



**DIOS**  
EXPLORATION

**DIOS EXPLORATION INC.  
Management's Discussion and Analysis  
Quarterly highlights  
For the three and six-month periods ended  
June 30, 2020**

The following quarterly highlights management discussion and analysis of the financial condition and results of the operation of Dios Exploration Inc. ((the "Company" or "Dios") constitutes management's review of the factors that affected the Company's financial operating performance for the three and six-month periods ended June 30, 2020.

This discussion and analysis should be read in conjunction with:

- The unaudited interim financial statements as at June 30, 2020;
- The 2019 Annual Management report; and
- The Company's audited financial statements for the year ended December 31, 2019 and December 31, 2018.

These documents and additional information may be available through [www.sedar.com](http://www.sedar.com) web site, under the Company's section "Sedar filing" or at [www.diosexplo.com](http://www.diosexplo.com). The Company's shares are listed on the TSX Venture Exchange, under the symbol "DOS". As at June 30, 2020, there are 91,957,066 common shares of Dios issued and outstanding.

### **Nature of activities**

Dios focuses on gold exploration in James Bay Eeyou Istchee, Quebec. Dios is involved in mineral exploration along a major deformation zone through proprietary diamond till sampling having also defined gold glacial dispersal trains.

**K2 gold-copper-silver project**, directly SW in strike of Azimut's Elmer gold discovery, has been explored and enlarged by Dios for the last 4 years. Very significant results were obtained on **K2** with its Attila-Kali eastern outcrop targets and west input WI gold targets, west of Kali intrusion. Adjacent **Solo** southeast of K2 will be explored by a partner.

Successful drilling of large AU33 gold property, adjacent to Clearwater gold deposit, led to HEBERTO GOLD discovery and 4 km NNE, to successful drilling of CLN area and in late 2019, a further 4-5 km east of CLN, to gold drilling discovery in WTS sector. A few hundreds km east, a partner will develop **33Carats-Bohier** near the Eastmain gold mine.

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### **COVID-19 Pandemic**

During the quarter, the company resumed field exploration in mid-June on its properties. The Minister of Energy and Natural Resources of Quebec announced on April 9, 2020 the postponement of field work requirements to renew a claim, for a period of one year.

### **Financing activities**

On March 4 and 13, 2020, the Company completed a non-brokered private placement. An amount of \$659,000 was subscribed consisting in 6,590,000 flow-through shares at a price of \$0.10. An amount of \$549,650 was allocated to share capital, while an amount of \$109,350 has been recorded in other liabilities in the statement of financial position. Finder's fees amounted to \$15,000, consisting in the issuance of 176,471 common shares of the Company at a price of \$0.085 for a value of \$15,000.

On April 28, 2020, the Company completed a non-brokered private placement. An amount of \$401,000 was subscribed consisting in 4,010,000 flow-through shares at a price of \$0.10. An amount of \$380,950 was allocated to share capital, while an amount of \$20,050 has been recorded in other liabilities in the statement of financial position. Finder's fees amounted to \$18,000, consisting in the issuance of 211,765 common shares of the Company at a price of \$0.085 for a value of \$18,000.

During the quarter ended June 30, 2020, 810,000 options were exercised. An amount of \$81,000 was received and one of \$32,150, representing fair value of the options at the time of the issue were recorded as an increase in share capital. Also 5,252,222 warrants were exercised. An amount of \$555,694 was received and an amount of \$93,934, representing the fair value of warrants, were recorded as an increase in share capital.

### **Investing activities**

*Quarter ended June 30, 2020*

During this period, Dios paid \$46,234 for mining rights (claim renewal and acquisitions).

During the three-month period ended June 30, 2020, the Company incurred \$188,972 in exploration expenses compared to \$146,557 for the same period in 2019.

### **Exploration Expense Analysis**

<b>Description</b>	<b>AU33</b>	<b>K2</b>	<b>Clarkie</b>	<b>Others</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Geology	9,562	49,560	3,741	12,546	75,409
Transportation, Lodging	-	48,999	-	-	48,999
Geophysical work	-	62,689	-	-	62,689
Office and other	673	1,202	-	-	1 875
	10,235	162,450	3,741	12,546	188,972

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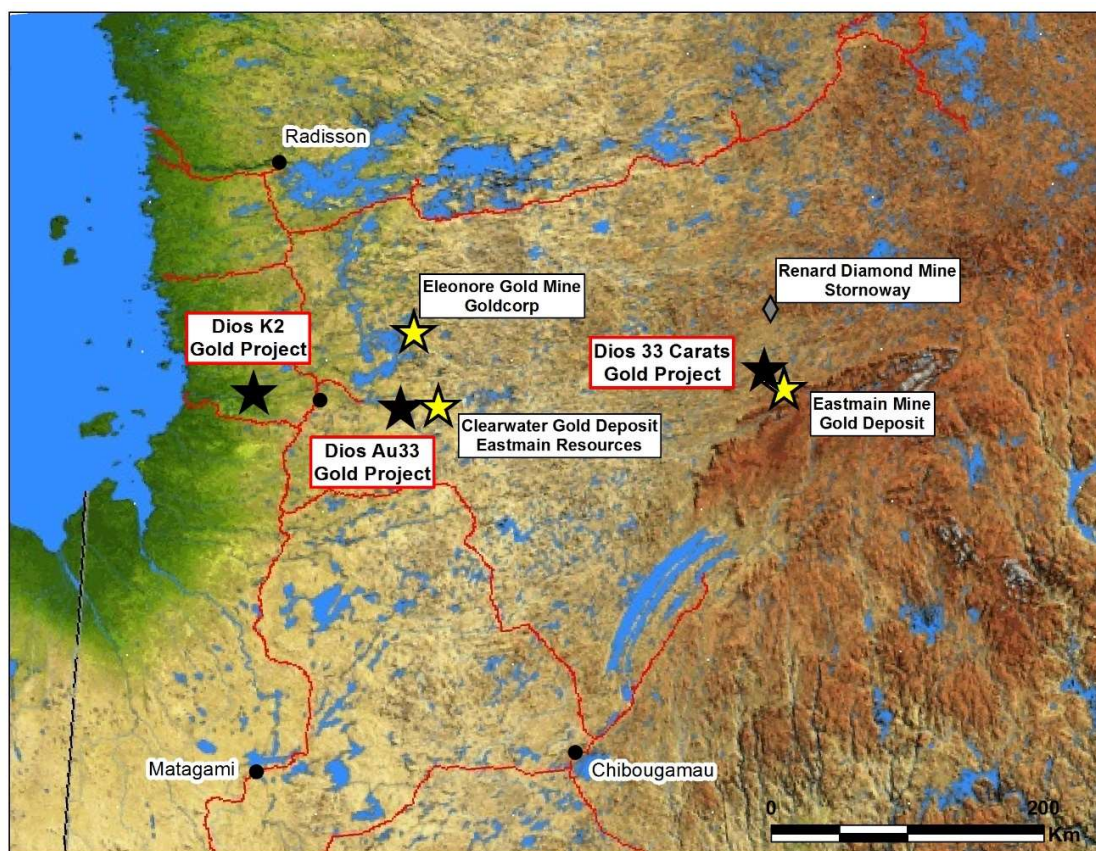
## Six-month period ended June 30, 2020

During this period, Dios paid \$46,792 for mining rights (claim renewal and acquisitions).

During the six-month period ended June 30, 2020, the Company incurred \$211,904 in exploration expenses compared to \$207,229 for the same period in 2019.

### Exploration Expense Analysis

Description	AU33	K2	Clarkie	Others	Total
	\$	\$	\$		\$
Geology	19,167	58,666	4,240	12,546	94,619
Transportation, Lodging	-	50,457	-	-	50,457
Geophysical work	-	62,689	-	-	62,689
Office and other	2,239	1,900	-	-	4,139
	21,406	173,712	4,240	12,546	211,904

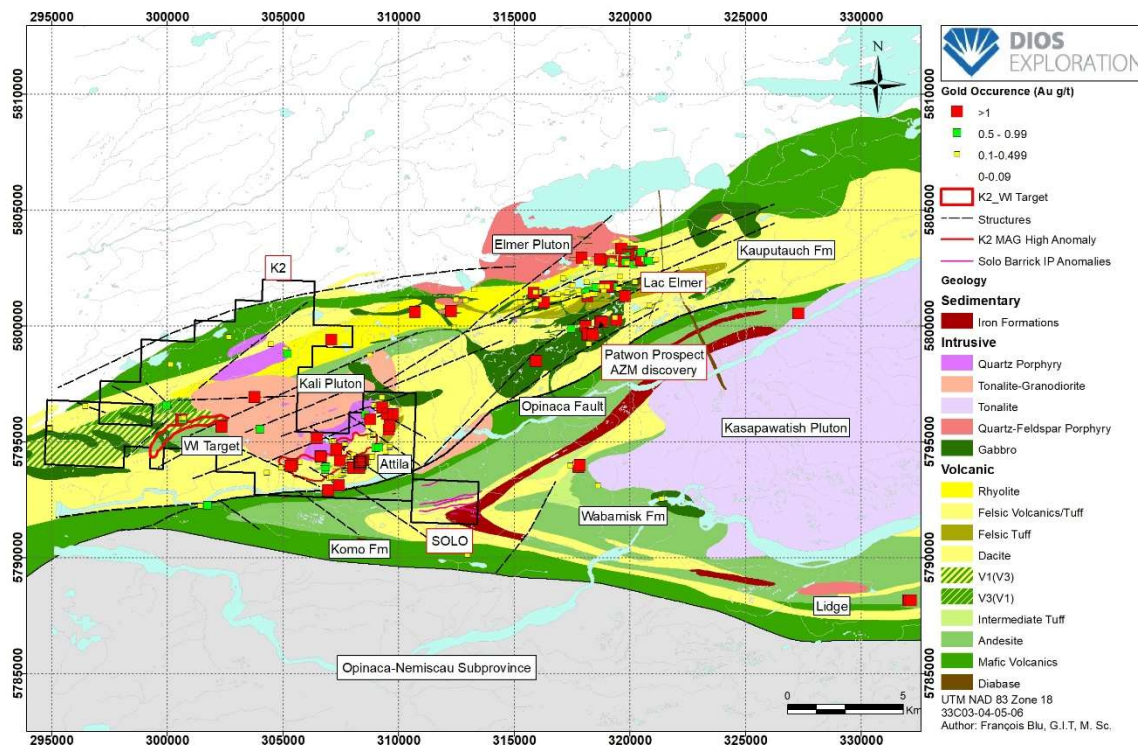


On February 11, 2020, the Company signed an agreement with Sirios Resources Inc. ("Sirios") allowing the latter to acquire an interest in the Solo property, southeast of **K2**, south of major Opinaca fault (see map). Sirios can get a 51% interest in this property over a period of three years with payments of \$125,000 and \$600,000 in exploration work.

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Once the 51% participation is obtained, Sirius shall have the option of continuing exploration in joint venture with the Company on a 51/49 basis or else starting a second phase allowing it to increase its participation to 90% with payments of \$150,000 and drilling totaling 20,000 meters over a three-year period. During the quarter, the Company received from Sirius a payment of \$25,000.

A series of prospective ground parallel IP axis anomalies located on the northern flank of a highly interesting fold hinge with gold-in-soil anomalies are promising drill ready targets in this poorly outcropping zone. Partner Sirius completed an airborne detailed magnetic survey during the quarter, but postponed its exploration drilling work following government orders relating to the COVID-19 pandemic.



### Along the Upper Eastmain greenstone belt

On July 1, 2020 (effective date), the Company signed an agreement with a private Australian company ("the buyer") allowing the latter to acquire an interest in the 33Carats property located along the Eastmain River in the Otish Mountains region of Quebec. The buyer can earn a 70% interest in this property over a five-year period with payments of \$220,000 and payments of claim renewal costs in addition to exploration work totaling \$1,400,000. Once the 70% interest is obtained, the buyer can obtain an additional interest of 15% following the preparation by the buyer of a preliminary economic study of the property. The Company can then decide to participate 15% in the JV or get a 2 % NSR half of which can be bought for \$ 1,000,000.



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The **33 Carats-Bohier project** is located northwest of adjacent Eastmain mine property and in strike (NW) with the structural/stratigraphic Eastmain Mine Trend hosting most of the significant gold & copper showing in the area. The 33 Carats project may represent a deeper structurally controlled geological environment (tonalite intrusion-related/porphyry) and possibly the source of telescoped mineralized fluids underlying the favourable volcanic sequence hosting mineralization along the Eastmain Mine Trend. Such continuum between intrusive (deep) and volcanic (shallow) environments is well documented all over the world. The Bohier tonalite is characterized by widespread carbonatization. Several gold-copper occurrences have previously been outlined along NNW low mag structures within the 33Carats project (including [Contact Est](#)= 3,18 g/t gold, [Laker](#)= 3,1 g/t Au and [Shower Cap](#)= 6,11 g/t Au). Typical mineralisation is composed of disseminated (or in stringers/veins) 1-3% pyrite and/or chalcopyrite and may be associated to intermediate dykes. Breccias, potassic (biotite and potassic feldspar) and propylitic (chlorite, epidote and calcite) alterations were locally observed and are typical of porphyry environment. A ground Induced Polarization survey is strongly recommended to define more accurate drilling targets.

### **Along the Lower Eastmain greenstone belt, Dios defined Prospective drill targets on its induced polarization survey recently completed on K2 WI-Target.**

Induced Polarization survey completed in July over a 3.2 km long by 700 m to 1.1 km large grid (200 m line spacing) helped better define gold WI-Targets soon to be drilled on **K2** gold project in Elmer Lake area, James Bay Eeyou-Istchee.

The WI-Target is a **non-outcropping 3.6 km long by 150-300 m large prospective conductor** previously defined by Airborne geophysics. This conductor is west-southwest striking within felsic volcanics at the western margin of Kali pluton.

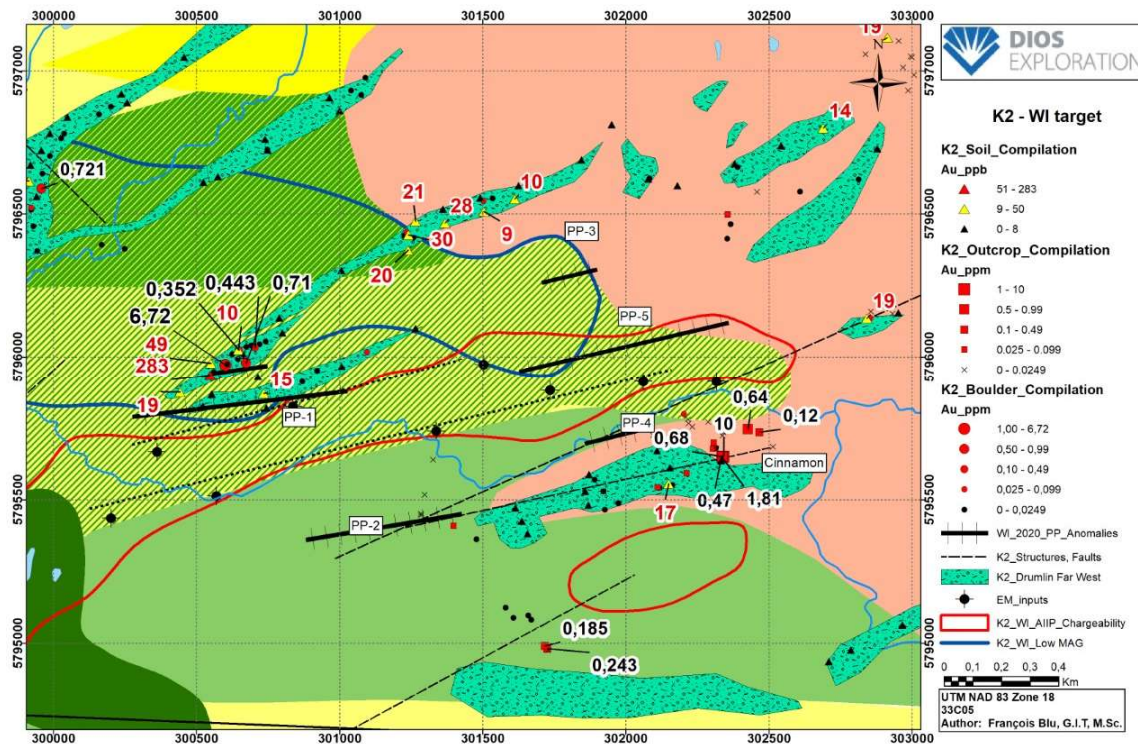
At the margins of a **significant altered and sheared corridor extending over 3 km long by 50 to 250 meters wide** (poorly resistive) were outlined five areas of ground IP anomalies. PP-1 is 600 m to 800 m long and directly adjacent to east-northeast elongated drumlins, characterized by: **(1)** gold-in-soil anomalies (10 to 283 parts per billion gold); **(2)** sericite altered dacite glacial floats, with 1-2% pyrite-pyrrhotite and chalcopyrite & quartz stringers grading up to 6.72 grams per ton gold , 0.2 % Cu, 29 g/t silver. ***Such goldbearing altered rocks Dios is looking for are weakly chargeable.***

Then, one kilometer east of this PP-1 anomalous axis, another weak 600 m long anomaly (PP-5) is coincidental with a deep VTEM conductor (and within the less resistive corridor) located just north of a tonalitic apophysis entering the volcanics towards west.

A sub-parallel 400 m long chargeable anomaly (**PP-2**) was also identified some **1 km west of, and in strike with, the Cinnamon gold showing** (an east-west striking shear within tonalite with 1-2% pyrite that graded up to **10 g/t gold & 1.81 g/t Au**). PP-2 is

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located south of the sheared altered poorly resistive corridor in the volcanics (gabbro) and at the margin of the tonalite apophysis.



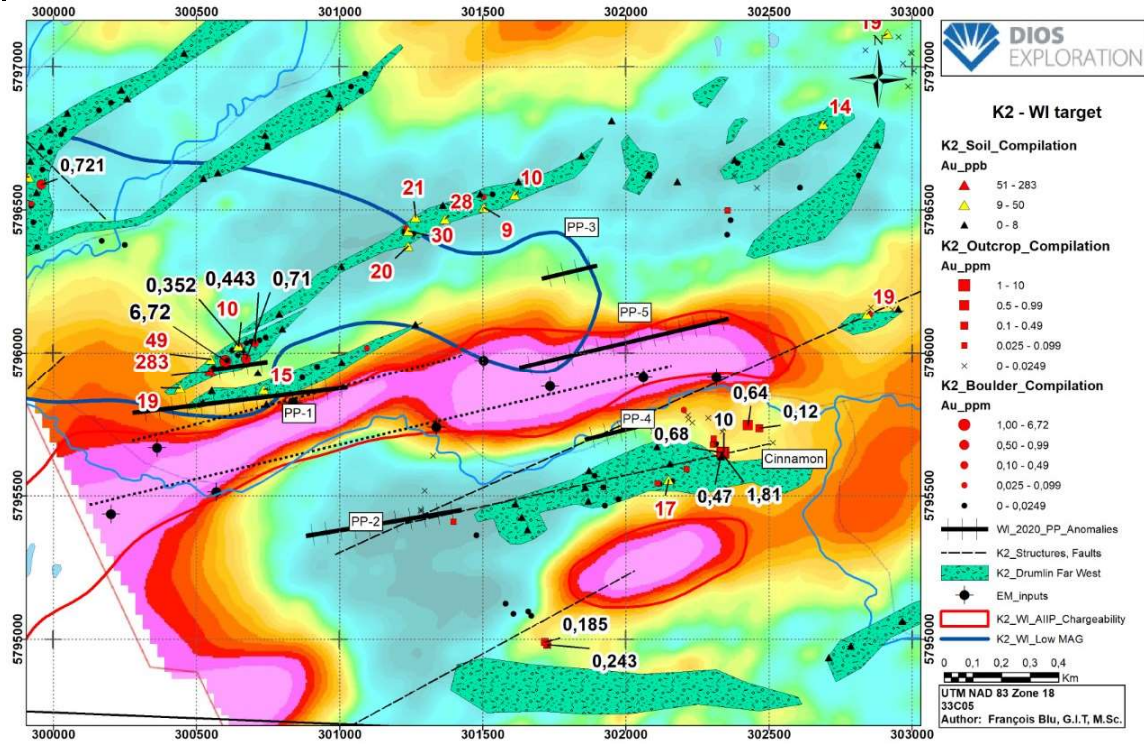
A pole-dipole configuration was used over 15.35 km-lines in this survey. The WI-Target conductor had been defined by Airborne Inductively Induced Polarization and ElectroMagnetics (INPUT) and Time Domain EM (VTEM). Dios received necessary approval from Cree Nation government to proceed with this work after opening up of the area on June 10. This survey allows for more precise targeting of the WI-Target for upcoming fall drilling program. Drill permitting is underway as well as for Attila, 7 km east.

**Another strong drill target is Attila gold-copper showing** hosted in a fractured rhyodacite dome overlying Kali quartz-diorite/tonalite Porphyry to the south, 7 km east of WI-Target, consisting in chalcopyrite-rich stringer/stockwork extending over 75 m long and 5 to 15 m wide that yielded up to 8.08 g/t gold, 96.7 g/t silver, 2.43% Cu & 0.17% Zn.

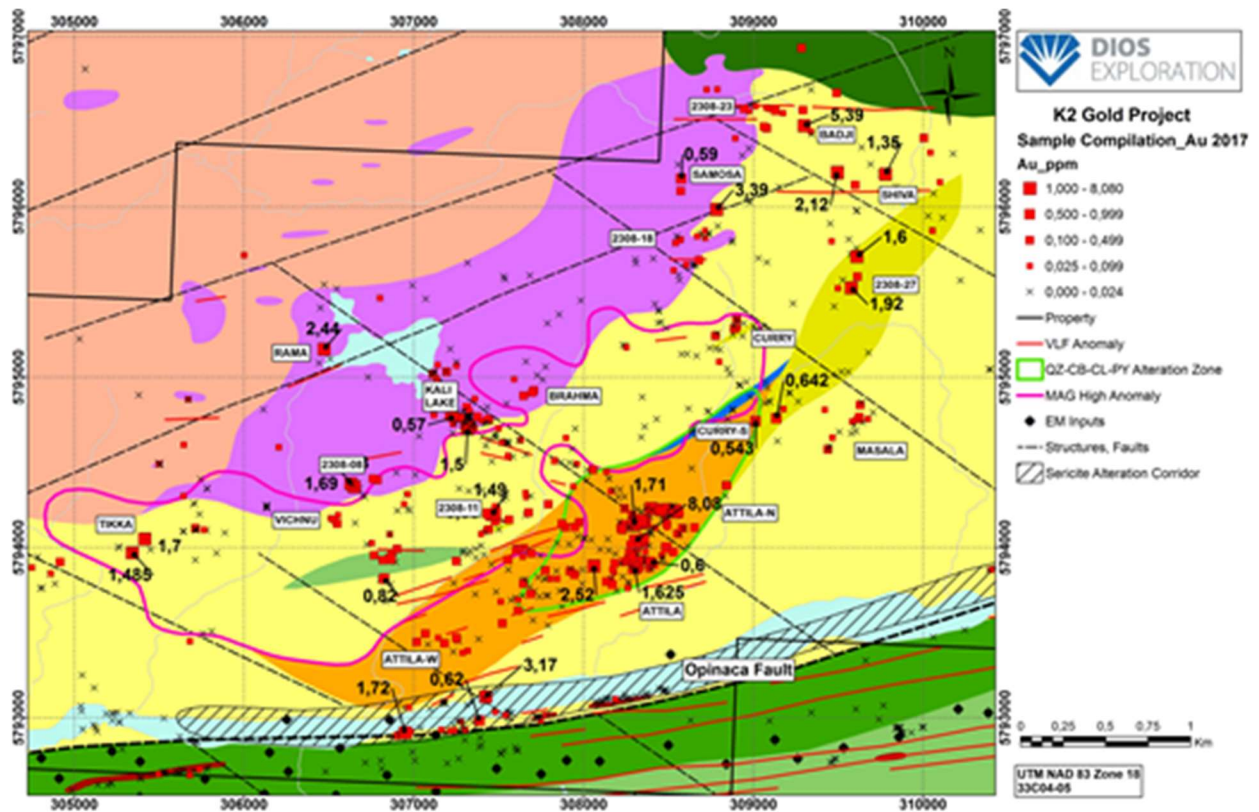
From 13 grab samples the Attila Zone averaged grades of 1.07 g/t gold, 38.8 g/t silver, 1.25% copper & 0.01% Bi (see 2017 releases). Some 100 m north, a several meter sub-parallel horizon (Attila-N) extending over 50 m long with narrow quartz-carbonate-pyrite veins returned five samples greater than 1.0 g/t gold (up to 3.64 g/t Au & 26.7 g/t Ag). Previous gold-copper-zinc soil anomalies are coincidental with Attila mineralized area (9-21, 114 ppb Au, over 75 ppm Cu and over 70 ppm Zn). Warranted depth drilling is planned.



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### **Overall performance**

Net loss for the quarter ended June 2020 is \$25,505 (net loss of \$472 for the second quarter 2019) whereas expenses for the quarter totalled \$40,850 (\$37,355 for the second quarter 2019).

During the three-month period ended June 30, 2020, one notes mainly:

- Deferred income taxes recovered of \$13,357. See below.
- Increase in Professional fees due to the timing of audit fees invoiced.
- Decrease of expenses related to the postponement of the 2019 general meeting of shareholders.
- Analysis of the non-monetary operations that does not require an exit or an inflow of cash (positive: income and negative: expenditure):

	Quarter ended June 30, 2020	Quarter ended June 30, 2019
Share-based payments	\$ (7,960)	\$(2,940)
Deferred income taxes recovered	\$13,357	\$33,741

Net loss for the six-month period ended June 30, 2020 is \$63,380 (net loss of \$39,648 for the six-month period ended June 30, 2019) whereas expenses for the six-month period 2020 totalled \$79,478 (\$92,383 for the six-month period ended June 30, 2019).

During the six-month period ended June 30, 2020, one notes mainly

- Deferred income taxes recovered of \$13,357. See below.
- No wages paid at the beginning of the year.
- Decrease of expenses related to the postponement of the 2019 general meeting of shareholders.
- Analysis of the non-monetary operations that does not require an exit or an inflow of cash (positive: income and negative: expenditure):

	Six-month period ended June 30, 2020	Six-month period ended June 30, 2019
Share-based payments	\$(7,960)	\$(8,159)
Deferred income taxes recovered	\$13,357	\$47,224



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### Financial position

- Working capital increased by \$1,285,999 as at June 30, 2020 going from \$30,250 as at December 31, 2019 to \$1,316,249 as at June 30, 2020, and including in addition Other Liabilities of \$116,043 which will be recovered in the working capital once all flow-through expenditures are incurred. The increase is mainly due to financings made during the period offset by exploration costs, mining right payments and administrative expenses incurred during the period.
- Cash and term deposit totalled \$1,522,978 as at June 30, 2020 compared to \$157,843 as at December 31, 2019. The Company is considered to be in the exploration stage; thus, it is dependent on obtaining regular financing in order to continue exploration. Despite previous successes in acquiring sufficient financing, there is no guarantee of obtaining any future financings.
- The product of unspent funding related to flow-through financing as at June 30, 2020 is \$979,506 to be spent before December 31, 2021.

Exploration Budget for fiscal 2020: Planned exploration work to be conducted by Dios in 2020 is disclosed in the 2019 Annual Management report. See above section "Exploration performed during the quarter". During the period, there was a period of time where it was not possible to carry out field exploration work due to COVID19. The Company is confident that it will make up for lost time.

### **Related party transactions**

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 salaries, professional fees and share-based payments.

For the three-month period ended June 30, 2020, the compensation was \$73,560 (\$69,398 for the same period last year). An amount of \$57,521 (\$55,395 for the same period last year) was capitalized in Exploration and Evaluation assets.

For the six-month period ended June 30, 2020, the compensation was \$91,267 (\$140,836 for the same period last year). An amount of \$68,477 (\$109,064 for the same period last year) was capitalized in Exploration and Evaluation assets.

### Forward-looking information

See the forward-looking information in the 2019 Annual Management report.

Montreal, Quebec  
August 26, 2020