

DIOS EXPLORATION INC.

UNAUDITED INTERIM FINANCIAL STATEMENTS

June 30, 2021

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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 2021	December 31 2020
		\$	\$
ASSETS			
Current			
Cash and cash equivalents		720 530	498 416
Term deposit (0.31% to 0.67%) maturing between April and June 2022		488 578	1 433 063
Good and services tax receivable		5 502	117 475
Tax credits receivable		141 145	79 638
Prepaid expenses		5 218	1 417
		1 360 973	2 130 009
Non-current			
Fixes assets	5	799	-
Exploration and evaluation assets	6	4 325 029	4 168 645
Total assets		5 686 801	6 298 654
LIABILITIES			
Current			
Trade and other payables		30 634	559 803
Non-current			
Loan	7	40 000	40 000
Total liabilities		70 634	599 803
EQUITY			
Share capital	8.1	23 353 319	23 353 319
Contributed surplus		3 001 467	2 882 986
Deficit		(20 738 619)	(20 537 454)
Total equity		5 616 167	5 698 851
Total liabilities and equity		5 686 801	6 298 654

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 18, 2021

(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	
		2021	2020	2021	2020
		\$	\$	\$	\$
EXPENSES					
Employee benefits expense	9.1	51 242	7 960	121 711	7 960
Trustees, registration fees and shareholders relations		15 631	6 980	23 421	15 358
Consulting fees		9 478	8 399	20 303	15 149
Professional fees		9 360	14 560	32 240	27 040
Insurance, taxes and permits		2 177	1 951	6 052	5 449
Offices expenses		1 120	886	2 686	5 426
Publicity, travel and promotion		24	4	27	2 839
Bank charges		64	110	161	257
Amortization of fixed assets		60	-	60	-
OPERATING LOSS		89 156	40 850	206 661	79 478
OTHER REVENUES					
Finance income	10	2 167	1 988	5 496	2 741
LOSS BEFORE INCOME TAXES		(86 989)	(38 862)	(201 165)	(76 737)
Deferred income taxes		-	13 357	-	13 357
NET LOSS AND COMPREHENSIVE LOSS		(86 989)	(25 505)	(201 165)	(63 380)
NET LOSS PER SHARE					
Basic and diluted loss per share	11	(0.001)	(0.001)	(0.002)	(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, 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		10 988 236	963 600	-	-	963 600
Exercise of warrants		5 252 224	649 628	(93 934)	-	555 694
Exercise of options		810 000	113 150	(32 150)	-	81 000
Share-based payments	9.2	-	-	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
Balance at January 1, 2021		101 207 066	23 353 319	2 882 986	(20 537 454)	5 698 851
Net loss for the period		-	-	-	(201 165)	(201 165)
Share-based payments	9.2	-	-	118 481	-	118 481
Balance at June 30, 2021		101 207 066	23 353 319	3 001 467	(20 738 619)	5 616 167

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	2020
		\$	\$
OPERATING ACTIVITIES			
Net loss		(201 165)	(63 380)
Adjustments			
Share-based payments		118 481	7 960
Financial income received in addition to financial income in the statement of comprehensive loss		7 848	(1 622)
Amortization of fixed assets		60	-
Deferred income taxes		-	(13 357)
Changes in working capital items	12	44 619	21 710
Cash flows from operating activities		<u>(30 157)</u>	<u>(48 689)</u>
INVESTING ACTIVITIES			
Purchase of term deposits		(488 363)	(950 000)
Term deposits' maturity		1 425 000	-
Payment received on option		-	25 000
Addition to fixed assets		(859)	-
Addition to exploration and evaluation assets		(683 507)	(283 812)
Cash flows from investing activities		<u>252 271</u>	<u>(1 208 812)</u>
FINANCING ACTIVITIES			
Advance of an officer (reimbursement)		-	(33 401)
Issuance of shares		-	1 696 694
Loan		-	40 000
Share issuance costs		-	(32 179)
Cash flows from financing activities		<u>-</u>	<u>1 671 114</u>
Net change in cash and cash equivalents		222 114	413 613
Cash and cash equivalents, beginning of period		498 416	157 743
Cash and cash equivalents, end of period		<u>720 530</u>	<u>571 356</u>
Supplemental disclosure			
Interests income cashed (operating activities)		12 644	1 120
Interest paid (operating activities)		-	-

Additional information - Cash Flows- note 12

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, 2021 (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, 2021, the Company has a cumulated deficit of \$20,738,619 (\$20,537,454 as at December 31, 2020). 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, 2020. 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, 2021 (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, 2021. 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. FIXED ASSETS

Fixes assets are held at cost less accumulated depreciation and accumulated impairment losses. Cost includes all costs incurred initially to acquire or construct an item of property and equipment, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs subsequently to add to or replace part thereof. Depreciation is recognized on a straight-line basis to write down the cost to its estimated residual value, with a constant charge over the useful life of the asset. The periods applicable for Computer equipment is three years.

	Computer equipment \$
Gross carrying amount	
Balance on January 1st, 2021	-
Additions	859
Balance on June 30, 2021	<u>859</u>
Accumulated amortization	
Balance on January 1st, 2021	-
Amortization	60
Balance on June 30, 2021	<u>60</u>
Carrying amount on June 30, 2021	<u><u>799</u></u>

DIOS EXPLORATION INC.
Notes to Interim Financial Statements
For the six-month period ended June 30, 2021 (unaudited)

(Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS

MINING RIGHTS	January 1,			June 30,
	2021	Additions		2021
QUEBEC	\$	\$		\$
K2	43 691	8 268		51 959
AU33	171 371	2 364		173 735
Clarkie	27 256	2 652		29 908
14 Karats	10 352	624		10 976
Autres	3 934	-		3 934
	256 604	13 908		270 512
EXPLORATION	January 1,	Additions	Tax credits	June 30,
	2021			2021
QUEBEC	\$	\$	\$	\$
K2	1 617 798	170 520	(51 417)	1 736 901
AU33	1 985 463	-	-	1 985 463
Clarkie	290 180	-	-	290 180
14 Karats	18 600	33 463	(10 090)	41 973
	3 912 041	203 983	(61 507)	4 054 517
TOTAL	4 168 645	217 891	(61 507)	4 325 029

During the quarter ending March 31, 2021, Sirius Resources Inc. abandoned the option on the Solo property (southeast section of the K2 property).

7. LOAN

The Company received a loan of \$ 60,000 under the Canada Emergency Business Account program. If the Company repays an amount of \$ 40,000 of the loan by December 31, 2022, no further amount will be repayable. Otherwise, the balance of the loan will bear interest at the rate of 5% and may be repayable in 36 monthly installments, principal and interest, on the maturity date on December 31, 2025. Since the government assistance of \$ 20,000 is not payable if the Company reimburses the amount of \$ 40,000 by December 31, 2022, this amount was recognized in the results for the year ending December 31, 2020, i.e. at the time of granting as assistance government.

8. EQUITY

8.1 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.

8.2 Warrants

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

	Semester ended June 30, 2021		Year ended December 31, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, at beginning	9 090 000	0.20	5 252 224	0.11
Issued	-	-	9 090 000	0.20
Exercised	-	-	(5 252 224)	0.11
Balance, at the end	<u>9 090 000</u>	<u>0.20</u>	<u>9 090 000</u>	<u>0.20</u>

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

Expiry date	June 30, 2021	
	Number of warrants	Exercise price
September 10, 2023	<u>9 090 000</u>	<u>0.20</u>

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

9. EMPLOYEE REMUNERATION

9.1 Salaries and employee benefits expense

	Three-month period ended June 30		Six,-month period ended June 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Salaries and benefits	72 747	79 469	145 495	90 719
Share-based payments	49 871	7 960	118 481	7 960
	122 618	87 429	263 976	98 679
Less: salaries capitalized in Exploration and evaluation assets	(71 376)	(79 469)	(142 265)	(90 719)
Salaries and employee benefits expense	51 242	7 960	121 711	7 960

9.2 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, 2021		Year ended December 31, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding as at the beginning	4 755 000	0.11	2 740 000	0.10
Granted	1 150 000	0.10	2 985 000	0.11
Expired	(860 000)	0.10	-	-
Exercised	-	-	(970 000)	0.10
Outstanding as at the end	5 045 000	0.11	4 755 000	0.11
Exercisable as at the end	2 517 500	0.11	2 367 000	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		
910 000	910 000	0.10	Feb. 19, 2023
995 000	696 500	0.10	May 26, 2025
1 990 000	796 000	0.12	Oct. 22, 2025
1 150 000	115 000	0.10	June 6, 2026
5 045 000	2 517 500		

On June 7, 2021, the Company granted 1,150,000 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	107%
Risk-free interest rate	0.88%
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, 2021 (unaudited)

(Canadian dollars)

9. EMPLOYEE REMUNERATION (continued)

9.2 Share-based payments (continued)

In total, \$118,481 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, 2021 (\$7,960 for the six-month period ended June 30, 2020) and credited to Contributed surplus.

10. FINANCE INCOME

Finance income may be analyzed as follows for the reporting periods

	Three-month period ended June 30,		Six-month period ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Interest income from cash and cash equivalents and term deposit	2 167	1 988	5 496	2 742

11. 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 8.2 and 9.2.

	Three-month period ended June 30,		Six-month period ended June 30,	
	2021	2020	2021	2020
Net loss	\$(86,989)	\$(25,505)	\$(201,165)	\$(63,380)
Weighted average number of shares in circulation	101 207 066	87 179 803	101 207 066	81 043 205
Basic and diluted loss per share	\$(0.001)	\$(0.001)	\$(0.002)	\$(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.

12. ADDITIONAL INFORMATIONS – CASH FLOWS

The changes in working capital items are detailed as follows:

	Six-month period ended June 30,	
	2021	2020
	\$	\$
Good and services tax receivable	111 973	36 166
Prepaid expenses	(3 801)	(3 551)
Advance to employees	-	(6 000)
Trade and other payables	(63 553)	(4 905)
	44 619	21 710

Non-cash transactions of the statement of financial position are detailed as follows :

	2021	2020
	\$	\$
Tax credits receivable applied against exploration and evaluation assets	61 507	-
Trade and other payables related to exploration and evaluation assets	16 000	93 781

DIOS EXPLORATION INC.
Notes to Interim Financial Statements
For the six-month period ended June 30, 2021 (unaudited)

(Canadian dollars)

13. 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,	
	2021	2020	2021	2020
Short-term employee benefits	\$	\$	\$	\$
Salaries including bonuses and benefits	50 000	52 500	100 000	62 500
Professional fees	9 478	8 399	20 303	15 150
Social security costs	4 844	5 021	9 688	5 977
Total short-term employee benefits	64 322	65 920	129 991	83 627
Share-based payments	47 503	7 640	112 923	7 640
	111 825	73 560	242 914	91 267

14. 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 8 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.

15. 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 year ended December 31, 2020, the Company received \$1,060,000 following flow-through placements for which the Company renounced 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 these unexpended flow-through financings at December 31, 2020 was \$63,073 and was spent during the quarter ended March 31, 2021.

DIOS EXPLORATION INC.
Notes to Interim Financial Statements
For the six-month period ended June 30, 2021 (unaudited)

(Canadian dollars)

16. SUBSEQUENT EVENT

Following an agreement dated June 17, 2021, the Company issued on August 13, 2021 to Windfall Geotech Inc. ("Windfall") 750,000 common shares of the Company as well as 250,000 warrants allowing the acquisition of the same number of common shares of the Company at a price of \$ 0.10 for a period of five years. In return, Windfall will provide the Company with the processing of a geophysical and geological database making it possible to determine drilling targets on the K2 property. Should the Company drill these drill targets within two years of the agreement, the Company will have to issue to Windfall 250,000 additional common shares of the Company.