



GENIUS PROPERTIES LTD.

Condensed Interim Consolidated Financial Statements

**Three-month and six-month periods ended
June 30, 2018 and 2017**

GENIUS PROPERTIES LTD.
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Condensed Interim Consolidated Financial Statements

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GENIUS PROPERTIES LTD.

Condensed Interim Consolidated Statements of Financial Position

As at June 30, 2018 and December 31, 2017

(in Canadian dollars)

| | Note | June 30 2018 | December 31 2017 |
|--|------|------------------|---------------------|
| | | \$ | \$ |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | 6 | 1,107,371 | 304,536 |
| Other receivables | 7 | 99,775 | 101,713 |
| Prepaid expenses | | 8,786 | 23,615 |
| Loan to a non-related company | 8 | 1,482,495 | 649,000 |
| Total current assets | | 2,698,427 | 1,078,864 |
| Non-current assets: | | | |
| Property and equipment | 10 | 25,521 | 18,512 |
| Total non-current assets | | 25,521 | 18,512 |
| Total assets | | 2,723,948 | 1,097,376 |
| Liabilities and Equity | | | |
| Current liabilities: | | | |
| Trade accounts payable and other liabilities | 11 | 867,001 | 695,263 |
| Other liability related to flow-through financings | | 39,861 | 42,500 |
| Current portion of obligation under capital lease | 12 | 2,110 | 2,058 |
| Total current liabilities | | 908,972 | 739,821 |
| Non-current liabilities: | | | |
| Obligation under capital lease | 12 | 3,812 | 4,894 |
| Total non-current liabilities | | 3,812 | 4,894 |
| Total liabilities | | 912,784 | 744,715 |
| Equity: | | | |
| Share capital | 13 | 15,692,541 | 13,604,399 |
| Warrants | 13 | 506,157 | 263,542 |
| Share options | 14 | 7,320 | 14,640 |
| Contributed surplus | | 4,335,422 | 4,328,102 |
| Deficit | | (18,575,271) | (17,703,249) |
| Total equity attributable to owners of the parent company | | 1,966,169 | 507,434 |
| Non-controlling interest | | (155,005) | (154,773) |
| Total equity | | 1,811,164 | 352,661 |
| Total liabilities and equity | | 2,723,948 | 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 October 4 2018.

(S) Guy Goulet
Director

(S) Hubert Vallée
Director

GENIUS PROPERTIES LTD.

Condensed Interim Consolidated Statements of Comprehensive Loss

Three-month and six-month periods ended June 30, 2018 and 2017

(in Canadian dollars)

| | Note | Three-month period ended June 30 2018 \$ | Three-month period ended June 30 2017 \$ | Six-month period ended June 30 2018 \$ | Six-month period ended June 30 2017 \$ |
|--|------|---|---|---|---|
| Expenses: | | | | | |
| Exploration and evaluation expenditures | 15 | 75,706 | 2,733,244 | 100,069 | 2,975,958 |
| General and administrative expenses | 16 | 493,008 | 185,691 | 793,344 | 330,402 |
| Operating loss before other expenses (revenues), income tax and loss from discontinued operations | | 568,714 | 2,918,935 | 893,413 | 3,306,360 |
| Other expenses (revenues): | | | | | |
| Net change in fair value of marketable securities | | - | - | - | (12,640) |
| Finance expense (income) | 17 | 1,470 | 631 | 3,229 | (7,188) |
| Exchange gain | | 413 | 473 | (22,522) | 473 |
| | | 1,883 | 1,104 | (19,293) | (19,355) |
| Income tax: | | | | | |
| Income tax | | (438) | (8,524) | (2,639) | (30,793) |
| | | (438) | (8,524) | (2,639) | (30,793) |
| Net loss from continuing operations | | 570,159 | 2,911,515 | 871,481 | 3,256,212 |
| Net loss (earnings) from discontinued operations | | 340 | (414) | 773 | (571) |
| Net loss and comprehensive loss | | 570,499 | 2,911,101 | 872,254 | 3,255,641 |
| Net loss from continuing operations attributable to: | | | | | |
| Shareholders of Genius Properties Ltd. | | 570,159 | 2,911,515 | 871,481 | 3,256,212 |
| Non-controlling interests | | - | - | - | - |
| | | 570,159 | 2,911,515 | 871,481 | 3,256,212 |
| Net loss (earnings) from discontinued operations attributable to: | | | | | |
| Shareholders of Genius Properties Ltd. | | 238 | (290) | 541 | (400) |
| Non-controlling interests | | 102 | (124) | 232 | (171) |
| | | 340 | (414) | 773 | (571) |
| Weighted average number of common shares outstanding | | 56,708,612 | 25,616,439 | 49,898,014 | 22,058,635 |
| Basic and diluted loss (earnings) per share: | | | | | |
| Basic and diluted loss per share from continuing operations | | 0.01 | 0.11 | 0.02 | 0.15 |
| Basic and diluted loss (earnings) per share from discontinued operations | | - | - | - | - |
| Basic and diluted loss per share: | | 0.01 | 0.11 | 0.02 | 0.15 |

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

GENIUS PROPERTIES LTD.

Condensed Interim Consolidated Statements of Changes in Equity

Three-month and six-month periods ended June 30, 2018 and 2017

(in Canadian dollars)

| | Note | Number of shares outstanding | Share capital | 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 and units issued: | | | | | | | | | | |
| Private placements | | 15,575,001 | 2,093,635 | 242,615 | | | | 2,336,250 | | 2,336,250 |
| As payment of exploration and evaluation expenditures | | 200,000 | 32,000 | | | | | 32,000 | | 32,000 |
| Share issuance costs | | | (37,493) | | | | | (37,493) | | (37,493) |
| Share options cancelled | | | | | (7,320) | 7,320 | | - | | - |
| Transactions with owners | | 15,775,001 | 2,088,142 | 242,615 | (7,320) | 7,320 | - | 2,330,757 | - | 2,330,757 |
| Net (loss) and comprehensive loss for the period | | | | | | | (872,022) | (872,022) | (232) | (872,254) |
| Balance as at June 30 2018 | | 58,786,744 | 15,692,541 | 506,157 | 7,320 | 4,335,422 | (18,575,271) | 1,966,169 | (155,005) | 1,811,164 |
| 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 | | 5,541,666 | 661,475 | 169,775 | | | | 831,250 | | 831,250 |
| As payment of exploration and evaluation expenditures | | 13,300,000 | 2,660,000 | | | | | 2,660,000 | | 2,660,000 |
| Share issuance costs | | | (27,559) | | | | | (27,559) | | (27,559) |
| Share options cancelled | | | | | (64,682) | 64,682 | | - | | - |
| Warrants expired | | | | (199,307) | | 199,307 | | - | | - |
| Transactions with owners | | 18,841,666 | 3,293,916 | (29,532) | (64,682) | 263,989 | - | 3,463,691 | - | 3,463,691 |
| Net (loss) earnings and comprehensive loss for the period | | | | | | | (3,255,812) | (3,255,812) | 171 | (3,255,641) |
| Balance as at June 30 2017 | | 36,520,743 | 12,733,059 | 209,707 | 98,637 | 4,216,829 | (17,239,499) | 18,733 | (154,934) | (136,201) |

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

GENIUS PROPERTIES LTD.

Condensed Interim Consolidated Statements of Cash Flows

Six-month periods ended June 30, 2018 and 2017

(in Canadian dollars)

| | Note | Six-month period ended | |
|--|------|------------------------|------------------|
| | | June 30 2018 | June 30 2017 |
| | | \$ | \$ |
| Operating activities: | | | |
| Net loss from continuing operations | | (871,481) | (3,256,212) |
| Adjustments for: | | | |
| Tax income | | (2,639) | (30,793) |
| Exploration and evaluation expenses paid through issuance of shares | | 32,000 | 2,660,000 |
| Depreciation of property and equipment | | 3,159 | - |
| Change in fair value of marketable securities | | - | (12,640) |
| Operating activities before changes in working capital items | | (838,961) | (639,645) |
| Change in other receivables | | 1,938 | (7,836) |
| Change in prepaid expenses | | 14,829 | 23,673 |
| Change in trade accounts payable and accrued liabilities | | 184,727 | 105,152 |
| Change in working capital items | | 201,494 | 120,989 |
| Net cash used for operating activities of continuing operations | | (637,467) | (518,656) |
| Net cash used for operating activities of discontinued operations | | - | - |
| Cash flows used for operating activities | | (637,467) | (518,656) |
| Financing activities: | | | |
| Proceeds from private placements | | 2,336,250 | 831,250 |
| Loan payable to a director | | 180,000 | - |
| Repayment of loan payable to a director | | (180,000) | - |
| Capital lease repayments | | (1,031) | - |
| Share issuance costs | | (42,383) | (26,046) |
| Net cash from (used for) financing activities of continuing operations | | 2,292,836 | 805,204 |
| Net cash from financing activities of discontinued operations | | - | - |
| Cash flows from (used for) financing activities | | 2,292,836 | 805,204 |
| Investing activities: | | | |
| Acquisition of property and equipment | | (19,039) | - |
| Proceeds from disposal of marketable securities | 9 | - | 69,515 |
| Loan to a non-related company | | (833,495) | - |
| Net cash (used for) from investing activities of continuing operations | | (852,534) | 69,515 |
| Net cash from investing activities of discontinued operations | | - | - |
| Cash flows (used for) from investing activities | | (852,534) | 69,515 |
| Net change in cash and cash equivalents | | 802,835 | 356,063 |
| Cash and cash equivalents, beginning of period | | 304,536 | 196,919 |
| Cash and cash equivalents, end of period | | 1,107,371 | 552,982 |

Interest paid

1,263

-

Additional disclosures of cash flows information (Note 18).

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

GENIUS PROPERTIES LTD.

Notes to Condensed Interim Consolidated Financial Statements

Three-month and six-month periods ended June 30, 2018 and 2017

(in Canadian dollars)

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 interim 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 six-month period ended June 30, 2018, the Company recorded a net loss of \$872,254 (\$3,255,641 in 2017) and has an accumulated deficit of \$18,575,271 as at June 30, 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 June 30, 2018, the Company had a working capital of \$1,789,455 (\$339,043 as at December 31, 2017) consisting of cash and cash equivalents of \$1,107,371 (\$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 six-month period ended June 30, 2018, the Company has raised \$2,336,250 from private placements consisting of common shares and warrants 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 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 condensed interim consolidated financial statements have been prepared on the historical cost basis except for where IFRS requires recognition at fair value.

3.3 Basis of consolidation:

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

GENIUS PROPERTIES LTD.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2018 and 2017

(in Canadian dollars)

3. Basis of preparation (continued):

3.3 Basis of consolidation (continued):

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Two subsidiaries have a reporting date of December 31 and one subsidiary has a reporting date of July 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 | Status | Jurisdiction of Incorporation | % of Ownership |
|-----------------------------------|----------|-------------------------------|----------------|
| Genius Metals Inc. ⁽¹⁾ | Active | Canada | 100% |
| Subsidiary 1 | Inactive | Canada | 100% |
| Subsidiary 2 | Inactive | USA | 70% |

(1) Genius Metals Inc. was incorporated on May 25, 2018 under the *Canada Business Corporations Act* and will be used for the spin-off of Genius described in Note 8.

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. 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.

4.1 Adoption of new accounting standard:

The following new standard has been applied in preparing the condensed interim financial statements as at June 30, 2018.

(i) IFRS 9 - Financial Instruments:

On January 1, 2018, the company adopted IFRS 9. 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. The adoption of this new standard did not have a significant impact on the Company's financial statements.

4.2 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.

GENIUS PROPERTIES LTD.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2018 and 2017

(in Canadian dollars)

4.2 New standards and interpretations that have not yet been adopted (continued):

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:

(ii) IFRS 16 - Leases:

In January 2016, the IASB published IFRS 16 which will replace IAS 17 Leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all lease with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16: changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods; changes the accounting for sale and leaseback arrangements; largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements.

The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted, but only if the entity is also applying IFRS 15. The Company is required to retrospectively apply IFRS 16 to all existing leases as of the date of transition and has the option to either:

- apply IFRS 16 with full retrospective effect; or
- recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application.

As a practical expedient, an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application. The Company is assessing the impact of this standard on its consolidated financial statements; however, the Company believes that on adoption of the standard there will be an increase to assets and liabilities, as the Company will be required to record a right-of-use asset and a corresponding lease liability on its consolidated statements of financial position, as well as a decrease to operating costs, an increase to finance costs (due to accretion of the lease liability) and an increase to depreciation (due to depreciation of the right-of-use asset).

5. 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 |
|--------------|--|---|-----------------|
| Subsidiary 2 | 30% | 102 | (155,005) |

No dividends were paid to the NCI during the six-month period ended June 30, 2018 and year ended December 31, 2017.

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

| | June 30 2018 | December 31 2017 |
|---|-----------------|---------------------|
| Current assets | \$ 107 | \$ 107 |
| Non-current assets | - | - |
| Total assets | 107 | 107 |
| Current liabilities | 96,342 | 95,569 |
| Non-current liabilities | 420,447 | 420,447 |
| Total liabilities | 516,789 | 516,016 |
| Equity attributable to shareholders of the parent | (361,677) | (361,136) |
| Non-controlling interests | (155,005) | (154,773) |

GENIUS PROPERTIES LTD.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2018 and 2017

(in Canadian dollars)

5. Interests in subsidiaries (continued):

| | June 30 2018 | December 31 2017 |
|--|-----------------|---------------------|
| | \$ | \$ |
| Net loss (income) and comprehensive loss (income) attributable to shareholders of the parent | 541 | (775) |
| Net loss (income) and comprehensive loss (income) attributable to NCI | 232 | (332) |
| Net loss and total comprehensive loss | 773 | (1,107) |

| | June 30 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) | - | - |

6. Cash and cash equivalents:

| | June 30 2018 | December 31 2017 |
|--|-----------------|---------------------|
| | \$ | \$ |
| Cash | 1,085,849 | 245,310 |
| Cash in trust | 6,522 | 44,226 |
| Guaranteed investment certificate, 0.9 % maturing in October 2018 is used as guarantee for credit card | 15,000 | 15,000 |
| | 1,107,371 | 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 June 30, 2018, the Company has the obligation to incur an amount of \$199,304 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.

7. Other receivables:

| | June 30 2018 | December 31 2017 |
|----------------------|-----------------|---------------------|
| | \$ | \$ |
| Sales tax receivable | 99,281 | 56,140 |
| Other | 494 | 45,573 |
| | 99,775 | 101,713 |

8. Loan to a non-related company:

| | June 30 2018 | December 31 2017 |
|--|-----------------|---------------------|
| | \$ | \$ |
| Loan to Cerro de Pasco Resources S.A. ⁽¹⁾ | 1,482,495 | 649,000 |
| | 1,482,495 | 649,000 |

GENIUS PROPERTIES LTD.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2018 and 2017

(in Canadian dollars)

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

⁽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\$1,146,456 (CAD\$1,482,495) have already been made as at June 30, 2018.

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.

9. 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.

GENIUS PROPERTIES LTD.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2018 and 2017

(in Canadian dollars)

9. Marketable securities (continued):

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.

10. 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 | 1,533 | 740 | 10,168 |
| As at June 30, 2018 | 16,440 | 10,015 | 2,729 | 29,184 |
| Accumulated depreciation | | | | |
| As at December 31, 2016 | - | - | - | - |
| Depreciation | 216 | 253 | 35 | 504 |
| As at December 31, 2017 | 216 | 253 | 35 | 504 |
| Depreciation | 1,456 | 1,485 | 218 | 3,159 |
| As at June 30, 2018 | 1,672 | 1,738 | 253 | 3,663 |
| Net book value | | | | |
| As at December 31, 2017 | 8,329 | 8,229 | 1,954 | 18,512 |
| As at June 30, 2018 | 14,768 | 8,277 | 2,476 | 25,521 |

11. Trade accounts payable and other liabilities:

| | June 30 2018 | December 31 2017 |
|--|-----------------|---------------------|
| | \$ | \$ |
| Trade accounts payable and accrued liabilities: | | |
| To a company controlled by a director and CEO | 15,420 | 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 | 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) | 31,792 | 32,000 |
| Other | 521,239 | 311,686 |
| Part XII.6 tax | 209,787 | 209,787 |
| Source deductions and contributions | 2,322 | 4,835 |
| | 867,001 | 695,263 |

12. Obligation under capital lease:

| | June 30 2018 | December 31 2017 |
|--|-----------------|---------------------|
| | \$ | \$ |
| Office equipment lease, 9.66% annual interest, maturing in December 2020 | 5,922 | 6,952 |
| Less: current portion | (2,110) | (2,058) |
| | 3,812 | 4,894 |

GENIUS PROPERTIES LTD.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2018 and 2017

(in Canadian dollars)

12. Obligation under capital lease (continued):

Minimum lease payments required in the next six-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 | 1,028 | 269 | 1,297 |
| 2019 | 2,218 | 374 | 2,592 |
| 2020 | 2,676 | 153 | 2,829 |
| | 5,922 | 796 | 6,718 |

The capital lease is secured by the underlying leased asset.

13. 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 |
| Issued for cash: | | |
| Private placements (common shares) | 15,575,001 | 2,056,142 |
| Issued as payment of expenses | 200,000 | 32,000 |
| Balance as at June 30, 2018 | 58,786,744 | 15,692,541 |

2018:

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 net proceeds of \$1,535,217 after deducting share issuance costs of \$20,783. A commission of \$14,250 was paid in connection with this private placement. Each unit consists of one common share and one-half 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 until April 6, 2019. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$161,532 based on the Black-Scholes option pricing model using the assumptions described below (Note 13 (d)).

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 net proceeds of \$763,540 after deducting share issuance costs of \$16,710. A commission of \$15,312 was paid in connection with this private placement. Each unit consists of one common share and one-half 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 until April 27, 2019. The Company may, at its option, accelerate the expiry date under certain conditions. These warrants have been recorded at a value of \$81,083 based on the Black-Scholes option pricing model using the assumptions described below (Note 13 (d)).

GENIUS PROPERTIES LTD.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2018 and 2017

(in Canadian dollars)

13. Share capital and warrants (continued):

(b) Issued and outstanding (continued):

2017:

On January 3, 2017, as per the mineral property purchase amended agreement of January 3, 2017 (Note 15), 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 13 (d)).

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 15).

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 13 (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 14 (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 13 (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 13 (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.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2018 and 2017

(in Canadian dollars)

13. 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 13 (d)).

(c) Warrants:

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

| | June 30 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 | 7,787,503 | 0.25 | 5,506,083 | 0.25 |
| Expired | - | - | (3,451,508) | 0.46 |
| Outstanding at end | 13,385,714 | 0.25 | 5,598,211 | 0.25 |

The following table provides outstanding warrants information as at June 30, 2018:

| Expiry date | Outstanding warrants | | |
|-------------------------------|--------------------------------------|-------------------|-------------------|
| | Number of outstanding warrants | Exercise price | Remaining life |
| December 8, 2018 | 21,000 | \$ 0.25 | (years) 0.4 |
| December 30, 2018 | 92,128 | 0.25 | 0.5 |
| April 27, 2019 ⁽¹⁾ | 13,272,586 | 0.25 | 0.8 |
| | 13,385,714 | 0.25 | 0.8 |

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

| Expiry date | Outstanding warrants | | |
|-------------------------------|--------------------------------------|-------------------|-------------------|
| | Number of outstanding warrants | Exercise price | Remaining life |
| December 8, 2018 | 21,000 | \$ 0.25 | (years) 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 June 5, 2018, the Board of Directors approved the extension to April 27, 2019 of warrants originally issued on May 26, 2017, December 8, 2017, December 15, 2017, December 21, 2017, December 29, 2017 and April 6, 2018, which were all originally valid for 12 months. Each such warrant remains exercisable at a price of \$0.25 per share.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2018 and 2017

(in Canadian dollars)

13. Share capital and warrants (continued):

(c) Warrants (continued):

2018:

On April 6, 2018, the Company issued 5,186,671 warrants to shareholders who subscribed to 10,373,334 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.25 per share until April 6, 2019 originally, and extended to April 27, 2019 as per a June 5, 2018 amendment. The value of the warrants was estimated at \$161,532 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⁾ | 93.52% |
| Risk-free interest rate | 1.79% |
| Expected life | 1.0 year |

On April 27, 2018, the Company issued 2,600,832 warrants to shareholders who subscribed to 5,201,667 units offering. Each warrant entitles the holder to subscribe to one common share at an exercise price of \$0.25 per share until April 27, 2019. The value of the warrants was estimated at \$81,083 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⁾ | 93.52% |
| Risk-free interest rate | 1.89% |
| Expected life | 1.0 year |

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 June 5, 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 |

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 June 5, 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 |

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Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2018 and 2017

(in Canadian dollars)

13. 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 originally, and extended to April 27, 2019 as per a June 5, 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 June 5, 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 June 5, 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.

14. 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.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2018 and 2017

(in Canadian dollars)

14. Share-based compensation (continued):

(a) Share option plan (continued):

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

| | June 30 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 June 30, 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 | 3.2 |
| | 80,000 | 80,000 | 0.25 | 3.2 |

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 |

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Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2018 and 2017

(in Canadian dollars)

15. Exploration and evaluation expenditures:

Exploration and evaluation expenditures by properties are detailed as follows:

| | Three-month period ended June 30 2018 | | | Three-month period ended June 30 2017 | | |
|--------------------------------|---|---------------------------------------|----------------|---|---------------------------------------|------------------|
| | Mining rights | Exploration & evaluation expenditures | Total | Mining rights | Exploration & evaluation expenditures | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Precious metals: | | | | | | |
| Blockhouse | 544 | - | 544 | 5,311 | 3,183 | 8,494 |
| Kemptville | - | - | - | - | 2,379 | 2,379 |
| Chocolate Lake | - | - | - | - | - | - |
| Tancook Island | - | - | - | - | - | - |
| Leipsigate | - | - | - | - | 2,063 | 2,063 |
| Dares Lake | - | - | - | 120 | 1,579 | 1,699 |
| Gold River | - | - | - | - | - | - |
| Meaghers | - | 17,389 | 17,389 | - | - | - |
| Sakami | 15,227 | 3,642 | 18,869 | 1,212,162 | 6,500 | 1,218,662 |
| Robelin | - | - | - | 1,302,704 | 13,500 | 1,316,204 |
| Quiulacochoa - Excelsior | - | 950 | 950 | 182,128 | - | 182,128 |
| Total precious metals | 15,771 | 21,981 | 37,752 | 2,702,425 | 29,204 | 2,731,629 |
| Industrial metals: | | | | | | |
| Dissimieux Lake | - | 375 | 375 | - | 405 | 405 |
| Mount Cameron | 33,450 | 4,129 | 37,579 | 410 | 800 | 1,210 |
| Total industrial metals | 33,450 | 4,504 | 37,954 | 410 | 1,205 | 1,615 |
| Grand total | 49,221 | 26,485 | 75,706 | 2,702,835 | 30,409 | 2,733,244 |
| | | | | | | |
| | Six-month period ended June 30 2018 | | | Six-month period ended June 30 2017 | | |
| | Mining rights | Exploration & evaluation expenditures | Total | Mining rights | Exploration & evaluation expenditures | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Precious metals: | | | | | | |
| Blockhouse | 724 | - | 724 | 6,536 | 72,308 | 78,844 |
| Kemptville | - | - | - | 100 | 3,129 | 3,229 |
| Chocolate Lake | (1,452) | - | (1,452) | 1,572 | - | 1,572 |
| Tancook Island | - | - | - | 1,048 | - | 1,048 |
| Leipsigate | - | - | - | - | 2,336 | 2,336 |
| Dares Lake | - | - | - | 1,333 | 3,965 | 5,298 |
| Gold River | 262 | - | 262 | 500 | - | 500 |
| Meaghers | - | 17,389 | 17,389 | - | - | - |
| Sakami | 19,019 | 12,447 | 31,466 | 1,212,162 | 6,500 | 1,218,662 |
| Robelin | 1,642 | - | 1,642 | 1,302,704 | 13,500 | 1,316,204 |
| Quiulacochoa - Excelsior | - | 950 | 950 | 182,128 | - | 182,128 |
| Total precious metals | 20,195 | 30,786 | 50,981 | 2,708,083 | 101,738 | 2,809,821 |
| Industrial metals: | | | | | | |
| Dissimieux Lake | 8,660 | 750 | 9,410 | - | 855 | 855 |
| Mount Cameron | 33,730 | 5,948 | 39,678 | 163,982 | 1,300 | 165,282 |
| Total industrial metals | 42,390 | 6,698 | 49,088 | 163,982 | 2,155 | 166,137 |
| Grand total | 62,585 | 37,484 | 100,069 | 2,872,065 | 103,893 | 2,975,958 |

GENIUS PROPERTIES LTD.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2018 and 2017

(in Canadian dollars)

15. Exploration and evaluation expenditures (continued):

Exploration and evaluation expenditures by nature are detailed as follows:

| | Three-month period ended | | Six-month period ended | |
|---|--------------------------|------------------|------------------------|------------------|
| | June 30 2018 | June 30 2017 | June 30 2018 | June 30 2017 |
| | \$ | \$ | \$ | \$ |
| Exploration and evaluation expenditures: | | | | |
| Mining rights | 49,221 | 2,702,835 | 62,585 | 2,872,065 |
| Exploration and evaluation expenditures | | | | |
| Geology | 13,827 | 21,579 | 16,747 | 30,447 |
| Prospecting | 12,636 | 6,347 | 15,546 | 6,347 |
| Geophysics | - | - | 3,800 | 1,500 |
| Drilling | 22 | 2,483 | 1,391 | 65,599 |
| | 75,706 | 2,733,244 | 100,069 | 2,975,958 |
| Grand total | 75,706 | 2,733,244 | 100,069 | 2,975,958 |

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.

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 issued 200,000 common shares on April 11, 2018 at a fair value of \$0.16 per share for a consideration of \$32,000 to shareholders of Mt Cameron Minerals Inc.

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Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2018 and 2017

(in Canadian dollars)

15. Exploration and evaluation expenditures (continued):

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 Kuujuaq. The property are subject to a 2.0% NSR on production, of which half (1/2) may be purchased at any time by the Company for \$1,000,000.

Quiulacocha - Excelsior (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.

16. 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 | | Six-month period ended | |
|---|--------------------------|-----------------|------------------------|-----------------|
| | June 30 2018 | June 30 2017 | June 30 2018 | June 30 2017 |
| | \$ | \$ | \$ | \$ |
| Selling and administrative expenses: | | | | |
| Salaries and employee benefit expense | 29,888 | - | 49,142 | - |
| Management and consulting fees | 80,379 | 81,653 | 143,126 | 152,668 |
| Professional fees | 202,309 | 51,971 | 287,707 | 84,434 |
| Business development | 109,095 | 24,913 | 205,098 | 43,104 |
| Rent and office expenses | 23,708 | 10,971 | 52,145 | 21,764 |
| Registration, listing fees and shareholders information | 45,918 | 16,183 | 52,967 | 28,432 |
| Depreciation of property and equipment | 1,711 | - | 3,159 | - |
| | 493,008 | 185,691 | 793,344 | 330,402 |

17. Finance expenses:

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

| | Three-month period ended | | Six-month period ended | |
|---|--------------------------|-----------------|------------------------|-----------------|
| | June 30 2018 | June 30 2017 | June 30 2018 | June 30 2017 |
| | \$ | \$ | \$ | \$ |
| Fines, penalties, bank charges & other interest | 1,470 | 631 | 3,229 | 1,212 |
| Penalty on contract termination | - | - | - | (8,400) |
| Finance expense | 1,470 | 631 | 3,229 | (7,188) |

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Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2018 and 2017

(in Canadian dollars)

18. Supplemental cash flow information:

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

| | Six-month period ended | |
|--|------------------------|-----------|
| | June 30 | June 30 |
| | 2018 | 2017 |
| | \$ | \$ |
| Non-cash financing activities: | | |
| Share issuance costs in trade accounts payable and accrued liabilities | 6,707 | 14,654 |
| Non-cash investing activities: | | |
| Shares issued as exploration and evaluation expenditures | 32,000 | 2,660,000 |

19. Related party transactions:

Related parties include the Company's joint key management personnel. Unless otherwise stated, balances are usually settled in cash. Key management includes directors and senior executives. The remuneration of key management personnel includes the following expenses:

| | Three-month period ended | | Six-month period ended | |
|-----------------|--------------------------|---------|------------------------|---------|
| | June 30 | June 30 | June 30 | June 30 |
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| Consulting fees | 55,000 | 65,778 | 95,000 | 98,778 |
| Director's fees | 7,500 | - | 7,500 | - |
| | 62,500 | 65,778 | 102,500 | 98,778 |

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

For the three-month and six-month periods ended June 30, 2018, there were no legal fees, transaction costs and share issuance costs charged by a company in which a former director is a partner (\$20,313 and \$42,716 for the three-month and six-month periods respectively ended June 30, 2017). There were no trade accounts and other payables due to this related party as at June 30, 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.

20. 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:

| | |
|------|--------|
| | \$ |
| 2018 | 12,000 |
| 2019 | 24,000 |
| 2020 | 16,000 |
| | 52,000 |

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.

GENIUS PROPERTIES LTD.

Notes to Condensed Interim Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2018 and 2017

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21. Contingency:

On September 20, 2018, A lawsuit has been filed against Genius Properties Ltd by a corporation controlled by a former President and Chief Executive Officer of Genius. The lawsuit, in the amount of \$1,281,646.41 for alleged unpaid consultant fees, termination fees and change of control fees payable under a consulting agreement. Genius believes the claim is without merit. Pursuant to an asset transfer agreement between Genius and Genius Metals Inc. ("Genius Metals") dated June 6, 2018, Genius Metals will assume all of the liabilities of Genius in connection with the lawsuit.

While it is not feasible to predict or determine the outcome of the lawsuit, this legal action is not expected to have a material impact on the business, consolidated financial position, results of operations or cash flows of Genius. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. As a result, no provision of the matter has been recorded in these financial statements.