

# **DIOS EXPLORATION INC.**

## **UNAUDITED INTERIM FINANCIAL STATEMENTS**

**June 30, 2019**

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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 2019	December 31 2018
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		-	561 183
Term deposit (2.6% to 2.688%)		454 907	-
Good and services tax receivable		7 560	2 596
Advance to an employee without interest		700	-
Tax credits receivable		263 122	263 122
Prepaid expenses and deposit		4 035	2 287
		<b>730 324</b>	<b>829 188</b>
<b>Non-current</b>			
Exploration and evaluation assets	5	2 490 516	2 273 921
<b>Total assets</b>		<b>3 220 840</b>	<b>3 103 109</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Bank overdraft		13 110	-
Trade and other payables		105 018	98 883
Other liabilities		112 632	159 856
<b>Total liabilities</b>		<b>230 760</b>	<b>258 739</b>
<b>EQUITY</b>			
Share capital	6.1	20 512 901	20 318 951
Contributed surplus		2 945 196	2 937 037
Deficit		(20 468 017)	(20 411 618)
<b>Total equity</b>		<b>2 990 080</b>	<b>2 844 370</b>
<b>Total liabilities and equity</b>		<b>3 220 840</b>	<b>3 103 109</b>

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 16, 2019

*(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	
		2019	2018	2019	2018
		\$	\$	\$	\$
<b>EXPENSES</b>					
Trustees, registration fees and shareholders relations		10 854	13 388	19 879	20 945
Consulting fees		8 825	9 775	18 009	18 601
Professional fees		6 687	10 847	27 487	25 407
Employee benefits expense	7.1	5 540	13 990	13 377	31 506
Offices expenses		2 879	1 046	4 728	2 329
Insurance, taxes and permits		1 902	1 804	4 168	3 937
Publicity, travel and promotion		525	934	4 390	6 290
Bank charges		143	186	345	324
<b>OPERATING LOSS</b>		<b>37 355</b>	<b>51 970</b>	<b>92 383</b>	<b>109 339</b>
<b>OTHER REVENUES AND EXPENSES</b>					
Finance income	8	3 173	311	5 861	1 060
Finance costs	8	(31)	(2 075)	(350)	(2 136)
		<b>3 142</b>	<b>(1 764)</b>	<b>5 511</b>	<b>(1 076)</b>
<b>LOSS BEFORE INCOME TAXES</b>		<b>(34 213)</b>	<b>(53 734)</b>	<b>(86 872)</b>	<b>(110 415)</b>
Deferred income taxes		33 741	-	47 224	52 040
<b>NET LOSS AND COMPREHENSIVE LOSS</b>		<b>(472)</b>	<b>(53 734)</b>	<b>(39 648)</b>	<b>(58 375)</b>
<b>NET LOSS PER SHARE</b>					
Basic and diluted loss per share	9	<b>(0.001)</b>	<b>(0.001)</b>	<b>(0.001)</b>	<b>(0.001)</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	Number of shares to be issued		surplus		
				\$	\$	\$	\$
Balance at January 1, 2018		55 168 060	1 734 667	19 448 838	2 795 107	(20 226 103)	2 017 842
Net loss for the period		-	-	-	-	(58 375)	(58 375)
Issuance of shares		7 134 700	(1 734 667)	389 113	81 335	-	470 448
Share-based payments	7.2	-	-	-	27 239	-	27 239
Share issuance costs		-	-	-	-	(19 099)	(19 099)
Balance at June 30, 2018		62 302 760	-	19 837 951	2 903 681	(20 303 577)	2 438 055
Balance at January 1, 2019		71 922 760	-	20 318 951	2 937 037	(20 411 618)	2 844 370
Net loss for the period		-	-	-	-	(39 648)	(39 648)
Issuance of shares	6.1	2 983 846	-	193 950	-	-	193 950
Share-based payments	7.2	-	-	-	8 159	-	8 159
Share issuance costs		-	-	-	-	(16 751)	(16 751)
Balance at June 30, 2019		74 906 606	-	20 512 901	2 945 196	(20 468 017)	2 990 080

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	
		2019	2018
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Net loss		(39 648)	(58 375)
Adjustments			
Share-based payments		8 159	27 239
Finance income not cashed		(4 907)	-
Deferred income taxes		(47 224)	(52 040)
Changes in working capital items	10	(86 607)	138 457
Cash flows from operating activities		<u>(170 227)</u>	<u>55 281</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of term deposits		(450 000)	-
Additions to exploration and evaluation assets		(131 265)	(470 567)
Cash flows from investing activities		<u>(581 265)</u>	<u>(470 567)</u>
<b>FINANCING ACTIVITIES</b>			
Issuance of units and shares		193 950	486 003
Share issuance costs		(16 751)	(19 099)
Cash flows from financing activities		<u>177 199</u>	<u>466 904</u>
<b>Net change in cash and cash equivalents</b>		<b>(574 293)</b>	<b>51 618</b>
<b>Cash and cash equivalents, beginning of period</b>		<b><u>561 183</u></b>	<b><u>376 296</u></b>
<b>Cash and cash equivalents (bank overdraft), end of period</b>		<b><u>(13 110)</u></b>	<b><u>427 914</u></b>
<b>Supplemental disclosure</b>			
Interests income cashed (operating activities)		<u>954</u>	<u>1 060</u>
Interest paid (operating activities)		<u>(350)</u>	<u>(2 136)</u>

Additional information - Cash Flows- note 10

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, 2019 (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, 2019, the Company has a negative cumulated retained deficit of \$20,468,017 (\$20,411,618 as at December 31, 2018). 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, 2018. The interim financial statements do not include all of the notes required in annual financial statements.

#### **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

##### **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.

**DIOS EXPLORATION INC.**  
**Notes to Interim Financial Statements**  
**For the six-month period ended June 30, 2019 (unaudited)**

(Canadian dollars)

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

**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, 2019. 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.

**5. EXPLORATION AND EVALUATION ASSETS**

MINING RIGHTS	January 1, 2019	Additions		June 30, 2019
<b>QUEBEC</b>	\$	\$		\$
K2	50 136	8 304		58 440
AU33	151 025	1 062		152 087
Clarkie	24 330	-		24 330
Autres	16 307	-		16 307
	241 798	9 366		251 164
<b>EXPLORATION</b>	January 1, 2019	Additions	Tax credits	June 30, 2019
<b>QUEBEC</b>	\$	\$	\$	\$
K2	358 911	127 076	-	485 987
AU33	1 472 042	34 274	-	1 506 316
Clarkie	200 914	45 879	-	246 793
Others	256	-	-	256
	2 032 123	207 229	-	2 239 352
<b>TOTAL</b>	2 273 921	216 595	-	2 490 516

**DIOS EXPLORATION INC.**  
**Notes to Interim Financial Statements**  
**For the six-month period ended June 30, 2019 (unaudited)**

(Canadian dollars)

**6. EQUITY**

**6.1 Share capital**

The share capital of the Company consists only of ordinary shares created in unlimited number, without par value. All shares are equally admissible to receive dividends and the repayment of capital, and represent one vote each at the shareholders' meeting of the Company

On January 31, 2019, the Company completed a non-brokered private placement. An amount of \$193,950 was subscribed consisting of 2,983,846 flow-through shares at a price of \$0.065 per share. An amount of \$193,950 was allocated to share capital.

**6.2 Warrants**

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

	Semester ended June 30, 2019		Year ended December 31, 2018	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Balance, at beginning	5 252 222	0.11	6 469 501	0.17
Issued	-	-	5 252 222	0.11
Expired	-	-	(6 469 501)	0.17
Balance, at the end	<u>5 252 222</u>	0.11	<u>5 252 222</u>	0.11

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

Expiry date	June 30, 2019	
	Number of warrants	Exercise price
		\$
June 26, 2020	1 400 000	0.11
June 27, 2020	630 000	0,075
June 28, 2020	1 000 000	0.11
June 29, 2020	<u>2 222 222</u>	0.11
	<u>5 252 222</u>	0.11

**7. EMPLOYEE REMUNERATION**

**7.1 Salaries and employee benefits expense**

	Three-month period ended June 30		Six,-month period ended June 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Salaries and benefits	67 949	45 824	127 169	118 849
Share-based payments	2 940	12 539	8 159	27 239
	<u>70 889</u>	<u>58 363</u>	<u>135 328</u>	<u>146 088</u>
Less: salaries capitalized in Exploration and evaluation assets	(65 349)	(44 373)	(121 951)	(114 582)
Salaries and employee benefits expense	<u>5 540</u>	<u>13 990</u>	<u>13 377</u>	<u>31 506</u>

**7.2 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**  
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(Canadian dollars)

**7. EMPLOYEE REMUNERATION (continued)**

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

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options. The Company's share options are as follows for the reporting periods presented:

	Semester ended June 30, 2019		Year ended December 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding as at the beginning	3 840 000	0.11	2 860 000	0.15
Granted	-	-	980 000	0.10
Expired	-	-	-	-
Canceled	-	-	-	-
Outstanding as at the end	<u>3 840 000</u>	<u>0.11</u>	<u>3 840 000</u>	<u>0.11</u>
Exercisable as at the end	<u>3 693 000</u>	<u>0.11</u>	<u>3 399 000</u>	<u>0.12</u>

The following table summarizes information about common share purchase options outstanding and exercisable as at June 30, 2019:

Number of options		exercise price	Expiry date
outstanding	exercisable		
1 100 000	1 100 000	0.15	Oct. 1, 2019
880 000	880 000	0.10	July 16, 2020
880 000	880 000	0.10	Feb. 22, 2021
980 000	833 000	0.10	Feb. 19, 2023
<u>3 840 000</u>	<u>3 693 000</u>		

In total, \$8,159 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, 2019 (\$27,239 for the six-month period ended June 30, 2018) and credited to Contributed surplus.

**8. FINANCE INCOME AND FINANCE COSTS**

Finance income may be analyzed as follows for the reporting periods

	Three-month period ended June 30,		Six-month period ended June 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Interest income from cash and cash equivalents and term deposit	<u>3 173</u>	<u>311</u>	<u>5 861</u>	<u>1 060</u>

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

	Three-month period ended June 30,		Six-month period ended June 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Interest on Advance of an officer	<u>31</u>	<u>2 075</u>	<u>290</u>	<u>2 136</u>
Interest on supplier debt	<u>-</u>	<u>-</u>	<u>60</u>	<u>-</u>
	<u>31</u>	<u>2 075</u>	<u>350</u>	<u>2 136</u>

**9. 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 6.2 and 7.2.

	Three-month period ended June 30,		Six-month period ended June 30,	
	2018	2018	2019	2018
Net loss	<u>\$(472)</u>	<u>\$(53,734)</u>	<u>\$(39,648)</u>	<u>\$(58,375)</u>
Weighted average number of shares in circulation	<u>74 906 606</u>	<u>57 782 125</u>	<u>74 412 046</u>	<u>57 594 098</u>
Basic and diluted loss per share	<u>\$(0.001)</u>	<u>\$(0.001)</u>	<u>\$(0.001)</u>	<u>\$(0.001)</u>

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, 2019 (unaudited)**

(Canadian dollars)

**10. ADDITIONAL INFORMATIONS – CASH FLOWS**

The changes in working capital items are detailed as follows:

	Six-month period ended June 30,	
	2019	2018
	\$	\$
Good and services tax receivable	(4 964)	7 829
Prepaid expenses and deposit	(1 748)	350
Advance to an employee	(700)	-
Trade and other payables	(79 195)	80 753
Advance from an officer	-	49 525
	<b>(86 607)</b>	<b>138 457</b>

**11. 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,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Short-term employee benefits				
Salaries including bonuses and benefits	52 885	40 833	105 385	102 083
Professional fees	8 825	9 775	18 009	18 602
Social security costs	5 018	3 625	10 033	9 831
Total short-term employee benefits	66 728	54 233	133 427	130 516
Share-based payments	2 670	11 387	7 409	24 737
	<b>69 398</b>	<b>65 620</b>	<b>140 836</b>	<b>155 253</b>

During the six-month period ended June 30, 2018, a company in which a director is an owner, charged geological fees amounting of \$16,742 recorded in Exploration and evaluation assets.

**12. 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 6 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, 2019 (unaudited)**

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(Canadian dollars)

**13. 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, 2018, the Company received \$695,303 following flow-through placements for which the Company renounced tax deductions on December 31, 2018. 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, 2019 is \$488,075 and is to be expended before December 31, 2019.

During the six-month period ended June 30, 2019, the Company received \$193,950 following flow-through placements for which the Company will renounce tax deductions on December 31, 2019. 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 March 31, 2019 is \$193,950 and is to be expended before December 31, 2020.