

DIOS EXPLORATION INC.

Annual financial statements

DECEMBER 31, 2013 and 2012

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Raymond Chabot Grant Thornton

Independent Auditor's Report

To the Shareholders of
Dios Exploration Inc.

Raymond Chabot Grant Thornton LLP

Place du Québec
888 3rd Avenue
Val-d'Or, Québec J9P 5E6

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We have audited the accompanying financial statements of Dios Exploration Inc., which comprise the statements of financial position as at December 31, 2013 and 2012 and the statements of comprehensive loss, the statements of changes in equity and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Dios Exploration Inc. as at December 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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Raymond Chabot Grant Thornton LLP

Val-d'Or
April 3, 2014

¹ CPA auditor, CA public accountancy permit no. A112664

DIOS EXPLORATION INC.
Statements of Financial Position

(in Canadian dollars)

	Notes	As at December 31, 2013	As at December 31, 2012
		\$	\$
ASSETS			
Current			
Cash and cash equivalents	6	316,474	119,547
Receivables from a mining company		-	1,727
Investments	7	56,568	681,531
Goods and services tax receivable		37,713	30,298
Tax credits receivable		380,004	551,498
		<u>790,759</u>	<u>1,384,601</u>
Non-current			
Exploration and evaluation assets	8	9,528,410	9,044,031
		<u>9,528,410</u>	<u>9,044,031</u>
Total assets		<u>10,319,169</u>	<u>10,428,632</u>
LIABILITIES			
Current			
Trade and other payables		113,146	152,029
Other liabilities		45,000	-
Total liabilities		<u>158,146</u>	<u>152,029</u>
EQUITY			
Share capital	9.1	17,775,898	17,730,898
Contributed surplus		2,532,728	2,418,477
Deficit		(10,147,603)	(9,872,772)
Total equity		<u>10,161,023</u>	<u>10,276,603</u>
Total liabilities and equity		<u>10,319,169</u>	<u>10,428,632</u>

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

These financial statements were approved and authorized for issue by the Board of Directors on April 3, 2014.

(signed) Marie-Josée Girard

Marie-Josée Girard
 Director

(signed) René Lacroix

René Lacroix
 Director

DIOS EXPLORATION INC.
Statements of Comprehensive Loss

(in Canadian dollars)

	Notes	Year ended December 31,	
		2013	2012
		\$	\$
EXPENSES			
Employee benefits expense	10.1	171,300	272,469
Professional fees		36,401	43,100
Trustees, registration fees and shareholders relations		23,167	25,612
Publicity, travel and promotion		13,051	15,304
Office expenses		12,649	30,726
Gain on sale of exploration and evaluation asset		-	(112,513)
Insurance, taxes and permits		10,371	10,447
Write-off of exploration and evaluation assets		-	24,368
Bank charges		141	1,626
OPERATING LOSS		267,080	311,139
OTHER REVENUES AND EXPENSES			
Finance income	12	7,922	25,442
Finance costs	12	(15,673)	(162,972)
		<u>(7,751)</u>	<u>(137,530)</u>
NET LOSS FOR THE YEAR		<u>(274,831)</u>	<u>(448,669)</u>
OTHER COMPREHENSIVE LOSS			
Items that will be reclassified subsequently to profit or loss			
Available-for-sale financial assets			
Net change in fair value during the year net of deferred income tax of \$830 unrecognized		(6,168)	-
Reclassification to profit or loss		6,168	-
Other comprehensive loss for the year, net of tax		-	-
TOTAL COMPREHENSIVE LOSS		<u>(274,831)</u>	<u>(448,669)</u>
LOSS PER SHARE - basic and diluted	13	<u>(0.01)</u>	<u>(0.01)</u>

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

DIOS EXPLORATION INC.

Statements of Changes in Equity

(in Canadian dollars)

	Note	Share Capital		Contributed	Accumulated	Deficit	Total Equity
		Number of shares	\$	Surplus	other comprehensive loss		
			\$	\$	\$	\$	\$
Balance at January 1 st , 2012		39,095,961	17,724,148	2,211,290	-	(9,424,103)	10,511,335
Net loss and comprehensive income		-	-	-	-	(448,669)	(448,669)
Shares issued for the acquisition of exploration and evaluation assets	9.1	75,000	6,750	-	-	-	6,750
Share-based payments	10.2	-	-	207,187	-	-	207,187
Balance at December 31, 2012		<u>39,170,961</u>	<u>17,730,898</u>	<u>2,418,477</u>	<u>-</u>	<u>(9,872,772)</u>	<u>10,276,603</u>
Balance at January 1 st , 2013		39,170,961	17,730,898	2,418,477	-	(9,872,772)	10,276,603
Share-based payments	10.2	-	-	114,251	-	-	114,251
Shares issued by flow-through private placement	9.1	900,000	45,000	-	-	-	45,000
		<u>40,070,961</u>	<u>17,775,898</u>	<u>2,532,728</u>	<u>-</u>	<u>(9,872,772)</u>	<u>10,435,854</u>
Net loss		-	-	-	-	(274,831)	(274,831)
Other comprehensive loss							
Available-for-sale financial assets							
Net change in fair value during the year		-	-	-	(6,168)	-	(6,168)
Reclassification to profit or loss		-	-	-	6,168	-	6,168
Total comprehensive loss for the year		-	-	-	-	-	-
Balance at December 31, 2013		<u>40,070,961</u>	<u>17,775,898</u>	<u>2,532,728</u>	<u>-</u>	<u>(10,147,603)</u>	<u>10,161,023</u>

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

DIOS EXPLORATION INC.

Statements of Cash Flows

(in Canadian dollars)

	Notes	Year ended December 31,	
		2013	2012
		\$	\$
OPERATING ACTIVITIES			
Net loss		(274,831)	(448,669)
Adjustments			
Shares-based payments		114,251	207,187
Change in fair value of listed shares		9,505	162,972
Net change in fair value of bank obligations reclassified in profit or loss		6,168	-
Gain on sale of exploration and evaluation asset		-	(112,513)
Write-off of exploration and evaluation assets		-	24,368
Changes in working capital items	15	(16,568)	(24,323)
Cash flows from operating activities		<u>(161,475)</u>	<u>(190,978)</u>
INVESTING ACTIVITIES			
Investments redeemed		609,290	801,590
Investments		-	(404,469)
Addition to exploration and evaluation assets		(843,971)	(1,528,126)
Disposal of exploration and evaluation assets		15,000	-
Payment received on option		-	75,000
Tax credits received		488,083	802,400
Cash flows from investing activities		<u>268,402</u>	<u>(253,605)</u>
FINANCING ACTIVITIES			
Issuance of shares by private placements		90,000	-
Cash flows from financing activities		<u>90,000</u>	<u>-</u>
Net change in cash and cash equivalents		196,927	(444,583)
Cash and cash equivalents, beginning of year		119,547	564,130
Cash and cash equivalents, end of year		<u>316,474</u>	<u>119,547</u>
Additional informations			
Interest received (operating activities)		<u>22,213</u>	<u>23,030</u>

Additional informations - cash flows Note 15

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

DIOS EXPLORATION INC.

Notes to Financial Statements

December 31, 2013 and 2012

(in Canadian dollars)

1. NATURE OF OPERATIONS

Dios Exploration Inc. (the "Company") is a mining exploration and evaluation 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 or cash flows from its operations. As at December 31, 2013, the Company has a cumulated deficit of \$10,147,603 (\$9,872,772 as at December 31, 2012). 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. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

The financial statements of the Company have been prepared in accordance with IFRS.

The Company is incorporated under the *Canada Business Corporation Act*. The address of the Company's registered office is 4076, Kensington Avenue, Montreal, Quebec, Canada. The Company's shares are listed on the TSX Venture Exchange, under the symbol DOS.

4. SUMMARY OF ACCOUNTING POLICIES

4.1 Overall considerations

The significant accounting policies and measurement bases that have been applied in the preparation of these financial statements are summarized below.

4.2 Functional and presentation currency

These financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

4.3 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

DIOS EXPLORATION INC.

Notes to Financial Statements

December 31, 2013 and 2012

(in Canadian dollars)

4. SUMMARY OF ACCOUNTING POLICIES (continued)

4.3 Financial instruments (continued)

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss; and
- available-for-sale financial assets.

All financial assets, except for those at fair value through profit or loss, are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

Objective evidence of impairment could include: significant financial difficulties on the part of the issuer or counterparty; breach of contract, such as a failure to pay interest or principal; or increasing the probability of bankruptcy or other financial reorganization of the borrower.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All income and expenses relating to financial assets that are recognized in profit or loss are presented within Finance costs or Finance income, if applicable.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, guaranteed investment certificates and receivables from a mining company are classified into this category of financial instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. The Company's listed shares are classified into this category of financial instruments.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair value of financial assets in this category are determined by reference to active market transactions.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's available-for-sale financial assets include investments in bank obligations. These assets were disposed during the year 2013.

Available-for-sale financial assets are measured at fair value. Net change in fair value is recognized in other comprehensive income and reported within the available-for-sale reserve within equity, if applicable. When the asset is derecognized, the cumulative gain or loss recognized in other comprehensive income is reclassified to profit or loss in Finance income or Finance costs, if applicable, and presented as a reclassification adjustment within other comprehensive income.

Interest calculated using the effective interest method and dividends are recognized in profit or loss within Finance income.

Reversals of impairment losses are recognized in other comprehensive income, if applicable.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include trade and other payables.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss within Finance costs, if applicable.

DIOS EXPLORATION INC.

Notes to Financial Statements

December 31, 2013 and 2012

(in Canadian dollars)

4. SUMMARY OF ACCOUNTING POLICIES (continued)

4.4 Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares which include options and warrants. Dilutive potential ordinary shares shall be deemed to have been converted into ordinary shares at the beginning of the period or, if later, at the date of issue of the potential ordinary shares.

4.5 Cash and cash equivalents

Cash and cash equivalents comprise cash in bank and demand deposits, together with other short-term, highly liquid investments with original maturities of three months or less, and that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.6 Tax credits receivable

The Company is entitled to a refundable tax credit on qualified exploration expenses incurred and the refundable tax credit on duties for losses under the *Mining Tax Act*. These tax credits are recognized as a reduction of the exploration and evaluation expenses incurred based on estimates made by management. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

4.7 Exploration and evaluation expenditures and exploration and evaluation assets

Exploration and evaluation expenditures are costs incurred in the course of initial search of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights, expenses related to the exploration and evaluation of mining properties, less refundable tax credits and credits on duties related to these expenses, are capitalized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts (see Note 4.8), the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment (See Note 4.8) and any impairment loss is recognized in profit or loss before reclassification.

To date, neither the technical feasibility nor the commercial viability of extracting a mineral resource has been demonstrated.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Disposal of interest in connection with option agreement

On the disposal of interest in connection with the option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the cash consideration received directly from the acquirer is credited against the costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation assets in profit or loss.

DIOS EXPLORATION INC.

Notes to Financial Statements

December 31, 2013 and 2012

(in Canadian dollars)

4. SUMMARY OF ACCOUNTING POLICIES (continued)

4.8 Impairment of exploration and evaluation assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- the right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- no further exploration or evaluation expenditures in the area are planned or budgeted;
- no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resources are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

4.9 Provisions and contingent liabilities

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. As at December 31, 2013 and 2012, there was no provision recorded in the statement of financial position.

DIOS EXPLORATION INC.

Notes to Financial Statements

December 31, 2013 and 2012

(in Canadian dollars)

4. SUMMARY OF ACCOUNTING POLICIES (continued)

4.10 Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

However, since the Company is in exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprised only of deferred tax.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

4.11 Equity

Share capital

Share capital represents the amount received on the issue of shares. If shares are issued when options and warrants are exercised, the share capital account also comprises the compensation costs or the fair value of warrants previously recorded as contributed surplus. In addition, if shares were issued as consideration for the acquisition of a mineral property or some other form of non-monetary assets, they are measured at their fair value according to the quoted price on the day immediately preceding the conclusion of the agreement.

Flow-through placements

Issuance of flow-through shares represents in substance an issue of ordinary shares and the sale of the right to tax deductions to the investors. When the flow-through shares are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the statement of financial position. The proceeds received from flow-through placements are allocated between share capital and other liabilities using the residual method. Proceeds are first allocated to shares according to the quoted price of shares at the time of issuance and the residual proceeds are allocated to other liabilities. The liability component recorded initially on the issuance of shares is reversed on renouncement of the right to tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income tax expense. A deferred tax liability is also recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset and its tax basis.

DIOS EXPLORATION INC.

Notes to Financial Statements

December 31, 2013 and 2012

(in Canadian dollars)

4. SUMMARY OF ACCOUNTING POLICIES (continued)

4.11 Equity (continued)

Other elements of equity

Accumulated other comprehensive loss includes unrealized gains and losses on available-for-sale financial assets net of relevant income taxes. Contributed surplus includes charges related to share options and warrants not exercised. When share options and warrants are exercised, the related compensation cost is transferred to share capital.

Deficit includes all current and prior period retained profits or losses and issuances costs of equity instruments, net of any underlying income tax benefit from these issuance costs.

4.12 Equity-settled share-based payments

The Company operates equity-settled share-based payment plans for its eligible directors, employees and consultants. None of the Company's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services received by reference to the fair value of the equity instruments granted.

All equity-settled share-based payments (except equity-settled share-based payments to brokers) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to contributed surplus, in equity. Equity-settled share-based payments to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to contributed surplus, in equity.

The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

4.13 Segmental reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the Chairman and the Board of Directors. The Company has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

4.14 New and revised standards that are effective

A number of new and revised standards are effective for annual periods beginning on or after January 1, 2013. Information on these new standards is presented below.

Adoption of amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*

The Company has adopted *Presentation of items of other comprehensive income* (amendments to IAS 1). The amendments to IAS 1 require entities to group items presented in other comprehensive income into those that, in accordance with other IFRS, will not be reclassified subsequently to profit or loss and those that will be reclassified subsequently to profit or loss when specific conditions are met. The existing option to present items of other comprehensive income either before tax or net of tax remain unchanged; however, if the items are presented before tax, then the amendments to IAS 1 required the tax related to each of the two groups of other comprehensive income to be shown separately. The amendments have been applied retrospectively, and only the presentation of items of other comprehensive income has been modified to reflect the changes. The application of the amendments did not result in any other impact.

DIOS EXPLORATION INC.

Notes to Financial Statements

December 31, 2013 and 2012

(in Canadian dollars)

4. SUMMARY OF ACCOUNTING POLICIES (continued)

4.14 New and revised standards that are effective (continued)

IFRS 13 Fair Value Measurement

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect the items that are required to be fair-valued.

The scope of IFRS 13 is broad and applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements of disclosures about fair value measurements except in certain circumstances.

IFRS 13 applies prospectively for annual periods beginning on or after January 1, 2013. Its disclosure requirements need not be applied to comparative information in the first year of application.

Management reviewed its valuation methodologies and the application of the new standard did not have any effect on the fair value measurement.

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

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have an impact on the Company's financial statements.

IFRS 9 Financial instruments

The International Accounting Standards Board (IASB) aims to replace IAS 39 *Financial Instruments: Recognition and Measurements* in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities as well as the chapter dealing with hedge accounting have been published. The chapter dealing with impairment methodology is still being developed. In November 2011, the IASB decided to consider making limited modifications to IFRS 9 financial asset classification model to address application issues. In addition, in November 2013, the IASB decided to defer to a date to be announced the implementation of IFRS 9. The Company's management has yet to assess the impact of this new standard on the Company's financial statements. Management does not expect to implement IFRS 9 until has been completed and its overall impact can be assessed.

5. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

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 (see Note 4.10).

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5. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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, meets its liabilities for the ensuing year and to fund planned and contractual exploration programs, involves judgments based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

Estimation uncertainty

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

Impairment of exploration and evaluation assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases (see Note 4.8).

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated.

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 as at December 31, 2013 (\$24,368 as at December 31, 2012). No reversal of impairment losses has been recognized for the reporting periods.

For the properties Hotish, Pontax, AU33 ouest and Shipshaw, no testing for impairment was conducted despite the fact that the carrying value of the Company's net asset is superior to its market capitalization and despite the fact that no significant fieldwork was undertaken on certain properties during the year. Management judged that there was no testing for impairment required this year on those properties because despite an unfavourable change of the overall climate of the sector as well as the general situation of the economy that have had an impact on the Company's capacity to raise additional capital in order to pursue its exploration activities, coupled with a decrease in the share price, the Company has sufficient funds to respect its short term obligations and has both the intention and capacity to keep these properties until the economic context improves and the company can pursue exploration activities on the properties after raising additional capital.

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 (see Note 10.2).

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. See Note 4.6 for more information.

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6. CASH AND CASH EQUIVALENTS

	December 31, 2012	December 31, 2012
	\$	\$
Cash in bank (bank overdraft)	(18,383)	(14,251)
Money market funds	334,857	133,798
	<u>316,474</u>	<u>119,547</u>

The balance on flow-through financing not spent according to the restrictions imposed by the flow-through arrangements represents \$90,000 (nil as at December 31, 2012). Under the terms of this financing, the Company has to dedicate these funds to Canadian mining exploration.

As at December 31, 2013, cash and cash equivalents include money market funds bearing interest at 1.05% (0.5 % as at December 31, 2012) who are cashable anytime without any penalties.

7. INVESTMENTS

	Rates		December 31,	December 31,
	from	to	2013	2012
			\$	\$
Current				
Guaranteed investment certificates, maturing between January and February 2013	1.86%	2.60%	-	316,771
Investments in bank obligations, maturing between March and June 2013	3.05%	4.67%	-	298,687
Listed shares	-	-	56,568	66,073
			<u>56,568</u>	<u>681,531</u>

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8. EXPLORATION AND EVALUATION ASSETS

MINING RIGHTS

	January 1st, 2013	Additions	Disposition	December 31, 2013
QUEBEC	\$	\$	\$	\$
33 Carats (a)	655,469	8,108	-	663,577
Hotish (b)	329,596	14,051	-	343,647
Pontax (c)	11,411	1,089	-	12,500
Shadow (d)	84,401	4,321	-	88,722
LeCaron (e)	211,764	20,104	-	231,868
AU33 ouest (f)	60,926	12,755	-	73,681
Shipsshaw (g)	229,047	2,125	(15,000)	216,172
14 Karats (i)	85,191	25,079	-	110,270
Solo-K2 (l)	8,118	2,520	-	10,638
	1,675,923	90,152	(15,000)	1,751,075

EXPLORATION AND EVALUATION EXPENSES

	January 1st, 2013	Additions	Disposition	Tax credits	December 31, 2013
QUEBEC	\$	\$	\$	\$	\$
33 Carats (a)	1,826,704	503,314	-	(219,538)	2,110,480
Hotish (b)	3,483,206	8,365	-	(3,649)	3,487,922
Pontax (c)	2,797	1,099	-	(479)	3,417
Shadow (d)	291,924	36,591	-	(15,960)	312,555
LeCaron (e)	470,281	42,347	-	(18,471)	494,157
AU33 ouest (f)	89,259	16,240	-	(7,083)	98,416
Shipsshaw (g)	892,714	6,624	-	(2,889)	896,449
14 Karats (i)	295,652	66,489	-	(29,001)	333,140
Solo-K2 (l)	15,571	44,747	-	(19,519)	40,799
	7,368,108	725,816	-	(316,589)	7,777,335
TOTAL 2013	9,044,031	815,968	(15,000)	(316,589)	9,528,410

DIOS EXPLORATION INC.
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8. EXPLORATION AND EVALUATION ASSETS (continued)

MINING RIGHTS

	January 1st, 2012	Additions	Write-off	December 31, 2012
QUEBEC	\$	\$	\$	\$
33 Carats (a)	595,456	60,013	-	655,469
Hotish (b)	326,681	2,915	-	329,596
Pontax (c)	-	11,411	-	11,411
Shadow (d)	20,318	64,083	-	84,401
LeCaron (e)	154,920	56,844	-	211,764
AU33 ouest (f)	60,926	-	-	60,926
Shipsaw (g)	216,286	12,761	-	229,047
Hotish nord (h)	11,574	-	(11,574)	-
14 Karats (i)	54,060	4,305	-	58,365
Carbon 14 (i)	23,382	3,444	-	26,826
Carbon Goéland (j)	3,564	-	(3,564)	-
Carbo (k)	3,100	-	(3,100)	-
Solo-K2 (l)	-	8,118	-	8,118
	1,470,267	223,894	(18,238)	1,675,923

EXPLORATION AND EVALUATION EXPENSES

	January 1st, 2012	Additions	Tax credits	Payment received on option	Write-off	December 31, 2012
QUEBEC	\$	\$	\$	\$	\$	\$
33 Carats (a)	1,569,005	419,335	(161,636)	-	-	1,826,704
Hotish (b)	3,470,094	21,336	(8,224)	-	-	3,483,206
Pontax (c)	-	4,552	(1,755)	-	-	2,797
Shadow (d)	116,180	285,976	(110,232)	-	-	291,924
LeCaron (e)	420,994	80,201	(30,914)	-	-	470,281
AU33 ouest (f)	164,259	-	-	(75,000)	-	89,259
Shipsaw (g)	714,753	289,583	(111,622)	-	-	892,714
Hotish nord (h)	3,017	1,593	(614)	-	(3,996)	-
14 Karats (i)	81,932	271,172	(104,526)	-	-	248,578
Carbon 14 (i)	27,609	31,674	(12,209)	-	-	47,074
Carbon Goéland (j)	540	-	-	-	(540)	-
Carbo (k)	1,594	-	-	-	(1,594)	-
Solo-K2 (l)	-	25,337	(9,766)	-	-	15,571
	6,569,977	1,430,759	(551,498)	(75,000)	(6,130)	7,368,108
TOTAL 2012	8,040,244	1,654,653	(551,498)	(75,000)	(24,368)	9,044,031

At the beginning of the year 2013, Carbon 14 property was combined with the 14 Karats property.

All write-off charges are included within *Write-off exploration and evaluation* assets in profit or loss. During the prior year, management wrote-off properties and deferred exploration expenses for the properties Carbon Goeland, Carbo and Hotish Nord for the following reasons: Abandonment of mining claims, negative results obtained after exploration work and / or lack of exploration work over the last three years.

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8. EXPLORATION AND EVALUATION ASSETS (continued)

(a) 33 Carats

The 33 Carats property is located along the Eastmain River in the Otish Mountains area, Quebec and consists of five blocks of 605 mineral claims covering 315 square km. The southern block consists of 320 mineral claims covering 848 square km.

One part of the property (certain mineral claims located in the eastern and western blocks) is subject to a 1% gross overriding royalty, half of which can be repurchased for \$1 million.

(b) Hotish

The Hotish property is located near the lakes Magyar, Pepeshquasati et Mantouchiche in the Otish Mountains area, Quebec, and consists of two blocks of 343 mineral claims covering 179 square km.

(c) Pontax

This property consists of 110 mineral claims covering 58 square km and is located in the James Bay area, 350 km north of Matagami along the road to Radisson.

In August 2012, the Company and Sirios Resources Inc. ("Sirios") cancelled their 2005 initial agreement in order to create two distinct properties with each company wholly-owning one property. Moreover, Sirios will keep exclusive rights on all substances other than diamonds on one claim held by the Company and the Company will keep exclusive rights on diamonds on six claims held by Sirios.

The Company decided in 2012 to reactivate exploration on this property.

(d) Shadow

This property is located near the Eastmain river, at 10-25 km north of Hydro electric complex of Eastmain-1 in the James Bay area in Quebec. It consists of 433 mineral claims covering 225 square km.

(e) LeCaron

This property is located near the Eastmain river, at 10-25 km north of Hydro electric complex of Eastmain-1 in the James Bay area in Quebec. It consists of 447 mineral claims covering 232 square km.

(f) AU33 ouest

This property is located near the Eastmain river, west of Hydro electric complex of Eastmain-1 in the James Bay area in Quebec. It consists of 537 mineral claims covering 280 square km.

On July 5, 2011, the Company signed an option agreement and joint venture on the AU33 ouest's property with Osisko Mining Corporation ("Osisko") enabling Osisko to acquire 51% of this property in consideration of \$5,000,000 in exploration expenses on the property and a cash payment of \$700,000, all over a period of five years. In addition, Osisko has the option to acquire an additional 9% in consideration of an investment of \$9,000,000 on the property during a period of five years. Finally, Osisko has the right thereafter, to acquire an additional 10% by funding a feasibility study on the property. \$50,000 in cash were collected in June and July 2011 and \$75,000 in 2012. In October 2013, Osisko has decided to terminate the option agreement.

(g) Shipshaw

This property consists of 145 mineral claims covering 81 square km located in Saguenay, Quebec. On June 6, 2013, the Company sold three mineral claims of Shipshaw property for a cash consideration of \$15,000 and a royalty of 1% of the potential production.

On February 3, 2011, through a private placement, the Company issued to Iamgold Corporation («IAMGOLD») 3,428,572 ordinary shares at the price of \$0.35 per share for a total amount of \$1,200,000 (before issuance cost). In addition, IAMGOLD have an exclusive option to acquire 60% in the Shipshaw project, under certain conditions within two years following the private placement. The Company must commit 80% of the financing proceeds on the property before that IAMGOLD decided to exercise its option.

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8. EXPLORATION AND EVALUATION ASSETS (continued)

(h) Hotish nord

The property Hotish north of 84 minerals claims, covers 44 km in the James Bay (Qc) area at about 20-50 km south-west of the property 33 Karats.

Following a review of the mining property, the Company decided during the fourth quarter of 2012 to write-off the property (\$11,574 for mining rights and \$3,996 for exploration and evaluation expenses totaling \$15,570 recorded in expenses for the year 2012).

(i) 14 Karats

This property of 258 minerals claims (in 3 blocs) covers close to 134 square km at 50-75 km north-east of the Eastmain Gold mine or at 30-50 km east of the Stormoway diamond project (Qc). At the beginning of the year, Carbon 14 property has been combined with the 14 Karats property.

(j) Carbon Goéland

This property of 80 minerals claims covers close to 42 square km at 150 km north of lac St-Jean (Qc), in the Goéland lake area near the Péribonca river.

Following a review of the mineral property, the Company decided during the fourth quarter of 2012 to write-off the property (\$3,564 for mining rights and \$540 for exploration and evaluation expenses totaling \$4,104 recorded in expenses for the year 2012).

(k) Carbo

This property of 42 minerals claims covers close 22 square km at 150 km north Chibougamau (Qc), in the Cosnier lake area near the forest camp of Tournemine.

Following a review of the mineral property, the Company decided during the fourth quarter of 2012 to write-off the property (\$3,100 for mining rights and \$1,594 for exploration and evaluation expenses totaling \$4,694 recorded in expenses of the year 2012).

(l) Solo-K2

This property of 68 minerals claims covers close to 35 square km in James Bay (Qc) at about 50 km west of the relay road km 381 along the road to Radisson.

9. EQUITY

9.1 Share capital

The share capital of the Company consists only of fully paid ordinary shares created in unlimited number, without 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.

In connexion with the agreement of October 1st, 2010 related to the LeCaron property, the Company issued on November 15, 2012, 75,000 common shares (market value of shares of \$6,750).

On October 3, 2013, the Company closed a non-brokered flow-through private placement for an aggregate proceeds of \$90,000 consisting of the issuance of 900,000 flow-through shares at a price of \$0.10 per share. An amount of \$45,000 was allocated to share capital and \$45,000 was attributed to other liabilities in the statement of financial position.

9.2 Warrants

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

	2013		2012	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, at beginning	428,550	\$ 0.63	428,550	\$ 0.49
Expired	(428,550)	-	-	-
Balance, at the end	-	-	428,550	0.63

In connexion with the flow-through private placement of September 7, 2011, the Company issued 428,550 warrants. Each warrant entitles the holder to subscribe to an equivalent number of flow-through shares of the Company at a price of \$ 0.49 on or before September 6, 2012 and at a price of \$0.63 on or before september 6, 2013. No warrants were exercised.

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10. EMPLOYEE REMUNERATION

10.1 Employee benefits expense

	Exercise ended on December 31,	
	2013	2012
	\$	\$
Salaries and benefits	320,566	333,547
Fees paid to employee	41,150	50,750
Share-based payments	114,251	207,187
	<u>475,967</u>	<u>591,484</u>
Less: salaries capitalized in exploration and evaluation assets	(304,667)	(319,015)
Employee benefits expense	<u>171,300</u>	<u>272,469</u>

10.2 Share-based payments

The Company has adopted share-based payment plans under which members of the Board of Directors may award options for ordinary shares to directors, employees and consultants. The maximum number of shares issuable under the plans is 6,600,000. The maximum number of common shares which may be reserved for issuance to any one option 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 to the award, and the term of the options cannot exceed five years. The options vesting period is 18 month, at a 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 relation consultants, the options vest 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 in cash. The Company's share options are as follows for the reporting periods presented:

	2013		2012	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding at January 1st	4,790,000	0.27	3,985,000	0.38
Issued	-	-	1,990,000	0.19
Expired	(570,000)	0.31	(1,020,000)	0.67
Forfeited	-	-	(165,000)	0.28
Outstanding at December 31	<u>4,220,000</u>	<u>0.23</u>	<u>4,790,000</u>	<u>0.24</u>
Exercisable at December 31	<u>3,921,500</u>	<u>0.24</u>	<u>3,460,250</u>	<u>0.27</u>

The table below summarizes the information related to outstanding share options as at December 31, 2013 and 2012 :

Range of exercise price	2013 Outstanding options		2012 Outstanding options	
	Number of options	Weighted average remaining contractual life (years)	Number of options	Weighted average remaining contractual life (years)
\$				
0.10 to 0.29	2,630,000	2.75	2,630,000	3.75
0.30 to 0.50	1,590,000	1.85	2,160,000	2.12
	<u>4,220,000</u>		<u>4,790,000</u>	

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10. EMPLOYEE REMUNERATION (continued)

10.2 Share-based payments (continued)

On December 13, 2012, the Company granted 995,000 options exercisable at \$0.15 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.

On February 28, 2012, the Company granted 995,000 options exercisable at \$0.235 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.

No options were granted in 2013.

The weighted fair value of the granted options in 2012 of \$0.13 per option granted (no options granted in 2013) was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

	<u>2012</u>
Average share price at date of grant	\$0.19
Expected dividends yield	0%
Expected weighted volatility	101%
Risk-free interest average rate	1.1%
Expected average life	5 years
Average exercise price at date of grant	\$0.19

The underlying expected volatility was determined by reference to historical data of the Company's shares over a period of five years. No special features inherent to the options granted were incorporated into measurement of fair value.

An amount of \$114,251 of employee remuneration expense (all of which related to equity-settled share-based payment transactions) were included in profit or loss for the reporting period ended December 31, 2013 (\$207,187 for the reporting period ended December 31, 2012) and credited to contributed surplus.

11. FAIR VALUE MEASUREMENT

11.1 Fair value measurement of financial instruments

Financial assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the assets or liabilities.

The fair value of listed shares was determined according to the quoted price at the reporting date. As at December 31, 2012, the fair value of investments in bank obligations was determined from the calculation of discounted cash flows using the effective interest rate that could get the Company at the closing date for similar instruments.

Listed shares measured at fair value in the statement of financial position as at December 31, 2013 and 2012, are classified in Level 1. As at December 31, 2012, the investments in bank obligations were classified in Level 2.

11.2 Financial instruments measured at amortized cost for which the fair value is disclosed

The carrying value of cash and cash equivalents, guaranteed investment certificates, receivables from a mining company, trade and other payables is considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

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12. FINANCE COSTS AND FINANCE INCOME

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

	Exercise ended on December 31,	
	2013	2012
	\$	\$
Change in fair value of listed shares	(9,505)	(162,972)
Net change in fair value of bank obligations reclassified in profit or loss	(6,168)	-
	<u>(15,673)</u>	<u>(162,972)</u>

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

	Exercise ended on December 31,	
	2013	2012
	\$	\$
Interest income from cash and cash equivalents	3,748	3,505
Interest income from guaranteed investment certificates	731	10,816
Interest income from investments in bank obligations	3,443	11,121
	<u>7,922</u>	<u>25,442</u>

13. 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, dilutive 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 9.2 and 10.2.

Both the basic and diluted loss per share have been calculated using the net loss as the numerator, i.e. no adjustment to the net loss was necessary in 2013 and 2012.

	Exercise ended on December 31,	
	2013	2012
Net loss	\$(274,831)	\$(448,669)
Weighted average number of shares in circulation	39,392,879	39,105,592
Basic and diluted loss per share	\$(0.01)	\$(0.01)

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

14. INCOME TAXES

Relationship between expected tax expense and accounting profit or loss

The relationship between the expected tax expense (income) based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the statement of comprehensive income can be reconciled as follows:

	2013	2012
	\$	\$
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26.9 %	(73,930)	(120,692)
Adjustments for the following items:		
Share-based payments	30,734	55,733
Issuance of flow-through shares	40,350	-
Other non-deductible expenses	1,843	19,100
Temporary difference unrecognized	1,003	45,859
Total deferred tax expense (income)	<u>-</u>	<u>-</u>

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14. INCOME TAXES (continued)

Major components of tax expense (income)

The major components of tax expense (income) are outlined below:

	2013	2012
	\$	\$
Deferred tax expense (income)		
Origination and reversal of temporary differences	(41,353)	(45,859)
Issuance of flow-through shares	40,350	-
Temporary difference unrecognized	1,003	45,859
Total deferred tax expense (income)	<u>-</u>	<u>-</u>

Deferred tax assets and liabilities and variation of recognized amounts during the period

The following differences between the carrying amounts and tax bases from timing differences, unused tax losses and unused tax credits give rise to the following recognized and unrecognized deferred taxes:

	Balance as at January 1st, 2013	Recognized in profit or loss	Balance as at December 31, 2013
	\$	\$	\$
Recognized amount			
Exploration and evaluation assets	58,082	(24,642)	33,440
Tax credits for resources	(58,082)	24,642	(33,440)
Recognized deferred tax assets and liabilities	<u>-</u>	<u>-</u>	<u>-</u>

	Balance as at January 1st, 2012	Recognized in profit or loss	Balance as at December 31, 2012
	\$	\$	\$
Recognized amount			
Exploration and evaluation assets	74,345	(16,263)	58,082
Tax credits for resources	(74,345)	16,263	(58,082)
Recognized deferred tax assets and liabilities	<u>-</u>	<u>-</u>	<u>-</u>

	December 31, 2013	
	Federal	Provincial
	\$	\$
Deductible temporary differences and unused tax losses not recognized		
Investments in shares	133,925	133,925
Exploration and evaluation assets	2,150,417	2,908,417
Non-capital losses	2,512,373	2,447,699
Capital losses	9,510	9,510
Issuance costs of equity instruments	4,364	4,364
	<u>4,810,589</u>	<u>5,503,915</u>

	December 31, 2012	
	Federal	Provincial
	\$	\$
Deductible temporary differences and unused tax losses not recognized		
Investments in shares	129,172	129,172
Exploration and evaluation assets	2,363,832	3,121,832
Non-capital losses	2,365,799	2,301,481
Capital losses	6,426	6,426
Issuance costs of equity instruments	6,526	6,546
	<u>4,871,755</u>	<u>5,565,457</u>

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14. INCOME TAXES (continued)

The Company has non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recorded in the statement of financial position, that can be carried over the following years:

	Federal	Provincial
	\$	\$
2014	120,354	110,898
2015	168,013	155,113
2026	154,704	134,285
2027	223,465	216,912
2028	360,430	355,498
2029	310,138	307,026
2030	451,164	446,565
2031	409,826	408,612
2032	167,705	166,572
2033	146,574	146,218
	<u>2,512,373</u>	<u>2,447,699</u>

Accumulated capital losses of \$12,852 (\$12,852 in 2012) are available to be applied against future taxable capital gains. These losses may be carried forward indefinitely.

15. ADDITIONAL INFORMATION – CASH FLOWS

The changes in working capital items are detailed as follows:

	Exercise ended on December 31,	
	2013	2012
	\$	\$
Taxes on goods and services tax receivable	(7,415)	(15,503)
Receivables from a mining company	1,727	53,663
Trade and other payables	(10,880)	(62,483)
	<u>(16,568)</u>	<u>(24,323)</u>

Non-cash balance sheet transactions are detailed as follows :

	2013	2012
	\$	\$
Issuance of shares for acquisition of exploration and evaluation assets	-	6,750
Tax credits receivables applied against exploration and evaluation assets	316,589	551,498
Trade and other payables included in exploration and evaluation assets	112,567	140,570
Disposal of an exploration and evaluation asset in counterparty of listed shares	-	220,000

16. RELATED PARTY TRANSACTIONS

The Company's related parties include a related company and key management as described below. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

16.1 Transactions with key management personnel

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

	Exercise ended on December 31,	
	2013	2012
	\$	\$
Short-term employee benefits		
Salaries and benefits	235,000	247,500
Professional fees	41,150	50,750
Social security costs	14,543	14,389
Total short-term employee benefits	<u>290,693</u>	<u>312,639</u>
Share-based payments	<u>93,645</u>	<u>173,640</u>
	384,338	486,279
Less: salaries capitalized in exploration and evaluation assets	<u>(232,978)</u>	<u>(247,768)</u>
Total remuneration	<u>151,360</u>	<u>238,511</u>

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16. RELATED PARTY TRANSACTIONS (continued)

16.2 Transactions with a related company

During the year ended December 31, 2012, a company with a common director is an owner, charged geological fees amounting to \$47,566 recorded in exploration and evaluation assets.

17. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are :

1. To ensure the Company's ability to continue as a going concern;
2. To increase the value of the assets of the business; and
3. To provide an adequate return to 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 Notes 9.1 and 19.

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.

18. FINANCIAL INSTRUMENT RISKS

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in Note 11. The main types of risks the Company is exposed to are market risk, credit risk and liquidity risk.

The Company manages risks by working closely with the Board of Directors. The Company focuses on actively securing short- to medium-term cash flows by minimizing the exposure to financial markets.

The most significant financial risks to which the Company is exposed are described below.

18.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. At December 31, 2013, the Company is exposed to the following type of market risk: other price risk sensitivity.

Other price risk sensitivity

The Company is exposed to fluctuations in the market prices of its listed shares. The fair value of the listed shares represents the maximum exposure to price risk.

If the quoted stock price for these listed shares had changed by $\pm 20\%$ as at December 31, 2013 and 2012, other comprehensive loss and equity would have changed by \$11,314 (\$13,215 in 2012).

18.2 Credit risk

Credit risk is the risk that another party to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

	As at December 31, 2013	As at December 31, 2012
	\$	\$
Cash and cash equivalents	316,474	119,547
Guaranteed investment certificates	-	316,771
Receivables from a mining company	-	1,727
Investments in bank obligations	-	298,687
Carrying amounts	<u>316,474</u>	<u>736,732</u>

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18. FINANCIAL INSTRUMENT RISKS (continued)

18.2 Credit risk (continued)

As at December 31, 2012, receivables from a mining company is considered limited. The Company continuously monitors defaults of counterparties. No impairment loss has been recognized in the periods presented.

The Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

No allowance for credit losses was recognized as at December 31, 2013 and 2012.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

18.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

During the year, the Company has financed its exploration and evaluation programs, its working capital requirements and acquisitions of mining properties through last years private and flow-through financings.

Trade and other payables for an amount of \$113,146 have contractual maturities of less than 3 months on December 31, 2013 (\$152,029 on December 31, 2012). The Company considers cash flows from financial assets in assessing and managing liquidity risk, in particular its cash and cash equivalents and tax credits receivable. Cash and cash equivalents and tax credits receivable exceed the current outflow requirements.

20. 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, the Company received \$90,000 (nil for 2012) following flow-through placements for which the Company renounced tax deductions on December 31, 2013. The management is required to fulfill its obligations in the period of one year from the date of renouncement.

The balance on flow-through financing not spent represents \$90,000 at December 31, 2013. The Company has to dedicate these funds to the exploration of Canadian mining properties exploration.