

# **DIOS EXPLORATION INC.**

## **UNAUDITED INTERIM FINANCIAL STATEMENTS**

**June 30, 2017**

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The attached interim financial statements have been prepared by Dios Exploration Inc. and its external auditors have not reviewed these unaudited financial statements.

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**DIOS EXPLORATION INC.**  
**Interim Statement of Financial Position (unaudited)**

(Canadian dollars)

	Notes	June 30 2017	December 31 2016
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	5	378 489	475 878
Term deposits	5	-	373 718
Listed shares		-	4 466
Good and services tax receivable		12 794	2 678
Tax credits receivable		191 463	191 463
Prepaid expenses and deposit		3 333	-
		<b>586 079</b>	1 048 203
<b>Non-current</b>			
Exploration and evaluation assets	6	3 046 870	2 651 109
<b>Total assets</b>		<b>3 632 949</b>	3 699 312
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables		31 452	18 838
<b>Total liabilities</b>		<b>31 452</b>	18 838
<b>EQUITY</b>			
Share capital	7.1	19 344 758	19 344 758
Contributed surplus		2 794 166	2 787 331
Deficit		(18 537 427)	(18 451 615)
<b>Total equity</b>		<b>3 601 497</b>	3 680 474
<b>Total liabilities and equity</b>		<b>3 632 949</b>	3 699 312

The accompanying notes are an integral part of the interim financial statements

These financial statements were approved and authorized for issue by the Board of Directors on August \*, 2017

*(s) Marie-José Girard*

Marie-José Girard  
 Director

*(s) René Lacroix*

René Lacroix  
 Director

**DIOS EXPLORATION INC.**  
**Interim Statement of Comprehensive Loss (unaudited)**

(Canadian dollars)

	Notes	Three-month period ended		Six-month period ended	
		June 30		June 30	
		2017	2016	2017	2016
		\$	\$	\$	\$
<b>EXPENSES</b>					
Trustees, registration fees and shareholders relations		11 328	11 063	18 055	21 201
Consulting fees		10 075	9 200	18 225	18 300
Employee benefits expense	8.1	8 840	27 799	18 073	47 829
Professional fees		6 157	3 120	24 877	24 960
Insurance, taxes and permits		1 686	1 774	3 781	4 730
Offices expenses		1 232	975	3 020	1 918
Publicity, travel and promotion		423	4 785	2 652	12 084
Bank charges		146	332	306	658
<b>OPERATING LOSS</b>		<b>39 887</b>	<b>59 048</b>	<b>88 989</b>	<b>131 680</b>
<b>OTHER REVENUES AND EXPENSES</b>					
Finance income	9	1 254	15 355	3 572	30 151
Finance costs	9	-	(708)	(395)	(1 600)
		<b>1 254</b>	<b>14 647</b>	<b>3 177</b>	<b>28 551</b>
<b>LOSS BEFORE INCOME TAXES</b>		<b>(38 633)</b>	<b>(44 401)</b>	<b>(85 812)</b>	<b>(103 129)</b>
Deferred income taxes		-	-	-	6 226
<b>NET LOSS AND COMPREHENSIVE LOSS</b>		<b>(38 633)</b>	<b>(44 401)</b>	<b>(85 812)</b>	<b>(96 903)</b>
<b>NET LOSS PER SHARE</b>					
Basic and diluted loss per share	10	<b>(0.001)</b>	<b>(0.001)</b>	<b>(0.002)</b>	<b>(0.002)</b>

The accompanying notes are an integral part of the interim financial statements

**DIOS EXPLORATION INC.**  
**Interim Statement of Changes in Equity (unaudited)**

(Canadian dollars)

	Note	Share capital		Contributed	Deficit	Total equity
		Number of shares	\$	surplus	\$	\$
Balance at January 1, 2016		46 217 393	18 142 608	2 682 744	(16 949 636)	3 875 716
Shares or units issued		8 450 667	1 142 150	13 300	-	1 155 450
Net loss for the period		-	-	-	(96 903)	(96 903)
Share-based payments	8.2	-	-	41 884	-	41 884
Share issuance costs		-	-	-	(143 667)	(143 667)
Issuance of brokers' warrants		-	-	37 500	-	37 500
Balance at June 30, 2016		54 668 060	19 284 758	2 775 428	(17 190 206)	4 869 980
Balance at January 1, 2017		55 168 060	19 344 758	2 787 331	(18 451 615)	3 680 474
Net loss for the period		-	-	-	(85 812)	(85 812)
Share-based payments	8.2	-	-	6 835	-	6 835
Balance at June 30, 2017		55 168 060	19 344 758	2 794 166	(18 537 427)	3 601 497

The accompanying notes are an integral part of the financial statements

**DIOS EXPLORATION INC.**  
**Interim Statement of Cash Flows (unaudited)**

(Canadian dollars)

	Notes	Six-month period ended	
		June 30	
		2017	2016
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Net loss		(85 812)	(96 903)
Adjustments			
Share-based payments		6 836	41 884
Change in fair value of listed shares		395	(28 598)
Deferred income taxes		-	(6 226)
Changes in working capital items	11	(836)	(132 647)
Cash flows from operating activities		<u>(79 417)</u>	<u>(222 490)</u>
<b>INVESTING ACTIVITIES</b>			
Disposal of listed shares		4 072	24 005
Term Deposits redeemed (purchased)		373 718	(370 619)
Tax credits received		-	142 643
Additions to exploration and evaluation assets		(395 762)	(361 071)
Cash flows from investing activities		<u>(17 972)</u>	<u>(565 042)</u>
<b>FINANCING ACTIVITIES</b>			
Issuance of units and shares by private placement		-	1 155 450
Share issuance costs		-	(106 167)
Cash flows from financing activities		<u>-</u>	<u>1 049 283</u>
<b>Net change in cash and cash equivalents</b>		<b>(97 389)</b>	<b>261 751</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>475 878</b>	<b>306 448</b>
<b>Cash and cash equivalents, end of period</b>		<b>378 489</b>	<b>568 199</b>
<b>Supplemental disclosure</b>			
Interests income cashed (operating activities)		6 140	1 555
Interest paid (operating activities)		-	(1 600)

Additional information - Cash Flows- note 11

The accompanying notes are an integral part of the interim financial statements

# **DIOS EXPLORATION INC.**

## **Notes to Interim Financial Statements**

### **For the six-month period ended June 30, 2017 (unaudited)**

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(Canadian dollars)

#### **1. NATURE OF OPERATIONS AND CORPORATE INFORMATION**

Dios Exploration Inc. (the "Company") is an exploration company with activities in Canada.

#### **2. GOING CONCERN ASSUMPTION**

The 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 operations.

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. As at June 30, 2016, the Company has a negative cumulated retained deficit of \$18,537,427 (\$18,451,615 as at December 31, 2016). These material uncertainties cast significant doubt regarding the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties. 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.

#### **3. SUMMARY OF ACCOUNTING POLICIES**

##### **Basis presentation**

These interim financial statements of the Company were prepared in accordance with IFRS, as issued by the International Accounting Standards Board (IASB) under International Accounting Standard (IAS) 34 - Interim Financial Reporting. These interim financial statements were prepared using the same basis of presentation, accounting policies and methods of computations outlined in Note 4, SUMMARY OF ACCOUNTING POLICIES as described in our financial statements for the year ended December 31, 2016. The interim financial statements do not include all of the notes required in annual financial statements.

##### **Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company**

At the date of authorization of these 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 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 the 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.

##### *IFRS 9 Financial instruments*

In July 2014, the International Accounting Standards Board (IASB) aims to replace IAS 39 Financial Instruments: Recognition and Measurements in its entirety with IFRS 9. 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. Management does not anticipate any material impact on its financial statements arising from this standard.

#### **4. JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

When preparing the financial statements, management undertakes a number of judgments, estimations and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimations and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimations and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

# **DIOS EXPLORATION INC.**

## **Notes to Interim Financial Statements**

### **For the six-month period ended June 30, 2017 (unaudited)**

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(Canadian dollars)

#### **4. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

##### **Significant management judgements**

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

##### **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.

##### **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, meet its liabilities for the ensuing year and to fund planned and contractual exploration programs, involves judgments 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.

##### **Estimation uncertainty**

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

##### **Impairment of exploration and evaluation assets**

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is 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 or the cash-generating units must be estimated. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined.

In assessing impairment, the Company must make some estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expenses will be recover from either future exploitation or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

There were no write-off of exploration and evaluation asset for the six-month period ended June 30, 2017. No reversal of impairment losses has been recognized for the reporting periods.

##### **Share-based payments**

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share, the probable life of share options granted and the time of exercise of those share options. The model used by the Company is the Black-Scholes valuation model.

##### **Tax credits receivable**

The calculation of the Company's refundable tax credit on qualified exploration expenditure incurred and refundable tax credit involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until a notice of assessment has been issued by the relevant taxation authority and payment has been received. Difference arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments to the refundable tax credit and refundable tax credit, exploration and evaluation assets, and income tax expense in future periods.

**DIOS EXPLORATION INC.**  
**Notes to Interim Financial Statements**  
**For the six-month period ended June 30, 2017 (unaudited)**

(Canadian dollars)

**5. CASH AND CASH EQUIVALENTS**

	<b>June 30, 2017</b>	December 31, 2016
	\$	\$
Cash at bank (Bank overdraft) and in hand	<b>(3 403)</b>	2 419
Money market fund	<b>381 892</b>	473 459
	<b>378 489</b>	475 878

As at June 30, 2017, cash and cash equivalents include monetary fund bearing interest at 0.8% (0.8% as at December 31, 2016), cashable anytime without any penalties.

The term deposits shown in the statements of financial position bear interest at the rate of 1.65% to 1.70% and matured on May 25, 2017.

**6. EXPLORATION AND EVALUATION ASSETS**

MINING RIGHTS

	January 1, 2017	Additions	<b>June 30, 2017</b>
<b>QUEBEC</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
33 Carats	73 072	2 673	75 745
Solo-K2	31 782	1 039	32 821
AU33 ouest	126 782	-	126 782
Clarkie	16 312	445	16 757
Autres	1 817	-	1 817
	249 765	4 157	253 922

EXPLORATION

	January 1, 2017	Additions	Tax credits	<b>June 30, 2017</b>
<b>QUEBEC</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
33 Carats	1 574 000	-	-	1 574 000
Solo-K2	135 786	25 729	-	161 515
AU33 ouest	634 782	362 477	-	997 259
Clarkie	56 776	3 398	-	60 174
	2 401 344	391 604	-	2 792 948
<b>TOTAL</b>	<b>2 651 109</b>	<b>395 761</b>	<b>-</b>	<b>3 046 870</b>

**7. EQUITY**

**7.1 Share capital**

The share capital of the Company consists only of fully paid ordinary shares.

**Authorized**

Unlimited number of common shares without par value, voting, participating, dividend as declared by the Board of Directors.

	Number of shares Six-month period ended	
	<b>June 30, 2017</b>	June 30, 2016
Shares issued and fully paid		
Shares issued and fully paid at the beginning	<b>55 168 060</b>	46 217 393
Private placement	-	8 450 667
Total shares issued at the end	<b>55 168 060</b>	54 668 060



**DIOS EXPLORATION INC.**  
**Notes to Interim Financial Statements**  
**For the six-month period ended June 30, 2017 (unaudited)**

(Canadian dollars)

**7. EQUITY (continued)**

**7.2 Warrants**

Outstanding warrants entitle their holders to subscribe to an equivalent number of ordinary shares, as follows :

	Semester ended June 30, 2017		Year ended December 31, 2016	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Balance, at beginning	8 470 929	0.15	2 501 428	0.10
Issued	-	-	6 469 501	0.17
Exercised	-	-	(500 000)	0.10
Balance, at the end	<u>8 470 929</u>	<u>0.15</u>	<u>8 470 929</u>	<u>0.15</u>

The number of warrants outstanding exercisable in exchange for an equivalent number of ordinary shares is as follows:

Expiry date	June 30, 2017	
	Number of warrants	Exercise price
		\$
December 2, 2017	2 001 428	0.10
May 18, 2018	332 500	0.20
May 18, 2018	280 000	0.155
May 20, 2018	2 023 667	0.20
May 20, 2018	3 833 334	0.155
	<u>8 470 929</u>	<u>0.15</u>

**8. EMPLOYEE REMUNERATION**

**8.1 Salaries and employee benefits expense**

	Three-month period ended June 30		Six-month period ended June 30	
	2017	2016	2017	2016
	\$	\$	\$	\$
Salaries and benefits	73 972	55 844	136 419	121 461
Share-based payments	2 117	24 658	6 835	41 884
	<u>76 089</u>	<u>80 502</u>	<u>143 254</u>	<u>163 345</u>
Less: salaries capitalized in Exploration and evaluation assets	(67 249)	(52 703)	(125 181)	(115 516)
Salaries and employee benefits expense	<u>8 840</u>	<u>27 799</u>	<u>18 073</u>	<u>47 829</u>

**8.2 Share-based payments**

The Company has adopted share-based payment plan under which members of the Board of Directors may award options for ordinary shares to directors, officers, employees and consultants. The maximum number of shares issuable under the plan is 6,600,000. The maximum number of common shares which may be reserved for issuance to any one optionee may not exceed 5% of the common shares outstanding at the date of grant.

The exercise price of each option is determined by the Board of Directors and cannot be less than the market value of the ordinary shares on the day prior the award, and the term of the options cannot exceed five years. The options granted vest in stages over a period of 18 months after the grant date, at the rate of 15% per quarter, at the exception of 10%, which may be exercised from the date of the grant. For the options granted to a consultant, it vests in stages over a period of 12 months after the grant, at the rate of 25 % per quarter.

**DIOS EXPLORATION INC.**  
**Notes to Interim Financial Statements**  
**For the six-month period ended June 30, 2017 (unaudited)**

(Canadian dollars)

**8. EMPLOYEE REMUNERATION (continued)**

**8.2 Share-based payments (continued)**

	Semester ended June 30, 2017		Year ended December 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding as at the beginning	5 170 000	0.15	5 110 000	0.18
Granted	-	-	980 000	0.10
Expired	(900 000)	0.235	(920 000)	0.30
Canceled	(535 000)	0.13	-	-
Outstanding as at the end	<u>3 735 000</u>	0.13	<u>5 170 000</u>	0.15
Exercisable as at the end	<u>3 603 000</u>	0.11	<u>4 582 000</u>	0.14

The following table summarizes information about common share purchase options outstanding and exercisable as at June 30, 2017:

Number of options		exercise price	Expiry date
ourstanding	exercisable		
875 000	875 000	0.15	Dec. 12, 2017
1 100 000	1 100 000	0.15	Oct. 1, 2019
880 000	880 000	0.10	July 16, 2020
880 000	748 000	0.10	Feb. 22, 2021
<u>3 735 000</u>	<u>3 603 000</u>		

In total, \$6,835 of employee remuneration expense (all of which related to equity-settled share-based payment transactions) were included in profit or loss for the six-month period ended June 30, 2017 (\$41,884 for the six-month period ended June 30, 2016) and credited to Contributed surplus.

**9. FINANCE INCOME AND FINANCE COSTS**

Finance income may be analyzed as follows for the reporting periods presented:

	Six-month period ended June 30,	
	2017	2016
	\$	\$
Change in fair value of listed shares	-	28 597
Interest income from cash and cash equivalents	<u>3 572</u>	<u>1 554</u>
	<u>3 572</u>	<u>30 151</u>

Finance costs may be analyzed as follows for the reporting periods presented:

	Six-month period ended June 30,	
	2017	2016
	\$	\$
Interest on Advance of an officer	-	1 600
Change in fair value of listed shares	<u>395</u>	-
	<u>395</u>	<u>1 600</u>

**10. LOSS PER SHARE**

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, potential ordinary shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 7.2 and 8.2.

	Three-month period ended June 30,		Six-month period ended June 30,	
	2017	2016	2017	2016
Net loss	<b>\$(38,633)</b>	\$(44,401)	<b>\$(85,812)</b>	\$(96,903)
Weighted average number of shares in circulation	<b>55 168 060</b>	50 138 470	<b>55 168 060</b>	48 188 762
Basic and diluted loss per share	<b>\$(0.001)</b>	\$(0.001)	<b>\$(0.002)</b>	\$(0.002)

There have been no other transactions involving ordinary shares between the reporting date and the date of authorization of these financial statements.

**DIOS EXPLORATION INC.**  
**Notes to Interim Financial Statements**  
**For the six-month period ended June 30, 2017 (unaudited)**

(Canadian dollars)

**11. ADDITIONAL INFORMATION – CASH FLOWS**

The changes in working capital items are detailed as follows:

	Six-month period ended June 30,	
	2017	2016
	\$	\$
Good and services tax receivable	(10 116)	(6 419)
Prepaid expenses and deposit	(3 333)	(3 333)
Trade and other payables	12 613	(53 410)
Advance from an officer	-	(69 485)
	<b>(836)</b>	<b>(132 647)</b>

**12. RELATED PARTY TRANSACTIONS**

**Transactions with key management personnel**

Key management personnel of the Company are members of the Board of Directors, as well as the president, the chief financial officer and the vice-president, exploration. Key management personnel remuneration includes the following expenses:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Short-term employee benefits				
Salaries including bonuses and benefits	65 417	36 750	120 542	81 667
Professional fees	10 075	9 200	18 225	18 300
Social security costs	5 592	3 920	11 255	8 732
Total short-term employee benefits	81 084	49 870	150 022	108 699
Share-based payments	2 068	21 572	6 679	36 536
	<b>83 152</b>	<b>71 442</b>	<b>156 701</b>	<b>145 235</b>

During the three-month period ended June 30, 2017, a company in which a director is an owner, charged geological fees amounting of \$15,505 recorded in Exploration and evaluation assets.

**13. CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

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 the 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 Company's own means.

The Company monitors capital on the basis of the carrying amount of equity. The Company is not exposed to any externally imposed capital requirements except when the Company issues flow-through shares for which an amount should be used for exploration work. See all the details in Note 7 and the Statements of Changes in Equity.

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 activities or may slow its activities until conditions improve.

**DIOS EXPLORATION INC.**  
**Notes to Interim Financial Statements**  
**For the six-month period ended June 30, 2017 (unaudited)**

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(Canadian dollars)

**14. CONTINGENCIES AND COMMITMENTS**

The Company is partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Company is engaged in realizing mining exploration work.

These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than the earlier of the following dates:

- Two years following the flow-through placements;
- One year after the Company has renounced the tax deductions relating to the exploration work.

However, there is no guarantee that the Company's exploration expenses 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 would have a negative tax impact for investors.

During the reporting period ended December 31, 2016, the Company received \$706,850 following flow-through placements for which the Company renounced tax deductions on December 31, 2016. The management is required to dedicate these funds to the exploration of Canadian mining properties exploration in the period of one year from the date of renouncement. The balance of the amount of this unexpended flow-through financing at June 30, 2017 is \$315,246 and is to be expended before December 31, 2017.