

**DIOS EXPLORATION INC.**

**Annual financial statements**

**DECEMBER 31, 2014 and 2013**

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# Raymond Chabot Grant Thornton

## Independent Auditor's Report

To the Shareholders of  
Dios Exploration Inc.

**Raymond Chabot Grant Thornton LLP**

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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, 2014 and 2013 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, 2014 and 2013 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 qualifying our opinion, we draw attention to Note 2 to 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  
February 19, 2015

**DIOS EXPLORATION INC.**  
**Statements of Financial Position**

(in Canadian dollars)

	Notes	As at December 31, 2014	As at December 31, 2013
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	6	241 706	316 474
Listed shares		93 022	56 568
Goods and services tax receivable		1 682	37 713
Tax credits receivable		99 816	380 004
		<u>436 226</u>	<u>790 759</u>
<b>Non-current</b>			
Exploration and evaluation assets	7	4 794 103	9 528 410
		<u>4 794 103</u>	<u>9 528 410</u>
<b>Total assets</b>		<u><u>5 230 329</u></u>	<u><u>10 319 169</u></u>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables		3 626	113 146
Other liabilities		7 286	45 000
		<u>10 912</u>	<u>158 146</u>
<b>Total liabilities</b>		<u>10 912</u>	<u>158 146</u>
<b>EQUITY</b>			
Share capital	8,1	17 819 612	17 775 898
Contributed surplus		2 549 239	2 532 728
Deficit		(15 149 434 )	(10 147 603 )
		<u>5 219 417</u>	<u>10 161 023</u>
<b>Total equity</b>		<u>5 219 417</u>	<u>10 161 023</u>
<b>Total liabilities and equity</b>		<u><u>5 230 329</u></u>	<u><u>10 319 169</u></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 February 19, 2015.

*(signed) Marie-José Girard*

Marie-José Girard  
 Director

*(signed) René Lacroix*

René Lacroix  
 Director

**DIOS EXPLORATION INC.**  
**Statements of Comprehensive Loss**

(in Canadian dollars)

	Notes	Year ended December 31,	
		2014	2013
		\$	\$
<b>EXPENSES</b>			
Employee benefits expense	9.1	54 319	171 300
Professional fees		27 492	36 401
Trustees, registration fees and shareholders relations		25 621	23 167
Insurance, taxes and permits		9 260	10 371
Office expenses		6 466	12 649
Publicity, travel and promotion		5 205	13 051
Bank charges		1 659	141
Write-off of exploration and evaluation assets	7	4 965 441	-
<b>OPERATING LOSS</b>		<b>5 095 463</b>	267 080
<b>OTHER REVENUES AND EXPENSES</b>			
Finance income	11	48 632	7 922
Finance costs	11	-	(15 673 )
		<b>48 632</b>	(7 751 )
<b>LOSS BEFORE INCOME TAXES</b>		<b>(5 046 831 )</b>	(274 831 )
Deferred income tax expense		45 000	-
<b>NET LOSS FOR THE YEAR</b>		<b>(5 001 831 )</b>	(274 831 )
<b>OTHER COMPREHENSIVE LOSS</b>			
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 unrecognized deferred income tax of \$830 in 2013		-	(6 168 )
Reclassification to profit or loss		-	6 168
Other comprehensive loss for the year, net of tax		-	-
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(5 001 831 )</b>	(274 831 )
<b>LOSS PER SHARE - basic and diluted</b>	12	<b>(0,12 )</b>	(0,01 )

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 Surplus	Accumulated other comprehensive loss	Deficit	Total Equity	
		Number of shares issued	Number of shares to be issued					
			\$					\$
Balance at January 1 <sup>st</sup> , 2013		39 170 961	-	17 730 898	2 418 477	-	(9 872 772)	10 276 603
Share-based payments	9.2	-	-	-	114 251	-	-	114 251
Shares issued by flow-through private placement	8.1	900 000	-	45 000	-	-	-	45 000
		<u>40 070 961</u>	<u>-</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)	-	-
Reclassification to profit or loss		-	-	-	-	6 168	-	-
Total comprehensive loss for the year		-	-	-	-	-	(274 831)	(274 831)
Balance at December 31, 2013		<u>40 070 961</u>	<u>-</u>	<u>17 775 898</u>	<u>2 532 728</u>	<u>-</u>	<u>(10 147 603)</u>	<u>10 161 023</u>
Balance at January 1 <sup>st</sup> , 2014		40 070 961	-	17 775 898	2 532 728	-	(10 147 603)	10 161 023
Share-based payments	9.2	-	-	-	16 511	-	-	16 511
Shares to be issued by flow-through private placement	8.1	-	728 575	43 714	-	-	-	43 714
		<u>40 070 961</u>	<u>728 575</u>	<u>17 819 612</u>	<u>2 549 239</u>	<u>-</u>	<u>(10 147 603)</u>	<u>10 221 248</u>
Net loss		-	-	-	-	-	(5 001 831)	(5 001 831)
Balance at December 31, 2014		<u>40 070 961</u>	<u>728 575</u>	<u>17 819 612</u>	<u>2 549 239</u>	<u>-</u>	<u>(15 149 434)</u>	<u>5 219 417</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,	
		2014	2013
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Net loss		(5 001 831)	(274 831)
Adjustments			
Shares-based payments		16 511	114 251
Change in fair value of listed shares		(45 966)	9 505
Net change in fair value of bank obligations reclassified in profit or loss		-	6 168
Write-off of exploration and evaluation assets	7	4 965 441	-
Deferred income tax expense		(45 000)	-
Changes in working capital items	14	39 078	(16 568)
Cash flows from operating activities		<u>(71 767)</u>	<u>(161 475)</u>
<b>INVESTING ACTIVITIES</b>			
Disposal of investments		9 512	609 290
Addition to exploration and evaluation assets		(407 932)	(843 971)
Disposal of exploration and evaluation assets		-	15 000
Tax credits received		344 419	488 083
Cash flows from investing activities		<u>(54 001)</u>	<u>268 402</u>
<b>FINANCING ACTIVITIES</b>			
Issuance of shares by private placements		51 000	90 000
Cash flows from financing activities		<u>51 000</u>	<u>90 000</u>
<b>Net change in cash and cash equivalents</b>		<b>(74 768)</b>	<b>196 927</b>
<b>Cash and cash equivalents, beginning of year</b>		<b>316 474</b>	<b>119 547</b>
<b>Cash and cash equivalents, end of year</b>		<b>241 706</b>	<b>316 474</b>
<b>Additional informations</b>			
Interest received (operating activities)		2 666	22 213

Additional information - cash flows Note 14

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

# **DIOS EXPLORATION INC.**

## **Notes to Financial Statements**

### **December 31, 2014 and 2013**

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(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, 2014, the Company has a cumulated deficit of \$15,149,434 (\$10,147,603 as at December 31, 2013). 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.

In January 2015, the Company closed a flow-through private placement for an aggregate proceeds of \$29,050, see Note 19 for more information.

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 have been prepared in compliance with International Financial Reporting Standards ("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 SIGNIFICANT 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 Company's functional currency.

##### **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 expired.

Financial assets and financial liabilities are subsequently measured as described below.



# **DIOS EXPLORATION INC.**

## **Notes to Financial Statements**

### **December 31, 2014 and 2013**

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(in Canadian dollars)

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **4.3 Financial instruments (continued)**

###### **Classification and subsequent measurement of financial assets**

For the purpose of subsequent measurement, financial assets 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.

Objective evidence of impairment could include: significant financial difficulties 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.

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 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 loss 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 loss is reclassified to profit or loss in Finance income or Finance costs, if applicable, and presented as a reclassification adjustment within other comprehensive loss.

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 loss, 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, 2014 and 2013**

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(in Canadian dollars)

#### **4. SUMMARY OF SIGNIFICANT 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 loss 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, 2014 and 2013**

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(in Canadian dollars)

#### **4. SUMMARY OF SIGNIFICANT 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 of 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. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. As at December 31, 2014 and 2013, there was no provision recorded in the statement of financial position.

# **DIOS EXPLORATION INC.**

## **Notes to Financial Statements**

### **December 31, 2014 and 2013**

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(in Canadian dollars)

#### **4. SUMMARY OF SIGNIFICANT 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 loss 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 of 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, if any, are allocated to other liabilities. The liability component recorded initially on the issuance of shares is reversed on renunciation 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, 2014 and 2013**

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(in Canadian dollars)

#### **4. SUMMARY OF SIGNIFICANT 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 Company cannot estimate reliably the fair value of the goods or services received, the Company 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 President 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 standard that is effective**

A new standard is effective for annual periods beginning on January 1<sup>st</sup>, 2014. Information on this new standard is presented below.

###### **IFRIC 21 - Levies**

IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Asset. The interpretation defines a levy as an outflow from an entity imposed by the government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. Management's analysis is that the application of IFRIC 21 did not have a material impact on financial statements.

**DIOS EXPLORATION INC.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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(in Canadian dollars)

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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***

In July 2014, the International Accounting Standards Board (IASB) aims to replace IAS 39 *Financial Instruments: Recognition and Measurements* in its entirety with IFRS 9. IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet assessed the impact of this new standard on its financial statements.

**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. Actual results may differ from judgments, estimates and assumptions made by management and will seldom equal to the estimated results. Information on judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is presented 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 (see Note 4.10).

# **DIOS EXPLORATION INC.**

## **Notes to Financial Statements**

### **December 31, 2014 and 2013**

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(in Canadian dollars)

#### **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. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit, of 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.

Refer to Note 7 for the analysis of impairment of exploration and evaluation assets.

The total impairment loss of the exploration and evaluation assets recognized in profit or loss amounts to \$4,965,441 for the year ended December 31, 2014 (none as at December 31, 2013) on Autish, Pontax and Shipshaw properties. No reversal of impairment losses has been recognized for the reporting periods.

Management judged that there's no other impairment required this year on properties. The Company has sufficient funds to respect its short term obligations and has the capacity to keep the properties, because the Company has excess works on each of these. Additionally, claims will not expire in the near future or are renewed, significant work was performed during the last three years and promising results were obtained on these properties.

##### **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 9.2).

##### **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, 2014	December 31, 2013
	\$	\$
Cash in bank (bank overdraft)	39 096	(18 383)
Money market funds	202 610	334 857
	<u>241 706</u>	<u>316 474</u>

The balance on flow-through financing not spent according to the restrictions imposed by the flow-through arrangements represents \$51,000 (\$90,000 as at December 31, 2013). Under the terms of this financing, the Company has to dedicate these funds to Canadian mining exploration.

As at December 31, 2014, cash and cash equivalents include money market funds bearing interest at 0,8% (1,05 % as at December 31, 2013) who are cashable anytime without any penalties.

**7. EXPLORATION AND EVALUATION ASSETS**

2014  
**MINING RIGHTS**

	January 1 <sup>st</sup> , 2014	Additions	Write-off	December 31, 2014
QUÉBEC	\$	\$	\$	\$
33 Carats (a)	663 577	13 970	-	677 547
Autish (prev.Hotish) (b)	343 647	1 150	(343 647)	1 150
Pontax (c)	12 500	-	(12 500)	-
Shadow (d)	88 722	1 778	-	90 500
LeCaron (e)	231 868	2 032	-	233 900
AU33 west (f)	73 681	20 421	-	94 102
Shipsaw (g)	216 172	1 039	(217 211)	-
14 Karats (h)	110 270	2 413	-	112 683
Solo-K2 (i)	10 638	4 318	-	14 956
	<u>1 751 075</u>	<u>47 121</u>	<u>(573 358)</u>	<u>1 224 838</u>

**EXPLORATION AND EVALUATION EXPENSES**

	January 1 <sup>st</sup> , 2014	Additions	Write-off	Tax credits	December 31, 2014
QUEBEC	\$	\$	\$	\$	\$
33 Carats (a)	2 110 480	57 800	-	(15 449)	2 152 831
Autish (prev.Hotish) (b)	3 487 922	-	(3 487 922)	-	-
Pontax (c)	3 417	-	(3 417)	-	-
Shadow (d)	312 555	12 689	-	(3 325)	321 919
LeCaron (e)	494 157	1 936	-	(507)	495 586
AU33 west (f)	98 416	155 765	-	(40 820)	213 361
Shipsaw (g)	896 449	4 295	(900 744)	-	-
14 Karats (h)	333 140	-	-	-	333 140
Solo-K2 (i)	40 799	15 759	-	(4 130)	52 428
	<u>7 777 335</u>	<u>248 244</u>	<u>(4 392 083)</u>	<u>(64 231)</u>	<u>3 569 265</u>
<b>TOTAL 2014</b>	<u>9 528 410</u>	<u>295 365</u>	<u>(4 965 441)</u>	<u>(64 231)</u>	<u>4 794 103</u>



**DIOS EXPLORATION INC.**  
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**7. EXPLORATION AND EVALUATION ASSETS (continued)**

2013  
 MINING RIGHTS

	January 1 <sup>st</sup> , 2013	Additions	Disposal	December 31, 2013
QUEBEC	\$	\$	\$	\$
33 Carats (a)	655 469	8 108	-	663 577
Autish (prev.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 west (f)	60 926	12 755	-	73 681
Shipshaw (g)	229 047	2 125	(15 000)	216 172
14 Karats (h)	85 191	25 079	-	110 270
Solo-K2 (i)	8 118	2 520	-	10 638
	1 675 923	90 152	(15 000)	1 751 075

EXPLORATION AND EVALUATION EXPENSES

	January 1 <sup>st</sup> , 2013	Additions	Disposal	Tax credits	December 31, 2013
QUEBEC	\$	\$	\$	\$	\$
33 Carats (a)	1 826 704	503 314	-	(219 538)	2 110 480
Autish (prev.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 west (f)	89 259	16 240	-	(7 083)	98 416
Shipshaw (g)	892 714	6 624	-	(2 889)	896 449
14 Karats (h)	295 652	66 489	-	(29 001)	333 140
Solo-K2 (i)	15 571	44 747	-	(19 519)	40 799
	7 368 108	725 816	-	(316 589)	7 777 335
<b>TOTAL 2013</b>	<b>9 044 031</b>	<b>815 968</b>	<b>(15 000)</b>	<b>(316 589)</b>	<b>9 528 410</b>

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 of exploration and evaluation* assets in profit or loss. During the year, management wrote-off properties and deferred exploration expenses for the properties Autish, Pontax and Shipshaw 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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**7. 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 217 mineral claims covering 114 square km. The southern block consists of 158 mineral claims covering 83 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) Autish (previously Hotish)**

The Autish (33P09-10-15-16) property is located near the lakes Magyar, Pepeshquasati et Mantouchiche in the Otish Mountains area, Quebec, and consists of two blocks of 212 mineral claims covering 113 square km.

Following a review of the evaluation of this property, the Company decided, during the second quarter of 2014, to write-off the portion known previously as Hotish property (\$343,647 for mining rights and \$3,487,922 for exploration and evaluation expenses, for a total amount of \$3,831,569 expensed during the year ended December 31, 2014).

**(c) Pontax**

This property (32N15-33C02) consists of 84 mineral claims covering 45 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.

Following a review of the evaluation of this property, the Company decided to write-off this property (\$12,500 for mining rights and \$3,417 for exploration and evaluation expenses, for a total amount of \$15,917 expensed during the year ended December 31, 2014).

**(d) Shadow**

This property (33C08-33B05) 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 131 mineral claims covering 69 square km.

**(e) LeCaron**

This property (33B05) 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 87 mineral claims covering 46 square km.

A part of the property (11 mining claims) will be subject to a 2% royalty on production and a royalty of one dollar per ton of diamond. Half of each of these royalties can be redeemed for a million dollars each.

**(f) AU33 west**

This property (33C01-33B04) is located near the Eastmain river, west of Hydro electric complex of Eastmain-1 in the James Bay area in Quebec. It consists of 308 mineral claims covering 163 square km.

On July 5, 2011, the Company signed an option agreement and joint venture on the AU33 west'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. An amount of \$50,000 in cash was collected in June and July 2011 and \$75,000 was collected in 2012. In October 2013, Osisko has decided to terminate the option agreement.

**(g) Shipshaw**

This property (22D06-11) consists of 40 mineral claims covering 23 square km located in Saguenay, Quebec. On June 6, 2013, the Company sold 3 mineral claims of Shipshaw property for a cash consideration of \$15,000 and a royalty of 1% of the potential production.

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**7. EXPLORATION AND EVALUATION ASSETS (continued)**

**(g) Shipshaw (continued)**

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.

Following a review of the evaluation of this property, the Company decided, during the second quarter of 2014, to write-off this property (\$217,211 for mining rights and \$900,744 for exploration and evaluation expenses, for a total amount of \$1,117,955 expensed during the year ended December 31, 2014).

**(h) 14 Karats**

This property (23D14-15) of 222 minerals claims covers close to 116 square km at 50-75 km north-east of the Eastmain Gold mine or at 30-50 km east of the Stornoway diamond project (Qc). At the beginning of 2013, Carbon 14 property has been combined with the 14 Karats property.

**(i) Solo-K2**

This property (33C04-05) of 73 minerals claims covers close to 39 square km in James Bay (Qc) at about 50 km west of the relay road km 381 along the road to Radisson.

**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.

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.

On December 31, 2014, the Company closed a non-brokered flow-through private placement for an aggregate proceeds of \$51,000 consisting of the issuance of 728,575 flow-through shares at a price of \$0.07 per share (issued in February 2015). An amount of \$43,714 was allocated to share capital and \$7,286 was attributed to other liabilities in the statement of financial position.

**8.2 Warrants**

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

	2013	
	Number of warrants	Weighted average exercise price \$
Balance, at beginning	428 550	0,63
Expired	(428 550)	0,63
Balance, at the end	-	-

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.

**DIOS EXPLORATION INC.**  
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**9. EMPLOYEE REMUNERATION**

**9.1 Employee benefits expense**

	Year ended on December 31,	
	2014	2013
	\$	\$
Salaries and benefits	194 963	320 566
Fees paid to employees	29 825	41 150
Share-based payments	16 511	114 251
	241 299	475 967
Less: salaries capitalized in exploration and evaluation assets	(186 980)	(304 667)
Employee benefits expense	54 319	171 300

**9.2 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:

	2014		2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding at January 1st	4 220 000	0,23	4 790 000	0,24
Issued	1 250 000	0,15	-	-
Expired	(670 000)	0,15	(570 000)	0,31
Outstanding at December 31	4 800 000	0,22	4 220 000	0,23
Exercisable at December 31	3 675 000	0,24	3 921 500	0,24

The table below summarizes the information related to outstanding share options as at December 31, 2014 and 2013 :

Range of exercise price	2014 Outstanding options		2013 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	3 210 000	3,42	2 630 000	2,75
0.30 to 0.50	1 590 000	0,85	1 590 000	1,85
	4 800 000		4 220 000	

**DIOS EXPLORATION INC.**  
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**9. EMPLOYEE REMUNERATION (continued)**

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

On October 2, 2014, the Company granted 1,250,000 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.

No options were granted in 2013.

The weighted fair value of the granted options in 2014 of \$0.06 per option granted was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

	<u>2014</u>
Average share price at date of grant	\$0.09
Expected dividends yield	0%
Expected weighted volatility	116%
Risk-free interest average rate	1.25%
Expected average life	5 years
Average exercise price at date of grant	\$0.15

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 \$16,511 of employee remuneration expense (all of which related to equity-settled share-based payment transactions) was included in profit or loss for the reporting period ended December 31, 2014 (\$114,251 for the reporting period ended December 31, 2013) and credited to contributed surplus.

**10. FAIR VALUE MEASUREMENT**

**10.1 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.

Listed shares measured at fair value in the statement of financial position as at December 31, 2014 and 2013, are classified in Level 1.

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

The carrying value of cash and cash equivalents, 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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**11. FINANCE COSTS AND FINANCE INCOME**

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

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

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

	Year ended on December 31,	
	2014	2013
	\$	\$
Change in fair value of listed shares	45 966	-
Interest income from cash and cash equivalents	2 666	3 748
Interest income from guaranteed investment certificates	-	731
Interest income from investments in bank obligations	-	3 443
	<u>48 632</u>	<u>7 922</u>

**12. 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 8.2 and 9.2.

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 2014 and 2013.

	Year ended on December 31,	
	2014	2013
Net loss	(5 000 831) \$	\$(274,831)
Weighted average number of shares in circulation	40 070 961	39 392 879
Basic and diluted loss per share	\$(0.12)	\$(0.01)

**13. INCOME TAXES**

**Relationship between expected tax expense and accounting profit or loss**

The relationship between the expected tax expense 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:

	2014	2013
	\$	\$
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26.9 %	(1 357 598)	(73 930)
Adjustments for the following items:		
Share-based payments	4 441	30 734
Issuance of flow-through shares	24 210	40 350
Recovery of liabilities related to flow-through shares	(45 000)	-
Non-capital losses expired	31 250	-
Other non-deductible expenses	(6 036)	1 843
Temporary difference unrecognized	1 303 733	1 003
Total deferred tax expense (income)	<u>(45 000)</u>	<u>-</u>

**DIOS EXPLORATION INC.**  
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**13. INCOME TAXES (continued)**

**Major components of tax expense (income)**

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

	2014	2013
	\$	\$
Deferred tax expense (income)		
Origination and reversal of temporary differences	(1 327 943)	(41 353)
Issuance of flow-through shares	24 210	40 350
Recovery of liabilities related to flow-through shares	(45 000)	-
Temporary difference unrecognized	1 303 733	1 003
Total deferred tax expense (income)	<u>(45 000)</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 deferred income tax assets and liabilities, and the following unrecognized timing differences, unused tax losses and unused tax credits:

	Balance as at January 1 <sup>st</sup> , 2014	Recognized in profit or loss	Balance as at December 31, 2014
	\$	\$	\$
Recognized amount			
Exploration and evaluation assets	33 440	(26 781)	6 659
Tax credits for resources	(33 440)	26 781	(6 659)
Recognized deferred income tax assets and liabilities	-	-	-
Recovery of liabilities related to flow-through shares		45 000	
Change in deferred income tax according the statement of comprehensive loss		<u>45 000</u>	

	Balance as at January 1 <sup>st</sup> , 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 income tax assets and liabilities	<u>-</u>	<u>-</u>	<u>-</u>

	December 31, 2014	
	Federal	Provincial
	\$	\$
Deductible temporary differences and unused tax losses not recognized		
Listed shares	103 236	103 236
Exploration and evaluation assets	7 025 859	7 783 858
Non-capital losses	2 504 659	2 449 108
Capital losses	17 216	17 216
Issuance costs of equity instruments	2 181	2 181
	<u>9 653 151</u>	<u>10 355 599</u>

	December 31, 2013	
	Federal	Provincial
	\$	\$
Deductible temporary differences and unused tax losses not recognized		
Listed 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>

**DIOS EXPLORATION INC.**  
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**13. 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
	\$	\$
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	167 704	166 572
2033	146 574	146 218
2034	112 641	112 307
	<u>2 504 659</u>	<u>2 449 108</u>

Accumulated capital losses of \$34,432 (\$19,020 in 2013) are available to be applied against future taxable capital gains. These losses may be carried forward indefinitely.

**14. ADDITIONAL INFORMATION – CASH FLOWS**

The changes in working capital items are detailed as follows:

	Year ended December 31,	
	2014	2013
	\$	\$
Taxes on goods and services tax receivable	36 031	(7 415 )
Receivables from a mining company	-	1 727
Trade and other payables	3 047	(10 880 )
	<u>39 078</u>	<u>(16 568 )</u>

Non-cash balance sheet transactions are detailed as follows :

	2014	2013
	\$	\$
Tax credits receivables applied against exploration and evaluation assets	64 231	316 589
Trade and other payables included in exploration and evaluation assets	-	112 567

**15. 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.

**15.1 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:

	Year ended December 31,	
	2014	2013
	\$	\$
Short-term employee benefits		
Salaries and benefits	147 000	235 000
Professional fees	29 825	41 150
Social security costs	12 131	14 543
Total short-term employee benefits	188 956	290 693
Share-based payments	13 935	93 645
	<u>202 891</u>	<u>384 338</u>



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**15. RELATED PARTY TRANSACTIONS (continued)**

**15.2 Transactions with a related company**

During the year ended December 31, 2014, a company controlled by a director charged fees amounting to \$11,654 recorded in exploration and evaluation assets (none for the year ended as at December 31, 2013).

**16. 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 8.1 and 18.

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.

**17. FINANCIAL INSTRUMENT RISKS**

The Company is exposed to various risks in relation to financial instruments. 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.

**17.1 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, 2014, the Company is exposed to one 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  $\pm 1\%$  as at December 31, 2014 and 2013, other comprehensive loss and equity would have changed by \$930 (\$566 in 2013).

**17.2 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, 2014	As at December 31, 2013
	\$	\$
Cash and cash equivalents	241 706	316 474

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

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**17. FINANCIAL INSTRUMENT RISKS (continued)**

**17.3 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 \$3,626 have contractual maturities of less than 3 months on December 31, 2014 (\$113,146 on December 31, 2013). 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.

**18 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 \$51,000 (\$90,000 for 2013) following flow-through placements for which the Company renounced tax deductions on December 31, 2014. 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 \$51,000 at December 31, 2014, amount that must be spent before December 31, 2015. The Company has to dedicate these funds to the exploration of Canadian mining properties exploration. As at December 31, 2013, the balance on flow-through financing not spent represented \$90,000, amount that was spent before December 31, 2014.

**19. SUBSEQUENT EVENT**

On January 6, 2015, the Company closed a non-brokered flow-through private placement for an aggregate proceeds of \$29,050 consisting of the issuance of 415,000 flow-through shares at a price of \$0.07 per share. An amount of \$22,825 was allocated to share capital and \$6,225 was attributed to other liabilities in the statement of financial position.