11. Marketable securities:**

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

**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"). 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 year ended December 31, 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. ("MXJ") as described in Note 17. 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 year ended December 31, 2017, the Company sold all the 625,000 common shares of MJX for proceeds of $60,415.

(in Canadian dollars)

**12. Property and equipment:**

| | Office furnitures | Computer equipment | Software | Building | Machinery and equipment | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | |
| As at December 31, 2015 | 1,195 | 2,680 | - | 226,156 | 7,670 | 237,701 |
| Acquisitions | - | - | - | - | - | - |
| Disposition | - | - | - | (226,156) | - | (226,156) |
| Write-down | (1,195) | (2,680) | - | - | (7,670) | (11,545) |
| As at December 31, 2016 | - | - | - | - | - | - |
| Acquisitions | 8,545 | 8,482 | 1,989 | - | - | 19,016 |
| Disposition | - | - | - | - | - | - |
| Write-down | - | - | - | - | - | - |
| As at December 31, 2017 | 8,545 | 8,482 | 1,989 | - | - | 19,016 |
| **Accumulated depreciation** | | | | | | |
| As at December 31, 2015 | 299 | 968 | - | 12,250 | 1,485 | 15,002 |
| Depreciation | 195 | 729 | - | 9,224 | 1,249 | 11,397 |
| Disposition | - | - | - | (21,474) | - | (21,474) |
| Write-down | (494) | (1,697) | - | - | (2,734) | (4,925) |
| As at December 31, 2016 | - | - | - | - | - | - |
| Depreciation | 216 | 253 | 35 | - | - | 504 |
| Disposition | - | - | - | - | - | - |
| Write-down | - | - | - | - | - | - |
| As at December 31, 2017 | 216 | 253 | 35 | - | - | 504 |
| **Net book value** | | | | | | |
| As at December 31, 2016 | - | - | - | - | - | - |
| As at December 31, 2017 | 8,329 | 8,229 | 1,954 | - | - | 18,512 |

**13. Trade accounts payable and other liabilities:**

| | December 31 2017 | December 31 2016 |
|---|---|---|
| | $ | $ |
| Trade accounts payable and accrued liabilities: | | |
| To a company controlled by a director and CEO | 15,330 | - |
| To a director and CEO | 35,184 | - |
| To a company controlled by a former director and former CEO (Director and CEO in 2016) | 61,441 | 64,833 |
| To a company controlled by the former CFO (CFO in 2017) | 25,000 | - |
| To a company controlled by the former CFO (CFO in 2016) | 32,000 | 32,000 |
| To a company controlled by a director | - | 4,857 |
| To a company in which a former director was a partner | - | 35,407 |
| Other | 311,686 | 293,545 |
| Part XII.6 tax | 209,787 | 182,300 |
| Source deductions and contributions | 4,835 | - |
| | 695,263 | 612,942 |

**14. Obligation under capital lease:**

| | December 31 2017 | December 31 2016 |
|---|---|---|
| | $ | $ |
| Office equipment lease, 9.66% annual interest, maturing in December 2020 | 6,952 | - |
| Less: current portion | (2,058) | - |
| | 4,894 | - |

(in Canadian dollars)

### 14. Obligation under capital lease (continued):

Minimum lease payments required in the next three years under capital lease are as follows:

| | Capital | Interest | Payments |
|---|---|---|---|
| | $ | | $ |
| 2018 | 2,058 | 534 | 2,592 |
| 2019 | 2,218 | 374 | 2,592 |
| 2020 | 2,676 | 153 | 2,829 |
| | 6,952 | 1,061 | 8,013 |

The capital lease is secured by the underlying leased asset.

### 15. 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. All references to common shares, warrants and share options in these consolidated financial statements have been adjusted to reflect consolidation.

#### (b) Issued and outstanding:

| | Number | Amount |
|---|---|---|
| | | $ |
| 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 |

| | Number | Amount |
|---|---|---|
| | | $ |
| Balance as at December 31, 2016 | 17,679,077 | 9,439,143 |
| Issued for cash: | | |
| Private placement (common shares) | 10,970,166 | 1,351,433 |
| Private placements (flow-through shares) | 1,062,500 | 153,823 |
| Issued as payment of expenses | 13,300,000 | 2,660,000 |
| Balance as at December 31, 2017 | 43,011,743 | 13,604,399 |

**2017:**

On January 3, 2017, as per the mineral property purchase amended agreement of January 3, 2017 (Note 17), the Company issued 800,000 common shares at a fair value of $0.20 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.

**15. Share capital and warrants (continued):**

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

**2017 (continued):**

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 $804,266 after deducting share issuance costs of $26,984. 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 $163,823 based on the Black-Scholes option pricing model using the assumptions described below (Note 15 (c)).

On April 5, 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 on May 26, 2017, 6,000,000 common shares and 6,500,000 common shares respectively for a total value of $2,500,000 (Note 17).

On December 8, 2017, the Company concluded a private placement by issuing 300,000 units at a price of $0.15 per unit for net proceeds of $41,376 after deducting share issuance costs of $3,624. A commission of $3,150 was paid in connection with this private placement. Each unit consists of one common share and one-half warrant for a total of 300,000 common shares and 150,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 until December 8, 2018. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $4,609 based on the Black-Scholes option pricing model using the assumptions described below (Note 15 (c)). As part of this private placement, the Company also issued a total of 21,000 broker warrants. Each broker warrant entitles its holder to purchase one common share at $0.25 per share until December 8, 2018. These warrants have been recorded at a value of $767 based on the Black-Scholes option pricing model using the assumptions described below (Note 15 (c)). As a result, the broker warrants were recorded under warrants and as share issuance costs as a reduction of share capital in the statement of changes in equity. Share issuance costs amounted to $4,391 including the fair value of the broker warrants of $767.

On December 15, 2017, the Company concluded a private placement by issuing 3,385,000 units at a price of $0.15 per unit for net proceeds of $500,604 after deducting share issuance costs of $7,146. A commission of $1,800 was paid in connection with this private placement. Each unit consists of one common share and one-half warrant for a total of 3,385,000 common shares and 1,692,500 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 until December 15, 2018. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $50,353 based on the Black-Scholes option pricing model using the assumptions described below (Note 15 (c)).

On December 15, 2017, the Company concluded a private placement by issuing 977,500 flow-through common shares at a price of $0.20 per share for net proceeds of $179,502 after deducting share issuance costs of $15,998. A commission of $13,640 was paid in connection with this private placement. An amount of $39,100 representing the premium paid by the investors was recorded in liability related to flow-through shares based on the residual value method. As at December 31, 2017, The Company has the obligation to incur $195,500 in exploration expenditures in its Québec mining properties no later than December 31, 2018.

On December 21, 2017, the Company concluded a private placement by issuing 1,577,000 units at a price of $0.15 per unit for net proceeds of $232,860 after deducting share issuance costs of $3,690. A commission of $1,200 was paid in connection with this private placement. Each unit consists of one common share and one-half warrant for a total of 1,577,000 common shares and 788,500 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 until December 21, 2018. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $28,922 based on the Black-Scholes option pricing model using the assumptions described below (Note 15 (c)).

On December 21, 2017, the Company concluded a private placement by issuing 85,000 flow-through common shares at a price of $0.20 per share for net proceeds of $16,821 after deducting share issuance costs of $179. No commission was paid in connection with this private placement. An amount of $3,400 representing the premium paid by the investors was recorded in liability related to flow-through shares based on the residual value method. As at December 31, 2017, The Company has the obligation to incur $17,000 in exploration expenditures in its Québec mining properties no later than December 31, 2018.

**15. Share capital and warrants (continued):**

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

**2017 (continued):**

On December 29, 2017, the Company concluded a private placement by issuing 166,500 units at a price of $0.15 per unit for net proceeds of $23,214 after deducting share issuance costs of $1,761. A commission of $1,499 was paid in connection with this private placement. Each unit consists of one common share and one-half warrant for a total of 166,500 common shares and 83,250 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 until December 29, 2018. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of $2,412 based on the Black-Scholes option pricing model using the assumptions described below (Note 15 (c)).

**2016:**

On January 19, 2016, the Company cancelled 6,000,000 common shares 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 at a fair value of $0.25 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 at a fair value of $0.25 per share for a total value of $46,000 as consulting fees. Of these 184,000 common shares, 100,000 common shares to be issued at a fair value of $0.25 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 at a fair value of 0.25 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 17), the Company issued 1,000,000 common shares at a fair value of $0.175 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 at a fair value of $0.175 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 at a fair value of $0.175 per share for a total value of $134,820 as payment of exploration and evaluation expenditures for the acquisition of Dissimieux Lake property.

On June 21, 2016, the Company concluded a private placement by issuing 580,000 units at a price of $0.25 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 and 580,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.50 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 15 (c)).

On November 10, 2016, the Company concluded a private placement by issuing 60,000 units at a price of $0.25 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 and 60,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.50 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 15 (c)).

On December 9, 2016, the Company concluded a private placement by issuing 248,000 units at a price of $0.25 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 and 248,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.50 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 15 (c)).

(in Canadian dollars)

**15. Share capital and warrants (continued):**

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

**2016 (continued):**

On December 30, 2016, the Company concluded a private placement by issuing 1,271,600 flow-through common shares at a price of $0.25 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. Each broker warrant entitles its holder to purchase one common share at $0.25 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 15 (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:

| | | December 31 2017 | | December 31 2016 |
|---|---|---|---|---|
| | Number of outstanding warrants | Weighted average exercise price | Number of outstanding warrants | Weighted average exercise price |
| | | $ | | $ |
| Outstanding at beginning | 3,543,636 | 0.45 | 2,623,508 | 0.45 |
| Granted | 5,506,083 | 0.25 | 980,128 | 0.48 |
| Expired | (3,451,508) | 0.46 | (60,000) | 1.10 |
| Outstanding at end | 5,598,211 | 0.25 | 3,543,636 | 0.45 |

The following table provides outstanding warrants information as at December 31, 2017:

| | | Outstanding warrants | |
|---|---|---|---|
| Expiry date | Number of outstanding warrants | Exercise price | Remaining life |
| | | $ | (years) |
| May 26, 2018 | 2,770,833 | 0.25 | 0.4 |
| December 8, 2018 | 171,000 | 0.25 | 0.9 |
| December 15, 2018 | 1,692,500 | 0.25 | 1.0 |
| December 21, 2018 | 788,500 | 0.25 | 1.0 |
| December 29, 2018 | 83,250 | 0.25 | 1.0 |
| December 30, 2018 | 92,128 | 0.25 | 1.0 |
| | 5,598,211 | 0.25 | 0.7 |

(in Canadian dollars)

**15. Share capital and warrants (continued):**

**(c) Warrants (continued):**

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

| | | | Outstanding warrants |
|---|---|---|---|
| **Expiry date** | **Number of outstanding warrants** | **Exercise price** | **Remaining 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 $163,823 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 (1) | 154.87% |
| Risk-free interest rate | 0.71% |
| Expected life | 1.0 year |

On December 8, 2017, the Company issued 150,000 warrants to shareholders who subscribed to 300,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.25 per share until December 8, 2018. The value of the warrants was estimated at $4,609 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 | $0.16 |
| Expected volatility (1) | 92.85% |
| Risk-free interest rate | 1.50% |
| Expected life | 1.0 year |

On December 8, 2017, the Company issued 21,000 warrants to broker. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.25 per share until December 8, 2018. The value of the warrants was estimated at $767 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 | $0.16 |
| Expected volatility (1) | 92.85% |
| Risk-free interest rate | 1.50% |
| Expected life | 1.0 year |

(in Canadian dollars)

**15. Share capital and warrants (continued):**

**(c) Warrants (continued):**

**2017 (continued):**

On December 15, 2017, the Company issued 1,692,500 warrants to shareholders who subscribed to 3,385,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.25 per share until December 15, 2018. The value of the warrants was estimated at $50,353 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 | $0.16 |
| Expected volatility (1) | 90.80% |
| Risk-free interest rate | 1.55% |
| Expected life | 1.0 year |

On December 21, 2017, the Company issued 788,500 warrants to shareholders who subscribed to 1,577,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.25 per share until December 21, 2018. The value of the warrants was estimated at $28,922 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 | $0.16 |
| Expected volatility (1) | 105.39% |
| Risk-free interest rate | 1.68% |
| Expected life | 1.0 year |

On December 29, 2017, the Company issued 83,250 warrants to shareholders who subscribed to 166,500 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.25 per share until December 29, 2018. The value of the warrants was estimated at $2,412 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 | $0.16 |
| Expected volatility (1) | 89.12% |
| Risk-free interest rate | 1.68% |
| Expected life | 1.0 year |

**2016:**

On June 21, 2016, the Company issued 580,000 warrants to shareholders who subscribed to 580,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.50 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 | $0.20 |
| Expected volatility (1) | 204.72% |
| Risk-free interest rate | 0.60% |
| Expected life | 1.0 year |

(in Canadian dollars)

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

### (c) Warrants (continued):

**2016 (continued):**

On November 10, 2016, the Company issued 60,000 warrants to shareholders who subscribed to 60,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.50 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 | $0.25 |
| Expected volatility (1) | 195.41% |
| Risk-free interest rate | 0.62% |
| Expected life | 1.0 year |

On December 9, 2016, the Company issued 248,000 warrants warrants to shareholders who subscribed to 248,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.50 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 | $0.275 |
| Expected volatility (1) | 188.88% |
| Risk-free interest rate | 0.74% |
| Expected life | 1.0 year |

On December 30, 2016, the Company issued 92,128 warrants to broker. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.25 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 | 0.175$ |
| Expected volatility (1) | 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.

## 16. 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.

(in Canadian dollars)

**16. 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:

| | | December 31 2017 | | December 31 2016 |
|---|---|---|---|---|
| | Number of outstanding share options | Weighted average exercise price | Number of outstanding share options | Weighted average exercise price |
| | | $ | | $ |
| Outstanding at beginning | 965,000 | 0.39 | 715,000 | 0.50 |
| Granted | - | - | 420,000 | 0.25 |
| Forfeited | (805,000) | 0.42 | (170,000) | 0.50 |
| Outstanding at end | 160,000 | 0.25 | 965,000 | 0.39 |
| Exercisable at end | 160,000 | 0.25 | 965,000 | 0.39 |

The following table provides outstanding share options information as at December 31, 2017:

| | | | | Share options outstanding |
|---|---|---|---|---|
| Expiry date | Number of granted share options | Number of exercisable share options | Exercise price | Remaining life |
| | | | $ | (years) |
| September 9, 2021 | 160,000 | 160,000 | 0.25 | 3.7 |
| | 160,000 | 160,000 | 0.25 | 3.7 |

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

| | | | | Share options outstanding |
|---|---|---|---|---|
| Expiry date | Number of granted share options | Number of exercisable share options | Exercise price | Remaining 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 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 per share and expire on September 9, 2021. The fair value of the options was estimated at $38,430 ($0.0915 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 | $0.125 |
| Expected volatility (1) | 115.60% |
| Risk-free interest rate | 0.71% |
| Expected life | 5.0 years |

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

For the year ended December 31, 2017, the share-based compensation recognized in the statement of comprehensive loss is $0 ($38,430 for the year ended December 31, 2016).

(in Canadian dollars)

## 17. Exploration and evaluation expenditures:

Exploration and evaluation expenditures by properties are detailed as follows:

| | December 31 2017 | | | December 31 2016 | | |
|---|---|---|---|---|---|---|
| | **Mining rights** | **Exploration & evaluation expenditures** | **Total** | **Mining rights** | **Exploration & evaluation expenditures** | **Total** |
| | $ | $ | $ | $ | $ | $ |
| **Precious metals:** | | | | | | |
| Blockhouse Gold | 6,536 | 72,308 | 78,844 | 45,120 | 22,492 | 67,612 |
| Kemptville | 2,720 | 3,129 | 5,849 | 8,768 | 1,750 | 10,518 |
| Chocolate Lake | 1,692 | - | 1,692 | 9,813 | - | 9,813 |
| Tancook Island | 1,048 | - | 1,048 | 23,797 | - | 23,797 |
| Leipsigate | - | 2,336 | 2,336 | 7,522 | - | 7,522 |
| Dares Lake | 1,333 | 3,965 | 5,298 | 46,814 | - | 46,814 |
| Gold River | 500 | - | 500 | 1,636 | - | 1,636 |
| Londonderry | - | - | - | 19,626 | - | 19,626 |
| Western Lake | - | - | - | 17,991 | - | 17,991 |
| Sakami | 1,217,613 | 126,896 | 1,344,509 | - | - | - |
| Robelin | 1,304,725 | 13,500 | 1,318,225 | - | - | - |
| Meaghers | 2,430 | - | 2,430 | - | - | - |
| Quiulacocha - Excelsior | - | 23,092 | 23,092 | - | - | - |
| **Total precious metals** | 2,538,597 | 245,226 | 2,783,823 | 181,087 | 24,242 | 205,329 |
| **Industrial metals:** | | | | | | |
| Dissimieux Lake | 573 | 1,810 | 2,383 | 455,820 | 14,449 | 470,269 |
| Mount Cameron | 180,880 | 41,232 | 222,112 | 126,515 | 4,290 | 130,805 |
| **Total industrial metals** | 181,453 | 43,042 | 224,495 | 582,335 | 18,739 | 601,074 |
| **Special metals:** | | | | | | |
| Montagne B (25%) | - | - | - | (1,785) | (4,750) | (6,535) |
| **Total special metals** | - | - | - | (1,785) | (4,750) | (6,535) |
| **Grand total** | 2,720,050 | 288,268 | 3,008,318 | 761,637 | 38,231 | 799,868 |

Exploration and evaluation expenditures by nature are detailed as follows:

| | December 31 2017 | December 31 2016 |
|---|---|---|
| | $ | $ |
| **Exploration and evaluation expenditures:** | | |
| Mining rights | 2,720,050 | 761,637 |
| Exploration and evaluation expenditures | | |
| Geochemistry | 14,365 | - |
| Geology | 65,407 | 7,476 |
| Geophysics | 108,968 | 15,873 |
| Prospecting | 12,915 | - |
| Drilling | 68,961 | 13,982 |
| Environment & relation with the community | 300 | 900 |
| General field expenses | 17,352 | - |
| **Grand total** | 3,008,318 | 799,868 |

**17. Exploration and evaluation expenditures (continued):**

**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.

**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 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 at a fair value of $0.25 per share for a consideration of $300,000. On June 20, 2016 the Company fulfilled its obligations by issuing 720,000 common shares at a fair value of $0.175 (value of $0.25 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 to a third party as transaction costs. On April 5, 2016, the Company issued 84,000 common shares common shares at a fair value of $0.25 per share for a consideration of $21,000 and on June 20, 2016 the Company issued 50,400 common shares common shares at a fair value of $0.175 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 (500,000 common shares for each prospector). In addition, the Company will issue 100,000 common shares common shares for each $1,000,000 in exploration and evaluation expenditures incurred by Genius, subject to a maximum of 500,000 common shares. An additional 500,000 common shares will be issued if the Company completes a Feasibility Study. Nova Scotia properties consisted of the following properties: Blockhouse Gold (26 claims), Kemptville NS (10 claims), Chocolate Lake NS (6 claims), Dares Lake NS (6 claims) and Gold River NS (1 claim). 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 at a fair value of $0.175 per share for a consideration of $175,000 and consequently the Company fulfilled its obligations.

On August 10, 2017, the Company acquired the Meaghers Property (243 claims) by staking claims.

(in Canadian dollars)

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

### 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, 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 instead of 600,000 common shares. The Company has issued 800,000 common shares to 21 Alpha Resources Inc. at a fair value of $0.20 per share for a consideration of $160,000.

### Sakami Property (Gold):

On April 5, 2017, the Company has entered into an option agreement 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 acquired 100% interest by issuing the 6,000,000 common shares at a fair value of $0.20 per share for a consideration of $,1,200,000. 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. As at December 31, 2017, the Company holds 157 claims.

### Robelin Property (Polymetallic):

On April 5, 2017, the Company has entered into an option agreement with 4 prospectors (one prospector is a former officer (CFO) and another prospector is a new officer (CEO)) 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 acquired 100% interest by issuing the 6,500,000 common shares at a fair value of $0.20 per share for a consideration of $,1,300,000 ($140,000 for a former officer (CFO) and $500,000 for a new officer (CEO)). The Robelin Property is located 85 km East South East from the town of Kuujjuaq. 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 (Silver):

On June 12, 2017, the Company has entered into a proposed acquisition agreement completed on November 9, 2017 as a merger agreement with Cerro De Pasco Resources S.A.to acquire a 100% interest in Quiulacocha Tailings & Excelsior Stockpile Property, located in Peru. The details of the merger agreement are explained in note 10.

## 18. General and administrative expenses by nature:

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

| | December 31 2017 | December 31 2016 |
|---|---|---|
| | $ | $ |
| **Selling and administrative expenses:** | | |
| Salaries and employee benefit expense | 52,055 | - |
| Management and consulting fees | 280,695 | 312,325 |
| Professional fees | 203,094 | 80,367 |
| Business development | 136,825 | 29,600 |
| Rent and office expenses | 50,231 | 28,943 |
| Registration, listing fees and shareholders information | 49,165 | 45,271 |
| Share-based payments | - | 38,430 |
| Part XII.6 tax and other non-compliance penalty | 27,487 | 91,586 |
| Depreciation of property and equipment | 504 | 11,397 |
| Other | 5,000 | 810 |
| | 805,056 | 638,729 |

(in Canadian dollars)

**19. Finance expenses:**

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

| | December 31 2017 | December 31 2016 |
|---|---|---|
| | $ | $ |
| Fines, penalties, bank charges & other interest | 3,338 | 614 |
| Interest on bank loan | - | 11,955 |
| Penalty on contract termination | (8,400) | - |
| Finance expense | (5,062) | 12,569 |

**20. Income taxes:**

**(a) Relationship between expected tax expense and accounting profit or loss:**

The effective income tax rate of the Company differs from the combined federal and provincial income tax rate in Canada. This difference results from the following items:

| | December 31 2017 | December 31 2016 |
|---|---|---|
| | $ | $ |
| Loss before income taxes | (3,814,600) | (1,111,411) |
| Expected tax expense calculated using the combined federal and provincial income tax rate in Canada | 26.80% | 26.90% |
| Expected income tax recovery | (1,022,313) | (298,970) |
| Changes in unrecorded temporary differences | 451,533 | 225,322 |
| Tax effect on flow-through shares | 65,482 | 2,609 |
| Reversal of other liability related to flow-through shares | (95,370) | (53,820) |
| Difference between deferred and statutory tax rates | 5,986 | - |
| Change in deferred income tax rate | 26,709 | - |
| Non-taxable gain on sale of investment | (1,694) | (7,636) |
| Exchange loss on consolidation | - | (6,509) |
| Difference on forcing tax rate of subsidiaries | 80 | 4,272 |
| Non-deductible share-based payments | - | 10,338 |
| Other non-deductible expenses | 474,217 | 70,574 |
| **Deferred income tax expense (recovery)** | (95,370) | (53,820) |

**(b) Composition of deferred income taxes expense (recovery) in the statement of comprehensive loss:**

| | December 31 2017 | December 31 2016 |
|---|---|---|
| | $ | $ |
| Inception and reversal of temporary differences | (549,710) | (227,931) |
| Issuance of flow-through shares | 65,482 | 2,609 |
| Changes in unrecorded temporary differences | 451,533 | 225,322 |
| Difference between deferred and statutory tax rates | 5,986 | - |
| Change in deferred income tax rate | 26,709 | - |
| Reversal of other liability related to flow-through shares | (95,370) | (53,820) |
| **Deferred income tax expense (recovery)** | (95,370) | (53,820) |

(in Canadian dollars)

**20. Income taxes (continued):**

**(c) Movement in recognized deferred tax assets and liabilities during the year:**

| | December 31 2016 | Recognized in profit or loss | Recognized in equity | December 31 2017 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Exploration and evaluation assets | - | - | - | - |
| Marketable securities | - | - | - | - |
| Non-capital losses | - | - | - | - |
| | - | - | - | - |
| Recovery of liabilities related to flow-through shares | - | 95,370 | - | - |
| | - | 95,370 | - | - |

| | December 31 2015 | Recognized in profit or loss | Recognized in equity | December 31 2016 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Exploration and evaluation assets | - | - | - | - |
| Marketable securities | - | - | - | - |
| Non-capital losses | - | - | - | - |
| | - | - | - | - |
| Recovery of liabilities related to flow-through shares | - | 53,820 | - | - |
| | - | 53,820 | - | - |

**(d) Unrecognized deductible temporary differences:**

Unrecognized deductible differences for which the Company has not recognized a deferred tax asset are presented in the following tables. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize benefits therefrom.

| | | | December 31 2017 | | | December 31 2016 |
|---|---|---|---|---|---|---|
| | Federal | Québec | USA | Federal | Québec | USA |
| | | | | | $ | $ |
| Exploration and evaluation assets | 1,974,877 | 1,974,877 | - | 1,038,442 | 1,038,442 | - |
| Property and equipment | 8,113 | 8,113 | 1,692 | 6,264 | 6,264 | 1,692 |
| Marketable securities | - | - | - | - | - | - |
| Share issuance costs | 110,093 | 110,093 | - | 110,585 | 110,585 | - |
| Intangibles assets | 187,500 | 187,500 | 158,343 | 187,500 | 187,500 | 158,343 |
| Accrued liabilities | 177,261 | 177,261 | - | 123,675 | 123,675 | - |
| Non-capital losses carryforwards | 5,853,847 | 5,836,463 | 353,326 | 4,976,281 | 4,968,667 | 354,433 |
| | 8,311,691 | 8,294,307 | 513,361 | 6,442,747 | 6,435,133 | 514,468 |

(in Canadian dollars)

**20. Income taxes (continued):**

**(e) Non-capital losses:**

The Company has the following non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recognized in the consolidated statement of financial position, that can be carried over the following years:

| | Federal | Québec | USA |
|---|---|---|---|
| | $ | $ | $ |
| 2026 | 902,954 | 902,954 | - |
| 2027 | 567,970 | 567,970 | - |
| 2028 | 32,972 | 32,972 | - |
| 2029 | 24,984 | 24,984 | - |
| 2030 | 39,931 | 39,931 | - |
| 2031 | 45,934 | 45,934 | - |
| 2032 | 38,111 | 38,111 | - |
| 2033 | 237,274 | 237,274 | - |
| 2034 | 1,179,778 | 1,177,888 | 153,262 |
| 2035 | 1,371,063 | 1,367,896 | 195,810 |
| 2036 | 558,598 | 556,041 | 4,254 |
| 2037 | 854,278 | 844,508 | - |
| | 5,853,847 | 5,836,463 | 353,326 |

**21. Supplemental cash flow information:**

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

| | December 31 2017 | December 31 2016 |
|---|---|---|
| | $ | $ |
| Non-cash financing activities: | | |
| Share capital issued in settlement of trade accounts payables | - | 151,200 |
| Shares issued as consulting fees | - | 81,440 |
| Share issuance costs in trade accounts payable and accrued liabilities | 11,597 | 13,141 |
| Shares issued as prepaid expenses | - | 19,560 |
| Broker warrants issued as a finder's fee | 767 | 12,656 |
| Non-cash investing activities: | | |
| Property and equipment in trade accounts payable and accrued liabilities | 8,871 | - |
| Marketable securities received in consideration of disposal of mining rights | - | 50,000 |
| Shares cancelled on acquisition of assets | - | 900,000 |
| Shares issued as exploration and evaluation expenditures | 2,660,000 | 630,820 |

**22. 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:

| | December 31 2017 | December 31 2016 |
|---|---|---|
| | $ | $ |
| Consulting fees | 178,778 | 193,350 |
| Director's fees | 30,748 | - |
| Professional fees | - | 6,267 |
| Share-based compensation | - | 32,940 |
| | 209,526 | 232,557 |

(in Canadian dollars)

**22. Related party transactions (continued):**

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

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

For the year ended December 31, 2017, legal fees, transaction costs and share issuance costs for a total amount of $42,716 were charged by a company in which a former director is a partner ($57,471 for the year ended December 31, 2016). There were no trade accounts and other payables due to this related party as at December 31, 2017 ($35,407 as at December 31, 2016).

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.

**23. 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:

| | | December 31 2017 | | December 31 2016 |
|---|---|---|---|---|
| | **Carrying amount** $ | **Fair value** $ | **Carrying amount** $ | **Fair value** $ |
| **Financial assets** | | | | |
| Loans and receivables | | | | |
| Cash and cash equivalents | 304,536 | 304,536 | 196,919 | 196,919 |
| Other receivables (excluding sales tax receivable) | 45,573 | 45,573 | 19,257 | 19,257 |
| Loan to a non-related company | 649,000 | 649,000 | - | - |
| | 999,109 | 999,109 | 216,176 | 216,176 |
| **Financial assets** | | | | |
| Available-for-sale investments | | | | |
| Marketable securities | - | - | 56,875 | 56,875 |
| | - | - | 56,875 | 56,875 |
| **Financial liabilities** | | | | |
| Financial liabilities measured at amortized cost | | | | |
| Trade accounts payable and accrued liabilities | 480,641 | 480,641 | 430,642 | 430,642 |
| | 480,641 | 480,641 | 430,642 | 430,642 |

The fair value of cash and cash equivalents, other receivables, loan to a non-related company, trade accounts and accrued liabilities is comparable to its carrying amount given the short period to maturity, i.e. the time value of money is not significant.

The fair value of the marketable securities was calculated using the closing price for December 31, 2017 and December 31, 2016.

(in Canadian dollars)

**23. Financial assets and liabilities (continued):**

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 2016.

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

**24. 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 15 and 21, 2017, the Company completed a flow-through private placement of $212,500. As at December 31, 2017, the Company has the obligation to incur $212,500 in exploration expenditures no later than December 31, 2018 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.

| | December 31 2017 | December 31 2016 |
|---|---|---|
| | $ | $ |
| Obligation under capital lease | 6,952 | - |
| Equity | 352,661 | (344,251) |
| | 359,613 | (344,251) |

(in Canadian dollars)

**25. 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 December 31, 2017 and 2016, price risk is 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 other receivables and cash and cash equivalents is considered negligible, since the counterparty which holds the cash and cash equivalents is a reputable bank with excellent external credit rating and the amount of other receivables is guaranteed.

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.

During the year ended December 31, 2017, the Company has financed its acquisitions of mining rights, exploration expenditures and working capital needs through private financings consisting of issuance of shares and through long-term debt consisting of an obligation under capital lease (issuance of shares in 2016). Management estimates that the cash and cash equivalents as at December 31, 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:

| | | | | **December 31 2017** |
|---|---|---|---|---|
| | **Less than 1 year** | **1-5 years** | **More than 5 years** | **Total** |
| | $ | $ | $ | $ |
| Trade accounts payable and accrued liabilities | 480,641 | - | - | 480,641 |

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

**25. Financial instrument risks (continued):**

**(d) Interest rate risk:**

As at December 31, 2017 and 2016, the Company is not exposed to changes in market interest since all financial instruments are at fixed interest rates.

**(e) Foreign currency risk:**

As at December 31, 2017 and 2016, the Company is exposed to currency risk through fluctuations in the foreign exchange rate with respect to the following financial asset:

| | December 31 2017 | December 31 2016 |
|---|---|---|
| | $ | $ |
| **Financial instruments denominated in USD** | | |
| Loan to a non-related company | 500,000 | - |
| **Net exposure** | 500,000 | - |

Based on the above net exposure as at December 31, 2017 and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against USD would result in a change of $50,000 ($0 in 2016) in the Company's comprehensive loss and changes in equity.

**26. Lease:**

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 $2,500.

The minimum annual lease payments are as follows:

| | |
|---|---|
| | $ |
| 2018 | 30,000 |
| 2019 | 30,000 |
| 2020 | 20,000 |

The Company's operating lease agreement do not contain any contingent rent clauses. None of the operating lease agreement contain renewal or purchase options on escalation clauses or any restrictions regarding dividends, further leasing or additional debt. No sublease payments or contingent rent payment were made or received. No sublease income is expected as all assets held under lease agreements are used exclusively by the Company.

During the year ended December 31, 2017, an amount of $2,575 has been recognized in the statement of comprehensive loss ($Nil in 2016).

**27. Subsequent events:**

On March 8, 2018 the Company amended its option agreement with Mt Cameron Minerals Incorporated. The Company has to incur exploration expenditures as follows: $500,000 on or before December 31, 2018 and $500,000 on or before December 31, 2019 instead of $500,000 on or before December 31, 2017 and $500,000 on or before December 31, 2018.

In consideration for the postponement of the deadlines of one year to incur the exploration expenditures, the Company issued a total of 200,000 common shares on April 11, 2018 to shareholders of Mt Cameron Minerals Inc., at a deemed value of $0.15 per common share. These common shares are subject to a hold period under applicable securities laws, which will expire four months and one day from the date of their issuance.

On April 6, 2018, the Company concluded a private placement by issuing 10,373,334 units at a price of $0.15 per unit for gross proceeds of $1,556,000. Each unit consists of one common share and one-half of a warrant for a total of 10,373,334 common shares and 5,186,667 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 and until April 6, 2019.

# GENIUS PROPERTIES LTD.

## Consolidated Financial Statements

**Years ended**
**December 31, 2016 and 2015**

# GENIUS PROPERTIES LTD.
## Consolidated Financial Statements
Years ended December 31, 2016 and 2015

Raymond Chabot Grant Thornton

# Independent Auditor's Report

**Raymond Chabot Grant Thornton LLP**
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600 De La Gauchetière Street West
Montréal, Quebec H3B 4L8

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To the Shareholders of
Genius Properties Ltd.

We have audited the accompanying consolidated financial statements of Genius Properties Ltd., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Genius Properties Ltd. as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

**Emphasis of matter**

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements, which indicates the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Raymond Chabot Grant Thornton LLP[1]

Montréal
April 28, 2017

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[1] CPA auditor, CA public accountancy permit no. A115879

# GENIUS PROPERTIES LTD.

## Consolidated Statements of Financial Position

As at December 31, 2016 and 2015

(in Canadian dollars)

| | Note | December 31 2016 | December 31 2015 |
|---|---|---|---|
| | | $ | $ |
| **Assets** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | 8 | 196,919 | 210,301 |
| Other receivables | 9 | 73,826 | 128,887 |
| Prepaid expenses | | 36,441 | 11,830 |
| **Total current assets** | | 307,186 | 351,018 |
| **Non-current assets:** | | | |
| Marketable securities | 10 | 56,875 | 22,500 |
| Property and equipment | 11 | - | 222,699 |
| **Total non-current assets** | | 56,875 | 245,199 |
| **Total assets** | | 364,061 | 596,217 |
| **Liabilities and Equity** | | | |
| **Current liabilities:** | | | |
| Trade accounts payable and other liabilities | 13 | 612,942 | 862,707 |
| Other liability related to flow-through financings | 15 | 95,370 | 53,820 |
| Loan payable to a director, without interest | | - | 55,000 |
| Bank loan | 14 | - | 202,500 |
| **Total liabilities** | | 708,312 | 1,174,027 |
| **Equity:** | | | |
| Share capital | 15 | 9,439,143 | 9,152,333 |
| Shares to be issued (cancelled) | 15 | - | (875,000) |
| Warrants | 15 | 239,239 | 167,570 |
| Share options | 16 | 163,319 | 159,838 |
| Contributed surplus | | 3,952,840 | 3,898,650 |
| Deficit | | (13,983,687) | (12,908,046) |
| **Total equity attributable to owners of the parent company** | | (189,146) | (404,655) |
| Non-controlling interest | | (155,105) | (173,155) |
| **Total equity** | | (344,251) | (577,810) |
| **Total liabilities and equity** | | 364,061 | 596,217 |

Going concern, see Note 2.

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

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

| (S) Guy Goulet | (S) Jimmy Gravel |
|---|---|
| Director | Director |

## GENIUS PROPERTIES LTD.
### Consolidated Statements of Comprehensive Loss
Years ended December 31, 2016 and 2015
(in Canadian dollars)

| | Note | December 31 2016 | December 31 2015 |
|---|---|---|---|
| | | $ | $ |
| **Expenses:** | | | |
| Exploration and evaluation expenditures | 17 | 799,868 | 282,701 |
| General and administrative expenses | 18 | 638,729 | 1,132,394 |
| Gain on disposal of property and equipment | | (25,318) | - |
| Write-off of property and equipment | | 6,620 | - |
| Gain on disposal of mining properties | 17 | (56,250) | (30,000) |
| Loss on cancellation on acquisition of assets | 4 | - | 2,400,000 |
| **Operating loss before other expenses (revenues), income tax and loss from discontinued operations** | | 1,363,649 | 3,785,095 |
| **Other expenses (revenues):** | | | |
| Net change in fair value of marketable securities | | (56,770) | 20,381 |
| Finance expense | 19 | 12,569 | 25,711 |
| Exchange loss (gain) | | 40 | (190) |
| Gain on settlement of accounts payable | 15 | (107,901) | (56,208) |
| | | (152,062) | (10,306) |
| **Income tax:** | | | |
| Tax income | 20 | (53,820) | (122,962) |
| | | (53,820) | (122,962) |
| Net loss from continuing operations | 5 | 1,157,767 | 3,651,827 |
| Net loss (earnings) from discontinued operations | | (100,176) | 1,104,182 |
| **Net loss and comprehensive loss** | | 1,057,591 | 4,756,009 |
| **Net loss from continuing operations attributable to:** | | | |
| Shareholders of Genius Properties Ltd. | | 1,157,767 | 3,651,827 |
| Non-controlling interests | | - | - |
| | | 1,157,767 | 3,651,827 |
| **Net loss (earnings) from discontinued operations attributable to:** | | | |
| Shareholders of Genius Properties Ltd. | | (82,126) | 997,467 |
| Non-controlling interests | | (18,050) | 106,715 |
| | | (100,176) | 1,104,182 |
| **Weighted average number of common shares outstanding** | | 72,778,186 | 51,116,436 |
| **Basic and diluted loss (earnings) per share:** | | | |
| Basic and diluted loss per share from continuing operations | | 0.02 | 0.07 |
| Basic and diluted loss (earnings) per share from discontinued operations | | - | 0.02 |
| **Basic and diluted loss per share:** | | 0.02 | 0.09 |

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

## GENIUS PROPERTIES LTD.

### Consolidated Statements of Changes in Equity

Years ended December 31, 2016 and 2015

(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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Balance as at December 31 2015** | | 85,485,410 | 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: | | | | | | | | | | | |
| Cancellation on acquisition of assets | 4 | (30,000,000) | (900,000) | 900,000 | | | | | - | - | - |
| Private placements | 15 | 4,440,000 | 143,746 | | 78,254 | | | | 222,000 | - | 222,000 |
| Flow-through private placement | 15 | 6,358,000 | 222,530 | | | | | | 222,530 | - | 222,530 |
| As prepaid expenses | 15 | 1,600,000 | 19,560 | | | | | | 19,560 | - | 19,560 |
| As a settlement of accounts payables | 15 | 4,320,000 | 151,200 | | | | | | 151,200 | - | 151,200 |
| As payment of exploration and evaluation expenditures | 15 | 15,272,000 | 630,820 | | | | | | 630,820 | - | 630,820 |
| As payment of consulting fees | 15 | 920,000 | 106,440 | (25,000) | | | | | 81,440 | - | 81,440 |
| Share issuance costs | | | (87,486) | | 12,656 | | | | (74,830) | - | (74,830) |
| Share options cancelled | | | | | | (34,949) | 34,949 | | - | - | - |
| Warrants expired | | | | | (19,241) | | 19,241 | | - | - | - |
| Share-based compensation | 16 | | | | | 38,430 | | | 38,430 | - | 38,430 |
| Transactions with owners | | 2,910,000 | 286,810 | 875,000 | 71,669 | 3,481 | 54,190 | - | 1,291,150 | - | 1,291,150 |
| Net earnings (loss) and comprehensive loss for the year | | | | | | | | (1,075,641) | (1,075,641) | 18,050 | (1,057,591) |
| **Balance as at December 31 2016** | | 88,395,410 | 9,439,143 | - | 239,239 | 163,319 | 3,952,840 | (13,983,687) | (189,146) | (155,105) | (344,251) |
| | | | - | | | | | | | | |
| **Balance as at December 31 2014** | | 31,910,135 | 4,911,496 | 26,000 | 204,134 | 122,468 | 3,706,687 | (8,258,752) | 712,033 | (66,440) | 645,593 |
| Shares issued: | | | | | | | | | | | |
| Acquisition of assets | 4 | 30,000,000 | 3,300,000 | | | | | | 3,300,000 | - | 3,300,000 |
| Cancellation on acquisition of assets | 4 | | | (900,000) | | | | | (900,000) | - | (900,000) |
| Private placements | 15 | 13,590,163 | 393,402 | | 104,560 | | | | 497,962 | - | 497,962 |
| Flow-through private placement | 15 | 2,691,900 | 80,775 | | 2,493 | | | | 83,268 | - | 83,268 |
| Finder's fee | 15 | 1,400,000 | 154,000 | | | | | | 154,000 | - | 154,000 |
| As a settlement of accounts payables | 15 | 3,693,212 | 147,729 | | | | | | 147,729 | - | 147,729 |
| As payment of exploration and evaluation expenditures | 15 | 2,000,000 | 160,000 | | 40,000 | | | | 200,000 | - | 200,000 |
| As penalty for contract cancellation | 15 | 200,000 | 26,000 | (26,000) | | | | | - | - | - |
| As payment of consulting fees | 15 | - | | 25,000 | | | | | 25,000 | - | 25,000 |
| Share issuance costs | | | (21,069) | | 1,276 | | | | (19,793) | - | (19,793) |
| Share options cancelled | | | | | | (7,070) | 7,070 | | | | - |
| Warrants expired | | | | | (184,893) | | 184,893 | | - | - | - |
| Share-based compensation | 16 | | | | | 44,440 | | | 44,440 | - | 44,440 |
| Transactions with owners | | 53,575,275 | 4,240,837 | (901,000) | (36,564) | 37,370 | 191,963 | - | 3,532,606 | - | 3,532,606 |
| Net loss and comprehensive loss for the year | | | | | | | | (4,649,294) | (4,649,294) | (106,715) | (4,756,009) |
| **Balance as at December 31 2015** | | 85,485,410 | 9,152,333 | (875,000) | 167,570 | 159,838 | 3,898,650 | (12,908,046) | (404,655) | (173,155) | (577,810) |

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

# GENIUS PROPERTIES LTD.
## Consolidated Statements of Cash Flows
Years ended December 31, 2016 and 2015
(in Canadian dollars)

| | Note | December 31 2016 | December 31 2015 |
|---|---|---|---|
| | | $ | $ |
| **Operating activities:** | | | |
| Net loss from continuing operations | | (1,157,767) | (3,651,827) |
| Adjustments for: | | | |
| Tax income | | (53,820) | (122,962) |
| Consulting fees paid through issuance of shares | | 81,440 | 25,000 |
| Finder's fee paid through issuance of shares | | - | 154,000 |
| Exploration and evaluation expenses paid through issuance of shares (units in 2015) | | 630,820 | 200,000 |
| Write-off of receivables | | 809 | - |
| Write-off of property and equipment | | 6,620 | - |
| Depreciation of property and equipment | 11 | 11,397 | 13,822 |
| Gain on disposal of property and equipment | | (25,318) | - |
| Gain on disposal of mining properties | | (50,000) | (30,000) |
| Change in fair value of marketable securities | | (56,770) | 20,381 |
| Gain on settlement of accounts payable | | (107,901) | (56,208) |
| Loss on cancellation on acquisition of assets | | - | 2,400,000 |
| Share-based compensation | | 38,430 | 44,440 |
| Operating activities before changes in working capital items | | (682,060) | (1,003,354) |
| Change in other receivables | | 39,477 | (13,647) |
| Change in prepaid expenses | | (5,051) | 66,885 |
| Change in trade accounts payable and accrued liabilities | | 97,146 | 404,499 |
| Change in working capital items | | 131,572 | 457,737 |
| Net cash used for operating activities of continuing operations | | (550,488) | (545,617) |
| Net cash used for operating activities of discontinued operations | 5 | - | (85,766) |
| **Cash flows used for operating activities** | | (550,488) | (631,383) |
| **Financing activities:** | | | |
| Proceeds from private placements | 15 | 231,000 | 500,455 |
| Proceeds from flow-through placement | 15 | 317,900 | 134,595 |
| Loan payable to a director | | - | 55,000 |
| Repayment of loan payable to a director | | (50,000) | - |
| Bank loan repayments | 14 | (202,500) | (22,500) |
| Share issuance costs | 15 | (61,689) | (19,793) |
| Net cash from investing activities of continuing operations | | 234,711 | 647,757 |
| Net cash from investing activities of discontinued operations | | - | - |
| **Cash flows from financing activities** | | 234,711 | 647,757 |
| **Investing activities:** | | | |
| Acquisition of property and equipment | 11 | - | (4,575) |
| Proceeds from disposal of marketable securities | 10 | 72,395 | - |
| Proceeds from disposal of property and equipment | 11 | 230,000 | - |
| Net cash from (used for) investing activities of continuing operations | | 302,395 | (4,575) |
| Net cash used for investing activities of discontinued operations | 5 | - | (124,353) |
| **Cash flows from (used for) investing activities** | | 302,395 | (128,928) |
| **Net change in cash and cash equivalents** | | (13,382) | (112,554) |
| **Cash and cash equivalents, beginning of year** | | 210,301 | 322,855 |
| **Cash and cash equivalents, end of year** | | 196,919 | 210,301 |
| Interest paid | | (11,955) | (17,311) |

Additional disclosures of cash flows information (Note 21).
The accompanying notes are an integral part of these consolidated financial statements.

## 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 1000 Sherbrooke Street West, suite 2700, Montréal, Québec, Canada H3A 3G4 and its web site is 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 year ended December 31, 2016, the Company recorded a net loss of $1,057,591 ($4,756,009 in 2015) and has an accumulated deficit of $13,983,687 as at December 31, 2016 ($12,908,046 as at December 31, 2015). 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 recovery of the cost of exploration and evaluation assets as well as other tangible and intangible assets, 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 these assets. As at December 31, 2016, the Company had a negative working capital of ($401,126) (($823,009) as at December 31, 2015) consisting of cash and cash equivalents of $196,919 ($210,301 as at December 31, 2015). 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. During the year ended December 31, 2016, the Company has raised $548,900 from private placements to fund exploration works and working capital. 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 annual consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"). The accounting policies applied in these consolidated financial statements are based on IFRS issued and in effect as at year end. On April 28, 2017 the Board of Directors approved, for issuance, these consolidated financial statements.

### 3.2 Basis of measurement:

The 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.

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.

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

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

| 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 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 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.

**(a) Significant management judgment:**

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effects on the financial statements.

*Going concern*

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meets its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

*Recognition of deferred income tax assets and measurement of income tax expense*

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period (see Note 6).

**(b) Estimation uncertainty:**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities and expenses is provided below. Actual results may be substantially different.

*Impairment test of property and equipment*

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment, losses are a subjective process involving judgment and a number of estimates and interpretations in many cases. When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined.

(in Canadian dollars)

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

**3.5 Use of estimates and judgements (continued):**

**(b) Estimation uncertainty (continued):**

*Share-based compensation*

The estimation of share-based compensation costs requires the selection of an appropriate valuation model and data and consideration as to the volatility of the Company's own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model (see Note 16).

*Provision and contingent liabilities*

Judgments are made as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realized. Several of these factors are source of estimation uncertainty.

**4. Assets acquisition:**

**4.1 Reiva:**

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

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

On October 27, 2015, the parties agreed to cancel the agreement signed on May 26, 2015 and return to Treasury the 30,000,000 common shares issued previously. These common shares were returned to Treasury in 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 30,000,000 common shares 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 anounced that it would discontinued the distribution of consumable products under its subsidiary Zencig and the development of a geo-localisation sofware under its subsidiary Zippler to concentrate its effort on the acquisition and exploration of mineral properties.

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

The following table shows the net loss (earnings) from discontinued operations:

| | Genius | Zencig | Zippler | December 31 2016 Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Expenses** | | | | |
| General and administrative expenses | - | 4,254 | - | 4,254 |
| Gain on settlement of accounts payable | - | (45,277) | (39,388) | (84,665) |
| **Operating loss before other revenues** | - | (41,023) | (39,388) | (80,411) |
| **Other revenues** | | | | |
| Exchange gain | - | (19,143) | (622) | (19,765) |
| | - | (19,143) | (622) | (19,765) |
| **Net earnings and comprehensive income** | - | (60,166) | (40,010) | (100,176) |

(in Canadian dollars)

**5. Discontinued operations (continued):**

| | Genius | Zencig | Zippler | December 31 2015 Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Expenses** | | | | |
| General and administrative expenses | - | 198,743 | 53,350 | 252,093 |
| Write-off of inventories | 287,991 | - | - | 287,991 |
| Write-off of intangibles | 190,000 | 158,343 | 211,779 | 560,122 |
| **Operating loss before other expenses (revenues)** | 477,991 | 357,086 | 265,129 | 1,100,206 |
| **Other expenses (revenues)** | | | | |
| Financial expenses | - | 409 | 319 | 728 |
| Exchange loss (gain) | - | (1,780) | 5,028 | 3,248 |
| | - | (1,371) | 5,347 | 3,976 |
| **Net loss and comprehensive loss** | 477,991 | 355,715 | 270,476 | 1,104,182 |

**6. Significant accounting policies:**

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and in preparing the statements of financial position, unless otherwise indicated.

**6.1 Non-controlling interests:**

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

**6.2 Foreign currency transactions and balances:**

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

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

**6.3 Segment disclosure:**

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

The Company has only one operating segment which consist in the mining activities. All non-current assets are in Canada.

**6.4 Financial instruments:**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

### 6. Significant accounting policies (continued):

#### 6.4 Financial instruments (continued):

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

Financial assets and financial liabilities are measured subsequently as described below.

**(a) Financial assets:**

For the purpose of subsequent measurement, financial assets are classified as loans and receivables and available-for-sale assets upon initial recognition.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance expenses or financial income, if applicable.

- *Loans and receivables*

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Discounting is omitted if its effect is not significant.

  Loans and receivables comprise cash and cash equivalents and other receivables (excluding sales tax receivable).

- *Financial assets at fair value through profit or loss:*

  A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. Derivatives are also included in this category unless they are designated as hedges.

  Warrants within marketable securities are classified as financial assets at fair value through profit or loss. They are initially recognized at fair value. Transaction costs are expensed in the consolidated statements of comprehensive loss.

  Gains and losses arising from changes in fair value are presented in the consolidated statements of comprehensive loss in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the consolidated statement of financial position date, which is classified as non-current.

- *Available-for-sale financial assets*

  Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories.

  Shares of publicly traded companies within marketable securities are classified as available-for-sale financial assets. They are initially recognized at fair value plus any directly attributable transaction costs.

  Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized in other comprehensive loss and presented within equity in accumulated other comprehensive loss. When an investment is derecognized, the cumulative gain or loss in other comprehensive loss is transferred to profit or loss. Impairment loss is recognized in the statement of loss.

  Investments in publicly traded companies are recorded at fair value based on quoted closing prices at the statement of financial position date. Unrealized gains and losses are recorded in other comprehensive loss.

**6. Significant accounting policies (continued):**

**6.4 Financial instruments (continued):**

**(b) Financial liabilities:**

Financial liabilities are measured initially at fair value plus transactions costs.

The Company's financial liabilities include trade accounts payable and accrued liabilities (except Part XII.6 tax), bank loan and loan payable to a director.

Financial liabilities are measured subsequently at amortized cost using the effective interest method. All interest related charges are reported within finance expenses, if applicable.

**6.5 Impairment of financial assets:**

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is an objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- a breach of contract such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

If such evidence exists, the Company recognizes an impairment loss, as follows:

- *Financial assets carried at amortized cost:*

The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument’s original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

- *Available for sale financial assets:*

The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the consolidated statement of comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive loss that is reclassified to net loss. Impairment losses on available for sale assets are not reversed.

**6.6 Basic and diluted loss per share:**

Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to common shareholders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares which include options and warrants. Dilutive potential common shares are deemed to have been converted into common shares at the average market price at the beginning of the period or, if later, at the date of issue of the potential common shares. The diluted loss per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding warrants and share options.

**6.7 Cash and cash equivalents:**

Cash and cash equivalent consist of cash, cash in trust and demand deposits, as well as other highly-liquid short-term investments, easily convertible in a known amount of cash and subject to negligible risk of value impairment.

**6. Significant accounting policies (continued):**

**6.8 Inventories:**

Inventories are composed of consumable products which are valued at the lower of cost and net realizable value.The cost is determined using the average cost method. The cost of inventories include the acquisition cost and other costs incurred to bring the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

**6.9 Property and equipment:**

Property and equipment are held at cost less accumulated depreciation and accumulated impairment losses.

Cost includes all costs incurred initially to acquire or construct an item of property and equipment, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs incurred subsequently to add to or replace part thereof.

Recognition of costs in the carrying amount of an item of property and equipment ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

The estimated useful lives are as follows:

| Asset | Period |
|---|---|
| Building | 20 years |
| Machinery and equipment | 5 years |
| Office equipment and furnitures | 5 years |
| Computer equipment | 3 years |

The residual value, depreciation method and useful life of each asset are reviewed at least at each financial year-end.

The carrying amount of an item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognized.

**6.10 Intangible assets:**

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

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

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

**6. Significant accounting policies (continued):**

**6.11 Impairment of non-financial assets:**

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Impairment reviews for non-financial assets are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the asset group to which the asset belongs.

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

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the consolidated statement of comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized.

**6.12 Exploration and evaluation expenditures:**

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

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

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

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

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

- *Disposal of interest in connection with the option agreement:*

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

- *Refundable tax credits and grants for mining exploration and evaluation expenditures:*

  The Company is entitled to a refundable tax credit and grants on qualified mining exploration and evaluation expenditures incurred and on mining duties credits. The credits and grants are accounted for against the exploration and evaluation expenditures incurred based on estimates made by management. The Company records those tax credits and grants when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

**6.13 Provisions, contingent liabilities and contingent assets:**

Provisions are recognized when present legal or constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes, decommissioning, restoration and similar liabilities, or onerous contracts.

**6. Significant accounting policies (continued):**

**6.13 Provisions, contingent liabilities and contingent assets (continued):**

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible, given that the Company's operations are still in the exploration and evaluation stage. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

As at December 31, 2016 and 2015 the Company had no contingent liabilities and therefore no provision was recorded in the annual financial statements.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

**6.14 Income taxes:**

When applicable, tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized directly in equity.

However, since the Company is in the exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprise only of deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax in profit or loss, except where they relate to items that are recognized directly in equity, in which case the related deferred tax is also recognized in equity.

Under the provisions of tax legislation relating to flow-through shares, the Company is required to renounce its right to tax deductions for expenses related to exploration activities to the benefit of the investors. When the Company has renounced to its tax deductions and has incurred its admissible expenditures, the sale of tax deductions is recognized in profit or loss as a reduction to deferred tax expense.

**6. Significant accounting policies (continued):**

**6.15 Leases:**

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

**6.16 Equity:**

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs.

If shares are issued following the exercise of share options, or warrants, this account also includes the charge previously accounted to the warrants and share options accounts. Furthermore, if shares are issued following the acquisition of mining property or other non-financial assets, shares are valued at fair value of mining property on the day the agreement was concluded.

**6.17 Unit placements:**

The funds from unit placement are allocated between shares and warrants using the relative fair value method. The fair value of the common shares is recognized in equity based on the share price at the date of issue. The fair value of the warrants is determined using the Black-Scholes valuation model and is recorded separately under "warrants".

**6.18 Flow-through placements:**

Issuance of flow-through shares represents in substance an issue of ordinary shares and the sale of the right to tax deductions to the investors. When the flow-through shares are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the statement of financial position. The proceeds received from flow-through placements are allocated between share capital and other liabilities using the residual method. Proceeds are first allocated to shares according to the quoted price of shares at the time of issuance and the residual proceeds, if any, are allocated to other liabilities. The liability component recorded initially on the issuance of shares is reversed on renouncement of the right to tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income tax expense.

The proceeds received from flow-through units are allocated between share capital, warrants and the liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and the residual proceeds are allocated to warrants and to the liability, allocating a first amount to warrant measured at fair value using Black-Scholes model.

**6.19 Other elements of equity:**

Warrants and share options accounts include unrealized charges related to share options and warrants until they are exercised, if applicable. Contributed surplus includes compensation expense related to share options and warrants not exercised.

Deficit includes all current and prior year retained losses.

**6.20 Equity-settled share-based compensation:**

The Company has an equity-settled share-based compensation plan for its eligible directors, employees and consultants. The Company's plan is not cash-settled.

All goods and services received in exchange for the grant of any share-based compensations are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, it must measure their value indirectly by reference to the fair value of the equity instruments granted.

For transactions with employees and with parties providing similar services, the Company evaluates the fair value of services received by reference to the fair value of equity instruments granted.

All equity-settled share-based compensation (except warrants to brokers) are ultimately recognized as an expense in the profit or loss with a corresponding credit to the Share options account. Equity-settled share-based compensation to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to warrants, in equity.

(in Canadian dollars)

**6. Significant accounting policies (continued):**

**6.20 Equity-settled share-based compensation (continued):**

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

**6.21 New standards and interpretations that have not yet been adopted:**

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board (IASB) but are not yet effective, and have not been adopted early by 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 rigths held by NCI | Total Comprehensive Loss allocated to NCI | Accumulated NCI |
|---|---|---|---|
| Zencig | 30% | (18,050) | (155,105) |

No dividends were paid to the NCI during the years ended December 31, 2016 and 2015.

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

| | **December 31 2016** | **December 31 2015** |
|---|---|---|
| | **$** | **$** |
| Current assets | 107 | 107 |
| Non-current assets | - | - |
| Total assets | 107 | 107 |
| Current liabilities | 96,676 | 156,842 |
| Non-current liabilities | 420,447 | 420,447 |
| Total liabilities | 517,123 | 577,289 |
| Equity attributable to shareholders of the parent | (361,911) | (404,134) |
| Non-controlling interests | (155,105) | (173,155) |

(in Canadian dollars)

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

| | December 31 2016 | December 31 2015 |
|---|---|---|
| | $ | $ |
| Net loss (income) and comprehensive loss (income) attributable to shareholders of the parent | (42,116) | 249,000 |
| Net loss (income) and comprehensive loss (income) attributable to NCI | (18,050) | 106,715 |
| Net loss and total comprehensive loss | (60,166) | 355,715 |

| | December 31 2016 | December 31 2015 |
|---|---|---|
| | $ | $ |
| Net cash used in operating activities | - | (69,356) |
| Net cash used in investing activities | - | - |
| Net cash from financing activities | - | 68,652 |
| Net cash inflow (outflow) | - | (704) |

**8. Cash and cash equivalents:**

| | December 31 2016 | December 31 2015 |
|---|---|---|
| | $ | $ |
| Cash | 69,951 | 210,301 |
| Cash in trust | 126,968 | - |
| | 196,919 | 210,301 |

**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.

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:**

| | December 31 2016 | December 31 2015 |
|---|---|---|
| | $ | $ |
| Sales tax receivable | 54,569 | 117,579 |
| Other | 19,257 | 11,308 |
| | 73,826 | 128,887 |

**10. Marketable securities:**

| | | December 31 2016 | | December 31 2015 |
|---|---|---|---|---|
| **Shares of publicly traded companies** | **Number of shares** | **Amount** | **Number of shares** | **Amount** |
| | | $ | | $ |
| BWR Exploration Inc. | 200,000 | 10,000 | 1,500,000 | 22,500 |
| Majescor Resources Inc. | 625,000 | 46,875 | - | - |
| | 825,000 | 56,875 | 1,500,000 | 22,500 |

(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 Resoucres Inc. ("BWR") as described in Note 18. 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 Cormpany sold 1,300,000 common shares of BWR for proceeds of $72,395.

**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. ("MXJ") as described in Note 18. 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.

**11. Property and equipment:**

| | Building | Machinery and equipment | Office furnitures | Computer equipment | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Cost** | | | | | |
| As at December 31, 2014 | 226,156 | 3,095 | 1,195 | 4,382 | 234,828 |
| Acquisitions | - | 4,575 | - | - | 4,575 |
| Write-down | - | - | - | (1,702) | (1,702) |
| As at December 31, 2015 | 226,156 | 7,670 | 1,195 | 2,680 | 237,701 |
| Acquisitions | - | - | - | - | - |
| Disposition | (226,156) | - | - | - | (226,156) |
| Write-down | - | (7,670) | (1,195) | (2,680) | (11,545) |
| As at December 31, 2016 | - | - | - | - | - |
| **Accumulated depreciation** | | | | | |
| As at December 31, 2014 | 942 | 103 | 60 | 214 | 1,319 |
| Depreciation | 11,308 | 1,382 | 239 | 893 | 13,822 |
| Discontinued operations | - | - | - | 1,563 | 1,563 |
| Write-down | - | - | - | (1,702) | (1,702) |
| As at December 31, 2015 | 12,250 | 1,485 | 299 | 968 | 15,002 |
| Depreciation | 9,224 | 1,249 | 195 | 729 | 11,397 |
| Disposition | (21,474) | - | - | - | (21,474) |
| Write-down | - | (2,734) | (494) | (1,697) | (4,925) |
| As at December 31, 2016 | - | - | - | - | - |
| **Net book value** | | | | | |
| As at December 31, 2015 | 213,906 | 6,185 | 896 | 1,712 | 222,699 |
| As at December 31, 2016 | - | - | - | - | - |

(in Canadian dollars)

### 12. Intangible assets:

| | December 31 2016 | December 31 2015 |
|---|---|---|
| | $ | $ |
| Balance, beginning of year | - | 513,144 |
| Acquisition of assets | - | 3,300,000 |
| Cancellation on acquisition of assets | - | (3,300,000) |
| Other additions (a) | - | 46,978 |
| Write-off of intangibles (Note 5) | - | (560,122) |
| Balance end of year | - | - |

(a) The Company incurred development costs following the acquisition of the technical specifications as described in Note 4.

During the year ended December 31, 2015, as described in Note 5, the Company decided to discontinue the distribution of consumable products and the development of a geo-localisation sofware and therefore wrote-off its intangible assets.

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

| | December 31 2016 | December 31 2015 |
|---|---|---|
| | $ | $ |
| Trade accounts payable and accrued liabilities: | | |
| To a company controlled by a director and former CEO (CEO in 2015) | 64,833 | 207,928 |
| To a company controlled by the CFO | 32,000 | - |
| To a company controlled by a director | 4,857 | - |
| To a director | - | 20,995 |
| To a company in which a director is a partner | 35,407 | 182,619 |
| Other | 293,545 | 347,300 |
| Part XII.6 tax | 182,300 | 93,400 |
| Due to a director, without interest | - | 10,465 |
| | 612,942 | 862,707 |

### 14. Bank loan:

| | December 31 2016 | December 31 2015 |
|---|---|---|
| | $ | $ |
| Loan, prime rate plus 1.4% (4.1% at December 31, 2015 | - | 202,500 |
| | - | 202,500 |

In March 2016, the Company renewed the loan at prime rate plus 5.25% representing a rate of 7.95%.

In October 2016, the Company repaid the total balance due on the loan, following the disposal of the building for proceeds of $230,000.

### 15. 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.

(in Canadian dollars)

**15. Share capital and warrants (continued):**

**(b) Issued and outstanding:**

| | Number | Amount |
|---|---|---|
| | | $ |
| Balance as at December 31, 2014 | 31,910,135 | 4,911,496 |
| Issued for cash: | | |
| Private placements (common shares) | 13,590,163 | 372,333 |
| Private placements (flow-through shares) | 2,691,900 | 80,775 |
| Issued as settlement of accounts payable and payment of expenses | 5,893,212 | 333,729 |
| Issued in consideration of the acquisition of assets | 30,000,000 | 3,300,000 |
| Issued as finder's fees | 1,400,000 | 154,000 |
| Balance as at December 31, 2015 | 85,485,410 | 9,152,333 |

| | Number | Amount |
|---|---|---|
| | | $ |
| Balance as at December 31, 2015 | 85,485,410 | 9,152,333 |
| Cancellation on acquisition assets | (30,000,000) | (900,000) |
| Issued for cash: | | |
| Private placement (common shares) | 4,440,000 | 138,263 |
| Private placements (flow-through shares) | 6,358,000 | 140,527 |
| Issued as settlement of accounts payable and payment of expenses | 20,512,000 | 828,020 |
| Issued as prepaid expenses | 1,600,000 | 80,000 |
| Balance as at December 31, 2016 | 88,395,410 | 9,439,143 |

**2016:**

On January 19, 2016, the Company cancelled 30,000,000 common shares 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 6,420,000 common shares at a fair value of $0,05 per share for a total value of $321,000 as paiement of exploration and evaluation expenditures for the acquisition of Dissimieux Lake property. In addition, the Company issued 920,000 common shares at a fair value of $0,05 per share for a total value of $46,000 as consulting fees. Of these 920,000 common shares, 500,000 common shares to be issued at a fair value of of $0,05 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 1,600,000 common shares at a fair value of $0,05 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 17), the Company issued 5,000,000 common shares at a fair value of $0,035 for a total value of $175,000 as paiement of exploration and evaluation expenditures for the acquisition of properties located in Nova Scotia.

On June 3, 2016, the Company issued 4,320,000 common shares at a fair value of $0,035 fper 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 3,852,000 common shares at a fair value of $0,035 for a total value of $134,820 as paiement of exploration and evaluation expenditures for the acquisition of Dissimieux Lake propertiy.

**15. Share capital and warrants (continued):**

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

**2016 (continued):**

On June 21, 2016, the Company concluded a private placement by issuing 2.900,000 units at a price of $0.05 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 2,900,000 common shares and 2,900,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.10 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 15 (c)).

On November 10, 2016, the Company concluded a private placement by issuing 300,000 units at a price of $0.05 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 300,000 common shares and 300,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.10 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 15 (c)).

On December 9, 2016, the Company concluded a private placement by issuing 1,240,000 units at a price of $0.05 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 1,240,000 common shares and 1,240,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.10 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 15 (c)).

On December 30, 2016, the Company concluded a private placement by issuing 6,358,000 flow-through common shares at a price of $0.05 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 460,640 broker warrants. Each broker warrant entitles its holder to purchase one common share at $0.05 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 11 (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.

**2015 :**

On May 26, 2015, the Company issued 30,000,000 common shares at a price of $0.11 per share for a total consideration of $3,300,000 for the acquisition of all the assets of Reiva as described in Note 4. As part of this transaction, the Company also issued 1,400,000 common shares at a price of $0.11 per share for a total consideration of $154,000 as a finder's fee.

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

On July 17, 2015, the Company concluded a private placement by issuing 1,874,997 common shares at a price of $0.06 per share for net proceeds of $112,500. No share issuance costs were incurred and no commission was paid in connection with this private placement. No warrants were issued under this private placement.

On August 7, 2015, the Company concluded a private placement by issuing 1,216,666 common shares at a price of $0.06 per share for net proceeds of $73,000. No share issuance costs were incurred and no commission was paid in connection with this private placement. No warrants were issued under this private placement.

On August 17, 2015, the Company issued 3,693,212 common shares at a fair value of $0,04 for a total value of $147,729 as part of debt settlement agreements with suppliers. No commission was paid in connection with this transaction. These settlements resulted in a gain of $56,208 on settlement of accounts payable, in the consolidated statement of comprehensive loss.

On October 27, 2015, as described in Note 4, the acquisition of all assets of Reiva was cancelled. As a result, the 30,000,000 common shares issued on May 26, 2015 need to be return to Treasury. These common shares were returned to Treasury on January 19, 2016. As at October 27, 2015, the cancellation of the acquisition have been accounted as shares to be cancelled in the consolidated statement of changes in equity at a price of $0.03 per share.

(in Canadian dollars)

**15. Share capital and warrants (continued):**

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

**2015 (continued):**

On December 7, 2015, the Company concluded a private placement by issuing 10,000,000 units at a price of $0.03 per unit for net proceeds of $300,000. No share issuance costs and no commission was paid in connection with this private placement. Each unit consists of one common share and one warrant. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.05 until June 7, 2017. These warrants have been recorded at a value of $104,560 based on the Black-Scholes option pricing model using the assumptions described below (Note 15 (c)).

On December 29, 2015, the Company completed a private placement by issuing 2,691,900 flow-through shares at a price of $0.05 per share for gross proceeds of $134,595 and by issuing of 498,500 units at a price of $0.03 per unit for gross proceeds of $14,955. Each Unit consists of one common share and warrant. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.05 until June 29, 2017. These warrants have been recorded at a value of $2,493 based on the Black-Scholes option pricing model using the assumptions described below (Note 15 (c)). An amount of $53,820 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 these private placements, the Company also issued a total of 319,040 broker warrants. Each broker warrant entitles its holder to purchase one common share at $0.05 per share until June 29, 2017. These warrants have been recorded at a value of $1,276 based on the Black-Scholes option pricing model using the assumptions described below (Note 15 (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 $21,069 including the fair value of the broker warrants of $1,276.

On December 29, 2015, the Company issued 2,000,000 units units valued at the fair value of the services rendered of $200,000 for exploration and evaluation expenditures incurred. Each unit consists of one common share and one warrant. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.30 until June 29, 2017. These warrants have been recorded at a value of $40,000 based on the Black-Scholes option pricing model using the assumptions described below (Note 15 (c)).

**(c) Warrants:**

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

| | | **December 31 2016** | | **December 31 2015** |
|---|---|---|---|---|
| | **Number of outstanding warrants** | **Weighted average exercise price** | **Number of outstanding warrants** | **Weighted average exercise price** |
| | | **$** | | **$** |
| Outstanding at beginning | 13,117,540 | 0.09 | 4,612,323 | 0.29 |
| Granted | 4,900,640 | 0.10 | 12,817,540 | 0.09 |
| Expired | (300,000) | 0.22 | (4,312,323) | 0.30 |
| Outstanding at end | 17,718,180 | 0.09 | 13,117,540 | 0.09 |

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

| | | | **Outstanding warrants** |
|---|---|---|---|
| **Expiry date** | **Number of outstanding warrants** | **Exercise price** | **Remaining life** |
| | | **$** | **(years)** |
| June 7, 2017 | 10,000,000 | 0.05 | 0.4 |
| June 21, 2017 | 2,900,000 | 0.10 | 0.5 |
| June 29, 2017 | 817,540 | 0.05 | 0.5 |
| June 29, 2017 | 2,000,000 | 0.30 | 0.5 |
| November 10, 2017 | 300,000 | 0.10 | 0.9 |
| December 9, 2017 | 1,240,000 | 0.10 | 0.9 |
| December 30, 2018 | 460,640 | 0.05 | 2.0 |
| | 17,718,180 | 0.09 | 0.5 |

(in Canadian dollars)

**15. Share capital and warrants (continued):**

**(c) Warrants (continued):**

The following table provides outstanding warrants information as at December 31, 2015:

| | | | **Outstanding warrants** |
|---|---|---|---|
| **Expiry date** | **Number of outstanding warrants** | **Exercise price** | **Remaining life** |
| | | **$** | **(years)** |
| January 4, 2016 | 300,000 | 0.22 | - |
| June 7, 2017 | 10,000,000 | 0.05 | 1.4 |
| June 29, 2017 | 817,540 | 0.05 | 1.5 |
| June 29, 2017 | 2,000,000 | 0.30 | 2.1 |
| | 13,117,540 | 0.09 | 1.5 |

**2016:**

On June 21, 2016, the Company issued 2,900,000 warrants to shareholders who subscribed to 2,900,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.10 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$ |
| Expected volatility (1) | 204.72% |
| Risk-free interest rate | 0.60% |
| Expected life | 1.0 year |

On November 10, 2016, the Company issued 300,000 warrants to shareholders who subscribed to 300,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.10 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$ |
| Expected volatility (1) | 195.41% |
| Risk-free interest rate | 0.62% |
| Expected life | 1.0 year |

On December 9, 2016, the Company issued 1,240,000 warrants to shareholders who subscribed to 1,240,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.10 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$ |
| Expected volatility (1) | 188.88% |
| Risk-free interest rate | 0.74% |
| Expected life | 1.0 year |

On December 30, 2016, the Company issued 460,640 warrants to broker. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.05 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$ |
| Expected volatility (1) | 188.68% |
| Risk-free interest rate | 0.74% |
| Expected life | 2.0 years |

(in Canadian dollars)

**15. Share capital and warrants (continued):**

**(c) Warrants (continued):**

**2015:**

On December 7, 2015, the Company issued 10,000,000 warrants to shareholders who subscribed to 10,000,000 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.05 per share until June 7, 2017. The value of the warrants was estimated at $104,560 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 | 0.02$ |
| Expected volatility (2) | 165.00% |
| Risk-free interest rate | 0.60% |
| Expected life | 1.5 years |

On December 29, 2015, the Company issued 498,500 warrants to shareholders who subscribed to 498,500 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.05 per share until June 29, 2017. The value of the warrants was estimated at $2,493 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 | 0.02$ |
| Expected volatility (2) | 165.00% |
| Risk-free interest rate | 0.50% |
| Expected life | 1.5 years |

On December 29, 2015, the Company issued 319,040 warrants to broker. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.05 per share until June 29, 2017. The value of the warrants was estimated at $1,276 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 | 0.02$ |
| Expected volatility (2) | 165.00% |
| Risk-free interest rate | 0.50% |
| Expected life | 1.5 years |

On December 29, 2015, the Company issued 2,000,000 warrants to a vendor as payment of exploration and evaluation expenditures. Each warrant entitles the holder to subscribe to one common share at an exercise price of $0.30 per share until June 29, 2017. The value of the warrants was estimated at $40,000 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 | 0.02$ |
| Expected volatility (2) | 165.00% |
| Risk-free interest rate | 0.50% |
| Expected life | 1.5 years |

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

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

(in Canadian dollars)

## 16. 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.

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

| | December 31 2016 | | December 31 2015 | |
|---|---|---|---|---|
| | Number of outstanding share options | Weighted average exercise price | Number of outstanding share options | Weighted average exercise price |
| | | $ | | $ |
| Outstanding at beginning | 3,575,000 | 0.10 | 1,725,000 | 0.10 |
| Granted | 2,100,000 | 0.05 | 2,200,000 | 0.10 |
| Forfeited | (850,000) | 0.10 | (350,000) | 0.10 |
| Outstanding at end | 4,825,000 | 0.08 | 3,575,000 | 0.10 |
| Exercisable at end | 4,825,000 | 0.08 | 3,575,000 | 0.10 |

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

| | | | Share options outstanding | |
|---|---|---|---|---|
| Expiry date | Number of granted share options | Number of exercisable share options | Exercise price | Remaining life |
| | | | $ | (years) |
| April 9, 2019 | 1,375,000 | 1,375,000 | 0.10 | 2.3 |
| August 6, 2020 | 1,350,000 | 1,350,000 | 0.10 | 3.6 |
| September 9, 2021 | 2,100,000 | 2,100,000 | 0.05 | 4.7 |
| | 4,825,000 | 4,825,000 | 0.08 | 3.7 |

The following table provides outstanding warrants information as at December 31, 2015:

| | | | Share options outstanding | |
|---|---|---|---|---|
| Expiry date | Number of granted share options | Number of exercisable share options | Exercise price | Remaining life |
| | | | $ | (years) |
| April 9, 2019 | 1,725,000 | 1,725,000 | 0.10 | 3.3 |
| August 6, 2020 | 1,850,000 | 1,850,000 | 0.10 | 4.6 |
| | 3,575,000 | 3,575,000 | 0.10 | 4.0 |

(in Canadian dollars)

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

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

**2016 :**

On September 9, 2016, the Company granted 2,100,000 share options 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 $0.05 per share and expire on September 9, 2021. The fair value of the options was estimated at $38,430 ($0.018 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 |
| Expected volatility (2) | 115.60% |
| Risk-free interest rate | 0.71% |
| Expected life | 5.0 years |

**2015 :**

On August 6, 2015, the Company granted 1,850,000 share options 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 $0.10 per share and expire on August 6, 2020. The fair value of the options was estimated at $44,440 ($0.024 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 |
| Expected volatility (2) | 145.00% |
| Risk-free interest rate | 0.79% |
| Expected life | 5.0 years |

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

For the year ended December 31, 2016, the share-based compensation recognized in the statement of comprehensive loss is $38,430 ($44,440 for the year ended December 31, 2015).

(in Canadian dollars)

### 17. Exploration and evaluation expenditures:

Exploration and evaluation expenditures by properties are detailed as follows:

| | | | December 31 2016 | | | December 31 2015 |
|---|---|---|---|---|---|---|
| | Mining rights | Exploration & evaluation expenditures | Total | Mining rights | Exploration & evaluation expenditures | Total |
| | $ | $ | $ | $ | $ | $ |
| **Precious metals:** | | | | | | |
| Blockhouse Gold | 45,120 | 22,492 | 67,612 | - | - | - |
| Kemptville | 8,768 | 1,750 | 10,518 | - | - | - |
| Chocolate Lake | 9,813 | - | 9,813 | - | - | - |
| Tancook Island | 23,797 | - | 23,797 | - | - | - |
| Leipsigate | 7,522 | - | 7,522 | - | - | - |
| Dares Lake | 46,814 | - | 46,814 | - | - | - |
| Gold River | 1,636 | - | 1,636 | - | - | - |
| Londonderry | 19,626 | - | 19,626 | - | - | - |
| Western Lake | 17,991 | - | 17,991 | - | - | - |
| **Total precious metals** | 181,087 | 24,242 | 205,329 | - | - | - |
| **Base metals:** | | | | | | |
| Dalquier | - | - | - | - | 4,126 | 4,126 |
| Mine Lorraine | - | - | - | - | 235,000 | 235,000 |
| **Total base metals** | - | - | - | - | 239,126 | 239,126 |
| **Industrial metals:** | | | | | | |
| Dissimieux Lake | 455,820 | 14,449 | 470,269 | - | - | - |
| Mount Cameron | 126,515 | 4,290 | 130,805 | - | - | - |
| **Total industrial metals** | 582,335 | 18,739 | 601,074 | - | - | - |
| **Special metals:** | | | | | | |
| Gueret Guinecourt | - | - | - | 325 | - | 325 |
| Montagne B (25%) | (1,785) | (4,750) | (6,535) | 7,152 | 9,500 | 16,652 |
| Other properties | - | - | - | - | - | - |
| **Total special metals** | (1,785) | (4,750) | (6,535) | 7,477 | 9,500 | 16,977 |
| Management fees (note 22) | | | - | | | 23,184 |
| Claim management | | | - | | | 3,414 |
| **Grand total** | 761,637 | 38,231 | 799,868 | 7,477 | 248,626 | 282,701 |

Exploration and evaluation expenditures by nature are detailed as follows:

| | December 31 2016 | December 31 2015 |
|---|---|---|
| | $ | $ |
| **Exploration and evaluation expenditures:** | | |
| Mining rights | 761,637 | 7,477 |
| Exploration and evaluation expenditures | | |
| Geology | 7,476 | 134,500 |
| Geophysics | 15,873 | 110,000 |
| Drilling | 13,982 | 4,126 |
| Environment & relation with the communauty | 900 | - |
| | 799,868 | 256,103 |
| Management fees (note 22) | - | 23,184 |
| Claim management | - | 3,414 |
| **Grand total** | 799,868 | 282,701 |

**17. Exploration and evaluation expenditures (continued):**

**Initial purchase of claims:**

On October 10, 2013, the Company purchased all the rights and interest in approximately 2,950 mining claims located in the Province of Québec (the “Claims”) from two private companies 9248-7792 Quebec Inc. (“9248”) and 9257-1256 Quebec Inc. (“9257”) for a consideration of 10,000,000 common shares of the Company at $0.06 representing the fair value of the stock price on the agreement date. A 0.4% and 0.6% net smelter royalty ("NSR") was retained by the private companies, respectively, where 0.2% and 0.3%, respectively, may be repurchased by the Company for a total cash consideration of $500,000.

Since the acquisition, the Company did not renew and/or identified mining claims that would not be renewed as they become expired.

**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 acquired 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.

**Gueret & Guinecourt Lake:**

During the year ended December 31, 2015, the Company did not renew the 31 mining 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.

**Dissimieux Lake:**

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 6,000,000 common shares whitin 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 6,000,000 common shares at a fair value of $0.05 per share for a onsideration of $300,000. On June 20, 2016 the Company fulfilled its obligations by issuing 3,600,000 common shares at a fair value of $0.035 (value of $0.05 as per the agreement for $180,000) per share for a consideration of $126,000.

As part of the above agreement, the Company issued 672,000 common shares to a third party as transaction costs. On April 5, 2016, the Company issued 420,000 common shares at a fair value of $0.05 per share for a consideration of $21,000 and on June 20, 2016 the Company issued 252,000 common shares at a fair value of $0.035 per share for a consideration of $8,820.

**Nova Scotia properties:**

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 5,000,000 common shares (2,500,000 common shares for each prospector). In addition, the Company will issue 500,000 common shares for each $1,000,000 in exploration and evaluation expenditures incurred by Genius, subject to a maximum of 2,500,000 common shares. An additional 2,500,000 common shares will be issued if the Company completes a Feasability 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 5,000,000 common shares at a fair value of $0.035 per share for a consideration of $175,000 and consequently the Company fulfilled its obligations.

(in Canadian dollars)

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

**Mt Cameron Graphite Property:**

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 3,000,000 common shares, 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 (see Note 26).

## 18. General and administrative expenses by nature:

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

| | December 31 2016 | December 31 2015 |
|---|---|---|
| | $ | $ |
| **Selling and administrative expenses:** | | |
| Management and consulting fees | 312,325 | 577,967 |
| Professional fees | 80,367 | 177,131 |
| Business development | 29,600 | 54,209 |
| Rent and office expenses | 28,943 | 86,084 |
| Registration, listing fees and shareholders information | 45,271 | 166,423 |
| Share-based payments | 38,430 | 44,440 |
| Part XII.6 tax and other non-compliance penality | 91,586 | 361 |
| Depreciation of property and equipment | 11,397 | 13,822 |
| Other | 810 | 11,957 |
| | 638,729 | 1,132,394 |

**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.

| | December 31 2015 |
|---|---|
| **General and administrative expenses :** | $ |
| **Professional fees** | |
| Initial balance | 229,729 |
| Adjustments: | (52,598) |
| **Balance after reclassification:** | 177,131 |
| **General and administrative expenses :** | |
| **Management and consulting fees** | |
| Initial balance | 525,369 |
| Adjustments: | 52,598 |
| **Balance after reclassification:** | 577,967 |

(in Canadian dollars)

### 19. Finance expenses:

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

| | December 31 2016 | December 31 2015 |
|---|---|---|
| | $ | $ |
| Fines, penalties and bank charges | 614 | 8,222 |
| Interest on bank loan | 11,955 | 9,089 |
| Penalty on contract termination | - | 8,400 |
| Finance expense | 12,569 | 25,711 |

### 20. Income taxes:

#### (a) Relationship between expected tax expense and accounting profit or loss:

The effective income tax rate of the Company differs from the combined federal and provincial income tax rate in Canada. This difference results from the following items:

| | December 31 2016 | December 31 2015 |
|---|---|---|
| | $ | $ |
| Loss before income taxes | (1,111,411) | (4,878,971) |
| Expected tax expense calculated using the combined federal and provincial income tax rate in Canada | 26.90% | 26.90% |
| Expected income tax recovery | (298,970) | (1,312,443) |
| Changes in unrecorded temporary differences | 225,322 | 581,687 |
| Cancellation on acquisition of assets | - | 645,600 |
| Tax effect on flow-through shares | 2,609 | 66,880 |
| Reversal of other liability related to flow-through shares | (53,820) | (122,962) |
| Reversal of temporary difference subject to initital recognition exemption | - | 67,250 |
| Non-taxable gain on sale of investment | (7,636) | 2,741 |
| Exchange loss on consolidation | (6,509) | (605) |
| Difference on forcing tax rate of subsidiaries | 4,272 | (25,129) |
| Non-deductible share-based payments | 10,338 | 11,954 |
| Other non-deductible expenses | 70,574 | (37,935) |
| **Deferred income tax expense (recovery)** | (53,820) | (122,962) |

#### (b) Composition of deferred income taxes expense (recovery) in the statement of comprehensive loss:

| | December 31 2016 | December 31 2015 |
|---|---|---|
| | $ | $ |
| Inception and reversal of temporary differences | (227,931) | (648,567) |
| Issuance of flow-through shares | 2,609 | 66,880 |
| Changes in unrecorded temporary differences | 225,322 | 581,687 |
| Reversal of other liability related to flow-through shares | (53,820) | (122,962) |
| **Deferred income tax expense (recovery)** | (53,820) | (122,962) |

(in Canadian dollars)

**20. Income taxes (continued):**

**(c) Movement in recognized deferred tax assets and liabilities during the year:**

| | December 31 2015 | Recognized in profit or loss | Recognized in equity | December 31 2016 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Exploration and evaluation assets | - | - | - | - |
| Marketable securities | - | - | - | - |
| Non-capital losses | - | - | - | - |
| | - | - | - | - |
| Recovery of liabilities related to flow-through shares | - | 53,820 | - | - |
| | - | 53,820 | - | - |

| | December 31 2014 | Recognized in profit or loss | Recognized in equity | December 31 2015 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Exploration and evaluation assets | 29,923 | (29,923) | - | - |
| Marketable securities | 1,732 | (1,732) | - | - |
| Non-capital losses | (3,464) | 3,464 | - | - |
| | 28,191 | (28,191) | - | - |
| Recovery of liabilities related to flow-through shares | - | 122,962 | - | - |
| | - | 122,962 | - | - |

**(d) Unrecognized deductible temporary differences:**

Unrecognized deductible differences for which the Company has not recognized a deferred tax asset are presented in the following tables. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize benefits therefrom.

| | | | December 31 2016 | | | December 31 2015 |
|---|---|---|---|---|---|---|
| | Federal | Québec | USA | Federal | Québec | USA |
| | | | | | $ | $ |
| Exploration and evaluation assets | 1,038,442 | 1,038,442 | - | 509,343 | 509,343 | - |
| Property and equipment | 6,264 | 6,264 | 1,692 | 15,003 | 15,003 | 1,692 |
| Marketable securities | - | - | - | 3,750 | 3,750 | - |
| Share issuance costs | 110,585 | 110,585 | - | 84,209 | 84,209 | - |
| Intangibles assets | 187,500 | 187,500 | 158,343 | 187,500 | 187,500 | 158,343 |
| Accrued liabilities | 123,675 | 123,675 | - | 57,000 | 57,000 | - |
| Non-capital losses carryforwards | 4,976,281 | 4,968,667 | 354,433 | 4,620,500 | 4,620,500 | 395,456 |
| | 6,442,747 | 6,435,133 | 514,468 | 5,477,305 | 5,477,305 | 555,491 |

(in Canadian dollars)

## 20. Income taxes (continued):

### (e) Non-capital losses:

The Company has the following non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recognized in the consolidated statement of financial position, that can be carried over the following years:

| | Federal | Québec | USA |
|---|---|---|---|
| | $ | $ | $ |
| 2026 | 902,954 | 902,954 | - |
| 2027 | 567,970 | 567,970 | - |
| 2028 | 32,972 | 32,972 | - |
| 2029 | 24,984 | 24,984 | - |
| 2030 | 39,931 | 39,931 | - |
| 2031 | 45,934 | 45,934 | - |
| 2032 | 38,111 | 38,111 | - |
| 2033 | 237,274 | 237,274 | - |
| 2034 | 1,179,778 | 1,177,888 | 154,369 |
| 2035 | 1,371,063 | 1,367,896 | 195,810 |
| 2036 | 535,310 | 532,753 | 4,254 |
| | 4,976,281 | 4,968,667 | 354,433 |

## 21. Supplemental cash flow information:

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

| | December 31 2016 | December 31 2015 |
|---|---|---|
| | $ | $ |
| Non-cash financing activities: | | |
| Share capital issued in settlement of trade accounts payables | 151,200 | 147,729 |
| Shares issued as consulting fees | 81,440 | 25,000 |
| Share issuance costs in trade accounts payable and accrued liabilities | 13,141 | - |
| Shares issued as finder's fee | - | 154,000 |
| Shares issued as prepaid expenses | 19,560 | - |
| Broker warrants issued as a finder's fee | 12,656 | 1,276 |
| Non-cash investing activities: | | |
| Marketable securities received in consideration of disposal of mining rights | 50,000 | 30,000 |
| Shares issued for the acquisition of assets | - | 3,300,000 |
| Shares to be cancelled on acquisition of assets | - | 900,000 |
| Shares cancelled on acquisition of assets | 900,000 | - |
| Shares issued as exploration and evaluation expenditures | 630,820 | 200,000 |

## 22. 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:

| | December 31 2016 | December 31 2015 |
|---|---|---|
| | $ | $ |
| Management fees (exploration expenditures) | - | 23,184 |
| Consulting fees | 193,350 | 403,650 |
| Professionnal fees | 6,267 | 24,000 |
| Share-based compensation | 32,940 | 14,850 |
| | 232,557 | 465,684 |

(in Canadian dollars)

**22. Related party transactions (continued):**

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

For the year ended December 31, 2016, legal fees and share issuance costs for a total amount of $9,081 were charged by a company in which a director is a partner ($95,164 for the year ended December 31, 2015). In addition, for the year ended December 31, 2016, the Company recorded a gain of $32,630 on settlement of accounts payable ($Nil for the year ended December 31, 2015). Trade accounts and other payables include an amount of $Nil ($182,619 as at December 31, 2015) due to this related party.

For the year ended December 31, 2016, legal fees, transaction costs and share issuance costs for a total amount of $57,471 were charged by a company in which a director is a partner ($Nil for the year ended December 31, 2015). Trade accounts and other payables include an amount of $35,407 ($Nil as at December 31, 2015) due to this related party.

For the year ended December 31, 2016, a company controlled by the former CEO did not charge any rental office expenses ($6,000 for the year ended December 31, 2015).

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

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.

**23. 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:

| | | December 31 2016 | | December 31 2015 |
|---|---|---|---|---|
| | Carrying amount $ | Fair value $ | Carrying amount $ | Fair value $ |
| **Financial assets** | | | | |
| Loans and receivables | | | | |
| Cash and cash equivalents | 196,919 | 196,919 | 210,301 | 210,301 |
| Other receivables (excluding sales tax receivable) | 19,257 | 19,257 | 11,308 | 11,308 |
| | 216,176 | 216,176 | 221,609 | 221,609 |
| **Financial assets** | | | | |
| Available-for-sale investments | | | | |
| Marketable securities | 56,875 | 56,875 | 22,500 | 22,500 |
| | 56,875 | 56,875 | 22,500 | 22,500 |
| **Financial liabilities** | | | | |
| Financial liabilities measured at amortized cost | | | | |
| Trade accounts payable and accrued liabilities | 430,642 | 430,642 | 769,307 | 769,307 |
| Loan payable to a director | - | - | 55,000 | 55,000 |
| Bank loan | - | - | 202,500 | 202,500 |
| | 430,642 | 430,642 | 1,026,807 | 1,026,807 |

The fair value of cash and cash equivalents, other receivables, trade accounts and accrued liabilities is comparable to its carrying amount given the short period to maturity, i.e. the time value of money is not significant.

The fair value of the marketable securities was calculated using the closing price for December 31, 2016 and December 31, 2015.

(in Canadian dollars)

**23. Financial assets and liabilities (continued):**

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 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 securitie were classified under level 1 in 2016 (level 1 in 2015).

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.

**24. 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 December 31, 2016, the Company has the obligation to incur $317,900 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.

| | December 31 2016 | December 31 2015 |
|---|---|---|
| | $ | $ |
| Bank loan | - | 202,500 |
| Equity | (344,251) | (577,810) |
| | (344,251) | (375,310) |

(in Canadian dollars)

**25. 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 December 31, 2015 and 2016, price risk is 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.

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.

During the year, 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 December 31, 2016 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:

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

| | | | | **December 31 2015** |
|---|---|---|---|---|
| | **Less than 1 year** | **1-5 years** | **More than 5 years** | **Total** |
| | $ | $ | $ | $ |
| Trade accounts payable and accrued liabilities | 769,307 | - | - | 769,307 |
| Loan payable to a director | 55,000 | - | - | 55,000 |
| Bank loan | 202,500 | - | - | 202,500 |

**25. Financial instrument risks (continued):**

**(d) Interest rate risk:**

As at December 31, 2016, the Company is not exposed to changes in market interest. As at December 31, 2015, the Company was exposed to changes in market interest through its long-term debt at variable interest rate.

**26. Subsequent events:**

Subsequently to the year end, 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 18,479,082.

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 4,000,000 shares instead of 3,000,000. The Company has issued 4,000,000 common shares to 21 Alpha Resources Inc. at a fair value of $0.04 per share for a consideration of $160,000.

# GENIUS PROPERTIES LTD.

*Consolidated financial report*

Years ended on December 31, 2015 and 2014

# GENIUS PROPERTIES LTD.

## CONSOLIDATED FINANCIAL REPORT

Raymond Chabot Grant Thornton

# Independent Auditor's Report

Raymond Chabot Grant Thornton
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To the Shareholders of
Genius Properties Ltd.

We have audited the accompanying consolidated financial statements of Genius Properties Ltd., which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Genius Properties Ltd. as at December 31, 2015 and 2014, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

**Emphasis of matter**

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern.

Raymond Chabot Grant Thornton LLP[1]

Montréal
April 29, 2016

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[1] CPA auditor, CA public accountancy permit no. A115879

# GENIUS PROPERTIES LTD.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**As at** **(in Canadian dollars)**

| | Notes | December 31, 2015 | December 31, 2014 Restated Note 5 | January 1st, 2014 Restated Note 5 |
|---|---|---|---|---|
| | | $ | $ | $ |
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | 10 | 210,301 | 322,855 | 739,471 |
| Amounts receivable | 11 | 128,887 | 119,162 | 20,771 |
| Prepaid expenses | | 11,830 | 107,836 | 19,827 |
| Inventories | 12 | - | 210,616 | - |
| | | 351,018 | 760,469 | 780,069 |
| **Non-current assets** | | | | |
| Investment | 13 | 22,500 | 12,881 | 29,749 |
| Property and equipment | 14 | 222,699 | 233,509 | - |
| Intangible assets | 15 | - | 513,144 | - |
| | | 245,199 | 759,534 | 29,749 |
| **Total assets** | | 596,217 | 1,520,003 | 809,818 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Trade accounts and other payables | 16 | 862,707 | 526,448 | 106,766 |
| Other liability related to flow-through financings | 18 | 53,820 | 122,962 | - |
| Loan payable to a director, without interest payable in January 2016 | | 55,000 | - | - |
| Bank loan | 17 | 202,500 | 225,000 | - |
| **Total liabilities** | | 1,174,027 | 874,410 | 106,766 |
| **EQUITY** | | | | |
| Share capital | 18 | 9,152,333 | 4,911,496 | 3,278,121 |
| Shares to be issued (cancelled) | 18 | (875,000) | 26,000 | - |
| Warrants | 18 | 167,570 | 204,134 | 206,109 |
| Contributed surplus | 19 | 4,058,488 | 3,829,155 | 3,493,325 |
| Deficit | | (12,908,046) | (8,258,752) | (6,274,503) |
| **Total equity attributable to owners of the parent company** | | (404,655) | 712,033 | 703,052 |
| Non-controlling interest | | (173,155) | (66,440) | - |
| **Total equity** | | (577,810) | 645,593 | 703,052 |
| **Total liabilities and equity** | | 596,217 | 1,520,003 | 809,818 |

Going concern (Note 2)

Subsequent events (Note 31)

Approved by the Board of Directors

*/S/ Stéphane Leblanc*
Director

*/S/ Guy-Paul Allard*
Director

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

# GENIUS PROPERTIES LTD.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

**Years ended on December 31, 2015 and 2014** **(in Canadian dollars)**

| | Notes | December 31, 2015 | December 31, 2014 Restated Note 5 |
|---|---|---|---|
| | | $ | $ |
| **Expenses** | | | |
| Exploration and evaluation expenditures | 20 | 282,701 | 764,411 |
| General and administrative expenses | 21 | 1,132,394 | 1,101,246 |
| Gain on disposal of mining properties | 20 | (30,000) | (80,000) |
| Loss on cancellation on acquisition of assets | 3 | 2,400,000 | - |
| **Operating loss before other expenses (revenues), income tax and loss from discontinued operations** | | 3,785,095 | 1,785,657 |
| **Other expenses (revenues)** | | | |
| Net change in fair value of investments | | 7,500 | (5,632) |
| Financial expenses | 22 | 25,711 | 4,554 |
| Exchange loss (gain) | | (190) | 6,786 |
| Loss (gain) on disposal or expiry of investments | 13 | 12,881 | (81,061) |
| Gain on settlement of payables | 18 | (56,208) | - |
| | | (10,306) | (75,353) |
| **Income tax** | | | |
| Tax income | 23 | (122,962) | - |
| | | (122,962) | - |
| Net loss from continuing operations | | 3,651,827 | 1,710,304 |
| Net loss from discontinued operations | 4 | 1,104,182 | 340,385 |
| **Net loss and comprehensive loss** | | 4,756,009 | 2,050,689 |
| **Net loss from continuing operations attributable to :** | | | |
| Shareholders of Genius Properties Ltd. | | 3,651,827 | 1,710,304 |
| Non-controlling interests | | - | - |
| | | 3,651,827 | 1,710,304 |
| **Net loss from discontinued operations attributable to :** | | | |
| Shareholders of Genius Properties Ltd. | | 997,467 | 273,945 |
| Non-controlling interests | | 106,715 | 66,440 |
| | | 1,104,182 | 340,385 |
| **Basic and diluted loss per share** | | | |
| Basic and diluted loss per share from continuing operations | | 0.07 | 0.07 |
| Basic and diluted loss per share from discontinued operations | | 0.02 | 0.01 |
| **Basic and diluted loss per share** | | 0.09 | 0.08 |
| **Weighted average number of common shares outstanding** | | 51,116,436 | 25,366,629 |

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

# GENIUS PROPERTIES LTD.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

**Years ended on December 31, 2015 and 2014** **(in Canadian dollars)**

| | Notes | Share capital | | Shares to be issued (cancelled) | Warrants | Contributed surplus | Deficit | Total attributable to owners of the parent company | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Number | $ | $ | $ | $ | $ | $ | $ | $ |
| **Balance on January 1st, 2014** | | | | | | | | | | |
| Balance as previously reported | | 20,622,945 | 3,278,121 | - | 206,109 | 3,493,325 | (5,823,976) | 1,153,579 | - | 1,153,579 |
| Change in accounting policy | **5** | - | - | - | - | - | (450,527) | (450,527) | - | (450,527) |
| **Balance as restated** | | 20,622,945 | 3,278,121 | - | 206,109 | 3,493,325 | (6,274,503) | 703,052 | - | 703,052 |
| Issuance of shares | 18 | | | | | | | | | |
| Private placement | | 9,557,565 | 1,501,414 | - | 19,241 | - | - | 1,520,655 | - | 1,520,655 |
| Flow-through private placement | | 1,229,625 | 122,963 | - | - | - | - | 122,963 | - | 122,963 |
| Acquisition of intangible assets | | 500,000 | 60,000 | - | - | 190,000 | - | 250,000 | - | 250,000 |
| Penalty for contract cancellation | | - | - | 26,000 | - | - | - | 26,000 | - | 26,000 |
| Cost related to the issuance of shares | 18 | - | (51,002) | - | 2,146 | - | - | (48,856) | - | (48,856) |
| Expiry of warrants | 18 | - | - | - | (23,362) | 23,362 | - | - | - | - |
| Share-based payments | 19 | - | - | - | - | 122,468 | - | 122,468 | - | 122,468 |
| | | 11,287,190 | 1,633,375 | 26,000 | (1,975) | 335,830 | - | 1,993,230 | - | 1,993,230 |
| Net loss and comprehensive loss | | | | | | | (1,984,249) | (1,984,249) | (66,440) | (2,050,689) |
| **Balance on December 31, 2014** | | 31,910,135 | 4,911,496 | 26,000 | 204,134 | 3,829,155 | (8,258,752) | 712,033 | (66,440) | 645,593 |
| **Balance on January 1st, 2015** | | 31,910,135 | 4,911,496 | 26,000 | 204,134 | 3,829,155 | (8,258,752) | 712,033 | (66,440) | 645,593 |
| Issuance of shares | | | | | | | | | | |
| Acquisition of assets | 3 | 30,000,000 | 3,300,000 | - | - | - | - | 3,300,000 | - | 3,300,000 |
| Cancellation on acquisition of assets | 3 | | - | (900,000) | - | - | - | (900,000) | - | (900,000) |
| Private placement | 18 | 13,590,163 | 393,402 | - | 104,560 | - | - | 497,962 | - | 497,962 |
| Flow-through private placement | 18 | 2,691,900 | 80,775 | - | 2,493 | - | - | 83,268 | - | 83,268 |
| Finders fee | 18 | 1,400,000 | 154,000 | - | - | - | - | 154,000 | - | 154,000 |
| Settlement of payables | 18 | 3,693,212 | 147,729 | - | - | - | - | 147,729 | - | 147,729 |
| Payment of consulting fees | 18 | | - | 25,000 | - | - | - | 25,000 | - | 25,000 |
| Payment of exploration and evaluatior expenditures | 18 | 2,000,000 | 160,000 | - | 40,000 | - | - | 200,000 | - | 200,000 |
| Penalty for contract cancellation | 18 | 200,000 | 26,000 | (26,000) | - | - | - | - | - | - |
| Cost related to the issuance of shares | 18 | - | (21,069) | - | 1,276 | - | - | (19,793) | - | (19,793) |
| Expiry of warrants | 18 | - | - | - | (184,893) | 184,893 | - | - | - | - |
| Share-based payments | 19 | - | - | - | - | 44,440 | - | 44,440 | - | 44,440 |
| | | 53,575,275 | 4,240,837 | (901,000) | (36,564) | 229,333 | - | 3,532,606 | - | 3,532,606 |
| Net loss and comprehensive loss | | | | | | | (4,649,294) | (4,649,294) | (106,715) | (4,756,009) |
| **Balance on December 31, 2015** | | 85,485,410 | 9,152,333 | (875,000) | 167,570 | 4,058,488 | (12,908,046) | (404,655) | (173,155) | (577,810) |

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

# GENIUS PROPERTIES LTD.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

**Years ended on December 31, 2014 and 2013** **(in Canadian dollars)**

| | Notes | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| | | | Restated Note 5 |
| | | $ | $ |
| **OPERATING ACTIVITIES** | | | |
| Net loss from continuing operations | | (3,651,827) | (1,710,304) |
| Non-cash profit or loss items | | | |
| Tax income | | (122,962) | - |
| Shares issued as a payment of consulting fees | | 25,000 | - |
| Shares issued as a finders fee | | 154,000 | - |
| Units issued as a payment of exploration and evaluation expenditures | | 200,000 | - |
| Depreciation - Property and equipment | 14 | 13,822 | 1,180 |
| Gain on disposal of mining properties | | (30,000) | (80,000) |
| Net change in fair value of investments | | 7,500 | (5,632) |
| Loss (gain) on disposal or expiry of investments | | 12,881 | (81,061) |
| Gain on settlement of payables | | (56,208) | - |
| Loss on cancellation on acquisition of assets | | 2,400,000 | - |
| Penalty for contract cancellation | | - | 26,000 |
| Share-based payments | | 44,440 | 122,468 |
| | | (1,003,354) | (1,727,349) |
| Change in non-cash working capital items | 24 | 457,737 | (32,971) |
| Net cash related to operating activities of continuing operations | | (545,617) | (1,760,320) |
| Net cash related to operating activities of discontinued operations | 4 | (85,766) | (284,609) |
| **Net cash related to operating activities** | | (631,383) | (2,044,929) |
| | | | |
| **INVESTING ACTIVITIES** | | | |
| Acquisition of property and equipment | 14 | (4,575) | (233,126) |
| Disposal of mining rights | | - | 35,000 |
| Disposal of investments | | - | 148,561 |
| Net cash related to investing activities of continuing operations | | (4,575) | (49,565) |
| Net cash related to investing activities of discontinued operations | 4 | (124,353) | (264,846) |
| **Net cash related to investing activities** | | (128,928) | (314,411) |
| | | | |
| **FINANCING ACTIVITIES** | | | |
| Issuance of shares under private placement | 18 | 500,455 | 1,520,655 |
| Issuance of shares under flow-through private placement | 18 | 134,595 | 245,925 |
| Costs related to the issuance of shares | 18 | (19,793) | (48,856) |
| Loan payable to a director | | 55,000 | - |
| Bank loan | | - | 225,000 |
| Bank loan repayments | 17 | (22,500) | - |
| **Net cash related to financing activities** | | 647,757 | 1,942,724 |
| | | | |
| **Net decrease in cash** | | (112,554) | (416,616) |
| | | | |
| **Cash and cash equivalents, beginning of period** | | 322,855 | 739,471 |
| | | | |
| **Cash, end of period** | | 210,301 | 322,855 |
| | | | |
| Interest paid | | (17,311) | (4,554) |

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

# GENIUS PROPERTIES LTD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2015 and 2014** **(in Canadian dollars)**

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

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

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

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

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

## NOTE 2. GOING CONCERN ASSUMPTION

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

Given that the Corporation has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Corporation has not yet generated income nor cash flows from its operations. As at December 31, 2015, the Corporation has a deficit of $12,908,046 ($8,258,752 as at December 31, 2014) and a working capital deficiency of $823,009 (working capital deficiency of $113,941 as at December 31, 2014) which will not be sufficient to support the Corporation's needs for cash during the coming year. The Corporation will require additional funding to be able to advance and retain mining rights interest and to meet ongoing requirements for general operations. These material uncertainties cast significant doubt regarding the Corporation's ability to continue as a going concern.

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

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

## NOTE 3. ASSETS ACQUISITIONS

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

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

As per the agreement, the intangible assets purchased included:

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

According to the terms of the agreement, the Corporation will remit 7.8 million common shares as consideration to the private owners and inventors of Zippler for the technical specifications payable in several tranches upon reaching established milestones; a first tranche of 500,000 common shares was issued on the signing of the agreement at $0.12 per share, for a total of $60,000. A second tranche of 1,900,000 shares will be due when the Beta version of the application will be approved by the Board of Directors of the Corporation. A third and last tranche of 5,400,000 common shares will be due when the final version of the application is produced on line and is approved by the Board of Directors of the Corporation.

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

# GENIUS PROPERTIES LTD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2015 and 2014** **(in Canadian dollars)**

## NOTE 3. ASSETS ACQUISITIONS (CONTINUED)

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

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

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

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

**Reiva**

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

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

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

## NOTE 4. DISCONTINUED OPERATIONS

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

The revenues and expenses related to the discountinued operations were separed from the Corporation's continuing operations activities for the current year and previous year and are presented on a separate line in the consolidated statement of comprehensive loss.

The following table shows the net loss from discontinued operations:

| | | | | December 31, 2015 |
|---|---|---|---|---|
| | Genius | Zencig | Zippler | Total |
| | $ | $ | $ | $ |
| **Expenses** | | | | |
| General and administrative expenses | - | 198,743 | 53,350 | 252,093 |
| Write-off of inventories | 287,991 | - | - | 287,991 |
| Write-off of intangibles | 190,000 | 158,343 | 211,779 | 560,122 |
| **Operating loss before other expenses (revenues)** | 477,991 | 357,086 | 265,129 | 1,100,206 |
| **Other expenses (revenues)** | | | | |
| Financial expenses | - | 409 | 319 | 728 |
| Exchange loss (gain) | - | (1,780) | 5,028 | 3,248 |
| | - | (1,371) | 5,347 | 3,976 |
| **Net loss and comprehensive loss** | 477,991 | 355,715 | 270,476 | 1,104,182 |

# GENIUS PROPERTIES LTD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2015 and 2014** **(in Canadian dollars)**

## NOTE 4. DISCONTINUED OPERATIONS (Continued)

| | | | | December 31, 2014 |
|---|---|---|---|---|
| | Genius | Zencig | Zippler | Total |
| | $ | $ | $ | $ |
| **Expenses** | | | | |
| General and administrative expenses | - | 215,311 | 117,880 | 333,191 |
| Impairment of inventories | - | 9,158 | - | 9,158 |
| **Operating loss before other expenses (revenues)** | - | 224,469 | 117,880 | 342,349 |
| **Other expenses (revenues)** | | | | |
| Financial expenses | - | 648 | 355 | 1,003 |
| Exchange loss (gain) | - | (3,543) | 576 | (2,967) |
| | - | (2,895) | 931 | (1,964) |
| **Net loss and comprehensive loss** | - | 221,574 | 118,811 | 340,385 |

The net cash flows from discountinued operations are as follows:

| | | | | December 31, 2015 |
|---|---|---|---|---|
| | Genius | Zencig | Zippler | Total |
| | $ | $ | $ | $ |
| Operating | - | (69,356) | (16,410) | (85,766) |
| Investing | (77,375) | - | (46,978) | (124,353) |
| Financing | (130,843) | 68,652 | 62,191 | - |
| Net cash inflow | (208,218) | (704) | (1,197) | (210,119) |

| | | | | December 31, 2014 |
|---|---|---|---|---|
| | Genius | Zencig | Zippler | Total |
| | $ | $ | $ | $ |
| Operating | - | (197,045) | (87,564) | (284,609) |
| Investing | - | (160,045) | (104,801) | (264,846) |
| Financing | (551,356) | 357,794 | 193,562 | - |
| Net cash inflow | (551,356) | 704 | 1,197 | (549,455) |

## NOTE 5. CHANGE IN ACCOUNTING POLICIES

**Exploration and evaluation expenditures**

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

The retrospective application of this change decreased the value of exploration and evaluation assets and increased deficit by $752,721 and $450,527 and decreased the non-controlling interest in the consolidated statement of changes in equity by $31,366 as at December 31, 2014 and January 1, 2014, respectively, reflecting the cumulative impact of the change in accounting policy on prior periods. Net loss for the year ended December 31, 2014 increased by $302,194 and net loss attributable to non-controlling interest decreased by $31,366. Basic and diluted net loss per share increased by $0.01 per share for the year ended December 31, 2014.

**Bank loan**

The Corporation retrospectively reclassified from non-current to current its bank loan. The retrospective application of the change decreased the non-current liabilities by $202,500 and increased the current liability by $202,500 as at December 31, 2014.

# GENIUS PROPERTIES LTD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2015 and 2014** **(in Canadian dollars)**

## NOTE 6. SIGNIFICANT ACCOUNTING POLICIES

**Basis of preparation and evaluation of financial statements**

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

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

**Basis of consolidation**

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

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

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

**Non-controlling interests**

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

**Foreign currency transactions and balances**

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

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

**Segment disclosure**

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

**Financial instruments**

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized in the consolidated statement of financial position when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

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

*Loans and receivables*

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

# GENIUS PROPERTIES LTD.



## NOTE 6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

*Financial assets at fair value through profit or loss:*
A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statements of comprehensive loss. Gains and losses arising from changes in fair value are presented in the consolidated statements of comprehensive loss within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the consolidated statement of financial position date, which is classified as non-current.

*Available for sale financial assets:*
Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available for sale financial assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive loss. Available for sale financial assets are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months. Interest on available for sale financial assets, calculated using the effective interest method, is recognized in the consolidated statement of comprehensive loss as part of interest income. Dividends on available for sale equity instruments are recognized in the consolidated statement of comprehensive loss as part of other gains and losses when the Corporation's right to receive payment is established. When an available for sale financial assets is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive loss to the consolidated statement of comprehensive loss.

*Financial liabilities at amortized cost*
Financial liabilities at amortized cost are initially recognized at fair value adjusted for transaction costs. They are measured subsequently at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

The Corporation's financial instruments consist of the following:

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

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

**Inventories**
Inventories are composed of consumable products which are valued at the lower of cost and net realizable value.The cost is determined using the average cost method. The cost of inventories include the acquisition cost and other costs incurred to bring the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

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

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

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

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

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

# GENIUS PROPERTIES LTD.



## NOTE 6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Intangible assets**

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

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

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

The Zencig trademark will be amortized on a straight-line basis over a ten year period, the contractual life of the trademark, once it will be approved by the regulatory authorities. As at December 31, 2014, this approval was still pending. However, as described in Note 4, the Corporation decided not to pursue the distribution of these consumable products and therefore wrote-off its intangible asset.

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

**Impairment of non-financial assets**

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Intangible assets that are not yet in service are reviewed for impairment on an annual basis even if there is no indication or impairment. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Impairment reviews for non-financial assets are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the asset group to which the asset belongs.

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

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the consolidated statement of comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized.

**Impairment of financial assets**

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Corporation recognizes an impairment loss, as follows:

*Financial assets carried at amortized cost*

The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available for sale equity instruments are not reversed.

*Available for sale financial assets*

The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the consolidated statement of comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive loss that is reclassified to net loss.

# GENIUS PROPERTIES LTD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2015 and 2014** **(in Canadian dollars)**

## NOTE 6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Equity**

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period where the transaction occurs. If shares were issued as consideration for the acquisition of a mineral property or some other form of non monetary assets, they are measured at their fair value according to the quoted price on the day of the conclusion of the agreement.

*Unit placements*

The Corporation allocates the proceeds from an equity financing between common shares and share purchase warrants based on the relative fair values of each instrument. The fair value of the common shares is calculated by using the CSE share price on the date of the issuance and is accounted for in share capital and the fair value of the share purchase warrants is determined using the Black-Scholes valuation model and is accounted for separately in the warrants account.

*Flow-Through shares*

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

*Other elements of equity*

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

Warrants includes charges related to warrants not exercised.

Contributed surplus includes charges related to share options not exercised.

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

**Exploration and evaluation expenditures**

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

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

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

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

Although the Corporation has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company’s titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

*Disposal of interest in connection with the option agreement*

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

*Refundable tax credits for mining exploration and evaluation expenditures*

The Corporation is entitled to a refundable tax credit on qualified mining exploration and evaluation expenditures incurred in the province of Quebec and on mining duties credits. The credits are accounted for against the exploration and evaluation expenditures incurred based on estimates made by management. The Corporation records those tax credits when there is reasonable assurance with regards to collections and assessments and that the Corporation will comply with the conditions associated to them.

**Income taxes**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive loss or in equity, in which case it is recognized in other comprehensive loss or in equity, respectively.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## NOTE 6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax is provided using the liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The temporary differences are not provided for if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date and whose implementation is expected over the period during which the deferred tax is realized or recovered.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred income tax assets and liabilities are presented as non-current and are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**Leases**

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

*Finance leases*

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

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

**Share-based payments**

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

The Corporation accounts for all share-based compensation using the fair value method. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value is calculated based on the Black-Scholes valuation model. Compensation expense is recognized over the tranche’s vesting period based on the number of awards expected to vest, by increasing the account stock options. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately in the consolidated statement of comprehensive loss, with a corresponding adjustment to equity. When stock options are exercised, any consideration paid is credited to share capital.

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

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

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

## NOTE 7. FUTURE CHANGES IN ACCOUNTING POLICIES

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

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

# GENIUS PROPERTIES LTD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2015 and 2014** **(in Canadian dollars)**

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

**IFRS 9, « Financial instruments »**

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

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

## NOTE 8. ESTIMATES, JUDGMENTS AND ASSUMPTIONS

When preparing financial statements, management undertakes a number of estimates, judgments and assumptions about recognition and measurement of assets, liabilities, income and expenses. These estimates and judgments are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the consolidated financial statements.

**Judgments**

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

*Going concern*

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

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

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

*Capitalisation of internally developed software*

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

**Estimates and assumptions**

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

*Share-based payments*

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

*Provision and contingent liabilities*

Judgments are made as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realized. Several of these factors are source of estimation uncertainty.

*Impairment test of property and equipment and intangible assets*

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment, losses are a subjective process involving judgment and a number of estimates and interpretations in many cases. When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined.

# GENIUS PROPERTIES LTD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2015 and 2014** **(in Canadian dollars)**

## NOTE 9. INTERESTS IN SUBSIDIARIES

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

| Name | Proportion of ownership interest and voting rigths held by NCI | Total Comprehensive Loss allocated to NCI | Accumulated NCI |
|---|---|---|---|
| Zencig | 30% | (106,715) | (173,155) |

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

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

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| Current assets | 107 | 24,656 |
| Non-current assets | - | 159,906 |
| **Total assets** | 107 | 184,562 |
| Current liabilities | 156,843 | 48,350 |
| Non-current liabities | 420,447 | 357,679 |
| **Total liabilities** | 577,290 | 406,029 |
| **Equity attributable to shareholders of the parent** | (404,027) | (155,027) |
| **Non-controlling interests** | (173,155) | (66,440) |

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| Net loss and comprehensive loss attributable to shareholders of the parent | 249,000 | 155,134 |
| Net loss and comprehensive loss attributable to NCI | 106,715 | 66,440 |
| **Net loss and total comprehensive loss** | 355,715 | 221,574 |

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| Net cash used in operating activities | (69,356) | (197,045) |
| Net cash used in investing activities | - | (160,045) |
| Net cash from financing activities | 68,652 | 357,794 |
| **Net cash inflow (outflow)** | (704) | 704 |

## NOTE 10. CASH AND CASH EQUIVALENTS

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| Cash | 210,301 | 229,845 |
| Cash in trust | - | 53,010 |
| Guaranteed investment certificate, 0.8 % matured in July 2015 | - | 40,000 |
| | 210,301 | 322,855 |

# GENIUS PROPERTIES LTD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2015 and 2014** **(in Canadian dollars)**

## NOTE 10. CASH AND CASH EQUIVALENTS (Continued)

*Funds reserved for E&E expenditures*

On December 29, 2014, the Corporation completed a flow-through private placement of $245,925 for which all requirements were fullfiled at December 31, 2015. On December 29, 2015, the Corporation completed a flow-through private placement of $134,595. The Corporation has until December 31, 2016 to incur eligible exploration and evaluation expenditures in order to comply with the requirements of flow-through private placement.

There is no guarantee that the Corporation's exploration and evaluation expenditures will qualify as Canadian exploration expenses, even if the Corporation is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities could have a negative tax impact for investors.

## NOTE 11. AMOUNTS RECEIVABLE

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| Tax credit | - | 572 |
| Sales tax receivable | 117,579 | 70,905 |
| Deposits to suppliers | - | 36,725 |
| Other (a) | 11,308 | 10,960 |
| | 128,887 | 119,162 |

(a) Includes an amount of $9,773 receivable from a related party by virtue of common management and directors at December 31, 2014 ($nil at December 31, 2014).

## NOTE 12. INVENTORIES

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| Balance, beginning of year | 210,616 | - |
| Acquisition of consumable products | 77,375 | 210,616 |
| Write-off of inventories (Note 4) | (287,991) | - |
| Balance, end of year | - | 210,616 |

During the year ended December 31, 2015, as described in Note 4, the Corporation decided to discontinued the distribution of consumable products and therefore wrote-off its inventories.

## NOTE 13. INVESTMENTS

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| Balance, beginning of year | 12,881 | 29,749 |
| Acquisition | 30,000 | 45,000 |
| Disposition | - | (67,500) |
| Expiry | (12,881) | - |
| Net change in fair value | (7,500) | 5,632 |
| Balance, end of year | 22,500 | 12,881 |

**Investments in GrowPros Cannabis Ventures Inc.**

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

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

# GENIUS PROPERTIES LTD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2015 and 2014** **(in Canadian dollars)**

## NOTE 13. INVESTMENTS (Continued)

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

The net change in fair value of $5,632 recorded in 2014 refers to the change in fair value of the year of the 1,000,000 warrants received from MR. The fair value of the warrants is based on the Black-Scholes valuation model, using a risk-free rate of 1.00%, an expected life of one year, an annualized volatility of 100% and a dividend rate of 0%. The estimated fair value of the 1,000,000 warrants is $12,881 on December 31, 2014.

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

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

At December 31, 2015, the fair value of $22,500 was determined using a closing price of $0,015. A change in fair value of $7,500 was recorded in the consolidated statement of comprehensive loss.

## NOTE 14. PROPERTY AND EQUIPMENT

| | Building | Machinery and equipment | Office furniture | Computer equipment | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Cost** | | | | | |
| Balance as at January 1st, 2014 | - | - | - | - | - |
| Acquisitions | 226,156 | 3,095 | 1,195 | 4,382 | 234,828 |
| Balance as at December 31, 2014 | 226,156 | 3,095 | 1,195 | 4,382 | 234,828 |
| Acquisitions | - | 4,575 | - | - | 4,575 |
| Write-down | - | | - | (1,702) | (1,702) |
| Balance as at December 31, 2015 | 226,156 | 7,670 | 1,195 | 2,680 | 237,701 |
| **Accumulated amortization** | | | | | |
| Balance as at January 1st, 2014 | - | - | - | - | - |
| Amortization | 942 | 103 | 60 | 75 | 1,180 |
| Discountinued operations | - | - | - | 139 | 139 |
| Balance as at December 31, 2014 | 942 | 103 | 60 | 214 | 1,319 |
| Amortization | 11,308 | 1,382 | 239 | 893 | 13,822 |
| Discountinued operations | - | - | - | 1,563 | 1,563 |
| Write-down | - | - | - | (1,702) | (1,702) |
| Balance as at December 31, 2015 | 12,250 | 1,485 | 299 | 968 | 15,002 |
| **Carrying amount** | | | | | |
| Balance as at December 31, 2014 | 225,214 | 2,992 | 1,135 | 4,168 | 233,509 |
| Balance as at December 31, 2015 | 213,906 | 6,185 | 896 | 1,712 | 222,699 |

# GENIUS PROPERTIES LTD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2015 and 2014** **(in Canadian dollars)**

## NOTE 15. INTANGIBLE ASSETS

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| Balance, beginning of year | 513,144 | - |
| Technical specifications | - | 250,000 |
| Patent | - | 158,343 |
| Acquisition of assets | 3,300,000 | - |
| Cancellation on acquisition of assets | (3,300,000) | - |
| Other additions (a) | 46,978 | 104,801 |
| Write-off of intangibles (Note 4) | (560,122) | - |
| Balance, end of year | - | 513,144 |

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

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

## NOTE 16. TRADE ACCOUNTS AND OTHER PAYABLES

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| Trade accounts and other payables | | |
| To a company controlled by the CEO of the Corporation | 207,928 | 32,022 |
| To a director of the Corporation | 20,995 | - |
| To a company in which a director is a partner | 182,619 | 35,061 |
| Other | 347,300 | 365,965 |
| Part XII.6 tax | 93,400 | 93,400 |
| Due to a director, without interest, payable on demand | 10,465 | - |
| | 862,707 | 526,448 |

## NOTE 17. BANK LOAN

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| Loan, prime rate plus 1.4% (4.1% at December 31, 2015 and 4.4% as at December 31, 2014), secured by a first-ranking immovable mortgage on the building for which the net carrying amount is $213,906, a first-ranking mortgage of $25,000 on securities owned by a shareholder of the Corporation and $25,000 on personal deposit certificates owned by the president of the Corporation, repayable in monthly instalments of $1,875 and renewable annually. | 202,500 | 225,000 |

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

## NOTE 18. SHARE CAPITAL

**Authorized**

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

**Transactions on share capital**

**2014**

On April 24, 2014, the Corporation issued 500,000 common shares at $0.12 per share for a total consideration of $60,000 for the acquisition of intangible assets acquired by Zippler Inc. its subsidiary as described in Note 3.

On June 19, 2014, the Corporation completed a private placement with the issuance of 6,905,332 common shares at a price of $0.15 per share for gross proceeds of $1,035,820. Share issuance costs amounted to $15,585. No warrants were issued under that private placement. A subscription of $105,000 was receivable on June 19, 2014 and at the request of the holder, the cheque and the corresponding 700,000 common shares certificate were kept in escrow with the legal advisor of the Corporation. As the check could not be deposited because of lack of funds by December 31, 2014, the shares certificate was cancelled by the legal advisor of the Corporation; therefore, the revised share issuance for this private placement is 6,205,332 common shares at a price of $0.15 per share for gross proceeds of $930,820.

On July 4, 2014, the Corporation completed a private placement with the issuance of 870,000 common shares at a price of $0.25 per share for gross proceeds of $217,500. Share issuance costs amounted to $2,296. As part of this private placement, the Corporation issued 300,000 warrants which entitles its holder to purchase one common share at a price of $0.22 fro a period of 18 months. As a result, the warrants value at $19,241 were recorded under warrant and as a reduction of share capital in the statement of changes in equity. The fair value of the warrants was based on the Black-Scholes valuation model, using a stock price of $0.24, a risk-free rate of 1.13%, an expected life of 18 months, an annualized volatility of 100% and a dividend rate of 0%.

On November 21, 2014, the Corporation completed a private placement with the issuance of 2,333,333 common shares at a price of $0.15 per share for gross proceeds of $350,000. Share issuance costs amounted to $5,750. No warrants were issued under that private placement.

On December 22, 2014, the Corporation and North Lion Holding Corp. ("North Lion") signed an agreement to settle and terminate the consulting agreement between the parties. It was decided by the parties to issue 200,000 common shares to North Lion and pay expenses incurred of US$1,320. As at December 31, 2014, the shares were still to be issued and accounted as shares to issue in the statement of changes in equity at the year-end closing price. They were issued on January 29, 2015.

On December 29, 2014, the Corporation completed a private placement with the issuance of 1,229,625 flow-through shares at a price of $0.20 per share for gross proceeds of $245,925 and the issuance of 148,900 common shares at a price of $0.15 for gross proceeds of $22,335. No warrants were issued under these private placements. An amount of $122,962 representing the premium paid by the investors was reduced from share capital and recorded in Other liability related to flow-through financings. In addition, the Corporation issued 111,212 broker warrants as a finders fee. Each broker warrant entitles its holder to purchase one common share at $0.20 per share for a period of 12 months. The fair value of the broker warrants was based on the Black-Scholes valuation model, using a stock price of $0.10, a risk-free rate of 1.01%, an expected life of one year, an annualized volatility of 100% and a dividend rate of 0%. As a result, the broker warrants valued at $2,146 were recorded under warrant and as share issuance costs in reduction of share capital in the statement of changes in equity. Total share issuance costs amounted to $27,371 including the fair value of the broker warrants of $2,146.

**2015**

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

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

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

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

On August 17, 2015, the Corporation issued 3,693,212 common shares at a price of $0.04 as part of debt settlement agreements with suppliers for a total amount of $147,729. As a result, the Corporation recorded a gain on settlement of payables of $56,208 in the consolidated statement of comprehensive loss.

**As of December 31, 2015 and 2014** **(in Canadian dollars)**

# GENIUS PROPERTIES LTD.



**NOTE 18. SHARE CAPITAL (CONTINUED)**

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

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

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

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

**Warrants**

The following table shows the changes in warrants:

| | | December 31, 2015 | | December 31, 2014 |
|---|---|---|---|---|
| | Number of warrants | Weighted average exercise price | Number of warrants | Weighted average exercise price |
| | | $ | | $ |
| Outstanding, beginning of period | 4,612,323 | 0.29 | 4,437,611 | 0.29 |
| Issued | 12,817,540 | 0.09 | 411,212 | 0.22 |
| Expired | (4,312,323) | 0.30 | (236,500) | 0.18 |
| Outstanding, end of period | 13,117,540 | 0.09 | 4,612,323 | 0.29 |

# GENIUS PROPERTIES LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**As of December 31, 2015 and 2014** **(in Canadian dollars)**

### NOTE 18. SHARE CAPITAL (CONTINUED)

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

| | December 31, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| Expiry date | Exercise price | Number of warrants outstanding | Exercise price | Number of warrants outstanding |
| | $ | | $ | |
| December 10, 2015 | - | - | 0.30 | 1,635,000 |
| December 27, 2015 | - | - | 0.30 | 2,566,111 |
| December 29, 2015 | - | - | 0.20 | 111,212 |
| January 4, 2016 | 0.22 | 300,000 | 0.22 | 300,000 |
| June 7, 2017 | 0.05 | 10,000,000 | - | - |
| June 30, 2017 | 0.05 | 817,540 | - | - |
| June 30, 2017 | 0.30 | 2,000,000 | - | - |
| | 0.09 | 13,117,540 | 0.29 | 4,612,323 |

### NOTE 19. SHARE OPTIONS

**Share option plan**

The Corporation has a stock option plan whereby the Board of Directors, may grant to directors, officers or consultants of the Corporation, options to acquire common shares. The Board of Directors has the authority to determine the terms and conditions of the grant of options. The Board of Directors approved a ''Rolling'' stock option plan reserving a maximum of 10% of the shares of the Corporation at the time of the stock option grant, with a vesting period allowed of zero up to eighteen months, when the grant of option is made at market price, for the benefit of its directors, officers, employees and consultants. The Plan provides that no single person may hold options representing more than 5% of the outstanding common shares. The number of stock options granted to a beneficiary and the vesting period are determined by the Board of Directors.

The exercise price of any option granted under the Plan is fixed by the Board of Directors at the time of the grant and cannot be less than the market price per common share the day before the grant. The term of an option will not exceed five years from the date of grant. Options are not transferable and can be exercised while the beneficiary remains a director, an officer, an employee or consultant of the Corporation or up to twelve months after the beneficiary has left.

The following table shows the changes in share options:

| | December 31, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| | | $ | | $ |
| Outstanding, beginning of period | 1,725,000 | 0.10 | - | - |
| Granted | 2,200,000 | 0.10 | 1,725,000 | 0.10 |
| Forfeited | (350,000) | 0.10 | - | - |
| Outstanding, end of period | 3,575,000 | 0.10 | 1,725,000 | 0.10 |
| Exercisable | 3,575,000 | 0.10 | 1,725,000 | 0.10 |

# GENIUS PROPERTIES LTD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2015 and 2014** **(in Canadian dollars)**

**NOTE 19. SHARE OPTIONS (Continued)**

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

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Weighted average price at the grant date | $0.025 | $0.10 |
| Weighted average exercise price | $0.10 | $0.10 |
| Expected dividend | - % | - % |
| Expected average volatility | 145 % | 100 % |
| Risk-free average interest rate | 0.79% | 1.67 % |
| Expected forfeiture rate | - % | 5 % |
| Expected average life | 5 years | 5 years |
| Weighted fair value per share option | $0.02 | $0.07 |

An expense for share-based payments of $44,440 was recognized during the year ended December 31, 2015 ($122,468 during the year ended December 31, 2014).

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

The following table presents the details of share options outstanding:

| | December 31, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| Exercise price | Number of options outstanding | Estimated contractual time remaining in years | Number of options outstanding | Estimated contractual time remaining in years |
| $ | | | | |
| 0.10 | 1,725,000 | 3.27 | 1,725,000 | 4.27 |
| 0.10 | 1,850,000 | 4.60 | - | - |
| | 3,575,000 | 3.96 | 1,725,000 | 4.27 |

# GENIUS PROPERTIES LTD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2015 and 2014** **(in Canadian dollars)**

### NOTE 20. EXPLORATION AND EVALUATION EXPENDITURES

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

| | | | December 31, 2015 | | | December 31, 2014 |
|---|---|---|---|---|---|---|
| | Mining rights | E&E expenditures | **Total** | Mining rights | E&E expenditures | **Total** |
| | $ | $ | $ | $ | $ | $ |
| **Precious metals** | | | | | | |
| Monster Lake (50%) | - | - | - | - | 105,333 | 105,333 |
| Nouranda-South | - | - | - | 530 | 28,200 | 28,730 |
| Sapeena | - | - | - | - | 7,622 | 7,622 |
| Torngat diamond | - | - | - | - | 7,147 | 7,147 |
| Vendôme-Sud (50%) | - | - | - | 2,288 | 11,657 | 13,945 |
| **Total precious metals** | - | - | - | 2,818 | 159,959 | 162,777 |
| **Base metals** | | | | | | |
| Dalquier | - | 4,126 | 4,126 | - | 132,729 | 132,729 |
| Ruby Lake | - | - | - | - | 5,081 | 5,081 |
| Massicotte Est (40%) | - | - | - | - | 82,253 | 82,253 |
| Mine Lorraine | - | 235,000 | 235,000 | - | - | - |
| **Total base metals** | - | 239,126 | 239,126 | - | 220,063 | 220,063 |
| **Industrial metals** | | | | | | |
| Port-Daniel | - | - | - | - | 27,600 | 27,600 |
| Wapoos | - | - | - | - | 23,652 | 23,652 |
| **Total industrial metals** | - | - | - | - | 51,252 | 51,252 |
| **Special metals** | | | | | | |
| Kontili | - | - | - | - | 7,444 | 7,444 |
| Lullwitz-Kaeppelli | - | - | - | - | 5,200 | 5,200 |
| Versant REE | - | - | - | - | 5,581 | 5,581 |
| Gueret Guinecourt | 325 | - | 325 | - | 54,690 | 54,690 |
| Montagne B (25%) | 7,152 | 9,500 | 16,652 | - | 32,400 | 32,400 |
| Other properties | - | - | - | - | 133,396 | 133,396 |
| **Total special metals** | 7,477 | 9,500 | 16,977 | - | 238,711 | 238,711 |
| **Grand total** | 7,477 | 248,626 | 256,103 | 2,818 | 669,985 | 672,803 |

The following table presents exploration and evaluation expenditures by nature :

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| Mining rights | 7,477 | 2,818 |
| Exploration and evaluation expenditures | | |
| Geology | 134,500 | 175,327 |
| Geophysics | 110,000 | 421,557 |
| Drilling | - | 70,776 |
| Sampling | 4,126 | 2,325 |
| | 256,103 | 672,803 |
| Management fees (Note 25) | 23,184 | 49,018 |
| Claims management | 3,414 | 42,590 |
| | 282,701 | 764,411 |

# GENIUS PROPERTIES LTD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2015 and 2014** **(in Canadian dollars)**

## NOTE 20. EXPLORATION AND EVALUATION EXPENDITURES (CONTINUED)

**Initial purchase of claims**

On October 10, 2013, the Corporation purchased all the rights and interest in approximately 2,950 mining claims located in the Province of Quebec (the "Claims") from two private companies 9248-7792 Quebec Inc. ("9248") and 9257-1256 Quebec Inc. ("9257") for a consideration of 10,000,000 common shares of the Corporation at $0.06 representing the fair value of the stock price on the agreement date. A 0.4% and 0.6% net smelter royalty ("NSR") was retained by the private companies, respectively, where 0.2% and 0.3%, respectively, may be repurchased by the Corporation for a total cash consideration of $500,000.

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

**Monster Lake**

On November 26, 2013, the Corporation signed a property sale agreement with Mazorro Resources Inc. ("MR") for the Monster Lake property, which was amended on January 24, 2014. The property consists of two blocks totaling 81 mining claims and covers 4,300 hectares. Under the sale agreement, MR acquired 50% of the rights and interests of the Corporation's Monster Lake area property by making total cash payments of $80,000 and by issuing up to 4,000,000 common shares and 1,000,000 warrants of MR to the Corporation as follow:

- At the date of approval of the transaction by the regulatory authorities, $25,000, 1,500,000 common shares and 1,000,000 warrants.
- At the delivery of the technical report, $25,000 and 1,500,000 common shares;
- At the date of depositing the report on Sedar, $10,000;
- Six (6) months after the deposit of the report, the Corporation will receive $10,000;
- Twelve (12) months after the signature of the agreement, the Corporation will receive 1,000,000 common shares;
- Twelve (12) months after the depositing the report on Sedar, the Corporation will receive $10,000.

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

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

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

**Vendôme-Sud**

On January 9, 2014, the Corporation entered into an agreement with a company owned by the CEO of the Corporation, to acquire a 50% interest in 33 claims named Vendôme-Sud property in the Abitibi region, in consideration of all costs associated with an airborne survey (electromagnetic and magnetic) of the 33 claims and the production of a 43-101 technical report. Exploration on the Vendôme-Sud property is oriented towards the search for copper, nickel, zinc, silver and gold.

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

**Massicote-Est**

On January 13, 2014, the Corporation entered into an agreement with Canadian Metals Inc. a related party by virtue of common management and directors, to acquire a 40% interest in 172 mining claims named Massicotte-Est property in the Matagami region, in consideration of all costs associated with an airborne survey (electromagnetic and magnetic) of the 172 mining claims up to a maximum of $80,000. The airborne survey was completed during January 2014, raw data has been obtained and geophysical interpretation was still pending. As at December 31, 2015, the Corporation decided not to renew the claims as they become expired.

**Montagne B**

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

**Gueret & Guinecourt Lake**

On October 1, 2014, the Corporation entered into an agreement with a company owned by the president of the Corporation, to acquire a 25% interest in 31 mining claims named Gueret & Guinecourt property in the Abitibi region, in consideration of all costs associated with an airborne survey (electromagnetic and magnetic) of the 31 mining claims. Exploration on the Gueret & Guinecourt property is oriented towards the search for special metals. During the year ended December 31, 2015, the Corporation did not renew the 31 mining claims at their expiry.

# GENIUS PROPERTIES LTD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2015 and 2014** **(in Canadian dollars)**

## NOTE 20. EXPLORATION AND EVALUATION EXPENDITURES (CONTINUED)

**Mine Lorraine - Gisement Blondeau**

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

## NOTE 21. GENERAL AND ADMINISTRATIVE EXPENSES BY NATURE

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| Consulting fees | 525,369 | 494,109 |
| Professional fees | 229,729 | 188,963 |
| Regulatory fees | 166,423 | 49,821 |
| Office expenses and other | 86,084 | 87,604 |
| Business development | 54,209 | 63,701 |
| Depreciation - Property and equipment | 13,822 | 1,180 |
| Part XII.6 tax and other non-compliance penality | 361 | 93,400 |
| Share-based payments | 44,440 | 122,468 |
| Other | 11,957 | - |
| | 1,132,394 | 1,101,246 |

## NOTE 22. FINANCIAL EXPENSES

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| Interest on current liabilities and bank charges | 8,222 | 4,554 |
| Interest on long-term debts | 9,089 | - |
| Penalty on contract termination | 8,400 | - |
| | 25,711 | 4,554 |

## NOTE 23. INCOME TAXES

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| **Major components of tax expense (income)** | | |
| The major components of tax expense (income) are outlined below: | | |
| **Current tax expense (income)** | - | - |
| **Deferred tax expense (income)** | | |
| Origination and reversal of temporary differences | (648,567) | (449,102) |
| Change in unrecognized deductible temporary differences | 581,687 | 269,501 |
| Tax effect of flow through shares | 66,880 | 179,601 |
| Reversal of other liability related to flow-through shares | (122,962) | - |
| **Total deferred tax expense (income)** | (122,962) | - |
| **Total income tax expense (income)** | (122,962) | - |

# GENIUS PROPERTIES LTD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2015 and 2014** **(in Canadian dollars)**

## NOTE 23. INCOME TAXES

**Relationship between expected tax expense and accounting profit or loss**

The relationship between the expected tax expense based on the combined income tax rate in Canada and the reported tax expense in the consolidated statement of comprehensive loss can be reconciled as follows:

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| Expected tax expense calculated using the combined federal and provincial income tax rate in Canada of 26.90%. | (1,312,443) | (470,345) |
| Change in unrecognized temporary differences | 581,687 | 269,501 |
| Cancellation on acquisition of assets | 645,600 | - |
| Tax effect on flow-through shares | 66,880 | 179,601 |
| Reversal of other liability related to flow-through shares | (122,962) | - |
| Reversal of temporary difference subject to initital recognition exemption | 67,250 | - |
| Non-taxable gain on sale of investment | 2,741 | (11,660) |
| Exchange loss on consolidation | (605) | 6,496 |
| Difference on forcing tax rate of subsidiaries | (25,129) | (15,646) |
| Non-deductible share-based payments | 11,954 | 32,944 |
| Non-deductible other elements | (37,935) | 9,109 |
| **Deferred income tax expense (income)** | (122,962) | - |

The statutory tax rate of 26.90% in 2015 is the same as the statutory tax rate in 2014.

**Recognized deferred tax assets and liabilities**

The following differences between the carrying amounts and tax bases from timing differences, unused tax losses and unused tax credits give rise to the following recognized deferred income tax assets and liabilities.

| | Balance on January 1st, 2015 | Profit or loss | Equity | Balance on December 31, 2015 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Deferred tax liabilities** | | | | |
| Investments | 1,732 | (1,732) | - | - |
| Intangible assets | (28,191) | 28,191 | - | - |
| Exploration and evaluation expenditures | 29,923 | (29,923) | - | - |
| | 3,464 | (3,464) | - | - |
| **Deferred tax asset** | | | | |
| Tax losses | (3,464) | 3,464 | - | - |
| Deferred income tax asset (liability) | - | - | - | - |
| Reversal of other liability related to flow-through shares | | 122,962 | | |
| Variation of deferred income tax in net loss | | 122,962 | | |

| | Balance on January 1st, 2015 | Profit or loss | Equity | Balance on December 31, 2015 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Deferred tax liabilities** | | | | |
| Investments | 1,331 | 401 | - | 1,732 |
| Mining tax credit | 458 | (458) | - | - |
| Intangible assets | - | (28,191) | - | (28,191) |
| Exploration and evaluation expenditures | 1,789 | 28,134 | - | 29,923 |
| | 3,578 | (114) | - | 3,464 |
| **Deferred tax asset** | | | | |
| Tax losses | (3,578) | 114 | - | (3,464) |
| Deferred income tax asset (liability) | - | - | - | - |

# GENIUS PROPERTIES LTD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2015 and 2014** **(in Canadian dollars)**

## NOTE 23. INCOME TAXES (Continued)

**Unrecognized deferred tax assets and liabilities**

The Corporation has the following temporary differences for which no deferred tax has been recognized:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Federal | US | Federal | US |
| | $ | $ | $ | $ |
| Exploration and evaluation expenditures | 509,343 | - | 531,294 | - |
| Issuance costs of shares | 84,209 | - | 97,903 | - |
| Investments | 3,750 | - | - | - |
| Property and equipment | 15,003 | 1,692 | 1,181 | - |
| Intangibles | 187,500 | 158,343 | - | - |
| Accrued liabilities | 57,000 | - | 57,000 | - |
| Non-capital losses | 4,620,500 | 395,456 | 3,052,798 | 199,646 |
| | 5,477,305 | 555,491 | 3,740,176 | 199,646 |

The ability to realize tax benefits is dependant upon a number of factors. Deferred tax assets are recognized only to the extent that it is probable that sufficient profits will be available to allow the asset to be recovered. At December 31, 2015, deferred tax assets totalling $1,661,660 ($1,074,599 in 2014) have not been recognized.

The Corporation has the following non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recognized in the consolidated statement of financial position, that can be carried over the following years:

| | Federal | US |
|---|---|---|
| | $ | $ |
| 2026 | 919,509 | - |
| 2027 | 567,970 | - |
| 2028 | 32,972 | - |
| 2029 | 24,984 | - |
| 2030 | 39,931 | - |
| 2031 | 45,934 | - |
| 2032 | 38,111 | - |
| 2033 | 237,274 | - |
| 2034 | 1,219,788 | 199,646 |
| 2035 | 1,494,027 | 195,810 |
| | 4,620,500 | 395,456 |

## NOTE 24. ADDITIONAL CASH FLOW INFORMATION

**Changes in working capital items**

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| Amounts receivable | (13,647) | (65,269) |
| Prepaid expenses | 66,885 | (83,229) |
| Inventories | - | (210,616) |
| Trade accounts and other payables | 404,499 | 326,143 |
| | 457,737 | (32,971) |

# GENIUS PROPERTIES LTD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2015 and 2014** **(in Canadian dollars)**

## NOTE 24. ADDITIONAL CASH FLOW INFORMATION (Continued)

Additional disclosures regarding cash flows that did not result in a cash outflow:

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| Investments | | |
| Investments received in consideration of disposal of mining rights | 30,000 | 45,000 |
| Share capital | | |
| Shares issued for the acquisition of assets | 3,300,000 | - |
| Shares to be cancelled on acquisition of assets | 900,000 | - |
| Shares issued for the acquisition of intangible assets | - | 60,000 |
| Shares to be issued as a payment of consulting fees | 25,000 | - |
| Shares issued as a finders fee | 154,000 | - |
| Shares issued as a payment of E&E expenditures | 200,000 | - |
| Shares issued as a penalty for contract cancellation | - | 26,000 |
| Shares issued as debts settlement | 147,729 | - |
| Warrants | | |
| Broker warrants issued as a finders fee | 1,276 | - |

## NOTE 25. RELATED PARTIES

Related parties include the Corporation's joint key management personnel. Unless otherwise stated, balances are usually settled in cash. Key management includes directors and senior executives. The remuneration of key management personnel includes the following expenses:

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| Management fees | 23,184 | 48,988 |
| Consulting fees | 338,800 | 190,000 |
| Professionnal fees | 184,014 | 199,545 |
| Office expenses | 6,000 | 12,300 |
| Share-based payments | 14,850 | 78,095 |
| | 566,848 | 528,928 |

For the year ended December 31, 2015, a company controlled by the CEO charged $23,184 ($49,018 for the year ended December 31, 2014) representing an 8% management fee on the E&E expenditures incurred by the Corporation. These fees were recorded under exploration and evaluation expenditures.

For the year ended December 31, 2015, a company controlled by the CEO charged $187,600 ($165,000 for the year ended December 31, 2014) for consulting fees rendered as CEO and the previous CEO charged an $16,200 ($nil for the year ended December 31, 2014) for consulting fees rendered as CEO. In addition, a company controlled by an officer of a subsidiary charged $151,200 ($25,000 for the year ended December 31, 2014) as consulting fees.

For the year ended December 31, 2015, a company controlled by the CFO charged $33,850 ($nil for the year ended December 31, 2014) and a company controlled by the previous CFO charged $31,000 ($95,000 for the year ended December 31, 2014) in professionnal fees for financial services.

For the year ended December 31, 2015, a director charged $24,000 ($16,000 for the year ended December 31, 2014) for legal fees.

For the year ended December 31, 2015, legal fees in the amount of $95,164 were charged by a company in which a director is a partner ($82,545 for the year ended December 31, 2014). Trade accounts and other payables include an amount of $182,620 ($98,905 as at December 31, 2014) due to this related party.

For the year ended December 31, 2015, a company controlled by the CEO charged $6,000 (companies controlled by the CEO, an officer and a director charged $12,300 for the year ended December 31, 2014) as office expenses.

During the year ended December 31, 2014, the Corporation entered into agreements to acquire mining properties from a company in which the Chief executive officer (“CEO”) of the Corporation is also a director. The CEO disclosed his interest as a major shareholder and director of the vendors prior to the start of negotiations between the Corporation and the vendor.

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

# GENIUS PROPERTIES LTD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2015 and 2014** **(in Canadian dollars)**

## NOTE 26. FINANCIAL ASSETS AND LIABILITIES

**Categories of financial assets and liabilities**

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

| | | December 31, 2015 | | December 31, 2014 |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | $ | $ | $ | $ |
| Financial assets | | | | |
| Loans and receivables | | | | |
| Cash and cash equivalents | 210,301 | 210,301 | 322,855 | 322,855 |
| Amounts receivable (excluding sales tax receivable) | 11,308 | 11,308 | 10,960 | 10,960 |
| Available-for-sale investments | | | | |
| Investments | 22,500 | 22,500 | - | - |
| Fair value through profit or loss | | | | |
| Investments | - | - | 12,881 | 12,881 |
| | 244,109 | 244,109 | 346,696 | 346,696 |
| Financial liabilities | | | | |
| Financial liabilities measured at amortized cost | | | | |
| Trade accounts and other payables | 769,307 | 769,307 | 433,048 | 433,048 |
| Loan payable to a director | 55,000 | 55,000 | - | - |
| Bank loan | 202,500 | 202,500 | 225,000 | 225,000 |
| | 1,026,807 | 1,026,807 | 658,048 | 658,048 |

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

The fair value of the investments was calculated using the Black-Scholes valuation model for December 31, 2014 and the closing price for December 31, 2015 as described in Note 13.

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

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

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

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

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The investments were classified under level 1 in 2015 (level 2 in 2014).

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

As of December 31, 2015 and 2014 (in Canadian dollars)

# GENIUS PROPERTIES LTD.



## NOTE 27. INFORMATION ON CAPITAL MANAGEMENT

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

The Corporation's capital management objectives are:

- to ensure the Corporation’s ability to continue as a going concern;
- to increase the value of the assets of the business; and
- to provide an adequate return to shareholders.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Corporation's own means.

The Corporation is not exposed to any externally imposed capital requirements except when the Corporation issues flow-through shares for which amounts should be used for E&E work. The Corporation finances its exploration and evaluation activities, as well as its other activities, principally by raising additional capital either by private placements or public offerings. There is no dividend policy. Changes in capital are described in the consolidated statements of Changes in Equity and the related notes. There were no changes in the Corporation's approach to capital management during the year.

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

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| Bank loan | 202,500 | 225,000 |
| Equity | (577,810) | 645,593 |
| | (375,310) | 870,593 |

## NOTE 28. FINANCIAL RISKS

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

**Price risk**
The Corporation is exposed to equity securities price risk because of the investments held by the Corporation. When trading its shares, unfavorable market conditions could result in the disposal of its listed shares at less than its value. At December 31, 2014 and 2015, price risk is not considered significant.

**Credit risk**
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation is subject to concentrations of credit risk through cash and cash equivalents and amounts receivable. The Corporation reduces its credit risk by maintaining part of its cash and cash equivalents in financial instruments held with a Canadian chartered bank. Amount receivables is continually monitored to ensure its collection. Therefore, credit risk is not considered significant.

**Liquidity risk**
Liquidity risk is the risk that the Corporation will not be able to meet the obligations associated with its financial liabilities. Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount. Management estimates that the cash and cash equivalents as at December 31, 2015 will not be sufficient to meet the Corporation's needs for cash during the coming year.

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

# GENIUS PROPERTIES LTD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of December 31, 2015 and 2014** **(in Canadian dollars)**

## NOTE 28. FINANCIAL RISKS (Continued)

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

| | | | | December 31, 2015 |
|---|---|---|---|---|
| | Less than a year | 1 to 5 years | More than 5 years | Total |
| | $ | $ | $ | $ |
| Trade accounts and other payables | 769,307 | - | - | 769,307 |
| Loan payable to a director | 55,000 | - | - | 55,000 |
| Bank loan | 202,500 | - | - | 202,500 |
| | 1,026,807 | - | - | 1,026,807 |

**Interest rate risk**

As at December 31, 2015, the Corporation is exposed to changes in market interest through its long-term debt at variable interest rate.

## NOTE 29. SEGMENTED INFORMATION

The Corporation has only one operating segment which consist in the mining activities.

At December 31, 2015, the Corporation has operations in one geographical sectors which is Canada. At December 31, 2014, the Corporation had two geographical sectors which were Canada and United States. The following tables presents the Corporation's non-current assets by geographic areas.

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| **Non-current assets** | | |
| Canada | 245,199 | 599,628 |
| USA | - | 159,906 |
| | 245,199 | 759,534 |

## NOTE 30. COMMITMENTS

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

Under the terms of the agreement for the acquisition of Mine Lorraine - Gisement Blondeau property, the Corporation is required to make a cash payment of $40,000 no later than May 1, 2016.

## NOTE 31. SUBSEQUENT EVENTS

**Acquisition of the Dissimieux property**

On March 22, 2016, the Corporation aquired 100 % of the Dissimieux Lake property from Jourdan Resources Inc. composed of 15 mining claims and located within the La Blanche Lake anorthositic complex by the issuance of 6,000,000 common shares on April 5, 2016 at a price of $0.02 per share and the payment of $100,000 in cash or by the issuance of shares within 90 days of the signature of the agreement for a total consideration of $220,000. As part of this transaction, the Corporation issued 420,000 common shares valued at a price of $0.02 per share for a total consideration of $8,400 as finders fees.

The vendor will retain a 2% net smelter return. The Corporation will have the right to purchase 1 % of the net smelter return held by the vendor for $1,000,000.

**Signature of a settlement agreement**

On April 5, 2016, the Corporation also completed a private placement with the issuance of 2,020,000 common shares at a price of $0.05 per share as part of debt settlements with suppliers for a total amount of $101,000. As a result, the Corporation will record a loss on settlement of payables of $28,600.

## SCHEDULE B

## MANAGEMENT'S DISCUSSION & ANALYSIS OF THE ISSUER

# GENIUS PROPERTIES LTD.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Three-month period ended

March 31, 2018

(First Quarter)

This management discussion and analysis (”MD&A”) of Genius Properties Ltd., (“Genius Properties” or “GNI” or the “Company”) follows rule 51-102 of the Canadian Securities Administrators regarding continuous disclosure.

The following MD&A is a narrative explanation, through the eyes of the management of Genius Properties, on how the Company performed during the three-month period ended March 31, 2018. It includes a review of the Company’s financial condition and a review of operations for the three-month period ended March 31, 2018 as compared to the three-month period ended March 31, 2017.

This MD&A complements the condensed interim consolidated financial statements for the three-month period ended March 31, 2018 but does not form part of them. It is intended to help the reader understand and assess the significant trends, risks and uncertainties related to the results of operations and it should be read in conjunction with the condensed interim consolidated financial statements as at March 31, 2018 and related notes thereto as well as the audited consolidated financial statements, accompanying notes and Management’s Discussion and Analysis for the year ended December 31, 2017.

The condensed interim consolidated financial statements for the three-month period ended March 31, 2018 and 2017 have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) applicable to the preparation of condensed interim consolidated financial statements. The accounting policies applied in the financial statements are based on IFRS issued and effective as at March 31, 2018. On May 30, 2018, the Board of Directors approved, for issuance, the condensed interim consolidated financial statements.

All figures are in Canadian dollars unless otherwise stated. Additional information relating to the Company can be found on SEDAR at www.sedar.com. The shares of Genius Properties are listed on the Canadian Securities Exchange (“CSE”) under the symbol "GNI".

## REPORT'S DATE

The MD&A was prepared with the information available as at May 30, 2018.

## CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements that are based on the Company’s expectations, estimates and projections regarding its business, the mining industry in general and the economic environment in which it operates as of the date of the MD&A. To the extent that any statements in this document contain information that is not historical, the statements are essentially forward-looking and are often identified by words such as "anticipate", "expect", "estimate", "intend", "project", "plan" and "believe". In the interest of providing shareholders and potential investors with information regarding Genius Properties, including management’s assessment of future plans and operations, certain statements in this MD&A are forward-looking and are subject to the risks, uncertainties and other important factors that could cause the Company’s actual performance to differ materially from that expressed in or implied by such statements. Such factors include, but are not limited to: volatility and sensitivity to market metal prices, impact of change in foreign currency exchange rates and interest rates, imprecision in reserve estimates, environmental risks including increased regulatory burdens, unexpected geological conditions, adverse mining conditions, changes in government regulations and policies, including laws and policies; and failure to obtain necessary permits and approvals from government authorities, and other development and operating risks. The preliminary assessments contained in the Technical Report referred to in this MD&A, and the estimates contained therein to date are preliminary in nature and are based on a number of assumptions, any one of which, if incorrect, could materially change the projected outcome.

Although the Company believes that the expectations conveyed by the forward-looking statements are based upon information available on the date that such statements were made, there can be no assurance that such expectations will prove to be correct. The reader is cautioned not to rely on these forward-looking statements. The Company disclaims any obligation to update these forward-looking statements unless required to do so by applicable Securities laws. All subsequent forward-looking statements, whether written or orally attributable to the Company or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements.

## NATURE OF ACTIVITIES

Genius Properties Ltd. and its subsidiaries (hereafter the "Company" or "Genius Properties" or "GNI") is engaged in the acquisition and exploration of mineral properties.

## BUSINESS DEVELOPMENT HIGHLIGHTS

- **Amendment to Mt. Cameron Option Agreement:**

  On March 8, 2018 the Company amended its option agreement with Mt Cameron Minerals Incorporated. The Company has to incur exploration expenditures as follows: $500,000 on or before December 31, 2018 and $500,000 on or before December 31, 2019 instead of $500,000 on or before December 31, 2017 and $500,000 on or before December 31, 2018.

  In consideration for the postponement of the deadlines of one year to incur the exploration expenditures, the Company issued a total of 200,000 common shares on April 11, 2018 to shareholders of Mt Cameron Minerals Inc., at a deemed value of $0.15 per common share. These common shares are subject to a hold period under applicable securities laws, which will expire four months and one day from the date of their issuance.

## BUSINESS DEVELOPMENT SUBSEQUENT EVENTS

- **Closing of Private Placement:**

  On April 6, 2018, the Company concluded a private placement by issuing 10,373,334 units at a price of $0.15 per unit for gross proceeds of $1,556,000. Each unit consists of one common share and one-half of a warrant for a total of 10,373,334 common shares and 5,186,671 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 and until April 6, 2019.

  On April 27, 2018, the Company concluded a private placement by issuing 5,201,667 units at a price of $0.15 per unit for gross proceeds of $780,250. Each unit consists of one common share and one-half of a warrant for a total of 5,201,667 common shares and 2,600,832 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 and until April 27, 2019.

- **Extension of Warrants:**

  On May 3, 2018, the Company extended the expiry date of 5,485,083 common share purchase warrants originally issued on May 26, 2017, December 8, 2017, December 15, 2017, December 21, 2017 and December 29, 2017, all valid for 12 months, has been extended to April 27, 2019. Each such warrant remains exercisable at a price of $0.25 per Share.

- **Appointment of Robert Boisjoli as new CFO:**

  The Company nominated Mr. Robert Boisjoli, FCPA, FCA to the position of Chief Financial Officer of the Company, effective April 26, 2018.

  Robert, who is a Fellow Chartered Professional Accountant, is a corporate finance/operational professional with over 30 years of operational and advisory experience. Robert is currently the Chief Executive Officer of AKESOgen, Inc., an integrated genomics, genetics and biobanking company. Robert is also Chairman of Palos Management Inc. and managing director of Atwater Financial Group, a company specializing in mergers and acquisitions, and a partner at Robert Boisjoli & Associates S.E.C., a consulting firm specializing mainly in business valuations. Robert has been the founder of two life science companies where he has acted as Chief Financial Officer, Chief Operating Officer and Chief Executive Officer. Mr. Boisjoli sits on the boards of directors of various companies where is he is also the audit committee chairman. He also acted as Chief Financial Officer for Adventure Gold Inc. (AGE:TSXV) which was acquired by Probe Metals in 2016. He was also an investment banker with various Canadian securities' firms. Robert also is a Board Member of various not-for-profit organizations in the community and within the profession.

### CORPORATE OBJECTIVES FOR 2018:

#### QUIULACOCHA TAILINGS AND EXCELSIOR STOCKPILE

- Complete Merger Agreement with Cerro de Pasco Resources S.A.
- Execute an agreement to use the nearby milling and processing facilities to treat the mineralized material for the Quiulacocha Tailings and Excelsior Stockpile
- Acquire the surface rights on "Parcel K"
- Complete Environmental Impact Assessment study
- Conduct metallurgical testing and bulk-sampling
- Initiate drilling to confirm geological resources NI43-101
- Complete internal engineering studies

#### CANADIAN PROJECTS

- Genius intends to continue the exploration and development to its main asset: Meaghers Gold Property (Nova Scotia), Sakami Gold Property (Québec) and Mt. Cameron Graphite Deposit following spin-off of Genius Properties current assets.

#### SPIN-OFF OF GENIUS PROPERTIES

As part of the Proposed Transaction with Cerro de Pasco, prior to issuing securities to the Cerro Shareholders, Genius will spin off all of its current mining properties into one new wholly-owned Canadian subsidiaries. Genius will distribute SpinCo Shares to Genius Shareholders, on the basis of one SpinCo Share for six Genius Share held on the record date for such distribution, which record date will be immediately prior to the completion of the Reverse Take-Over.

Genius intends to continue the exploration and development of the Genius Properties through these new subsidiaries, to re-distribute the common shares of these subsidiaries to its current shareholders and to list them on a stock exchange.

### EXPLORATION HIGHLIGHTS

There were no exploration highlights.

### EXPLORATION SUBSEQUENT EVENTS

There were no exploration subsequent events.

### Exploration activities for the three-month period ended March 31, 2018

During the three-month period ended March 31, 2018, the Company incurred $10,999 in exploration and evaluation expenditures ($73,484 for the three-month period ended March 31, 2017) of which 80% of the expenses were spent on the Sakami, 17% on Mt Cameron property and the remaining 3% on other properties.

During the three-month period ended March 31, 2018 the Company has conducted compilation works in order to plan the 2018 exploration programs on Sakami North Block and Mt. Cameron Graphite Property.

GENIUS PROPERTIES LTD.

**Exploration and evaluation expenditures**
**For the three-month period ended March 31, 2018**

| | QUÉBEC | | | NOVA SCOTIA | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dissimieux Lake | Sakami | Robelin | Mt Cameron | Blockhouse | Kemptville | Chocolate Lake | Tancook Island | Leipsigate | Dares Lake | Gold River | Meaghers | Total |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Exploration and evaluation expenditures** | | | | | | | | | | | | | |
| Drilling | - | 1,369 | - | - | - | - | - | - | - | - | - | - | 1,369 |
| Geophysical | - | 3,800 | - | - | - | - | - | - | - | - | - | - | 3,800 |
| Geology | 375 | 2,545 | - | - | - | - | - | - | - | - | - | - | 2,920 |
| Prospecting | - | 1,091 | - | 1,819 | - | - | - | - | - | - | - | - | 2,910 |
| | 375 | 8,805 | - | 1,819 | - | - | - | - | - | - | - | - | 10,999 |
| **Mining rights:** | | | | | | | | | | | | | |
| Claim management | 7,699 | 3,792 | 1,392 | - | - | - | - | - | - | - | - | - | 12,883 |
| Renewal of licences | 961 | - | - | 280 | 180 | - | (1,452) | - | - | - | 262 | - | 231 |
| Acquisition of claims | - | - | 250 | - | - | - | - | - | - | - | - | - | 250 |
| | 8,660 | 3,792 | 1,642 | 280 | 180 | - | (1,452) | - | - | - | 262 | - | 13,364 |
| **Balance, beginning of period** | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Balance, end of period** | 9,035 | 12,597 | 1,642 | 2,099 | 180 | - | (1,452) | - | - | - | 262 | - | 24,363 |

GENIUS PROPERTIES LTD.

**Exploration and evaluation expenditures**
**For the three-month period ended March 31, 2017**

| | | | | NOVA SCOTIA | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dissimieux Lake | Sakami | Robelin | Mt Cameron | Blockhouse | Kemptville | Chocolate Lake | Tancook Island | Leipsigate | Dares Lake | Gold River | Meaghers | Total |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Exploration and evaluation expenditures** | | | | | | | | | | | | | |
| Drilling | 450 | - | - | - | 61,575 | - | - | - | - | 1,091 | - | - | 63,116 |
| Geophysical | - | - | - | - | 1,500 | - | - | - | - | - | - | - | 1,500 |
| Geology | - | - | - | 500 | 6,050 | 750 | - | - | 273 | 1,295 | - | - | 8,868 |
| | 450 | - | - | 500 | 69,125 | 750 | - | - | 273 | 2,386 | - | - | 73,484 |
| **Mining rights:** | | | | | | | | | | | | | |
| Acquisition of options | - | - | - | 163,572 | - | - | - | - | - | - | - | - | 163,572 |
| Renewal of licences | - | - | - | - | 1,225 | - | - | - | - | 1,213 | 500 | - | 2,938 |
| Acquisition of claims | - | - | - | - | - | 100 | 1,572 | 1,048 | - | - | - | - | 2,720 |
| | - | - | - | 163,572 | 1,225 | 100 | 1,572 | 1,048 | - | 1,213 | 500 | - | 169,230 |
| **Balance, beginning of period** | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Balance, end of period** | 450 | - | - | 164,072 | 70,350 | 850 | 1,572 | 1,048 | 273 | 3,599 | 500 | - | 242,714 |

## CURRENT PROJECTS

### Meaghers Gold Property

On September, 2017, Genius announced the staking of 243 new mining claims in Nova Scotia covering an area of 39.3 square kilometres adjacent to Atlantic Gold's most developed resource: the Touquoy gold deposit.

The four Atlantic Gold deposits (Atlantic Gold Touquoy Open Pit Mine, Beaver Dam, Fifteen Mile Stream and Cochrane Hills Gold Mines) are associated with a weak aeromagnetic anomaly representing an overturned anticline composed of sedimentary rocks.

Genius new staked property contains several gold showings, old exploration works such as the Meaghers Au-As Prospect, several DDH collared for Au-Pb-Zn exploration and two abandoned gold adits. These gold-bearing structures are all in trend with the magnetic anomaly associated with Atlantic Gold four deposits. This suggests the extension of the gold mineralized zones is probably hidden under a thick overburden and/or forms deeply buried new mineralization.

In April 2018, Genius has mandated Michel Boily, PhD geo, to write a NI43-101 Technical Report on the Meaghers property.

During 2018, the Company plans to perform the following exploration work: line cutting, ground geophysic and finally some drilling.

**Sakami Property (Québec)**

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 acquired 100% interest by issuing the 6,000,000 common shares at a fair value of $0.20 per share for a consideration of $1,200,000. 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 is 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.

During the 2017 fall exploration campaign the Corporation conducted a ground-based PP, EM-VLF and magnetometric surveys along a 34 km grid on the South Block of its Sakami property located in the James Bay area, Quebec. The geophysical surveys were accompanied by the collection of humus and soil samples, the latter to be analyzed for 53 elements using the Mobile Metal Ions (MMI) technology. Several grab samples were also gathered for precious and base metal determination.

Alternatively, significant gold mineralized samples with values greater than 100 ppb occurred in the northeastern Sipanikaw sectors of the property principally in sheared or mylonitized hydrothermally altered (pyritized, sericitized) metavolcanic rocks and in iron formation.

Exploration work in the amount of $245,000 is scheduled for 2018.

**Mt. Cameron Graphite Project (Nova Scotia)**

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, by paying $175,000 and by incurring $1,000,000 of exploration expenditures over the next two years. As of December 31, 2016, the Company paid the amount of $125.000. The properties are subject to a 3% NSR of which 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 instead of 600,000 common shares. The Company has issued 800,000 common shares to 21 Alpha Resources Inc. at a fair value of $0.20 per share for a consideration of $160,000.

On March 8, 2018 the Company amended its option agreement with Mt Cameron Minerals Incorporated. The Company has to incur exploration expenditures as follows: $500,000 on or before December 31, 2018 and $500,000 on or before December 31, 2019 instead of $500,000 on or before December 31, 2017 and $500,000 on or before December 31, 2018. In consideration for the postponement of the deadlines of one year to incur the exploration expenditures, the Company will issue a total of 200,000 common shares to shareholders of Mt Cameron Minerals Inc. (See the Subsequent events).

The Mt. Cameron Graphite Deposit is located in the Boisdale Hills region of Cape Breton, Nova Scotia, marking a strategic entry into the large flake graphite market. Reports indicated this deposit has the potential of becoming one of the largest graphite mines in the world producing ultra-high purity flake graphite.

The Property is conveniently located 25 kilometers west of Sydney, Nova Scotia and is comprised of 7 licenses (82 claims over 13.3 $km^2$). The property is easily accessible by paved roads and is in close proximity to an electric utility. With the potential construction of NOVAPORT, a deep-water mega-terminal in Sydney, trans-Atlantic shipping would be readily available, Moreover, having an extensive history in steel manufacturing and coal mining, Sydney has a highly skilled workforce to offer.

The mineralization on the Property is represented by flake graphite in marbles of the George River Formation and has been identified along a strike length of approximately 12 km with zones up to 1.5 km wide and interpreted to be up to 300 m in depth. Mt. Cameron has carried out prospecting, drilling and geophysics on the Property; all of which indicate an extensive mineralized zone. Preliminary mineral processing studies have been carried out by Dr. Ian Flint, former Director of the Minerals Engineering Center at Dalhousie University in Halifax

Historical works:

- **2004** - As part of a regional reconnaissance exploration program, Mt. Cameron mapped extensive beds and ridges of graphitic marbles and schists of Precambrian (Grenvillian) age on the eastern flank of the Boisdale Hills, some 25 km west of Sydney, Nova Scotia. Preliminary metallurgical work on samples taken during the mapping campaign determined the graphite is of the rare flake form. Average grade of the graphitic marble surface samples was > 4% graphite (Cg);

- **2007** - The Province, through the Office of Economic Development and DNR, commissioned a graphite market study to determine market trends and supply / demand worldwide. The study determined the Property had good potential to be one of the largest graphite mines in the world. There are indications this deposit is substantial and has the potential for an annual production as high as 200,000 tonnes of ultra high purity flake graphite and still maintain a 20 year, or longer, mine life;

- **2008** - In August 2008, Mt. Cameron initiated an exploration and metallurgical testing program budgeted at $4 million. Initial results from deep penetrating geophysics, drilling, assaying, bulk sampling, and pilot plant testing at the Mineral Engineering Centre at Dalhousie University met or exceeded expectations;

- **2009** - Further metallurgical work determined the flake graphite could be readily separated from the marble by flotation with expected commercial production after refining above 99% graphite. Bench scale metallurgical testing has already achieved a grade of 99.3% from a large bulk sample taken in 2008.

- **2010** - A 1,300 m diamond drilling program identified an area west of Campbell Lake where 10 holes intersected up to 40 m of high grade graphitic marble extending about 400 m along strike. This area shows considerable promise for the development of a substantial mining operation.

"The Mt. Cameron Graphite deposit could be one of the largest in the world," says John Wightman, M.Sc., FGAC, P.Eng, President of Mt. Cameron Minerals Inc). Mr. Wightman's optimism about the potential value of the graphite deposit is further confirmed by a report concerning a bulk sample assessed by Separation Technology LLC of Needham, Mass. "The report is another indication of a potential large deposit of battery-grade graphite for the entire site. The attributes of graphite marble allow for low-cost clean separation technology, with little or no damage to the high-quality graphite when separated from the surrounding material," specified Mr. Wightman. The results of this latest bulk assessment report are comparable to those of previous tests performed at Dalhousie University by Dr. Ian M. Flint, a senior consulting metallurgist.

## Robelin Property (Québec)

On April 5, 2017, the Company has entered into an option agreement with 4 prospectors (one prospector is a former officer (CFO) and another prospector is a new officer (CEO)) 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 acquired 100% interest by issuing the 6,500,000 common shares at a fair value of $0.20 per share for a consideration of $1,300,000 ($140,000 for a former officer (CFO) and $500,000 for a new officer (CEO)). The Robelin Property is located 85 km East South East from the town of Kuujjuaq. 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.

Genius has filed on Sedar a NI 43-101 technical report for the Robelin Property titled "The Robelin Property, Northern Labrador Through, Kativik, Koksoak River, Québec, NTS 24F12 and 13", issued on October 18, 2017 with an effective date of April 30, 2017.

## Dissimieux Lake

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 within Dissimieux Lake Phosphate Titanium-REE's property, province of Québec, by issuing 1,200,000 common shares 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 at a fair value of $0.25 per share for a consideration of $300,000. On June 20, 2016 the Company fulfilled its obligations by issuing 720,000 common shares at a fair value of $0.175 (value of $0.25 as per the agreement for $180,000) per share for a consideration of $126,000.

The Project consists of 15 claims covering 8.4 $km^2$, and is accessible via Provincial Highway #138 from Forestville, then driving northward on Highway #385 to Labrieville, and from there using a network of secondary gravel forestry roads to reach the east-southeast shore of Dissimieux Lake. The Property hosts titanium-phosphate (ilmenite-apatite) mineralization located near the southern margin of the La Blache Anorthositic Complex (the "LBAC"). The LBAC is elongated in a northeast-southwest direction and is 15 to 25 km wide over 60 km. It was emplaced into a highly metamorphosed and folded package of steeply dipping, N-NE dipping paragneiss and amphibolites of the Grenville Geological Province. The Property is dominated by steep hills, with elevations ranging from 435 m to 700 m above sea level.

Only regional geophysical surveying and geological mapping had been carried out in the Property area before AFCAN Mining Corporation ("AFCAN"), formerly known as Société d'exploration Minière et pétrolière Gaspésie, staked the original claims at Dissimieux Lake. AFCAN completed detailed mapping, sampling and geophysical surveys over the original property (Pritchard, 1994, in GM53348; Birkett, 1995 and 1996, in GM 53515 and GM 54835; Oswald and Birkett, 1996, in GM 54764). A drill program of 8 holes totalling 637.5 m on two sections was also carried out in 1994 by AFCAN (GM 53349).

Ilmenite-apatite concentrations were traced along a 6 km a northeast-southwest corridor, up to 1 km wide, near the south shore of Dissimieux Lake. The mineralization is hosted in several 20 m to 50 m-wide bands made up of finely disseminated magmatic apatite and ilmenite, associated with gabbro. The ilmenite occurred as a magnetite-ilmenite assemblage linked to magnetic high anomalies. The average grades calculated from surface sampling was 5% $TiO_2$ (corresponding to 10% ilmenite) and 3.5% $P_2O_5$ (corresponding to 10% apatite). The corresponding average grades from the core samples were 4.72% $TiO_2$ and 3.65% $P_2O_5$, with high values of 8.35% $TiO_2$ and 4.42% $P_2O_5$. Zones characterized by lower intensity magnetic anomalies retained higher $TiO_2$ grades but were lower in $P_2O_5$.

Lakefield Research of Canada Ltd. ("Lakefield") (1997, in GM 54867; 1998, in GM 56490), COREM (2000, in GM 58571) and Lakefield (2000, in GM 58570) assessed the feasibility of concentrating the titanium and phosphate. Lakefield achieved recoveries of 92 % for apatite to produce a concentrate at 41.2 % $P_2O_5$, and recovered 62.5 % of the ilmenite to produce a concentrate of 48.1% $TiO_2$ from an initial a sample containing 3.5 % P2O5 and 5.4 % $TiO_2$. It was concluded at the time that the higher the TiO2 and P2O5 grades in rocks, the higher the recoveries in concentrates.

Met-Chem Canada Inc. ("Met-Chem") (2000, in GM 58569) attempted to estimate the "Mining Potential" of the southern portion of the ilmenite-apatite mineralization. The underlying concept rested entirely on the assumption that a direct correlation existed between the strong magnetic anomalies and the ilmenite-apatite mineralization. However, this relationship was never confirmed as the mafic components of the LLBAC, such as the gabbros and the ultramafic rocks exhibited high magnetic susceptibilities, even in the absence of ilmenite-apatite mineralization.

Nevertheless, to estimate the potential resources, Met-Chem used the two drilled sections from AFCAN, the geophysical surveys and results of the geological mapping. The cumulative length of favorable magnetic anomalies covered 11,200 m, multiplied by width (averaging 90 m) of the mineralization based on the area of mineralization calculated from the two existing drill sections to a maximum depth of 75 m. A specific gravity of 3.25 $t/m^3$ was used based on core samples.

In 2012 to 2013 Jourdan drilled 34 holes at Dissimieux Lake, for a total of 3949 m, demonstrating mineralization over a strike length of 2.4 kilometres. Five parallel zones of phosphate mineralization were intersected, often containing mineralization > 100m in drilled thickness.

A target resources of 235 million tonnes were estimated at a grade of 3.65% $P_2O_5$ and 4.72% $TiO_2$ based on the drill core results (Met-Chem, 2000, in GM58569). The estimate is considered historic Mineral Resources.

The terms "Mining Potential" and "Anticipated Resources" are not recognized National Instrument ("NI") 43-101 Mineral Resources or Mineral Reserves categories, and therefore should not the relied upon. There has been insufficient work and a Qualified Person has not reviewed nor evaluated "Mining Potential", "Anticipated Resources" or historic Mineral Resources in terms of NI 43-101 standards to qualify the estimates into current Mineral Resources. There is no evidence at this time to suggest that any future exploration would result in any of the estimates being converted into NI 43-101 compliant Mineral Resources. Genius is of the opinion that the estimates reflects either the ilmenite-apatite or titanium-phosphate mineralization potential of the Property.

The last major work on the Property involved the Met-Chem scoping study (2000, in GM 58569). Met-Chem indicated the ilmenite-phosphate mineralization was amenable to open-pit mining with a 1:1 waste to ore. It was proposed to transport the concentrate via a pipeline at a cost of $3.28 per tonne based on a yearly transport of 457,500 tonnes of concentrate (217,500 tonnes of ilmenite and 240,000 tonnes of apatite) over a distance of 140 km. In 2009, the Vendors assayed a sample from the original apatite concentrate for Rare Earth Elements ("REE's") and Rare Metal analysis at ALS Laboratories using the 38 element ICP-MS Analytical Method (ME-MS81) (refer to the appended table). The apatite concentrate sample contains 0.18% TREE's, of which 72% are LREE's (Light REE'S: La, Ce, Pr, Nd, Pm, Sm) and 28% are HREE's (Heavy REE's: Eu, Tb, Dy, Ho, Er, Tm, Yb, Lu, Y). The most significant REE's results are 517 ppm Cerium (Ce), 66 ppm Dysprosium (Dy), 115 ppm Gadolinium (Gd), 169 ppm Lanthanum (La), 405 ppm Neodynium (Nd), 85 ppm Praseodymium (Pr), 98 ppm Samarium (Sm), and 348 ppm Yttrium (Y).

These claims are in good standing and remain an integral part of the assets of the Company.

**Blockhouse Gold (Nova Scotia)**

Upon receiving the results of the IP survey, the collaring of the drill holes began on the Blockhouse property. Drilling, completed by Maritime Diamond Drilling of Brookfield, NS, commenced on January 3rd, 2017 and ended January 23rd, 2017. 644 meters of NQ core were drilled distributed in 7 holes and 3 sites. Most of the drilling was completed at site 1, located southwest of the historic working portals. It was chosen as it is situated near the limit of the underground workings south of the fault offsetting the Prest vein at 250° (Tilsey, 1983). Site 2 was located in the vicinity of the mine portals to target the geophysics anomaly #2 as well as the east vein. Site 3 was situated northeast of the mine portals to drill through the geophysics anomaly #1 as well as to get a section through the Halifax and into the Goldenville groups.

All casing was removed and holes were cement capped, and sites were cleaned up. Downhole surveys were completed using a reflex survey tool.

Hole BH-17-01 was drilled northwest perpendicular to bedding back toward the historic mine workings. The hole was spotted so that it would intersect a historically mapped fault, intersect the Prest vein below historic workings and intersect a geophysics anomaly outlined in the 2016 ground IP survey. This is the first drilling done to date at Blockhouse that was not directly targeting the Prest vein. Results were encouraging as a previously unknown zone of quartz veins with visible gold through the fault, showed 1.1 grams per tonne gold over 9.55 metres, with subintervals of 1.6 g/t Au over 6.2 m and 3.4 g/t Au over 2.1 m and including peak grades of 25.7 g/t over 0.22 m and 7.1 g/t over 0.24 m. The true widths, extent and orientation of the zone are not yet understood

Core was boxed on-site by the drill crew and transported to the core shack by Genius personnel. Core was then logged and marked for sampling. Samples were sawn in half with a diamond blade core saw. Half was sent to Activation Laboratories in Ancaster, Ont., in sealed bags, while half was retained. Once at Actlabs, samples were pulverized and fire assayed with Code 1A2-30. Samples containing visible gold were also submitted for metallic screening, Code 1A4 (100 mesh). Quality assurance/quality control procedures included the systematic insertion of certified reference standards and blanks which were reviewed to verify the integrity of the lab results.

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 (500,000 common shares for each prospector). In addition, the Company will issue 100,000 common shares common shares for each $1,000,000 in exploration and evaluation expenditures incurred by Genius, subject to a maximum of 500,000 common shares. An additional 500,000 common shares will be issued if the Company completes a Feasibility Study. Nova Scotia properties consisted of the following properties: Blockhouse Gold (26 claims), Kemptville NS (10 claims), Chocolate Lake NS (6 claims), Dares Lake NS (6 claims) and Gold River NS (1 claim). 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.

The majority of the Property lie within NTS area 21A and the land package includes 14 licenses comprised of 107 claims covering approximately 1,733 hectares (17.33 $km^2$). The initial exploration focus of Genius will be on the Blockhouse Property and the nearby Dares Lake Property, both located in Lunenburg County.

There are several documented gold bearing veins on the Blockhouse Property, most notably the Prest Vein that saw limited underground (narrow vein) production in the late 1800s up until the early 1930s. This property was revisited in the 1980s when 10 diamond drill holes were completed, testing near surface potential of the property. The drill results and historical mining results are documented in a 1989 drill summary report by James E. Tilsley & Associates Ltd. (filed as an assessment report AR 89-105 with the Nova Scotia DNR) where it is reported that 3,500 ounces of gold was recovered from 6,200 tons of mined and milled material from underground workings between the surface and 90 meters depth. It is further reported that most of the gold was recovered from a fissure vein within a very dark arenaceous slate horizon referring to this production area as the "Prest Shoot". Historical records on file with Nova Scotia Department of Natural Resources indicate that the Prest Shoot accounted for 2,043 tons of mill feed between 1896 and 1935, yielding 3,259 ounces of gold for an average grade of 1.59 ounces per ton (49.6 g/t). The width of the Prest Vein within the historically mined shoot is reported to average 0.25 m (0.15 to 0.61 m), whereas the wall rock yielded an average of 0.085 ounces per ton (2.9 g/t). However, there was insufficient data to determine the extension of the gold mineralization within the host wall rock. Underground mapping and sampling of the 60 metres level occurred in the late 1930s. The Prest Shoot was traced for 138 metres in the north drift and averaged 0.35 m in width with an average gold content of 0.37 ounces per ton.

In early April 2016, Genius engaged an independent qualified person (IQP) to meet with the Vendors of the Property and complete a due diligence site visit. Samples of vein material were selected by the geologist Neil D. Novak, P.Geo., completed the due diligence investigation at the request of Genius. The Prest Vein does not outcrop, consequently the sampling was limited to selecting random samples from mine spoils that are present as muckpiles near the old mine opening (shaft) that had been covered over and capped by a reinforced concrete slab as per local mine rehabilitation requirements. The samples were presumably from the Prest Vein. and included:

- BH - 1 from the Blockhouse Property presumably the Prest Vein. The specimen is a banded dark grey - light grey quartz vein. This sample was tested for gold content and returned an assay of 22.5 g/t Au (0.72 ounces/ton);

- BH - 2 from the Blockhouse Property; presumably mine waste. This sample was selected from a small trench the geologist dug into the hand-cobbled pile of material near the main shaft. It consists of quartz vein material and dark grey slaty shale. The sample was tested for gold content and returned an assay of 0.136 g/t Au (0.004 ounces/ton);

- BH - 3 from the Blockhouse Property, quartz vein material representative of what was thought to be high grade material. The sample was tested for gold content and returned an assay of 11.8 g/t Au (0.378 ounces/ton);

- BH - 4 from the Blockhouse Property, quartz vein material representative of high grade material. The sample was tested for gold content and returned an assay of 38.6 g/t Au (1.24 ounces/ton);

- BH - 5 from the Blockhouse Property, quartz vein material from a long trench located near the old mill. This could be a sample of vein in an outcrop. The sample was tested for gold contend and returned an assay of 0.315 g/t Au (0.01 ounces/ton).

The assay results for the samples provided a confirmation of the potential as a gold exploration project. The "high grade" gold historically mined at the site and t the reported grades of vein material selected by the geologist were what was expected. Genius is now planning an exploration program which is to take place this summer2016 in which surface trenching, sampling and mapping will take place to ascertain whether gold is present in the host shales. If phase one is successful then phase two will follow involving drilling to depth below the existing mine workings to confirm and extend the information collected from the 1983 drill program.

The Review and Evaluation Committee for the NSMIP supports the project and has approved $60,000 to explore licenses in Blockhouse, Lunenburg County. All funds awarded by NSMIP are to be directed at paying up to 50% of any combination of drill contract costs, core analysis and trenching completed on the project.

### EXPLORATION OUTLOOK

The Company's technical team is currently working on the exploration recommendations set forth for each of its properties. The proposals will be analyzed by the Board of Directors.

### QUALIFIED PERSONS

Alex MacKay P.Geo, is the qualified person under NI 43-101 who has reviewed and approved the technical information contained in this document for the Nova Scotia properties.

Dr. Michel Boily P.Geo, is the qualified person under NI 43-101 who has reviewed and approved the technical information contained in this document for the Québec and Peru properties.

### FUNCTIONAL AND PRESENTATION CURRENCY

These selected annual financial information, selected quarterly financial information and other financial information are presented in Canadian dollars, the Company's functional currency.

### SELECTED QUARTERLY FINANCIAL INFORMATION

Genius Properties anticipates that the quarterly and annual results of operations will primarily be impacted for the near future by several factors, including the timing and efforts of the exploration's expenditures and efforts related to the development of the Company. Due to these fluctuations, the Company believes that the quarter to quarter and the year-to-year comparisons of the operating results may not be a good indication of its future performance.

The following selected quarterly financial information is derived from our unaudited condensed interim financial statements for each of the two most recently completed financial years.

**GENIUS PROPERTIES LTD.**
**SELECTED QUARTERLY FINANCIAL INFORMATION**

| | 2018 Q1 | Q4 | Q3 | Q2 | 2017 Q1 | Q4 | Q3 | 2016 Q2 |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS** | | | | | | | | |
| **Operating expenses** | | | | | | | | |
| Exploration and evaluation expenditures | **24,363** | (218,224) | 250,584 | 2,733,244 | 242,714 | 167,121 | 72,504 | 319,365 |
| General and administrative expenses | **300,336** | 338,484 | 136,170 | 185,691 | 144,711 | 225,947 | 141,621 | 174,245 |
| Gain on disposal of property and equipment | **-** | - | - | - | - | (25,318) | - | - |
| Write-off of property and equipment | **-** | - | - | - | - | 6,620 | - | - |
| Gain on disposal of mining properties | **-** | - | - | - | - | (12,500) | (45,522) | 1,772 |
| Loss on cancellation on acquisition of assets | **-** | - | - | - | - | - | - | - |
| | **324,699** | 120,260 | 386,754 | 2,918,935 | 387,425 | 361,870 | 168,603 | 495,382 |
| **Other expenses (revenues)** | | | | | | | | |
| Net change in fair value of marketable securities | **-** | - | - | - | (12,640) | (3,405) | (865) | (45,000) |
| Finance expense | **1,759** | 1,420 | 706 | 631 | (7,819) | (14,193) | 4,439 | 4,274 |
| Exchange loss (gain) | **(22,935)** | 18,127 | 2,071 | 473 | - | 12,854 | (11,809) | (1,091) |
| Gain on settlement of accounts payable | **-** | (636) | - | - | - | 20,280 | 13,207 | (135,388) |
| | **(21,176)** | 18,911 | 2,777 | 1,104 | (20,459) | 15,536 | 4,972 | (177,205) |
| **Income tax** | **(2,201)** | (55,176) | (9,401) | (8,524) | (22,269) | (53,820) | - | - |
| **Net loss from continuing operations** | **301,322** | 83,995 | 380,130 | 2,911,515 | 344,697 | 323,586 | 173,575 | 318,177 |
| **Net loss (earnings) from discontinued operations** | **433** | 80 | (616) | (414) | (157) | - | - | - |
| **Net loss and comprehensive loss** | **301,755** | 84,075 | 379,514 | 2,911,101 | 344,540 | 323,586 | 173,575 | 318,177 |
| **Net loss from continuing operations attributable to:** | | | | | | | | |
| Shareholders of Genius Properties Ltd. | **301,322** | 83,995 | 380,130 | 2,911,515 | 344,697 | 307,110 | 190,488 | 317,977 |
| Non-controlling interests | **-** | - | - | - | - | 16,476 | (16,913) | 200 |
| | **301,322** | 83,995 | 380,130 | 2,911,515 | 344,697 | 323,586 | 173,575 | 318,177 |
| **Net loss (earnings) from discontinued operations attributable to:** | | | | | | | | |
| Shareholders of Genius Properties Ltd. | **303** | 56 | (431) | (290) | (110) | (82,126) | - | - |
| Non-controlling interests | **130** | 24 | (185) | (124) | (47) | (18,050) | - | - |
| | **433** | 80 | (616) | (414) | (157) | (100,176) | - | - |
| **Basic and diluted loss (earnings) per share:** | | | | | | | | |
| Basic and diluted loss per share from continuing operations | **0.01** | 0.00 | 0.01 | 0.11 | 0.02 | 0.02 | 0.01 | 0.02 |
| Basic and diluted loss (earnings) per share from discontinued operations | **0.00** | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

| | 2018 Q1 | Q4 | Q3 | Q2 | 2017 Q1 | Q4 | Q3 | 2016 Q2 |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **CONSOLIDATED STATEMENTS OF CASH FLOWS** | | | | | | | | |
| **Continuing operations** | | | | | | | | |
| Cash flows used for operating activities | **(183,478)** | (254,685) | (333,462) | (297,833) | (220,823) | (296,890) | (17,000) | (107,139) |
| Cash flows from (used for) financing activities | **788,165** | 1,002,855 | (11,054) | 805,404 | (200) | 135,336 | 15,000 | 145,000 |
| Cash flows (used for) investing activities | **(357,316)** | (652,100) | - | - | 69,515 | 302,395 | - | - |
| Net change in cash and cash equivalents | **247,371** | 96,070 | (344,516) | 507,571 | (151,508) | 140,841 | (2,000) | 37,861 |
| **Discontinued operations** | | | | | | | | |
| Cash flows used for operating activities | **-** | - | - | - | - | - | - | - |
| Cash flows from financing activities | **-** | - | - | - | - | - | - | - |
| Cash flows used for investing activities | **-** | - | - | - | - | - | - | - |
| Net change in cash and cash equivalents | **-** | - | - | - | - | - | - | - |

| | 2018 Q1 | Q4 | Q3 | Q2 | 2017 Q1 | Q4 | Q3 | 2016 Q2 |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION** | | | | | | | | |
| Cash and cash equivalents | **551,907** | 304,536 | 208,466 | 552,982 | 45,411 | 196,919 | 56,078 | 58,078 |
| Loan to a non-related Company | **989,050** | 649,000 | - | - | - | - | - | - |
| Property and equipment | **25,459** | 18,512 | - | - | - | - | 212,218 | 215,712 |
| Total assets | **1,611,447** | 1,097,376 | 257,046 | 647,412 | 164,380 | 364,061 | 454,775 | 527,079 |
| Loan payable to a director, without interest | **180,000** | - | - | - | - | - | - | - |
| Bank loan | **-** | - | - | - | - | - | 185,625 | 191,250 |
| Equity | **661,406** | 352,661 | (515,715) | (136,201) | (528,791) | (344,251) | (282,991) | (179,016) |

The net loss from continuing operations of $301,322 for Q1-2018 is mostly attributable to lower amounts of exploration and evaluation expenditures recognized ($24,636 for Q1-2018 as compared to the amounts of exploration and evaluation expenses for the other quarters presented above) and higher amounts of general and administrative expenses due to the work on the Proposed Transaction with Cerro de Pasco Resources S.A.

The net loss from continuing operations of $2,911,515 for Q2-2017 is mostly attributable to the acquisition of two properties located in Québec in May 2017 for an amount of approximately $2,500,000.

The net loss from continuing operations of $173,575 for Q3-2016 is mostly attributable to a gain on disposal of mining properties of $45,522 combined with a decrease of exploration and evaluation expenditures as compared to Q1-2016 and Q2-2016.

## RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018

### Net (loss) income from continuing operations

The basic and diluted loss per share from continuing operations for the three-month period ended March 31, 2018 is $0.01 as compared to $0.02 for the three-month period ended March 31, 2017.

During the three-month period ended March 31, 2018, the Company realized a net loss from continuing operations of $301,322 as compared to a net loss from continuing operations of $344,697 for the three-month period ended March 31, 2017.

The decrease of $43,375 for the three-month period ended March 31, 2018 in net loss from continuing operations as compared to 2017 in net loss from continuing operations is mostly attributable to a significant decrease of $218,351 in exploration and evaluation expenditures ($24,363 in Q1-2018 as compared to $242,714 for Q1-2017) combined with higher amounts of general and administrative expenses due to the work on the Proposed Transaction with Cerro de Pasco Resources S.A. and higher amounts invested in business development ($300,336 in Q1-2018 as compared to $144,711 for Q1-2017).

### Operating expenses

During the three-month period ended March 31, 2018, operating expenses were $324,699 as compared to $387,425 for the three-month period ended March 31, 2017.

The decrease of $62,726 for the three-month period ended March 31, 2018 in operating expenses as compared to 2017 is mostly attributable to a significant decrease of $218,351 in exploration and evaluation expenditures ($24,363 in Q1-2018 as compared to $242,714 for Q1-2017) combined with an increase of $155,625 in general and administrative expenses due to the work on the Proposed Transaction with Cerro de Pasco Resources S.A., an increase of $52,935 in professional fees ($85,398 for Q1-2018 compared to $32,463 for Q1-2017) and an increase of $77,812 in business development expenses ($96,003 in Q1-2018 as compared to $18,191 for Q1-2017).

## CASH FLOWS

### Cash flows used for operating activities

Cash flows used for operating activities were $183,478 during the three-month period ended March 31, 2018, a decrease of $37,345 as compared to cash flows of $220,823 used for operating activities during the three-month period ended March 31, 2017. The decrease of $37,345 is mostly explained by an increase of $82,469 of funds used in operating activities before changes in working capital items ($302,075 used for operating activities before changes in working capital items for the three-month period ended March 31, 2018 as compared to $219,606 funds from operating activities before changes in working capital items for the three month period ended March 31, 2017) combined with a decrease of $37,345 in change in working capital items ($118,597 from operating activities in working capital items for the three-month period ended March 31, 2018 as compared to $1,217 funds from operating activities in working capital items for the three month period ended March 31, 2017).

### Cash flows from (used for) financing activities

Cash flows from financing activities were $788,165 during the three-month period ended March 31, 2018, an increase of $788,365 as compared to cash flows of $200 used for financing activities during the three-month period ended March 31, 2017. The increase of $788,365 is mostly attributable to an increase of $610,500 of proceeds from shares to be issued ($610,500 for the three-month period ended March 31, 2018 as compared to $Nil for the three-month period ended March 31, 2017).

### Cash flows (used for) from investing activities

Cash flows used for investing activities were $357,316 during the three-month period ended March 31, 2018, an increase of $426,831 as compared to cash flows of $69,515 from investing activities during three-month period ended March 31, 2017.

The increase of $426,831 is explained by the grant of a loan of $340,050 to a non-related company during the three-month period ended March 31, 2017.

## 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 | |
|---|---|---|
| | March 31 2018 | March 31 2017 |
| | $ | $ |
| Consulting fees | 40,000 | 33,000 |
| | 40,000 | 33,000 |

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 period ended March 31, 2018, there were no legal fees, transaction costs and share issuance costs charged by a company in which a former director is a partner ($22,404 for the three-month period ended March 31, 2017). There were no trade accounts and other payables due to this related party as at March 31, 2018 ($Nil as at December 31, 2017).

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.

## CONTINGENCIES

Governmental laws and regulations regarding environmental protection regulate the Company's operations. The environmental consequences are not easily identifiable, either in terms of results, the impacts or the expiration date. Currently, and to the best knowledge of its management, the Company is in conformity with current laws and regulations.

### SUBSEQUENT EVENTS

On April 6, 2018, the Company concluded a private placement by issuing 10,373,334 units at a price of $0.15 per unit for gross proceeds of $1,556,000. Each unit consists of one common share and one-half of a warrant for a total of 10,373,334 common shares and 5,186,671 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 and until April 6, 2019.

On April 11, 2018, the Company issued 200,000 common shares at a fair value of $0.16 per share for a consideration of $32,000 to shareholders of Mt Cameron Minerals Inc. as per the amendment of April 11, 2018 for the postponement of the deadlines of one year to incur the exploration expenditures.

On April 27, 2018, the Company concluded a private placement by issuing 5,201,667 units at a price of $0.15 per unit for gross proceeds of $780,250. Each unit consists of one common share and one-half of a warrant for a total of 5,201,667 common shares and 2,600,832 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 and until April 27, 2019.

### SUMMARY OF THE PROPOSED TRANSACTION WITH CERRO DE PASCO RESOURCES S.A.

On November 9, 2017, the Company has entered into a merger agreement (the "Proposed Transaction") with Cerro de Pasco Resources S.A. ("Cerro"), a company incorporated under the laws of Peru, pursuant to which will result in a merger of Genius and Cerro de Pasco. Cerro's main asset is a 100% interest in the El Metalurgista Concession (where the so-called Quiulacocha Tailings and Excelsior Stockpile are located), located in Peru (the "Property").

Cerro de Pasco and Genius Properties shall effect the Proposed Transaction by merging Cerro de Pasco with a branch of Genius Properties to be established under Peruvian laws ("BranchCo"), such that existing security holders of Cerro de Pasco will become security holders of Genius Properties. In accordance with the terms of the Proposed Transaction, Genius Properties shall (i) issue a sufficient number of common shares of its share capital to allow the current shareholders of Cerro De Pasco ("Cerro Shareholders") to hold, after such issuance, in the aggregate, 75% (subject to an increase as described below) of the total number of common shares of the Corporation issued and outstanding after the Proposed Transaction and (ii) make a cash contribution in the form of a loan (the "Cash Contribution") to Cerro de Pasco in an aggregate amount of US$2,500,000, of which US$766,456 (CAD$989,050) have already been made.

The Cash Contribution will be expended, based on the joint determination of Genius Properties and Cerro de Pasco (each acting reasonably), on the development of the Property, for metallurgical testing and to cover capital requirements related to community relations, permitting and general and administrative expenses.

The percentage of common shares to be held by the Cerro Shareholders may be increased pro rata if the Cash Contribution made by Genius Properties is of a total amount of less than US$2,500,000.

As a result of the Proposed Transaction, the board of directors of Genius Properties shall be comprised of six directors, four of which will be appointed by Cerro de Pasco and two of which will be current directors of Genius Properties.

### Spin-Off of Genius Properties:

As part of the Proposed Transaction, prior to issuing securities to the Cerro Shareholders, Genius Properties will spin off all of its current mining properties into a new wholly-owned Canadian subsidiary (the "Reorganization"). Genius Properties intends to continue the exploration and development of the Company's properties through this new subsidiary, to re-distribute the common shares of this subsidiary to its current shareholders and to list it on a stock exchange.

**Specific conditions related to the closing:**

The specific conditions that must be met in relation to the closing of the Proposed Transaction are: (i) the completion of the Reorganization by Genius Properties; (ii) the approval of the Proposed Transaction by the board of directors and the shareholders of both parties; (iii) the approval of the Proposed Transaction by the Exchange; and (iv) the absence of material change in the business and operations of Cerro De Pasco and Genius Properties.

**Certain Risks associated with the Proposed Transaction:**

Under Peruvian mining regulations, a mining concession such as the Property is independent from the surface land on which it is located. Therefore, prior to the beginning of any reprocessing activity on the Property, an agreement will have to be reached with the owner of the surface land where the Property is located.

## OFF-FINANCIAL POSITION ARRANGEMENTS

As at March 31, 2018, the Company has non off-financial position arrangements.

## GOING CONCERN ASSUMPTION

The accompanying consolidated financial statements have been prepared on the basis of the on 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 three-month period ended March 31, 2018, the Company recorded a net loss of $301,755 ($344,540 in 2017) and has an accumulated deficit of $18,004,874 as at March 31, 2018 ($17,703,249 as at December 31, 2017). 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. As at March 31, 2018, the Company had a working capital of $640,303 ($339,043 as at December 31, 2017) consisting of cash and cash equivalents of $551,907 ($304,536 as at December 31, 2017). 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. Given that 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 recovery of the cost of exploration and evaluation assets as well as other tangible and intangible assets, 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 these assets. During the three-month period ended March 31, 2018, the Company has raised $610,500 from private placements which were concluded on April 6, 2018 combined with other closing in April 2018 (See the Subsequent events (Note 22)) consisting of common shares to fund exploration works and working capital. 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.

## IFRS ACCOUNTING POLICIES AND ESTIMATES

The Company's significant accounting policies and estimates under IFRS are disclosed in the audited annual consolidated financial statements for the year ended December 31, 2017.

## OTHER REQUIREMENTS IN THE MANAGEMENT DISCUSSION AND ANALYSIS

The following selected financial information is derived from our unaudited financial statements.

**GENIUS PROPERTIES LTD.**

**Disclosure of outstanding share data (as at May 30, 2018)**

| | |
|---|---|
| **Outstanding common shares:** | 58,786,744 |
| **Outstanding share options:** | 80,000 |
| Average exercise price of: | $0.250 |
| Average remaining life of: | 3.28 years |

| Expiry date | Number | Exercise price | Remaining life |
|---|---|---|---|
| | | $ | (years) |
| September 9, 2021 | 80,000 | 0.25 | 3.28 |
| | 80,000 | | |

| | |
|---|---|
| **Outstanding warrants:** | 13,385,714 |
| Average exercise price of: | $0.250 |
| Average remaining life of: | 0.88 years |

| Expiry date | Number | Exercise price | Remaining life |
|---|---|---|---|
| | | $ | (years) |
| December 8, 2018 | 21,000 | 0.25 | 0.53 |
| December 30, 2018 | 92,128 | 0.25 | 0.59 |
| April 6, 2019 | 5,186,671 | 0.25 | 0.85 |
| April 27, 2019 | 8,085,915 | 0.25 | 0.91 |
| | 13,385,714 | | |

## RISK AND UNCERTAINTIES

An investment in the common shares of the GNI should be considered highly speculative. Genius Properties is subject to a variety of risks, some of which are described below. If any of the following risks occur, the business, results of operations or financial condition could be adversely affected in a material manner.

### Certain Risks associated with the Proposed Transaction

The completion of the Proposed Transaction is subject to several conditions under applicable securities laws and the November 9, 2017 merger agreement. In the event that any of those conditions is not satisfied or waived, the Proposed Transaction may not be completed.

Upon completion of the Proposed Transaction, Genius Properties will be solely focused on the exploration and development of the Property. Cerro de Pasco has initiated negotiations with local stakeholders for gaining access to a portion of the surface lands that Genius Properties will require for processing the tailings, dumps and slag to which Cerro de Pasco's "El Metalurgista" concession entitles it to. It is the intention of Genius Properties to pursue the negotiations and reach an agreement with local stakeholders. There is however no guarantee that such an agreement will be reached. Unless Genius Properties acquires additional property interests, any adverse developments affecting the Property could have a material adverse effect upon Genius Properties and would materially and adversely affect any profitability, financial performance and results of operations of Genius Properties.

**Exploration and mining risks**

The Company is engaged in the business of acquiring and exploring mineral properties in the hope of locating economic deposits of minerals. The Company's property interests are in the exploration and evaluation stage only. The business of mineral exploration involves a high degree of risk. Few properties that are explored are ultimately developed into production. Currently, there are no known bodies of commercial ore on the mineral properties of which the Company owns an interest. Accordingly, there is little likelihood that the Company will realize any profits in the short to medium term. Any profitability in the future from the Company's business will be dependent upon locating an economic deposit of minerals. However, there can be no assurance, even if an economic deposit of minerals is located, that it can be commercially mined.

Unusual or unexpected formations, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs.

The economics of developing mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment on the Company's mineral properties, nor any known body of commercial ore. Programs conducted on the Company's mineral property would be an exploratory search for ore.

**Titles to property**

While the Company has diligently investigated title to the various properties in which it has interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

**Permits and licenses**

The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

**Metal prices**

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

**Competition**

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

**Environmental regulations**

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

**Conflicts of interest**

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

**Stage of development**

The Company's properties are in the exploration stage and to date none of them have a proven ore body. The Company does not have a history of earnings or providing a return on investment, and in future, there is no assurance that it will produce revenue, operate profitably or provide a return on investment.

**Industry conditions**

Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The effect of these factors cannot be accurately determined.

**Uninsured risks**

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

**Capital needs**

The exploration and evaluation, development, mining and processing of the Company's properties may require substantial additional financing. The only current source of future funds available to the Company is the sale of additional equity capital and the borrowings of funds. There is no assurance that such funding will be available to the Company or that it will be obtained on terms favourable to the Company or will provide the

Company with sufficient funds to meet its objectives, which may adversely affect the Company's business and financial position.

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

### Key employees

Management of the Company rests on a few key officers and members of the Board of Directors, the loss of any of whom could have a detrimental effect on its operations. The development of the Company's business is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company faces competition for personnel from other employers.

### Canada Customs and Revenue Agency

No assurance can be made that Canada Customs and Revenue Agency will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expenses or the eligibility of such expenses as Canadian exploration expenses under the *Income Tax Act* (Canada).

## CERTIFICATION OF INTERIM FILINGS

The President and Chief Executive Officer and the Chief Financial Officer have signed the Basic Certifications of Interim Filings as required by National Instrument 52-109 for venture issuer, thus confirming, the review, the absence of misrepresentations and the fair presentation of the interim filings.

- The President and Chief Executive Officer and the Chief Financial Officer confirm to have reviewed the interim financial report and the interim MD&A (together, the "interim filings") of the Company for the three-month period ended March 31, 2018.

- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings.

- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the period presented in the interim filings.

# GENIUS PROPERTIES LTD.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended

December 31, 2017

(Fourth Quarter)

This management discussion and analysis ("MD&A") of Genius Properties Ltd., ("Genius Properties" or "GNI" or the "Company") follows rule 51-102 of the Canadian Securities Administrators regarding continuous disclosure.

The following MD&A is a narrative explanation, through the eyes of the management of Genius Properties, on how the Company performed during the three-month period and year ended December 31, 2017. It includes a review of the Company's financial condition and a review of operations for the three-month period and year ended December 31, 2017 as compared to the three-month period and year ended December 31, 2016.

This MD&A complements the audited consolidated financial statements for the year ended December 31, 2017 but does not form part of them. It is intended to help the reader understand and assess the significant trends, risks and uncertainties related to the results of operations and it should be read in conjunction with the audited consolidated financial statements as at December 31, 2017 and related notes thereto.

The audited consolidated financial statements for the years ended December 31, 2017 and 2016 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") applicable to the preparation of annual consolidated financial statements. The accounting policies applied in the financial statements are based on IFRS issued and effective as at December 31, 2017. On April 25, 2018, the Board of Directors approved, for issuance, the annual consolidated financial statements.

All figures are in Canadian dollars unless otherwise stated. Additional information relating to the Company can be found on SEDAR at www.sedar.com. The shares of Genius Properties are listed on the Canadian Securities Exchange ("CSE") under the symbol "GNI".

## REPORT'S DATE

The MD&A was prepared with the information available as at April 25, 2018.

## CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business, the mining industry in general and the economic environment in which it operates as of the date of the MD&A. To the extent that any statements in this document contain information that is not historical, the statements are essentially forward-looking and are often identified by words such as "anticipate", "expect", "estimate", "intend", "project", "plan" and "believe". In the interest of providing shareholders and potential investors with information regarding Genius Properties, including management's assessment of future plans and operations, certain statements in this MD&A are forward-looking and are subject to the risks, uncertainties and other important factors that could cause the Company's actual performance to differ materially from that expressed in or implied by such statements. Such factors include, but are not limited to: volatility and sensitivity to market metal prices, impact of change in foreign currency exchange rates and interest rates, imprecision in reserve estimates, environmental risks including increased regulatory burdens, unexpected geological conditions, adverse mining conditions, changes in government regulations and policies, including laws and policies; and failure to obtain necessary permits and approvals from government authorities, and other development and operating risks. The preliminary assessments contained in the Technical Report referred to in this MD&A, and the estimates contained therein to date are preliminary in nature and are based on a number of assumptions, any one of which, if incorrect, could materially change the projected outcome.

Although the Company believes that the expectations conveyed by the forward-looking statements are based upon information available on the date that such statements were made, there can be no assurance that such expectations will prove to be correct. The reader is cautioned not to rely on these forward-looking statements. The Company disclaims any obligation to update these forward-looking statements unless required to do so by applicable Securities laws. All subsequent forward-looking statements, whether written or orally attributable to the Company or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements.

## NATURE OF ACTIVITIES

Genius Properties Ltd. and its subsidiaries (hereafter the “Company” or “Genius Properties” or “GNI”) is engaged in the acquisition and exploration of mineral properties.

## BUSINESS DEVELOPMENT HIGHLIGHTS

- **Mt Cameron:**

  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 instead of 600,000 common shares. The Company has issued 800,000 common shares to 21 Alpha Resources Inc. at a fair value of $0.20 per share for a consideration of $160,000.

- **Consolidation:**

  On February 1, 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.

- **Appointment of Mr. Guy Goulet as President and CEO of the Company and Mr. Jimmy Gravel resigned as President :**

  On April 6, 2017, Mr. Jimmy Gravel concluded his interim-Presidency of the Company voting in Mr. Goulet as President. Mr. Gravel remains Vice-President of the Company.

  Guy Goulet, geological engineer, graduated from Ecole Polytechnique de Montréal in 1986, has been active in the mining sector for more than 30 years and is a member of the Ordre des Ingénieurs du Québec. From 1995 to 2000 he was a member of the Board and CEO of five Canadian mining companies publicly traded on the Stock Market. He has been co-credited for the restart of the Wrightbar gold mine in Val d'Or, Quebec in 1996. In parallel, he has conducted in collaboration with Hydro-Québec (LTD division) and Group STAS the only project leading to the production of lithium metal from high purity lithium carbonate. From 2000 to 2008, he served as co-founder, president and chairman of H2O Innovation, the largest water treatment company in Canada that manufactures and installs integrated systems for various markets. He joined Maya Gold & Silver as President and CEO in November 2008 and was also co-credited for the restart of the Zgounder silver mine in Morocco. During his career, Mr. Goulet capital raised over $150 million through the TSX.V.

- **Closing of a Private Placement:**

  On May 26, 2017, the Company concluded a private placement by issuing 5,541,566 units at a price of $0.15 per unit for gross proceeds of $831,250. Each unit consists of one common share and one-half of a warrant for a total of 5,541,566 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.

- **On June 22, 2017, Mr. John Booth has been appointed as Director of the Company:**

  Mr. John G Booth holds a BSc, LLB, JD and LLM in international finance, tax and environmental law from King's College, University of London. He has over 25 years of international finance experience as an investment banker, broker, strategy consultant, fund manager, director and chief executive officer. He has worked with Merrill Lynch International, ICAP, ABN AMRO Bank NV, CIBC, the World Bank, Climate Change Capital and Conservation Finance International focusing on structured finance for most of his career. He has cofounded three financial services businesses, the most recent being Midpoint Holdings Ltd. which he listed on the TSX Venture Exchange (the “TSXV”), where he served as CEO until

December of 2015 and where he continues as a director. Mr. Booth is also the non-executive Chairman of the Board of Directors of Laramide Resources Ltd. (Toronto Stock Exchange & Australian Securities Exchange), and was the European Bank for Reconstruction and Development nominee to the board of Tirex Resources Ltd. (TSXV) for four and half years. He also served as a director of the Ottawa RiverKeeper charity for five years.

- **Appointment of Dr. Michel Boily as the New Company's Qualified Person:**

  Dr. Boily is an expert geochemist and metallogenist specializing in the interpretation of precious and rare metal deposits in Precambrian volcano-plutonic terranes for the last 25 years. Prior to consulting for the mining industry and government agencies, Dr. Boily was involved as a research associate at MERI/McGill in the study of several rare metals deposits located in the Quebec province; notably the Strange-Lake deposit in Labrador (Zr, Y, REE), the St-Honoré mine in the Saguenay area (Nb, REE) and the Québec Lithium Mine in the Abitibi Greenstone Belt (Li). Since 1992, Dr. Boily has conducted exploration and technical evaluation of gold, titanium, graphite, base metals and rare metal properties located in Archean greenstone belts, the Grenville Province of Quebec, the Anti-Atlas Proterozoic windows of Morocco, Northern Mexico, Argentina and Nicaragua for various mining companies. Dr. Boily graduated from the Université de Montréal in 1988 with a PhD in geochemistry and carried out post-doctoral studies at the University of Chicago. Since 1984, Dr. Boily has been the author of various publications in international scientific journals and has written numerous technical reports. Dr. Boily is currently a registered Professional Geologist in good standing with l'Ordre des Géologues du Québec.

- **Appointment of Mr. René Branchaud as the Corporate Secretary:**

  Mr. René Branchaud, partner and chairman of the board of directors of Lavery Lawyers firm, practises in the fields of securities, mergers and acquisitions, as well as corporate law. With more than thirty years' experience, he advises companies on matters such as incorporation and organization, the drafting of shareholder agreements, private placements, public issues, going public, dispositions, and takeovers. His services are in demand with European entrepreneurs and investors, primarily in France, wishing to set up companies in Canada. Mr. Branchaud has acquired extensive experience in this area and the specific challenges facing companies moving to Québec. He advises businesses in all sectors of economic activity on the legal and regulatory aspects of doing business in Québec and Canada, identifying the business services they will need and assembling multidisciplinary teams to facilitate their efforts. Over the years, he has built a strong business network (bankers, financial advisers, tax experts, and accountants) that he calls upon when carrying out the mandates entrusted to him.

  Mr. Branchaud sits on the boards of directors and acts as secretary of several publicly traded companies; he also serves on corporate governance committees and special committees established to address specific issues (mergers, takeovers).

- **In June 2017, Mr. Marc Duchesne and Mr. Maxime Lemieux resigned as directors of Genius Properties.**

- **On June 22, 2017, the mandate as director of Mr. Jimmy Gravel has not been renewed.**

- **On July 11, 2017 Mr. Stéphane Leblanc resigned as Interim CFO.**

- **New office:**

  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 $2,500.

- **On August 28, 2017, Mr. Benoît Forget, currently controller of Genius, has been appointed as Interim CFO.**

- **The Company announced a Proposed Transaction with Cerro De Pasco S.A. and filing of NI 43-101 Technical Report:**

  On November 9, 2017 Genius Properties announced that it has entered into a merger agreement dated November 9, 2017 (the "Merger Agreement") with Cerro De Pasco Resources S.A. ("Cerro De Pasco") setting out the terms of a transaction which will result in a merger of Genius and Cerro de Pasco.

  **NI 43-101 Technical Report about The Excelsior Property**

  In connection with the transaction concerning the Quiulacocha Tailings and Excelsior Stockpile, Genius announced on November 9, 2017 it has completed a Technical Report ("NI 43-101 Report") prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") dated November 9, 2017 and entitled "The Excelsior Property: The Excelsior Mineral Pile (EMP) and Quiulacocha Tailings (QT) associated with the Cerro de Pasco Mine, Cerro de Pasco District, Altiplano Region, North-Central Peru Highlights of the NI 43-101 Report are as follows:

  The property is known as Excelsior and consists of the Excelsior Mineral Pile ("EMP") and Quiulacocha Tailings ("QT") forming residues generated by the processing of the Cerro de Pasco Mine Pb-Zn-Ag-Cu ore located 310 km from Lima, in east-central Peru.

  The EMP occupies an area of 94 ha and contains 26,400,000 m3 of fragmentary rocks forming terraces composed of sulfide-rich rocks, sericitized volcanic and carbonate (dolomitic) rocks. Metal-bearing minerals consist of sphalerite (Zn), tennantite (Cu), cerussite (Pb), enargite (Cu) and galena (Pb, Ag-rich). The more reliable Historical Resources Estimate generated 42.89 Mt @ 0.09 wt. % Cu (85.1 M lb), 0.73 wt. % Pb (690.3 M lb), 1.59 wt. % Zn (1696.1 M lb) and 66.1 g/t Ag (91.1 M oz) with Pb+Zn= 2.33 wt. %*.

  The QT cover a surface of 114 ha and contain approximately 79 Mt of pyrite-bearing tailings of two different types: Cu-rich and Zn-Pb-rich sulphides. The best Historical Resources Estimate generated a total of 2.94 Mt @ 43.1 g/t Ag (4.1 M oz), 418 ppm Cu, 0.79 wt. % Pb (51.2 M lb) and 1.43 wt. % Zn (92.7 M lb)*.

  * The estimates presented above are detailed and discussed in the NI 43-101 Report. They are treated as historic information and have not been verified for economic evaluation by the Corporation. These are considered Historical Mineral Resources and do not refer to any category of sections 1.2 and 1.3 of the NI 43-101 Instrument such as Mineral Resources or Mineral Reserves as stated in the 2010 CIM Definition Standards on Mineral Resources and Mineral Reserves. A Qualified Person (within the meaning of NI 43-101) has not done sufficient work to classify the historical estimate as current Mineral Resources or Mineral Reserves. The explanation lies in the inability by the QP to fully verify the data acquired by the various historical drilling campaigns and other sampling works. Further drilling would be required to upgrade or verity the historical resources. However, the QP has read the documents pertaining to the description of the different methods used in the historical evaluation of the Mineral Resources and is of the opinion they are reliable, but need to be updated to fully conform to the NI 43-101 or CIM norms. Furthermore, no Mineral Resources were calculated on the Excelsior property since 2013.

  The NI 43-101 Report was prepared by Michel Boily, PhD, geo of Montreal, Quebec, Independent Qualified Person.

- **Closing of Private Placements:**

  During December 2017, the Company concluded private placements by issuing 5,428,500 units at a price of $0.15 per unit for gross proceeds of $814,275. Each unit consists of one common share and one-half of a warrant for a total of 5,428,500 common shares and 2,714,250 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 and until December 2018.

  In addition, during December 2017, the Company concluded a flow-through private placement by issuing 1,062,500 flow-through common shares at a price of $0.20 per unit for gross proceeds of $212,500.

### BUSINESS DEVELOPMENT SUBSEQUENT EVENTS

- **Amendment to Mt. Cameron Option Agreement:**

  On March 8, 2018 the Company amended its option agreement with Mt Cameron Minerals Incorporated. The Company has to incur exploration expenditures as follows: $500,000 on or before December 31, 2018 and $500,000 on or before December 31, 2019 instead of $500,000 on or before December 31, 2017 and $500,000 on or before December 31, 2018.

  In consideration for the postponement of the deadlines of one year to incur the exploration expenditures, the Company issued a total of 200,000 common shares on April 11, 2018 to shareholders of Mt Cameron Minerals Inc., at a deemed value of $0.15 per common share. These common shares are subject to a hold period under applicable securities laws, which will expire four months and one day from the date of their issuance.

- **Closing of Private Placement:**

  On April 6, 2018, the Company concluded a private placement by issuing 10,373,334 units at a price of $0.15 per unit for gross proceeds of $1,556,000. Each unit consists of one common share and one-half of a warrant for a total of 10,373,334 common shares and 5,186,667 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 and until April 6, 2019.

### CORPORATE OBJECTIVES FOR 2018:

### QUIULACOCHA TAILINGS AND EXCELSIOR STOCKPILE

- Complete Merger Agreement with Cerro de Pasco Resources S.A.
- Execute an agreement to use the nearby milling and processing facilities to treat the mineralized material for the Quiulacocha Tailings and Excelsior Stockpile
- Acquire the surface rights on "Parcel K"
- Complete Environmental Impact Assessment study
- Conduct metallurgical testing and bulk-sampling
- Initiate drilling to confirm geological resources NI43-101
- Complete internal engineering studies

### CANADIAN PROJECTS

- Genius intends to continue the exploration and development to its main asset: Meaghers Gold Property (Nova Scotia), Sakami Gold Property (Québec) and Mt. Cameron Graphite Deposit following spin-off of Genius Properties current assets.

### SPIN-OFF OF GENIUS PROPERTIES

As part of the Proposed Transaction with Cerro de Pasco, prior to issuing securities to the Cerro Shareholders, Genius will spin off all of its current mining properties into one new wholly-owned Canadian subsidiaries. Genius intends to continue the exploration and development of the Genius Properties through these new subsidiaries, to re-distribute the common shares of these subsidiaries to its current shareholders and to list them on a stock exchange.

## EXPLORATION HIGHLIGHTS

- **Completion of the due diligence on Mt. Cameron Property:**

  On January 4 2017, the Company announced the completion of its due diligence with respect to its proposed option to acquire all of Mt. Cameron Minerals Inc. interest in the Mt. Cameron Graphite Deposit, which was previously announced in the Company's news release dated October 18, 2016. The Company intends to proceed in settling the terms of the acquisition with Mt. Cameron in a formal option agreement, which will replace the current binding letter of intent dated October 14, 2016.

- **Genius Properties starts drilling at Blockhouse:**

  On January 5, 2017, the Company announced that the drilling program at the Blockhouse Gold Property has begun. As per the December 15, 2016 press release, the company is drilling 2 high priority targets to test for the presence of leg-reef and saddle type veins on the property. The program will also be targeting the continuity of the ''Prest Shoot'' that historically produced an average of 49.6 grams of gold per ton.

- **Acquisition of two new properties:**

  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.

  SAKAMI PROPERTY - JAMES BAY AREA (65.7km²)

  - The Sakami Property consists of 128 mineral claims totaling 65.7 km².
  - The property straddles the contact between Opinaca and La Grande geological sub-provinces over a distance of 35 km.
  - More than 1,000 gold showings including Goldcorp's 7.85 million ounces of gold Eleonore Mine are associated with this contact.
  - Immediately south of the property, Matamec is actually performing a pre-feasibility study on its gold deposit.
  - To the North, Osisko-Baie James property hosts a 325,000 ounces gold deposit.
  - Little exploration was done on Abalor property but two zones have been identified by prospecting with grab samples of up to two grams Au per tonne and widths up to 10 meters.
  - Two well defined gold anomalies have been clearly identified by a geochemical survey

  ROBELIN PROPERTY – KUUJJUAK (36 km²)

  - The Robelin Property consists of 78 claims covering 36 km².
  - The property covers a huge magnetic field anomaly and is surrounded by more than 50 showings with zinc, copper, silver, palladium, platinum and gold.
  - This magnetic anomaly represents a contact between volcanic and sedimentary rocks and has been traced over a distance of 488 meters.
  - Several minerals showings were uncovered on the property including the Boylen showing where pyrite, pyrrhotite, graphite, magnetite, chalcopyrite, sphalerite have been identified.

- **The Company undertakes an exploration program on Sakami Property:**

  On September 7, 201, the Company announced the start of an exploration program on its 100%-owned Sakami Property located in the James Bay area of Québec. The property lies between Matamec

/Canadian Strategic Metals auriferous claims, and the Osisko Exploration James Bay's 325,000 ounces gold deposit to the north.

- **The Company stakes strategic portfolio of mining claims in Nova Scotia (Meaghers Gold Property):**

  On September 14, 2017, the Company announced the staking of 243 new mining claims in Nova Scotia covering an area of 39.3 square kilometres adjacent to Atlantic Gold's most developed resource: the Touquoy gold deposit.

- **The Company files a NI43-101 Technical Report on its Sakami Property:**

  On October 11, 2017, the Company announced that is has filed on SEDAR a National Instrument 43-101 ("NI 43-101") technical report for its Sakami Property located in James Bay.

- **The Company files a NI43-101 Technical Report for its Robelin Property:**

  On October 19, 2017, the Company announced that is has filed on SEDAR a National Instrument 43-101 ("NI 43-101") technical report for its Robelin Property located in Northern Labrador.

- **Mt. Cameron Graphite Project (Nova Scotia)**

  On November 15, 2017, Genius announced the initiation of a $80,000 heliborne survey on the Mont Cameron Graphite Deposit, Nova Scotia.

  The MAG-TDEM airborne survey will help establish key priority targets and expand our knowledge of the property, allowing the Corporation to rapidly advance the project. Shallow graphite-rich bodies at and near surface are extremely conductive and their location, thickness and geometry can be identified using such surveying technology.

### EXPLORATION SUBSEQUENT EVENTS

There were no exploration subsequent events.

### Exploration activities for the three-month period ended December 31, 2017

During the three-month period ended December 31, 2017, the Company incurred $136,482 in exploration and evaluation expenditures ($12,030 for the three-month period ended December 31, 2016) of which 55% of the expenses were spent on the Sakami, 29% on Mt Cameron property and the remaining 16% on the Peru Property.

**Staking of a Strategic Portfolio of Mining Claims in Nova Scotia**

On September 14, 2017, the Coporation. announced the staking of 243 new mining claims in Nova Scotia covering an area of 39.3 $km^2$ adjacent to Atlantic Gold's most developed resource: the Touquoy gold deposit.

Genius staked property contains several gold showings, old exploration works such as the Meaghers Au-As Prospect, several DDH collared for Au-Pb-Zn exploration and two abandoned gold adits. These gold-bearing structures strike along trend located  of the magnetic anomaly associated with Atlantic Gold four deposits. This suggests the extension of the gold mineralized zones is probably hidden under a thick overburden and/or forms deeply buried new mineralization.

**Sakami Property – James Bay Area**

On September, 2017, the Corporation started an exploration program on its 100%-owned Sakami property located in the James Bay area of Quebec. The property lies between Matamec /Canadian Strategic Metals auriferous claims, and Osisko Exploration James Bay's 325,000 ounces gold deposit to the north.

A humus sampling campaign was conducted in 2011 by Abalor Mineral, former owner, in the southern portion of the property. Gold assay results indicated 12 samples with concentrations > 0.02 g/t Au with three humus specimen revealing significant gold concentrations (0.102 to 0.552 g/t Au). Overall, the geochemical contour maps define two "anomalous zones" characterized by clusters of gold values > 0.02 g/t Au.

Genius will perform a "Metal Mobile Ion" (MMI) geochemistry survey along with dipole-dipole induced polarization and magnetometer geophysical surveys on an already established gridline. Prospection of the targeted area will also be conducted to better understand the 2011 gold humus anomalies.

GENIUS PROPERTIES LTD.

**Exploration and evaluation expenditures**
**For the three-month period ended December 31, 2017**

| | QUÉBEC | | | | | | | NOVA SCOTIA | | | | | | | | | | | PERU | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Montagne B | Torngat Diamond | Dalquier | Wapoos | Dissimieux Lake | Sakami | Robelin | Mt Cameron | Blockhouse | Kemptville | Chocolate Lake | Tancook Island | Leipsigate | Dares Lake | Gold River | Londonderry | Western Lake | Meaghers | Quiulacocha Excelsior | Total |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | | | $ | $ | $ |
| **Exploration and evaluation expenditures** | | | | | | | | | | | | | | | | | | | | |
| Drilling | - | - | - | - | 250 | 2,707 | - | - | - | - | - | - | - | - | - | - | | - | - | 2,957 |
| Geophysical | - | - | - | - | - | 47,459 | - | 39,932 | - | - | - | - | - | - | - | - | | - | - | 87,391 |
| Geology | - | - | - | - | - | 9,141 | - | - | - | - | - | - | - | - | - | - | | - | 21,000 | 30,141 |
| Geochemistry | - | - | - | - | - | 8,329 | - | - | - | - | - | - | - | - | - | - | | - | - | 8,329 |
| Prospecting | - | - | - | - | - | 6,568 | - | - | - | - | - | - | - | - | - | - | | - | - | 6,568 |
| General field expenses | - | - | - | - | - | 1,096 | - | - | - | - | - | - | - | - | - | - | | - | - | 1,096 |
| | - | - | - | - | 250 | 75,300 | - | 39,932 | - | - | - | - | - | - | - | - | | - | 21,000 | 136,482 |
| **Mining rights:** | | | | | | | | | | | | | | | | | | | | |
| Acquisition of options | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (355,624) | (355,624) |
| Renewal of licences | - | - | - | - | - | - | - | - | - | 2,620 | 120 | - | - | - | - | - | | - | - | 2,740 |
| Acquisition of claims | - | - | - | - | (1,822) | - | - | - | - | - | - | - | - | - | - | - | | - | - | (1,822) |
| | - | - | - | - | (1,822) | - | - | - | - | 2,620 | 120 | - | - | - | - | - | - | - | (355,624) | (354,706) |
| **Balance, beginning of period** | - | - | - | - | 3,955 | 1,269,209 | 1,318,225 | 182,180 | 78,844 | 3,229 | 1,572 | 1,048 | 2,336 | 5,298 | 500 | - | | 2,430 | 357,716 | 3,226,542 |
| **Balance, end of period** | - | - | - | - | 2,383 | 1,344,509 | 1,318,225 | 222,112 | 78,844 | 5,849 | 1,692 | 1,048 | 2,336 | 5,298 | 500 | - | | 2,430 | 23,092 | 3,008,318 |

GENIUS PROPERTIES LTD.

**Exploration and evaluation expenditures**
**For the three-month period ended December 31, 2016**

| | QUÉBEC | | | | | | | NOVA SCOTIA | | | | | | | | | | | PERU | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Montagne B | Torngat Diamond | Dalquier | Wapoos | Dissimieux Lake | Sakami | Robelin | Mt Cameron | Blockhouse | Kemptville | Chocolate Lake | Tancook Island | Leipsigate | Dares Lake | Gold River | Londonderry | Western Lake | Meaghers | Quiulacocha Excelsior | Total |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | | | $ | $ | $ |
| **Exploration and evaluation expenditures** | | | | | | | | | | | | | | | | | | | | |
| Drilling | - | - | - | - | 4,128 | - | - | 4,290 | 5,564 | - | - | - | - | - | - | - | - | - | - | 13,982 |
| Geophysical | - | - | - | - | - | - | - | - | 7,869 | - | - | - | - | - | - | - | - | - | - | 7,869 |
| Geology | (4,750) | (230) | (216) | (67) | (365) | - | - | - | (6,843) | 1,750 | - | - | - | - | - | - | - | - | - | (10,721) |
| Environment & Communauty | - | - | - | - | - | - | - | - | 900 | - | - | - | - | - | - | - | - | - | - | 900 |
| | (4,750) | (230) | (216) | (67) | 3,763 | - | - | 4,290 | 7,490 | 1,750 | - | - | - | - | - | - | - | - | - | 12,030 |
| **Mining rights:** | | | | | | | | | | | | | | | | | | | | |
| Acquisition of options | - | - | - | - | 6,420 | - | - | 126,515 | (105,355) | 8,178 | 9,813 | 22,897 | 6,542 | 45,794 | 1,636 | 19,626 | 17,991 | - | - | 160,057 |
| Renewal of licences | (4,231) | - | - | - | - | - | - | - | (4,225) | - | - | 900 | 900 | 900 | - | - | - | - | - | (5,756) |
| Acquisition of claims | - | - | - | - | - | - | - | - | - | 590 | - | - | 80 | 120 | - | - | - | - | - | 790 |
| | (4,231) | - | - | - | 6,420 | - | - | 126,515 | (109,580) | 8,768 | 9,813 | 23,797 | 7,522 | 46,814 | 1,636 | 19,626 | 17,991 | - | - | 155,091 |
| **Balance, beginning of period** | 2,446 | 230 | 216 | 67 | 460,086 | - | - | - | 169,702 | - | - | - | - | - | - | - | - | - | - | 632,747 |
| **Balance, end of period** | (6,535) | - | - | - | 470,269 | - | - | 130,805 | 67,612 | 10,518 | 9,813 | 23,797 | 7,522 | 46,814 | 1,636 | 19,626 | 17,991 | - | - | 799,868 |

## Exploration activities for the year ended December 31, 2017

During the year ended December 31, 2017, the Company incurred $288,268 in exploration and evaluation expenditures ($38,231 for the year ended December 31, 2016) of which 49% of the expenses were spent on the Sakami and Robelin properties, 39% on Mt Cameron and Blockhouse properties, a 8% on the Peru Property and the remaining 4% on other Nova Scotia properties.

GENIUS PROPERTIES LTD.

**Exploration and evaluation expenditures**
**For the year ended December 31, 2017**

| | QUÉBEC | | | | NOVA SCOTIA | | | | | | | | | | | PERU | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Montagne B | Dissimieux Lake | Sakami | Robelin | Mt Cameron | Blockhouse | Kemptville | Chocolate Lake | Tancook Island | Leipsigate | Dares Lake | Gold River | Londonderry | Western Lake | Meaghers | Quiulacocha Excelsior | Total |
| | | $ | | $ | | | | | | | | | | | | | $ |
| **Exploration and evaluation expenditures** | | | | | | | | | | | | | | | | | |
| Drilling | - | 1,510 | 2,707 | - | - | 63,653 | - | - | - | - | 1,091 | - | - | - | - | - | 68,961 |
| Geophysical | - | - | 67,536 | - | 39,932 | 1,500 | - | - | - | - | - | - | - | - | - | - | 108,968 |
| Geology | - | - | 18,369 | 13,500 | 500 | 6,048 | 1,382 | - | - | 589 | 1,927 | - | - | - | - | 23,092 | 65,407 |
| Geochemistry | - | - | 14,365 | - | - | - | - | - | - | - | - | - | - | - | - | - | 14,365 |
| Prospecting | - | - | 6,567 | - | 800 | 1,107 | 1,747 | - | - | 1,747 | 947 | - | - | - | - | - | 12,915 |
| General field expenses | - | - | 17,352 | - | - | - | - | - | - | - | - | - | - | - | - | - | 17,352 |
| Environment & Communauty | - | 300 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 300 |
| | - | 1,810 | 126,896 | 13,500 | 41,232 | 72,308 | 3,129 | - | - | 2,336 | 3,965 | - | - | - | - | 23,092 | 288,268 |
| **Mining rights:** | | | | | | | | | | | | | | | | | |
| Acquisition of options | - | - | 1,203,000 | 1,302,704 | 163,982 | - | - | - | - | - | - | - | - | - | - | - | 2,669,686 |
| Renewal of licences | - | - | 7,375 | - | 16,898 | 6,536 | 2,620 | 120 | - | - | 1,333 | 500 | - | - | - | - | 35,382 |
| Acquisition of claims | - | 573 | 7,238 | 2,021 | - | - | 100 | 1,572 | 1,048 | - | - | - | - | - | 2,430 | - | 14,982 |
| | - | 573 | 1,217,613 | 1,304,725 | 180,880 | 6,536 | 2,720 | 1,692 | 1,048 | - | 1,333 | 500 | - | - | 2,430 | - | 2,720,050 |
| **Total** | - | 2,383 | 1,344,509 | 1,318,225 | 222,112 | 78,844 | 5,849 | 1,692 | 1,048 | 2,336 | 5,298 | 500 | - | - | 2,430 | 23,092 | 3,008,318 |

GENIUS PROPERTIES LTD.

**Exploration and evaluation expenditures**
**For the year ended December 31, 2016**

| | QUÉBEC | | | | NOVA SCOTIA | | | | | | | | | | | PERU | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Montagne B | Dissimieux Lake | Sakami | Robelin | Mt Cameron | Blockhouse | Kemptville | Chocolate Lake | Tancook Island | Leipsigate | Dares Lake | Gold River | Londonderry | Western Lake | Meaghers | Quiulacocha Excelsior | Total |
| | | $ | | $ | | | | | | | | | | | | | $ |
| **Exploration and evaluation expenditures** | | | | | | | | | | | | | | | | | |
| Drilling | - | 4,128 | - | - | 4,290 | 5,564 | - | - | - | - | - | - | - | - | - | - | 13,982 |
| Geophysical | - | - | - | - | - | 15,873 | - | - | - | - | - | - | - | - | - | - | 15,873 |
| Geology | (4,750) | 10,321 | - | - | - | 155 | 1,750 | - | - | - | - | - | - | - | - | - | 7,476 |
| Environment & Communauty | - | - | - | - | - | 900 | - | - | - | - | - | - | - | - | - | - | 900 |
| | (4,750) | 14,449 | - | - | 4,290 | 22,492 | 1,750 | - | - | - | - | - | - | - | - | - | 38,231 |
| **Mining rights:** | | | | | | | | | | | | | | | | | |
| Acquisition of options | - | 455,820 | - | - | 126,515 | 44,645 | 8,178 | 9,813 | 22,897 | 6,542 | 45,794 | 1,636 | 19,626 | 17,991 | - | - | 759,457 |
| Renewal of licences | (2,573) | - | - | - | - | 475 | - | - | 900 | 900 | 900 | - | - | - | - | - | 602 |
| Acquisition of claims | 788 | - | - | - | - | - | 590 | - | - | 80 | 120 | - | - | - | - | - | 1,578 |
| | (1,785) | 455,820 | - | - | 126,515 | 45,120 | 8,768 | 9,813 | 23,797 | 7,522 | 46,814 | 1,636 | 19,626 | 17,991 | - | - | 761,637 |
| **Total** | (6,535) | 470,269 | - | - | 130,805 | 67,612 | 10,518 | 9,813 | 23,797 | 7,522 | 46,814 | 1,636 | 19,626 | 17,991 | - | - | 799,868 |

## CURRENT PROJECTS

### Meaghers Gold Property

On September, 2017, Genius announced the staking of 243 new mining claims in Nova Scotia covering an area of 39.3 square kilometres adjacent to Atlantic Gold's most developed resource: the Touquoy gold deposit.

Genius new staked property contains several gold showings, old exploration works such as the Meaghers Au-As Prospect, several DDH collared for Au-Pb-Zn exploration and two abandoned gold adits. These gold-bearing structures are all in trend with the magnetic anomaly associated with Atlantic Gold four deposits (Figure 1). This suggests the extension of the gold mineralized zones is probably hidden under a thick overburden and/or forms deeply buried new mineralization.

The four Atlantic Gold deposits are associated with an overturned anticline composed of sedimentary rocks characterized by a discrete magnetic anomaly.

In April 2017, the Corporation has mandated Michel Boily, PhD geo, to write a NI43-101 Technical Report on the Meaghers property.

### Sakami Property (Québec)

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 acquired 100% interest by issuing the 6,000,000 common shares at a fair value of $0.20 per share for a consideration of $1,200,000. 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.

**Mt. Cameron Graphite Project (Nova Scotia)**

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, by paying $175,000 and by incurring $1,000,000 of exploration expenditures over the next two years. As of December 31, 2016, the Company paid the amount of $125.000. The properties are subject to a 3% NSR of which 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 instead of 600,000 common shares. The Company has issued 800,000 common shares to 21 Alpha Resources Inc. at a fair value of $0.20 per share for a consideration of $160,000.

The Mt. Cameron Graphite Deposit is located in the Boisdale Hills region of Cape Breton, Nova Scotia, marking a strategic entry into the large flake graphite market. Reports indicated this deposit has the potential of becoming one of the largest graphite mines in the world producing ultra-high purity flake graphite.

The Property is conveniently located 25 kilometers west of Sydney, Nova Scotia and is comprised of 7 licenses (82 claims over 13.3 $km^2$). The property is easily accessible by paved roads and is in close proximity to an electric utility. With the potential construction of NOVAPORT, a deep-water mega-terminal in Sydney, trans-Atlantic shipping would be readily available, Moreover, having an extensive history in steel manufacturing and coal mining, Sydney has a highly skilled workforce to offer.

The mineralization on the Property is represented by flake graphite in marbles of the George River Formation and has been identified along a strike length of approximately 12 km with zones up to 1.5 km wide and interpreted to be up to 300 m in depth. Mt. Cameron has carried out prospecting, drilling and geophysics on the Property; all of which indicate an extensive mineralized zone. Preliminary mineral processing studies have been carried out by Dr. Ian Flint, former Director of the Minerals Engineering Center at Dalhousie University in Halifax

Historical works:

- **2004** - As part of a regional reconnaissance exploration program, Mt. Cameron mapped extensive beds and ridges of graphitic marbles and schists of Precambrian (Grenvillian) age on the eastern flank of the Boisdale Hills, some 25 km west of Sydney, Nova Scotia. Preliminary metallurgical work on samples taken during the mapping campaign determined the graphite is of the rare flake form. Average grade of the graphitic marble surface samples was > 4% graphite (Cg);

- **2007** - The Province, through the Office of Economic Development and DNR, commissioned a graphite market study to determine market trends and supply / demand worldwide. The study determined the Property had good potential to be one of the largest graphite mines in the world. There are indications this deposit is substantial and has the potential for an annual production as high as 200,000 tonnes of ultra high purity flake graphite and still maintain a 20 year, or longer, mine life;

- **2008** - In August 2008, Mt. Cameron initiated an exploration and metallurgical testing program budgeted at $4 million. Initial results from deep penetrating geophysics, drilling, assaying, bulk sampling, and pilot plant testing at the Mineral Engineering Centre at Dalhousie University met or exceeded expectations;

- **2009** - Further metallurgical work determined the flake graphite could be readily separated from the marble by flotation with expected commercial production after refining above 99% graphite. Bench scale metallurgical testing has already achieved a grade of 99.3% from a large bulk sample taken in 2008.

- **2010** - A 1,300 m diamond drilling program identified an area west of Campbell Lake where 10 holes intersected up to 40 m of high grade graphitic marble extending about 400 m along strike. This area shows considerable promise for the development of a substantial mining operation.

"The Mt. Cameron Graphite deposit could be one of the largest in the world," says John Wightman, M.Sc., FGAC, P.Eng, President of Mt. Cameron Minerals Inc). Mr. Wightman's optimism about the potential value of the graphite deposit is further confirmed by a report concerning a bulk sample assessed by Separation Technology LLC of Needham, Mass. "The report is another indication of a potential large deposit of battery-grade graphite for the entire site. The attributes of graphite marble allow for low-cost clean separation technology, with little or no damage to the high-quality graphite when separated from the surrounding material," specified Mr. Wightman. The results of this latest bulk assessment report are comparable to those of previous tests performed at Dalhousie University by Dr. Ian M. Flint, a senior consulting metallurgist.

**Robelin Property (Québec)**

On April 5, 2017, the Company has entered into an option agreement with 4 prospectors (one prospector is a former officer (CFO) and another prospector is a new officer (CEO)) 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 acquired 100% interest by issuing the 6,500,000 common shares at a fair value of $0.20 per share for a consideration of $1,300,000 ($140,000 for a former officer (CFO) and $500,000 for a new officer (CEO)). The Robelin Property is located 85 km East South East from the town of Kuujjuaq. 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.

**Dissimieux Lake**

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 within Dissimieux Lake Phosphate Titanium-REE's property, province of Québec, by issuing 1,200,000 common shares 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 at a fair value of $0.25 per share for a consideration of $300,000. On June 20, 2016 the Company fulfilled its obligations by issuing 720,000 common shares at a fair value of $0.175 (value of $0.25 as per the agreement for $180,000) per share for a consideration of $126,000.

The Project consists of 15 claims covering 8.4 $km^2$, and is accessible via Provincial Highway #138 from Forestville, then driving northward on Highway #385 to Labrieville, and from there using a network of secondary gravel forestry roads to reach the east-southeast shore of Dissimieux Lake. The Property hosts titanium-phosphate (ilmenite-apatite) mineralization located near the southern margin of the La Blache Anorthositic Complex (the "LBAC"). The LBAC is elongated in a northeast-southwest direction and is 15 to 25 km wide over 60 km. It was emplaced into a highly metamorphosed and folded package of steeply dipping, N-NE dipping paragneiss and amphibolites of the Grenville Geological Province. The Property is dominated by steep hills, with elevations ranging from 435 m to 700 m above sea level.

Only regional geophysical surveying and geological mapping had been carried out in the Property area before AFCAN Mining Corporation ("AFCAN"), formerly known as Société d'exploration Minière et pétrolière Gaspésie, staked the original claims at Dissimieux Lake. AFCAN completed detailed mapping, sampling and geophysical surveys over the original property (Pritchard, 1994, in GM53348; Birkett, 1995 and 1996, in GM 53515 and GM 54835; Oswald and Birkett, 1996, in GM 54764). A drill program of 8 holes totalling 637.5 m on two sections was also carried out in 1994 by AFCAN (GM 53349).

Ilmenite-apatite concentrations were traced along a 6 km a northeast-southwest corridor, up to 1 km wide, near the south shore of Dissimieux Lake. The mineralization is hosted in several 20 m to 50 m-wide bands made up of finely disseminated magmatic apatite and ilmenite, associated with gabbro. The ilmenite occurred as a magnetite-ilmenite assemblage linked to magnetic high anomalies. The average grades calculated from surface sampling was 5% $TiO_2$ (corresponding to 10% ilmenite) and 3.5% $P_2O_5$ (corresponding to 10% apatite). The corresponding average grades from the core samples were 4.72% $TiO_2$ and 3.65% $P_2O_5$, with high values of 8.35% $TiO_2$ and 4.42% $P_2O_5$. Zones characterized by lower intensity magnetic anomalies retained higher $TiO_2$ grades but were lower in $P_2O_5$.

Lakefield Research of Canada Ltd. ("Lakefield") (1997, in GM 54867; 1998, in GM 56490), COREM (2000, in GM 58571) and Lakefield (2000, in GM 58570) assessed the feasibility of concentrating the titanium and phosphate. Lakefield achieved recoveries of 92 % for apatite to produce a concentrate at 41.2 % $P_2O_5$, and recovered 62.5 % of the ilmenite to produce a concentrate of 48.1% $TiO_2$ from an initial a sample containing 3.5 % P2O5 and 5.4 % $TiO_2$. It was concluded at the time that the higher the TiO2 and P2O5 grades in rocks, the higher the recoveries in concentrates.

Met-Chem Canada Inc. ("Met-Chem") (2000, in GM 58569) attempted to estimate the "Mining Potential" of the southern portion of the ilmenite-apatite mineralization. The underlying concept rested entirely on the assumption that a direct correlation existed between the strong magnetic anomalies and the ilmenite-apatite mineralization. However, this relationship was never confirmed as the mafic components of the LLBAC, such as the gabbros and the ultramafic rocks exhibited high magnetic susceptibilities, even in the absence of ilmenite-apatite mineralization.

Nevertheless, to estimate the potential resources, Met-Chem used the two drilled sections from AFCAN, the geophysical surveys and results of the geological mapping. The cumulative length of favorable magnetic anomalies covered 11,200 m, multiplied by width (averaging 90 m) of the mineralization based on the area of mineralization calculated from the two existing drill sections to a maximum depth of 75 m. A specific gravity of 3.25 t/$m^3$ was used based on core samples.

In 2012 to 2013 Jourdan drilled 34 holes at Dissimieux Lake, for a total of 3949 m, demonstrating mineralization over a strike length of 2.4 kilometres. Five parallel zones of phosphate mineralization were intersected, often containing mineralization > 100m in drilled thickness.

A target resources of 235 million tonnes were estimated at a grade of 3.65% $P_2O_5$ and 4.72% $TiO_2$ based on the drill core results (Met-Chem, 2000, in GM58569). The estimate is considered historic Mineral Resources.

The terms "Mining Potential" and "Anticipated Resources" are not recognized National Instrument ("NI") 43-101 Mineral Resources or Mineral Reserves categories, and therefore should not the relied upon. There has been insufficient work and a Qualified Person has not reviewed nor evaluated "Mining Potential", "Anticipated Resources" or historic Mineral Resources in terms of NI 43-101 standards to qualify the estimates into current Mineral Resources. There is no evidence at this time to suggest that any future exploration would result in any of the estimates being converted into NI 43-101 compliant Mineral Resources. GENIUS is of the opinion that the estimates reflects either the ilmenite-apatite or titanium-phosphate mineralization potential of the Property.

The last major work on the Property involved the Met-Chem scoping study (2000, in GM 58569). Met-Chem indicated the ilmenite-phosphate mineralization was amenable to open-pit mining with a 1:1 waste to ore. It was proposed to transport the concentrate via a pipeline at a cost of $3.28 per tonne based on a yearly transport of 457,500 tonnes of concentrate (217,500 tonnes of ilmenite and 240,000 tonnes of apatite) over a distance of 140 km. In 2009, the Vendors assayed a sample from the original apatite concentrate for Rare Earth Elements ("REE's") and Rare Metal analysis at ALS Laboratories using the 38 element ICP-MS Analytical Method (ME-MS81) (refer to the appended table). The apatite concentrate sample contains 0.18% TREE's, of which 72% are LREE's (Light REE'S: La, Ce, Pr, Nd, Pm, Sm) and 28% are HREE's (Heavy REE's: Eu, Tb, Dy, Ho, Er, Tm, Yb, Lu, Y). The most significant REE's results are 517 ppm Cerium (Ce), 66 ppm Dysprosium (Dy), 115 ppm Gadolinium (Gd), 169 ppm Lanthanum (La), 405 ppm Neodynium (Nd), 85 ppm Praseodymium (Pr), 98 ppm Samarium (Sm), and 348 ppm Yttrium (Y).

**Blockhouse Gold (Nova Scotia)**

Upon receiving the results of the IP survey, the collaring of the drill holes began on the Blockhouse property. Drilling, completed by Maritime Diamond Drilling of Brookfield, NS, commenced on January 3rd, 2017 and ended January 23rd, 2017. 644 meters of NQ core were drilled distributed in 7 holes and 3 sites. Most of the drilling was completed at site 1, located southwest of the historic working portals. It was chosen as it is situated near the limit of the underground workings south of the fault offsetting the Prest vein at 250° (Tilsey, 1983). Site 2 was located in the vicinity of the mine portals to target the geophysics anomaly #2 as well as the east vein. Site 3 was situated northeast of the mine portals to drill through the geophysics anomaly #1 as well as to get a section through the Halifax and into the Goldenville groups.

All casing was removed and holes were cement capped, and sites were cleaned up. Downhole surveys were completed using a reflex survey tool.

Hole BH-17-01 was drilled northwest perpendicular to bedding back toward the historic mine workings. The hole was spotted so that it would intersect a historically mapped fault, intersect the Prest vein below historic workings and intersect a geophysics anomaly outlined in the 2016 ground IP survey. This is the first drilling done to date at Blockhouse that was not directly targeting the Prest vein. Results were encouraging as a previously unknown zone of quartz veins with visible gold through the fault, showed 1.1 grams per tonne gold over 9.55 metres, with subintervals of 1.6 g/t Au over 6.2 m and 3.4 g/t Au over 2.1 m and including peak grades of 25.7 g/t over 0.22 m and 7.1 g/t over 0.24 m. The true widths, extent and orientation of the zone are not yet understood

Core was boxed on-site by the drill crew and transported to the core shack by Genius personnel. Core was then logged and marked for sampling. Samples were sawn in half with a diamond blade core saw. Half was sent to Activation Laboratories in Ancaster, Ont., in sealed bags, while half was retained. Once at Actlabs, samples were pulverized and fire assayed with Code 1A2-30. Samples containing visible gold were also submitted for metallic screening, Code 1A4 (100 mesh). Quality assurance/quality control procedures included the systematic insertion of certified reference standards and blanks which were reviewed to verify the integrity of the lab results.

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 (500,000 common shares for each prospector). In addition, the Company will issue 100,000 common shares common shares for each $1,000,000 in exploration and evaluation expenditures incurred by Genius, subject to a maximum of 500,000 common shares. An additional 500,000 common shares will be issued if the Company completes a Feasibility Study. Nova Scotia properties consisted of the following properties: Blockhouse Gold (26 claims), Kemptville NS (10 claims), Chocolate Lake NS (6 claims), Dares Lake NS (6 claims) and Gold River NS (1 claim). 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.

The majority of the Property lie within NTS area 21A and the land package includes 14 licenses comprised of 107 claims covering approximately 1,733 hectares (17.33 $km^2$). The initial exploration focus of Genius will be on the Blockhouse Property and the nearby Dares Lake Property, both located in Lunenburg County.

There are several documented gold bearing veins on the Blockhouse Property, most notably the Prest Vein that saw limited underground (narrow vein) production in the late 1800s up until the early 1930s. This property was revisited in the 1980s when 10 diamond drill holes were completed, testing near surface potential of the property. The drill results and historical mining results are documented in a 1989 drill summary report by James E. Tilsley & Associates Ltd. (filed as an assessment report AR 89-105 with the Nova Scotia DNR) where it is reported that 3,500 ounces of gold was recovered from 6,200 tons of mined and milled material from underground workings between the surface and 90 meters depth. It is further reported that most of the gold was recovered from a fissure vein within a very dark arenaceous slate horizon referring to this production area as the "Prest Shoot". Historical records on file with Nova Scotia Department of Natural Resources indicate that the Prest Shoot accounted for 2,043 tons of mill feed between 1896 and 1935, yielding 3,259 ounces of gold for an average grade of 1.59 ounces per ton (49.6 g/t). The width of the

Prest Vein within the historically mined shoot is reported to average 0.25 m (0.15 to 0.61 m), whereas the wall rock yielded an average of 0.085 ounces per ton (2.9 g/t). However, there was insufficient data to determine the extension of the gold mineralization within the host wall rock. Underground mapping and sampling of the 60 metres level occurred in the late 1930s. The Prest Shoot was traced for 138 metres in the north drift and averaged 0.35 m in width with an average gold content of 0.37 ounces per ton.

In early April 2016, Genius engaged an independent qualified person (IQP) to meet with the Vendors of the Property and complete a due diligence site visit. Samples of vein material were selected by the geologist Neil D. Novak, P.Geo., completed the due diligence investigation at the request of Genius. The Prest Vein does not outcrop, consequently the sampling was limited to selecting random samples from mine spoils that are present as muckpiles near the old mine opening (shaft) that had been covered over and capped by a reinforced concrete slab as per local mine rehabilitation requirements. The samples were presumably from the Prest Vein. and included:

- BH - 1 from the Blockhouse Property presumably the Prest Vein. The specimen is a banded dark grey - light grey quartz vein. This sample was tested for gold content and returned an assay of 22.5 g/t Au (0.72 ounces/ton);

- BH - 2 from the Blockhouse Property; presumably mine waste. This sample was selected from a small trench the geologist dug into the hand-cobbled pile of material near the main shaft. It consists of quartz vein material and dark grey slaty shale. The sample was tested for gold content and returned an assay of 0.136 g/t Au (0.004 ounces/ton);

- BH - 3 from the Blockhouse Property, quartz vein material representative of what was thought to be high grade material. The sample was tested for gold content and returned an assay of 11.8 g/t Au (0.378 ounces/ton);

- BH - 4 from the Blockhouse Property, quartz vein material representative of high grade material. The sample was tested for gold content and returned an assay of 38.6 g/t Au (1.24 ounces/ton);

- BH - 5 from the Blockhouse Property, quartz vein material from a long trench located near the old mill. This could be a sample of vein in an outcrop. The sample was tested for gold contend and returned an assay of 0.315 g/t Au (0.01 ounces/ton).

The assay results for the samples provided a confirmation of the potential as a gold exploration project. The "high grade" gold historically mined at the site and t the reported grades of vein material selected by the geologist were what was expected. Genius is now planning an exploration program which is to take place this summer2016 in which surface trenching, sampling and mapping will take place to ascertain whether gold is present in the host shales. If phase one is successful then phase two will follow involving drilling to depth below the existing mine workings to confirm and extend the information collected from the 1983 drill program.

The Review and Evaluation Committee for the NSMIP supports the project and has approved $60,000 to explore licenses in Blockhouse, Lunenburg County. All funds awarded by NSMIP are to be directed at paying up to 50% of any combination of drill contract costs, core analysis and trenching completed on the project.

### EXPLORATION OUTLOOK

The Company's technical team is currently working on the exploration recommendations set forth for each of its properties. The proposals will be analyzed by the Board of Directors.

### QUALIFIED PERSONS

Alex MacKay P.Geo, is the qualified person under NI 43-101 who has reviewed and approved the technical information contained in this document for the Nova Scotia properties.

Dr. Michel Boily P.Geo, is the qualified person under NI 43-101 who has reviewed and approved the technical information contained in this document for the Québec and Peru properties.

### FUNCTIONAL AND PRESENTATION CURRENCY

These selected annual financial information, selected quarterly financial information and other financial information are presented in Canadian dollars, the Company's functional currency.

### SELECTED ANNUAL FINANCIAL INFORMATION

The following selected financial information is derived from our audited financial statements for each of the three most recently completed financial years.

**GENIUS PROPERTIES LTD.**
**SELECTED ANNUAL FINANCIAL INFORMATION**

| | December 31 2017 | December 31 2016 | December 31 2015 |
|---|---|---|---|
| | $ | $ | $ |
| **CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS** | | | |
| **Operating expenses** | | | |
| Exploration and evaluation expenditures | **3,008,318** | 799,868 | 282,701 |
| General and administrative expenses | **805,056** | 638,729 | 1,132,394 |
| Gain on disposal of property and equipment | **-** | (25,318) | - |
| Write-off of property and equipment | **-** | 6,620 | - |
| Gain on disposal of mining properties | **-** | (56,250) | (30,000) |
| Loss on cancellation on acquisition of assets | **-** | - | 2,400,000 |
| | **3,813,374** | 1,363,649 | 3,785,095 |
| **Other expenses (revenues)** | | | |
| Net change in fair value of marketable securities | **(12,640)** | (56,770) | 20,381 |
| Finance expense | **(5,062)** | 12,569 | 25,711 |
| Exchange loss (gain) | **20,671** | 40 | (190) |
| Gain on settlement of accounts payable | **(636)** | (107,901) | (56,208) |
| | **2,333** | (152,062) | (10,306) |
| **Income tax** | **(95,370)** | (53,820) | (122,962) |
| **Net loss from continuing operations** | **3,720,337** | 1,157,767 | 3,651,827 |
| **Net loss (earnings) from discontinued operations** | **(1,107)** | (100,176) | 1,104,182 |
| **Net loss and comprehensive loss** | **3,719,230** | 1,057,591 | 4,756,009 |
| **Net loss from continuing operations attributable to:** | | | |
| Shareholders of Genius Properties Ltd. | 3,720,337 | 1,157,767 | 3,651,827 |
| Non-controlling interests | - | - | - |
| **Net loss (earnings) from discontinued operations attributable to:** | | | |
| Shareholders of Genius Properties Ltd. | (775) | (82,126) | 997,467 |
| Non-controlling interests | (332) | (18,050) | 106,715 |
| **Basic and diluted loss (earnings) per share:** | | | |
| Basic and diluted loss per share from continuing operations | **0.13** | 0.08 | 0.36 |
| Basic and diluted loss (earnings) per share from discontinued operations | **-** | (0.01) | 0.10 |

| | December 31 2017 | December 31 2016 | December 31 2015 |
|---|---|---|---|
| | $ | $ | $ |
| **CONSOLIDATED STATEMENTS OF CASH FLOWS** | | | |
| **Continuing operations** | | | |
| Cash flows used for operating activities | **(1,106,803)** | (550,488) | (545,617) |
| Cash flows from financing activities | **1,797,005** | 234,711 | 647,757 |
| Cash flows from (used for) investing activities | **(582,585)** | 302,395 | (4,575) |
| Net change in cash and cash equivalents | **107,617** | (13,382) | 97,565 |
| **Discontinued operations** | | | |
| Cash flows used for operating activities | **-** | - | (85,766) |
| Cash flows from financing activities | **-** | - | - |
| Cash flows used for investing activities | **-** | - | (124,353) |
| Net change in cash and cash equivalents | **-** | - | (210,119) |

| | December 31 2017 | December 31 2016 | December 31 2015 |
|---|---|---|---|
| | $ | $ | $ |
| **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION** | | | |
| Cash and cash equivalents | **304,536** | 196,919 | 210,301 |
| Property and equipment | **-** | - | 222,699 |
| Total assets | **1,097,376** | 364,061 | 596,217 |
| Bank loan | **-** | - | 202,500 |
| Equity | **352,661** | (344,251) | (577,810) |

The basic and diluted loss per share from continuing operations during the year ended December 31, 2017 is $0.13 ($0.08 in 2016 and $0.36 in 2015). During the year ended December 31, 2017, the Company realized a net loss from continuing operations of $3,720,337 as compared to a net loss from continuing operations of $1,157,767 (an increase of $2,562,570 compared to 2016) for the year ended December 31, 2016 and to a net loss from continuing operations of $3,651,827 (a decrease of $2,494,060 compared to 2015) for the year ended December 31, 2015.

The significant increase of $2,562,570 for the year ended December 31, 2017 as compared to 2016 in net loss from continuing operations is attributable to a significant increase of $2,208,450 in exploration expenditures ($3,008,318 in 2017 compared to $799,868 in 2016).

The significant decrease of $2,494,060 for the year ended December 31, 2016 as compared to 2015 in net loss from continuing operations is attributable to the loss on cancellation on acquisition of assets of $2,400,000 recorded in 2015 as compared to a loss of cancellation on acquisition of assets of $Nil for the year ended December 31, 2016.

The total assets as at December 31, 2017 was $1,097,376 as compared to $364,061 and $596,217 for the years ended December 31, 2016 and 2015 respectively. The increase of $733,315 in total assets in 2017 compared to 2016 ($1,097,376 compared to $364,061) is mainly due to a loan to non-related company of $649,000 as at December 31, 2017.

The decrease of $232,156 in total assets in 2016 compared to 2015 ($364,061 compared to $596,217) is mainly due to the disposal of property and equipment (net book value of $204,682) in October 2016 combined with the repayment of the bank loan of approximately $185,000.

Since its incorporation, the Company has not paid any cash dividends on its outstanding common shares. Any future dividend payment will depend on the Company's financial needs to fund its exploration programs and its future growth, and any other factor that the Board may deem necessary to consider. It is highly unlikely that any dividends will be paid in the near future.

## RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2017

### Net (loss) income from continuing operations

During the year ended December 31, 2017, the Company realized a net loss from continuing operations of $3,720,337 as compared to a net loss from continuing operations of $1,157,767 for the year ended December 31, 2016.

The significant increase of $2,562,570 for the year ended December 31, 2017 as compared to 2016 in net loss from continuing operations is attributable to a significant increase of $2,208,450 in exploration expenditures ($3,008,318 in 2017 compared to $799,868 in 2016). The acquisition of the Sakami Property and the Robelin Property in May 2017 are the main factors contributing to the increase of $2,562,570.

During the year ended December 31, 2016, the Company realized a net loss from continuing operations of $1,157,767 as compared to a net loss from continuing operations of $3,651,827 for the year ended December 31, 2015.

The significant decrease of $2,494,060 for the year ended December 31, 2016 as compared to 2015 in net loss from continuing operations is attributable to the loss on cancellation on acquisition of assets of $2,400,000 recorded in 2015 as compared to a loss of cancellation on acquisition of assets of $Nil for the year ended December 31, 2016.

**Operating expenses**

During the year ended December 31, 2017, operating expenses were $3,813,374 as compared to $1,363,649 for the year ended December 31, 2016.

The significant increase of $2,449,725 for the year ended December 31, 2017 as compared to 2016 in operating expenses is attributable to a significant increase of $2,208,450 in exploration expenditures ($3,008,318 in 2017 compared to $799,868 in 2016). The acquisition of the Sakami Property and the Robelin Property in May 2017 are the main factors contributing to the increase of $2,449,725.

During the year ended December 31, 2016, operating expenses were $1,363,649 as compared to $3,785,095 for the year ended December 31, 2015.

The significant decrease of $2,421,446 for the year ended December 31, 2016 as compared to 2015 in operating expenses is attributable to the loss on cancellation on acquisition of assets of $2,400,000 recorded in 2015 as compared to a loss of cancellation on acquisition of assets of $Nil for the year ended December 31, 2016.

**Other expenses (revenues)**

During the year ended December 31, 2017, the other expenses was $2,333 as compared to other revenues of $152,062 for the year ended December 31, 2016 and other revenues of $10,306 for the year ended December 31, 2015.

The decrease of $154,395 in 2017 as compared to 2016 (expenses of $2,333 in 2017 compared to revenues of $152,062 in 2016) in other revenues is mostly attributable to a decrease of $44,130 in net change in fair value of marketable securities (revenues of $12,640 in 2017 compared to revenues of $56,770 in 2016) combined with a decrease of $107,265 in gain on settlement of accounts payable ($636 in 2017 compared to $107,901 in 2016).

The increase of $141,756 in 2016 as compared to 2015 (revenues of $152,062 in 2016 compared to revenues of $10,306 in 2015) in other revenues is mostly attributable to an increase of $77,151 in net change in fair value of marketable securities (revenues of $56,770 in 2016 compared to an expense of $20,381 in 2015) combined with an increase of $51,693 in gain on settlement of accounts payable ($107,901 in 2016 compared to $56,208 in 2015).

## SELECTED QUARTERLY FINANCIAL INFORMATION

Genius Properties anticipates that the quarterly and annual results of operations will primarily be impacted for the near future by several factors, including the timing and efforts of the exploration's expenditures and efforts related to the development of the Company. Due to these fluctuations, the Company believes that the quarter to quarter and the year-to-year comparisons of the operating results may not be a good indication of its future performance.

The following selected quarterly financial information is derived from our unaudited condensed interim financial statements for each of the two most recently completed financial years.

**GENIUS PROPERTIES LTD.**
**SELECTED QUARTERLY FINANCIAL INFORMATION**

| | | | | 2017 | | | | 2016 |
|---|---|---|---|---|---|---|---|---|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS** | | | | | | | | |
| **Operating expenses** | | | | | | | | |
| Exploration and evaluation expenditures | (218,224) | 250,584 | 2,733,244 | 242,714 | 167,121 | 72,504 | 319,365 | 240,878 |
| General and administrative expenses | 338,484 | 136,170 | 185,691 | 144,711 | 225,947 | 141,621 | 174,245 | 96,916 |
| Gain on disposal of property and equipment | - | - | - | - | (25,318) | - | - | - |
| Write-off of property and equipment | - | - | - | - | 6,620 | - | - | - |
| Gain on disposal of mining properties | - | - | - | - | (12,500) | (45,522) | 1,772 | - |
| Loss on cancellation on acquisition of assets | - | - | - | - | - | - | - | - |
| | 120,260 | 386,754 | 2,918,935 | 387,425 | 361,870 | 168,603 | 495,382 | 337,794 |
| **Other expenses (revenues)** | | | | | | | | |
| Net change in fair value of marketable securities | - | - | - | (12,640) | (3,405) | (865) | (45,000) | (7,500) |
| Finance expense | 1,420 | 706 | 631 | (7,819) | (14,193) | 4,439 | 4,274 | 18,049 |
| Exchange loss (gain) | 18,127 | 2,071 | 473 | - | 12,854 | (11,809) | (1,091) | 86 |
| Gain on settlement of accounts payable | (636) | - | - | - | 20,280 | 13,207 | (135,388) | (6,000) |
| | 18,911 | 2,777 | 1,104 | (20,459) | 15,536 | 4,972 | (177,205) | 4,635 |
| **Income tax** | (55,176) | (9,401) | (8,524) | (22,269) | (53,820) | - | - | - |
| **Net loss from continuing operations** | 83,995 | 380,130 | 2,911,515 | 344,697 | 323,586 | 173,575 | 318,177 | 342,429 |
| **Net loss (earnings) from discontinued operations** | 80 | (616) | (414) | (157) | - | - | - | - |
| **Net loss and comprehensive loss** | 84,075 | 379,514 | 2,911,101 | 344,540 | 323,586 | 173,575 | 318,177 | 342,429 |
| **Net loss from continuing operations attributable to:** | | | | | | | | |
| Shareholders of Genius Properties Ltd. | 83,995 | 380,130 | 2,911,515 | 344,697 | 307,110 | 190,488 | 317,977 | 342,192 |
| Non-controlling interests | - | - | - | - | 16,476 | (16,913) | 200 | 237 |
| | 83,995 | 380,130 | 2,911,515 | 344,697 | 323,586 | 173,575 | 318,177 | 342,429 |
| **Net loss (earnings) from discontinued operations attributable to:** | | | | | | | | |
| Shareholders of Genius Properties Ltd. | 56 | (431) | (290) | (110) | (82,126) | - | - | - |
| Non-controlling interests | 24 | (185) | (124) | (47) | (18,050) | - | - | - |
| | 80 | (616) | (414) | (157) | (100,176) | - | - | - |
| **Basic and diluted loss (earnings) per share:** | | | | | | | | |
| Basic and diluted loss per share from continuing operations | 0.00 | 0.01 | 0.11 | 0.02 | 0.02 | 0.01 | 0.02 | 0.03 |
| Basic and diluted loss (earnings) per share from discontinued operations | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Note - On February 1st, 2017, the Company completed a share consolidation on a basis of five pre-consolidation shares for one post-consolidation share.

| | | | | 2017 | | | | 2016 |
|---|---|---|---|---|---|---|---|---|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **CONSOLIDATED STATEMENTS OF CASH FLOWS** | | | | | | | | |
| **Continuing operations** | | | | | | | | |
| Cash flows used for operating activities | (254,685) | (333,462) | (297,833) | (220,823) | (296,890) | (17,000) | (107,139) | (129,459) |
| Cash flows from financing activities | 1,002,855 | (11,054) | 805,404 | (200) | 135,336 | 15,000 | 145,000 | (60,625) |
| Cash flows from (used for) investing activities | (652,100) | - | - | 69,515 | 302,395 | - | - | - |
| Net change in cash and cash equivalents | 96,070 | (344,516) | 507,571 | (151,508) | 140,841 | (2,000) | 37,861 | (190,084) |
| **Discontinued operations** | | | | | | | | |
| Cash flows used for operating activities | - | - | - | - | - | - | - | - |
| Cash flows from financing activities | - | - | - | - | - | - | - | - |
| Cash flows used for investing activities | - | - | - | - | - | - | - | - |
| Net change in cash and cash equivalents | - | - | - | - | - | - | - | - |

| | | | | 2017 | | | | 2016 |
|---|---|---|---|---|---|---|---|---|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION** | | | | | | | | |
| Cash and cash equivalents | 304,536 | 208,466 | 552,982 | 45,411 | 196,919 | 56,078 | 58,078 | 20,217 |
| Property and equipment | - | - | - | - | - | 212,218 | 215,712 | 219,205 |
| Total assets | 1,097,376 | 257,046 | 647,412 | 164,380 | 364,061 | 454,775 | 527,079 | 337,753 |
| Bank loan | - | - | - | - | - | 185,625 | 191,250 | 196,875 |
| Equity | 352,661 | (515,715) | (136,201) | (528,791) | (344,251) | (282,991) | (179,016) | (663,439) |

The net loss from continuing operations of $83,995 for Q4-2017 is mostly attributable to the reclassification (payments as part of the proposed merger transaction with Cerro De Pasco) from the comprehensive loss to the financial position of an amount of approximately $320,000 in exploration and evaluation expenditures to the loan to a non-related company.

The net loss from continuing operations of $2,911,515 for Q2-2017 is mostly attributable to the acquisition of two properties located in Québec in May 2017 for an amount of approximately $2,500,000.

The net loss from continuing operations of $173,575 for Q3-2016 is mostly attributable to a gain on disposal of mining properties of $45,522 combined with a decrease of exploration and evaluation expenditures as compared to Q1-2016 and Q2-2016.

The net loss from continuing operations of $2,823,796 for Q4-2015 is attributable to a loss on cancellation on acquisition of assets of $2,400,000.

The net loss from continuing operations of $150,149 for Q3-2015 is mostly attributable to an overvaluation of the management and consulting fees expenses of Q1-2015 and Q2-2015 adjusted in Q3-2015.

## RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2017

### Net (loss) income from continuing operations

The basic and diluted loss per share from continuing operations for the three-month period ended December 31, 2017 is $0.00 as compared to $0.02 for the three-month period ended December 31, 2016.

During the three-month period ended December 31, 2017, the Company realized a net loss from continuing operations of $83,995 as compared to a net loss from continuing operations of $323,586 for the three-month period ended December 31, 2016.

The decrease of $239,591 for the three-month period ended December 31, 2017 in net loss from continuing operations as compared to 2016 in net loss from continuing operations is mostly attributable to the reclassification (payments as part of the proposed merger transaction with Cerro De Pasco) from the comprehensive loss to the financial position of an amount of approximately $320,000 in exploration and evaluation expenditures to the loan to a non-related company.

### Operating expenses

During the three-month period ended December 31, 2017, operating expenses were $120,260 as compared to $361,870 for the three-month period ended December 31, 2016.

The decrease of $241,610 for the three-month period ended December 31, 2017 in operating expenses as compared to 2016 is mostly attributable to a decrease of $385,345 in exploration and evaluation expenditures (recovery of $218,224 in exploration expenditure for 2017 as compared to $167,121 for 2016). Reclassification (payments as part of the proposed merger transaction with Cerro De Pasco) from the comprehensive loss to the financial position of an amount of approximately $320,000 in exploration and evaluation expenditures to the loan to a non-related company is the main factor contributing to the decrease of $241,610 in operating expenses.

### Other expenses

During the three-month period ended December 31, 2017, the other expenses were $18,911 as compared to other expenses of $15,536 for the three-month period ended December 31, 2016. There were no major changes during the three-month period ended December 31, 2017 as compared to the three-month period ended December 31, 2016.

## CASH FLOWS

### Cash flows used for operating activities

Cash flows used for operating activities were $1,106,803 during the year ended December 31, 2017, an increase of $556,315 as compared to cash flows of $550,488 used for operating activities during the year ended December 31, 2016. The increase of $556,315 is mostly explained by an increase of $481,419 of funds used in operating activities before changes in working capital items ($1,163,479 used for operating activities before changes in working capital items for the year ended December 31, 2017 as compared to $682,060 funds from operating activities before changes in working capital items for the year ended December 31, 2016).

### Cash flows (used for) from financing activities

Cash flows from financing activities were $1,797,005 during the year ended December 31, 2017, an increase of $1,562,294 as compared to cash flows of $234,711 from financing activities during the year ended December 31, 2016. The increase of $1,562,294 is attributable to an increase of $1,309,125 of proceeds from private placements ($1,858,025 for the year ended December 31, 2017 as compared to $548,900 for the year ended December 31, 2016).

### Cash flows used for investing activities

Cash flows used for investing activities were $582,585 during the year ended December 31, 2017, an increase of $884,980 as compared to cash flows of $302,395 from investing activities during year ended December 31, 2016.

The increase of $884,980 is explained by the grant of a loan of $649,000 to a non-related company during the year ended December 31, 2017.

## 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:

| | December 31 2017 | December 31 2016 |
|---|---|---|
| | $ | $ |
| Consulting fees | 178,778 | 193,350 |
| Director's fees | 30,748 | - |
| Professional fees | - | 6,267 |
| Share-based compensation | - | 32,940 |
| | 209,526 | 232,557 |

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

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

For the year ended December 31, 2017, legal fees, transaction costs and share issuance costs for a total amount of $42,716 were charged by a company in which a former director is a partner ($57,471 for the year ended December 31, 2016). There were no trade accounts and other payables due to this related party as at December 31, 2017 ($35,407 as at December 31, 2016).

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.

### CONTINGENCIES

Governmental laws and regulations regarding environmental protection regulate the Company's operations. The environmental consequences are not easily identifiable, either in terms of results, the impacts or the expiration date. Currently, and to the best knowledge of its management, the Company is in conformity with current laws and regulations.

### SUBSEQUENT EVENTS

On March 8, 2018 the Company amended its option agreement with Mt Cameron Minerals Incorporated. The Company has to incur exploration expenditures as follows: $500,000 on or before December 31, 2018 and $500,000 on or before December 31, 2019 instead of $500,000 on or before December 31, 2017 and $500,000 on or before December 31, 2018.

In consideration for the postponement of the deadlines of one year to incur the exploration expenditures, the Company issued a total of 200,000 common shares on April 11, 2018 to shareholders of Mt Cameron Minerals Inc., at a deemed value of $0.15 per common share. These common shares are subject to a hold period under applicable securities laws, which will expire four months and one day from the date of their issuance.

On April 6, 2018, the Company concluded a private placement by issuing 10,373,334 units at a price of $0.15 per unit for gross proceeds of $1,556,000. Each unit consists of one common share and one-half of a warrant for a total of 10,373,334 common shares and 5,186,667 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 and until April 6, 2019.

The Cash Contribution will be expended, based on the joint determination of Genius Properties and Cerro de Pasco (each acting reasonably), on the development of the Property, for metallurgical testing and to cover capital requirements related to community relations, permitting and general and administrative expenses.

### SUMMARY OF THE PROPOSED TRANSACTION WITH CERRO DE PASCO RESOURCES S.A.

On November 9, 2017, the Company has entered into a merger agreement (the "Proposed Transaction") with Cerro de Pasco Resources S.A. ("Cerro"), a company incorporated under the laws of Peru, pursuant to which will result in a merger of Genius and Cerro de Pasco. Cerro's main asset is a 100% interest in the El Metalurgista Concession (where the so-called Quiulacocha Tailings and Excelsior Stockpile are located), located in Peru (the "Property").

Cerro de Pasco and Genius Properties shall effect the Proposed Transaction by merging Cerro de Pasco with a branch of Genius Properties to be established under Peruvian laws ("BranchCo"), such that existing security holders of Cerro de Pasco will become security holders of Genius Properties. In accordance with the terms of the Proposed Transaction, Genius Properties shall (i) issue a sufficient number of common shares of its share capital to allow the current shareholders of Cerro De Pasco ("Cerro Shareholders") to hold, after such issuance, in the aggregate, 75% (subject to an increase as described below) of the total number of common shares of the Corporation issued and outstanding after the Proposed Transaction and (ii) make a cash contribution in the form of a loan (the "Cash Contribution") to Cerro de Pasco in an aggregate amount of US$2,500,000, of which US$516,456 (CAD$649,000) have already been made.

The Cash Contribution will be expended, based on the joint determination of Genius Properties and Cerro de Pasco (each acting reasonably), on the development of the Property, for metallurgical testing and to cover capital requirements related to community relations, permitting and general and administrative expenses.

The percentage of common shares to be held by the Cerro Shareholders may be increased pro rata if the Cash Contribution made by Genius Properties is of a total amount of less than US$2,500,000.

As a result of the Proposed Transaction, the board of directors of Genius Properties shall be comprised of six directors, four of which will be appointed by Cerro de Pasco and two of which will be current directors of Genius Properties.

**Spin-Off of Genius Properties:**

As part of the Proposed Transaction, prior to issuing securities to the Cerro Shareholders, Genius Properties will spin off all of its current mining properties into a new wholly-owned Canadian subsidiary (the "Reorganization"). Genius Properties intends to continue the exploration and development of the Company's properties through this new subsidiary, to re-distribute the common shares of this subsidiary to its current shareholders and to list it on a stock exchange.

**Specific conditions related to the closing:**

The specific conditions that must be met in relation to the closing of the Proposed Transaction are: (i) the completion of the Reorganization by Genius Properties; (ii) the approval of the Proposed Transaction by the board of directors and the shareholders of both parties; (iii) the approval of the Proposed Transaction by the Exchange; and (iv) the absence of material change in the business and operations of Cerro De Pasco and Genius Properties.

**Certain Risks associated with the Proposed Transaction:**

Under Peruvian mining regulations, a mining concession such as the Property is independent from the surface land on which it is located. Therefore, prior to the beginning of any reprocessing activity on the Property, an agreement will have to be reached with the owner of the surface land where the Property is located.

## OFF-FINANCIAL POSITION ARRANGEMENTS

As at December 31, 2017, the Company has non off-financial position arrangements.

## GOING CONCERN ASSUMPTION

The accompanying consolidated financial statements have been prepared on the basis of the on 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 year ended December 31, 2017, the Company recorded a net loss of $3,719,230 ($1,057,591 in 2016) and has an accumulated deficit of $17,703,249 as at December 31, 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. As at December 31, 2017, the Company had a working capital of $339,043 (a negative working capital of ($401,126) as at December 31, 2016) consisting of cash and cash equivalents of $304,536 ($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. Given that 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 recovery of the cost of exploration and evaluation assets as well as other tangible and intangible assets, 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 these assets. During the year ended December 31, 2017, the Company has raised $1,858,025 from private placements consisting of common shares and flow-through shares to fund exploration works and working capital. 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.

## CAPITAL MANAGEMENT

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 15 and 21, 2017, the Company completed a flow-through private placement of $212,500. As at December 31, 2017, the Company has the obligation to incur $212,500 in exploration expenditures no later than December 31, 2018 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.

**CAPITAL**

| | December 31 2017 | December 31 2016 | December 31 2015 |
|---|---|---|---|
| | $ | $ | $ |
| Equity | 352,661 | (344,251) | (577,810) |

### IFRS ACCOUNTING POLICIES AND ESTIMATES

The Company's significant accounting policies and estimates under IFRS are disclosed in the audited annual consolidated financial statements for the year ended December 31, 2017.

### OTHER REQUIREMENTS IN THE MANAGEMENT DISCUSSION AND ANALYSIS

The following selected financial information is derived from our unaudited financial statements.

**GENIUS PROPERTIES LTD.**

**Disclosure of outstanding share data post consolidation effective February 1st, 2017 (as at April 25, 2018)**

| | |
|---|---|
| **Outstanding common shares:** | 53,585,077 |
| **Outstanding share options:** | 80,000 |
| Average exercise price of: | $0.250 |
| Average remaining life of: | 3.38 years |

| Expiry date | Number | Exercise price | Remaining life |
|---|---|---|---|
| | | $ | (years) |
| September 9, 2021 | 80,000 | 0.25 | 3.38 |
| | 80,000 | | |

| | |
|---|---|
| **Outstanding warrants:** | 10,784,878 |
| Average exercise price of: | $0.250 |
| Average remaining life of: | 0.65 years |

| Expiry date | Number | Exercise price | Remaining life |
|---|---|---|---|
| | | $ | (years) |
| May 26, 2018 | 2,770,833 | 0.25 | 0.08 |
| December 8, 2018 | 171,000 | 0.25 | 0.62 |
| December 15, 2018 | 1,692,500 | 0.25 | 0.64 |
| December 21, 2018 | 788,500 | 0.25 | 0.66 |
| December 29, 2018 | 83,250 | 0.25 | 0.68 |
| December 30, 2018 | 92,128 | 0.25 | 0.68 |
| April 6, 2019 | 5,186,667 | 0.25 | 0.95 |
| | 10,784,878 | | |

### RISK AND UNCERTAINTIES

An investment in the common shares of the GNI should be considered highly speculative. Genius Properties is subject to a variety of risks, some of which are described below. If any of the following risks occur, the business, results of operations or financial condition could be adversely affected in a material manner.

**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 December 31, 2017 and 2016, price risk is not considered significant.

**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 other receivables and cash and cash equivalents is considered negligible, since the counterparty which holds the cash and cash equivalents is a reputable bank with excellent external credit rating and the amount of other receivables is guaranteed.

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

**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.

During the year ended December 31, 2017, the Company has financed its acquisitions of mining rights, exploration expenditures and working capital needs through private financings consisting of issuance of shares and through long-term debt consisting of an obligation under capital lease (issuance of shares in 2016). Management estimates that the cash and cash equivalents as at December 31, 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:

| | | | | December 31 2017 |
|---|---|---|---|---|
| | Less than 1 year | 1-5 years | More than 5 years | Total |
| | $ | $ | $ | $ |
| Trade accounts payable and accrued liabilities | 480,641 | - | - | 480,641 |

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

**Interest rate risk**

As at December 31, 2017 and 2016, the Company is not exposed to changes in market interest since all financial instruments are at fixed interest rates.

### Foreign currency risk

As at December 31, 2017 and 2016, the Company is exposed to currency risk through fluctuations in the foreign exchange rate with respect to the following financial asset:

| | December 31 2017 | December 31 2016 |
|---|---|---|
| | $ | $ |
| **Financial instruments denominated in USD** | | |
| Loan to a non-related company | 500,000 | - |
| **Net exposure** | 500,000 | - |

Based on the above net exposure as at December 31, 2017 and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against USD would result in a change of $50,000 ($0 in 2016) in the Company's comprehensive loss and changes in equity.

### Certain Risks associated with the Proposed Transaction

The completion of the Proposed Transaction is subject to several conditions under applicable securities laws and the November 9, 2017 merger agreement. In the event that any of those conditions is not satisfied or waived, the Proposed Transaction may not be completed.

Upon completion of the Proposed Transaction, Genius Properties will be solely focused on the exploration and development of the Property. Cerro de Pasco has initiated negotiations with local stakeholders for gaining access to a portion of the surface lands that Genius Properties will require for processing the tailings, dumps and slag to which Cerro de Pasco's "El Metalurgista" concession entitles it to. It is the intention of Genius Properties to pursue the negotiations and reach an agreement with local stakeholders. There is however no guarantee that such an agreement will be reached. Unless Genius Properties acquires additional property interests, any adverse developments affecting the Property could have a material adverse effect upon Genius Properties and would materially and adversely affect any profitability, financial performance and results of operations of Genius Properties.

### Exploration and mining risks

The Company is engaged in the business of acquiring and exploring mineral properties in the hope of locating economic deposits of minerals. The Company's property interests are in the exploration and evaluation stage only. The business of mineral exploration involves a high degree of risk. Few properties that are explored are ultimately developed into production. Currently, there are no known bodies of commercial ore on the mineral properties of which the Company owns an interest. Accordingly, there is little likelihood that the Company will realize any profits in the short to medium term. Any profitability in the future from the Company's business will be dependent upon locating an economic deposit of minerals. However, there can be no assurance, even if an economic deposit of minerals is located, that it can be commercially mined.

Unusual or unexpected formations, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs.

The economics of developing mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment on the Company's mineral properties, nor any known body of commercial ore. Programs conducted on the Company's mineral property would be an exploratory search for ore.

### Titles to property

While the Company has diligently investigated title to the various properties in which it has interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

### Permits and licenses

The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

### Metal prices

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

### Competition

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

### Environmental regulations

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

### Conflicts of interest

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

**Stage of development**

The Company's properties are in the exploration stage and to date none of them have a proven ore body. The Company does not have a history of earnings or providing a return on investment, and in future, there is no assurance that it will produce revenue, operate profitably or provide a return on investment.

**Industry conditions**

Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The effect of these factors cannot be accurately determined.

**Uninsured risks**

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

**Capital needs**

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

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

**Key employees**

Management of the Company rests on a few key officers and members of the Board of Directors, the loss of any of whom could have a detrimental effect on its operations. The development of the Company's business is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company faces competition for personnel from other employers.

**Canada Customs and Revenue Agency**

No assurance can be made that Canada Customs and Revenue Agency will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expenses or the eligibility of such expenses as Canadian exploration expenses under the *Income Tax Act* (Canada).

### CERTIFICATION OF ANNUAL FILINGS

The President and Chief Executive Officer and the Chief Financial Officer have signed the Basic Certifications of Annual Filings as required by National Instrument 52-109 for venture issuer, thus confirming, the review, the absence of misrepresentations and the fair presentation of the annual filings.

- The President and Chief Executive Officer and the Chief Financial Officer confirm to have reviewed the annual financial statements and the annual MD&A (together, the "annual filings") of the Company for the year ended December 31, 2017.

- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the period presented in the annual filings.

# GENIUS PROPERTIES LTD.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended

December 31, 2016

(Fourth Quarter)

This management discussion and analysis (”MD&A”) of Genius Properties Ltd., (“Genius Properties” or “GNI” or the “Company”) follows rule 51-102 of the Canadian Securities Administrators regarding continuous disclosure.

The following MD&A is a narrative explanation, through the eyes of the management of Genius Properties, on how the Company performed during the three-month period and year ended December 31, 2016. It includes a review of the Company’s financial condition and a review of operations for the three-month period and year ended December 31, 2016 as compared to the three-month period and year ended December 31, 2015.

This MD&A complements the audited consolidated financial statements for the year ended December 31, 2016 but does not form part of them. It is intended to help the reader understand and assess the significant trends, risks and uncertainties related to the results of operations and it should be read in conjunction with the audited consolidated financial statements as at December 31, 2016 and related notes thereto.

The audited consolidated financial statements for the year ended December 31, 2016 and 2015 have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) applicable to the preparation of annual consolidated financial statements. The accounting policies applied in the financial statements are based on IFRS issued and effective as at December 31, 2016. On April 28, 2017, the Board of Directors approved, for issuance, the annual consolidated financial statements.

All figures are in Canadian dollars unless otherwise stated. Additional information relating to the Company can be found on SEDAR at www.sedar.com. The shares of Genius Properties are listed on the Canadian Securities Exchange (“CSE”) under the symbol "GNI".

## REPORT'S DATE

The MD&A was prepared with the information available as at April 28, 2017.

## CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements that are based on the Company’s expectations, estimates and projections regarding its business, the mining industry in general and the economic environment in which it operates as of the date of the MD&A. To the extent that any statements in this document contain information that is not historical, the statements are essentially forward-looking and are often identified by words such as "anticipate", "expect", "estimate", "intend", "project", "plan" and "believe". In the interest of providing shareholders and potential investors with information regarding Genius Properties, including management’s assessment of future plans and operations, certain statements in this MD&A are forward-looking and are subject to the risks, uncertainties and other important factors that could cause the Company’s actual performance to differ materially from that expressed in or implied by such statements. Such factors include, but are not limited to: volatility and sensitivity to market metal prices, impact of change in foreign currency exchange rates and interest rates, imprecision in reserve estimates, environmental risks including increased regulatory burdens, unexpected geological conditions, adverse mining conditions, changes in government regulations and policies, including laws and policies; and failure to obtain necessary permits and approvals from government authorities, and other development and operating risks. The preliminary assessments contained in the Technical Report referred to in this MD&A, and the estimates contained therein to date are preliminary in nature and are based on a number of assumptions, any one of which, if incorrect, could materially change the projected outcome.

Although the Company believes that the expectations conveyed by the forward-looking statements are based upon information available on the date that such statements were made, there can be no assurance that such expectations will prove to be correct. The reader is cautioned not to rely on these forward-looking statements. The Company disclaims any obligation to update these forward-looking statements unless required to do so by applicable Securities laws. All subsequent forward-looking statements, whether written or orally attributable to the Company or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements.

**NATURE OF ACTIVITIES**

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.

**ASSETS ACQUISITION**

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

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

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

**BUSINESS DEVELOPMENT HIGHLIGHTS**

- **Appointment of Neil D. Novak as Director:**

  On May 10, 2016, the Company announced the nomination of Mr. Neil D. Novak, B.Sc., P. Geo as Director of the Company.

  Neil's career has spanned nearly 4 decades in the mining industry. He graduated from University of Waterloo in 1977 with a B.Sc. (Earth Sciences). Neil has worked as an exploration geologist throughout much of Canada, Africa, Europe, South America, the Caribbean, China, and Russia; but Northern Ontario was his main area of exploration focus.

  Neil's long career in the junior resource sector as an exploration geologist and consultant, has made him a desirable candidate for various public company boards. He has been on the Board of Directors of Noront Resources Ltd. (was also VP Exploration for Noront), Simberi Mining Corporation, Cadillac Ventures Inc. and Renforth Resources Inc. Neil remains as a director of Cadillac Ventures Inc., and is also President/CEO and director of a public exploration company Black Widow Resources Inc. Neil continues to own and manage a private family owned geological consulting company Nominex Ltd.

- **Appointment of Denis Simard as Director:**

  On May 10, 2016, the Company announced the nomination of Mr. Denis Simard as Director of the Company.

  Denis has almost 35 years of experience in the field of aviation and management of aircraft operations, which makes him an experienced expert recognized nationwide. He has quickly worked his way up by acquiring a vast experience as a pilot but also in the fields management, safety and business development. More recently, Denis has held the positions of Vice President Operations & Marketing, Executive Director, and senior executive in one of the largest helicopter company in Canada. During all of these years, he has played an important role in business development both in Canada and internationally (Haiti, West Africa, Russia, Cuba and Chili). Denis has a thorough knowledge of the economic and regional issues concerning Canadian commercial aviation including mining sectors. From the beginning of his career, he has been involved during the last 35 years with mining exploration companies across Canada. He is also acting as an independent administrator on a Junior public traded company and one private company. President of Sim Management since October 2015 Denis is still active with the helicopter and mining industry as a consultant.

- **Appointment of Mr. Maxime Lemieux, Mr. Hubert Vallée and Mr. Marc Duchesne as Directors during July 2016:**

  Mr. Maxime Lemieux is a lawyer at McMillan LLP.

  Mr. Vallée graduated from Laval University. He has been a leader in the mining industry for 30 years. He joined Quebec Cartier Mining as Project Engineer and was promoted to Director of Operations for its Pellet Plant in 2001. He managed the Iron Ore Company of Canada's Pellet Plant in Sept-Iles before joining Domtar Inc. as Mill Manager of its pulp mill in Lebel-sur-Quévillon. He joined Consolidated Thompson in 2006 and was one of the key people who made this project happen. After the sale of Consolidated Thompson to Cliffs, Mr. Vallée acted as VP Project Development for Phase II of Bloom Lake operation. He has also been involved as Senior Vice President, Project Development, at Century Iron Mines. From February 2014, he acting as CEO and President of Lamelee Iron Ore Ltd. Mr. Vallée is known for its superior abilities to bring projects on stream cost-effectively through design innovation and management processes, maintaining relationships with stakeholders. On December 14, 2016, he became the President and CEO of Canadian Metals Inc., a company focused on the exploration and development of a silica deposit in connection with a proposed downstream integration into ferrosilicon production.

  Mr. Duchesne is CPA, CA and has over 25 years of senior financial and management experience with major Québec-based companies, most recently as Senior Vice President of Finance for Consolidated Thompson Iron Mines Inc., located in the Labrador Trough in Quebec, which was acquired by Cliffs Natural Resources Inc.. Mr. Duchesne joined Consolidated Thompson in 2006 and actively participated in all phases of its growth. In addition to overseeing financial reporting, controllership and budget planning duties, Mr. Duchesne directed and supervised project capital expenditures during the crucial mine development phase, and additionally, he and the Consolidated Thompson team raised over $850 million in financing, negotiated and concluded a $240 million strategic investment by Wuhan Iron and Steel Company ("WISCO"), one of China's largest steel producers, as well as off-take agreements with WISCO, Worldlink Resources of China and SK Networks Co., a subsidiary of the third largest Korean conglomerate, SK Group.

- **Appointment of Mr. Frank Guillemette as President and Mr. Jimmy Gravel as CEO in replacement of Mr. Stéphane Leblanc as President and CEO:**

  On September 12, 2016, the Company announced the nomination of Mr. Frank Guillemette as the President of the Company and Mr. Jimmy Gravel as the CEO of Genius Properties in replacement of Mr. Stéphane Leblanc who has acted as President and CEO since the inception of Genius.

  Mr. Guillemette is an entrepreneur specializing in business finance and venture capital with over 20 years of experience. Mr. Guillemette launched his career as an employee of Fonds Régional de Solidarité Nord-du-Québec where he was responsible for managing the company's mining portfolio and was accountable for the associated financial duties. In 2004, he founded the private company known as Multi-Ressources Boréal where he remains active in the management of exploration and mining land brokerage. Among other successfully executed gold property transactions are the Souart Project that was sold to Osisko Mining in February of 2016 ($1.5 million after escrower period ended) and an option deal in 2008 on the Monster Lake Project where TomaGold & IAMGOLD have since invested $10 million in exploration. He has also held the responsibility of managing multi-million dollars of exploration fieldwork on gold, base metals, rare earth and other commodities including phosphorus, iron and titanium projects. Mr. Guillemette also works as a registered representative of Montreal-based exempt market dealer, EMD Financial Inc.

  Mr. Gravel has a proven track record in building and managing teams in the manufacturing industry worldwide. As the former President and CEO of an elevator manufacturer; bilingual International Business Development Manager in the marine industry and a successful Land Developer, Mr. Gravel is now establishing important relationships building a solid reputation in the Mining Industry in Nova Scotia through the mineral properties acquired and optioned in the last few years, including the Blockhouse Property.

Mr. Leblanc will continue to be actively involved in the growth of Genius as Chairman of the Board and will continue to provide insight and assistance in the pursuit of the company's goal of becoming a junior miner and producer in the coming years.

- **Appointment of Mr. Jimmy Gravel as the interim President in replacement of Mr. Frank Guillemette:**

  On September 29, 2016, the Company announced the resignation of Mr. Frank Guillemette as President of Genius Properties and appointed Mr. Jimmy Gravel as the interim President of the Company.

- **Resignation of Mr. Neil D. Novak as Director:**

  On October 18, 2016, Mr. Neil D. Novak resigned as member of the Board of Directors of the Company.

- **Appointment of Mr. Terence Coughlan as a technical advisor:**

  On December 5, 2016, the Company announced the appointment of Mr. Terence Coughlan as a technical advisor of Genius Properties.

  Mr. Coughlan, of Dartmouth, Nova Scotia, holds a Bachelor of Science degree in Geology from Saint Mary's University and has been actively involved in the mineral resource industry since 1984. Previously, Mr. Coughlan was the Vice President and Director of Gammon Gold Inc., a mineral exploration company that traded on the TSX and NY Stock exchanges. He was Vice President and Director of Acadian Mining Corporation and furthermore the former President & CEO of GoGold Resources Inc. Mr. Coughlan held this position from January 2010 to January 2016 and currently holds the position of Director and Chairman of the Board. GoGold is a Canadian-based gold and silver producer with properties in Mexico. Mr. Coughlan is a qualified person as defined by National Instrument 43-101

- **Resignation of Mr. Stéphane Leblanc as Chairman of the Board:**

  On December 9, 2016, the Company announced the resignation of Mr. Stéphane Leblanc as the Chairman of the Board of Directors.

- ***Financing:***

  On June 21, 2016, the Company concluded a private placement by issuing 2,900,000 units at a price of $0.05 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 2,900,000 common shares and 2,900,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.10 until June 21, 2017.

  On November 10, 2016, the Company concluded a private placement by issuing 300,000 units at a price of $0.05 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 300,000 common shares and 300,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.10 until November 10, 2017.

  On December 9, 2016, the Company concluded a private placement by issuing 1,240,000 units at a price of $0.05 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 1,240,000 common shares and 1,240,000 warrants. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.10 until December 9, 2017.

On December 30, 2016, the Company concluded a private placement by issuing 6,358,000 flow-through common shares at a price of $0.05 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 460,640 broker warrants. Each broker warrant entitles its holder to purchase one common share at $0.05 per share until December 30, 2018.

## BUSINESS DEVELOPMENT SUBSEQUENT EVENTS

- **Consolidation:**

  Subsequently to the year-end, 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 18,479,082.

- **Appointment of Mr. Guy Goulet as President and CEO of the Company and Mr. jimmy Gravel resigned as President :**

  On April 5, 2017, Mr. Jimmy Gravel concluded his interim-Presidency of the Company voting in Mr. Goulet as President. Mr. Gravel remains Vice-President of the Company.

  Mr. Goulet graduated from École Polytechnique de Montréal in 1986 as a geological engineer. He has been involved at the senior management and board levels of publicly listed junior exploration and mining companies for more than 30 years and is a member of the Ordre des Ingénieurs du Québec. He was co-credited for the restart of the Wrightbar gold mine in Val d'Or, Quebec in 1996 and collaborated with Hydro-Québec (LTD division) and Group STAS on the only project leading to the production of lithium metal from high purity lithium carbonate. From 2000 to 2008, he served as co-founder, president and chairman of H2O Innovation, the largest water treatment company in Canada that manufactures and installs integrated systems for various markets. Returning to his roots in mining, he joined Maya Gold & Silver in 2008 where he served as CEO until his resignation in March 2017. During his tenure he was co-credited for restarting the Zgounder silver mine in Morocco and continues to serve on the board of directors. Mr. Goulet has raised in excess of $125 million over his career with TSX Venture Exchange companies.

## EXPLORATION HIGHLIGHTS

- **Acquisition of Dissimieux Lake Phosphate-Titanium-Rare Earth Property:**

  On March 23, 2016, the Company announced the acquisition of the Dissimieux Lake Titanium-Phosphate-REE's Property (the "Property") from Jourdan Resources Inc. ( "Jourdan") located within the La Blache Lake Anorthositic Complex, located 140 km northwest of Baie-Comeau and 130 km north of Forestville (Quebec) along the Upper North Shore of the St-Lawrence River, and approximately 350 km in-line north-northeast of Quebec City.

- **Acquisition of various properties located in Nova Scotia:**

  On May 10, 2016, the Company announced the acquisition from two arm's length prospectors associated with 21Alpha Gold Resources, a 100% interest in nine (9) mineral exploration properties covering various mineral showings in the south central region of the Province of Nova Scotia.

- **Sales Agreement with Majescor Resources Inc. for Montagne B Lithium:**

  On May 25, 2016, the Company entered into an option agreement with Majescor Resources Inc. to sell 100% of the Montagne B Lithium Properties (approximately 708 hectares), located 8 and 12 km southwest of Nemaska Lithium's World Class Whabouchi lithium deposit in central Québec.

- **Acquisition of Mt. Cameron Graphite deposit:**

  On October 18, 2016, the Company entered into an assignment agreement dated October 17, 2016 to acquire from Mt. Cameron Minerals Inc. up to a 100% interest in the Mt. Cameron Graphite Deposit located in the Boisdale Hills region of Cape Breton, Nova Scotia, marking a strategic entry into the large flake graphite market. Reports have indicated that this deposit has the potential of becoming one of the largest graphite mines in the world producing ultra-high purity flake graphite.

- **Geophysics completed and drill targets identified for the Blockhouse Gold Property belonging to the 9 mineral exploration properties acquired in May 2016:**

  On December 15, 2016, the Company announced the completion of the 2016 IP survey at the Blockhouse Gold Property. Results have confirmed 2 high priority targets for next month's drilling program to test for the presence of 'leg-reef' and 'saddle' type veins on the property.

  In April 2016, samples from mine spoils that are present near the old mine opening (shaft) returned results up to 38.6 g/t Au (1.24 ounces/ton).

  In November, 2016, samples assayed from historic drill core, stored at the province's core library, reported results up to 0.5 g/t over 1.5 m in the hangingwall of the Prest vein in DDH BH-1 near the intersection of the Prest vein with the favourable horizon. Historic whole core sampling limited the amount of available core to be sampled. The 2016 IP survey identified this area as one of the high-priority targets.

#### EXPLORATION SUBSEQUENT EVENTS

- **Completion of the due diligence on Mt. Cameron Property:**

  On January 4 2017, the Company announced the completion of its due diligence with respect to its proposed option to acquire all of Mt. Cameron Minerals Inc. interest in the Mt. Cameron Graphite Deposit, which was previously announced in the Company's news release dated October 18, 2016. The Company intends to proceed in settling the terms of the acquisition with Mt. Cameron in a formal option agreement, which will replace the current binding letter of intent dated October 14, 2016.

- **Genius Properties starts drilling at Blockhouse:**

  On January 5, 2017, the Company announced that the drilling program at the Blockhouse Gold Property has begun. As per the December 15, 2016 press release, the company is drilling 2 high priority targets to test for the presence of leg-reef and saddle type veins on the property. The program will also be targeting the continuity of the ''Prest Shoot'' that historically produced an average of 49.6 grams of gold per ton.

  In January 2017, 644m of NQ core was drilled at Blockhouse, Nova Scotia. The drilling was completed in late January 2017. Drilling targeted 2 geophysics targets outlined in the 2016 IP survey and all three known fissure type veins on the property. Additionally, two holes perpendicular to bedding were completed. Preliminary results showed a new zone of Au mineralized quartz veins along a wider, perpendicular structure to the previously mined Prest fissure veine.

  Hole BH-17-01 was drilled northwest perpendicular to bedding back toward the historic mine workings. The hole was spotted so that it would intersect a historically mapped fault, intersect the Prest vein below historic workings and intersect a geophysics anomaly outlined in the 2016 ground IP survey. This is the first drilling done to date at Blockhouse that was not directly targeting the Prest vein. Results were encouraging as a previously unknown zone of quartz veins with visible gold through the fault, showed 1.1 grams per tonne gold over 9.55 metres, with subintervals of 1.6 g/t Au over 6.2 m and 3.4 g/t Au over 2.1

m and including peak grades of 25.7 g/t over 0.22 m and 7.1 g/t over 0.24 m. The true widths, extent and orientation of the zone are not yet understood.

| DDH # X | X (NAD83) | Y (NAD83) | Azimuth (degrees | Dip (degrees | Depth (m) | From (m) | To (m) | Interval (m) | Gold (g/t) |
|---|---|---|---|---|---|---|---|---|---|
| BH-17-01 | 386883 | 4921246 | 340 | -55 | 146 | 36.7 | 46.25 | 9.55 | 1.1 |
| BH-17-02 | 386883 | 4921246 | 80 | -45 | 38 | Results Pending | | | |
| BH-17-03 | 386880 | 4921246 | 80 | -90 | 137 | 92.8 | 93.8 | 1.00 | 0.9 |
| BH-17-04 | 386857 | 4921367 | 45 | -45 | 65 | Results Pending | | | |
| BH-17-05 | 386753 | 4921431 | 340 | -45 | 80 | Results Pending | | | |
| BH-17-06 | 386873 | 4921242 | 80 | -90 | 119 | Results Pending | | | |
| BH-17-07 | 386889 | 4921273 | 280 | -70 | 59 | Results Pending | | | |

Additional samples have been sent to Actlabs, including several intersections of the Prest vein, the east vein, the geophysics targets and additional quartz veins through the fault. The additional results should aid in defining the orientation of the new gold zone at Blockhouse.

Core was boxed on-site by the drill crew and transported to the core shack by Genius personnel. Core was then logged and marked for sampling. Samples were sawn in half with a diamond blade core saw. Half was sent to Activation Laboratories in Ancaster, Ont., in sealed bags, while half was retained. Once at Actlabs, samples were pulverized and fire assayed with Code 1A2-30. Samples containing visible gold were also submitted for metallic screening, Code 1A4 (100 mesh). Quality assurance/quality control procedures included the systematic insertion of certified reference standards and blanks which were reviewed to verify the integrity of the lab results.

Preliminary results at Blockhouse indicate a new gold zone.

The technical sections of this MD&A have been prepared and reviewed by Alex Mackay, PGeo, and a qualified person according to National Instrument 43-101 guidelines.

## EXPLORATION ACTIVITIES

### Exploration activities for the three-month period ended December 31, 2016

During the three-month period ended December 31, 2016, the Company incurred $12,030 in exploration and evaluation expenditures ($238,547 for the three-month period ended December 31, 2015) of which the majority of the expenses were spent on the Nova Scotia properties (approximately 95% of expenses in 2015 were spent on the Dissimieux Lake property.

During the last quarter, the Company focused on the due diligence following the signing of a letter of intent to acquire the Mt. Cameron Graphite property. In addition, Genius Properties completed the induced polarization (IP) survey at the Blockhouse gold property.

GENIUS PROPERTIES LTD.

**Exploration and evaluation expenditures**
**For the three-month period ended December 31, 2016**

| | QUÉBEC | | | | | | | NOVA SCOTIA | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Montagne B | Torngat Diamond | Gueret Guinecourt | Dalquier | Mine Lorraine | Wapoos | Dissimieux Lake | Mount Cameron | Blockhouse | Kemptville | Chocolate Lake | Tancook Island | Leipsigate | Dares Lake | Gold River | Londonderry | Western Lake | Total |
| | | | | | | | $ | | | | | | | | | | | $ |
| **Exploration and evaluation expenditures** | | | | | | | | | | | | | | | | | | |
| Drilling | - | - | - | - | - | - | 4,128 | 4,290 | 5,564 | - | - | - | - | - | - | - | - | 13,982 |
| Geophysical | - | - | - | - | - | - | - | - | 7,869 | - | - | - | - | - | - | - | - | 7,869 |
| Geology | (4,750) | (230) | - | (216) | - | (67) | (365) | - | (6,843) | 1,750 | - | - | - | - | - | - | - | (10,721) |
| Geochemistry | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Metallurgy | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Technical Reports | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Environment & Communauty | - | - | - | - | - | - | - | - | 900 | - | - | - | - | - | - | - | - | 900 |
| Supervision | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | (4,750) | (230) | - | (216) | - | (67) | 3,763 | 4,290 | 7,490 | 1,750 | - | - | - | - | - | - | - | 12,030 |
| **Mining rights:** | | | | | | | | | | | | | | | | | | |
| Acquisition option | - | - | - | - | - | - | 6,420 | 126,515 | (105,355) | 8,178 | 9,813 | 22,897 | 6,542 | 45,794 | 1,636 | 19,626 | 17,991 | 160,057 |
| Renewal of licences | (4,231) | - | - | - | - | - | - | - | (4,225) | - | - | 900 | 900 | 900 | - | - | - | (5,756) |
| Acquisition of claims | - | - | - | - | - | - | - | - | - | 590 | - | - | 80 | 120 | - | - | - | 790 |
| | (4,231) | - | - | - | - | - | 6,420 | 126,515 | (109,580) | 8,768 | 9,813 | 23,797 | 7,522 | 46,814 | 1,636 | 19,626 | 17,991 | 155,091 |
| **Balance, beginning of period** | 2,446 | 230 | - | 216 | - | 67 | 460,086 | - | 169,702 | - | - | - | - | - | - | - | - | 632,747 |
| **Balance, end of period** | (6,535) | - | - | - | - | - | 470,269 | 130,805 | 67,612 | 10,518 | 9,813 | 23,797 | 7,522 | 46,814 | 1,636 | 19,626 | 17,991 | 799,868 |

GENIUS PROPERTIES LTD.

**Exploration and evaluation expenditures**
**For the three-month period ended December 31, 2015**

| | QUÉBEC | | | | | | | NOVA SCOTIA | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Montagne B | Torngat Diamond | Gueret Guinecourt | Dalquier | Mine Lorraine | Wapoos | Dissimieux Lake | Mount Cameron | Blockhouse | Kemptville | Chocolate Lake | Tancook Island | Leipsigate | Dares Lake | Gold River | Londonderry | Western Lake | Total |
| | | | | | | | $ | | | | | | | | | | | $ |
| **Exploration and evaluation expenditures** | | | | | | | | | | | | | | | | | | |
| Drilling | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Geophysical | - | - | - | - | 110,000 | - | - | - | - | - | - | - | - | - | - | - | - | 110,000 |
| Geology | 9,500 | - | - | - | 125,000 | - | - | - | - | - | - | - | - | - | - | - | - | 134,500 |
| Geochemistry | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Metallurgy | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Technical Reports | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Environment & Communauty | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Management fees | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (5,953) |
| | 9,500 | - | - | - | 235,000 | - | - | - | - | - | - | - | - | - | - | - | - | 238,547 |
| **Mining rights:** | | | | | | | | | | | | | | | | | | |
| Acquisition of options | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Renewal of licences | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Acquisition of claims | 5,819 | - | 325 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 6,144 |
| | 5,819 | - | 325 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 6,144 |
| **Balance, beginning of period** | - | - | - | 4,126 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Balance, end of period** | 15,319 | - | 325 | 4,126 | 235,000 | - | - | - | - | - | - | - | - | - | - | - | - | 244,691 |

## Exploration activities for the year ended December 31, 2016

During the year ended December 31, 2016, the Company incurred $799,868 in exploration and evaluation expenditures ($282,701 for the year ended December 31, 2015). See the following table below for the allocation of exploration and evaluation expenditures and the mining rights for all the mining properties for the years ended December 31, 2016 and 2015.

During the fiscal year ending December 31, 2016, the Company entered an option agreement with Majescor Resources Inc. to sell 100 percent of the Montagne B Lithium Property. Furthermore, acquisition of the Blockhouse Gold Property also took place. Under the 2016/2017 Nova Scotia mineral incentive program (NSMIP) the Blockhouse Gold District was approved for assistance in funding for its drilling program. The Company also entered into an agreement to acquire up to 100% interest in the Mt. Cameron graphite deposit from Mt. Cameron Minerals Inc. The Company completed the due diligence for the Mt. Cameron acquisition and has also completed the 2016 induced polarization (IP) survey at the Blockhouse Gold Property.

GENIUS PROPERTIES LTD.

**Exploration and evaluation expenditures**
**For the year ended December 31, 2016**

| | QUÉBEC | | | | | | | NOVA SCOTIA | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Montagne B | Torngat Diamond | Gueret Guinecourt | Dalquier | Mine Lorraine | Wapoos | Dissimieux Lake | Mount Cameron | Blockhouse | Kemptville | Chocolate Lake | Tancook Island | Leipsigate | Dares Lake | Gold River | Londonderry | Western Lake | Total |
| | | | | | | | $ | | | | | | | | | | | $ |
| **Exploration and evaluation expenditures** | | | | | | | | | | | | | | | | | | |
| Drilling | - | - | - | - | - | - | 4,128 | 4,290 | 5,564 | - | - | - | - | - | - | - | - | 13,982 |
| Geophysical | - | - | - | - | - | - | - | - | 15,873 | - | - | - | - | - | - | - | - | 15,873 |
| Geology | (4,750) | - | - | - | - | - | 10,321 | - | 155 | 1,750 | - | - | - | - | - | - | - | 7,476 |
| Geochemistry | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Metallurgy | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Technical Reports | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Environment & Communauty | - | - | - | - | - | - | - | - | 900 | - | - | - | - | - | - | - | - | 900 |
| Supervision | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | (4,750) | - | - | - | - | - | 14,449 | 4,290 | 22,492 | 1,750 | - | - | - | - | - | - | - | 38,231 |
| **Mining rights:** | | | | | | | | | | | | | | | | | | |
| Acquisition of options | - | - | - | - | - | - | 455,820 | 126,515 | 44,645 | 8,178 | 9,813 | 22,897 | 6,542 | 45,794 | 1,636 | 19,626 | 17,991 | 759,457 |
| Renewal of licences | (2,573) | - | - | - | - | - | - | - | 475 | - | - | 900 | 900 | 900 | - | - | - | 602 |
| Acquisition of claims | 788 | - | - | - | - | - | - | - | - | 590 | - | - | 80 | 120 | - | - | - | 1,578 |
| | (1,785) | - | - | - | - | - | 455,820 | 126,515 | 45,120 | 8,768 | 9,813 | 23,797 | 7,522 | 46,814 | 1,636 | 19,626 | 17,991 | 761,637 |
| **Total** | (6,535) | - | - | - | - | - | 470,269 | 130,805 | 67,612 | 10,518 | 9,813 | 23,797 | 7,522 | 46,814 | 1,636 | 19,626 | 17,991 | 799,868 |

GENIUS PROPERTIES LTD.

**Exploration and evaluation expenditures**
**For the year ended December 31, 2015**

| | QUÉBEC | | | | | | | NOVA SCOTIA | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Montagne B | Torngat Diamond | Gueret Guinecourt | Dalquier | Mine Lorraine | Wapoos | Dissimieux Lake | Mount Cameron | Blockhouse | Kemptville | Chocolate Lake | Tancook Island | Leipsigate | Dares Lake | Gold River | Londonderry | Western Lake | Total |
| | | | | | | | $ | | | | | | | | | | | $ |
| **Exploration and evaluation expenditures** | | | | | | | | | | | | | | | | | | |
| Drilling | - | - | - | 4,126 | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,126 |
| Geophysical | - | - | - | - | 110,000 | - | - | - | - | - | - | - | - | - | - | - | - | 110,000 |
| Geology | 9,500 | - | - | - | 125,000 | - | - | - | - | - | - | - | - | - | - | - | - | 134,500 |
| Geochemistry | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Metallurgy | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Technical Reports | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Environment & Communauty | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Management fees | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 23,184 |
| | 9,500 | - | - | 4,126 | 235,000 | - | - | - | - | - | - | - | - | - | - | - | - | 271,810 |
| **Mining rights:** | | | | | | | | | | | | | | | | | | |
| Acquisition of options | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Renewal of licences | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Acquisition of claims | 7,152 | - | 325 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 7,477 |
| Claim management | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,414 |
| | 7,152 | - | 325 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 10,891 |
| **Total** | 16,652 | - | 325 | 4,126 | 235,000 | - | - | - | - | - | - | - | - | - | - | - | - | 282,701 |

## Initial purchase of claims

On October 10, 2013, the Company purchased all the rights and interest in approximately 2,950 mining claims located in the Province of Quebec (the "Claims") from two private companies 9248-7792 Quebec Inc. ("9248") and 9257-1256 Quebec Inc. ("9257") for a consideration of 10,000,000 common shares of the Company at $0.06 representing the fair value of the stock price on the agreement date. A 0.4% and 0.6% net smelter royalty ("NSR") was retained by the private companies, respectively, where 0.2% and 0.3%, respectively, may be repurchased by the Company for a total cash consideration of $500,000.

Since the acquisition, the Company did not renew and/or identified mining claims that would not be renewed as they become expired.

## Montagne B

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

On May 1st, 2016, the Company entered into an option agreement with Majescor Resources Inc. ("MJX") whereby MJX can acquired 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.

**Gueret & Guinecourt Lake**

During the year ended December 31, 2015, the Company did not renew the 31 mining 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.

**Dissimieux Lake**

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 6,000,000 common shares 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 6,000,000 common shares at a fair value of $0.05 per share for a consideration of $300,000. On June 20, 2016 the Company fulfilled its obligations by issuing 3,600,000 common shares at a fair value of $0.035 (value of $0.05 as per the agreement for $180,000) per share for a consideration of $126,000.

The Project consists of 15 claims for 8.4 km2, and is road accessible via Provincial Highway #138 at Forestville, then driving northward on Highway #385 to Labrieville, and from there using a network of secondary gravel forestry roads provides direct access to the Property on the east-southeast shore of Dissimieux Lake. The Property hosts titanium-phosphate (ilmenite-apatite) mineralization located near the southern margin of the La Blache Anorthositic Complex (the "LBAC"). The LBAC is elongated in a northeast-southwest direction and stretches over 60 km by 15 to 25 km wide, and was emplaced into a highly metamorphosed and folded package of steeply dipping, north-northeast dipping paragneisses and amphibolites of the Grenville Geological Province. The Property is dominated by steep hills, with elevations ranging from 435 m to 700 m above sea level.

- 100% owner Dissimieux Lake Phosphate Project;
- 235 million tonnes @ 3.65% P2O5 and 4.72% TiO2;
- 92% apatite (Ca5(PO4)3F) recovery - to produce a 41.2%P2O5 concentrate;
- 62.5% ilmenite (FeTiO3) recovery - to produce a 48.1% TiO2 concentrate;

Only regional geophysical surveying and geological mapping had been carried out in the Property area before AFCAN Mining Corporation ("AFCAN"), formerly known as Société d'exploration Minière et pétrolière Gaspésie, staked the original claims at Dissimieux Lake. AFCAN completed detailed mapping, sampling and geophysical surveys over the original property (Pritchard, 1994, in GM53348; Birkett, 1995 and 1996, in GM 53515 and GM 54835; Oswald and Birkett, 1996, in GM 54764). A drill program of 8 holes totalling 637.5 m on two sections was also carried out in 1994 by AFCAN (GM 53349).

Ilmenite-apatite concentrations were traced for more than 6 km of strike length along a northeast-southwest orientation, up to 1 km wide, near the south shore of Dissimieux Lake. The mineralization was hosted in several bands 20 m to 50 m wide made up of finely disseminated magmatic apatite and ilmenite, associated with gabbro, and the ilmenite occurred as a magnetite-ilmenite assemblage linked to magnetic high anomalies. The average grades calculated from surface sampling was 5% TiO2 (corresponding to 10%

ilmenite) and 3.5% P2O5(corresponding to 10% apatite). The corresponding average grades from the core samples were 4.72% TiO2and 3.65% P2O5, with highs of 8.35% TiO2 and 4.42% P2O5. Lower intensity magnetic anomalies retained the higher TiO2 grades but were lower in P2O5.

Lakefield Research of Canada Ltd. ("Lakefield") (1997, in GM 54867; 1998, in GM 56490), COREM (2000, in GM 58571) and Lakefield (2000, in GM 58570) assessed the feasibility of concentrating the titanium and phosphate. Lakefield achieved recoveries of 92 % of the apatite to produce a concentrate at 41.2 % P2O5, and recovered 62.5 % of the ilmenite to produce a concentrate at 48.1% TiO2 with a sample containing 3.5 % P2O5 and 5.4 % TiO2. It was concluded at the time that the higher the TiO2 and P2O5 grades in rocks, the higher the recoveries in concentrates.

Met-Chem Canada Inc. ("Met-Chem") (2000, in GM 58569) made an attempt to estimate the "Mining Potential" of the southern portion of the ilmenite-apatite mineralization. The underlying concept rested entirely on the assumption that a direct correlation existed between the strong magnetic anomalies and the ilmenite-apatite mineralization. However, this relationship was never confirmed as the mafic components of the LLBAC, such as the gabbros and the ultramafic rocks exhibited high magnetic susceptibilities, even in the absence of ilmenite-apatite mineralization.

Nevertheless to estimate the potential resources, Met-Chem used the two drilled sections from AFCAN, the geophysical surveys and geological mapping. The cumulative length of favorable magnetic anomalies covered 11,200 m, multiplied by width (averaging 90 m) of the mineralization based on the area of mineralization calculated from the two existing drill sections to a maximum depth of 75 m. A specific gravity of 3.25 tonnes per m3 was used based on core samples.

In 2012 to 2013 Jourdan drilled 34 holes at Dissimieux Lake, for a total of 3949 m, demonstrating mineralization over a strike length of 2.4 kilometres. Five parallel zones of phosphate mineralization were intersected, often with intersections of mineralization great than 100m in drilled thickness

"Anticipated Resources" of 235 million tonnes were estimated at a grade of 3.65% P2O5 and 4.72% TiO2based on the drill core results (Met-Chem, 2000, in GM58569). The estimate is considered historic Mineral Resources.

The terms "Mining Potential" and "Anticipated Resources" are not recognized National Instrument ("NI") 43-101 Mineral Resources or Mineral Reserves categories, and therefore should not the relied upon. There has been insufficient work and a Qualified Person has not reviewed nor evaluated "Mining Potential", "Anticipated Resources" or historic Mineral Resources in terms of NI 43-101 standards to qualify the estimates into current Mineral Resources. There is no evidence at this time to suggest that any future exploration would result in any of the estimates being converted into NI 43-101 compliant Mineral Resources. GENIUS is of the opinion that the estimates reflects either the ilmenite-apatite or titanium-phosphate mineralization potential of the Property.

The last major work on the Property was the Met-Chem scoping study (2000, in GM 58569). Met-Chem indicated the ilmenite-phosphate mineralization was amenable to open-pit mining with a 1:1 waste to ore. It was proposed to transport the concentrate via a pipeline at a cost of $3.28 per tonne transport based on a yearly transport of 457,500 tonnes of concentrate (217,500 tonnes of ilmenite and 240,000 tonnes of apatite) over a distance of 140 km. In 2009, the Vendors assayed a sample from the original apatite concentrate for Rare Earth Elements ("REE's") and Rare Metal analysis at ALS Laboratories using the 38 element ICP-MS Analytical Method (ME-MS81) (refer to the appended table). The apatite concentrate sample contains 0.18% TREE's, of which 72% are LREE's (Light REE'S: La, Ce, Pr, Nd, Pm, Sm) and 28% are HREE's (Heavy REE's: Eu, Tb, Dy, Ho, er, Tm, Yb, Lu, Y). The most significant REE's results are 517 ppm Cerium (Ce), 66 ppm Dysprosium (Dy), 115 ppm Gadolinium (Gd), 169 ppm Lanthanum (La), 405 ppm Neodynium (Nd), 85 ppm Praseodymium (Pr), 98 ppm Samarium (Sm), 521 ppm Strontium (Sr) and 348 ppm Yttrium (Yt).

**Blockhouse Gold (Nova Scotia)**

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 5,000,000 common shares (2,500,000 common shares for each prospector). In addition, the Company will issue 500,000 common shares for each $1,000,000 in exploration and evaluation expenditures incurred by Genius, subject to a maximum of 2,500,000 common shares. An additional 2,500,000 common shares 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.

The majority of the Property lie within NTS area 21"A" and the land package includes 14 licenses comprised of 107 claims covering approximately 1,733 hectares (17.33 square kilometres). The initial exploration focus of Genius will be on the Blockhouse Property and the nearby Dares Lake Property, both located in Lunenburg County.

There are several documented gold bearing veins on the Blockhouse Property, most notably the Prest Vein that saw limited underground (narrow vein) production in the late 1800s up until the early 1930s. This property was revisited in the 1980s when 10 diamond drill holes were completed, testing near surface potential of the property. The drill results and historical mining results are documented in a 1989 drill summary report by James E. Tilsley & Associates Ltd. (filed as an assessment report AR 89-105 with the Nova Scotia DNR) where it is reported that 3,500 ounces of gold was recovered from 6,200 tons of mined and milled material from underground workings between the surface and 90 meters depth. It is further reported that most of the gold was recovered from the fissure vein that was within a very dark arenaceous slate horizon, they refer to this production area as the "Prest Shoot". Historical records on file with Nova Scotia Department of Natural Resources indicate that the Prest Shoot accounted for 2,043 tons of mill feed between 1896 and 1935, yielding 3,259 ounces of gold for an average grade of 1.59 ounces per ton (49.6 g/t). The width of the Prest Vein within the historically mined shoot is reported to average 0.25 meters (range of 0.15 to 0.61 m) and the wall rock where sampled is reported to average 0.085 ounces per ton (2.9 g/t), however there was insufficient sample data to determine how extensive the gold mineralization is within the host wall rock. Underground mapping and sampling of the 60 metre level occurred in the late 1930s, the Prest Shoot as described was traced for 138 metres in the north drift and averaged 0.35 metres in width with an average gold content of 0.37 ounces per ton.

In early April 2016, Genius engaged an independent qualified person (IQP) to meet with the Vendors of the Property and complete a due diligence site visit, where samples of vein material were selected by the geologist. Neil D. Novak P.Geo., a Qualified Person completed the due diligence investigation at the request of Genius. The Prest Vein does not outcrop, consequently the sampling was limited to selecting random samples from mine spoils that are present as piles near the old mine opening (shaft) that had been covered over and capped by a reinforced concrete slab as per local mine rehabilitation requirements. The samples were presumably from the Prest Vein. One sample of quartz vein was selected from three different piles, one sample was selected that included arenaceous shale with minor quartz from a waste pile and then one sample was selected from a saddle type vein that outcropped on the Property near the site of the historical mill.

- BH - 1 from the Blockhouse Property presumably the Prest Vein. The specimen is a banded dark grey - light grey quartz vein. This sample was tested for gold content and returned an assay of 22.5 g/t Au (0.72 ounces/ton);

- BH - 2 from the Blockhouse Property presumably mine waste, this sample was selected from a small trench that the author dug into the hand-cobbed pile of material near the main shaft, it consists of quartz vein material and dark grey slatey shale. This sample was tested for gold content and returned an assay of 0.136 g/t Au (0.004 ounces/ton);

- BH - 3 from the Blockhouse Property, quartz vein material representative of what was thought to be high grade material. This sample was tested for gold content and returned an assay of 11.8 g/t Au (0.378 ounces/ton);

- BH - 4 from the Blockhouse Property, quartz vein material representative of high grade material. This sample was tested for gold content and returned an assay of 38.6 g/t Au (1.24 ounces/ton);

- BH - 5 from the Blockhouse Property, quartz vein material from a long trench located near the old mill, this may be a sample of vein in outcrop, but not 100% certain due to overburden. This sample was tested for gold contend and returned an assay of 0.315 g/t Au (0.01 ounces/ton).

The assay results for the samples provided a degree of comfort that the Blockhouse Property was interesting as a gold exploration project, confirming that "high grade" gold was historically mined at the site and that the reported grades of vein material selected by the Vendors of the Property were typical of what to expect. Genius is now planning an exploration program to take place this summer where surface trenching followed by sampling and mapping will take place in order to map out the near surface gold mineralization and to ascertain whether gold is present in the host shales. If phase one is successful then phase two will ensue involving drilling to depth below the existing mine workings to confirm and extend knowledge learned from the 1983 drill program.

The Review and Evaluation Committee for the NSMIP supports the project and has approved $60,000 to explore licenses in Blockhouse, Lunenburg County. All funds awarded by NSMIP are to be directed at paying up to 50% toward any combination of drill contract costs, core analysis and trenching completed on the project. The Blockhouse property exploration program for the summer of 2016, as submitted in the grant application, is estimated to cost approximately $250,000.

**Mt. Cameron Graphite Project (Nova Scotia)**

Genius Properties Ltd. has entered into an assignment agreement dated October 17, 2016 to acquire from Mt. Cameron Minerals Inc. up to a 100% interest in the Mt. Cameron Graphite Deposit located in the Boisdale Hills region of Cape Breton, Nova Scotia, marking a strategic entry into the large flake graphite market. Reports have indicated that this deposit has the potential of becoming one of the largest graphite mines in the world producing ultra-high purity flake graphite.

The Property is conveniently located 25 kilometers west of Sydney, Nova Scotia and is comprised of 7 licenses (82 claims over 13.3 km2). In regards to infrastructure, the property is easily accessible by paved roads and is in close proximity of an electric utility. With the potential construction of NOVAPORT, a deep-water mega-terminal in Sydney, trans-Atlantic shipping would be readily available, Moreover, having an extensive history in steel manufacturing and coal mining, Sydney has a highly skilled workforce to offer.

The mineralization on the Property is flake graphite in marble of the George River formation and has been identified along a strike length of approximately 12 km with zones up to 1.5 km wide and interpreted to be up to 300 m deep. Mt. Cameron has carried out prospecting, drilling and geophysics on the Property; all of which indicate an extensive mineralized zone. Preliminary mineral processing studies have been carried out by Dr. Ian Flint, former Director of the Minerals Engineering Center at Dalhousie University in Halifax

Historical works:

- **2004** - As part of a regional reconnaissance exploration program, Mt. Cameron mapped extensive beds and ridges of graphitic marble and schist in Pre Cambrian - Grenville Age rocks on the eastern flank of the Boisdale Hills, some 25 km west of Sydney, Nova Scotia. Preliminary metallurgical work on samples taken during the mapping of these units determined that the graphite in these rocks is of the rare flake form. Average grade of the marble hosted surface samples was greater than 4% graphite;

- **2007** - The Province, through the Office of Economic Development and DNR, commissioned a graphite market study to determine market trends and supply / demand worldwide. The study determined that the Property had good potential to be one of the largest graphite mines in the world. Indications are that this deposit is substantial and has the potential to be mined at annual rates resulting in annual production as high 200,000 tonnes of ultra high purity flake graphite and still maintain a 20 year, or longer, mine life;

- **2008** - In August 2008, Mt. Cameron initiated an exploration and metallurgical testing program budgeted at $4 million. Initial results from deep penetrating geophysics, drilling, assaying, bulk sampling, and pilot plant testing at the Mineral Engineering Centre at Dalhousie University met or exceeded expectations;

- **2009** - Further metallurgical work determined that the flake graphite could be readily separated from the marble by flotation with expected commercial production after refining of above 99% graphite. Bench scale metallurgical testing has already achieved a grade of 99.3% from a large bulk sample taken in 2008.

- **2010** - In the late Fall, a 1,300 m diamond drilling program identified an area west of Campbell Lake where 10 holes intersected up to 40 m of high grade graphitic marble extending about 400 m along strike. This area shows considerable promise for the development of a substantial mining operation.

"The Mt. Cameron Graphite deposit could be one of the largest in the world," says John Wightman, M.Sc., FGAC, P.Eng, President of Mt. Cameron Minerals Inc). Mr. Wightman's optimism about the potential value of the graphite deposit has received support in a report to Mt. Cameron regarding a bulk sample assessed by Separation Technology LLC of Needham, Mass. "The report is another indication of a potential large deposit of battery-grade graphite throughout the site. The attributes of graphite marble allow for low-cost clean separation technology, with little or no damage to the high-quality graphite when separated from the surrounding material," specified Mr. Wightman. The numbers in this latest bulk assessment align with those from previous tests at Dalhousie University by Dr. Ian M. Flint, a senior consulting metallurgist.

#### EXPLORATION OUTLOOK

The Company's technical team is currently working on the exploration recommendations set forth for each of it's properties. The proposals will be analyzed by the Board of Directors.

#### QUALIFIED PERSON

Alex MacKay P.Geo, is the qualified person under NI 43-101 who has reviewed and approved the technical information contained in this document for the 2016 explored properties.

## FUNCTIONAL AND PRESENTATION CURRENCY

These selected annual financial information, selected quarterly financial information and other financial information are presented in Canadian dollars, the Company's functional currency.

## SELECTED ANNUAL FINANCIAL INFORMATION

The following selected financial information is derived from our audited financial statements for each of the three most recently completed financial years.

**SELECTED ANNUAL FINANCIAL INFORMATION**

| | **December 31 2016** | December 31 2015 | December 31 2014 |
|---|---|---|---|
| | **$** | $ | $ |
| **CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS** | | | |
| **Operating expenses** | | | |
| Exploration and evaluation expenditures | **799,868** | 282,701 | 764,411 |
| General and administrative expenses | **638,729** | 1,132,394 | 1,101,246 |
| Gain on disposal of property and equipment | **(25,318)** | - | - |
| Write-off of property and equipment | **6,620** | - | - |
| Gain on disposal of mining properties | **(56,250)** | (30,000) | (80,000) |
| Loss on cancellation on acquisition of assets | **-** | 2,400,000 | - |
| | **1,363,649** | 3,785,095 | 1,785,657 |
| **Other expenses (revenues)** | | | |
| Net change in fair value of marketable securities | **(56,770)** | 20,381 | (86,693) |
| Finance expense | **12,569** | 25,711 | 4,554 |
| Exchange loss (gain) | **40** | (190) | 6,786 |
| Gain on settlement of accounts payable | **(107,901)** | (56,208) | - |
| | **(152,062)** | (10,306) | (75,353) |
| **Tax income** | **(53,820)** | (122,962) | - |
| **Net loss from continuing operations** | **1,157,767** | 3,651,827 | 1,710,304 |
| **Net loss (earnings) from discontinued operations** | **(100,176)** | 1,104,182 | 340,385 |
| **Net loss and comprehensive loss** | **1,057,591** | 4,756,009 | 2,050,689 |
| **Net loss from continuing operations attributable to:** | | | |
| Shareholders of Genius Properties Ltd. | 1,157,767 | 3,651,827 | 1,710,304 |
| Non-controlling interests | - | - | - |
| **Net loss (earnings) from discontinued operations attributable to:** | | | |
| Shareholders of Genius Properties Ltd. | (82,126) | 997,467 | 273,945 |
| Non-controlling interests | (18,050) | 106,715 | 66,440 |
| **Basic and diluted loss (earnings) per share:** | | | |
| Basic and diluted loss per share from continuing operations | **0.02** | 0.07 | 0.07 |
| Basic and diluted loss (earnings) per share from discontinued operations | **(0.00)** | 0.02 | 0.01 |

| | **December 31 2016** | December 31 2015 | December 31 2014 |
|---|---|---|---|
| | **$** | $ | $ |
| **CONSOLIDATED STATEMENTS OF CASH FLOWS** | | | |
| **Continuing operations** | | | |
| Cash flows used for operating activities | **(550,488)** | (545,617) | (1,760,320) |
| Cash flows from financing activities | **234,711** | 647,757 | 1,942,724 |
| Cash flows from (used for) investing activities | **302,395** | (4,575) | (49,565) |
| Net change in cash and cash equivalents | **(13,382)** | 97,565 | 132,839 |
| **Discontinued operations** | | | |
| Cash flows used for operating activities | **-** | (85,766) | (284,609) |
| Cash flows from financing activities | **-** | - | - |
| Cash flows used for investing activities | **-** | (124,353) | (264,846) |
| Net change in cash and cash equivalents | **-** | (210,119) | (549,455) |

| | **December 31 2016** | December 31 2015 | December 31 2014 |
|---|---|---|---|
| | **$** | $ | $ |
| **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION** | | | |
| Cash and cash equivalents | **196,919** | 210,301 | 322,855 |
| Property and equipment | **-** | 222,699 | 233,509 |
| Intangible assets | **-** | - | 513,144 |
| Bank loan | **-** | 202,500 | 225,000 |
| Equity | **(344,251)** | (577,810) | (645,593) |
| Total assets | **364,061** | 596,217 | 1,520,003 |

The basic and diluted loss per share from continuing operations during the year ended December 31, 2016 is $0.02 ($0.07 in 2015 and $0.07 in 2014). During the year ended December 31, 2016, the Company realized a net loss from continuing operations of $1,157,767 as compared to a net loss from continuing operations of $3,651,827 (a decrease of $2,494,060 compared to 2015) for the year ended December 31, 2015 and to a net loss from continuing operations of $1,710,304 (a decrease of $1,941,523 compared to 2014) for the year ended December 31, 2014.

The significant decrease of $2,494,060 for the year ended December 31, 2016 as compared to 2015 in net loss from continuing operations is attributable to the loss on cancellation on acquisition of assets of $2,400,000 recorded in 2015 as compared to a loss of cancellation on acquisition of assets of $Nil for the year ended December 31, 2016.

The significant increase of $1,941,523 for the year ended December 31, 2015 as compared to 2014 in net loss from continuing operations is mainly attributable to the loss of cancellation on acquisition of assets of $2,400,000 recorded in 2015 as compared to a loss on cancellation on acquisition of assets of $Nil for the year ended December 31, 2014.

The total assets as at December 31, 2016 was $364,061 as compared to $596,217 and $1,520,003 for the years ended December 31, 2015 and 2014 respectively. The decrease of $232,156 in total assets in 2016 compared to 2015 ($364,061 compared to $596,217) is mainly due to the disposal of property and equipment (net book value of $204,682) in October 2016 combined with the repayment of the bank loan of approximately $185,000.

A decrease of $1,155,942 in total assets in 2015 compared to 2014, is mainly due to the write-off of inventories of $287,991 and intangibles of $560,122 in 2015 following the decision (November 2015) of the Company to discontinued the distribution of consumable products under its subsidiary Zencig and the development of a geo-localisation software under its subsidiary Zippler to concentrate its effort on the acquisition and exploration of mineral properties.

Since its incorporation, the Company has not paid any cash dividends on its outstanding common shares. Any future dividend payment will depend on the Company's financial needs to fund its exploration programs and its future growth, and any other factor that the Board may deem necessary to consider. It is highly unlikely that any dividends will be paid in the near future.

## RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2016

### Net (loss) income from continuing operations

During the year ended December 31, 2016, the Company realized a net loss from continuing operations of $1,157,767 as compared to a net loss from continuing operations of $3,651,827 for the year ended December 31, 2015.

The significant decrease of $2,494,060 for the year ended December 31, 2016 as compared to 2015 in net loss from continuing operations is attributable to the loss on cancellation on acquisition of assets of $2,400,000 recorded in 2015 as compared to a loss of cancellation on acquisition of assets of $Nil for the year ended December 31, 2016.

During the year ended December 31, 2015, the Company realized a net loss from continuing operations of $3,651,827 as compared to a net loss from continuing operations of $1,710,304 for the year ended December 31, 2014.

The significant increase of $1,941,523 for the year ended December 31, 2015 as compared to 2014 in net loss from continuing operations is mainly attributable to the loss on cancellation on acquisition of assets of $2,400,000 recorded in 2015 as compared to a loss of cancellation on acquisition of assets of $Nil for the year ended December 31, 2014.

### Operating expenses

During the year ended December 31, 2016, operating expenses were $1,363,649 as compared to $3,785,095 for the year ended December 31, 2015.

The significant decrease of $2,421,446 for the year ended December 31, 2016 as compared to 2015 in operating expenses is attributable to the loss on cancellation on acquisition of assets of $2,400,000 recorded in 2015 as compared to a loss of cancellation on acquisition of assets of $Nil for the year ended December 31, 2016.

The significant increase of $347,111 for the year ended December 31, 2016 as compared to 2015 in net loss is mostly attributable to a significant increase of $196,122 in share-based compensation combined with an increase of $141,394 in management and consulting fees and an increase of $40,420 in travel and promotion.

During the year ended December 31, 2015, operating expenses were $3,785,095 as compared to $1,785,657 for the year ended December 31, 2015.

The significant increase of $1,999,438 for the year ended December 31, 2015 as compared to 2014 in operation expenses is mainly attributable to the loss on cancellation on acquisition of assets of $2,400,000 recorded in 2015 as compared to a loss of cancellation on acquisition of assets of $Nil for the year ended December 31, 2014..

### Other expenses (revenues)

During the year ended December 31, 2016, the other revenues was $152,062 as compared to other revenues of $10,306 for the year ended December 31, 2015 and other revenues of $75,353 for the year ended December 31, 2014.

The increase of $141,756 in 2016 as compared to 2015 (revenues of $ 152,062 in 2016 compared to revenues of $10,306 in 2015) in other revenues is mostly attributable to an increase of $77,151 in net change in fair value of marketable securities (revenues of $56,770 in 2016 compared to an expense of $20,381 in 2015) combined with an increase of $51,693 in gain on settlement of accounts payable ($107,901 in 2016 compared to $56,208 in 2015).

The decrease of $65,047 in 2016 as compared to 2015 (revenues of $ 10,306 in 2015 compared to revenues of $75,353 in 2014) in other revenues is mostly attributable to a decrease of $107,074 in net change in fair value of marketable securities (expense of $20,381 in 2015 compared to revenues of $86,693 in 2015).

## SELECTED QUARTERLY FINANCIAL INFORMATION

Genius Properties anticipates that the quarterly and annual results of operations will primarily be impacted for the near future by several factors, including the timing and efforts of the exploration's expenditures and efforts related to the development of the Company. Due to these fluctuations, the Company believes that the quarter to quarter and the year-to-year comparisons of the operating results may not be a good indication of its future performance.

The following selected quarterly financial information is derived from our unaudited condensed interim financial statements for each of the two most recently completed financial years.

**SELECTED ANNUAL FINANCIAL INFORMATION**

| | Q4 | Q3 | Q2 | 2016 Q1 | Q4 | Q3 | Q2 | 2015 Q1 |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS** | | | | | | | | |
| **Operating expenses** | | | | | | | | |
| Exploration and evaluation expenditures | **167,121** | 72,504 | 319,365 | 240,878 | 262,219 | 10,466 | 4,557 | 5,459 |
| General and administrative expenses | **225,947** | 141,621 | 174,245 | 96,916 | 284,973 | 171,015 | 321,638 | 354,768 |
| Gain on disposal of property and equipment | **(25,318)** | - | - | - | 16,055 | (16,055) | - | - |
| Write-off of property and equipment | **6,620** | - | - | - | - | - | - | - |
| Gain on disposal of mining properties | **(12,500)** | (45,522) | 1,772 | - | (30,000) | - | - | - |
| Loss on cancellation on acquisition of assets | **-** | - | - | - | 2,400,000 | - | - | - |
| | **361,870** | 168,603 | 495,382 | 337,794 | 2,933,247 | 165,426 | 326,195 | 360,227 |
| **Other expenses (revenues)** | | | | | | | | |
| Net change in fair value of markeinvestments | **(3,405)** | (865) | (45,000) | (7,500) | 35,381 | (15,000) | - | - |
| Finance expense | **(14,193)** | 4,439 | 4,274 | 18,049 | 25,711 | - | - | - |
| Exchange loss (gain) | **12,854** | (11,809) | (1,091) | 86 | 8,627 | (277) | 58 | (8,598) |
| Gain on settlement of accounts payable | **20,280** | 13,207 | (135,388) | (6,000) | (56,208) | - | - | - |
| | **15,536** | 4,972 | (177,205) | 4,635 | 13,511 | (15,277) | 58 | (8,598) |
| **Tax income** | **(53,820)** | - | - | - | (122,962) | - | - | - |
| **Net loss from continuing operations** | **323,586** | 173,575 | 318,177 | 342,429 | 2,823,796 | 150,149 | 326,253 | 351,629 |
| **Net loss (earnings) from discontinued operations** | **-** | - | - | - | 558,238 | 454,115 | 41,305 | 50,524 |
| **Net loss and comprehensive loss** | **323,586** | 173,575 | 318,177 | 342,429 | 3,382,034 | 604,264 | 367,558 | 402,153 |
| **Net loss from continuing operations attributable to:** | | | | | | | | |
| Shareholders of Genius Properties Ltd. | **307,110** | 190,488 | 317,977 | 342,192 | 2,823,796 | 150,149 | 326,253 | 351,629 |
| Non-controlling interests | **16,476** | (16,913) | 200 | 237 | (62,381) | 52,428 | 3,315 | 6,638 |
| | **323,586** | 173,575 | 318,177 | 342,429 | 2,761,415 | 202,577 | 329,568 | 358,267 |
| **Net loss (earnings) from discontinued operations attributable to:** | | | | | | | | |
| Shareholders of Genius Properties Ltd. | **(82,126)** | - | - | - | 997,467 | - | - | - |
| Non-controlling interests | **(18,050)** | - | - | - | 106,715 | - | - | - |
| | **(100,176)** | - | - | - | 1,104,182 | - | - | - |
| **Basic and diluted loss (earnings) per share:** | | | | | | | | |
| Basic and diluted loss per share from continuing operations | **0.00** | 0.00 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.02 |
| Basic and diluted loss (earnings) per share from discontinued operations | **0.00** | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

The net loss from continuing operations of $173,575 for Q3-2016 is mostly attributable to a gain on disposal of mining properties of $45,522 combined with a decrease of exploration and evaluation expenditures as compared to Q1-2016 and Q2-2016.

The net loss from continuing operations of $2,823,796 for Q4-2015 is attributable to a loss on cancellation on acquisition of assets of $2,400,000.

The net loss from continuing operations of $150,149 for Q3-2015 is mostly attributable to an overvaluation of the management and consulting fees expenses of Q1-2015 and Q2-2015 adjusted in Q3-2015.

## RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2016

### Net (loss) income from continuing operations

The basic and diluted loss per share from continuing operations for the three-month period ended December 31, 2016 is $0.00 as compared to $0.01 for the three-month period ended December 31, 2015.

During the three-month period ended December 31, 2016, the Company realized a net loss from continuing operations of $323,586 as compared to a net loss from continuing operations of $2,823,796 for the three-month period ended December 31, 2015.

The significant decrease of $2,500,210 for the three-month period ended December 31, 2016 as compared to 2015 in net loss from continuing operations is attributable to the loss on cancellation on acquisition of assets of $2,400,000 recorded in Q4-2015 as compared to a loss of cancellation on acquisition of assets of $Nil for Q4-2016.

**Operating expenses**

During the three-month period ended December 31, 2016, operating expenses were $361,870 as compared to $2,933,247 for the three-month period ended December 31, 2015.

The significant decrease of $2,571,377 for the three-month period ended December 31, 2016 as compared to 2015 in operating expenses is attributable to the loss on cancellation on acquisition of assets of $2,400,000 recorded in 2015 as compared to a loss of cancellation on acquisition of assets of $Nil for the three-month period ended December 31, 2016.

**Other expenses (revenues)**

During the three-month period ended December 31, 2016, the other expenses was $15,536 as compared to other expenses of $13,511 for the three-month period ended December 31, 2015.

There were no major changes in during the three-month period ended December 31, 2016 compared to Q4-2015 in other expenses.

## CASH FLOWS

**Cash flows used for operating activities**

Cash flows used for operating activities were $550,488 during the year ended December 31, 2016, a decrease of $80,895 as compared to cash flows of $631,383 used for operating activities during the year ended December 31, 2015. The decrease of $80,895 is explained by funds of $Nil used for operating activities of discontinued operations during the year ended December 31, 2016 as compared to funds of $85,766 used for operating activities of discontinued operations during the year ended December 31, 2015.

**Cash flows from financing activities**

Cash flows from financing activities were $234,711 during the year ended December 31, 2016, a decrease of $413,046 as compared to cash flows of $647,757 generated from financing activities during year ended December 31, 2015. The decrease of $413,046 is partially explained by the repayment of $50,000 for a loan payable to a director and the repayment of $202,500 for a bank loan during the year ended December 31, 2016. There were no repayments of loan during the year ended December 31, 2015.

In addition, Genius Properties raised $487,211 from private placements (common shares) net of share issuance costs of $61,689 during the year ended December 31, 2016 as compared to funds of $615,257 raised from private placements (common shares) net of share issuance costs of $19,793 during the year ended December 31, 2015 which consisted of a decrease $128,046 for the year ended December 31, 2016 as compared to the year ended December 31, 2015.

**Cash flows used for investing activities**

Cash flows from investing activities were $302,395 during the year ended December 31, 2016, an increase of $431,323 as compared to cash flows of $128,928 used for investing activities during the year ended December 31, 2015.

The decrease of $431,046 is explained by no acquisition of property and equipment combined with the proceeds of disposal of property and equipment of $230,000 and proceeds of disposal of marketable securities of $72,395 during the year ended December 31, 2016 as compared to the acquisition of property and equipment of $4,575 and cash used for investing activities of discontinued operations of $124,353 during the year ended December 31, 2015.

## 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:

| | December 31 2016 | December 31 2015 |
|---|---|---|
| | $ | $ |
| Management fees (exploration expenditures) | - | 23,184 |
| Consulting fees | 193,350 | 403,650 |
| Professionnal fees | 6,267 | 24,000 |
| Share-based compensation | 32,940 | 14,850 |
| | 232,557 | 465,684 |

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

For the year ended December 31, 2016, legal fees and share issuance costs for a total amount of $9,081 were charged by a company in which a director is a partner ($95,164 for the year ended December 31, 2015). In addition, for the year ended December 31, 2016, the Company recorded a gain of $32,630 on settlement of accounts payable ($Nil for the year ended December 31, 2015). Trade accounts and other payables include an amount of $Nil ($182,619 as at December 31, 2015) due to this related party.

For the year ended December 31, 2016, legal fees, transaction costs and share issuance costs for a total amount of $57,471 were charged by a company in which a director is a partner ($Nil for the year ended December 31, 2015). Trade accounts and other payables include an amount of $35,407 ($Nil as at December 31, 2015) due to this related party.

For the year ended December 31, 2016, a company controlled by the former CEO did not charge any rental office expenses ($6,000 for the year ended December 31, 2015).

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

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.

## RECLASSIFICATION

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year, mainly a reclassification within General and administrative expenses items (Professional fees to management and consulting fees, see Note 18 in the audited financial statements). The reclassification has no material impact on the clarity and usefulness of information presented in this MD&A.

## CONTINGENCIES

Governmental laws and regulations regarding environmental protection regulate the Company's operations. The environmental consequences are not easily identifiable, either in terms of results, the impacts or the expiration date. Currently, and to the best knowledge of its management, the Company is in conformity with current laws and regulations.

## SUBSEQUENT EVENTS

Subsequently to the year end, 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 18,479,082.

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 4,000,000 shares instead of 3,000,000. The Company has issued 4,000,000 common shares to 21 Alpha Resources Inc. at a fair value of $0.04 per share for a consideration of $160,000.

### OFF-FINANCIAL POSITION ARRANGEMENTS

As at December 31, 2016, the Company has non off-financial position arrangements.

### GOING CONCERN ASSUMPTION

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 year ended December 31, 2016, the Company recorded a net loss of $1,057,591 ($4,756,009 in 2015) and has an accumulated deficit of $13,983,687 as at December 31, 2016 ($12,908,046 as at December 31, 2015). 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 recovery of the cost of exploration and evaluation assets as well as other tangible and intangible assets, 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 these assets. As at December 31, 2016, the Company had a negative working capital of ($401,126) (($823,009) as at December 31, 2015) consisting of cash and cash equivalents of $196,919 ($210,301 as at December 31, 2015). 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. During the year ended December 31, 2016, the Company has raised $548,900 from private placements to fund exploration works and working capital. 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.

### CAPITAL MANAGEMENT

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 December 31, 2016, the Company has the obligation to incur $317,900 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.

**CAPITAL**

| | December 31 2016 | December 31 2015 | December 31 2014 |
|---|---|---|---|
| | $ | $ | $ |
| Equity | (344,251) | (577,810) | (645,593) |

### IFRS ACCOUNTING POLICIES AND ESTIMATES

The Company's significant accounting policies and estimates under IFRS are disclosed in the audited annual consolidated financial statements for the year ended December 31, 2016.

## OTHER REQUIREMENTS IN THE MANAGEMENT DISCUSSION AND ANALYSIS

The following selected financial information is derived from our unaudited financial statements.

**GENIUS PROPERTIES LTD.**

**Disclosure of outstanding share data post consolidation effective February 1st, 2017 (as at April 28, 2017)**

| | | |
|---|---|---|
| **Outstanding common shares:** | 18,479,082 | |
| | | |
| **Outstanding share options:** | 950,000 | |
| Average exercise price of: | $0.389 | |
| Average remaining life of: | 3.40 | years |

| Expiry date | Number | Exercise price | Remaining life |
|---|---|---|---|
| | | $ | (years) |
| April 9, 2019 | 260,000 | 0.50 | 1.95 |
| August 6, 2020 | 270,000 | 0.50 | 3.27 |
| September 9, 2021 | 420,000 | 0.25 | 4.37 |
| | 950,000 | | |

| | | |
|---|---|---|
| **Outstanding warrants:** | 3,543,636 | |
| Average exercise price of: | $0.454 | |
| Average remaining life of: | 0.21 | years |

| Expiry date | Number | Exercise price | Remaining life |
|---|---|---|---|
| | | $ | (years) |
| June 7, 2017 | 2,000,000 | 0.25 | 0.11 |
| June 21, 2017 | 580,000 | 0.50 | 0.15 |
| June 29, 2017 | 163,508 | 0.25 | 0.17 |
| June 29, 2017 | 400,000 | 1.50 | 0.17 |
| November 10, 2017 | 60,000 | 0.50 | 0.54 |
| December 9, 2017 | 248,000 | 0.50 | 0.62 |
| December 30, 2018 | 92,128 | 0.25 | 1.67 |
| | 3,543,636 | | |

## RISK AND UNCERTAINTIES

An investment in the common shares of the CME should be considered highly speculative. Genius Properties is subject to a variety of risks, some of which are described below. If any of the following risks occur, the business, results of operations or financial condition could be adversely affected in a material manner.

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

### 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.

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

### 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.

During the year, 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 December 31, 2016 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:

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

| | | | | December 31 2015 |
|---|---|---|---|---|
| | Less than 1 year | 1-5 years | More than 5 years | Total |
| | $ | $ | $ | $ |
| Trade accounts payable and accrued liabilities | 769,307 | - | - | 769,307 |
| Loan payable to a director | 55,000 | - | - | 55,000 |
| Bank loan | 202,500 | - | - | 202,500 |

### Interest rate risk

As at December 31, 2016, the Company is not exposed to changes in market interest. As at December 31, 2015, the Company was exposed to changes in market interest through its long-term debt at variable interest rate.

### Exploration and mining risks

The Company is engaged in the business of acquiring and exploring mineral properties in the hope of locating economic deposits of minerals. The Company's property interests are in the exploration and evaluation stage only. The business of mineral exploration involves a high degree of risk. Few properties that are explored are ultimately developed into production. Currently, there are no known bodies of commercial ore on the mineral properties of which the Company owns an interest. Accordingly, there is little likelihood that the Company will realize any profits in the short to medium term. Any profitability in the future from the Company's business will be dependent upon locating an economic deposit of minerals. However, there can be no assurance, even if an economic deposit of minerals is located, that it can be commercially mined.

Unusual or unexpected formations, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs.

The economics of developing mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment on the Company's mineral properties, nor any known body of commercial ore. Programs conducted on the Company's mineral property would be an exploratory search for ore.

**Titles to property**

While the Company has diligently investigated title to the various properties in which it has interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

According to the mining law and regulations of the Province of Québec, to renew its claims, the Company must incur a minimum of exploration expenditures and must pay the Québec government, a rent per claim, for every 2 years renewal period. Between the date of this MD&A and December 31, 2017, no claim will need to be renewed for a negligible amount and will not require additional exploration expenditures because the Company has met the requirements.

According to the mining law and regulations of the Province of Nova Scotia, to renew its claims, the Company must incur a minimum of exploration expenditures and must pay the Nova Scotia government, a rent per claim of $20.00 and $200.00 of expenditures, for every one year renewal period. Between the date of this MD&A and December 31, 2017 259 claims will need to be renewed for an amount of $5,180 plus $51,800 in additional exploration expenditures.

**Permits and licenses**

The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

**Metal prices**

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

**Competition**

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

**Environmental regulations**

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

**Conflicts of interest**

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

**Stage of development**

The Company's properties are in the exploration stage and to date none of them have a proven ore body. The Company does not have a history of earnings or providing a return on investment, and in future, there is no assurance that it will produce revenue, operate profitably or provide a return on investment.

**Industry conditions**

Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The effect of these factors cannot be accurately determined.

**Uninsured risks**

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

**Capital needs**

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

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

### Key employees

Management of the Company rests on a few key officers and members of the Board of Directors, the loss of any of whom could have a detrimental effect on its operations. The development of the Company's business is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company faces competition for personnel from other employers.

### Canada Customs and Revenue Agency

No assurance can be made that Canada Customs and Revenue Agency will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expenses or the eligibility of such expenses as Canadian exploration expenses under the *Income Tax Act* (Canada).

## CERTIFICATION OF ANNUAL FILINGS

The President and Chief Executive Officer and the Chief Financial Officer have signed the Basic Certifications of Annual Filings as required by National Instrument 52-109 for venture issuer, thus confirming, the review, the absence of misrepresentations and the fair presentation of the annual filings.

- The President and Chief Executive Officer and the Chief Financial Officer confirm to have reviewed the annual financial statements and the annual MD&A (together, the "annual filings") of the Company for the year ended December 31, 2016.

- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the period presented in the annual filings.

**ADDITIONAL INFORMATION**

The additional information on the Company is available through regular filings of quarterly financial statements and press releases on Sedar (www.sedar.com) and on the Company's website www.geniusproperties.ca.

**Officers**

(s) Guy Goulet
Guy Goulet
President and CEO

(s) Stéphane Leblanc
Stéphane Leblanc
CFO

**Directors**

Jimmy Gravel
Maxime Lemieux
Hubert Vallée
Marc Duchesne
Guy Goulet

**Transfer agent**

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**Special advisor**

Terence Coughlan
Claude Rousseau

**Legal advisors**

Lavery, De Billy SENCRL / LLP
Montréal (Québec)

**Head office**

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Suite 2700
Montréal QC H3A 3G4

**Auditor**

Raymond Chabot Grant Thornton
Montréal (Québec)

# GENIUS PROPERTIES LTD.

(formerly Synergy Acquisition Corp.)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended

December 31, 2015

(Fourth Quarter)

This management's discussion and analysis ("MD&A") follows rule 51-102A of the Canadian Securities Administrators regarding continuous disclosure for reporting issuers.

The following MD&A is a narrative explanation, through the eyes of the management of Genius Property Ltd., on how the Company performed during the year ended December 31, 2015. It includes a review of the Company's financial condition and a review of operations for the year ended December 31, 2015 as compared to the year ended December 31, 2014.

This MD&A complements the consolidated audited financial statements (hereinafter ''Audited Financial Statement'') for the year ended December 31, 2015 but does not form part of them. It is intended to help the reader understand and assess the significant trends, risks and uncertainties related to the results of operations and it should be read in conjunction with the audited financial statements as at December 31, 2015 and related notes thereto.

The audited financial statements for the year ended December 31, 2015 and 2014 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") applicable to the preparation of annual financial statements. The IFRS are issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies applied in the financial statements are based on IFRS issued and effective as at December 31, 2015. On April 29, 2016, the Board of Directors approved, for issuance, the annual consolidated financial statements.

## REPORT'S DATE

This MD&A of Genius Properties Ltd (the "Corporation") of the financial condition and results of the operation of the Corporation constitutes management's review, as at April 29, 2016, of the factors that affected the Corporation's financial and operating performance for the year ended December 31, 2015. Without contrary indication, all the amounts are in Canadian dollars. Additional information relating to the Corporation is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

## CAUTION REGARDING FORWARD-LOOKING INFORMATION

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

## NATURE OF ACTIVITIES

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

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

The recovery of the exploration and evaluation assets is dependent upon: the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in the properties, the ability to obtain the necessary financing to complete exploration, evaluation, development and construction of processing facilities, obtaining certain government approvals and proceeds from disposal of assets.

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

### DISCONTINUED OPERATIONS

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

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

### Reiva

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

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

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

## OVERVIEW OF BUSINESS

### Building

The decision to steer away from these activities will prompt the immediate need to sell off the commercial building.

### Vehicule

In August 2015, the Corporation returned its leased GMAC vehicle, thus terminating the lease that was scheduled to end in August 2016.

### Exploration and Evaluation expenditures

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

| | | | 31, 2015 | | | 2014 |
|---|---|---|---|---|---|---|
| | Mining rights | expenditures | **Total** | Mining rights | expenditures | **Total** |
| | $ | $ | $ | $ | $ | $ |
| **Precious metals** | | | | | | |
| Monster Lake (50%) | - | - | - | - | 105 333 | 105 333 |
| Nouranda-South | - | - | - | 530 | 28 200 | 28 730 |
| Sapeena | - | - | - | - | 7 622 | 7 622 |
| Torngat diamond | - | - | - | - | 7 147 | 7 147 |
| Vendôme-Sud (50%) | - | - | - | 2 288 | 11 657 | 13 945 |
| **Total precious metals** | - | - | - | 2 818 | 159 959 | 162 777 |
| **Base metals** | | | | | | |
| Dalquier | - | 4 126 | 4 126 | - | 132 729 | 132 729 |
| Ruby Lake | - | - | - | - | 5 081 | 5 081 |
| Massicotte Est (40%) | - | - | - | - | 82 253 | 82 253 |
| Mine Lorraine | - | 235 000 | 235 000 | - | - | - |
| **Total base metals** | - | 239 126 | 239 126 | - | 220 063 | 220 063 |
| **Industrial metals** | | | | | | |
| Port-Daniel | - | - | - | - | 27 600 | 27 600 |
| Wapoos | - | - | - | - | 23 652 | 23 652 |
| **Total industrial metals** | - | - | - | - | 51 252 | 51 252 |
| **Special metals** | | | | | | |
| Kontili | - | - | - | - | 7 444 | 7 444 |
| Lullwitz-Kaeppelli | - | - | - | - | 5 200 | 5 200 |
| Versant REE | - | - | - | - | 5 581 | 5 581 |
| Gueret Guinecourt | 325 | - | 325 | - | 54 690 | 54 690 |
| Montagne B (25%) | 7 152 | 9 500 | 16 652 | - | 32 400 | 32 400 |
| Other properties | - | - | - | - | 133 396 | 133 396 |
| **Total special metals** | 7 477 | 9 500 | 16 977 | - | 238 711 | 238 711 |
| **Grand total** | 7 477 | 248 626 | 256 103 | 2 818 | 669 985 | 672 803 |

The following table presents exploration and evaluation expenditures by nature :

| | 31, | 2014 |
|---|---|---|
| | $ | $ |
| Mining rights | 7 477 | 2 818 |
| Exploration and evaluation expenditures | | |
| Geology | 134 500 | 175 327 |
| Geophysics | 110 000 | 421 557 |
| Drilling | - | 70 776 |
| Sampling | 4 126 | 2 325 |
| | 256 103 | 672 803 |
| Management fees | 23 184 | 49 018 |
| Claims management | 3 414 | 42 590 |
| | 282 701 | 764 411 |

### Initial purchase of claims

On October 10, 2013, the Corporation purchased all the rights and interest in approximately 2,950 mining claims located in the Province of Quebec (the "Claims") from two private companies 9248-7792 Quebec Inc. ("9248") and 9257-1256 Quebec Inc. ("9257") for a consideration of 10,000,000 common shares of the Corporation at $0.06 representing the fair value of the stock price on the agreement date. A 0.4% and 0.6% net smelter royalty ("NSR") was retained by the private companies, respectively, where 0.2% and 0.3%, respectively, may be repurchased by the Corporation for a total cash consideration of $500,000.

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

### Monster Lake

On November 26, 2013, the Corporation signed a property sale agreement with Mazorro Resources Inc. ("MR") for the Monster Lake property, which was amended on January 24, 2014. The property consists of two blocks totaling 81 mining claims and covers 4,300 hectares. Under the sale agreement, MR acquired 50% of the rights and interests of the Corporation's Monster Lake area property by making total cash payments of $80,000 and by issuing up to 4,000,000 common shares and 1,000,000 warrants of MR to the Corporation as follow:

- At the date of approval of the transaction by the regulatory authorities, $25,000, 1,500,000 common shares and 1,000,000 warrants;
- At the delivery of the technical report, $25,000 and 1,500,000 common shares;
- At the date of depositing the report on Sedar, $10,000;
- Six (6) months after the deposit of the report, the Corporation will receive $10,000;
- Twelve (12) months after the signature of the agreement, the Corporation will receive 1,000,000 common shares;
- Twelve (12) months after the depositing the report on Sedar, the Corporation will receive $10,000.

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

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

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

### Vendôme-Sud

On January 9, 2014, the Corporation entered into an agreement with a company owned by the CEO of the Corporation, to acquire a 50% interest in 33 claims named Vendôme-Sud property in the Abitibi region, in consideration of all costs associated with an airborne survey (electromagnetic and magnetic) of the 33 claims and the production of a 43-101 technical report. Exploration on the Vendôme-Sud property is oriented towards the search for copper, nickel, zinc, silver and gold.

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

**Massicote-est**

On January 13, 2014, the Corporation entered into an agreement with Canadian Metals Inc. a related party by virtue of common management and directors, to acquire a 40% interest in 172 mining claims named Massicotte-Est property in the Matagami region, in consideration of all costs associated with an airborne survey (electromagnetic and magnetic) of the 172 mining claims up to a maximum of $80,000. The airborne survey was completed during January 2014, raw data has been obtained and geophysical interpretation was still pending. As at December 31, 2015, the Corporation decided not to renew the claims as they become expired.

**Montagne B**

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

**Guéret & Guinecourt Lake**

On October 1, 2014, the Corporation entered into an agreement with a company owned by the president of the Corporation, to acquire a 25% interest in 31 mining claims named Gueret & Guinecourt property in the Abitibi region, in consideration of all costs associated with an airborne survey (electromagnetic and magnetic) of the 31 mining claims. Exploration on the Gueret & Guinecourt property is oriented towards the search for special metals. During the year ended December 31, 2015, the Corporation did not renew the 31 mining claims at their expiry.

**Mine Lorraine – Gissement Blondeau**

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

## Board member nomination and resignation

July 6, 2015 Genius Properties Ltd. hold is annual general and special meeting, the re-election of Stéphane Leblanc, Guy Paul Allard and Patricia Lafontaine and the election of Denis Richard, Guy Chamberland and Daniel Simard, as directors of the Corporation.

October 28, 2015 the Company announces that Mr Guy Chamberland and Daniel Simard resigned from their duties as Directors. Mr Denis Richard resigned from his position as President and Chief Executive Officer and as Director. At the same date Mr Stéphane Leblanc was hired as President and Chief Executive of Genius Properties Ltd.

## SELECTED FINANCIAL INFORMATION

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

| | 31 décembre 2015 | 31 décembre 2014 |
|---|---|---|
| | $ | $ |
| **Expenses** | | |
| Mining rights | 7 477 | 2 818 |
| Exploration and evaluation expenditures | | |
| Geology | 134 500 | 175 327 |
| Geophysics | 110 000 | 421 557 |
| drilling | - | 70 776 |
| Sampling | 4 126 | 2 325 |
| Management fees | 23 184 | 49 018 |
| Claims management | 3 414 | 42 590 |
| | 282 701 | 764 411 |
| General and administrative expenses | | |
| Consulting fees | 525 369 | 494 109 |
| Professional fees | 229 729 | 188 963 |
| Regulatory fees | 166 423 | 49 821 |
| Office expenses and others | 86 084 | 87 604 |
| Business development | 54 209 | 63 701 |
| Depreciation - Property and equipment | 13 822 | 1 180 |
| Part XII tax and other non-compliance penality | 361 | 93 400 |
| Share-based payments | 44 440 | 122 468 |
| Other | 11 957 | - |
| | 1 132 394 | 1 101 246 |
| Gain on disposal of mining properties | (30 000) | (80 000) |
| Loss on cancellation on acquisition of assets | 2 400 000 | - |
| **Operating loss before other expenses (revenues), income tax and loss from discontinued operations** | 3 785 095 | 1 785 657 |
| **Other expenses (revenues)** | | |
| Net change in fair value of investments | 7 500 | (5 632) |
| Financial expenses | | |
| Interest on current liabilities and bank charges | 8 222 | 4 554 |
| Interest on long-term debts | 9 089 | |
| Penalty on contract termination | 8 400 | |
| Exchange loss (gain) | (190) | 6 786 |
| Loss (gain) on disposal or expiry of investments | 12 881 | (81 061) |
| Gain on settlement of payables | (56 208) | - |
| | (10 306) | (75 353) |
| **Income tax** | | |
| Tax income | (122 962) | - |
| | (122 962) | - |
| Net loss from continuing operations | 3 651 827 | 1 710 304 |
| Net loss from discontinued operations | 1 104 182 | 340 385 |
| **Net loss and comprehensive loss** | 4 756 009 | 2 050 689 |
| **Net loss from continuing operations attributable to :** | | |
| Shareholders of Genius Properties Ltd. | 3 651 827 | 1 710 304 |
| Non-controlling interests | - | - |
| | 3 651 827 | 1 710 304 |
| **Net loss from discontinued operations attributable to :** | | |
| Shareholders of Genius Properties Ltd. | 997 467 | 273 945 |
| Non-controlling interests | 106 715 | 66 440 |
| | 1 104 182 | 340 385 |
| **Basic and diluted loss per share** | | |
| Basic and diluted loss per share from continuing operations | 0,07 | 0,07 |
| Basic and diluted loss per share from discontinued operations | 0,02 | 0,01 |
| **Basic and diluted loss per share** | 0,09 | 0,08 |
| **Weighted average number of common shares outstanding** | 51 116 436 | 25 366 629 |

No dividends were declared or paid in 2015 and 2014.

## Financial Position for the year ended December 31, 2015

As at December 31, 2015, the current assets amounts to $351,018 ($760,469 as at December 2014), includes cash of $210,301. On December 29, 2014, the Corporation completed a flow-through private placement of $245,925 for which all requirements were fulfilled at December 31, 2015. On December 29, 2015, the Corporation completed a flow-through private placement of $134,595. The Corporation has until December 31, 2016 to incur eligible exploration and evaluation expenditures in order to comply with the requirements of flow-through private placement.

All the intangible assets was write off as at December 31, 2015. The exploration and evaluation assets are now include in the statements of comprehensive loss.

| Financial Position | December 31, 2015<br>$ | December 31, 2014<br>$ |
|---|---|---|
| **Current assets** | **351,018** | 760,469 |
| **Investment** | **22,500** | 12,881 |
| **Property and equipment** | **222,699** | 233,509 |
| **Intangible assets** | **-** | 513,144 |
| **Total Assets** | **596,217** | 1,520,003 |
| **Current liabilities** | **(1,174,027)** | (874,410) |
| **Shareholders' equity** | **(404,655)** | (712,033) |
| **Non-controlling interests** | **(173,155)** | (66,440) |
| **Total liabilities and Equity** | **(596,217)** | (1 520 003) |

No dividends were declared or paid in 2015, 2014 or 2013.

## FINANCING ACTIVITIES

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

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

c) On August 7, 2015, the Corporation completed a private placement with the issuance of 1,216,666 shares at a price of $0.06 per share for a total cash consideration of $73,000. No warrants were issued during this share issuance.

d) On July 17, 2015, the Corporation completed a private placement with the issuance of 1,874,997 shares at a price of $0.06 per share for a total cash consideration of $112,500. No warrants were issued during this share issuance.

e) On December 29, 2014, the Corporation completed a private placement with the issuance of 1,229,625 flow-through shares at a price of $0.20 per share for gross proceeds of $245,925 and the issuance of 148,900 common shares at a price of $0.15 for gross proceeds of $22,335. No warrants were issued under these private placements. An amount of $122,962 representing the premium paid by the investors was reduced from share capital and recorded in Other liability related to flow-through financings. In addition, the Corporation issued 111,212 broker warrants as a finders fee. Each broker warrant entitles its holder to purchase one common share at $0.20 per share for a period of 12 months. The fair value of the broker warrants was based on the Black-Scholes valuation model, using a stock price of $0.10, a risk-free rate of 1.01%, an expected life of one year, an annualized volatility of 100% and a dividend rate of 0%. As a result, the broker warrants valued at $2,146 were recorded under warrant and as share issuance costs in reduction of share capital in the statement of changes in equity. Total share issuance costs amounted to $27,371 including the fair value of the broker warrants of $2,146.

f) On November 21st, 2014, the Corporation completed a private placement with the issuance of 2,333,333 shares at a price of $0.15 per share for a total cash consideration of $350,000. Share issuance costs amounted to $5,750. No warrants were issued during this share issuance.

g) On July 4, 2014, the Corporation completed a private placement with the issuance of 870,000 common shares at a price of $0.25 per share for gross proceeds of $217,500. Share issuance costs amounted to $2,296. As part of this private placement, the Corporation issued 300,000 warrants which entitles its holder to purchase one common share at a price of $0.22 fro a period of 18 months. As a result, the warrants value at $19,241 were recorded under warrant and as a reduction of share capital in the statement of changes in equity. The fair value of the warrants was based on the Black-Scholes valuation model, using a stock price of $0.24, a risk-free rate of 1.13%, an expected life of 18 months, an annualized volatility of 100% and a dividend rate of 0%.

h) On June 19, 2014, the Corporation completed a private placement with the issuance of 6,905,332 common shares at a price of $0.15 per share for gross proceeds of $1,035,820. Share issuance costs amounted to $15,585. No warrants were issued under that private placement. A subscription of $105,000 was receivable on June 19, 2014 and at the request of the holder, the cheque and the corresponding 700,000 common shares certificate were kept in escrow with the legal advisor of the Corporation. As the check could not be deposited because of lack of funds by December 31, 2014, the shares certificate was cancelled by the legal advisor of the Corporation; therefore, the revised share issuance for this private placement is 6,205,332 common shares at a price of $0.15 per share for gross proceeds of $930,820.

## Share issuance for contract settlement:

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

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

c) On August 17, 2015, the Corporation issued 3,693,212 common shares at a price of $0.04 as part of debt settlement agreements with suppliers for a total amount of $147,729. As a result, the Corporation recorded a gain on settlement of payables of $56,208 in the consolidated statement of comprehensive loss.

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

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

f) On December 22, 2014, the Corporation and North Lion Holding Corp. ("North Lion") signed an agreement to settle and terminate the consulting agreement between the parties. It was decided by the parties to issue 200,000 common shares to North Lion and pay expenses incurred of US$1,320. As at December 31, 2014, the shares were still to be issued and accounted as shares to issue in the statement of changes in equity at the year-end closing price. They were issued on January 29, 2015.

g) On April 24, 2014, the Corporation issued 500,000 common shares at $0.12 per share for a total consideration of $60,000 for the acquisition of intangible assets acquired by Zippler Inc. its subsidiary as described in Note 3.

## SUMMARY OF QUARTERLY RESULTS

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

**Summary of quarterly results of the last eight quarter-ends**

| Quarter ended | Net income (loss) | Comprehensive income | Net income per share |
|---|---|---|---|
| | $ | $ | $ |
| December 31, 2015 | (2 360 089) | (2 360 089) | (0,01) |
| September 30, 2015 | (619 316) | (619 316) | (0,01) |
| June 30, 2015 | (326 252) | (326 252) | (0,01) |
| March 31, 2015 | (346 170) | (346 170) | (0,01) |
| December 31, 2014 | (794 797) | (794 797) | (0,02) |
| September 30, 2014 | (212 359) | (212 359) | (0,02) |
| June 30, 2014 | (283 654) | (283 654) | (0,02) |
| March 31, 2014 | (419 494) | (419 494) | (0,01) |

During the quarter ended December 31, 2015, a net loss of $2,360,089 was recorded compared to a net loss of $794,797 for the same period in 2014, the variation is mainly due to a write off of intangibles assets and the change of accounting policy regarding exploration and evaluation expenditures in order to recognize these expenditures directly to the profit or loss instead of capitalizing them as exploration and evaluation assets.

During the quarter ended September, 2015, a net loss of $619,316 was recorded compared to a net loss of $212,359 for the same period in 2014, the variation is mainly due to the write off of inventories and the change of accounting policy regarding exploration and evaluation expenditures in order to recognize these expenditures directly to the profit or loss instead of capitalizing them as exploration and evaluation assets. In this quarter the Corporation issued options which create a Black & Scholes expense. In 2014 a gain on sale of investment of $103,561 was recorded in the quarter and a gain on sale of claims for $57,500 .

During the quarter ended June 30, 2015, a net loss of $326,252 was recorded compared to a net loss of $283,654 for the same period in 2014, the variation is mainly due to the change of accounting policy regarding exploration and evaluation expenditures in order to recognize these expenditures directly to the profit or loss instead of capitalizing them as exploration and evaluation assets. The consulting fees and the Professional fees have increase in 2015, the Corporation hiring many consultants for his business.

During the quarter ended March 31, 2015, a net loss of $346,170 was recorded compared to a net loss of $419,494 for the same period in 2014, the variation is mainly due to the change of accounting policy regarding exploration and evaluation expenditures in order to recognize these expenditures directly to the profit or loss instead of capitalizing them as exploration and evaluation assets.

## RELATED PARTY TRANSACTIONS

The Corporation related party transactions are disclosed to the Note 25 in the annual audited consolidated financial statements for the year ended December 31, 2015.

## LIQUIDITY AND CAPITAL RESOURCES

The Corporation has a negative working capital of $823,009 as at December 31, 2015 ($113,941 as at December 31, 2014) considering cash of $210,301, but has $134,595 to spend in exploration and evaluation work in order to comply with the requirements of flow-through financing, until December 31, 2016. The company is still confident spending this money before the end of 2016.

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

As of December 31, 2015, there is significant doubt as to the Corporation's ability to meet all its liabilities and commitments as they will fall due, to pay its administrative costs and exploration and evaluation expenses and to pursue its research for new mining properties. There are no guarantees that measures taken by management will be successful.

## SUBSEQUENT EVENTS

### Acquisition of the Dissimieux property

On March 22, 2016, the Corporation aquired 100 % of the Dissimieux Lake property from Jourdan Resources Inc. composed of 15 mining claims and located within the La Blanche Lake anorthositic complex by the issuance of 6,000,000 common shares on April 5, 2016 at a price of $0.02 per share and the payment of $100,000 in cash or by the issuance of shares within 90 days of the signature of the agreement for a total consideration of $220,000. As part of this transaction, the Corporation issued 420,000 common shares valued at a price of $0.02 per share for a total consideration of $8,400 as finders fees.

The vendor will retain a 2% net smelter return. The Corporation will have the right to purchase 1 % of the net smelter return held by the vendor for $1,000,000.

### Signature of a settlement agreement

On April 5, 2016, the Corporation also completed a private placement with the issuance of 2,020,000 common shares at a price of $0.05 per share as part of debt settlements with suppliers for a total amount of $101,000 for service done in 2016. As a result, the Corporation will record a loss on settlement of payables of $28,600.

## Off Financial Position Arrangements

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

## Going concern

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

## NEW ACCOUNTING STANDARDS

The Corporation new accounting standards are disclosed in the Note 7 to the annual audited consolidated financial statements for the year ended December 31, 2015.

## IFRS ACCOUNTING POLICIES AND ESTIMATES

The Company's significant accounting policies and estimates under IFRS are disclosed in the Note 6 in the annual audited consolidated financial statements for the year ended December 31, 2015.

## Other Requirements in the Management Discussion and Analysis

The following selected financial information is derived from our unaudited financial statements.

| | |
|---|---|
| **Commons Share outstanding** | 85 425 410 |
| | |
| **Share Options outstanding** | 3 575 000 |
| Weight average exercise price | 0,10 |

| Expiration date | Number | Exercise price | Estimated contractual time remaining |
|---|---|---|---|
| | | $ | (years) |
| April 9, 2019 | 1 725 000 | 0,10 | 3,3 |
| August 6, 2020 | 1 850 000 | 0,10 | 4,6 |
| | 3 575 000 | | |

| | |
|---|---|
| **Warrants outstanding** | 13 117 140 |
| Weighted average exercise price | 0,09 |

| Expiration date | Number | Exercice price | Estimated contractual time remaining in years |
|---|---|---|---|
| | | $ | (years) |
| January 4, 2016 | 300 000 | 0,22 | 0,0 |
| June 7, 2017 | 10 000 000 | 0,05 | 1,2 |
| June 30, 2017 | 817 540 | 0,05 | 1,3 |
| June 30, 2017 | 2 000 000 | 0,30 | 2,5 |
| | 13 117 540 | | |

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

### Financial risks factors

The Corporation's activities expose it to a variety of financial risks: price risk, credit risk and liquidity risk. Risk management is carried out by management under policies approved by the board of directors. The board of directors provides written policies for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The company's overall risk management program seeks to minimize potential adverse effects on the company's financial performance.

**a) Price risk**

The Corporation is exposed to equity securities price risk because of investments held by the Corporation. When trading its shares, bad market conditions could result in the disposal of its listed shares at less than value as at December 31, 2015. A 1% variation in the closing price on the stock market would result in an non-material variation.

**b) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation is subject to concentrations of credit risk through cash. The Corporation reduces its credit risk by maintaining part of its cash in financial instruments and held with a Canadian chartered bank.

**c) Liquidity risk**

Liquidity risk is the risk that the Corporation will not be able to meet the obligations associated with its financial liabilities. The Corporation has no history of earnings and does not expect to receive revenues from operations in the foreseeable future, if all. The Corporation generates cash flows primarily from its financing activities).

Management estimates that the funds as at December 31, 2015 will not be sufficient to meet the Corporation's obligations and budgeted assets through December 31, 2016. Any additional funding may be met in the future in a number of ways including but not limited to, the issuance of new equity instruments. Cash flow forecasting is performed by the Corporation which monitors rolling forecasts of the Corporation's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Surplus cash, if any, over and above balances required for working capital management are invested in interest bearing short-term deposits with a maturity within 12 months, which are selected with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. Accounts payable and accrued liabilities as at December 31, 2015 consist of items that should be settled within approximately 30 days (note 2 to the financial statements for information on going concern).

## Risks and Uncertainties

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

## Risks Inherent to Mining Exploration

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

## Regulation and Environmental Requirements

The activities of the Corporation require permits from various governmental authorities and are governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, environmental protection and other matters.

Increased costs and delays may result of the need to comply with applicable laws and regulations. If the Corporation is unable to obtain or renew licenses, approvals and permits, it may be curtailed or prohibited from proceeding with exploration or development activities.

### Capital Needs

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

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

### Commodity Prices

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

### Uninsured Risks

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

### Going Concern

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

## QUALIFIED PERSON

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

## OUTLOOK

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

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

## CERTIFICATION OF ANNUAL FILINGS

The President and Chief Executive Officer and the Chief Financial Officer have signed the Basic Certifications of Annual Filings as required by National Instrument 52-109 for venture issuer, thus confirming, the review, the absence of misrepresentations and the fair presentation of the annual filings.

- The President and Chief Executive Officer and the Chief Financial Officer confirm to have reviewed the annual financial statements and the annual MD&A (together, the "annual filings") of the Company for the year ended December 31, 2015.

- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the annual financial statements together with the other financial information included in the ann2ual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the period presented in the annual filings.

## ADDITIONAL INFORMATION

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

## CORPORATE INFORMATION

**Dirigeants**

(s) Stéphane Leblanc
Stéphane Leblanc
President

(s) Liette Nadon
Liette Nadon
Chief financial officer

**Administrators**

Stéphane Leblanc
Patricia Lafontaine
Guy-Paul Allard

**Transfer Agent**

Computershare Canada
1500 boulevard Henri-Bourassa
Bureau 700
Montréal (Québec) H3A 3S8

**Head office**

2735, rue Tebbutt
Trois-Rivières (Québec) G9A 5E1
Tél : 418-717-2553

**Legal Advisors**

McMillan S.E.N.C.R.L.,s.r.l.
Montréal (Québec)

**Auditor**

Raymond Chabot Grant Thornton
Montréal (Québec)

## SCHEDULE C

## FINANCIAL STATEMENTS OF THE TARGET

## CERRO DE PASCO RESOURCES S.A.

**FINANCIAL STATEMENTS**
**December 31, 2017**

### Content



C$ = Canadian Dollar

**RSM Panez, Chacaliaza & Asociados**
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Urb. Chacarilla del Estanque
San Borja, Lima-Perú
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# OPINION FROM THE INDEPENDENT AUDITORS

To the shareholders
**CERRO DE PASCO RESOURCES S.A.**

## Opinion

We have audited the enclosed financial statements from **CERRO DE PASCO RESOURCES S.A.** (in pre-operative stage), which comprise the Statement of financial position as of December 31st, 2017, the Statement of comprehensive income, the Statement of changes in equity and the Statement of cash flows for the year ending on that date and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the enclosed financial statements reasonably present, in all material respects, the financial situation of the Company as of December 31st, 2017, its financial performance and cash flows for the year ending on that date, in accordance with the International Financial Reporting Standards (IFRS).

## Bases for the Opinion

We perform our audit in accordance with International Standards on Auditing (ISA). Our responsibility under these standards is described below, in the section of our Opinion "Auditor Responsibilities in relation to the audit of the financial statements". We are independent from the Company in accordance with the Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Peru, and we have fulfilled our other ethical responsibilities in accordance with these requirements and of the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Issues

The Key Audit Issues are those issues which, in our professional opinion, were the most important in our audit of the current period's financial statements. These issues were addressed in the context of our audit of the financial statements taken as a whole and in the formation of our opinion on the matter, and we do not provide a separate opinion on these issues.

Uncertainty about the ongoing business. -
The Company has accumulated losses which amounted to C$1,372,385 as of December 31, 2017 (C$1,221,685 as of December 31, 2016) which exceed the capital in C$1,186,861.
The Company, in accordance with the General Corporation Law, has one year to reverse this situation through capital contributions by shareholders.

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**Opinion from the independent auditors** (continuation)

The Company's financial statements as of December 31st, 2017 have been prepared assuming that it will continue under the fundamental assumption of ongoing business, and do not include the adjustments and reclassifications that might be necessary if it was not able to operate normally.

**Responsibilities of the Management and those in charge of the governance of the Company regarding the financial statements**

Management is responsible for the preparation and reasonable presentation of the financial statements in accordance with International Financial Reporting Standards and by the internal control that the Management determines is necessary for the preparation of the financial statements that are free of important inaccuracies, due to fraud or error.

In the preparation of the financial statements, the Management is responsible for evaluating the ability of the Company to continue as an ongoing business, revealing when applicable, matters related to the ongoing business and with the use of the accounting base of the ongoing business, unless the Management intends to liquidate the Company or cease its activities, or has no other more realistic alternative than doing so.

Those responsible for the governance of the Company are responsible for supervising the process of its financial information.

**Responsibilities of the Auditor in relation to the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements taken as a whole are free of significant inaccuracies due to fraud or error and to issue an audit opinion that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a significant existing inaccuracy.

Inaccuracies may be due to fraud or errors, but they are considered significant when individually or collectively, they can reasonably be expected to influence the economic decisions that users make based on the financial statements.

As part of an audit in accordance with ISAs, we applied professional judgment and maintained professional skepticism during the audit. Also:

- We identify and assess the risks of material misstatements in the financial statements, due to fraud or error, design and perform risk-sensitive audit procedures and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting inaccuracies resulting from fraud is greater than one resulting from error, since fraud can involve collusion, falsification, intentional omissions, misrepresentations or the annulment of internal control.
- We obtained an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We evaluate the correctness of the accounting policies used, the reasonableness of the accounting estimates and the corresponding disclosures made by the Management.

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## **Opinion from the independent auditors** (continuation)

- We conclude on the adequacy of using the accounting basis of the ongoing Business by the Management and, based on the audit evidence obtained, we conclude on the existence, or not, of a significant uncertainty related to events or conditions that can be put into significant doubt about the ability of the Company to continue as an ongoing business. If we conclude that there is significant uncertainty, we are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are insufficient, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to stop activities as an ongoing business.
- We evaluate the general presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves reasonable presentation.

We communicate with those charged with governance of the Company regarding, among other matters, the planned scope and timing of the audit, as well as the important audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provide those responsible for the governance of the Company with a statement that they have complied with the relevant ethical requirements regarding independence, and we communicate to them all the relationships and other matters that may reasonably be expected to affect our independence and, when applicable, the corresponding safeguards.

From the matters that were reported to those in charge of the governance of the Company, we determined the most important ones in the audit of the financial statements of the current period and therefore were included as Key Auditing Issues. These issues were described in the Audit Opinion, unless a law or regulation has prevented their disclosure or when, in extremely rare circumstances, we determine that a matter should not be reported in our Opinion because the negative consequences of doing so would exceed the benefits of public interest that would reasonably be expected from such communication.

Countersigned by: *Panez, Chacaliaza y Asociados Sociedad Civil de R.L.*

**Alberto Alcántara Bernaola** (Partner)
Certified Public Accountant
Register Nº 3380

January 26, 2018
Lima, Perú

## CERRO DE PASCO RESOURCES S.A.

### STATEMENT OF FINANCIAL POSITION
**As of December 31, 2017**

| | Notes | 2017 | 2016 |
|---|---|---|---|
| | | C$ | C$ |
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash | 3 | 35,320 | 10,431 |
| Other accounts receivable | 4 | 231,991 | 55,035 |
| Total current assets | | 267,311 | 65,466 |
| | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and Equipment | | 947 | - |
| Intangible assets | 5 | 1,621,676 | 634,928 |
| Assets for deferred income tax | | 45,219 | |
| Total non-current assets | | 1,667,842 | 634,928 |
| **TOTAL ASSETS** | | 1,935,153 | 700,394 |
| | | | |
| **LIABILITIES AND EQUITY** | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Trade accounts payable | | 52,218 | - |
| Other accounts payable | 6 | 2,258,908 | 933,399 |
| Total non-current liabilities | | 2,311,126 | 933,399 |
| **TOTAL LIABILITIES** | | 2,311,126 | 933,399 |
| | | | |
| **EQUITY** | | | |
| Capital | 7 | 185,523 | 196,135 |
| Capital Premium | | 810,888 | 860,213 |
| Accumulated results | | (1,372,384) | (1,289,353) |
| **TOTAL EQUITY** | | (375,973) | (233,005) |
| **TOTAL LIABILITIES AND EQUITY** | | 1,935,153 | 700,394 |

The accompanying notes are part of the financial statements.

## CERRO DE PASCO RESOURCES S.A.

### STATEMENT OF COMPREHENSIVE INCOME
**For the year ended on December 31, 2017**

| | Notes | 2017 | 2016 |
|---|---|---|---|
| | | C$ | C$ |
| **OPERATING COSTS** | | | |
| Administration expenses | 8 | (299,734) | (47,228) |
| Total operation costs | | (299,734) | (47,228) |
| OPERATING LOSS | | (299,734) | (47,228) |
| **OTHER INCOME (EXPENSES)** | | | |
| Financial income | | 37,545 | 13,796 |
| Total other income (expenses) | | 37,545 | 13,796 |
| Income tax | | 45,219 | - |
| **OVERALL LOSS** | | **(216,971)** | **(33,432)** |

The accompanying notes are part of the financial statements.

## CERRO DE PASCO RESOURCES S.A.

### STATEMENT OF CHANGES IN EQUITY
**For the year ended on December 31, 2017**

| | Notes | Capital | Capital Premium | Accumulated results | Total |
|---|---|---|---|---|---|
| | | C$ | C$ | C$ | C$ |
| **As of January 1, 2016** | | **197,094** | **864,419** | **(1,262,062)** | **(200,549)** |
| **Overall results:** | | | | | |
| Conversion effect | | (959) | (4,206) | 6,141 | 976 |
| Overall loss | | - | - | (33,432) | (33,432) |
| Total overall result of the year | | **-** | **-** | (33,432) | (33,432) |
| **As of December 31, 2016** | | **196,135** | **860,213** | **1,289,353** | **(233,005)** |
| | | | | | **(233,005)** |
| **Overall results:** | | | | | |
| Capitalization outflow | | (8,537) | (90,333) | - | (98,871) |
| Capitalization | | 8,218 | 86,154 | - | 94,373 |
| Overall loss | | - | - | (216,971) | (216,971) |
| Adjustments | | (10,293) | (45,146) | 133,940 | 78,501 |
| Total overall result of the year | | **(10,612)** | **(49,325)** | **(83.031)** | **(142,968)** |
| **As of December 31, 2017** | | **185,523** | **810,888** | **(1,372,384)** | **(375,973)** |

The accompanying notes are part of the financial statements.

## CERRO DE PASCO RESOURCES S.A.

### STATEMENT OF CASH FLOWS
**For the year ended on December 31, 2017**

| | Notes | 2017 | 2016 |
|---|---|---|---|
| | | C$ | C$ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Other charges related to the activity | | (176,956) | - |
| Payment to suppliers and taxes | | 6,999 | (2,130) |
| **Net cash used in operating activities** | | (169,957) | (2,130) |
| **CASH FLOWS FROM INVESTMENT ACTIVITIES** | | | |
| Purchase of Properties, Plant and Equipment | | (947) | - |
| **Net cash used in investment activities** | | (947) | - |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Loans received | | 195,793 | 2,324 |
| **Net cash from financing activities** | | 195,793 | 2,324 |
| **NET (DECREASE) INCREASE OF CASH IN THE YEAR** | | 24,889 | 194 |
| **CASH** | | | |
| **As of January 1** | | 10,431 | 10,237 |
| **As of December 31** | 3 | 35,320 | 10,431 |

The accompanying notes are part of the financial statements.

## 1. IDENTIFICATION AND ECONOMIC ACTIVITY

### 1.1 Identification

Cerro de Pasco Resources S.A. (hereinafter, the Company), was incorporated in Peru, in the city of Lima on October 31, 2003. Its legal domicile is located at Av. Jorge Basadre 607, oficina 226, San Isidro, Lima, Peru.

The General Shareholders' Meeting of July 10, 2012 approved the change of company name and company type from Cory Gold Minning S.A.C to the current one of Cerro de Pasco Resources S.A.

### 1.2 Economic Activity

The Company is engaged in mining activities.

The Company is in pre-operative stage. Operational activities are estimated to start as projects reach the level of economic feasibility, have the environmental impact study approved by the competent authority, obtain access to the surface lands located over “El Metalurgista” mining concession and the approval of other required permits by the competent authorities. During the year only administrative work has been done in relation to the mining concession.

The company has a mining concession called “El Metalurgista” located in the Simón Bolívar District, in the province of Cerro de Pasco, in the department of Pasco, Peru. This concession covers an area of 96 hectares.

### 1.3 Ongoing Business

The financial statements of the Company have been prepared under the Fundamental Hypothesis of Ongoing Business. However, the Company has accumulated losses that exceed the capital stock in recent years. The General Corporation Law grants a period of one year to reverse this situation through the contribution of shareholders. If this is not done, there is a risk that the Company will lose continuity unless it generates future profits that exceed this equity deficit.

### 1.4 Authorization to issue financial statements

The financial statements, as of December 31, 2017, have been authorized for issuance by the Management and are pending the approval of the General Shareholders Board. In the opinion of the Management, the accompanying financial statements will be approved without amendment at the Annual Compulsory General Shareholders Meeting. The financial statements as of December 31, 2016 have been authorized for issuance by the Management, which is pending approval by the General Shareholders' Meeting.

## 2. MAIN ACCOUNTING POLICIES

The main accounting policies adopted by the Company in the preparation and presentation of its financial statements have been applied consistently for the years presented and are indicated below:

### 2.1 Compliance statement

The Company's financial statements are prepared on an ongoing Business basis and in accordance with the International Financial Reporting Standards (hereinafter "IFRS"). The IFRS are those issued by the International Accounting Standard Board – IASB and their corresponding Interpretations.

The financial statements comprise a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements. Income and expenses, excluding the components of Other comprehensive income, are recognized for the determination of the profit or loss of the year. Other comprehensive income is part of the comprehensive income statement and includes items of income and expenses (including reclassification adjustments) that are not recognized for the determination of the profit or loss for the year, as required or permitted by IFRS.

The reclassification adjustments are amounts reclassified to results in the current period that were recognized in other comprehensive income in the current period or in previous periods. Transactions with the owners of the Company in their capacity as owners are recognized in the Statement of Changes in Equity.

The Company presents expenses classified by function in the Statement of Comprehensive Income. The Company believes that this method provides more useful information to the users of the financial statements since it reflects the form that the operations are executed from a business perspective. The format of the Statement of Financial Position is based on a current / non-current distinction.

**Bases for measurement**

The financial statements have been prepared based on historical cost, unless otherwise mentioned in the accounting policies detailed below. The historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received for selling an asset or that would be paid for transferring a liability in an orderly transaction between market participants at the measurement date. When the fair value of an asset or liability is measured, the Company uses observable market information to the extent possible. If the fair value of an asset or liability is not directly observable, the value is estimated by the Company (working closely with qualified external appraisers) using valuation techniques that maximize the use of data from observable inputs and minimize the use of data from unobservable entries. The input data used is consistent with the characteristics of the asset or liability that market participants took into consideration.

The Company measures some of its financial instruments such as cash, trade accounts receivable, accounts receivable from related parties, trade accounts payable and accounts payable to related parties at fair value on the date of the statement of financial position.
Reasonable values are categorized at different levels of a hierarchy.

The classification at the different levels will depend on the degree to which the input data are observable and the importance of these for the measurement of fair value in its entirety, as follows:

- **Level 1**
  Fair value measurements are those that are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- **Level 2**
  Fair value measurements are those that are derived from input data other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- **Level 3**
  Fair value measurements are those that are derived from technical valuations that include input data for the asset or liability that are not based on observable market information (unobservable input data).

Transfers between the different levels of the fair value hierarchy are recognized by the Company at the end of the reporting period in which the change occurred.
Likewise, Management analyzes the movements in the values of assets and liabilities that must be measured in accordance with the Company's accounting policies.

For purposes of fair value disclosures, the Company has determined the types of assets and liabilities based on their nature, characteristics and risks and the level of the fair value hierarchy, as explained above.

**Applications of new standards and amendments**
The IFRS issued and in force in Peru as of December 31, 2017 - The CNC, through Resolution Nº 001-2017-EF/30 issued on January 17, 2017, formalized the amendments to IFRS 4; through Resolution Nº 002-2017-EF/30 issued on April 27, 2017, it formalized the annual improvements to the IFRS standards 2014-2016, the IFRIC 22 and the amendments to IAS 40; through Resolution N° 003- 2017-EF/30 issued on August 25, 2017, it formalized the 2017 version of the International Financial Reporting Standards (NIC, IFRS, CINIIF, SIC), through Resolution Nº 004-2017-EF/30 issued on September 28, 2017, formalized IFRS 7, CINIIF 23 and through Resolution Nº 004-2017-EF/30 formalized the IAS 17 insurance contracts. The application of the versions is according to the entry into force stipulated in each specific standard, with the exception to IFRS 15 "Revenue from Ordinary Activities Resulting from Contracts with Customers", whose formalization was postponed to January 1, 2019, by means of Resolution Nº 005-2017 EF/30 issued on December 28, 2017.

For the preparation of these financial statements, the new standards or amendments detailed below are mandatory for the first time for the year beginning on January 1, 2017.

- *Amendments to IAS 7 "Disclosure Initiative (issued January 2016)" .-*
  The amendments, applicable to annual periods beginning on January 1, 2017, require entities to disclose information that allows users of financial statements to evaluate changes in liabilities produced by financing activities, including those derived from cash flows as well as those that do not imply cash flows. The amendments are not expected to have a material effect on the Company's financial statements.

- *Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses (issued in January 2016).-*
  The amendments in recognition of Deferred Tax Assets for unrealized losses clarify the recognition requirements of deferred tax assets for unrealized losses in debt instruments measured at fair value.

**Annual improvements**
The Annual Improvements are detailed below:
- *IFRS 1 First-time Adoption of International Financial Reporting Standards*
  *Elimination of short-term exemptions for entities that adopt IFRS for the first time*

- *IFRS 12 Disclosures about interests in Other Entities.*
  *Clarification of the scope of the standard.*

- IAS 28 Investments in Associates and Joint Ventures.
  Measurement at fair value of an associate or joint venture.

**New standards and amendments issued but not yet effective as of December 31, 2017**
The Company has not yet applied the following new standards or amendments that have been issued by the IASB but are not yet effective for the year beginning on January 1, 2016 (the list does not include information about new requirements or amendments that affect the interim financial presentation or first-time adopters of IFRS since they are not relevant to the Company).

The Management anticipates that the new standards and amendments will be adopted in the financial statements of the Company when they are effective. The Company has evaluated, to the extent possible, the potential effect of all these new standards or amendments that will be effective in future periods.

- *Clarifications to IFRS 15 Revenue from Ordinary Activities from Contracts with Customers (issued in April 2016).-*
  Amendments do not change the underlying principles of the standard.
  The amendments clarify how to:
  - Identify a performance obligation (the commitment to transfer a good or a service to a client) in a contract.
  - Determine if an entity is a main (the provider of a good or service) or an agent (responsible for arranging that the good or service be provided); and
  - Establish whether income from ordinary activities for the concession of an intellectual property license to an entity should be recognized at a certain time or over time.

- *Amendments to IFRS 2 Classification and Measurement of Operations with Payment Based on Shares (issued in June 2016).-*
  The modifications are required for the accounting of:
  - The effects of the conditions for irrevocability and conditions other than the irrevocability of the Concession on the measurement of a share-based payment that is settled in cash.
  - Transactions with payments based on shares with a net settlement characteristic due to tax obligations to be withheld.
  - A modification of the terms and conditions of a share-based payment that changes the classification of the transaction to be settled in cash or liquidated with equity instruments.

- *Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued in September 2016).-*
  The amendments introduce two optional approaches:

  - A temporary exemption - Entities whose activities are predominantly connected with insurance may choose to continue applying IAS 39 instead of IFRS 9.

  - An overlap approach - all entities that issue insurance contracts and apply IFRS 9 may elect to reclassify in other comprehensive income, the difference in the amounts recognized in profit or loss for eligible financial assets between applying IFRS 9 and applying IAS 39.

- *IFRS 9 Financial Instruments (issued in July 2014).-*
  This amendment will replace the IAS 39 (and all previous versions of IFRS 9) in effect for periods beginning on January 1, 2018. It contains requirements for the classification and measurement of financial assets and liabilities, impairment, hedge accounting and derecognition.
  - IFRS 9 requires that all financial assets be subsequently measured at amortized cost or fair value (in the result of the period or in other comprehensive income), depending on their classification by reference to the business model to which they belong and the contractual characteristics of their Cash Flow.
  - For financial liabilities, the most significant effects of IFRS 9 relate to the cases where the fair value option is taken: the amount of change in the fair value of a financial liability designated at fair value through the result of the period which is attributable to changes in credit risk if that liability was recognized in other comprehensive income (instead of the result of the period), unless this generates an accounting inconsistency.
  - For the impairment of financial assets, IFRS 9 introduces a "predicted credit loss" model based on the concept of anticipating expected losses at the beginning of the contract; it will no longer be necessary for there to be objective evidence of impairment before that credit loss is recognized.
  - For the accounting of hedges, IFRS 9 introduces a substantial revision that allows a better reflection in the financial statements of how the risk management activities are carried out to cover financial and non-financial risks.
  - The provisions for derecognition of accounts remain almost unchanged with respect to IAS 39.

- *Transfers of Investment Property (Amendments to IAS 40) (issued in December 2016).-*
  Clarifies when there is a transfer to or from Investment Properties.

- *IFRS 22 Transactions in Foreign Currency and Advance Considerations (issued in December 2016)*
  It addresses how to determine the date of the transaction for the purpose of establishing the exchange rate to be used in the initial recognition of the asset, expense or income (or the part thereof), in the derecognition of a non-monetary asset or non-monetary liability that arises from the payment or collection of the anticipated consideration in foreign currency

- *IFRS 23 Uncertainty regarding the Treatment of Income Tax (issued in June 2017).-*
  This Interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty regarding the treatment of income tax. In this circumstance, an entity will recognize and measure its asset or liability for deferred or current taxes by applying the requirements of IAS 12 on the basis of taxable profit (tax loss), tax bases, unused fiscal losses, unused tax credits and tax rates determined by applying this Interpretation.

- *IFRS 16 Leases (issued in January 2016).-*
  The new standard, in effect for annual periods beginning on January 1, 2019, replaces IAS 17 and its interpretations. The biggest change introduced is that almost all leases will be incorporated into the financial statements of lessees under a single model (except for leases for less than 12 months and leases of low-value assets), eliminating the distinction between operating leases and Finance leases. The lessor's accounting, however, remains largely unchanged and the distinction between operating and financial leases is retained. The Management of the Company anticipates that IFRS 16 will be adopted in the financial statements of the Company when it is mandatory and that the application of the new standard will have a significant effect on the amounts presented in the Company's leases. However, it is not feasible to provide a reasonable estimate of that effect until a detailed review has been completed.

  IFRS 17 Insurance contracts *(issued in May 2017).-*
  The new standard in effect for annual periods beginning on January 1, 2021 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts that are within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information provides a basis for users of financial statements to assess the effect that insurance contracts have on the financial position, financial performance and cash flows of the entity.

## 2.2 Transactions in foreign currency

**Functional currency and Presentation currency**

The functional currency for the preparation of the financial statements is the Peruvian Sol. Functional currency is understood as that currency of the main economic environment of the Company.

The currency for the presentation of the financial statements is the Canadian Dollar.

**Transactions and balances**

For the preparation of the financial statements:

i) Transactions in currencies other than the functional currency of the Company are recognized at the exchange rates that were in effect on the date of the transactions.

ii) The balances receivable and payable in foreign currency as of December 31, 2017 and 2016 are measured at the year-end exchange rate.

The exchange differences that arise in the conversion to the exchange rate recognized at the beginning of the transaction and at the exchange rate on the settlement date of the operation are recorded as financial income (cost) in the statement of comprehensive income.

**Presentation in Canadian Dollars**

The Company has converted its financial statements into Presentation Currency (Canadian Dollars) as follows:

As of December 31, 2017, the balances of monetary assets and liabilities have been converted to Canadian Dollars using the sales exchange rate published by the Superintendency of Banking, Insurance and Pension Funds effective as of that date of S/2.820, respectively, (S/2.672 as of December 31, 2016) for C$1.00.

Non-monetary assets and liabilities and equity accounts have been converted to Canadian dollars using the sales exchange rate published by the Superintendency of Banking, Insurance and Pension Funds effective as of that date of S/2.820, respectively, (S/2.672 as of December 31, 2016) for C$1.00.

The items in the statement of comprehensive income have been converted to Canadian dollars using the sales exchange rate published by the Superintendency of Banking, Insurance and Pension Funds effective as of that date of S/2.820, respectively, (S/2.672 as of December 31, 2016) for C$1.00.

In all cases, the converted value of the assets is not considered to exceed the market value.

### 2.3 Financial assets and liabilities

The financial assets and liabilities presented in the statement of financial position correspond to the items cash, accounts receivable and liabilities in general.

At the initial moment of recognition, financial assets are measured at fair value, plus costs directly related to the transaction. The Company determines the classification of financial assets upon initial recognition and, when permitted and appropriate, evaluates this designation at the end of each year.

Financial liabilities are recorded in full at amortized cost and are recognized when the Company is part of the instrument's contractual agreements.

Financial instruments (assets and liabilities) are offset when you have the legal right to compensate them and the Management intends to pay them on a net basis or to make the asset and pay the liability simultaneously.

A financial asset is written off when: (i) the rights to receive cash flows from the asset have expired, (ii) the Company retains the rights to receive the cash flows from the asset, but has assumed an obligation to pay them without a significant delay under a transfer agreement or (iii) the Company has transferred its rights to receive the cash flows from the asset and (a) it has transferred substantially all the risks and benefits of the asset or (b) the Company has not transferred or retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A liability is written off when the obligation related to the liability is paid or expires.

The Company evaluates on each date of the Statement of Financial Position whether there is objective evidence that a financial asset or a group of them is impaired. A financial asset or a group of financial assets deteriorate and generate losses only if there is objective evidence of impairment as a result of one or more events subsequent to the initial recognition of the asset and when said loss event has an impact on the projected cash flows estimated of the financial asset or a group of financial assets that can be estimated reliably.

### 2.4 Cash

It includes the cash of the Company in its possession and that deposited in commercial banks.

### 2.5 Properties, plant and equipment

The Properties, plant and equipment are recorded at cost minus the corresponding accumulated depreciation and any impairment of accumulated value when it occurs.

Properties, plant and equipment are recognized at the important component level.

The initial cost of the Properties, plant and equipment includes the purchase price, including non-refundable import duties and taxes and any directly attributable cost to locate and leave the asset in its location and conditions of use.

Expenses incurred after the Properties, plant and equipment have been put into operation, such as repairs and routine maintenance and reconditioning costs, are normally charged to the result of the period in which such expenses are incurred.
In the event that these maintenance disbursements are less frequent and meet the criteria for recognition as Properties, plant and equipment, they are capitalized as an additional cost of this asset.

The Properties, plant and equipment and any significant part is written off at the time of sale or when no future economic benefits are expected from its use or sale. Any profit or loss at the time of derecognition of the asset is included in the Statement of Comprehensive Income.

If it is observed that said assets have suffered a deterioration in value, its technical evaluation proceeds and any loss is recorded in the results of the year.

Depreciation is calculated using the straight-line method over the depreciable amount, which is determined based on the estimated useful life of the assets. The estimated useful lives are the following:

| | Lifespan in years | Depreciation rate |
|---|---:|---:|
| Miscellaneous equipment | 10 | 10% |

The residual amounts, useful life and methods of depreciation of the items of Properties, plant and equipment are reviewed and adjusted prospectively at each closing date of the year. Profits or losses arising from sales or withdrawals of assets are presented in the Statement of Comprehensive Income.

### 2.6 Intangible assets

Intangible assets are initially recorded at acquisition cost. An intangible asset is recognized as an asset if it is probable that the future attributable economic benefits that it generates will flow to the Company and its cost can be measured reliably and correspond mainly to the acquired concession and the mining exploration expenses, will be amortized over the execution period of the reserve.

### 2.7 Impairment of long-term assets

The Company will periodically review the carrying amounts of its assets, including intangible assets with an indefinite life, to determine whether there are indications that said assets have suffered an impairment loss. If there is any indication, the recoverable amount of the asset is evaluated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company will estimate the recoverable amount of the cash generating Unit to which the asset belongs. When a consistent and reasonable distribution base is identified, the common assets are also distributed to the cash generating units or, failing that, to the smallest group of cash generating units for which a consistent and reasonable distribution base is identified.

The recoverable amount is the higher value between the fair value minus the cost of selling it and the value in use. The value in use is the present value of future estimated cash flows that are expected to be obtained from an asset or cash generating unit.

If it is estimated that the recoverable amount of an asset is lower than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is immediately recognized as an expense, unless the corresponding asset has been revalued, in which case such losses are recognized first as a reduction of the revaluation surplus.

An impairment loss can be subsequently reversed and recorded as income in the period of recovery, up to the amount in which the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in previous years. This does not apply to the Goodwill.

### 2.8 Classification of assets and liabilities as current and non-current

Assets (excluding income tax assets) with planned realization or for sale or consumption purposes within twelve months from the date of the Statement of financial position are classified as current assets. Liabilities (excluding income tax liabilities) with estimated settlement within twelve months from the date of the Statement of financial position are classified as current. All other assets and liabilities (including deferred income tax) are classified as "non-current".

### 2.9 Provisions

Provisions are recognized when the Company has a present obligation (legal or implicit) as a result of a past event, it is probable that an outflow of resources incorporating economic benefits will be required to cancel the obligation and the amount of the obligation can be estimated.

The amount recognized as a provision is the best estimate of the amount required to settle the present obligation at the end of the presentation period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the estimated cash flows to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is significant).

When it is expected to recover from a third party, some of the economic benefits required to settle a provision, an account receivable is recognized as an asset when it is virtually certain that the refund will be received and the amount of the account receivable can be measured in a reliable manner.

The present obligations arising from onerous contracts are recognized and measured as provisions. It is considered that there is an onerous contract when the Company has a contract under which the unavoidable costs of complying with the obligations derived from the contract exceed the economic benefits that are expected to be received from it.

## 2.10 Employee benefits

**Annual vacation break**
The annual leave of the staff is provisioned against the results of the year as they are accruing. The estimated obligation for the annual leave of the staff is presented in the liabilities of the State of financial situation.

**Compensation for length of service**
The provision for the obligation to pay for compensation for length of service of the staff is constituted by the full indemnification rights in accordance with the effective legislation and the net obligation of the deposits made with a cancellation nature, is shown in the liabilities of the State of financial situation.

## 2.11 Recognition of income and expenses

**Expenses. -**
Expenses are recognized in the income statement when there is a decrease in future economic benefits, related to a decrease in assets or an increase in liabilities, which can be measured reliably.

**Financial income (costs). -**
They are recorded in profit or loss in the periods with which they are related and recognized when they accrue, regardless of when they are received or paid.

## 2.12 Income tax

The expense or income tax on earnings for the period corresponds to current and deferred tax, it is recognized in the income statement, and included in the determination of the profit or loss of the year, except if such tax is related to items recognized in other comprehensive income or directly in equity, in which case, income tax on current or deferred income is also recognized in other comprehensive income or directly in equity, respectively.
The current income tax is determined by applying the tax rate established in the current tax legislation on the taxable income for the year. Current income tax is recognized as an expense for the period.

Deferred income tax is recorded in its entirety applying the liability method over the temporary differences that arise between the tax regulations that affect the assets and liabilities and the carrying amount in the financial statements. However, the deferred income tax is not recorded if it arises from the initial recognition of an asset or liability in a transaction that does not affect the accounting or tax profit or loss. The deferred income tax is determined by applying the current tax rate at the date of the financial statements and is expected to be applicable when the deferred income tax assets are realized and / or the deferred income tax liabilities are settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be generated in the Company against which the temporary differences may be applied.

Deferred income tax assets and liabilities are offset when there is a legal right to offset current tax assets and liabilities and when deferred income tax assets and liabilities refer to income tax controlled by the tax authorities where there is an intention to offset the balances on a net basis.

### 2.13 Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements, but are disclosed in notes to the financial statements unless the possibility of an outflow of resources is remote.

Contingent assets are not recognized in the financial statements, but are disclosed in notes to the financial statements when the entry of economic benefits is probable.
Items previously treated as contingent liabilities or assets are recognized in the financial statements of the period in which the change in probability occurs; that is, when it is considered probable in the case of liabilities, or almost certain in the case of assets, that there will be an exit or entry of resources, respectively.

## 3. CASH

The Company maintains its current accounts in local financial entities in Peruvian Soles and in US Dollars, the funds are freely available and do not accrue interest.
The company keeps registered the amount of US $ 8,000 in its bank accounts, which is equivalent to C$9,186 for judicial deposit in Banco de la Nación in favor of the Company, for a trial carried out with the Quiulacocha Peasant Community.

## 4. OTHER ACCOUNTS RECEIVABLE

This item includes:

| | | 2017 | 2016 |
|---|---|---|---|
| | | C$ | C$ |
| Tax credit for General Sales Tax | (a) | 70,376 | 51,792 |
| Other accounts receivable | | 161,615 | 3,243 |
| **Total** | | **231,991** | **55,035** |

(a) In the opinion of the Management, the tax credit of the General Sales Tax will be fully compensated in the medium term.

## 5. INTANGIBLE ASSETS

This item includes:

| | 2017 | 2016 |
|---|---|---|
| | C$ | C$ |
| Quiulacocha Project mining rights (a) | 980,241 | 616,111 |
| Other intangibles | 641,435 | 18,817 |
| **Total** | **1,621,676** | **634,928** |

(a) Corresponds to the contract for the transfer of mining rights celebrated on April 22, 2004, with Mr. Víctor Freundt.

## 6. OTHER ACCOUNTS PAYABLE

This item includes:

| | | 2017 | 2016 |
|---|---|---|---|
| | | C$ | C$ |
| Taxes payable | | 1,626 | 22 |
| Employee benefits | | - | 1,403 |
| Headquarters | | 102,176 | 111,657 |
| Shareholders | (a) | 1,266,846 | 326,897 |
| Mining concession | (b) | 230,142 | 377,246 |
| Other accounts payable | (c) | 658,118 | 116,174 |
| **Total** | | **2,258,908** | **933,399** |

(a) Corresponds to the loans received from Manuel Rodríguez for the amount of C$65,514, H&G Sezc for the amount of C$150,395, Alpha Capital for the amount of C$670,102, Asameka Capital for the amount of C$107,542, Steven Zadka for the amount of C$57,535, Gordaldo Limited for the amount of C$172,606 and Torben Limited for the amount of C$43,152.

(b) Corresponds to the signing of the mining concession with Víctor Freundt.

(c) They correspond mainly to the loan received from Genius Properties Ltd. for the amount of C$596,376 and other minor accounts payable for the amount of C$61,742.

## 7. CAPITAL

As of December 31, 2017, the capital of the Company is represented by 50,000,000 common shares subscribed and paid whose nominal value is S/0.01 per share. As of December 31, 2017, it has 59 shareholders.

The Company, as of December 31, 2017, has made minor adjustments for the amount of C$66,272.

## 8. ADMINISTRATIVE EXPENSES

This item includes:

| | 2017 | 2016 |
|---|---:|---:|
| | C$ | C$ |
| Payments to the staff | - | 43,521 |
| Services provided by third parties | 268,578 | - |
| Taxes | - | 16 |
| Various management loads | 31,156 | 3,691 |
| **Total** | **299,734** | **47,228** |

## 9. TAX SITUATION

**Income tax**
The Income Tax rate for the year 2017 applicable to companies is 29.5%.

Additionally, the tax of 5% will be taxed by the company for any sum or delivery in kind that results in taxable income of the third category that represents an indirect disposition of income not susceptible of subsequent tax control, including amounts charged to expenses and undeclared income until December 31, 2017.

**Tax on dividends**
If the Company distributes all or part of its profits, it will apply an additional rate of 5% on the amount distributed; tax that is the responsibility of the shareholders, as long as they are natural persons or are legal entities not domiciled in the country.

**Revision by the Tax Administration**
The Tax Authority of the country has the power to audit and, if applicable, correct the tax on the corresponding earnings calculated by the Company during the four years after the year of the presentation of the sworn statement. The fiscal years 2013 to 2017 are pending inspection by the Tax Administration in Peru (SUNAT).

**General Sales Tax (IGV)**
The rate of the General Sales Tax (IGV) is 18%, which includes 2% for Municipal Promotion Tax.

**Transfer prices**
Transactions made by taxpayers that have related parties or those made from, to or through territories of low or no taxation whose income accrued in the taxable year exceeds two thousand three hundred (2,300) Tax Units (UIT) must present annually the informative affidavit Local Report, regarding the transactions that generate taxable income and / or deductible costs or expenses for the determination of the tax. Taxpayers who are part of a group whose income accrued in the taxable year exceeds twenty thousand (20,000) UIT must submit annually a sworn informative statement Master Report that contains the organizational structure, the description of the business or businesses and the pricing policies of transfer of intangible assets and financing of the group and its financial and fiscal position. Taxpayers who are part of a multinational group must present annually, the information affidavit Country Report by Country that contains, information related to the global distribution of income, taxes paid and business activities of each of the entities belonging to the group multinational that develop their activity in a specific country or territory.

**Tax loss**

In accordance with the provisions of the Income Tax Law and its amendments, the entities established in Peru that establish carryforward tax losses have the option to choose between one of the following two methods:

The tax loss may be used up to four years from the year following its generation.

The tax loss may be offset by future taxable profits from year to year until its final extinction, applying such loss up to 50 percent of its taxable income.

The Company is currently applying the "A" method for the compensation of its losses. The tax loss to offset future taxable profits amounts to S / 648,663.

The Management of the Company believes that, as a consequence of the application of these standards, no material contingencies will arise for the Company as of December 31, 2017. In any case, any assessment by the tax authorities would be recognized in the year happen

## 10. CONTINGENT LIABILITIES AND ASSETS

In the opinion of the Management of the Company and the Legal Advisors, there are no significant lawsuits or claims pending to be resolved or other contingencies against the Company as of December 31, 2017.

## 11. INFORMATION ON THE REASONABLE VALUE OF FINANCIAL INSTRUMENTS

As of September 30, 2017, the Company maintains financial instruments measured at fair value. The other financial instruments are carried at amortized cost and their estimated fair value for disclosure in this note, as well as the level in the fair value hierarchy, is described below:

**Level 1**

The financial assets included in this category are those that are measured based on quotes obtained from an active market. A financial instrument is considered as quoted in an active market if prices are easily and regularly available from a centralized trading mechanism, agent, broker, industry group, price providers or regulatory entities and such prices come regularly from transactions in the market.

For financial assets and liabilities that are liquid or have short-term maturities (less than three months), the carrying amount is considered to be similar to its fair value. This assumption is also applicable for term deposits, savings accounts without a specific maturity and variable rate financial instruments.

**Level 2**

The financial instruments included in the Level 2 category are measured based on market factors. This category includes instruments measured using market prices of similar instruments, whether in active markets or not, and other valuation techniques (models) in which all significant data are directly or indirectly observable in the market.

The fair value of financial assets and liabilities that are at a fixed rate and at amortized cost is determined by comparing the market interest rates at the time of initial recognition with the current market rates related to similar financial instruments.

**Level 3**
As of December 31, 2017, the Company does not maintain financial instruments in this category. The financial assets included in Level 3 are measured using a valuation technique (internal model), based on assumptions that are not supported by prices of observable transactions in the current market for the same instrument, or based on available market data.

Based on the above-described criteria, the Management of the Company estimates that there are no significant differences between the carrying amount and the fair value of the Company's financial instruments as of December 31, 2017.

The following are the amounts of the financial assets and liabilities of the Statement of Financial Position, classified by categories:

| | 2017 | | | |
|---|---|---|---|---|
| | Financial Assets | | Financial Liabilities | |
| | Level 1 | Level 2 | Level 2 | Total |
| | C$ | C$ | C$ | C$ |
| **Assets** | | | | |
| Cash | 35,320 | - | - | 35,320 |
| Other accounts receivable | - | 231,991 | - | 231,991 |
| **Total** | 35,320 | 231,991 | **-** | **267,311** |
| **Liabilities** | | | | |
| Trade accounts payable | | | 52,218 | 52,218 |
| Other accounts payable | - | - | 2,258,907 | 2,258,907 |
| **Total** | **-** | **-** | **2,311,125** | **2,311,125** |

## 12. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and capital risk. The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on its financial performance.

The Management, based on technical knowledge and experience, establishes policies to control market, credit, liquidity and capital risk.

**(a) Market risk**

(i) Interest rate risk
The Company's exposure to this risk is due to changes in interest rates on its financial assets and liabilities. The Company does not have significant assets or liabilities that accrue interest.

(ii) Exchange rate risk
Exchange rate risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of changes in the exchange rates of a foreign currency.

The Management of the Company monitors and analyzes the actions to be taken in the face of fluctuations in the exchange rate of the Peruvian currency against the US Dollar so that it does not significantly affect the results of its operations.

**(b) Credit risk**

Credit risk is the risk that one of the parties to a financial instrument causes a financial loss to the other by breaching an obligation. The financial assets of the Company potentially exposed to credit risk concentrations due to its operating activities correspond mainly to deposits in banks and financial institutions.

With regard to bank accounts, the Company maintains bank accounts in several leading financial institutions of recognized prestige in the local market, so they do not represent credit risk.

**(c) Liquidity risk**

Liquidity risk is the risk that an entity will find it difficult to meet obligations associated with financial liabilities at maturity at a reasonable cost.

The Company's policy is to ensure that it will always have enough cash to allow it to meet its obligations when due.

The following is a breakdown of the Company's financial liabilities classified considering the time remaining from the date of the Statement of financial position until maturity:

| | **2017** | | **2016** | |
|---|---|---|---|---|
| **Maturity** | **Trade Accounts Payable** | **Other Accounts Payable** | **Trade Accounts Payable** | **Other Accounts Payable** |
| | C$ | C$ | C$ | C$ |
| Less than 1 year | 52,218 | 1,626 | - | - |
| Older than 1 year | - | 2,257,281 | - | 933,399 |
| **Total** | 27,173 | 2,258,907 | - | 933,399 |

The Management of the Company controls the liquidity risks associated with the amounts included in each of the categories detailed above, by periodically evaluating the financial viability of the clients and adequately managing the maturities of the assets and liabilities in such a way that matches the income streams and future payments; as well as solving their working capital with cash flows from their operating activities.

## 13. FACTS OCCURRED AFTER THE PERIOD IN WHICH IT IS BEING INFORMED

Between December 31, 2017 and the date if issuance of these financial statements, no subsequent events have occurred that could have a significant effect on the figures presented, nor on the economic and financial situation of the Company.

## CERRO DE PASCO RESOURCES S.A.

**ESTADOS FINANCIEROS**
**31 de diciembre de 2016**

### Contenido



C$ = Dólar canadiense
US$ = Dólar estadounidense

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# DICTAMEN DE LOS AUDITORES INDEPENDIENTES

A los Accionistas
**CERRO DE PASCO RESOURCES S.A.**

**Opinión**
Hemos auditado los estados financieros adjuntos de **CERRO DE PASCO RESOURCES S.A.** (en etapa preoperativa), que comprenden el Estado de situación financiera al 31 de diciembre de 2016, el Estado del resultado integral, el Estado de cambios en el patrimonio y el Estado de flujos de efectivo por el año terminado en esa fecha y las notas a los estados financieros, incluyendo un resumen de políticas contables significativas.

En nuestra opinión, los estados financieros adjuntos presentan razonablemente, en todos sus aspectos significativos, la situación financiera de la Compañía al 31 de diciembre de 2016, su desempeño financiero y sus flujos de efectivo por el año terminado en esa fecha, de conformidad con las Normas internacionales de Información Financiera (NIIF).

**Bases para la Opinión**
Efectuamos nuestra auditoría de conformidad con las Normas Internacionales de Auditoría (NIA). Nuestra responsabilidad bajo estas normas está descrita más adelante, en la sección de nuestro Dictamen “Responsabilidades del Auditor en relación con la auditoría de los estados financieros”. Somos independientes de la Compañía de conformidad con el Código de ética para contadores profesionales (IESBA Code) conjuntamente con los requerimientos éticos que son relevantes para nuestra auditoría de los estados financieros en el Perú, y hemos cumplido nuestras otras responsabilidades éticas conforme a estos requerimientos y del código de IESBA. Consideramos que la evidencia de auditoría que hemos obtenido es suficiente y apropiada para proporcionar una base para nuestra opinión.

**Asuntos Claves de Auditoría**
Los Asuntos Claves de Auditoria son aquellos asuntos que, a nuestro juicio profesional, fueron los de mayor importancia en nuestra auditoría de los estados financieros del período corriente. Estos asuntos fueron abordados en el contexto de nuestra auditoría de los estados financieros tomados en su conjunto y en la formación de nuestra opinión al respecto, y no proporcionamos una opinión separada sobre estos asuntos.

Incertidumbre sobre el Negocio en marcha. -
La Compañía ha acumulado pérdidas que ascendieron a C$1,289,353 al 31 de diciembre de 2016 (C$1,262,062 al 31 de diciembre de 2015) las cuales superan el capital en C$233,004.
La Compañía de conformidad a la Ley General de Sociedades tiene un año para revertir esta situación mediante aportes de capital por parte de los accionistas.

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Los estados financieros de la Compañía al 31 de diciembre de 2016 han sido preparados asumiendo que ésta continuará bajo la hipótesis fundamental de Negocio en marcha, y no incluyen los ajustes y reclasificaciones que pudieran ser necesarios si ésta no pudiese operar normalmente.

**Responsabilidades de la Gerencia y los encargados del gobierno de la Compañía respecto a los estados financieros**

La Gerencia es la responsable de la preparación y presentación razonable de los estados financieros de acuerdo con Normas Internacionales de Información Financiera oficializadas por el Consejo Normativo de Contabilidad del Perú (CNC) y por el control interno que la Gerencia determine que es necesario para la preparación de los estados financieros que estén libres de inexactitudes importantes, debido a fraude o error.

En la preparación de los estados financieros, la Gerencia es responsable de evaluar la capacidad de la Compañía para continuar como Negocio en marcha, revelando cuando sea aplicable, asuntos relacionados con el Negocio en marcha y con el uso de la base contable del Negocio en marcha a menos que la Gerencia tenga la intención de liquidar la Compañía o cesar en sus actividades, o no tenga otra alternativa más realista que hacerlo.

Los encargados del gobierno de la Compañía son los responsables de supervisar el proceso de la información financiera de ella.

**Responsabilidades del Auditor en relación con la auditoría de los estados financieros**

Nuestros objetivos son obtener una seguridad razonable sobre si los estados financieros tomados en su conjunto están libres de inexactitudes significativas, debido a fraude o error y emitir un Dictamen de auditoría que incluya nuestra opinión. La seguridad razonable es un alto nivel de aseguramiento, pero no es una garantía de que una auditoría conducida de acuerdo con NIAs siempre detectará una inexactitud significativa existente.

Las inexactitudes pueden deberse a fraude o errores, pero se consideran significativas cuando individualmente o en conjunto, se puede esperar razonablemente que influyan en las decisiones económicas que los usuarios tomen basándose en los estados financieros.

Como parte de una auditoría de acuerdo con NIAs, aplicamos el juicio profesional y mantuvimos escepticismo profesional durante la auditoría. Asimismo:

- Identificamos y evaluamos los riesgos de inexactitudes significativos en los estados financieros, debido a fraude o error, diseñamos y realizamos procedimientos de auditoría sensibles a los riesgos y obtuvimos evidencia de auditoría en grado suficiente y apropiado para proporcionar una base para nuestra opinión. El riesgo de no detectar inexactitudes resultantes de fraude es mayor que uno resultante de error, ya que el fraude puede implicar colusión, falsificación, omisiones intencionales, tergiversaciones o la anulación del control interno.
- Obtuvimos una comprensión del control interno relevante para la auditoría con el fin de diseñar procedimientos de auditoria que sean apropiados en las circunstancias, pero no con el propósito de expresar una opinión sobre la efectividad del control interno de la Compañía.
- Evaluamos la corrección de las políticas contables utilizadas, la razonabilidad de las estimaciones contables y las correspondientes revelaciones hechas por la Gerencia.

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**Dictamen de los auditores independientes** (continuación)

- Concluimos sobre lo adecuado de utilizar por parte de la Gerencia, la base contable del Negocio en marcha y, basados en la evidencia de auditoría obtenida, concluimos sobre la existencia, o no, de una incertidumbre significativa relacionada con eventos o condiciones que pueden poner en duda significativa sobre la capacidad de la Compañía para continuar como negocio en marcha. Si concluimos que existe una incertidumbre significativa, estamos obligados a llamar la atención en el informe de la auditoría a las revelaciones relacionadas en los estados financieros o, si dichas divulgaciones son insuficientes, para modificar nuestra opinión. Nuestras conclusiones se basan en la evidencia de auditoria obtenida hasta la fecha del informe de auditoría. Sin embargo, eventos futuros o condiciones pueden causar que la Compañía deje de continuar como negocio en marcha.
- Evaluamos la presentación general, estructura y contenido de los estados financieros, incluyendo las revelaciones, y si los estados financieros representan las transacciones subyacentes y eventos de una manera que alcancen la presentación razonable.

Nos comunicamos con los encargados del gobierno de la Compañía respecto, entre otros asuntos, al alcance planificado y la oportunidad de la auditoria, así como los hallazgos importantes de auditoria, incluyendo cualquier deficiencia significativa de control interno que identificamos durante nuestra auditoría.

También proporcionamos a los encargados del gobierno de la Compañía, una declaración de haber cumplido con los requisitos éticos relevantes respecto a independencia, y les comunicamos todas las relaciones y otros asuntos que puede razonablemente pensarse que afecten nuestra independencia y cuando sea aplicable, las correspondientes salvaguardas.

De los asuntos que se comunicaron a los encargados del gobierno de la Compañía, determinamos los de mayor importancia en la auditoría de los estados financieros del período corriente y por lo tanto fueron incluidos como Asuntos Claves de auditoría. Estos asuntos se describieron en el Dictamen de auditoría, a menos que una ley o reglamento haya impedido su divulgación al respecto o cuando, en circunstancias extremadamente raras, determinemos que un asunto no debería comunicarse en nuestro Dictamen porque las consecuencias negativas de hacerlo superarían los beneficios de interés público que razonablemente se esperaría de dicha comunicación

Refrendado por: *Panez, Chacaliaza y Asociados Sociedad Civil de R.L.*

**Alberto Alcántara Bernaola** (Socio)
Contador Público Colegiado Certificado
Matrícula Nº 3380

Abril 28, 2017
Lima, Perú

## CERRO DE PASCO RESOURCES S.A.

### ESTADO DE SITUACIÓN FINANCIERA
**Al 31 de diciembre de 2016**

| | Notas | **2016** | **2015** |
|---|---|---|---|
| | | C$ | C$ |
| **ACTIVOS** | | | |
| **ACTIVOS CORRIENTES** | | | |
| Efectivo | 3 | 10,431 | 10,287 |
| Otras cuentas por cobrar | 4 | 55,035 | 54,096 |
| Total activos corrientes | | 65,466 | 64,383 |
| | | | |
| **ACTIVOS NO CORRIENTES** | | | |
| Otros activos intangibles | 5 | 634,928 | 637,672 |
| Total activos no corrientes | | 634,928 | 637,672 |
| **TOTAL ACTIVOS** | | 700,394 | 702,055 |
| | | | |
| **PASIVOS Y PATRIMONIO** | | | |
| **PASIVOS NO CORRIENTES** | | | |
| Otras cuentas por pagar | 6 | 933,399 | 902,604 |
| Total pasivos no corrientes | | 933,399 | 902,604 |
| **TOTAL PASIVOS** | | 933,399 | 902,604 |
| | | | |
| **PATRIMONIO** | | | |
| Capital | 7 | 196,135 | 197,094 |
| Prima de capital | | 860,213 | 864,419 |
| Resultados acumulados | | (1,289,353) | (1,262,062) |
| **TOTAL PATRIMONIO** | | (233,005) | (200,549) |
| **TOTAL PASIVOS Y PATRIMONIO** | | 700,394 | 702,055 |

Las notas que se adjuntan forman parte de los estados financieros.

## CERRO DE PASCO RESOURCES S.A.

## ESTADO DEL RESULTADO INTEGRAL

**Por el año terminado el 31 de diciembre de 2016**

| | Notas | **2016** | **2015** |
|---|---|---|---|
| | | C$ | C$ |
| **GASTOS DE OPERACIÓN** | | | |
| Gastos de administración | 8 | (47,228) | (139,197) |
| Total gastos de operación | | (47,228) | (139,197) |
| PÉRDIDA DE OPERACIÓN | | (47,228) | (139,197) |
| | | | |
| **OTROS INGRESOS (GASTOS)** | | | |
| Ingresos (gastos) financieros, neto | | 13,796 | (99,482) |
| Total otros ingresos (gastos) | | 13,796 | (99,482) |
| **PÉRDIDA DEL AÑO** | | **(33,432)** | **(238,679** |

Las notas que se adjuntan forman parte de los estados financieros.

## CERRO DE PASCO RESOURCES S.A.

### ESTADO DE CAMBIOS EN EL PATRIMONIO
**Por el año terminado el 31 de diciembre de 2016**

| | Notas | Capital | Prima de Capital | Resultados acumulados | Total |
|---|---|---|---|---|---|
| | | C$ | C$ | C$ | C$ |
| **Al 1 de enero de 2015** | | **209,196** | **846,624** | **(1,082,203)** | **(26,383)** |
| **Resultados integrales:** | | | | | |
| Pérdida del año | | - | - | (238,679) | (238,679) |
| Ajustes | | (19,275) | (78,008) | 58,820 | (38,463) |
| Resultado Integral total del año | | (19,275) | (78,008) | (179,859) | (277,142) |
| **Transacciones con propietarios:** | | | | | |
| Aumento de capital | | 7,173 | 95,803 | - | 102,976 |
| Total transacciones con propietarios | | 7,173 | 95,803 | - | 102,976 |
| Total del año 2015 | | (12,102) | 17,795 | (179,859) | (174,166) |
| **Al 31 de diciembre de 2015** | | **197,094** | **864,419** | **(1,262,062)** | **(200,549)** |
| **Resultados integrales:** | | | | | |
| Pérdida del año | | - | - | (33,432) | (33,432) |
| Ajustes | | (959) | (4,206) | 6,141 | 976 |
| Resultado Integral total del año | | (959) | (4,206) | (27,291) | (32,456) |
| Total del año 2016 | | (959) | (4,206) | (27,291) | (32,456) |
| **Al 31 de diciembre de 2016** | | **196,135** | **860,213** | **(1,289,353)** | **(233,005)** |

Las notas que se adjuntan forman parte de los estados financieros.

## CERRO DE PASCO RESOURCES S.A.

### ESTADO DE FLUJOS DE EFECTIVO
**Por el año terminado el 31 de diciembre de 2016**

| | Notas | 2016 | 2015 |
|---|---|---|---|
| | | C$ | C$ |
| **FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE OPERACIÓN** | | | |
| Pago a proveedores de bienes y servicios | | (3,333) | (110,108) |
| Pago de tributos | | 1,203 | (4,643) |
| **Efectivo neto utilizado en las actividades de operación** | | (2,130) | (114,751) |
| **FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE FINANCIAMIENTO** | | | |
| Prestamos | | 2,324 | 124,818 |
| **Efectivo neto proveniente de las actividades de financiamiento** | | 2,324 | 124,818 |
| **AUMENTO NETO DEL EFECTIVO EN EL AÑO** | | 194 | 10,067 |
| **EFECTIVO** | | | |
| **Al 1 de enero** | | 10,237 | 220 |
| **Al 31 de diciembre** | 3 | 10,431 | 10,287 |

Las notas que se adjuntan forman parte de los estados financieros.

## 1. IDENTIFICACIÓN Y ACTIVIDAD ECONÓMICA

### 1.1 Identificación

Cerro de Pasco Resources S.A. (en adelante la Compañía), se constituyó en el Perú, en la ciudad de Lima el 31 de octubre 2003. Su domicilio legal se encuentra ubicado en calle Bolívar 472 oficina 304, Miraflores, Lima, Perú.

La Junta General de Accionistas de fecha 10 de julio de 2012 aprobó el cambio de razón social y el tipo de la sociedad de la Compañía de Cory Gold Minning S.A.C al actual de Cerro de Pasco Resources S.A.

### 1.2 Actividad económica

La principal actividad de la Compañía es realizar tipo de actividades relacionadas a la minería. Al 31 de diciembre 2016 se encuentra en etapa preoperativa. Las actividades operativas se estiman iniciarla a medida que los proyectos alcancen el nivel de factibilidad económica y se cuente con el estudio de impacto ambiental aprobado por la autoridad competente. Durante el año solo se han efectuado labores administrativas en la concesión.

La Compañía cuenta con una concesión de relaves denominada El Metalurgista (Proyecto Quiulacocha) ubicad en el Distrito de Simón Bolívar, provincia de Cerro de Pasco en el departamento Pasco, Perú. Esta concesión tiene una extensión de 96 hectáreas.

### 1.3 Negocio en Marcha

Los estados financieros de la Compañía han sido preparados bajo la Hipótesis fundamental de Negocio en Marcha. Sin embargo, la Compañía presenta pérdidas acumuladas que exceden al capital social en los últimos años. La Ley General de Sociedades otorga un plazo de un año para revertir esta situación mediante el aporte de accionistas. De no hacerlo existe el riesgo que la Compañía pierda continuidad salvo que genere utilidades futuras que superen este déficit patrimonial.

### 1.4 Autorización de emisión de los estados financieros

Los estados financieros al 31 de diciembre de 2016 han sido autorizados para su emisión por la Gerencia y se encuentran pendientes de aprobación por la Junta General de Accionistas. En opinión de la Gerencia, los estados financieros adjuntos serán aprobados sin modificaciones en la Junta General Anual de Accionistas. Los estados financieros al 31 de diciembre de 2015 han sido autorizados para su emisión por la Gerencia los cuales están pendientes de aprobación por la Junta General de Accionistas.

## 2. PRINCIPALES POLÍTICAS CONTABLES

Las principales políticas contables adoptadas por la Compañía en la preparación y presentación de sus estados financieros se señalan a continuación:

### 2.1 Declaración de cumplimiento

Los estados financieros de la Compañía se preparan sobre una base de Negocio en marcha y de acuerdo con las Normas Internacionales de Información Financiera (en adelante "NIIF"). Las NIIF son aquellas emitidas por el International Accounting Standard Board (en adelante "IASB") y sus correspondientes Interpretaciones.

**Aplicación de nuevas normas y modificaciones**

Para la preparación de estos estados financieros, las nuevas normas o modificaciones que se detallan a continuación son obligatorias por primera vez para el año que comienza el 1 de enero de 2016 (la lista no incluye información acerca de los requerimientos nuevos o modificados que afectan el informe financiero intermedio o adoptantes por primera vez de IFRS – por ejemplo, la NIIF 14 Cuentas de Diferimientos de Actividades Reguladas (emitida en enero de 2014) – dado que no son relevantes para la Compañía.

- *Modificación a la NIC 1 Iniciativa de Revelación (emitida en diciembre de 2014).-*
  La modificación, aplicable para periodos anuales que comiencen a partir del 1 de enero de 2016, aclara los lineamientos sobre materialidad y agrupación de datos, la presentación de subtotales, la estructura de los estados financieros y la revelación de las políticas contables. La modificación no tuvo efecto significativo en los estados financieros de la Compañía.

- *Modificaciones a las NIC 16 y NIC 38 "Aclaración de los Métodos Aceptables de Depreciación y Amortización" (emitida en mayo de 2014).-*
  Las modificaciones, efectivas prospectivamente para periodos anuales que comiencen a partir del 1 de enero de 2016, añaden guías y aclaran que (i) el uso del método basado en ingresos para calcular la depreciación de un activo no es apropiado porque los ingresos generados por una actividad que incluye el uso de un activo generalmente refleja factores distintos al consumo de los beneficios económicos incorporados en el activo, y (ii) se presume generalmente que los ingresos son una base inapropiada para la medición del consumo de los beneficios económicos incorporados en un activo intangible; sin embargo, esta presunción puede ser refutada en ciertas circunstancias limitadas. Las modificaciones no tuvieron efecto en los estados financieros de la Compañía.

- *Modificaciones a las NIC 16 y NIC 41 "Agricultura: Plantas Productoras" (emitida en junio de 2014).-*
  Las modificaciones, aplicable a los periodos anuales que comiencen el 1 de enero de 2016, definen a las plantas productoras – es decir plantas vivas que son usadas únicamente para el cultivo de productos agrícolas en varios periodos y usualmente desechados al final de sus vidas productivas – y los incluye dentro del alcance de la NIC 16 mientras que los productos agrícolas de las plantas productoras permanecen dentro del alcance de la NIC 41. Como la Compañía no desarrolla actividad agrícola, esta modificación no tuvo efecto en los estados financieros de la Compañía.

- *Modificación a la NIC 19 (Ciclo de mejoras anuales a las NIIF 2012-2014, emitida en septiembre de 2014).-*
  La modificación, aplicable a los periodos anuales que comiencen el 1 de enero de 2016, aclara que, al determinar la tasa de descuento para las obligaciones de beneficios post-empleo, es la moneda en que los pasivos son denominados lo importante, y no el país en el que se originan. Por lo tanto, la evaluación de si hay un mercado profundo en bonos corporativos de alta calidad está basado en bonos corporativos en esa moneda (no bonos corporativos en un país en particular), y en ausencia de un mercado profundo de bonos corporativos de alta calidad en esa moneda, los bonos de gobierno en la moneda correspondiente deben ser usados. Esta modificación no tuvo efecto en los estados financieros de la Compañía.

- *Modificación a la NIC 27 Método de la Participación en Estados Financieros Separados (emitida en agosto de 2014).-*
  La modificación, aplicable a periodos anuales que comiencen el 1 de enero de 2016, reincorpora la opción del método de participación permitiendo a las entidades utilizar el método de la participación para contabilizar las inversiones en subsidiarias, negocios conjuntos y asociadas en sus estados financieros separados. Esta modificación no tuvo efecto en los estados financieros de la Compañía.

- *Modificación a la NIIF 5 (Ciclo de mejoras a las NIIF 2012-2014, emitida en septiembre de 2014).-*
  La modificación, aplicable prospectivamente a los periodos que comiencen el 1 de enero de 2016, añade guía específica cuando una entidad reclasifica un activo (o un grupo de activos para su disposición) de mantenido para la venta a mantenido para distribuir a los propietarios, o viceversa, y para los casos donde se discontinúa la contabilización de mantenido para la venta. Esta modificación no tuvo efecto en los estados financieros de la Compañía.

- *Modificación a la NIIF 7 (Ciclo anual de mejoras a las NIIF 2012-2014, emitida en septiembre de 2014).-*
  La modificación, aplicable a periodos anuales que comiencen el 1 de enero de 2016, proporciona lineamientos para aclarar si un contrato de servicio está implicado continuamente con un activo transferido. La modificación no tuvo efecto en los estados financieros de la Compañía.

- *Modificaciones a las NIIF 10, NIIF 12 y NIC 29 Entidades de Inversión: Aplicando la Excepción de Consolidación (emitida en diciembre de 2014).-*
  Las modificaciones, aplicables a periodos anuales que comiencen el 1 de enero de 2016, aclaran la aplicación de una excepción de consolidación para entidades de inversión y sus subsidiarias. Las modificaciones no tuvieron efecto en los estados financieros de la Compañía.

- *Modificación a la NIIF 11 Contabilización de Adquisiciones de Participación en Operaciones Conjuntas (emitida en mayo de 2014).-*
  La modificación, aplicable prospectivamente a periodos que comiencen el 1 de enero de 2016, requiere que un adquiriente de una participación en una operación conjunta en la cual la actividad constituye un negocio (como lo define la NIIF 3) aplique todos los principios contables y revelaciones para combinaciones según la NIIF 3 y otras NIIF, excepto para aquellos principios que entren en conflicto con los lineamientos de la NIIF 11. La modificación aplica tanto a la adquisición inicial de una participación en una operación conjunta, y a la adquisición de una participación adicional en una operación conjunta (en este último caso, las participaciones previamente mantenidas no son remedidas). Esta modificación no tuvo efecto en los estados financieros de la Compañía.

**Nuevas normas y modificaciones emitidas pero aún no vigentes**
La Compañía aún no ha aplicado las siguientes nuevas normas o modificaciones que han sido emitidas por el IASB pero aún no están vigentes para el año que comienza el 1 de enero de 2016 (la lista no incluye información acerca de nuevos requerimientos o modificaciones que afecten a la presentación financiera interina o adoptantes por primera vez de NIIF dado que no son relevantes para la Compañía).
La Gerencia anticipa que las nuevas normas y modificaciones serán adoptadas en los estados financieros de la Compañía cuando estén vigentes. La Compañía ha evaluado, hasta donde fue posible, el efecto potencial de todas estas nuevas normas o modificaciones que serán efectivas en periodos futuros.

- *Modificaciones a la NIC 7 Iniciativa de Revelación (emitida en enero de 2016).-*
  Las modificaciones, aplicables a periodos anuales que comiencen el 1 de enero de 2017, requieren que las entidades proporcionen información que permita a los usuarios de los estados financieros poder evaluar los cambios en los pasivos derivados de sus actividades financieras. No se espera que las modificaciones tengan un efecto significativo en los estados financieros de la Compañía.

- *Modificaciones a la NIC 12 Reconocimiento del Activo por Impuesto a las Ganancias Diferido por Pérdidas No Realizadas.-.*
  Las modificaciones, aplicables a periodos anuales que comiencen el 1 de enero de 2017, aclaran que la contabilización del activo por impuesto a las ganancias diferido relacionado con pérdidas no realizadas sobre instrumentos medidos a Valor Razonable, para abordar la diversidad en la práctica. No se espera que las modificaciones tengan un efecto significativo en los estados financieros de la Compañía.

- *Modificaciones a la NIIF 2 Clasificación y Medición de Operaciones con Pago Basado en Acciones (emitida en junio de 2016).-*
  Las modificaciones, aplicables a periodos anuales que comiencen el 1 de enero de 2018, aclaran los efectos de las condiciones de irrevocabilidad de los pagos basados en acciones (PBA) liquidados en efectivo, la contabilización de las transacciones de un PBA con una característica de liquidación neta de obligaciones por retención de impuestos y el efecto de una modificación de los términos y condiciones de un PBA que cambia la clasificación de la transacción de liquidado en efectivo a liquidado con instrumentos de patrimonio. No se espera que las modificaciones tengan un efecto significativo en los estados financieros de la Compañía.

- *Modificaciones a la NIIF 4 Aplicando la NIIF 9 Instrumentos Financieros con la NIIF 4 Contratos de Seguros (emitida en septiembre de 2016).-*
  Las modificaciones otorgan a todas las entidades que emiten contratos de seguros la opción de reconocer en otros resultados integrales, en lugar del resultado del periodo, la volatilidad que podría surgir cuando se aplique la NIIF 9 antes de implementar el reemplazo de la NIIF 4 Contratos de Seguro, que el Directorio del IASB se encuentra trabajando un borrador. Además, las entidades cuyas actividades están predominantemente relacionadas con seguros tienen una exención temporal opcional de aplicar la NIIF 9 (hasta 2021), continuando así la aplicación de la NIC 39. Dado que la Compañía no ha emitido contratos de seguros, no se espera que las modificaciones afecten a sus estados financieros.

- *NIIF 9 Instrumentos Financieros (emitida en julio de 2014).-*
  Esta modificación reemplazará a la NIC 39 (y todas las versiones previas de la NIIF 9) vigente para periodos que comiencen el 1 de enero de 2018. Contiene requerimientos para la clasificación y medición de los activos y pasivos financieros, deterioro, contabilidad de coberturas y baja en cuentas.
  - La NIIF 9 requiere que todos los activos financieros se midan posteriormente al costo amortizado o valor razonable (en el resultado del periodo o en otro resultado integral), dependiendo de su clasificación por referencia al modelo de negocio a que pertenecen y las características contractuales de su flujo de efectivo.
  - Para pasivos financieros, los efectos más significativos de la NIIF 9 se relaciona con los casos donde se toma la opción del valor razonable: el monto de cambio en el valor razonable de un pasivo financiero designado a valor razonable a través del resultado del periodo que es atribuible a cambios en el riesgo de crédito si ese pasivo fuera reconocido en otro resultado integral (en lugar del resultado del periodo), a menos que esto genere una incongruencia contable.
  - Para el deterioro de activos financieros, la NIIF 9 introduce un modelo de “pérdida de crédito prevista” basado en el concepto de prever de pérdidas esperadas al inicio del contrato; ya no será necesario que exista evidencia objetiva de deterioro antes de que esa pérdida crediticia se reconozca.
  - Para la contabilización de coberturas, la NIIF 9 introduce una revisión sustancial que permite reflejar de mejor manera en los estados financieros como se realizan las actividades de la administración de riesgos para cubrir riesgos financieros y no financieros.
  - Las provisiones por baja en cuentas se mantienen casi sin cambios con respecto a la NIC 39.

  La Gerencia de la Compañía anticipa que la NIIF 9 será adoptada en sus estados financieros cuando sea obligatoria y que la aplicación de esta nueva norma podría tener un efecto significativo en los importes presentados con respecto a los activos y pasivos financieros. Sin embargo, no es posible proporcionar un estimado razonable de ese efecto hasta que se haya completado una revisión detallada.

- *Modificaciones a la NIIF 10 y la NIC 28 Venta o Contribución de Activos entre un Inversor y su Asociada o Negocio Conjunto (emitida en septiembre de 2014).-*
  Las modificaciones tratan sobre un conflicto actual entre las dos normas y aclaran que la ganancia o pérdida debe ser reconocida completamente cuando la transacción involucra un negocio, y parcialmente si se trata de activos que no constituyen un negocio. La fecha de vigencia de las modificaciones, fijada inicialmente para los periodos anuales que comienzan el 1 de enero de 2016, ahora se aplazó indefinidamente pero su aplicación anticipada es aún permitida. No se espera que las modificaciones tengan un efecto significativo en los estados financieros de la Compañía.

- *NIIF 15 Ingresos de Contratos con Clientes (emitida en mayo de 2014 y modificada para aclaraciones en abril de 2016).-*
  La nueva norma, vigente para periodos anuales que comiencen 1 de enero de 2018, reemplaza a la NIC 11, la NIC 18 y sus interpretaciones. Establece un marco único e integral para el reconocimiento de ingresos que se aplicará consistentemente en las transacciones, las actividades económicas y los mercados de capitales, con un principio básico (basado en un modelo de cinco pasos a aplicarse en todos los contratos con clientes), revelaciones mejoradas y lineamientos nuevos o mejorados (por ejemplo, el momento en el cual se reconocen los ingresos, la contabilización para consideración variable, los costos de cumplimiento y obtención de un contrato, etc.). La Gerencia anticipa que la NIIF 15 será adoptada en los estados financieros de la Compañía cuando sea obligatoria y que la aplicación de la nueva norma pueda tener un efecto significativo en los importes presentados con respecto a los ingresos de la Compañía. Sin embargo, no es posible proporcionar una estimación razonable de ese efecto hasta que se haya completado una revisión detallada.

- *NIIF 16 Arrendamientos (emitida en enero de 2016).-*
  (i) La nueva norma, vigente para periodos anuales que comiencen el 1 de enero de 2019, sustituye a la NIC 17 y sus interpretaciones. El mayor cambio introducido es que casi todos los arrendamientos se incorporarán a los estados de situación financiera de los arrendatarios bajo un modelo único (excepto los arrendamientos inferiores a 12 meses y los arrendamientos de activos de bajo valor), eliminando la distinción entre arrendamientos operativos y arrendamientos financieros. La contabilidad del arrendador, sin embargo, permanece en gran parte sin cambios y se conserva la distinción entre arrendamientos operativos y financieros.

  La Gerencia anticipa que la NIIF 16 será adoptada en los estados financieros de la Compañía cuando sea obligatoria y que la aplicación de la nueva norma tendrá un efecto significativo en los importes presentados en los arrendamientos de la Compañía. Sin embargo, no es factible proporcionar una estimación razonable de ese efecto hasta que se haya completado una revisión detallada.

## 2.2 Transacciones en moneda extranjera

**Moneda funcional y Moneda de presentación**
La Moneda funcional para la preparación de los estados financieros es el Sol peruano. Se entiende por Moneda funcional aquella moneda del entorno económico principal de la Compañía.

La Moneda de presentación de los estados financieros es el Dólar Canadiense.

**Transacciones y saldos**
La Compañía ha preparado sus estados financieros en Dólares canadienses a partir de sus registros contables, llevados en Soles peruanos. Dichos estados financieros han sido convertidos a Dólares canadienses, siguiendo la metodología que se indica a continuación:

Al 31 de diciembre de 2016 los saldos de activos y pasivos monetarios han sido convertidos a Dólares canadienses utilizando el tipo de cambio venta publicada por la Superintendencia de Banca, Seguros y AFP vigente a esa fecha de S/.2.672, respectivamente, (S/.2.659 al 31 de diciembre de 2015) por C$1.00.

Los activos y pasivos no monetarios y las cuentas de patrimonio han sido convertidos a dólares canadienses utilizando el tipo de cambio venta publicada por la Superintendencia de Banca, Seguros y AFP vigente a esa fecha de S/.2.672, respectivamente, (S/2.659 al 31 de diciembre de 2015) por C$1.00.

Las partidas del estado del resultado integral han sido convertidas a dólares canadienses utilizando el tipo de cambio venta publicada por la Superintendencia de Banca, Seguros y AFP vigente a esa fecha de S/.2.672, respectivamente, (S/.2.659 al 31 de diciembre de 2015) por C$1.00.

### 2.3 Activos y pasivos financieros

Los activos y pasivos financieros presentados en el Estado de situación financiera corresponden a los rubros efectivo, cuentas por cobrar y las obligaciones financieras.

En el momento inicial de su reconocimiento, los activos financieros son medidos a su valor razonable, más los costos directamente relacionados con la transacción. La Compañía determina la clasificación de los activos financieros al momento de su reconocimiento inicial y, cuando es permitido y apropiado, evalúa esta designación al final de cada año.

Los pasivos financieros se registran en su totalidad al costo amortizado y se reconocen cuando la Compañía es parte de los acuerdos contractuales del instrumento.
Los instrumentos financieros (activos y pasivos) se compensan cuando se tiene el derecho legal de compensarlos y la Gerencia tiene la intención de cancelarlos sobre una base neta o de realizar el activo y cancelar el pasivo simultáneamente.

Un activo financiero es dado de baja cuando: (i) han expirado los derechos para recibir flujos de efectivo provenientes del activo, (ii) la Compañía retiene los derechos para recibir los flujos de efectivo provenientes del activo, pero ha asumido una obligación para pagarlos sin un retraso significativo bajo un acuerdo de transferencia o (iii) la Compañía ha transferido sus derechos para recibir los flujos de efectivo provenientes del activo y (a) ha transferido sustancialmente todos los riesgos y beneficios del activo o (b) la Compañía no ha transferido ni retenido sustancialmente todos los riesgos y recompensas del activo, pero ha transferido el control del activo.

Un pasivo es dado de baja cuando la obligación relacionada con el pasivo es pagada o expira.

La Compañía evalúa en cada fecha del Estado de situación financiera si existe evidencia objetiva de que un activo financiero o un grupo de ellos están deteriorados. Un activo financiero o un grupo de activos financieros se deterioran y generan pérdidas solo si hay evidencias objetivas de deterioro como resultado de uno o más eventos posteriores al reconocimiento inicial del activo y cuando dicho evento de pérdida tiene un impacto sobre los flujos de efectivo proyectados estimados del activo financiero o un grupo de activos financieros que pueda ser estimado de manera fiable

### 2.4 Efectivo

Incluye el efectivo de la Compañía en su poder y el depositado en bancos comerciales.

### 2.5 Cuentas por cobrar comerciales

Las cuentas por cobrar comerciales se contabilizan al valor nominal y se presentan netas de cualquier estimación de deterioro de valor. La Gerencia de la Compañía evalúa la exactitud del deterioro basándose en la identificación específica de las cuentas por cobrar incobrables y carga el deterioro de valor a los gastos del periodo en que se requiera.

La estimación de las cuentas de cobranza dudosa surge cuando habiéndose realizado las acciones de cobranza, existe un nivel de certeza de que los esfuerzos de cobranza no serán exitosos y, como resultado de esto, será necesario iniciar acciones legales.
Esta estimación se basa en la probabilidad de cobranza de cada deudor considerando la antigüedad de la deuda, el juicio de la Gerencia y el record crediticio del cliente.

La recuperación posterior de montos previamente ajustados es usada contra las cuentas de estimaciones de deterioro. Los cambios en el importe en libros de la cuenta de estimación de las cuentas de cobranza dudosa se reconocen en el Estado del resultado integral.

### 2.6 Inventarios

Los inventarios se miden al costo promedio ponderado o a su valor neto realizable, el menor. El Valor neto realizable es el precio de venta en el curso normal del negocio, menos los costos para poner los inventarios en condición de venta y los gastos de comercialización y distribución

### 2.7 Otros activos intangibles

Los activos intangibles se registran inicialmente al costo de adquisición. Un intangible se reconoce como activo si es probable que los beneficios económicos futuros atribuibles que genere fluirán a la Compañía y su costo pueda ser medido confiablemente y corresponden principalmente a la concesión adquirida y los gastos de exploración minera, serán amortizados en el plazo de ejecución de la reserva.

### 2.8 Deterioro de activos de larga duración

La Compañía revisará periódicamente los importes en libros de sus activos, incluyendo los activos intangibles con vida indefinida, para determinar si existen indicios de que dichos activos hayan sufrido una pérdida por deterioro de valor. Si existe algún indicio, el importe recuperable del activo se evalúa con el objeto de determinar el alcance de la pérdida por deterioro de valor. Cuando no sea posible estimar el importe recuperable de un activo individual, la Compañía estimará el importe recuperable de la Unidad generadora de efectivo a la que pertenece el activo. Cuando se identifica una base consistente y razonable de distribución, los activos comunes son también distribuidos a las Unidades generadoras de efectivo o, en su defecto, al grupo más pequeño de Unidades generadoras de efectivo para el cual se identifica una base consistente y razonable de distribución.

El Importe recuperable es el mayor valor entre el Valor razonable menos el costo de venderlo y el Valor en uso. El Valor en uso es el valor presente de los futuros flujos de efectivo estimados que se esperan obtener de un activo o Unidad generadora de efectivo.

Si se estima que el Importe recuperable de un activo es inferior a su Importe en libros, el Importe en libros del activo se reduce a su Importe recuperable. Inmediatamente se reconoce una pérdida por deterioro de valor como gasto, a menos de que el activo correspondiente haya estado revaluado, en cuyo caso tales pérdidas son reconocidas primeramente como una reducción del superávit de revaluación.

Una pérdida por deterioro de valor se puede revertir posteriormente y registrarse como ingresos en el periodo de la recuperación, hasta el monto en que el importe en libros incrementado no supere el Importe en libros que se habría determinado de no haberse reconocido ninguna pérdida por deterioro de valor para el activo en años anteriores. Esto no aplica para el Goodwill.

## 2.9 Clasificación de activos y pasivos como corrientes y no corrientes

Los activos (excluyendo los activos por impuesto a las ganancias) con realización prevista o con propósitos de venta o consumo dentro de los doce meses a partir de la fecha del Estado de situación financiera se clasifican como activos corrientes. Los pasivos (excluyendo los pasivos por impuesto a las ganancias) con liquidación estimada dentro de los doce meses a partir de la fecha del Estado de situación financiera se clasifican como corrientes. Todos los otros activos y pasivos (incluyendo el impuesto a las ganancias diferido) se clasifican como "no corrientes”.

## 2.10 Provisiones

Las provisiones se reconocen cuando la Compañía tiene una obligación presente (legal o implícita) como resultado de un evento pasado, es probable que se requiera una salida de recursos que incorporen beneficios económicos para cancelar la obligación y se puede estimar el monto de la obligación.

El importe reconocido como una provisión es la mejor estimación del importe requerido para cancelar la obligación presente al final del periodo de presentación, teniendo en cuenta los riesgos y las incertidumbres que rodean a la obligación. Cuando una provisión se mide utilizando los flujos de efectivo estimado para cancelar la obligación presente, su importe en libros es el valor presente de esos flujos de efectivo (cuando el efecto del valor temporal del dinero es significativo).

Cuando se espera recuperar de un tercero, algunos de los beneficios económicos requeridos para liquidar una provisión, se reconoce una cuenta por cobrar como un activo cuando es virtualmente cierto que se recibirá el reembolso y el monto de la cuenta por cobrar se puede medir de forma fiable.

Las obligaciones presentes derivadas de contratos onerosos se reconocen y miden como provisiones. Se considera que existe un contrato oneroso cuando la Compañía tiene un contrato en virtud del cual los costos inevitables de cumplir con las obligaciones derivadas del contrato exceden los beneficios económicos que se esperan recibir del mismo.

## 2.11 Beneficios de empleados

### Descanso vacacional anual

Las vacaciones anuales del personal se provisionan contra los resultados del año en la medida que se van devengando. La obligación estimada por las vacaciones anuales del personal se presenta en el pasivo del Estado de situación financiera.

### Compensación por tiempo de servicios

La provisión por la obligación para compensación por tiempo de servicios del personal se constituye por el íntegro de los derechos indemnizatorios de acuerdo con la legislación vigente y la obligación neta de los depósitos efectuados con carácter cancelatorio, se muestra en el pasivo del Estado de situación financiera.

### 2.12 Reconocimiento de ingresos y gastos

**Gastos. -**

Los gastos se reconocen en el Estado de resultados cuando surge una disminución de beneficios económicos futuros, relacionados con un decremento en los activos o un incremento en los pasivos, pudiendo medirse con fiabilidad.

**Ingresos (costos) financieros. -**

Se registran en el resultado del ejercicio en los períodos con los cuales se relacionan y se reconocen cuando se devengan, independientemente del momento en que se perciben o paguen.

### 2.13 Impuesto a las ganancias

El Gasto o Ingreso por impuesto a las ganancias del período corresponde, tanto al impuesto corriente como diferido, es reconocido en el Estado de resultados, e incluido en la determinación de la ganancia o pérdida del año, excepto si tal impuesto se relaciona con partidas reconocidas en Otros resultados integrales o directamente en el Patrimonio, en cuyo caso, el impuesto a las ganancias sobre la renta corriente o diferido es también reconocido en Otros resultados integrales o directamente en el Patrimonio, respectivamente.

El Impuesto a las ganancias corriente se determina aplicando la tasa de impuesto establecida en la legislación fiscal vigente sobre la renta imponible del ejercicio. El Impuesto a las ganancias corriente se reconoce como gasto del periodo.

El Impuesto a las ganancias diferido es registrado en su totalidad aplicando el método de pasivo sobre las diferencias temporarias que surgen entre las normas tributarias que afectan los activos y pasivos y el importe en libros en los estados financieros. Sin embargo, el impuesto a las ganancias diferido no se registra si surge del reconocimiento inicial de un activo o pasivo en una transacción que no afecte la utilidad o pérdida contable o tributaria. El Impuesto a las ganancias diferido se determina aplicando la tasa impositiva vigente, a la fecha de los estados financieros y se espera que sean aplicables cuando los activos por impuesto a las ganancias diferido se realicen y/o los pasivos por impuesto a las ganancias diferido se liquiden.

Los activos por impuesto a las ganancias diferido se reconocen en la medida que sea probable que se generen utilidades gravables futuras en la Compañía contra las cuales se puedan aplicar las diferencias temporarias.

Los activos y pasivos por impuesto a las ganancias diferido se compensan cuando hay un derecho legal para compensar los activos y pasivos tributarios corrientes y cuando los activos y pasivos por impuesto a las ganancias diferido se refieren al impuesto a las ganancias controladas por las autoridades tributarias donde hay la intención de compensar los saldos sobre una base neta.

### 2.14 Pasivos y activos contingentes

Los pasivos contingentes no se reconocen en los estados financieros, pero se revelan en notas a los estados financieros a menos que la posibilidad de una salida de recursos sea remota.

Los activos contingentes no se reconocen en los estados financieros, pero se revelan en notas a los estados financieros cuando es probable la entrada de beneficios económicos.
Los elementos tratados previamente como pasivos o activos contingentes se reconocen en los estados financieros del periodo en que se produce el cambio en la probabilidad; es decir, cuando se considere probable en el caso de los pasivos, o prácticamente seguro en el caso de los activos, que se producirá una salida o entrada de recursos, respectivamente.

## 3. EFECTIVO

La Compañía mantiene sus cuentas corrientes en entidades financieras locales en Soles peruanos y en Dólares estadounidenses, los fondos son de libre disponibilidad y no devengan intereses.
La compañía mantiene registrado en sus cuentas bancarias el importe de US$8,000 equivalente a C$10,036 por concepto de depósito judicial en el Banco de la Nación a favor de la Compañía, por un juicio llevado con la Campesina de Quiulacocha.

## 4. OTRAS CUENTAS POR COBRAR

Este rubro comprende:

| | | 2016 | 2015 |
|---|---|---|---|
| | | C$ | C$ |
| Crédito fiscal por Impuesto General a las Ventas | (a) | 51,792 | 51,459 |
| Otras cuentas por cobrar diversas | | 3,243 | 2,636 |
| **Total** | | **55,035** | **54,095** |

(a) En opinión de la Gerencia, el crédito fiscal del Impuesto General a las Ventas será compensado íntegramente en el mediano plazo.

## 5. OTROS ACTIVOS INTANGIBLES

Este rubro comprende:

| | 2016 | 2015 |
|---|---|---|
| | C$ | C$ |
| Derechos mineros de proyecto Quiulacocha (a) | 616,111 | 623,377 |
| Otros intangibles | 18,817 | 14,295 |
| **Total** | **634,928** | **637,672** |

(a) Corresponde al contrato de transferencia de derechos mineros celebrado el 22 de abril de 2004, con el señor Víctor Freundt

## 6. OTRAS CUENTAS POR PAGAR

Este rubro comprende:

| | | 2016 | 2015 |
|---|---|---|---|
| | | C$ | C$ |
| Tributos por pagar | | 22 | - |
| Beneficios a empleados | | 1,403 | 1,409 |
| Matriz | (a) | 111,657 | 113,973 |
| Accionistas | (b) | 11,089 | 11,319 |
| Concesión minera | (c) | 377,246 | 535,632 |
| Otras cuentas por pagar | (d) | 431,982 | 240,270 |
| **Total** | | **933,399** | **902,603** |

(a) Corresponde al préstamo de Cerro Verde Resources Ltd., por US$88,794, por el 2016 y 2015

(b) Corresponde al préstamo por US$8,818 obtenido de Redwood Int. Service, Kevin J Ernst, Gordaldo Ltdo. y Steven Zadka por el ejercicio 2016 y 2015

(c) Corresponde a la firma de la concesión minera con Víctor Freundt pendiente por pagar por US$300,000. (al 31 de diciembre 2015 US$417,300)

(d) Corresponden principalmente al préstamo recibido de Alpha Capital por un importe de C$140,863 equivalente a US$112,000; servicios de contabilidad por pagar a Legalia S.A. por C$110,125 equivalentes a US$87,576 y H & G SEZC por un importe de C$164,351 equivalente a US$130,698 y otros por C$2,331.

## 7. CAPITAL

Al 31 de diciembre de 2016, el capital de la Compañía está representado por 50,500,000 acciones comunes suscritas y pagadas cuyo valor nominal es de S/0.01 por acción. Al 31 de diciembre 2016 posee 66 accionistas.

La estructura de la participación accionaria es como sigue:

| Porcentaje de participación individual en el capital | Numero de accionistas | Porcentaje total de participación |
|---|---|---|
| De 0.01 al 10.00 | 64 | 55.59 |
| De 10.01 al 20.00 | 2 | 44.41 |
| | **66** | **100.00** |

En Junta General de Accionistas de fecha 27 de febrero de 2015 se acordó la capitalización de acreencias por un valor de C$204,268, de los cuales C$7,173 corresponden al valor nominal de acciones a emitirse y C$ 7,173 a la prima de capital. El acuerdo de aumento de capital se encuentra pendiente su inscripción en registros públicos.

## 8. GASTOS DE ADMINISTRACIÓN

Este rubro comprende:

| | 2016 | 2015 |
|---|---|---|
| | C$ | C$ |
| Servicios prestados por terceros | 43,521 | 72,094 |
| Tributos | 16 | 15 |
| Cargas diversas de gestión | 3,691 | 67,088 |
| **Total** | **47,228** | **139,197** |

## 9. SITUACIÓN TRIBUTARIA

La tasa del Impuesto a la Renta por el ejercicio 2016 aplicable a las Compañías es de 28%. A partir del año 2017, la tasa será del 29.5%.

Si la Compañía distribuye total o parcialmente sus utilidades, aplicará una tasa adicional del 6.8% sobre el monto distribuido; impuesto que es de cargo de los accionistas, en tanto sean personas naturales o sean personas jurídicas no domiciliadas en el país. A partir del 1 de enero del 2017 la tasa será 5%.

Adicionalmente, se gravará con la tasa del 4.1% a cargo de la Compañía por toda suma o entrega en especie que resulte renta gravable de la tercera categoría que represente una disposición indirecta de renta no susceptible de posterior control tributario, incluyendo sumas cargadas a gastos e ingresos no declarados. A partir de 2017, la tasa del impuesto será de 5%.

Las declaraciones juradas del Impuesto a la Renta 2012 al 2016, están pendientes de revisión por parte de la Superintendencia Nacional de Aduanas y de Administración Tributaria (SUNAT). En caso de recibirse acotaciones fiscales, los mayores impuestos, recargos, reajustes, sanciones e intereses moratorios que pudieran surgir, según corresponda, serían aplicados contra los resultados de los años en que se produzcan las liquidaciones definitivas.

La tasa del Impuesto General a las Ventas (IGV) es de 18%, que incluye el 2% por Impuesto de Promoción Municipal.

Para la determinación del Impuesto a la Renta e Impuesto General a las Ventas en operaciones entre vinculados y con Compañías residentes en países o territorios de baja o nula imposición se debe aplicar las reglas de precios de transferencia. Estas normas obligan a contar con la documentación, información y el Estudio de Precios de Transferencia. Asimismo, deberá cumplirse con presentar la Declaración Jurada y el Estudio de Precios de Transferencia de acuerdo con las normas vigentes.

De acuerdo con lo establecido por la Ley del Impuesto a la Renta y sus modificatorias, las entidades establecidas en el Perú que establezcan pérdidas tributarias arrastrables tienen la facultad de optar el arrastre entre uno de los dos métodos siguiente:

A. La pérdida tributaria podrá ser utilizada hasta cuatro años a partir del ejercicio siguiente al de su generación.

B. La pérdida tributaria se podrá compensar con utilidades gravables futuras año a año hasta su extinción final, aplicando dicha pérdida hasta el 50 % de su utilidad gravable.

La Compañía ha escogido el método "A" para la compensación de su pérdida. La pérdida tributaria acumulada para compensar utilidades gravables futuras asciende a C$865,522.

La Gerencia opina que, como consecuencia de la aplicación de estas normas, no surgirán contingencias de importancia para la Compañía al 31 de diciembre de 2016. En todo caso, cualquier acotación al respecto por las autoridades tributarias se reconocería en el ejercicio que ocurra.

Información adicional: Calculo de la determinación del Impuesto a la Renta 2016

| | |
|---|---:|
| Pérdida contable | (33,432) |
| Adiciones | 41,138 |
| Deducciones | - |
| Utilidad tributaria | 7,706 |
| Pérdidas netas de años anteriores | (865,522) |
| Saldos de pérdidas no compensadas | **(857,816)** |

## 10. CONTINGENCIAS

En opinión de la Gerencia de la Compañía y de los Asesores Legales no existen juicios ni demandas importantes pendientes de resolver u otras contingencias en contra de la Compañía al 31 de diciembre de 2016.

## 11. INFORMACIÓN SOBRE EL VALOR RAZONABLE DE LOS INSTRUMENTOS FINANCIEROS

Al 31 de diciembre de 2016 y 2015, la Compañía mantiene instrumentos financieros medidos al valor razonable. Los otros instrumentos financieros se llevan al costo amortizado y su valor razonable estimado para divulgarlo en esta nota, así como el nivel en la jerarquía de valor razonable se describe a continuación:

**Nivel 1**
Los activos financieros incluidos en esta categoría, son aquellos que se miden sobre la base de cotizaciones obtenidas de un mercado activo. Un instrumento financiero se considera como cotizado en un mercado activo si los precios son fácil y regularmente disponibles de un mecanismo centralizado de negociación, agente, corredor, grupo de industria, proveedores de precios o entidades regulatorias y dichos precios provienen regularmente de transacciones en el mercado.

Para los activos y pasivos financieros que son líquidos o tienen vencimientos a corto plazo (menor a tres meses), se considera que el valor en libros es similar a su valor razonable. Este supuesto también es aplicable para los depósitos a plazo, cuentas de ahorro sin un vencimiento específico e instrumentos financieros a tasa variable.

**Nivel 2**
Los instrumentos financieros incluidos en la categoría de Nivel 2 son medidos en base a factores de mercado. Esta categoría incluye instrumentos medidos utilizando precios de mercado de instrumentos similares, ya sea de mercados activos o no, y otras técnicas de valuación (modelos) en donde todos los datos significativos son directa o indirectamente observables en el mercado.

El Valor razonable de los activos y pasivos financieros que se encuentran a tasa fija y a costo amortizado, se determina comparando las tasas de interés del mercado en el momento de su reconocimiento inicial con las tasas de mercado actuales relacionadas con instrumentos financieros similares.

**Nivel 3**
Al 31 de diciembre de 2016 y 2015, la Compañía no mantiene instrumentos financieros en esta categoría. Los activos financieros incluidos en el Nivel 3 son medidos utilizando una técnica de valoración (modelo interno), basado en supuestos que no son soportados por precios de transacciones observables en el mercado actual para el mismo instrumento, ni basado en datos de mercado disponibles.
Sobre la base de los criterios descritos anteriormente, la Gerencia de la Compañía estima que no existen diferencias importantes entre el Importe en libros y el Valor razonable de los instrumentos financieros de la Compañía al 31 de diciembre de 2016 y 2015.

Los siguientes son los importes de los activos y pasivos financieros del Estado de situación financiera, clasificados por categorías:

| | **2016** | | | |
|---|---|---|---|---|
| | **Activos financieros** | | **Pasivos financieros** | |
| | **Nivel 1** | **Nivel 2** | **Nivel 2** | **Total** |
| | C$ | C$ | C$ | C$ |
| **Activos** | | | | |
| Efectivo | 10,431 | - | - | 10,431 |
| Otras cuentas por cobrar | - | 55,035 | - | 55,035 |
| **Total** | 10,431 | 55,035 | **-** | **65,466** |
| | | | | |
| **Pasivos** | | | | |
| Otras cuentas por pagar | - | - | 933,399 | 933,399 |
| **Total** | **-** | | **933,399** | **933,399** |

## 12. ADMINISTRACIÓN DE RIESGOS FINANCIEROS

Las actividades de la Compañía la exponen a una variedad de riesgos financieros: riesgo de mercado, riesgo de crédito, riesgo de liquidez y riesgo de capital. El programa de administración de riesgos de la Compañía se centra en lo impredecible de los mercados financieros y trata de minimizar los potenciales efectos adversos en su performance financiera.

La Gerencia sobre la base de un conocimiento técnico y de su experiencia, establece políticas para el control del riesgo de mercado, crediticio, liquidez y de capital.

### (a) Riesgo de mercado

(i) Riesgo de tasa de interés
La exposición de la Compañía a este riesgo se da por cambios en las tasas de interés en sus activos y pasivos financieros. La Compañía no tiene activos ni pasivos significativos que devenguen intereses.

(ii) Riesgo de tasa de cambio
El riesgo de tasa de cambio es el riesgo de que el valor razonable o los flujos de efectivo futuro de un instrumento financiero puedan fluctuar como consecuencia de variaciones en las tasas de cambio de una moneda extranjera.

La Gerencia monitorea y analiza las acciones a tomar ante las fluctuaciones en el tipo de cambio de la moneda peruana frente al Dólar estadounidense de manera que no afecte significativamente los resultados de sus operaciones.

**(b) Riesgo de crédito**

El riesgo de crédito es el riesgo que una de las partes de un instrumento financiero cause una pérdida financiera a la otra por incumplir con una obligación. Los activos financieros de la Compañía potencialmente expuestos a concentraciones de riesgo de crédito por sus actividades operativas corresponden principalmente a los depósitos en bancos e instituciones financieras.

Con relación a las cuentas bancarias, la Compañía, mantiene cuentas bancarias en diversas entidades financieras de primer orden y de reconocido prestigio en el mercado local, por lo que no representan riesgo crediticio.

**(c) Riesgo de liquidez**

El riesgo de liquidez es el riesgo de que una entidad encuentre dificultades en cumplir obligaciones asociadas con pasivos financieros a su vencimiento a un costo razonable.

La política de la Compañía es asegurarse que siempre tendrá suficiente efectivo que le permita cumplir sus obligaciones a su vencimiento.

A continuación se presenta un detalle de los pasivos financieros de la Compañía clasificados considerando el tiempo que resta desde la fecha del Estado de situación financiera hasta su vencimiento:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| **Vencimientos** | **Cuentas por pagar comerciales** | **Otras cuentas por pagar** | **Cuentas por pagar comerciales** | **Otras cuentas por pagar** |
| | C$ | C$ | C$ | C$ |
| Menos de 1 año | - | - | - | - |
| Mayores a 1 año | - | 933,399 | - | 902,603 |
| **Total** | - | 933,399 | - | 902,603 |

La Gerencia de la Compañía controla los riesgos de liquidez asociados con los importes incluidos en cada una de las categorías detalladas anteriormente, mediante la evaluación periódica de la viabilidad financiera de los clientes y una adecuada gestión de los vencimientos de los activos y pasivos de tal forma que logre el calce entre los flujos de ingresos y pagos futuros; así como también solventar su capital de trabajo con los flujos de efectivo provenientes de sus actividades de operación.

## 13. HECHOS OCURRIDOS DESPUÉS DEL PERIODO EN QUE SE INFORMA

Entre el 31 de diciembre de 2016 y la fecha de emisión de los presentes estados financieros, no han ocurrido hechos posteriores que pudieran tener un efecto significativo en las cifras presentadas, ni en la situación económica y financiera de la Compañía.

## CERRO DE PASCO RESOURCES S.A.

## ESTADOS FINANCIEROS
**31 de diciembre de 2015**

**Contenido**



C$ = Dólar canadiense
US$ = Dólar estadounidense

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# DICTAMEN DE LOS AUDITORES INDEPENDIENTES

A los Accionistas
**CERRO DE PASCO RESOURCES S.A.**

**Opinión**
Hemos auditado los estados financieros adjuntos de **CERRO DE PASCO RESOURCES S.A.** (en etapa preoperativa), que comprenden el Estado de situación financiera al 31 de diciembre de 2015, el Estado del resultado integral, el Estado de cambios en el patrimonio y el Estado de flujos de efectivo por el año terminado en esa fecha y las notas a los estados financieros, incluyendo un resumen de políticas contables significativas.

En nuestra opinión, los estados financieros adjuntos presentan razonablemente, en todos sus aspectos significativos, la situación financiera de la Compañía al 31 de diciembre de 2015, su desempeño financiero y sus flujos de efectivo por el año terminado en esa fecha, de conformidad con las Normas internacionales de Información Financiera (NIIF).

**Bases para la Opinión**
Efectuamos nuestra auditoría de conformidad con las Normas Internacionales de Auditoría (NIA). Nuestra responsabilidad bajo estas normas está descrita más adelante, en la sección de nuestro Dictamen “Responsabilidades del Auditor en relación con la auditoría de los estados financieros”. Somos independientes de la Compañía de conformidad con el Código de ética para contadores profesionales (IESBA Code) conjuntamente con los requerimientos éticos que son relevantes para nuestra auditoría de los estados financieros en el Perú, y hemos cumplido nuestras otras responsabilidades éticas conforme a estos requerimientos y del código de IESBA. Consideramos que la evidencia de auditoría que hemos obtenido es suficiente y apropiada para proporcionar una base para nuestra opinión.

**Asuntos Claves de Auditoría**
Los Asuntos Claves de Auditoria son aquellos asuntos que, a nuestro juicio profesional, fueron los de mayor importancia en nuestra auditoría de los estados financieros del período corriente. Estos asuntos fueron abordados en el contexto de nuestra auditoría de los estados financieros tomados en su conjunto y en la formación de nuestra opinión al respecto, y no proporcionamos una opinión separada sobre estos asuntos.

Incertidumbre sobre el Negocio en marcha. -
La Compañía ha acumulado pérdidas que ascendieron a C$1,262,062 al 31 de diciembre de 2015 (C$1,082,203 al 31 de diciembre de 2014) las cuales superan el capital en C$200,549.
La Compañía de conformidad a la Ley General de Sociedades tiene un año para revertir esta situación mediante aportes de capital por parte de los accionistas.

Los estados financieros de la Compañía al 31 de diciembre de 2015 han sido preparados asumiendo que ésta continuará bajo la hipótesis fundamental de Negocio en marcha, y no incluyen los ajustes y reclasificaciones que pudieran ser necesarios si ésta no pudiese operar normalmente

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**Responsabilidades de la Gerencia y los encargados del gobierno de la Compañía respecto a los estados financieros**
La Gerencia es la responsable de la preparación y presentación razonable de los estados financieros de acuerdo con Normas Internacionales de Información Financiera oficializadas por el Consejo Normativo de Contabilidad del Perú (CNC) y por el control interno que la Gerencia determine que es necesario para la preparación de los estados financieros que estén libres de inexactitudes importantes, debido a fraude o error.

En la preparación de los estados financieros, la Gerencia es responsable de evaluar la capacidad de la Compañía para continuar como Negocio en marcha, revelando cuando sea aplicable, asuntos relacionados con el Negocio en marcha y con el uso de la base contable del Negocio en marcha a menos que la Gerencia tenga la intención de liquidar la Compañía o cesar en sus actividades, o no tenga otra alternativa más realista que hacerlo.
Los encargados del gobierno de la Compañía son los responsables de supervisar el proceso de la información financiera de ella.

**Responsabilidades del Auditor en relación con la auditoría de los estados financieros**
Nuestros objetivos son obtener una seguridad razonable sobre si los estados financieros tomados en su conjunto están libres de inexactitudes significativas, debido a fraude o error y emitir un Dictamen de auditoría que incluya nuestra opinión. La seguridad razonable es un alto nivel de aseguramiento, pero no es una garantía de que una auditoría conducida de acuerdo con NIAs siempre detectará una inexactitud significativa existente.

Las inexactitudes pueden deberse a fraude o errores, pero se consideran significativas cuando individualmente o en conjunto, se puede esperar razonablemente que influyan en las decisiones económicas que los usuarios tomen basándose en los estados financieros.
Como parte de una auditoría de acuerdo con NIAs, aplicamos el juicio profesional y mantuvimos escepticismo profesional durante la auditoría. Asimismo:

- Identificamos y evaluamos los riesgos de inexactitudes significativos en los estados financieros, debido a fraude o error, diseñamos y realizamos procedimientos de auditoría sensibles a los riesgos y obtuvimos evidencia de auditoría en grado suficiente y apropiado para proporcionar una base para nuestra opinión. El riesgo de no detectar inexactitudes resultantes de fraude es mayor que uno resultante de error, ya que el fraude puede implicar colusión, falsificación, omisiones intencionales, tergiversaciones o la anulación del control interno.
- Obtuvimos una comprensión del control interno relevante para la auditoría con el fin de diseñar procedimientos de auditoria que sean apropiados en las circunstancias, pero no con el propósito de expresar una opinión sobre la efectividad del control interno de la Compañía.
- Evaluamos la corrección de las políticas contables utilizadas, la razonabilidad de las estimaciones contables y las correspondientes revelaciones hechas por la Gerencia.

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**Dictamen de los auditores independientes** (a continuación)

- Concluimos sobre lo adecuado de utilizar por parte de la Gerencia, la base contable del Negocio en marcha y, basados en la evidencia de auditoría obtenida, concluimos sobre la existencia, o no, de una incertidumbre significativa relacionada con eventos o condiciones que pueden poner en duda significativa sobre la capacidad de la Compañía para continuar como negocio en marcha. Si concluimos que existe una incertidumbre significativa, estamos obligados a llamar la atención en el informe de la auditoría a las revelaciones relacionadas en los estados financieros o, si dichas divulgaciones son insuficientes, para modificar nuestra opinión. Nuestras conclusiones se basan en la evidencia de auditoria obtenida hasta la fecha del informe de auditoría. Sin embargo, eventos futuros o condiciones pueden causar que la Compañía deje de continuar como negocio en marcha.
- Evaluamos la presentación general, estructura y contenido de los estados financieros, incluyendo las revelaciones, y si los estados financieros representan las transacciones subyacentes y eventos de una manera que alcancen la presentación razonable.

Nos comunicamos con los encargados del gobierno de la Compañía respecto, entre otros asuntos, al alcance planificado y la oportunidad de la auditoria, así como los hallazgos importantes de auditoria, incluyendo cualquier deficiencia significativa de control interno que identificamos durante nuestra auditoría.

También proporcionamos a los encargados del gobierno de la Compañía, una declaración de haber cumplido con los requisitos éticos relevantes respecto a independencia, y les comunicamos todas las relaciones y otros asuntos que puede razonablemente pensarse que afecten nuestra independencia y cuando sea aplicable, las correspondientes salvaguardas.

De los asuntos que se comunicaron a los encargados del gobierno de la Compañía, determinamos los de mayor importancia en la auditoría de los estados financieros del período corriente y por lo tanto fueron incluidos como Asuntos Claves de auditoría. Estos asuntos se describieron en el Dictamen de auditoría, a menos que una ley o reglamento haya impedido su divulgación al respecto o cuando, en circunstancias extremadamente raras, determinemos que un asunto no debería comunicarse en nuestro Dictamen porque las consecuencias negativas de hacerlo superarían los beneficios de interés público que razonablemente se esperaría de dicha comunicación

**Otros asuntos**

Los estados financieros al 31 de diciembre de 2014 no fueron examinados por auditores independientes y solo se presentan para fines comparativos.

Refrendado por: *Panez, Chacaliaza y Asociados Sociedad Civil de R.L.*

**Alberto Alcántara Bernaola** (Socio)
Contador Público Colegiado Certificado
Matrícula Nº 3380

Abril 25, 2017
Lima, Perú

## CERRO DE PASCO RESOURCES S.A.

### ESTADO DE SITUACIÓN FINANCIERA
**Al 31 de diciembre de 2015**

| | Notas | 2015 | 2014 |
|---|---|---|---|
| | | C$ | C$ |
| **ACTIVOS** | | | |
| **ACTIVOS CORRIENTES** | | | |
| Efectivo | 3 | 10,287 | 242 |
| Otras cuentas por cobrar | 4 | 54,096 | 256,027 |
| Inventarios | | - | 3,970 |
| Total activos corrientes | | 64,383 | 260,239 |
| **ACTIVOS NO CORRIENTES** | | | |
| Propiedades, planta y equipo | | - | 976 |
| Otros activos intangibles | 5 | 637,672 | 768,947 |
| Total activos no corrientes | | 637,672 | 769,923 |
| **TOTAL ACTIVOS** | | **702,055** | **1,030,162** |
| | | | |
| **PASIVOS Y PATRIMONIO** | | | |
| **PASIVOS CORRIENTES** | | | |
| Sobregiro bancario | | - | 176,066 |
| Cuentas por pagar comerciales | | - | 23,755 |
| Total pasivos corrientes | | - | 199,821 |
| **PASIVOS NO CORRIENTES** | | | |
| Otras cuentas por pagar | 6 | 902,604 | 856,724 |
| Total pasivos no corrientes | | 902,604 | 856,724 |
| **TOTAL PASIVOS** | | 902,604 | 1,056,545 |
| **PATRIMONIO** | | | |
| Capital | 7 | 197,094 | 209,196 |
| Prima de capital | | 864,419 | 846,624 |
| Resultados acumulados | | (1,262,062) | (1,082,203) |
| **TOTAL PATRIMONIO** | | (200,549) | (26,383) |
| **TOTAL PASIVOS Y PATRIMONIO** | | **702,055** | **1,030,162** |

Las notas que se adjuntan forman parte de los estados financieros

## CERRO DE PASCO RESOURCES S.A.

### ESTADO DEL RESULTADO INTEGRAL
**Por el año terminado el 31 de diciembre de 2015**

| | Notas | 2015 | 2014 |
|---|---|---|---|
| | | C$ | C$ |
| **GASTOS DE OPERACIÓN** | | | |
| Gastos de administración | 8 | (139,197) | (57,743) |
| Total gastos de operación | | (139,197) | (57,743) |
| PÉRDIDA DE OPERACIÓN | | (139,197) | (57,743) |
| **OTROS INGRESOS (GASTOS)** | | | |
| Gastos financieros | | (99,482) | (52,161) |
| Total otros ingresos (gastos) | | (99,482) | (52,161) |
| **PÉRDIDA DEL AÑO** | | **(238,679)** | **(109,904)** |

Las notas que se adjuntan forman parte de los estados financieros

## CERRO DE PASCO RESOURCES S.A.

### ESTADO DE CAMBIOS EN EL PATRIMONIO
**Por el año terminado el 31 de diciembre de 2015**

| | Notas | Capital | Prima de Capital | Resultados acumulados | Total |
|---|---|---|---|---|---|
| | | C$ | C$ | C$ | C$ |
| **Al 1 de enero de 2014** | | **209,196** | **846,624** | **(947,333)** | **108,487** |
| **Resultados integrales:** | | | | | |
| Pérdida del año | | - | - | (109,904) | (109,904) |
| Ajustes | | - | - | (24,966) | (24,966) |
| Resultado Integral total del año | | - | - | (134,870) | (134,870) |
| **Al 31 de diciembre de 2014** | | **209,196** | **846,624** | **(1,082,203)** | **(26,383)** |
| **Resultados integrales:** | | | | | |
| Pérdida del año | | - | - | (238,679) | (238,679) |
| Ajustes | | (19,275) | (78,008) | 58,820 | (38,463) |
| Resultado Integral total del año | | (19,275) | (78,008) | (179,859) | (277,142) |
| **Transacciones con propietarios:** | | | | | |
| Aumento de capital | | 7,173 | 95,803 | - | 102,976 |
| Total transacciones con propietarios | | 7,173 | 95,803 | - | 102,976 |
| Total del año 2015 | | (12,102) | 17,795 | (179,859) | (174,166) |
| **Al 31 de diciembre de 2015** | | **197,094** | **864,419** | **(1,262,062)** | **(200,549)** |

Las notas que se adjuntan forman parte de los estados financieros

## CERRO DE PASCO RESOURCES S.A.

## ESTADO DE FLUJOS DE EFECTIVO

**Por el año terminado el 31 de diciembre de 2015**

| | Notas | 2015 | 2014 |
|---|---|---|---|
| | | C$ | C$ |
| **FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE OPERACIÓN** | | | |
| Pago a proveedores de bienes y servicios | | (110,108) | (192,985) |
| Pago de tributos | | (4,643) | (1,830) |
| **Efectivo neto utilizado en las actividades de operación** | | (114,751) | (194,815) |
| **FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE FINANCIAMIENTO** | | | |
| Préstamos | | 124,818 | 180,884 |
| **Efectivo neto proveniente de las actividades de financiamiento** | | 124,818 | 180,884 |
| **AUMENTO NETO DEL EFECTIVO EN EL AÑO** | | **10,067** | **(13,931)** |
| **EFECTIVO** | | | |
| **Al 1 de enero** | | 220 | 14,173 |
| **Al 31 de diciembre** | 3 | **10,287** | **242** |

Las notas que se adjuntan forman parte de los estados financieros

## 1. IDENTIFICACIÓN Y ACTIVIDAD ECONÓMICA

### 1.1 Identificación

Cerro de Pasco Resources S.A. (en adelante la Compañía), se constituyó en el Perú, en la ciudad de Lima el 31 de octubre 2003. Su domicilio legal se encuentra ubicado en calle Bolívar 472 oficina 304, Miraflores, Lima, Perú.

La Junta General de Accionistas de fecha 10 de julio de 2012 aprobó el cambio de razón social y el tipo de la sociedad de la Compañía de Cory Gold Minning S.A.C al actual de Cerro de Pasco Resources S.A.

### 1.2 Actividad económica

La principal actividad de la Compañía es realizar todo tipo de actividades relacionadas a la minería. Al 31 de diciembre 2015 se encuentra en etapa preoperativa. Las actividades operativas se estiman iniciarlas a medida que los proyectos alcancen el nivel de factibilidad económica y se cuente con el estudio de impacto ambiental aprobado por la autoridad competente. Durante el año solo se han efectuado labores administrativas en la concesión.

La compañía cuenta con una concesión de relaves denominada El Metalurgista (Proyecto Quiulacocha) ubicado en el Distrito de Simón Bolívar, provincia de Cerro de Pasco en el departamento Pasco, Perú. Esta concesión tiene una extensión de 96 hectáreas.

### 1.3 Negocio en Marcha

Los estados financieros de la Compañía han sido preparados bajo la Hipótesis fundamental de Negocio en Marcha. Sin embargo, la Compañía presenta pérdidas acumuladas que exceden al capital social en los últimos años. La Ley General de Sociedades otorga un plazo de un año para revertir esta situación mediante el aporte de accionistas. De no hacerlo existe el riesgo que la Compañía pierda continuidad salvo que genere utilidades futuras que superen este déficit patrimonial.

### 1.4 Autorización de emisión de los estados financieros

Los estados financieros al 31 de diciembre de 2015 han sido autorizados para su emisión por la Gerencia y se encuentran pendientes de aprobación por la Junta General de Accionistas. En opinión de la Gerencia, los estados financieros adjuntos serán aprobados sin modificaciones en la Junta General de Accionistas. Los estados financieros al 31 de diciembre de 2014 han sido autorizados para su emisión por la Gerencia con fecha 27 de abril 2015, los cuales están pendientes de formalización en los libros de Junta General de Accionistas.

## 2. PRINCIPALES POLÍTICAS CONTABLES

Las principales políticas contables adoptadas por la Compañía en la preparación y presentación de sus estados financieros se señalan a continuación:

### 2.1 Declaración de cumplimiento

Los estados financieros de la Compañía se preparan sobre una base de Negocio en marcha y de acuerdo con las Normas Internacionales de Información Financiera (en adelante "NIIF"). Las NIIF son aquellas emitidas por el International Accounting Standard Board (en adelante "IASB") y sus correspondientes Interpretaciones.

**Aplicación de nuevas normas y modificaciones**

Para la preparación de estos estados financieros, las nuevas normas o modificaciones que se detallan a continuación son obligatorias por primera vez para el año que comienza el 1 de enero de 2016 (la lista no incluye información acerca de los requerimientos nuevos o modificados que afectan el informe financiero intermedio o adoptantes por primera vez de IFRS – por ejemplo, la NIIF 14 Cuentas de Diferimientos de Actividades Reguladas (emitida en enero de 2014) – dado que no son relevantes para la Compañía.

- *Modificación a la NIC 1 Iniciativa de Revelación (emitida en diciembre de 2014).-*
  La modificación, aplicable para periodos anuales que comiencen a partir del 1 de enero de 2016, aclara los lineamientos sobre materialidad y agrupación de datos, la presentación de subtotales, la estructura de los estados financieros y la revelación de las políticas contables. La modificación no tuvo efecto significativo en los estados financieros de la Compañía.

- *Modificaciones a las NIC 16 y NIC 38 "Aclaración de los Métodos Aceptables de Depreciación y Amortización" (emitida en mayo de 2014).-*
  Las modificaciones, efectivas prospectivamente para periodos anuales que comiencen a partir del 1 de enero de 2016, añaden guías y aclaran que (i) el uso del método basado en ingresos para calcular la depreciación de un activo no es apropiado porque los ingresos generados por una actividad que incluye el uso de un activo generalmente refleja factores distintos al consumo de los beneficios económicos incorporados en el activo, y (ii) se presume generalmente que los ingresos son una base inapropiada para la medición del consumo de los beneficios económicos incorporados en un activo intangible; sin embargo, esta presunción puede ser refutada en ciertas circunstancias limitadas. Las modificaciones no tuvieron efecto en los estados financieros de la Compañía.

- *Modificaciones a las NIC 16 y NIC 41 "Agricultura: Plantas Productoras" (emitida en junio de 2014).-*
  Las modificaciones, aplicable a los periodos anuales que comiencen el 1 de enero de 2016, definen a las plantas productoras – es decir plantas vivas que son usadas únicamente para el cultivo de productos agrícolas en varios periodos y usualmente desechados al final de sus vidas productivas – y los incluye dentro del alcance de la NIC 16 mientras que los productos agrícolas de las plantas productoras permanecen dentro del alcance de la NIC 41. Como la Compañía no desarrolla actividad agrícola, esta modificación no tuvo efecto en los estados financieros de la Compañía.

- *Modificación a la NIC 19 (Ciclo de mejoras anuales a las NIIF 2012-2014, emitida en septiembre de 2014).-*
  La modificación, aplicable a los periodos anuales que comiencen el 1 de enero de 2016, aclara que, al determinar la tasa de descuento para las obligaciones de beneficios post-empleo, es la moneda en que los pasivos son denominados lo importante, y no el país en el que se originan. Por lo tanto, la evaluación de si hay un mercado profundo en bonos corporativos de alta calidad está basado en bonos corporativos en esa moneda (no bonos corporativos en un país en particular), y en ausencia de un mercado profundo de bonos corporativos de alta calidad en esa moneda, los bonos de gobierno en la moneda correspondiente deben ser usados. Esta modificación no tuvo efecto en los estados financieros de la Compañía.

- *Modificación a la NIC 27 Método de la Participación en Estados Financieros Separados (emitida en agosto de 2014).-*
  La modificación, aplicable a periodos anuales que comiencen el 1 de enero de 2016, reincorpora la opción del método de participación permitiendo a las entidades utilizar el método de la participación para contabilizar las inversiones en subsidiarias, negocios conjuntos y asociadas en sus estados financieros separados. Esta modificación no tuvo efecto en los estados financieros de la Compañía.

- *Modificación a la NIIF 5 (Ciclo de mejoras a las NIIF 2012-2014, emitida en septiembre de 2014).-*
  La modificación, aplicable prospectivamente a los periodos que comiencen el 1 de enero de 2016, añade guía específica cuando una entidad reclasifica un activo (o un grupo de activos para su disposición) de mantenido para la venta a mantenido para distribuir a los propietarios, o viceversa, y para los casos donde se discontinúa la contabilización de mantenido para la venta. Esta modificación no tuvo efecto en los estados financieros de la Compañía.

- *Modificación a la NIIF 7 (Ciclo anual de mejoras a las NIIF 2012-2014, emitida en septiembre de 2014).-*
  La modificación, aplicable a periodos anuales que comiencen el 1 de enero de 2016, proporciona lineamientos para aclarar si un contrato de servicio está implicado continuamente con un activo transferido. La modificación no tuvo efecto en los estados financieros de la Compañía.

- *Modificaciones a las NIIF 10, NIIF 12 y NIC 29 Entidades de Inversión: Aplicando la Excepción de Consolidación (emitida en diciembre de 2014).-*
  Las modificaciones, aplicables a periodos anuales que comiencen el 1 de enero de 2016, aclaran la aplicación de una excepción de consolidación para entidades de inversión y sus subsidiarias. Las modificaciones no tuvieron efecto en los estados financieros de la Compañía.

- *Modificación a la NIIF 11 Contabilización de Adquisiciones de Participación en Operaciones Conjuntas (emitida en mayo de 2014).-*
  La modificación, aplicable prospectivamente a periodos que comiencen el 1 de enero de 2016, requiere que un adquiriente de una participación en una operación conjunta en la cual la actividad constituye un negocio (como lo define la NIIF 3) aplique todos los principios contables y revelaciones para combinaciones según la NIIF 3 y otras NIIF, excepto para aquellos principios que entren en conflicto con los lineamientos de la NIIF 11. La modificación aplica tanto a la adquisición inicial de una participación en una operación conjunta, y a la adquisición de una participación adicional en una operación conjunta (en este último caso, las participaciones previamente mantenidas no son remedidas). Esta modificación no tuvo efecto en los estados financieros de la Compañía.

**Nuevas normas y modificaciones emitidas, pero aún no vigentes**

La Compañía aún no ha aplicado las siguientes normas nuevas, revisadas o modificadas que han sido emitidas por el IASB pero que aún no son vigentes en el año financiero que empieza el 1 de enero de 2015. La Gerencia anticipa que las nuevas normas, modificaciones e interpretaciones serán adoptadas en los estados financieros de la Compañía cuando estén vigentes. La Compañía ha evaluado, en los casos aplicables, el impacto potencial de todas estas nuevas normas, enmiendas e interpretaciones que serán vigentes en periodos futuros.

- *Modificaciones a la NIC 1 "Presentación de estados Financieros" emitida en diciembre de 2014.-*
  Las modificaciones, aplicables para periodos anuales que comiencen a partir del 1 de enero de 2016, aclaran los lineamientos sobre materialidad y agrupación de datos, la presentación de subtotales, la estructura de estados financieros y la revelación de políticas contables. No se espera que las modificaciones tengan un efecto significativo en los estados financieros de la Compañía. Se permite la adopción anticipada de esta NIC.

- *Modificaciones a la NIC 16 y la NIC 38 (Mejoras anuales a las NIIF 2010 – 2012), emitidas en mayo de 2014.-*
  Las modificaciones añaden guías y aclaran que (i) el uso de un método proporcional a los ingresos para calcular la depreciación de un activo no es apropiada porque los ingresos generados por una actividad que incluyen el uso de un activo generalmente refleja factores diferentes al consumo de los beneficios económicos expresados en el activo, y (ii) se supone que los ingresos son generalmente una base inapropiada para medir el consumo de beneficios económicos expresados en un activo intangible; sin embargo, esta presunción se puede refutar en ciertas circunstancias. Entran en vigencia de manera prospectiva desde los periodos anuales que empiezan a partir del 1 de enero del 2016. La Gerencia no anticipa ningún efecto en los estados financieros de la Compañía.

- *Modificaciones a la NIC 16 "Propiedades, Planta y Equipo" y la NIC 41 "Agricultura", emitida en junio de 2014.-*
  Las modificaciones, aplicables para periodos anuales que comiencen a partir del 1 de enero de 2016, define a una Planta productora – como plantas vivas que son usados únicamente al cultivo de Productos agrícolas en varios periodos y usualmente desechados al final de sus vidas productivas (por ejemplo, viñedos, árboles de caucho, palmas aceiteras) - y los incluye dentro del alcance de la NIC 16 mientras que los Productos agrícolas de las Plantas productoras permanecen dentro del alcance de la NIC 41. Dado que la Compañía no tiene actividad agrícola, la Gerencia no anticipa ningún efecto en sus estados financieros.

- *Modificación a la NIC 19 "Beneficios a los Empleados" (ciclo de mejoras 2012 – 2014), emitida en setiembre de 2014.-*
  La modificación, aplicable a periodos anuales que comiencen a partir del 1 de enero de 2016, aclara que los bonos corporativos de alta calidad usados para estimar la tasa de descuento para beneficios post-empleo deben ser denominados en la misma moneda que los beneficios a pagar. No se anticipa ningún efecto en los estados financieros de la Compañía.

- *Modificaciones a la NIC 27 "Estados Financieros Separados", emitida en agosto de 2014.-*
  Las modificaciones, aplicables a periodos anuales que comiencen a partir del 1 de enero de 2016, reincorpora la opción del método de participación permitiendo a las entidades usar este método para contabilizar las inversiones en subsidiarias, negocios conjuntos y asociadas en sus estados financieros separados. No es aplicable a la Compañía ya que solo se refiere a estados financieros separados. Se permite la adopción anticipada de esta modificación.

- *Modificación a la NIIF 5 "Activos No Corrientes Mantenidos para la Venta y Operaciones Discontinuas" (ciclo de mejoras 2012 – 2014), emitida en setiembre de 2014.-*
  La modificación, aplicable de manera prospectiva para periodos anuales que comiencen a partir del 1 de enero de 2016, añade guía específica cuando una entidad reclasifica un activo (o un grupo enajenable de activos) de mantenido para venta a mantenido para distribución a propietarios, o viceversa, y para casos donde se discontinúa la contabilización de mantenido para venta. No se anticipa ningún efecto en los estados financieros de la Compañía. Se permite la adopción anticipada de esta modificación.

- *Modificación a la NIIF 7 "Instrumentos financieros: Información a Revelar" (ciclo de mejoras 2012 – 2014), emitida en setiembre de 2014.-*
  La modificación, aplicable a periodos anuales que comiencen a partir del 1 de enero de 2016, proporciona lineamientos para aclarar si un contrato de servicio está implicado en forma continua con un activo transferido. No se anticipa ningún efecto en los estados financieros de la Compañía.

- *NIIF 9 "Instrumentos financieros", emitida en julio de 2014.-*
  Esta NIIF reemplaza a la NIC 39 (y todas las versiones previas de la NIIF 9) y entrará en vigencia a partir de los periodos anuales que comienzan el o después del 1 de enero de 2018. Esta NIIF contiene nuevos requerimientos para la clasificación y medición de activos y pasivos financieros, deterioro, contabilidad de cobertura, y baja.
  - La NIIF 9 requiere que todos los activos financieros reconocidos para ser medidos posteriormente al costo amortizado o valor razonable (a través de ganancias o pérdidas u otros resultados integrales), dependiendo de su clasificación en referencia al modelo de negocios a los que pertenecen y sus características contractuales de flujo de efectivo.
  - Para pasivos financieros, el efecto más importante de NIIF 9 se refiere a casos donde se toma la opción de valor razonable: el importe del cambio a valor razonable de un pasivo financiero designado al valor razonable a través de ganancias o pérdidas atribuible a cambios en el riesgo de crédito de un pasivo se reconoce en otros resultados integrales (en lugar de ganancias o pérdidas), al menos que se produzca una desigualdad contable.
  - Para el deterioro de activos financieros, la NIIF 9 presenta un modelo de "pérdida crediticia estimada" basado en el concepto de provisionar pérdidas estimadas en el inicio del contrato; ya no será necesario que exista evidencia objetiva de deterioro para que se reconozca una pérdida crediticia.
  - Para la contabilidad de coberturas, la NIIF 9 presenta una mejora substancial que permite a los estados financieros reflejar mejor como comenzar las actividades administrativas de riesgo en casos de cobertura de exposición de riesgos financieros y no financieros.
  - Las provisiones de baja permanecen casi sin cambios con la NIC 39.

La Gerencia anticipa que la NIIF 9 será adoptada en los estados financieros de la Compañía cuando sea obligatoria y que la aplicación de la nueva NIIF podría tener un efecto significativo en las cifras reportadas con respecto a los activos y pasivos financieros de la Compañía. Sin embargo, no es posible proporcionar un estimado razonable de dicho efecto hasta que se haya completado una revisión detallada.

- *Modificaciones a la NIIF 10 "Estados Financieros Consolidados" y NIC 28 "Inversiones en Asociadas y Negocios Conjuntos", emitida en setiembre de 2014.-*
  Las modificaciones, aplicables de manera prospectiva a periodos anuales que comienzan a partir del 1 de enero de 2016, está dirigida a un conflicto actual entre las dos normas y aclara que se debe reconocer toda la ganancia o pérdida cuando la transacción involucra un negocio, y se debe reconocer parcialmente cuando involucra activos que no constituyen todo un negocio. No se anticipa ningún efecto en los estados financieros de la Compañía.

- *Modificación a la NIIF 10 Modificación "Estados Financieros Consolidados", NIIF 12 "Información a revelar sobre Participaciones en otras entidades" y NIC 28 "Inversiones en Asociadas y Negocios Conjuntos", emitida en diciembre de 2014.-*
  La modificación, aplicable a periodos anuales que comienzan a partir del 1 de enero de 2016, aclara la aplicación de una excepción de consolidación para entidades de inversión y otras subsidiarias. No se anticipa ningún efecto en los estados financieros de la Compañía.

- *Modificaciones a la NIIF 11 "Contabilización de Adquisiciones de Participación en Operaciones Conjuntas", emitida en mayo de 2014.-*
  Las modificaciones, aplicables de manera prospectiva a periodos anuales que comienzan a partir del 1 de enero de 2016, requiere que un adquirente de una participación en una operación conjunta en la cual, la actividad constituye un negocio (según lo define la NIIF 3) debe aplicar todos los principios contables y revelaciones sobre combinaciones de negocios de la NIIF 3 y otras NIIF, con excepción de aquellos principios que entren en conflicto con los lineamientos de la NIIF 11. Las modificaciones aplican tanto en la adquisición inicial de una participación en una operación conjunta así como la adquisición de una participación adicional en una operación conjunta (en este último caso, las participaciones mantenidas previamente no son remedidas). No se anticipa ningún efecto en los estados financieros de la Compañía.

- *NIIF 15 "Ingresos Procedentes de Contratos con clientes", emitida en mayo de 2014.-*
  La nueva norma, efectiva para periodos anuales que comiencen a partir del 1 de enero de 2018, reemplaza a la NIC 11, NIC 18 e interpretaciones (SIC 31 y las NIIF 13, 15 y 18). Establece un marco único e integral para el reconocimiento de ingresos a ser aplicado consistentemente entre las transacciones, industrias y mercados de capital, con un principio principal (basado en un modelo de cinco pasos a aplicarse a todos los contratos con clientes), revelaciones mejoradas, y lineamientos nuevos o mejorados (por ejemplo, el punto en el cual se reconoce el ingreso, contabilización en condiciones variables, costos de completar y obtener un contrato, etc.). La Gerencia anticipa que la NIIF 15 será adoptada en los estados financieros de la Compañía cuando sea obligatorio y que la aplicación de la nueva norma podría tener un efecto significativo en cantidades reportadas con respecto a los ingresos de la Compañía. Sin embargo, no es posible proporcionar un estimado razonable de dicho efecto hasta que se complete una revisión detallada.

- *NIIF 14 "Cuentas de Diferimientos de Actividades Reguladas", emitida en enero de 2014.-*
  Esta NIIF permite que una entidad que adopta por primera vez las NIIF continúe contabilizando los saldos de las cuentas de diferimientos de actividades reguladas en sus primeros estados financieros conforme a las NIIF, de acuerdo con sus PCGA anteriores a la adopción de las NIIF. Asimismo, introduce cambios limitados en algunas prácticas contables según PCGA anteriores para saldos de las cuentas de diferimientos de actividades reguladas, que se relacionan principalmente con la presentación de dichas cuentas. El alcance de esta Norma se limita a las entidades que adoptan por primera vez las NIIF. Esta norma es aplicable a partir de 1 de enero de 2016 y su adopción anticipada es permitida.

- *Mejora a la NIC 34 "Información Financiera Intermedia" (ciclo de mejoras 2012 – 2014), emitida en setiembre de 2014.-*
  El IASB recibió una solicitud para que aclare el significado de "información financiera intermedia" tal como se define en la NIC 34 Información Financiera Intermedia. La cuestión es si "en alguna otra parte de la información financiera intermedia" tal como se describe en el párrafo 16A de la NIC 34 significa que la información requerida debe proporcionarse en las notas a los estados financieros intermedios o si quiere decir que puede presentarse en alguna otra parte.

  El IASB propone modificar el párrafo 16A de la NIC 34 para aclarar el significado de revelar información "en alguna otra parte de la información financiera intermedia" y de requerir la introducción de una referencia cruzada de los estados financieros intermedios a la localización de esta información. Si la información a revelar requerida por la NIC 34 se presenta fuera de los estados financieros intermedios, dicha información a revelar debe estar disponible para los usuarios de los estados financieros intermedios en las mismas condiciones y al mismo tiempo que los estados financieros intermedios.

  El IASB destaca que las modificaciones propuestas ampliarían el alcance de los estados financieros para incluir la información a revelar presentada en alguna otra parte de la información financiera intermedia. Esta modificación es aplicable a partir de 1 de enero de 2016 y su adopción anticipada es permitida.

## 2.2 Transacciones en moneda extranjera

**Moneda funcional y Moneda de presentación**
La Moneda funciona para la preparación de los estados financieros es el Sol peruano. Se entiende por Moneda funcional aquella moneda del entorno económico principal de la Compañía.

La Moneda de presentación de los estados financieros es el Dólar canadiense.

**Transacciones y saldos**
La Compañía ha preparado sus estados financieros en Dólares canadienses a partir de sus registros contables, llevados en Soles peruanos. Dichos estados financieros han sido convertidos a Dólares canadienses, siguiendo la metodología que se indica a continuación:

Al 31 de diciembre de 2015 los saldos de activos y pasivos monetarios han sido convertidos a Dólares canadienses utilizando el tipo de cambio venta publicada por la Superintendencia de Banca, Seguros y AFP vigente a esa fecha de S/2.659, respectivamente, (S/2.414 al 31 de diciembre de 2014) por C$1.00.

Los activos y pasivos no monetarios y las cuentas de patrimonio han sido convertidos a Dólares canadienses utilizando el tipo de cambio venta publicada por la Superintendencia de Banca, Seguros y AFP vigente a esa fecha de S/2.659, respectivamente, (S/2.414 al 31 de diciembre de 2014) por C$1.00.

Las partidas del estado del resultado integral han sido convertidas a Dólares estadounidenses al tipo de cambio venta publicado por la Superintendencia de Banca, Seguros y AFP vigente a esa fecha de S/2.659, respectivamente, (S/2.414 al 31 de diciembre de 2014) por C$1.00.

### 2.3 Activos y pasivos financieros

Los activos y pasivos financieros presentados en el Estado de situación financiera corresponden a los rubros efectivo, cuentas por cobrar y las obligaciones financieras.

En el momento inicial de su reconocimiento, los activos financieros son medidos a su valor razonable, más los costos directamente relacionados con la transacción. La Compañía determina la clasificación de los activos financieros al momento de su reconocimiento inicial y, cuando es permitido y apropiado, evalúa esta designación al final de cada año.

Los pasivos financieros se registran en su totalidad al costo amortizado y se reconocen cuando la Compañía es parte de los acuerdos contractuales del instrumento.
Los instrumentos financieros (activos y pasivos) se compensan cuando se tiene el derecho legal de compensarlos y la Gerencia tiene la intención de cancelarlos sobre una base neta o de realizar el activo y cancelar el pasivo simultáneamente.

Un activo financiero es dado de baja cuando: (i) han expirado los derechos para recibir flujos de efectivo provenientes del activo, (ii) la Compañía retiene los derechos para recibir los flujos de efectivo provenientes del activo, pero ha asumido una obligación para pagarlos sin un retraso significativo bajo un acuerdo de transferencia o (iii) la Compañía ha transferido sus derechos para recibir los flujos de efectivo provenientes del activo y (a) ha transferido sustancialmente todos los riesgos y beneficios del activo o (b) la Compañía no ha transferido ni retenido sustancialmente todos los riesgos y recompensas del activo, pero ha transferido el control del activo.

Un pasivo es dado de baja cuando la obligación relacionada con el pasivo es pagada o expira.

La Compañía evalúa en cada fecha del Estado de situación financiera si existe evidencia objetiva de que un activo financiero o un grupo de ellos están deteriorados. Un activo financiero o un grupo de activos financieros se deterioran y generan pérdidas solo si hay evidencias objetivas de deterioro como resultado de uno o más eventos posteriores al reconocimiento inicial del activo y cuando dicho evento de pérdida tiene un impacto sobre los flujos de efectivo proyectados estimados del activo financiero o un grupo de activos financieros que pueda ser estimado de manera fiable.

### 2.4 Efectivo

Incluye el efectivo de la Compañía en su poder y el depositado en bancos comerciales.

### 2.5 Cuentas por cobrar comerciales

Las cuentas por cobrar comerciales se contabilizan al valor nominal y se presentan netas de cualquier estimación de deterioro de valor. La Gerencia evalúa la exactitud del deterioro basándose en la identificación específica de las cuentas por cobrar incobrables y carga el deterioro de valor a los gastos del periodo en que se requiera.

La estimación de las cuentas de cobranza dudosa surge cuando habiéndose realizado las acciones de cobranza, existe un nivel de certeza de que los esfuerzos de cobranza no serán exitosos y, como resultado de esto, será necesario iniciar acciones legales.

Esta estimación se basa en la probabilidad de cobranza de cada deudor considerando la antigüedad de la deuda, el juicio de la Gerencia y el record crediticio del cliente.
La recuperación posterior de montos previamente ajustados es usada contra las cuentas de estimaciones de deterioro. Los cambios en el importe en libros de la cuenta de estimación de las cuentas de cobranza dudosa se reconocen en el Estado del resultado integral.

### 2.6 Inventarios

Los inventarios se miden al costo promedio ponderado o a su valor neto realizable, el menor. El Valor neto realizable es el precio de venta en el curso normal del negocio, menos los costos para poner los inventarios en condición de venta y los gastos de comercialización y distribución.

### 2.7 Otros activos intangibles

Los activos intangibles se registran inicialmente al costo de adquisición. Un intangible se reconoce como activo si es probable que los beneficios económicos futuros atribuibles que genere fluirán a la Compañía y su costo pueda ser medido confiablemente y corresponden principalmente a la concesión adquirida y los gastos de exploración minera, serán amortizados en el plazo de ejecución de la reserva.

### 2.8 Deterioro de activos de larga duración

La Compañía revisará periódicamente los importes en libros de sus activos, incluyendo los activos intangibles con vida indefinida, para determinar si existen indicios de que dichos activos hayan sufrido una pérdida por deterioro de valor. Si existe algún indicio, el importe recuperable del activo se evalúa con el objeto de determinar el alcance de la pérdida por deterioro de valor. Cuando no sea posible estimar el importe recuperable de un activo individual, la Compañía estimará el importe recuperable de la Unidad generadora de efectivo a la que pertenece el activo. Cuando se identifica una base consistente y razonable de distribución, los activos comunes son también distribuidos a las Unidades generadoras de efectivo o, en su defecto, al grupo más pequeño de Unidades generadoras de efectivo para el cual se identifica una base consistente y razonable de distribución.

El Importe recuperable es el mayor valor entre el Valor razonable menos el costo de venderlo y el Valor en uso. El Valor en uso es el valor presente de los futuros flujos de efectivo estimados que se esperan obtener de un activo o Unidad generadora de efectivo.

Si se estima que el Importe recuperable de un activo es inferior a su Importe en libros, el Importe en libros del activo se reduce a su Importe recuperable. Inmediatamente se reconoce una pérdida por deterioro de valor como gasto, a menos de que el activo correspondiente haya estado revaluado, en cuyo caso tales pérdidas son reconocidas primeramente como una reducción del superávit de revaluación.

Una pérdida por deterioro de valor se puede revertir posteriormente y registrarse como ingresos en el periodo de la recuperación, hasta el monto en que el importe en libros incrementado no supere el Importe en libros que se habría determinado de no haberse reconocido ninguna pérdida por deterioro de valor para el activo en años anteriores. Esto no aplica para el Goodwill.

**2.9 Clasificación de activos y pasivos como corrientes y no corrientes**

Los activos (excluyendo los activos por impuesto a las ganancias) con realización prevista o con propósitos de venta o consumo dentro de los doce meses a partir de la fecha del Estado de situación financiera se clasifican como activos corrientes. Los pasivos (excluyendo los pasivos por impuesto a las ganancias) con liquidación estimada dentro de los doce meses a partir de la fecha del Estado de situación financiera se clasifican como corrientes. Todos los otros activos y pasivos (incluyendo el impuesto a las ganancias diferido) se clasifican como "no corrientes”.

**2.10 Provisiones**

Las provisiones se reconocen cuando la Compañía tiene una obligación presente (legal o implícita) como resultado de un evento pasado, es probable que se requiera una salida de recursos que incorporen beneficios económicos para cancelar la obligación y se puede estimar el monto de la obligación.

El importe reconocido como una provisión es la mejor estimación del importe requerido para cancelar la obligación presente al final del periodo de presentación, teniendo en cuenta los riesgos y las incertidumbres que rodean a la obligación. Cuando una provisión se mide utilizando los flujos de efectivo estimado para cancelar la obligación presente, su importe en libros es el valor presente de esos flujos de efectivo (cuando el efecto del valor temporal del dinero es significativo).

Cuando se espera recuperar de un tercero, algunos de los beneficios económicos requeridos para liquidar una provisión, se reconoce una cuenta por cobrar como un activo cuando es virtualmente cierto que se recibirá el reembolso y el monto de la cuenta por cobrar se puede medir de forma fiable.

Las obligaciones presentes derivadas de contratos onerosos se reconocen y miden como provisiones. Se considera que existe un contrato oneroso cuando la Compañía tiene un contrato en virtud del cual los costos inevitables de cumplir con las obligaciones derivadas del contrato exceden los beneficios económicos que se esperan recibir del mismo.

**2.11 Beneficios de empleados**

**Descanso vacacional anual**

Las vacaciones anuales del personal se provisionan contra los resultados del año en la medida que se van devengando. La obligación estimada por las vacaciones anuales del personal se presenta en el pasivo del Estado de situación financiera.

**Compensación por tiempo de servicios**
La provisión por la obligación para compensación por tiempo de servicios del personal se constituye por el íntegro de los derechos indemnizatorios de acuerdo con la legislación vigente y la obligación neta de los depósitos efectuados con carácter cancelatorio, se muestra en el pasivo del Estado de situación financiera.

### 2.12 Reconocimiento de ingresos y gastos

**Gastos. -**
Los gastos se reconocen en el Estado de resultados cuando surge una disminución de beneficios económicos futuros, relacionados con un decremento en los activos o un incremento en los pasivos, pudiendo medirse con fiabilidad.

**Ingresos (costos) financieros. -**
Se registran en el resultado del ejercicio en los períodos con los cuales se relacionan y se reconocen cuando se devengan, independientemente del momento en que se perciben o paguen.

### 2.13 Impuesto a las ganancias

El Gasto o Ingreso por impuesto a las ganancias del período corresponde, tanto al impuesto corriente como diferido, es reconocido en el Estado de resultados, e incluido en la determinación de la ganancia o pérdida del año, excepto si tal impuesto se relaciona con partidas reconocidas en Otros resultados integrales o directamente en el Patrimonio, en cuyo caso, el impuesto a las ganancias sobre la renta corriente o diferido es también reconocido en Otros resultados integrales o directamente en el Patrimonio, respectivamente.
El Impuesto a las ganancias corriente se determina aplicando la tasa de impuesto establecida en la legislación fiscal vigente sobre la renta imponible del ejercicio. El Impuesto a las ganancias corriente se reconoce como gasto del periodo.

El Impuesto a las ganancias diferido es registrado en su totalidad aplicando el método de pasivo sobre las diferencias temporarias que surgen entre las normas tributarias que afectan los activos y pasivos y el importe en libros en los estados financieros. Sin embargo, el impuesto a las ganancias diferido no se registra si surge del reconocimiento inicial de un activo o pasivo en una transacción que no afecte la utilidad o pérdida contable o tributaria. El Impuesto a las ganancias diferido se determina aplicando la tasa impositiva vigente, a la fecha de los estados financieros y se espera que sean aplicables cuando los activos por impuesto a las ganancias diferido se realicen y/o los pasivos por impuesto a las ganancias diferido se liquiden.

Los activos por impuesto a las ganancias diferido se reconocen en la medida que sea probable que se generen utilidades gravables futuras en la Compañía contra las cuales se puedan aplicar las diferencias temporarias.

Los activos y pasivos por impuesto a las ganancias diferido se compensan cuando hay un derecho legal para compensar los activos y pasivos tributarios corrientes y cuando los activos y pasivos por impuesto a las ganancias diferido se refieren al impuesto a las ganancias controladas por las autoridades tributarias donde hay la intención de compensar los saldos sobre una base neta.

### 2.14 Pasivos y activos contingentes

Los pasivos contingentes no se reconocen en los estados financieros, pero se revelan en notas a los estados financieros a menos que la posibilidad de una salida de recursos sea remota.

Los activos contingentes no se reconocen en los estados financieros, pero se revelan en notas a los estados financieros cuando es probable la entrada de beneficios económicos. Los elementos tratados previamente como pasivos o activos contingentes se reconocen en los estados financieros del periodo en que se produce el cambio en la probabilidad; es decir, cuando se considere probable en el caso de los pasivos, o prácticamente seguro en el caso de los activos, que se producirá una salida o entrada de recursos, respectivamente.

## 3. EFECTIVO

La Compañía mantiene sus cuentas corrientes en entidades financieras locales en Soles peruanos y en Dólares estadounidenses, los fondos son de libre disponibilidad y no devengan intereses.

La compañía mantiene registrado en sus cuentas bancarias el importe de US$8,000 equivalente a C$10,253 por concepto de depósito judicial en el Banco de la Nación a favor de la Compañía, por un juicio llevado con la Comunidad Campesina de Quiulacocha.

## 4. OTRAS CUENTAS POR COBRAR

Este rubro comprende:

| | | 2015 | 2014 |
|---|---|---|---|
| | | C$ | C$ |
| Crédito fiscal por Impuesto General a las Ventas | (a) | 51,459 | 54,472 |
| Impuesto a los activos netos | | 2,637 | 201,555 |
| **Total** | | **54,096** | **256,027** |

(a) En opinión de la Gerencia, el crédito fiscal del Impuesto General a las Ventas será compensado íntegramente en el mediano plazo.

## 5. OTROS ACTIVOS INTANGIBLES

Este rubro comprende:

| | 2015 | 2014 |
|---|---|---|
| | C$ | C$ |
| Derechos mineros Proyecto Quiulacocha (a) | 623,377 | 766,521 |
| Otros intangibles | 14,295 | 2,426 |
| **Total** | **637,672** | **768,947** |

(a) Corresponde al contrato de transferencia de derechos mineros celebrado el 22 de abril de 2004, con el señor Víctor Freundt.

## 6. OTRAS CUENTAS POR PAGAR

Este rubro comprende:

| | | 2015 | 2014 |
|---|---|---|---|
| | | C$ | C$ |
| Tributos por pagar | | - | 297 |
| Beneficios a empleados | | 1,409 | 4,875 |
| Prestamos de accionistas | | 20,070 | 77,128 |
| Prestamos de terceros | (a) | 266,615 | 69,911 |
| Concesión minera | (b) | 535,632 | 594,532 |
| Otras cuentas por pagar | (c) | 78,877 | 109,981 |
| **Total** | | **902,603** | **856,724** |

(a) Corresponden principalmente al préstamo recibido de H&G SEZC por un importe de C$152,642 equivalente a US$118,920 y saldo por pagar a Cerro Verde Resources Ltd. de C$113,973 equivalentes a US$ 88,794.

(b) Corresponde a la firma de la concesión minera con Víctor Freundt pendiente por pagar por US$417,300 (al 31 de diciembre 2015 US$480,000).

(c) Corresponden principalmente a las provisiones por asesorías legales C$76,059.

## 7. CAPITAL

### (a) Capital Social

Al 31 de diciembre de 2015, el capital de la Compañía está representado por 50,500,000 acciones comunes suscritas y pagadas cuyo valor nominal es de S/ 0.01 por acción. Al 31 de diciembre 2015 está conformado por 66 accionistas.

La estructura de la participación accionaria es como sigue:

| Porcentaje de participación individual en el capital | Numero de accionistas | Porcentaje total de participación |
|---|---|---|
| De 0.01 al 10.00 | 64 | 64.36 |
| De 10.01 al 20.00 | 2 | 35.64 |
| | 66 | 100.00 |

Con fecha 17 de diciembre 2013 en la Junta General de accionistas se acordó y aprobó el aumento de capital por C$1,880 mediante aportes realizados por el accionista Grupo Coril S.A.B. S. A., Este acuerdo de aumento de capital no ha sido inscrito en los registros públicos a la fecha de este informe.

En Junta General de Accionistas de fecha 27 de febrero de 2015 se acordó la capitalización de acreencias por un valor de C$204,268, de los cuales C$7,173 corresponden al valor nominal de acciones a emitirse y C$ 7,173 a la prima de capital. El acuerdo de aumento de capital se encuentra pendiente su inscripción en registros públicos.

### (b) Prima de capital

Corresponde al mayor pago efectuado por las acciones emitidas en el aumento de capital de fecha 27 de febrero de 2015.

El saldo al 31 de diciembre de 2015 de la prima de capital es C$864,419. La Ley General de Sociedades establece en su artículo 233 que las primas de capital sólo pueden ser distribuidas cuando la reserva legal haya alcanzado su límite máximo. Pueden capitalizarse en cualquier momento.

## 8. GASTOS DE ADMINISTRACIÓN

Este rubro comprende:

| | 2015 | 2014 |
|---|---|---|
| | C$ | C$ |
| Servicios prestados por terceros | 72,094 | 46,846 |
| Tributos | 15 | 11 |
| Cargas diversas de gestión | 67,088 | 10,886 |
| **Total** | **139,197** | **57,743** |

## 9. SITUACIÓN TRIBUTARIA

La tasa del Impuesto a la Renta por el ejercicio 2015 aplicable a las Compañías es de 28%. A partir del año 2017, la tasa será del 29.5%.

Si la Compañía distribuye total o parcialmente sus utilidades, aplicará una tasa adicional del 6.8% sobre el monto distribuido; impuesto que es de cargo de los accionistas, en tanto sean personas naturales o sean personas jurídicas no domiciliadas en el país. A partir del 1 de enero del 2017 la tasa será 5%.

Adicionalmente, se gravará con la tasa del 4.1% a cargo de la Compañía por toda suma o entrega en especie que resulte renta gravable de la tercera categoría que represente una disposición indirecta de renta no susceptible de posterior control tributario, incluyendo sumas cargadas a gastos e ingresos no declarados. A partir de 2017, la tasa del impuesto será de 5%.

Las declaraciones juradas del Impuesto a la Renta 2012 al 2015, están pendientes de revisión por parte de la Superintendencia Nacional de Aduanas y de Administración Tributaria (SUNAT). En caso de recibirse acotaciones fiscales, los mayores impuestos, recargos, reajustes, sanciones e intereses moratorios que pudieran surgir, según corresponda, serían aplicados contra los resultados de los años en que se produzcan las liquidaciones definitivas.

La tasa del Impuesto General a las Ventas (IGV) es de 18%, que incluye el 2% por Impuesto de Promoción Municipal.

Para la determinación del Impuesto a la Renta e Impuesto General a las Ventas en operaciones entre vinculados y con Compañías residentes en países o territorios de baja o nula imposición se debe aplicar las reglas de precios de transferencia. Estas normas obligan a contar con la documentación, información y el Estudio de Precios de Transferencia. Asimismo, deberá cumplirse con presentar la Declaración Jurada y el Estudio de Precios de Transferencia de acuerdo con las normas vigentes.

De acuerdo con lo establecido por la Ley del Impuesto a la Renta y sus modificatorias, las entidades establecidas en el Perú que establezcan pérdidas tributarias arrastrables tienen la facultad de optar el arrastre entre uno de los dos métodos siguiente:

A. La pérdida tributaria podrá ser utilizada hasta cuatro años a partir del ejercicio siguiente al de su generación.

B. La pérdida tributaria se podrá compensar con utilidades gravables futuras año a año hasta su extinción final, aplicando dicha pérdida hasta el 50 % de su utilidad gravable.

La Compañía ha escogido el método “A” para la compensación de su pérdida. La pérdida tributaria acumulada para compensar utilidades gravables futuras asciende a C$869,753.

La Gerencia opina que, como consecuencia de la aplicación de estas normas, no surgirán contingencias de importancia para la Compañía al 31 de diciembre de 2015. En todo caso, cualquier acotación al respecto por las autoridades tributarias se reconocería en el ejercicio que ocurra.

Información adicional: Cálculo de la determinación del Impuesto a la Renta 2015

| | |
|---|---|
| Pérdida contable | (238,679) |
| Adiciones | 148,337 |
| Deducciones | - |
| Pérdida tributaria | (90,342) |
| Pérdidas netas de años anteriores | (779,411) |
| Saldos de pérdidas no compensadas | **(869,753)** |

## 10. CONTINGENCIAS

En opinión de la Gerencia y de los asesores Legales no existen juicios ni demandas importantes pendientes de resolver u otras contingencias en contra de la compañía al 31 de diciembre de 2015.

## 11. INFORMACIÓN SOBRE EL VALOR RAZONABLE DE LOS INSTRUMENTOS FINANCIEROS

Al 31 de diciembre de 2015 y 2014, la Compañía mantiene instrumentos financieros medidos al valor razonable. Los otros instrumentos financieros se llevan al costo amortizado y su valor razonable estimado para divulgarlo en esta nota, así como el nivel en la jerarquía de valor razonable se describe a continuación:

**Nivel 1**

Los activos financieros incluidos en esta categoría, son aquellos que se miden sobre la base de cotizaciones obtenidas de un mercado activo. Un instrumento financiero se considera como cotizado en un mercado activo si los precios son fácil y regularmente disponibles de un mecanismo centralizado de negociación, agente, corredor, grupo de industria, proveedores de precios o entidades regulatorias y dichos precios provienen regularmente de transacciones en el mercado.

Para los activos y pasivos financieros que son líquidos o tienen vencimientos a corto plazo (menor a tres meses), se considera que el valor en libros es similar a su valor razonable. Este supuesto también es aplicable para los depósitos a plazo, cuentas de ahorro sin un vencimiento específico e instrumentos financieros a tasa variable.

**Nivel 2**
Los instrumentos financieros incluidos en la categoría de Nivel 2 son medidos en base a factores de mercado. Esta categoría incluye instrumentos medidos utilizando precios de mercado de instrumentos similares, ya sea de mercados activos o no, y otras técnicas de valuación (modelos) en donde todos los datos significativos son directa o indirectamente observables en el mercado.

El Valor razonable de los activos y pasivos financieros que se encuentran a tasa fija y a costo amortizado, se determina comparando las tasas de interés del mercado en el momento de su reconocimiento inicial con las tasas de mercado actuales relacionadas con instrumentos financieros similares.

**Nivel 3**
Al 31 de diciembre de 2015 y 2014, la Compañía no mantiene instrumentos financieros en esta categoría. Los activos financieros incluidos en el Nivel 3 son medidos utilizando una técnica de valoración (modelo interno), basado en supuestos que no son soportados por precios de transacciones observables en el mercado actual para el mismo instrumento, ni basado en datos de mercado disponibles.

Sobre la base de los criterios descritos anteriormente, la Gerencia estima que no existen diferencias importantes entre el Importe en libros y el Valor razonable de los instrumentos financieros de la Compañía al 31 de diciembre de 2015 y 2014.

Los siguientes son los importes de los activos y pasivos financieros del Estado de situación financiera, clasificados por categorías:

| | **2015** | | | |
|---|---|---|---|---|
| | **Activos financieros** | | | **Pasivos financieros** |
| | **Nivel 1** | **Nivel 2** | **Nivel 2** | **Total** |
| | C$ | C$ | C$ | C$ |
| **Activos** | | | | |
| Efectivo | 10,287 | - | - | 10,287 |
| Otras cuentas por cobrar | - | 54,096 | - | 54,096 |
| **Total** | 10,287 | 54,096 | | **64,383** |
| **Pasivos** | | | | |
| Otras cuentas por pagar | - | - | 902,603 | 902,603 |
| **Total** | **-** | **-** | **902,603** | **902,603** |

## 12. ADMINISTRACIÓN DE RIESGOS FINANCIEROS

Las actividades de la Compañía la exponen a una variedad de riesgos financieros: riesgo de mercado, riesgo de crédito, riesgo de liquidez y riesgo de capital. El programa de administración de riesgos de la Compañía se centra en lo impredecible de los mercados financieros y trata de minimizar los potenciales efectos adversos en su performance financiera.

La Gerencia sobre la base de un conocimiento técnico y de su experiencia, establece políticas para el control del riesgo de mercado, crediticio, liquidez y de capital.

### (a) Riesgo de mercado

(i) Riesgo de tasa de interés
La exposición de la Compañía a este riesgo se da por cambios en las tasas de interés en sus activos y pasivos financieros. La Compañía no tiene activos ni pasivos significativos que devenguen intereses.

(ii) Riesgo de tasa de cambio
El riesgo de tasa de cambio es el riesgo de que el valor razonable o los flujos de efectivo futuro de un instrumento financiero puedan fluctuar como consecuencia de variaciones en las tasas de cambio de una moneda extranjera.

La Gerencia monitorea y analiza las acciones a tomar ante las fluctuaciones en el tipo de cambio de la moneda peruana frente al Dólar estadounidense de manera que no afecte significativamente los resultados de sus operaciones.

### (b) Riesgo de crédito

El riesgo de crédito es el riesgo que una de las partes de un instrumento financiero cause una pérdida financiera a la otra por incumplir con una obligación. Los activos financieros de la Compañía potencialmente expuestos a concentraciones de riesgo de crédito por sus actividades operativas corresponden principalmente a los depósitos en bancos e instituciones financieras.
Con relación a las cuentas bancarias, la Compañía, mantiene cuentas bancarias en diversas entidades financieras de primer orden y de reconocido prestigio en el mercado local, por lo que no representan riesgo crediticio.

### (c) Riesgo de liquidez

El riesgo de liquidez es el riesgo de que una entidad encuentre dificultades en cumplir obligaciones asociadas con pasivos financieros a su vencimiento a un costo razonable.

La política de la Compañía es asegurarse que siempre tendrá suficiente efectivo que le permita cumplir sus obligaciones a su vencimiento.

A continuación, se presenta un detalle de los pasivos financieros de la Compañía clasificados considerando el tiempo que resta desde la fecha del Estado de situación financiera hasta su vencimiento:

| | **2015** | | 2014 | |
|---|---|---|---|---|
| **Vencimientos** | **Cuentas por pagar comerciales** | **Otras cuentas por pagar** | **Cuentas por pagar comerciales** | **Otras cuentas por pagar** |
| | C$ | C$ | C$ | C$ |
| Menos de 1 año | - | - | 23,755 | - |
| Mayores a 1 año | - | 902,603 | - | 856,724 |
| **Total** | **-** | **902,603** | **23,755** | **856,724** |

La Gerencia controla los riesgos de liquidez asociados con los importes incluidos en cada una de las categorías detalladas anteriormente, mediante la evaluación periódica de la viabilidad financiera de los clientes y una adecuada gestión de los vencimientos de los activos y pasivos de tal forma que logre el calce entre los flujos de ingresos y pagos futuros; así como también solventar su capital de trabajo con los flujos de efectivo provenientes de sus actividades de operación.

## 13. HECHOS OCURRIDOS DESPUÉS DEL PERIODO EN QUE SE INFORMA

Entre el 31 de diciembre de 2015 y la fecha de emisión de los presentes estados financieros, no han ocurrido hechos posteriores que pudieran tener un efecto significativo en las cifras presentadas, ni en la situación económica y financiera de la Compañía.

## SCHEDULE D

## MANAGEMENT'S DISCUSSION & ANALYSIS OF THE TARGET

# CERRO DE PASCO RESOURCES S.A.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal year ended

December 31, 2017

This management discussion and analysis ("MD&A") of Cerro de Pasco Resources S.A., ("Cerro de Pasco" or the "Company") complements the consolidated financial statements for the twelve-month ended December 31, 2017, but does not form part of them. It is intended to help the reader understand and assess the significant trends, risks and uncertainties related to the results of operations and it should be read in conjunction with the consolidated financial statements as at December 31, 2017 and related notes thereto.

The following MD&A is a narrative explanation, through the eyes of the management of Cerro de Pasco, on how the Company performed during the fiscal year ended December 31, 2017. It includes a review of the Company's financial condition and a review of operations for the indicated period.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") applicable to the preparation of consolidated financial statements.

All figures are in Canadian dollars unless otherwise stated.

### REPORT'S DATE

The MD&A was prepared with the information available as at December 31, 2017.

### CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business, the mining industry in general and the economic environment in which it operates as of the date of the MD&A. To the extent that any statements in this document contain information that is not historical, the statements are essentially forward-looking and are often identified by words such as "anticipate", "expect", "estimate", "intend", "project", "plan" and "believe". In the interest of providing shareholders and potential investors with information regarding Cerro de Pasco, including management's assessment of future plans and operations, certain statements in this MD&A are forward-looking and are subject to the risks, uncertainties and other important factors that could cause the Company's actual performance to differ materially from that expressed in or implied by such statements. Such factors include, but are not limited to: volatility and sensitivity to market metal prices, impact of change in foreign currency exchange rates and interest rates, imprecision in reserve estimates, environmental risks including increased regulatory burdens, unexpected geological conditions, adverse mining conditions, changes in government regulations and policies, including laws and policies; and failure to obtain necessary permits and approvals from government authorities, and other development and operating risks. The preliminary assessments contained in the Technical Report referred to in this MD&A, and the estimates contained therein to date are preliminary in nature and are based on a number of assumptions, any one of which, if incorrect, could materially change the projected outcome.

Although the Company believes that the expectations conveyed by the forward-looking statements are based upon information available on the date that such statements were made, there can be no assurance that such expectations will prove to be correct. The reader is cautioned not to rely on these forward-looking statements. The Company disclaims any obligation to update these forward-looking statements unless required to do so by applicable Securities laws. All subsequent forward-looking statements, whether written or orally attributable to the Company or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements.

### NATURE OF ACTIVITIES

Cerro de Pasco Resources S.A. (hereafter the "Company" or "Cerro de Pasco") is engaged in mining activities. The Company is in pre-operative stage. Operational activities are estimated to start as projects reach the level of economic feasibility, have the environmental impact study approved by the competent authority, obtain access to the surface lands located over "El Metalurgista" mining concession and the approval of other required permits by the competent authorities.

The company has a mining concession called "El Metalurgista" located in the Simón Bolívar District, in the province of Cerro de Pasco, in the department of Pasco, Peru. This concession covers an area of 96 hectares. During the year, only administrative work has been done in relation to the concession.

### ACQUISITION BY GENIUS PROPERTIES LTD.

On November 9, 2017, Cerro de Pasco has entered into a Merger Agreement with Genius Properties Ltd. (hereafter "Genius Properties" or "Genius"), by which Genius Properties (through BranchCo) will absorb Cerro de Pasco by means of the Merger. The Merger Agreement is available on SEDAR at www.sedar.com.

Cerro de Pasco and Genius will effect the Proposed Transaction by merging Cerro de Pasco with BranchCo, such that existing security holders of Cerro de Pasco will become security holders of Genius. In accordance with the terms of the Proposed Transaction, Genius will (i) issue a sufficient number of Common Shares to allow the Cerro Shareholders to hold, after such issuance, in the aggregate, 75% (subject to an increase as described below) of the total number of Common Shares issued and outstanding after the Proposed Transaction and (ii) make the Cash Contribution to Cerro de Pasco in an aggregate amount of US$2,500,000.

Following the Proposed Transaction, Cerro de Pasco will be legally extinguished and, accordingly, the Cerro Shares will be cancelled. Genius will receive all of Cerro de Pasco's assets and liabilities.

The Cash Contribution will be expended, based on the joint determination of Genius and Cerro de Pasco (each acting reasonably), on the development of the Property, for metallurgical testing and to cover capital requirements related to community relations, permitting and general and administrative expenses.

The percentage of common shares to be held by the Cerro Shareholders will be increased pro rata if the Cash Contribution made by Genius is of a total amount of less than US$2,500,000.

As a result of the Proposed Transaction, the board of directors of the Resulting Issuer shall be comprised of six directors, four of which will be former representatives of Cerro de Pasco and two of which will be current directors of Genius. The Resulting Issuer will conduct the principal business conducted by Cerro de Pasco prior to its absorption by Genius (through BranchCo), being the acquisition and development of the Property.

The Proposed Transaction is an arm's length Fundamental Change of Genius Properties within the meaning of Policy 8 – Fundamental Changes & Changes of Business of the CSE and is subject to a number of conditions precedent, including the receipt of all requisite regulatory, corporate and shareholder approvals, including that of the CSE.

### BUSINESS DEVELOPMENT HIGHLIGHTS

- **Genius Properties Ltd. announced a proposed transaction with Cerro De Pasco S.A. and filing of NI 43-101 Technical Report:**

  On November 9, 2017 Genius Properties announced that it has entered into a merger agreement dated November 9, 2017 (the "Merger Agreement") with Cerro De Pasco Resources S.A. ("Cerro De Pasco") setting out the terms of a transaction which will result in a merger of Genius and Cerro de Pasco.

  **NI 43-101 Technical Report about The Excelsior Property**

  In connection with the transaction concerning the Quiulacocha Tailings and Excelsior Stockpile, Genius announced on November 9, 2017 it has completed a Technical Report ("NI 43-101 Report") prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") dated November 9, 2017 and entitled "The Excelsior Property: The Excelsior Mineral Pile (EMP) and Quiulacocha Tailings (QT) associated with the Cerro de Pasco Mine, Cerro de Pasco District, Altiplano Region, North-Central Peru". Highlights of the NI 43-101 Report are as follows:

The property is known as Excelsior and consists of the Excelsior Mineral Pile ("EMP") and Quiulacocha Tailings ("QT") forming residues generated by the processing of the Cerro de Pasco Mine Pb-Zn-Ag-Cu ore located 310 km from Lima, in east-central Peru.

The EMP occupies an area of 94 ha and contains 26,400,000 m3 of fragmentary rocks forming terraces composed of sulfide-rich rocks, sericitized volcanic and carbonate (dolomitic) rocks. Metal-bearing minerals consist of sphalerite (Zn), tennantite (Cu), cerussite (Pb), enargite (Cu) and galena (Pb, Ag-rich). The more reliable Historical Resources Estimate generated 42.89 Mt @ 0.09 wt. % Cu (85.1 M lb), 0.73 wt. % Pb (690.3 M lb), 1.59 wt. % Zn (1696.1 M lb) and 66.1 g/t Ag (91.1 M oz) with Pb+Zn= 2.33 wt. %*.

The QT cover a surface of 114 ha and contain approximately 79 Mt of pyrite-bearing tailings of two different types: Cu-rich and Zn-Pb-rich sulphides. The best Historical Resources Estimate generated a total of 2.94 Mt @ 43.1 g/t Ag (4.1 M oz), 418 ppm Cu, 0.79 wt. % Pb (51.2 M lb) and 1.43 wt. % Zn (92.7 M lb)*.

* The estimates presented above are detailed and discussed in the NI 43-101 Report. They are treated as historic information and have not been verified for economic evaluation by the Corporation. These are considered Historical Mineral Resources and do not refer to any category of sections 1.2 and 1.3 of the NI 43-101 Instrument such as Mineral Resources or Mineral Reserves as stated in the 2010 CIM Definition Standards on Mineral Resources and Mineral Reserves. A Qualified Person (within the meaning of NI 43-101) has not done sufficient work to classify the historical estimate as current Mineral Resources or Mineral Reserves. The explanation lies in the inability by the QP to fully verify the data acquired by the various historical drilling campaigns and other sampling works. Further drilling would be required to upgrade or verity the historical resources. However, the QP has read the documents pertaining to the description of the different methods used in the historical evaluation of the Mineral Resources and is of the opinion they are reliable, but need to be updated to fully conform to the NI 43-101 or CIM norms. Furthermore, no Mineral Resources were calculated on the Excelsior property since 2013.

The NI 43-101 Report was prepared by Michel Boily, PhD, geo of Montreal, Quebec, Independent Qualified Person.

- **Capital Stock**

The current capital stock of Cerro de Pasco is S/ 523,315.25, divided into 52,331,525 shares with a par value of S/ 0.01 each, fully subscribed and paid.

The most recent capital increase, to the above mentioned amount, was approved at the General Shareholders Meeting held on December 13, 2017 and confirmed at the board meeting held on January 18, 2018. It was the result of conversions of credits of shareholders.

Such most recent capital increase is pending public registration, being the currently registered capital stock of S/ 500,000.00. Registration is expected to be achieved in May 2018. Notwithstanding the pending registration, the new shares resulting from this capital increase have already been validly issued.

Capital increases prior to the merger

Prior to the effectiveness of the merger with BranchCo, Cerro de Pasco will have to convert certain outstanding debts towards shareholders into shares, in order to increase its capital stock while reducing its liabilities and, that way, remedy the current financial situation of liabilities exceeding the amount of Cerro de Pasco's paid-in capital.

The credits that may be converted are, among others, those held by Alpha Capital Anstalt ("Alpha") and Assameka Capital, Inc. ("Assameka"), for total amounts of US$ 555,556.00 and US$ 55,556.00, respectively. Such credits result from convertible financing transactions entered into by Cerro de Pasco with those entities in 2017. The General Shareholders Meeting of Cerro de Pasco held on April 21, 2017 approved to delegate to the board of directors (until December 31, 2018) the faculty to approve capital increases up to a total amount of US$ 650,000.00 each time Alpha and/or Assameka decide to convert (totally or partially) their outstanding credits into Cerro de Pasco shares.

Cerro de Pasco expects to convert credits of Alpha, Assameka and eventually other creditors in May 2018.

### BUSINESS DEVELOPMENT SUBSEQUENT EVENTS

- **Cerro de Pasco announced the exercise of its Option to acquire title over the El Metalurgista concession:**

  On January 10, 2018, Cerro de Pasco exercised its Option and, on January 12, 3018, the public deed whereby it formally acquired title over the concession and paid its former titleholder, Mr. Victor Freundt Orihuela, the balance of the US$853,700 purchase price was executed. As a result, Cerro de Pasco is now the exclusive titleholder of the aforesaid concession, holding a 100% interest over it. Mr. Freundt retains the right to receive a 2% NSR royalty on the products obtained from the concession. This royalty can be bought back entirely by Cerro de Pasco as of initiation of commercial production in the concession, by paying a consideration of US$3 million if the royalty is bought back by the end of the 2nd year, US$3.5 million if bought back by the end of the 3rd year, or US$4 million if bought back by the end of the 4th year.

### CORPORATE OBJECTIVES FOR 2018:

- Complete Merger Agreement with Genius Properties Ltd.
- Execute an agreement to use or aquire the nearby milling and processing facilities
- Acquire the surface rights on “Parcel K”
- Complete Environmental Impact Assessment study
- Conduct metallurgical testing and bulk-sampling
- Initiate drilling to confirm geological resources NI43-101
- Complete internal engineering studies

### EXPLORATION OUTLOOK

As part of the next steps in the development of the project, the Company will first need to update the historical Mineral Resource Estimates performed on the QT and EMP to render them compliant with the NI43-101 and CIMM norms. Regarding the EMP Resource Estimate, re-sampling of the 2009 RC drill holes (if retrievable) and pits, and sinking of twin holes will be necessary. The upgrading to Indicated or Measured Mineral Resources may also require additional RC drill holes to tighten the spacing which currently sits at 30 to 50 m. Note the QT Mineral Resource Estimates concerns about 225,000 m2 of tailings area; less than half of the total surface. The Company might consider an auger drilling program to expand the QT resources. This represents Phase I of the recommended work which the Company estimates the cost at $CAD200K.

Thereafter, the Company will consider bulk testing of the EMP mineralization at Volcan Compania Minera S.A.A. Cerro de Pasco installations. A minimum processing of 10,000t is envisaged. Once Mineral Resources Estimates are produced, a Feasibility Study should be completed. The study would handle the details of the economic analysis, market studies and contracts and capital and operating costs of the Excelsior project. This represents Phase II of the recommended work.

### QUALIFIED PERSONS

Dr. Michel Boily P.Geo, is the qualified person under NI 43-101 who has reviewed and approved the technical information contained in this document for Cerro de Pasco.

### FUNCTIONAL AND PRESENTATION CURRENCY

The Company has converted its financial statements into Presentation Currency (Canadian Dollars) as follows:

As of December 31, 2017, the balances of monetary assets and liabilities have been converted to Canadian Dollars using the sales exchange rate published by the Superintendency of Banking, Insurance and Pension Funds effective as of that date of S/. 2.820, respectively, (S/. 2.672 as of December 31, 2016) for C$1.00.

Non-monetary assets and liabilities and equity accounts have been converted to Canadian dollars using the sales exchange rate published by the Superintendency of Banking, Insurance and Pension Funds effective as of that date of S/. 2.820, respectively, (S/. 2.672 as of December 31, 2016) for C$1.00.

The items in the statement of comprehensive income have been converted to Canadian dollars using the sales exchange rate published by the Superintendency of Banking, Insurance and Pension Funds effective as of that date of S/. 2.820, respectively, (S/.2.672 as of December 31, 2016) for C$1.00.

In all cases, the converted value of the assets is not considered to exceed the market value.

### SELECTED ANNUAL FINANCIAL INFORMATION

The following selected annual financial information is derived from our audited financial statements for the fiscal year ended December 31, 2017.

## STATEMENT OF COMPREHENSIVE INCOME

**For the year ended on December 31, 2017**

| | Notes | 2017 | 2016 |
|---|---|---|---|
| | | C$ | C$ |
| **OPERATING COSTS** | | | |
| Administration expenses | 8 | (299,734) | (47,228) |
| Total operation costs | | (299,734) | (47,228) |
| OPERATING LOSS | | (299,734) | (47,228) |
| **OTHER INCOME (EXPENSES)** | | | |
| Financial income | | 37,545 | 13,796 |
| Total other income (expenses) | | 37,545 | 13,796 |
| Income tax | | 45,219 | - |
| **OVERALL LOSS** | | **(216,971)** | **(33,432)** |

During the year ended December 31, 2017, the Company realized a net loss from operations of $299,734 as compared to a net loss from operations of $47,228 in fiscal year 2016. This increase in net loss is entirely attributable to an increase in administrative work related to the development of Cerro de Pasco. In 2017, administrative expenses included services provided by third parties ($268,578) and various management loads ($31,156).

## STATEMENT OF CASH FLOWS

**For the year ended on December 31, 2017**

| | Notes | 2017 | 2016 |
|---|---|---|---|
| | | C$ | C$ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Other charges related to the activity | | (176,956) | - |
| Payment to suppliers and taxes | | 6,999 | (2,130) |
| **Net cash used in operating activities** | | (169,957) | (2,130) |
| **CASH FLOWS FROM INVESTMENT ACTIVITIES** | | | |
| Purchase of Properties, Plant and Equipment | | (947) | - |
| **Net cash used in investment activities** | | (947) | - |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Loans received | | 195,793 | 2,324 |
| **Net cash from financing activities** | | 195,793 | 2,324 |
| **NET (DECREASE) INCREASE OF CASH IN THE YEAR** | | 24,889 | 194 |
| **CASH** | | | |
| **As of January 1** | | 10,431 | 10,237 |
| **As of December 31** | 3 | 35,320 | 10,431 |

### CASH FLOWS

**Cash flows from operating activities**

Cash flows from operating activities were ($169,957) during the year ended December 31, 2017, a decrease of $167,827 as compared to cash flows from operations of ($2,130) during the year ended December 31, 2016. The decrease is mainly explained by other charges related to the activity.

**Cash flows from investment activities**

Cash flows from investment activities were ($947) during the year ended December 31, 2017 as compared to none in the year ended December 31, 2016, which are related to the acquisition of properties, plant and equipment.

**Cash flows from financing activities**

Cash flows from financing activities were $195,793 during the year ended December 31, 2017, an increase of $193,469 as compared to cash flows from financing of $2,324 during the year ended December 31, 2016. The increase is entirely driven by new loans received in fiscal year 2017.

## STATEMENT OF FINANCIAL POSITION
**As of December 31, 2017**

| | Notes | 2017 | 2016 |
|---|---|---|---|
| | | C$ | C$ |
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash | 3 | 35,320 | 10,431 |
| Other accounts receivable | 4 | 231,991 | 55,035 |
| Total current assets | | 267,311 | 65,466 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and Equipment | | 947 | - |
| Intangible assets | 5 | 1,621,676 | 634,928 |
| Assets for deferred income tax | | 45,219 | |
| Total non-current assets | | 1,667,842 | 634,928 |
| **TOTAL ASSETS** | | 1,935,153 | 700,394 |
| **LIABILITIES AND EQUITY** | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Trade accounts payable | | 52,218 | - |
| Other accounts payable | 6 | 2,258,908 | 933,399 |
| Total non-current liabilities | | 2,311,126 | 933,399 |
| **TOTAL LIABILITIES** | | 2,311,126 | 933,399 |
| **EQUITY** | | | |
| Capital | 7 | 185,523 | 196,135 |
| Capital Premium | | 810,888 | 860,213 |
| Accumulated results | | (1,372,384) | (1,289,353) |
| **TOTAL EQUITY** | | (375,973) | (233,005) |
| **TOTAL LIABILITIES AND EQUITY** | | 1,935,153 | 700,394 |

### KEY BALANCE SHEET ITEMS

**Cash**

The Company maintains its current accounts in local financial entities in Peruvian Soles and in US Dollars. The funds are freely available and do not accrue interest. The company keeps registered the amount of US $8,000 in its bank accounts, which is equivalent to C$9,186, for judicial deposit in Banco de la Nación in favor of the Company, for a trial carried out with the Quiulacocha Peasant Community.

**Other accounts receivable**

This item includes:

| | | 2017 | 2016 |
|---|---|---|---|
| | | C$ | C$ |
| Tax credit for General Sales Tax | (a) | 70,376 | 51,792 |
| Other accounts receivable | | 161,615 | 3,243 |
| **Total** | | **231,991** | **55,035** |

Other accounts receivable amounted to $231,911 as at December 31, 2017, which included $70,376 of Tax credit for General Sales Tax. In the opinion of the Management, the tax credit of the General Sales Tax will be fully compensated in the medium term.

**Intangible assets**

This item includes:

| | 2017 | 2016 |
|---|---|---|
| | C$ | C$ |
| Quiulacocha Project mining rights (a) | 980,241 | 616,111 |
| Other intangibles | 641,435 | 18,817 |
| **Total** | **1,621,676** | **634,928** |

Intangible assets increased to $1,621,676 as at December 31, 2017 from $634,928 as at December 31, 2016. These included "El Metalurgista" mining concession ($980,241) and other intangibles ($641,435). The El Metalurgista rights are related to the contract for the transfer of mining rights celebrated on April 22, 2004, with Mr. Victor Freundt.

**Other accounts payable**

Other accounts payable totaled $2,258,908 as at December 31, 2017, as compared to $933,399 as at December 31, 2016. The increase was mainly attributable to loans received from shareholders. Other accounts payable also included a loan received from Genius Properties Ltd. of $596,376.

**CONTINGENCIES**

Governmental laws and regulations regarding environmental protection regulate the Company's operations. The environmental consequences are not easily identifiable, either in terms of results, the impacts or the expiration date. Currently, and to the best knowledge of its management, the Company is in conformity with current laws and regulations.

**GOING CONCERN ASSUMPTION**

The accompanying consolidated financial statements have been prepared on the basis of the going concern assumption meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of business. However, the Company has accumulated losses that exceed the capital stock in recent years. The General Corporation Law grants a period of one year to reverse this situation through the contribution of shareholders. If this is not done, there is a risk that the Company will lose continuity unless it generates future profits that exceed this equity deficit.

## CAPITAL MANAGEMENT

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 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 mainly through private placements. When financing conditions are not optimal, the Company may enter into 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.

## IFRS ACCOUNTING POLICIES AND ESTIMATES

The Company's significant accounting policies and estimates under IFRS are disclosed in the audited annual consolidated financial statements for the year ended December 31, 2017.

## RISK AND UNCERTAINTIES

An investment in the common shares of the "Merged Company" should be considered highly speculative. The company is subject to a variety of risks, some of which are described below. If any of the following risks occur, the business, results of operations or financial condition could be adversely affected in a material manner.

### 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.

### 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 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. Management estimates that the cash and cash equivalents as at December 31, 2017 will not be sufficient to meet the Company's needs for cash during the coming year and additional sources of funds will therefore be required.

**Interest rate risk**

As at December 31, 2017, the Company is not exposed to changes in market interest.

**Exploration and mining risks**

The Company is engaged in the business of acquiring and exploring mineral properties in the hope of locating economic deposits of minerals. The Company's property interests are in the exploration and evaluation stage only. The business of mineral exploration involves a high degree of risk. Few properties that are explored are ultimately developed into production. Currently, there are no known bodies of commercial ore on the mineral properties of which the Company owns an interest. Accordingly, there is little likelihood that the Company will realize any profits in the short to medium term. Any profitability in the future from the Company's business will be dependent upon locating an economic deposit of minerals. However, there can be no assurance, even if an economic deposit of minerals is located, that it can be commercially mined.

Unusual or unexpected formations, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs.

The economics of developing mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment on the Company's mineral properties, nor any known body of commercial ore. Programs conducted on the Company's mineral property would be an exploratory search for ore.

**Permits and licenses**

The Company's operations will require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

**Metal prices**

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

**Competition**

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

### Environmental regulations

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

### Conflicts of interest

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

### Stage of development

The Company's properties are om the pre-operative stage. The Company does not have a history of earnings or providing a return on investment, and in future, there is no assurance that it will produce revenue, operate profitably or provide a return on investment.

### Industry conditions

Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The effect of these factors cannot be accurately determined.

### Uninsured risks

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

### Capital needs

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

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

### Key employees

Management of the Company rests on a few key officers and members of the Board of Directors, the loss of any of whom could have a detrimental effect on its operations. The development of the Company's business is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company faces competition for personnel from other employers.

## CERTIFICATION OF ANNUAL FILINGS

- The President and Chief Executive Officer and the Chief Financial Officer confirm to have reviewed the annual financial report and the annual MD&A (together, the "filings") of the Company for the twelve-month period ended December 31, 2017.

- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the filings.

- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the financial statements together with the other financial information included in the filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the period presented in the filings.

## ADDITIONAL INFORMATION

Although the Company is not a reporting issuer in Canada, additional information on the Company is available through certain filings and press releases filed by Genius on Sedar (www.sedar.com) and on Genius' website at www.geniusproperties.ca.

**Officers**

(s) *Steven Allen Zadka*
Steven Allen Zadka
President of the Board

(s) *Manuel Lizando Rodríguez-Mariátegui Canny*
Manuel Lizando Rodríguez-Mariátegui Canny
General Manager and Director

**Directors**

Steven Allen Zadka
Manuel Lizando Rodríguez-Mariátegui Canny
Luis Carlos Martin Rodrigo Prado
Frank Hodgson
Keith Philip Brill

**Head Office**

Av. Jorge Basadre 607, Of. 226
San Isidro, Lima - Perú

**Auditor**

RSM Panez, Chacaliaza & Asociados
Av. De La Floresta 497, 2do. Piso
Urb. Chacarilla del Estanque
San Borja, Lima-Perú

**Legal Advisors**

Rodrigo Elias & Medrano
Av. San Felipe 758
Lima 15072 - Perú

## SCHEDULE E

## PRO FORMA FINANCIAL STATEMENTS OF THE RESULTING ISSUER

# Genius Properties Ltd.

## Unaudited Pro Forma Consolidated Financial Statements
## December 31, 2017
**(Expressed in Canadian dollars)**

Unaudited Pro Forma Consolidated Financial Statements

# Genius Properties Ltd.
## Unaudited Pro Forma Consolidated Statement of Financial Position
### As at December 31, 2017
**(Expressed in Canadian dollars)**

| | Cerro De Pasco Resources S.A December 31, 2017 | Genius Properties Ltd December 31, 2017 | Note | Pro forma Adjustments | Pro forma consolidated December 31, 2017 |
|---|---|---|---|---|---|
| | $ | $ | | $ | $ |
| ***ASSETS*** | | | | | |
| Current | | | | | |
| Cash and cash equivalents | 35 320 | 304 536 | 2a) | (196 323) | |
| | | | 2c) | (230 142) | |
| | | | 2g) | (65 514) | |
| | | | 2h) | (100 000) | |
| | | | 2i.1) | 2 336 250 | |
| | | | 2i.2) | 3 300 000 | 5 384 127 |
| Other receivables | 231 991 | 101 713 | | | 333 704 |
| Prepaids expenses | | 23 615 | | | 23 615 |
| Loan to a non-related company | | 649 000 | 2f) | (649 000) | |
| | 267 311 | 1 078 864 | | 4 395 271 | 5 741 446 |
| Non-current | | | | | |
| Property, plant and equipment | 947 | 18 512 | | | 19 459 |
| Other intangible assets | 1 621 676 | | 2a) | (4 600 000) | |
| | | | 2d) | 4 600 000 | 1 621 676 |
| Deferred income tax asset | 45 219 | | | | 45 219 |
| **Total assets** | **1 935 153** | **1 097 376** | | **4 395 271** | **7 427 800** |
| ***LIABILITIES*** | | | | | |
| Current | | | | | |
| Trade accounts payable and other liabilities | 2 311 126 | 695 263 | 2c) | (230 142) | |
| | | | 2e) | (777 644) | |
| | | | 2f) | (596 376) | |
| | | | 2g) | (65 514) | 1 336 713 |
| Other liability related to flow-through financings | | 42 500 | 2a) | (42 500) | |
| Current portion of obligation under capital lease | | 2 058 | | | 2 058 |
| | 2 311 126 | 739 821 | | (1 712 176) | 1 338 771 |
| Non-current | | | | | |
| Obligation under capital lease | | 4 894 | | | 4 894 |
| **Total liabilities** | **2 311 126** | **744 715** | | **(1 712 176)** | **1 343 665** |

# Genius Properties Ltd.
## Unaudited Pro Forma Consolidated Statement of Financial Position
**As at December 31, 2017**
**(Expressed in Canadian dollars)**

| | Cerro De Pasco Resources S.A December 31, 2017 | Genius Properties Ltd December 31, 2017 | Note | Pro forma Adjustments | Pro forma consolidated December 31, 2017 |
|---|---|---|---|---|---|
| | $ | $ | | $ | $ |
| ***SHAREHOLDERS' EQUITY*** | | | | | |
| Share Capital | 185 523 | 13 604 399 | 2b) | (15 725 056) | |
| | | | 2b) | 4 252 056 | |
| | | | 2b) | 810 888 | |
| | | | 2e) | 777 644 | |
| | | | 2i.1) | 2 088 657 | |
| | | | 2i.2) | 3 300 000 | |
| | | | 2j) | 32 000 | 9 326 111 |
| Share Capital Premium | 810 888 | | 2b) | (810 888) | |
| Warrants | | 263 542 | 2b) | (511 135) | 1 002 567 |
| | | | 2b) | 1 002 567 | |
| | | | 2i.1) | 247 593 | |
| | | | 2i.2) | TBD | |
| Share options | | 14 640 | 2b) | (14 640) | 24 812 |
| | | | 2b) | 24 812 | |
| Contributed surplus | | 4 328 102 | 2b) | (4 328 102) | |
| Deficit | (1 372 384) | (17 703 249) | 2a) | (5 153 823) | |
| | | | 2a) | 400 000 | |
| | | | 2b) | 17 889 072 | |
| | | | 2b) | (2 589 574) | |
| | | | 2d) | 4 600 000 | |
| | | | 2f) | (52 624) | |
| | | | 2h) | (100 000) | |
| | | | 2j) | (32 000) | (4 114 582) |
| Non-controlling interests | | (154 773) | | | (154 773) |
| **Total shareholders' equity** | **(375 973)** | **352 661** | | **6 107 447** | **6 084 135** |
| **Total liabilities, shareholders' equity and capital** | **1 935 153** | **1 097 376** | | **4 395 271** | **7 427 800** |

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

# Genius Properties Ltd.

## Notes to Unaudited Pro Forma Consolidated Financial Statements
**As at December 31, 2017**
**(Expressed in Canadian dollars)**

### *1 - BASIS OF PRESENTATION*

On November 9th 2017, Genius Properties Ltd. ("Genius") and Cerro de Pasco Resources S.A. ("Cerro de Pasco") signed a merger agreement (the "Merger Agreement") with the intention to merge their businesses to become one single company (the "Transaction"). The Transaction is an arm's length fundamental change of Genius within the meaning of the Canadian Securities Exchange policies. As a result of the Transaction, existing security holders of Cerro de Pasco will become security holders of Genius and will hold in the aggregate a minimum of 75% of the total number of common shares of Genius issued and oustanding after the Transaction.

The closing of the Transaction is subject to the satisfaction of certain conditions included in the Merger Agreement and obtaining required approvals.

In accordance with IFRS 3, Business Combinations, the substance of the Transaction is a reverse acquisition of Genius by Cerro de Pasco as the shareholders of Cerro de Pasco will hold de majority of the shares of the resulting company. The Transaction of Genius does not constitute a business combination as Genius does not meet the definition of a business under that standard. As a result, the Transaction is accounted for as a capital transaction with Cerro de Pasco being identified as the acquirer and the equity consideration being measured at fair value. The resulting financial statements are presented as a continuation of Cerro de Pasco.

The accompanying pro forma consolidated financial statements have been prepared in accordance with IFRS. The unaudited pro forma consolidated financial statements have been prepared from information derived from the audited consolidated financial statements of Cerro de Pasco as at December 31, 2017 and the audited Consolidated financial statements of Genius as at December 31, 2017.

Management believes that the assumptions used provide a reasonable basis for presenting all of the significant effects of the Transaction and that the pro forma adjustments give appropriate effect to those assumptions and are appropriately applied in the unaudited pro forma consolidated financial statements.

The unaudited pro forma consolidated financial information is not intended to be indicative of the results that would actually have occurred, or the results expected in future periods, had the events reflected herein occurred on the dates indicated. Actual amounts recorded upon consummation of the transaction will differ from those recorded in the unaudited pro forma consolidated financial statement information.

# Genius Properties Ltd.

## Notes to Unaudited Pro Forma Consolidated Financial Statements
**As at December 31, 2017**
**(Expressed in Canadian dollars)**

### *2 - PRO FORMA ASSUMPTIONS*

The unaudited pro forma consolidated financial statements give effect to the following assumptions and adjustments:

a) Pursuant to the Merger Agreement entered into between Genius and Cerro de Pasco, Genius will transfer the ownership of all mining rights and titles and $196,323 from Genius to Genius Metal Inc/Métaux Genius Inc ("Genius Metal"). The amount of $196,323 represent the net proceed of a flow-trough financing concluded in December 2017 by Genius. Genius will also transfer to Genius Metal the other liability related to flow-trough shares of $42,500. In consideration for such transfer, Genius Metal will issue to Genius 9,797,970 Genius Metal common shares at a deemed price of $0.526 per common shares representing an aggregate consideration of $5,153,823.

The fair value of the net assets to be transfered was established at $5,153,823.

The mining rights will be transfered at book value of $4,600,000 and the dividend paid in shares of Genius Metal will be accounted at the fair value of the net asset transfered of $5,153,823.

The pro-forma statements do not include the following assets of Genius Canadian Properties ("Properties").

| | $ |
|---|---|
| Cash | 304 536 |
| Taxes receivable | 98 849 |
| Prepaid expenses | 23 615 |

The above assets were not transferred. In addition, the liabilities of Properties were not transfered exept the following :

| | $ |
|---|---|
| Trade accounts payable and other liabilties | |
| Other liability related to flow-through financings | 42 500 |

b) The fair value of the consideration for the net assets acquired by Cerro De Pasco is as follows:

| | $ |
|---|---|
| 58,251,744 shares issued and outstanding of Genius | 9 405 879 |
| Fair value of options issued to officers and directors of Genius | 24 812 |
| Fair value of outstanding warrants of Genius | 1 002 567 |
| Fair value of the net assets transferred to Genius Metal (Note 2a)) | (5 153 823) |
| | 5 279 435 |

The fair value of the Genius shares issued and outstanding has been determined based on the fair value the Genius shares were trading at prior to the announcement of the Transaction at $0.16 per share.

# Genius Properties Ltd.

## Notes to Unaudited Pro Forma Consolidated Financial Statements
**As at December 31, 2017**
**(Expressed in Canadian dollars)**

***2 - PRO FORMA ASSUMPTIONS (continued)***

b) Continued

The estimated fair value of the net assets acquired by Cerro de Pasco is:

| | $ |
|---|---|
| Cash and cash equivalents | 2 444 463 |
| Other receivables | 101 713 |
| Prepaid Expenses | 23 615 |
| Loan to a non-related entity | 649 000 |
| Property, Plant and equipment | 18 512 |
| Trade accounts payables and other liabilities | (695 263) |
| Obligation under capital lease | (6 952) |
| Non controlling-interests | 154 773 |
| Listing costs expensed | 2 589 574 |
| | 5 279 435 |

Following the closing of the Transaction, the issued and outstanding options to officers and directors of Genius will continue to be in effect with their original terms and conditions and are deemed to be issued as part of the Transaction. The fair value has been estimated at $24,812 using the Black-Scholes option pricing model with the following assumptions:

| | |
|---|---|
| Exercice price | $0.25 |
| Risk free interest rate | 1.58% |
| Expected dividend yield | Nil |
| Expected volatility | 232% |
| Expected life | 3,7 years |

Following the closing of the Transaction, the outstanding warrants of Genius will continue to be i effect will continue to be in effect with their original terms and conditions and are deemed to be issued as part of the Transaction. The fair value has been estimated at $980,828 using the Black-Scholes option pricing model with the following assumptions:

| | |
|---|---|
| Exercice price | $0.265 |
| Risk free interest rate | 1.51% |
| Expected dividend yield | Nil |
| Expected volatility | 167,00% |
| Expected life | 0.87 year |

As a result of this Transaction the share capital, options, warrants and deficit of Genius are eliminated.

c) After the Transaction, Cerro de Pasco paid in full the balance owed of $230,142 for acquiring mining concession with Victor Freundt.

### *2 - PRO FORMA ASSUMPTIONS (continued)*

d) Genius will change its accounting policy for exploration and evaluation expenses. previously, the company accounted for these expenses in Statement of Comprehensive Loss. the resulting issuer will use the accounting policy to capitalize the exploration and evaluation assets. This accounting change will result in an increase in exploration and evaluation assets and a reduction in deficit of $4,600,000.

e) Prior to the closing of the Transaction, Cerro de Pasco will enter into shares for debt agreements with Alpha and Assameka, pursuant to which they will convert the aggregate $ 777,644 into shares of Cerro de Pasco.

f) Upon closing of the Transaction, the loan receivable from Genius to Cerro de Pasco of $649,000 will be cancelled.

g) Prior to the closing of the Transaction, Cerro de Pasco paid in full a debt of $65,514 to Manuel Rodriguez.

h) Total Transaction costs will be approximately $100,000. Transaction costs are joined to the entire organization and cannot be attributed to any single transaction and are therefore expensed and recorded as an increase to the deficit.

# Genius Properties Ltd.

## Notes to Unaudited Pro Forma Consolidated Financial Statements
**As at December 31, 2017**
**(Expressed in Canadian dollars)**

### *2 - PRO FORMA ASSUMPTIONS (continued)*

i) The Issuer intends to arrange a private placement of units, at a minimum price per unit of $0.15, for minimum gross proceeds of approximately $2,250,000 prior to fling the Listing Statement and another financing of gross proceed of $3,500,000 (net proceeds of $3,300,000) after the completion of the Transaction.

i.1) *Private placement prior to filing the Listing Statement*
On April 6, 2018, Genius completed of a private placement of 15,575,000 units for gross proceeds of $2,336,250 at a price of $0.15 per unit. Each unit include a common share of Genius and one-half of one Comme Share purchase warrant. Each such warrant entitles its holder to purchase one additionnal Common Share at a price of $0.25 per Common Share for a period of 12 months from the date of its issuance.

The value of the warrants was estimate at $247,593 using the Black-Scholes option pricing model. The assumptions used for the calculation were :

| | |
|---|---|
| Expected dividend yield | 0,00% |
| Share price at grant date | $0,16 |
| Expected volatility | 95,00% |
| Risk-free interest rate | 1,50% |
| Expected life | 1,0 year |

i.2) *Private placement after the Completion of the Transaction*
Terms and conditions of the of this private placement are to be determined

j) In April 2018, Genius issued 200,000 common shares as consideration under an amendment agreement on the Mont Cameron Property

k) The pro forma effective income tax rate will be approximately 27%.

### *3 - SHARE CAPITAL*

A continuity of issued share capital and related recorded values after giv adjustments described in Note 2 is set out as follows:

| | Notes | Number of Shares | Amount |
|---|---|---|---|
| | | | $ |
| | 2 b) | 176 360 229 | 996 411 |
| | 2 b) | 43 011 743 | 13 604 399 |
| Cerro de Pasco shares, issued and outstanding | 2 k.1) | 15 575 000 | 2 088 657 |
| Genius shares, issued and outstanding | 2 m) | 200 000 | 32 000 |
| Issuer private placements in units | 2 b) | (58 786 743) | (15 725 056) |
| Shares issued as consideration for amendment | 2 b) | 58 786 743 | 4 252 056 |
| Genius Shares deemed cancelled | 2 f) | - | 777 644 |
| Genius deemed issuance of replacement shares | 2 k.2) | TBD | 3 300 000 |
| Cerro de Pasco shares for debt agreements | | 235 146 972 | 9 326 111 |
| Issuer private placements in units | | | |
| Pro forma share capital as at December 31, 2017 | | | |

# Genius Properties Ltd.

## Notes to Unaudited Pro Forma Consolidated Financial Statements
**As at December 31, 2017**
**(Expressed in Canadian dollars)**

### *4 - OPTIONS*

| A continuity of options and related recorded values after giving effect to t adjustments described in Note 2 is set out as follows: | Notes | Number of Options | Amount |
|---|---|---|---|
| | | | $ |
| Genius options, issued and outstanding | | 160 000 | 14 640 |
| Genius options deemed cancelled | 2 b) | (160 000) | (14 640) |
| Deemed issuance of replacement options | 2 b) | 160 000 | 24 812 |
| Pro forma options as at December 31, 2017 | | 160 000 | 24 812 |

### *5 - WARRANTS*

| A continuity of warrants and related recorded values after giving effect tc adjustments described in Note 2 is set out as follows: | Notes | Number of Options | Amount |
|---|---|---|---|
| | | | $ |
| Genius warrants, issued and outstanding | | 5 598 211 | 263 542 |
| Issuer private placements in units | 2 k.1) | 7 787 500 | 247 593 |
| Genius warrants deemed cancelled | 2 b) | (13 385 711) | (511 135) |
| Deemed issuance of replacement warrants | 2 b) | 13 385 711 | 1 002 567 |
| Issuer private placements in units | 2 k.2) | TBD | TBD |
| Pro forma warrants as at December 31, 2017 | | 13 385 711 | 1 002 567 |