

DIOS EXPLORATION INC.

Annual financial statements

DECEMBER 31, 2016 and 2015

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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, 2016 and 2015 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, 2016 and 2015 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 Chalot Grant Thornton L.L.P.

Val-d'Or
March 30, 2017

DIOS EXPLORATION INC.
Statements of Financial Position

(in Canadian dollars)

	Notes	As at December 31, 2016	As at December 31, 2015
		\$	\$
ASSETS			
Current			
Cash and cash equivalents	6	475,878	306,448
Term deposits	6	373,718	-
Listed shares		4,466	62,806
Goods and services tax receivable		2,678	2,874
Tax credits receivable		191,463	142,643
		<u>1,048,203</u>	<u>514,771</u>
Non-current			
Exploration and evaluation assets	7	<u>2,651,109</u>	<u>3,505,008</u>
Total assets		<u><u>3,699,312</u></u>	<u><u>4,019,779</u></u>
LIABILITIES			
Current			
Trade and other payables		18,838	68,353
Advances of an officer, 1.99% to 4.20%	15.1	-	69,485
Other liabilities		-	6,225
Total liabilities		<u>18,838</u>	<u>144,063</u>
EQUITY			
Share capital	8.1	19,344,758	18,142,608
Contributed surplus		2,787,331	2,682,744
Deficit		<u>(18,451,615)</u>	<u>(16,949,636)</u>
Total equity		<u>3,680,474</u>	<u>3,875,716</u>
Total liabilities and equity		<u><u>3,699,312</u></u>	<u><u>4,019,779</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 March 30, 2017.

(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,	
		2016	2015
		\$	\$
EXPENSES			
Employee benefits expense	9.1	74,361	87,681
Trustees, registration fees and shareholders relations		26,204	21,910
Professional fees		24,960	23,920
Consultation fees		35,925	26,650
Publicity, travel and promotion		16,847	3,671
Insurances, taxes and permits		8,063	8,716
Office expenses		5,015	3,542
Bank charges		1,033	745
Write-off of exploration and evaluation assets	7	1,233,399	1,592,238
OPERATING LOSS		1,425,807	1,769,073
OTHER REVENUES AND EXPENSES			
Finance income	11	62,918	1,278
Finance costs	11	(2,048)	(16,612)
		60,870	(15,334)
LOSS BEFORE INCOME TAXES		(1,364,937)	(1,784,407)
Deferred income tax	13	6,225	7,286
NET LOSS FOR THE YEAR		<u>(1,358,712)</u>	<u>(1,777,121)</u>
NET LOSS PER SHARE - basic and diluted	12	<u>(0.03)</u>	<u>(0.04)</u>

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

DIOS EXPLORATION INC.
Statements of Changes in Equity

(in Canadian dollars)

	Notes	Share Capital		Contributed	Deficit	Total Equity	
		Number of shares	Number of shares	Surplus			
		issued	to be issued	\$	\$	\$	\$
Balance at January 1 st , 2015		40,070,961	728,575	17,819,612	2,549,239	(15,149,434)	5,219,417
Net loss and total comprehensive loss		-	-	-	-	(1,777,121)	(1,777,121)
Share-based payments	9.2	-	-	-	83,476	-	83,476
Share issuance costs		-	-	-	-	(23,081)	(23,081)
Issuance of units placements and flow-through shares	8.1	6,146,432	(728,575)	322,996	50,029	-	373,025
Balance at December 31, 2015		46,217,393	-	18,142,608	2,682,744	(16,949,636)	3,875,716
Balance at January 1 st , 2016		46,217,393	-	18,142,608	2,682,744	(16,949,636)	3,875,716
Net loss and total comprehensive loss		-	-	-	-	(1,358,712)	(1,358,712)
Share-based payments	9.2	-	-	-	63,787	-	63,787
Share issuance costs		-	-	-	-	(143,267)	(143,267)
Issuance of units placements and flow-through shares	8.1	8,450,667	-	1,142,150	13,300	-	1,155,450
Warrants exercised	8.1	500,000	-	60,000	(10,000)	-	50,000
Broker's warrants issued		-	-	-	37,500	-	37,500
Balance at December 31, 2016		55,168,060	-	19,344,758	2,787,331	(18,451,615)	3,680,474

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,	
		2016	2015
		\$	\$
OPERATING ACTIVITIES			
Net loss		(1,358,712)	(1,777,121)
Adjustments			
Shares-based payments		63,787	83,476
Change in fair value of listed shares		(55,907)	15,198
Finance income not cashed		(3,718)	-
Write-off of exploration and evaluation assets		1,233,399	1,592,238
Deferred income tax		(6,225)	(7,286)
Changes in working capital items	14	(49,319)	63,535
Cash flows from operating activities		<u>(176,695)</u>	<u>(29,960)</u>
INVESTING ACTIVITIES			
Disposal of listed shares		114,247	15,018
Purchase of term deposits		(370,000)	-
Addition to exploration and evaluation assets		(570,963)	(437,512)
Tax credits received		142,643	91,542
Cash flows from investing activities		<u>(684,073)</u>	<u>(330,952)</u>
FINANCING ACTIVITIES			
Net change in advances of an officer		(69,485)	69,485
Issuance of units and shares		1,205,450	379,250
Share issuance costs		(105,767)	(23,081)
Cash flows from financing activities		<u>1,030,198</u>	<u>425,654</u>
Net change in cash and cash equivalents		169,430	64,742
Cash and cash equivalents, beginning of year		<u>306,448</u>	<u>241,706</u>
Cash and cash equivalents, end of year		<u><u>475,878</u></u>	<u><u>306,448</u></u>
Additional informations			
Interest received related to operating activities		<u>7,011</u>	<u>1,278</u>
Interest paid related to operating activities		<u>2,048</u>	<u>1,414</u>
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, 2016 and 2015

(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, 2016, the Company has a cumulated deficit of \$18,451,615 (\$16,949,636 as at December 31, 2015). 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. Management does not consider these adjustments, which could be significant, because it believes in the assumption of going concern.

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, 2016 and 2015

(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.

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 and term deposits 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.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include trade and other payables and advances of an officer (in 2015).

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.

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 monetary funds 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.

DIOS EXPLORATION INC.

Notes to Financial Statements

December 31, 2016 and 2015

(in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

DIOS EXPLORATION INC.

Notes to Financial Statements

December 31, 2016 and 2015

(in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Impairment of exploration and evaluation assets (continued)

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, 2016 and 2015, there was no provision recorded in the statement of financial position.

4.10 Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized 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.

DIOS EXPLORATION INC.

Notes to Financial Statements

December 31, 2016 and 2015

(in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Income taxes (continued)

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 or 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.

Units placements

Proceeds from units placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Flow-through placements

Issuance of flow-through units represents in substance an issue of ordinary shares, warrants and the sale of the right to tax deductions to the investors. When the flow-through units 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 units are allocated between share capital warrants issued and other liabilities using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and then to warrants according to the fair value of the warrants at the time of issuance and any residual in the proceeds is allocated to other liabilities. The fair value of the warrants is estimated using the Black-Scholes valuation model. 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 the Company has the intention to renounce its right to tax deductions to the investors, the amount recognized in other liabilities is reserved and is 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.

Other elements of equity

Contributed surplus includes charges related to share options and warrants not exercised.

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 plan 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.

DIOS EXPLORATION INC.

Notes to Financial Statements

December 31, 2016 and 2015

(in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Equity-settled share-based payments (continued)

If vesting periods or other vesting conditions apply, 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 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. Management does not expect a material impact on its financial statements arising from this standard.

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).

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.

DIOS EXPLORATION INC.
Notes to Financial Statements
December 31, 2016 and 2015

(in Canadian dollars)

5. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty

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

Impairment of exploration and evaluation assets

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

For the year ended December 31, 2016, the Company wrote off the diamond portion of the property 33 Carats and its properties Shadow, LeCaron, Shipshaw and 14 Karats. The write-off of exploration and evaluation assets recognized in profit of loss amounts to \$1,233,399 (\$1,592,238 as at December 31, 2015 on its properties 14 Karats, Shadow and LeCaron). No reversal of impairment losses has been recognized for the reporting periods. Refer to Note 7 for the analysis of impairment of exploration and evaluation assets.

The other properties have not been tested for impairment as the Company has the ability to retain them since it has sufficient financial resources to meet its short-term obligations and expenses are scheduled over the next years. The rights to prospect for these properties will not expired in the near future and work has been carried out over the past three years.

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.

6. Cash and cash equivalents

	Year ended on December 31,	
	2016	2015
	\$	\$
Cash	2,419	266,465
Monetary funds	473,459	39,983
	<u>475,878</u>	<u>306,448</u>

Cash and cash equivalents include monetary funds bearing interest at a rate of 0.8% (0.8% as at December 31, 2015) which are redeemable at any time without penalty.

Term deposits presented in the statements of financial position bear interest at a rate between 1.65% and 1.70% and mature on May 25, 2017.

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7. EXPLORATION AND EVALUATION ASSETS

2016

MINING RIGHTS

	January 1 st , 2016	Additions	Write-off	December 31, 2016
QUEBEC	\$	\$	\$	\$
33 Carats (a)	681,643	13,343	(621,914)	73,072
Autish (b)	1,813	-	-	1,813
Shadow (c)	-	553	(552)	1
LeCaron (d)	1	3,041	(3,041)	1
AU33 west (e)	100,246	26,536	-	126,782
Shipshaw (f)	276	239	(514)	1
14 Karats (g)	1	6,410	(6,410)	1
Solo-K2 (h)	19,550	12,232	-	31,782
Clarkie (i)	-	16,312	-	16,312
	803,530	78,666	(632,431)	249,765

EXPLORATION AND EVALUATION EXPENSES

	January 1 st , 2016	Additions	Write-off	Tax credits	December 31, 2016
QUEBEC	\$	\$	\$	\$	\$
33 Carats (a)	2,174,968	-	(600,968)	-	1,574,000
AU33 west (e)	461,013	284,364	-	(110,595)	634,782
Solo-K2 (h)	65,497	115,023	-	(44,734)	135,786
Clarkie (i)	-	92,910	-	(36,134)	56,776
	2,701,478	492,297	(600,968)	(191,463)	2,401,344
TOTAL 2016	3,505,008	570,963	(1,233,399)	(191,463)	2,651,109

2015

MINING RIGHTS

	January 1 st , 2015	Additions	Write-off	December 31, 2015
QUEBEC	\$	\$	\$	\$
33 Carats (a)	677,547	4,096	-	681,643
Autish (b)	1,150	663	-	1,813
Shadow (c)	90,500	1,408	(91,908)	-
LeCaron (d)	233,900	896	(234,795)	1
AU33 west (e)	94,102	6,144	-	100,246
Shipshaw (f)	-	276	-	276
14 Karats (g)	112,683	512	(113,194)	1
Solo-K2 (h)	14,956	4,594	-	19,550
	1,224,838	18,589	(439,897)	803,530

EXPLORATION AND EVALUATION EXPENSES

	January 1 st , 2015	Additions	Write-off	Tax credits	December 31, 2015
QUEBEC	\$	\$	\$	\$	\$
33 Carats (a)	2,152,831	32,590	-	(10,453)	2,174,968
Shadow (c)	321,919	1,356	(322,844)	(431)	-
LeCaron (d)	495,586	-	(495,586)	-	-
AU33 west (e)	213,361	364,595	-	(116,943)	461,013
14 Karats (g)	333,140	-	(333,140)	-	-
Solo-K2 (h)	52,428	20,382	(771)	(6,542)	65,497
	3,569,265	418,923	(1,152,341)	(134,369)	2,701,478
TOTAL 2015	4,794,103	437,512	(1,592,238)	(134,369)	3,505,008

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7. EXPLORATION AND EVALUATION ASSETS (continued)

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 diamond portion of the property 33 Carats and the properties Shadow, LeCaron, Shipshaw and 14 Karats (Shadow, LeCaron and 14 Karats as at December 31, 2015) 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.

(a) 33 Carats

The 33 Carats property is located along the Eastmain River in the Otish Mountains area, Quebec, and consists of many blocks (33A08-09-15-16 and 33H01) totaling 156 mineral claims covering 82 square km. The 33 Carats southern block (33A08) consists of 117 mineral claims covering 62 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 on diamond, half of which can be repurchased for \$1 million.

Following a review of the evaluation of this property, the Company decided to write-off the diamond portion of this property (\$621,914 for mining rights and \$600,968 for exploration and evaluation expenses for a total amount of \$1,222,822 expensed during the year). The gold portion was retained as a result of the steps taken to reach an agreement.

(b) Autish

The Autish property (33P-10-15-16) is located near the lakes Magyar, Pepeshquasati et Mantouchiche in the Otish Mountains area, Quebec, and consists of two blocks of 14 mineral claims covering 7.5 square km.

(c) Shadow

The Shadow 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 19 mineral claims covering 10 square km.

Following a review of the evaluation of this property, the Company decided to write-off this property (\$552 for mining rights; \$91,908 for mining rights and \$322,844 for exploration and evaluation expenses, for a total amount of \$414,752 expensed in 2015).

(d) LeCaron

The LeCaron 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 13 mineral claims covering 7 square km.

A part of the property (10 mining claims) is 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.

Following a review of the evaluation of this property, the Company decided to write-off this property (\$3,041 for mining rights; \$234,795 for mining rights and \$495,586 for exploration and evaluation expenses, for a total amount of \$730,381 expensed in 2015).

(e) AU33 west

The AU33 west property (33C01) is located near the Eastmain river, west of Hydro electric complex of Eastmain-1 in the James Bay area in Quebec. It consists of 256 mineral claims covering 136 square km.

(f) Shipshaw

The Shipshaw property (22D06-11) consists of 6 mineral claims covering 3.4 square km located in Saguenay, Quebec. The Company holds a royalty of 1% of the potential production on 3 mineral claims.

Following a review of the evaluation of this property, the Company decided to write-off this property (\$514 for mining rights expensed during the year).

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7. EXPLORATION AND EVALUATION ASSETS (continued)

(g) 14 Karats

The 14 Karats property (23D14) consists of 48 mineral claims covering close to 25 square km at 50-75 km north-east of the Eastmain Gold mine or at 30-50 km east of the Stornoway diamond project (Quebec).

Following a review of the evaluation of this property, the Company decided to write-off this property (\$6,410 for mining rights; \$113,194 for mining rights and \$333,140 for exploration and evaluation expenses, for a total amount of \$446,334 expensed in 2015).

(h) Solo-K2

The Solo-K2 property (33C04-05) consists of 94 mineral claims covering close to 50 square km in James Bay (Quebec) at about 50 km west of the relay road km 381 along the road to Radisson.

(i) Clarkie

The Clarkie property (33B05-06) consists of 114 mineral claims covering close to 60 square km and is located near Eastmain river, north-east of Hydro electric complex of Eastmain-1 in the James Bay area in Quebec.

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.

- (a) 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.
- (b) On December 3, 2015, the Company closed a non-brokered private placement for an aggregate proceeds of \$350,200 consisting of the issuance of 5,002,857 units at a price of \$0.07. Each unit is composed of one ordinary share and one half warrant. In total, 5,002,857 ordinary shares and 2,501,428 warrants were issued. Each warrant entitles its holder to purchase one ordinary share of the Company at \$0.10 for a 24-month period after the closing. An amount of \$300,171 was allocated to share capital and an amount of \$50,029 was attributed to warrants.
- (c) On May 18 and 20, 2016, the Company closed a private placement for an aggregate proceeds of \$1,155,540 consisting of the issuance of 4,712,333 flow-through share units at \$0.15 (\$706,850) and 3,738,334 ordinary share units at \$0.12 (\$448,600). Each flow-through share unit is composed of one flow-through share and one half warrant entitling its holder to purchase one ordinary share of the Company at \$0.20 for a 24-month period after the closing. In total, 4,712,333 flow-through shares and 2,356,167 warrants were issued. Each ordinary share unit is composed of one ordinary share and one warrant entitling its holder to purchase one ordinary share of the Company at \$0.155 for a 24-month period after the closing. In total, 3,738,334 ordinary shares and 3,738,334 warrants were issued. An amount of \$13,300 related to warrants, was recorded as an increase of contributed surplus. Share issuance costs amounted to \$143,267 including of broker fees of \$82,262 paid in cash and issuance of 375,000 broker warrants entitling its holder to purchase one ordinary share of the Company at a price of \$0.155 per share on or before May 20, 2018. A value of \$37,500 related to these warrants was recorded as share issuance costs.
- (d) On August 29, 2016, 500,000 warrants were exercised at a price of \$0.10 per share. An amount of \$50,000 was received on the exercise of these warrants.

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8.2 Warrants

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

	December 31, 2016		December 31, 2015	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Balance, at beginning	2,501,428	0.10	-	-
Granted	6,469,501	0.17	2,501,428	0.10
Exercised	(500,000)	0.10	-	-
Balance, at the end	<u>8,470,929</u>	<u>0.15</u>	<u>2,501,428</u>	<u>0.10</u>

For the reporting year ended December 31, 2016, the Company recorded an amount of \$37,500 as share issuance costs when the broker warrants were issued. The fair value is recorded as an increase of the contributed surplus and deficit.

The weighted average fair value of the broker's warrants of \$0.10 was estimated using the Black-Scholes option pricing model and based on the following weighted average assumptions:

Share price at date of grant	\$0.15
Expected dividend	0%
Expected volatility	144%
Risk-free interest rate	0.65%
Expected life	2 years
Exercise price at date of grant	\$0.155

The underlying expected volatility was determined by reference to historical data of the Company's shares over the expected life of the warrants.

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

Expiration date	December 31, 2016		December 31, 2015	
	Number of warrants	Exercise price \$	Number of warrants	Exercise price \$
December 02, 2017	2,001,428	0.10	2,501,428	0.10
May 18, 2018	332,500	0.20	-	-
May 18, 2018	280,000	0.155	-	-
May 20, 2018	2,023,667	0.20	-	-
May 20, 2018	3,833,334	0.155	-	-
	<u>8,470,929</u>	<u>0.15</u>	<u>2,501,428</u>	<u>0.10</u>

9. EMPLOYEE REMUNERATION

9.1 Employee benefits expense

	Year ended on December 31,	
	2016	2015
Salaries and benefits	\$ 253,255	\$ 170,574
Share-based payments	63,787	83,476
	<u>317,042</u>	<u>254,050</u>
Less: salaries capitalized in exploration and evaluation assets	(242,681)	(166,369)
Employee benefits expense	<u>74,361</u>	<u>87,681</u>

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9.2 Share-based payments

The Company has adopted share-based payment plan under which members of the Board of Directors may award options for ordinary shares to directors, 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% at grant, 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:

	2016		2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1st	5,110,000	\$ 0.18	4,800,000	\$ 0.22
Granted	980,000	0.10	980,000	0.10
Expired	(920,000)	0.30	(670,000)	0.34
Outstanding at December 31	5,170,000	0.14	5,110,000	0.18
Exercisable at December 31	4,582,000	0.14	4,000,000	0.20

The table below summarizes the information related to outstanding share options as at December 31, 2016 and 2015 :

Range of exercise price	2016		2015	
	Number of options	Weighted average remaining contractual life (years)	Number of options	Weighted average remaining contractual life (years)
\$ 0.10 to 0.19	4,205,000	2.85	3,225,000	3.43
0.20 to 0.50	965,000	0.17	1,885,000	0.75
	5,170,000		5,110,000	

On July 17, 2015, the Company granted 980,000 options to officers, directors and employees of the Company under its incentive stock option plan, at an exercise price of \$0.10 per share. The options have a term of five years and can be exercised gradually over a period of eighteen months.

On February 23, 2016, the Company granted 980,000 options to officers, directors and employees of the Company under its incentive stock option plan, at an exercise price of \$0.10 per share. The options have a term of five years and can be exercised gradually over a period of eighteen months.

The weighted fair value of the granted options of \$0.05 per option granted (\$0.04 for the year ended December 31, 2015) was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

	2016	2015
Share price at date of grant	\$0.06	\$0.05
Expected dividend	0%	0%
Expected volatility	132%	127%
Risk-free interest rate	0.50%	0.50%
Expected life	5 years	5 years
Exercise price at date of grant	\$0.10	\$0.10

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.

In all, an amount of \$63,787 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, 2016 (\$83,476 for the reporting period ended December 2015) and credited to contributed surplus.

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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, 2016 and 2015, are classified in Level 1.

11. FINANCE COSTS AND FINANCE INCOME

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

	Year ended on December 31,	
	2016	2015
	\$	\$
Change in fair value of listed shares	55,907	-
Interest income from cash and cash equivalents	7,011	1,278
	62,918	1,278

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

	Year ended on December 31,	
	2016	2015
	\$	\$
Change in fair value of listed shares	-	15,198
Interests on advances of an officer	2,048	1,414
	2,048	16,612

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 and 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 2016 and 2015.

	Year ended on December 31,	
	2016	2015
Net loss	\$(1,358,712)	\$(1,777,121)
Weighted average number of shares in circulation	51,750,589	41,592,632
Basic and diluted loss per share	\$(0.03)	\$(0.04)

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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 loss can be reconciled as follows:

	2016	2015
	\$	\$
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26.9 %	(367,168)	(480,005)
Adjustments for the following items:		
Share-based payments	17,159	22,455
Issuance of flow-through shares	7,814	13,719
Recovery of liabilities related to flow-through shares	(6,225)	(7,286)
Non-capital losses expired	-	43,660
Other non-deductible expenses	(7,368)	2,315
Temporary difference unrecognized	349,563	397,856
Total deferred tax expense (income)	<u>(6,225)</u>	<u>(7,286)</u>

Major components of tax expense (income)

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

	2016	2015
	\$	\$
Deferred tax expense (income)		
Origination and reversal of temporary differences	(357,377)	(411,575)
Issuance of flow-through shares	7,814	13,719
Recovery of liabilities related to flow-through shares	(6,225)	(7,286)
Temporary difference unrecognized	349,563	397,856
Total deferred tax expense (income)	<u>(6,225)</u>	<u>(7,286)</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 st , 2016	Recognized in profit or loss	Balance as at December 31, 2016
	\$	\$	\$
Recognized amount			
Exploration and evaluation assets	13,573	6,399	19,972
Tax credits receivable	(13,573)	(6,399)	(19,972)
Recognized deferred income tax assets and liabilities	-	-	-
Recovery of liabilities related to flow-through shares		6,225	
Change in deferred income tax according the statement of comprehensive loss		<u>6,225</u>	

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13. INCOME TAXES (continued)

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

	Balance as at January 1 st , 2015	Recognized in profit or loss	Balance as at December 31, 2015
	\$	\$	\$
Recognized amount			
Exploration and evaluation assets	6,659	6,914	13,573
Tax credits receivable	(6,659)	(6,914)	(13,573)
Recognized deferred income tax assets and liabilities	-	-	-
Recovery of liabilities related to flow-through shares		7,286	
Change in deferred income tax according the statement of comprehensive loss		7,286	

	December 31, 2016		December 31, 2015	
	Federal	Provincial	Federal	Provincial
	\$	\$	\$	\$
Deductible temporary differences and unused tax losses not recognized				
Listed shares	701	701	53,673	53,673
Exploration and evaluation assets	9,771,581	10,529,581	8,567,232	9,325,232
Non-capital losses	2,585,070	2,541,642	2,436,136	2,392,708
Capital losses	99,396	99,396	74,378	74,378
Share issuance costs	98,391	98,391	18,465	18,465
	<u>12,555,139</u>	<u>13,269,711</u>	<u>11,149,884</u>	<u>11,864,456</u>

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
	\$	\$
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	112,640	112,306
2035	99,490	98,713
2036	148,935	148,935
	<u>2,585,070</u>	<u>2,541,642</u>

Accumulated capital losses of \$198,792 (\$148,755 in 2015) are available to be applied against future taxable capital gains. These losses may be carried forward indefinitely.

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14. ADDITIONAL INFORMATION – CASH FLOWS

The changes in working capital items are detailed as follows:

	Year ended December 31,	
	2016	2015
	\$	\$
Goods and services tax receivable	196	(1,192)
Trade and other payables	(49,515)	64,727
	<u>(49,319)</u>	<u>63,535</u>

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

	2016	2015
	\$	\$
Tax credits receivable applied against exploration and evaluation assets	191,463	134,369
Warrants include in share issuance costs	37,500	-

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 directors of the Company. Key management personnel remuneration includes the following expenses:

	Year ended December 31,	
	2016	2015
	\$	\$
Short-term employee benefits		
Salaries including bonuses and benefits	177,625	122,500
Social security costs	13,529	11,483
Total short-term employee benefits	191,154	133,983
Consultation fees	35,925	26,650
Share-based payments	55,758	70,798
Total remuneration	<u>282,837</u>	<u>231,431</u>

As at December 31, 2015, the advances of an officer amounted to \$69,485 including accrued interest. These advances beared interest at different rates between 1.99% and 4.20%, the rates paid by such officer with banks. As at December 31, 2016, these advances have been repaid.

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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 credit risk and liquidity risk.

The Company focuses on actively securing short- to medium-term cash flows by minimizing the exposure to financial markets. The Company does not actively engage in the trading of financial instruments for speculative purposes.

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

17.1 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, 2016	As at December 31, 2015
	\$	\$
Cash and cash equivalents	475,878	306,448
Term deposits	373,718	-
	<u>849,596</u>	<u>306,448</u>

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

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(in Canadian dollars)

17. FINANCIAL INSTRUMENT RISKS (continued)

17.2 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 cash equivalents and term deposits 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 and advances of an officer (in 2015).

The following table presents contractual maturities (including interest payments where applicable) of the Company's liabilities:

	December 31,	
	2016	2015
	\$	\$
Within six months		
Trade and other payables	8,700	68,353
Advances of an officer, 1.99% to 4.20%	-	70,608
	<u>8,700</u>	<u>138,961</u>

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash and cash equivalents, term deposits and tax credits receivable. Company's cash and cash equivalents, term deposits and tax credits receivable exceed the current cash 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 ending December 31, 2016, the Company received an amount of \$706,850 (\$29,050 as at December 31, 2015) following flow-through placement for which the Company will renounced tax deductions, for the benefits of investors. 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 \$706,850 as at December 31, 2016 (\$29,050 as at December 31, 2015) and must be spent before December 31, 2017 (December 31, 2016 as at December 31, 2015).