

DIOS EXPLORATION INC.

UNAUDITED INTERIM FINANCIAL STATEMENTS

June 30, 2020

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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 2020	December 31 2019
		\$	\$
ASSETS			
Current			
Cash and cash equivalents		571 356	157 743
Term deposit (0.95% to 1.9%)		951 622	-
Good and services tax receivable		18 104	54 270
Advance to employees without interest		6 000	-
Prepaid expenses and deposit		4 227	675
		1 551 309	212 688
Non-current			
Exploration and evaluation assets	5	3 275 833	3 042 137
Total assets		4 827 142	3 254 825
LIABILITIES			
Current			
Trade and other payables		119 017	149 037
Advance of an officer, without interest		-	33 401
Other liabilities		116 043	-
		235 060	182 438
Non-current			
Loan	6	40 000	-
Total liabilities		275 060	182 438
EQUITY			
Share capital	7.1	22 239 279	20 512 901
Contributed surplus		2 828 248	2 946 372
Deficit		(20 515 445)	(20 386 886)
Total equity		4 552 082	3 072 387
Total liabilities and equity		4 787 142	3 254 825

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 26, 2020

(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	
		2020	2019	2020	2019
		\$	\$	\$	\$
EXPENSES					
Professional fees		14 560	6 687	27 040	27 487
Consulting fees		8 399	8 825	15 149	18 009
Employee benefits expense	8.1	7 960	5 540	7 960	13 377
Trustees, registration fees and shareholders relations		6 980	10 854	15 358	19 879
Insurance, taxes and permits		1 951	1 902	5 449	4 168
Offices expenses		886	2 879	5 426	4 728
Publicity, travel and promotion		4	525	2 839	4 390
Bank charges		110	143	257	345
OPERATING LOSS		40 850	37 355	79 478	92 383
OTHER REVENUES AND EXPENSES					
Finance income	9	1 988	3 173	2 741	5 861
Finance costs	9	-	(31)	-	(350)
		1 988	3 142	2 741	5 511
LOSS BEFORE INCOME TAXES		(38 862)	(34 213)	(76 737)	(86 872)
Deferred income taxes		13 357	33 741	13 357	47 224
NET LOSS AND COMPREHENSIVE LOSS		(25 505)	(472)	(63 380)	(39 648)
NET LOSS PER SHARE					
Basic and diluted loss per share	10	(0.001)	(0.001)	(0.001)	(0.001)

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, 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		2 983 846	193 950	-	-	193 950
Share-based payments	8.2	-	-	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
Balance at January 1, 2020		74 906 606	20 512 901	2 946 372	(20 386 886)	3 072 387
Net loss for the period		-	-	-	(63 380)	(63 380)
Issuance of shares	7.1	10 988 236	963 600	-	-	963 600
Exercise of warrants	7.1	5 252 224	649 628	(93 934)	-	555 694
Exercise of options	7.1	810 000	113 150	(32 150)	-	81 000
Share-based payments	8.2	-	-	7 960	-	7 960
Share issuance costs		-	-	-	(65 179)	(65 179)
Balance at June 30, 2020		91 957 066	22 239 279	2 828 248	(20 515 445)	4 552 082

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	
		2020	2019
		\$	\$
OPERATING ACTIVITIES			
Net loss		(63 380)	(39 648)
Adjustments			
Share-based payments		7 960	8 159
Finance income not cashed		(1 622)	(4 907)
Deferred income taxes		(13 357)	(47 224)
Changes in working capital items	11	21 710	(86 607)
Cash flows from operating activities		<u>(48 689)</u>	<u>(170 227)</u>
INVESTING ACTIVITIES			
Purchase of term deposits		(950 000)	(450 000)
Payment received on option		25 000	-
Additions to exploration and evaluation assets		(283 812)	(131 265)
Cash flows from investing activities		<u>(1 208 812)</u>	<u>(581 265)</u>
FINANCING ACTIVITIES			
Advance of an officer (reimbursement)		(33 401)	-
Issuance of shares		1 696 694	193 950
Loan		40 000	-
Share issuance costs		(32 179)	(16 751)
Cash flows from financing activities		<u>1 671 114</u>	<u>177 199</u>
Net change in cash and cash equivalents		413 613	(574 293)
Cash and cash equivalents, beginning of period		157 743	561 183
Cash and cash equivalents (bank overdraft), end of period		<u>571 356</u>	<u>(13 110)</u>
Supplemental disclosure			
Interests income cashed (operating activities)		1 120	954
Interest paid (operating activities)		-	(350)

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, 2020 (unaudited)

(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, 2020, the Company has a cumulated deficit of \$20,515,445 (\$20,386,886 as at December 31, 2019). 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, 2019. 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, 2020 (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, 2020. 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, 2020	Additions	Payment received on option		June 30, 2020
QUEBEC	\$	\$			\$
K2	58 893	9 798	(25 000)		43 691
AU33	152 087	19 284	-		171 371
Clarkie	24 330	2 926	-		27 256
Autres	14 109	14 784	-		28 893
	249 419	46 792	(25 000)		271 211
EXPLORATION	January 1, 2020	Additions	Payment received on option	Tax credits	June 30, 2020
QUEBEC	\$	\$	\$	\$	\$
K2	550 440	173 713	-	-	724 153
AU33	1 964 253	21 405	-	-	1 985 658
Clarkie	277 769	4 240	-	-	282 009
Others	256	12 546	-	-	12 802
	2 792 718	211 904	-	-	3 004 622
TOTAL	3 042 137	258 696	(25 000)	-	3 275 833

DIOS EXPLORATION INC.
Notes to Interim Financial Statements
For the six-month period ended June 30, 2020 (unaudited)

(Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

On February 11, 2020, the Company signed an agreement with Sirius Resources Inc. ("Sirios") allowing the latter to acquire an interest in the Solo property (extreme southeast section of the K2 property). Sirios can get a 51% interest in this property over a period of three years with payments of \$125,000 and exploration work totaling \$600,000. Once the 51% participation is obtained, Sirios will 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

6. LOAN

This loan, repayable at any time, matures on December 31, 2025. It will bear no interest until December 31, 2022, then thereafter until maturity at an annual rate of 5%. In the event that the Company repays 75% of the loan on or before December 31, 2022, the residual portion of the loan (25%) will be written off by the lender.

7. EQUITY

7.1 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 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.

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.

During the quarter ended on June 30, 2020, 810,000 options were exercised. An amount of \$81,000 was received and an amount of \$32,150, representing the fair value of the options at the time of the issue were recorded as an increase in share capital

During the quarter ended on June 30, 2020, 5,252,222 warrants was 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.

7.2 Warrants

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

	Semester ended June 30, 2020		Year ended December 31, 2019	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Balance, at beginning	5 252 222	0.11	5 252 222	0.11
Issued	-	-	-	-
Exercised	(5 252 222)	0.11	-	-
Balance, at the end	-	-	5 252 222	0.11

During the quarter ended June 30, 2020, 5,252,222 warrants were exercised. A total amount of \$ 649,628 was recorded in share capital (an amount of \$ 555,694 which was received and an amount of \$ 93,934 representing the fair market value of the warrants at the time of issuance)

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Notes to Interim Financial Statements
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(Canadian dollars)

8. EMPLOYEE REMUNERATION

8.1 Salaries and employee benefits expense

	Three-month period ended June 30		Six-month period ended June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Salaries and benefits	79 469	67 949	90 719	127 169
Share-based payments	7 960	2 940	7 960	8 159
	<u>87 429</u>	<u>70 889</u>	<u>98 679</u>	<u>135 328</u>
Less: salaries capitalized in Exploration and evaluation assets	(79 469)	(65 349)	(90 719)	(121 951)
Salaries and employee benefits expense	<u>7 960</u>	<u>5 540</u>	<u>7 960</u>	<u>13 377</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.

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, 2020		Year ended December 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding as at the beginning	2 740 000	0.10	3 840 000	0.12
Granted	995 000	0.10	-	-
Expired	-	-	(1 100 000)	0.15
Exercised	(810 000)	0.10	-	-
Outstanding as at the end	<u>2 925 000</u>	0.10	<u>2 740 000</u>	0.10
Exercisable as at the end	<u>2 029 500</u>	0.10	<u>2 740 000</u>	0.10

The following table summarizes information about common share purchase options outstanding and exercisable as at June 30, 2020

Number of options		exercise price	Expiry date
ourstanding	exercisable		
110 000	110 000	0.10	July 16, 2020
860 000	860 000	0.10	Feb. 22, 2021
960 000	960 000	0.10	Feb. 19, 2023
995 000	99 500	0.10	May 26, 2025
<u>2 925 000</u>	<u>2 029 500</u>		

On May 27, 2020, the Company granted 995,000 options exercisable at \$0.10 to officers, directors and employees of the Company under its incentive stock option plan. The options have a term of five years and can be exercised gradually over a period of eighteen months.

The weighted fair value of the granted options of \$0.08 per option was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

Share price at date of grant	\$0.10
Expected dividends yield	0%
Expected volatility	120%
Risk-free interest rate	0.36%
Expected life	5 years
Exercise price at date of grant	\$0.10

DIOS EXPLORATION INC.
Notes to Interim Financial Statements
For the six-month period ended June 30, 2020 (unaudited)

(Canadian dollars)

8. EMPLOYEE REMUNERATION (continued)

8.2 Share-based payments (continued)

In total, \$7,960 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, 2020 (\$8,159 for the six-month period ended June 30, 2019) and credited to Contributed surplus.

9. 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,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Interest income from cash and cash equivalents and term deposit	1 988	3 173	2 742	5 861

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

	Three-month period ended June 30,		Six-month period ended June 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Interest on Advance of an officer	-	31	-	290
Interest on supplier debt	-	-	-	60
	-	31	-	350

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,	
	2020	2019	2020	2019
Net loss	\$(25,505)	\$(472)	\$(63,380)	\$(39,648)
Weighted average number of shares in circulation	87 179 803	74 906 606	81 043 205	74 412 046
Basic and diluted loss per share	\$(0.001)	\$(0.001)	\$(0.001)	\$(0.001)

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

11. ADDITIONAL INFORMATIONS – CASH FLOWS

The changes in working capital items are detailed as follows:

	Six-month period ended June 30,	
	2020	2019
	\$	\$
Good and services tax receivable	36 166	(4 964)
Prepaid expenses and deposit	(3 551)	(1 748)
Advance to employees	(6 000)	(700)
Trade and other payables	(4 905)	(79 195)
	21 710	(86 607)

DIOS EXPLORATION INC.
Notes to Interim Financial Statements
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(Canadian dollars)

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,	
	2020	2019	2020	2019
Short-term employee benefits	\$	\$	\$	\$
Salaries including bonuses and benefits	52 500	52 885	62 500	105 385
Professional fees	8 399	8 825	15 150	18 009
Social security costs	5 021	5 018	5 977	10 033
Total short-term employee benefits	65 920	66 728	83 627	133 427
Share-based payments	7 640	2 670	7 640	7 409
	73 560	69 398	91 267	140 836

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

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 quarter period ended March 31, 2020, the Company received \$659,000 following flow-through placements for which the Company will renounce tax deductions on December 31, 2020. 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, 2020 is \$578,506 and is to be expended before December 31, 2021.

During the quarter period ended June 30, 2020, the Company received \$401,000 following flow-through placements for which the Company will renounce tax deductions on December 31, 2020. 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, 2020 is \$401,000 and is to be expended before December 31, 2021.

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(Canadian dollars)

15. SUBSEQUENT EVENT

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, payments of claim renewal costs plus 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 in the joint venture or get a 2 % NSR half of which can be bought for \$1,000,000