



**DIOS**  
EXPLORATION

**DIOS EXPLORATION INC.  
Management's Discussion and Analysis  
Quarterly highlights  
For the nine-month period ended  
September 30, 2016**

The following quarterly highlights management discussion and analysis of the financial condition and results of the operation of Dios Exploration Inc. ((the "Company" or "Dios") constitutes management's review of the factors that affected the Company's financial operating performance for the nine-month period ended September 30, 2016.

This discussion and analysis should be read in conjunction with:

- The unaudited interim financial statements as at September 30, 2016;
- The 2015 Annual Management report; and
- The Company's audited financial statements for the year ended December 31, 2015 and December 31, 2014.

These documents and additional information may be available through [www.sedar.com](http://www.sedar.com) web site, under the Company's section "Sedar filing" or at [www.diosexplo.com](http://www.diosexplo.com).

**Nature of activities**

The Company is involved in mineral exploration in Eeyou Istchee James-Bay, Quebec. Dios focuses on gold exploration along southern James-Bay major geological structure through glacial sediment sampling defining indicator heavy mineral dispersal trains.

**Financing activities**

On May 18 and 20, 2016, the Company closed a private placement totaling \$1,155,450: 4,712,333 flow-through units at \$0.15 each (\$706,850) and 3,738,334 common shares units at \$0.12 each (\$448,600). Each flow-through unit comprises one flow-through common share and one half of common share purchase warrant that entitles its holder thereof to subscribe one common share of the Company at a price of \$0.20 for a 24-

## DIOS EXPLORATION INC. - Management's Discussion & Analysis – Quarterly Highlights – September 30, 2016

month period: 4,712,333 flow-through shares and 2,356,167 warrants were issued. Each common unit comprises one common share and one common share purchase warrant that entitles its holder thereof to subscribe one common share of the Company at a price of \$0.155 for a 24-month period: 3,738,334 common shares and 3,738,334 warrants were issued.

On August 29, 2016, 500,000 warrants were exercised at a price of \$0.10 per share. An amount of \$50,000 was received at the exercise of those warrants.

### Investing activities

*Quarter ended September 30, 2016*

During this period, Dios paid \$4,562 for mining rights (claim renewal and acquisitions).

During the three-month period ended September 30, 2016, the Company incurred \$136,174 in exploration expenses compared to \$288,313 for the same period in 2015.

#### Exploration Expense Analysis

Description	AU33West	Solo-K2	Clarkie	Total
	\$	\$	\$	\$
Geology	7,718	23,225	40,406	71,349
Transportation, Lodging	607	26,333	26,545	53,485
Drilling and assays	318	7,285	-	7 603
Office and other	316	1,083	2,338	3,737
	8 959	57,926	69,289	136,174

*Nine-month period ended September 30, 2016*

During this period, Dios paid \$70,963 for mining rights (claim renewal and acquisitions).

During the nine-month period ended September 30, 2016, the Company incurred \$430,844 in exploration expenses compared to \$391,526 for the same period in 2015.

#### Exploration Expense Analysis

Description	AU33West	Solo-K2	Clarkie	Total
	\$	\$	\$	\$
Geology	90,535	52,359	43,972	186,866
Transportation, Lodging	33,367	26,333	26,545	86,245
Drilling and assays	142,278	7,285	-	149,563
Office and other	4,749	1,084	2,337	8,170
	270,929	87,061	72,854	430,844

## DIOS EXPLORATION INC. - Management's Discussion & Analysis – Quarterly Highlights – September 30, 2016

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### K2 project, Lower Eastmain

#### Large-scale gold-silver-copper system delineated by Dios

Dios' single-day reconnaissance uncovered two new gold showings (Badji : 5.39 grams gold per tonne, 111 g/t silver, 5% copper and Samosa : 3.39 g/t gold) plus a copper showing (Curry: 0.85% Cu, 41 g/t Ag, 0.1 g/t Au).

In September, follow-up helicopter borne outcrop sampling returned 64 gold assays between 8.08 and 0.1 g/t gold, **including 12 rock samples greater than 1 g/t gold (8.08, 3.64, 2.52, 2.44, 2.28, 2.12, 1.74, 1.71, 1.65, 1.46, 1.35, 1.03 g/t gold)** and 20 samples over 0.50 g/t gold. Gold is associated with significant silver values up to 123 g/t Ag (including 36 samples over 10 g/t silver & 8 samples over 50 g/t silver ) and copper values up to 6.42% (65 samples over 0.1% Cu and 18 samples over 1% Cu).

Best assays were obtained from felsic volcanics overlying Kali Quartz-Diorite Porphyry. A chalcopyrite-rich stringer/stockwork zone extending over 75 m and about 5-10 m wide yielded up to 8.08 g/t gold, 96.7 g/t silver, 2.43% copper & 0.17% zinc. A total of 13 rock samples from «Attila Zone» returned average grades of 1.07 g/t gold, 38.8 g/t silver & 1.25% Cu. Some 100 m north, a several meter sub-parallel horizon extending over 50 m with narrow quartz-carbonate-pyrite veins returned five samples over 1 g/t gold (up to 3.64 g/t gold & 26.7 g/t silver).

[http://diosexplo.com/images/Au\\_K2.jpg](http://diosexplo.com/images/Au_K2.jpg)  
[http://diosexplo.com/images/AG\\_K2.jpg](http://diosexplo.com/images/AG_K2.jpg)  
[http://diosexplo.com/images/CU\\_K2.jpg](http://diosexplo.com/images/CU_K2.jpg)

Gold-Silver-Copper occurrences hosted in felsic volcanics and tuffs are spatially associated with NW Kali fault and margins of a regional distinct 4 x1 km magnetic high along Kali Quartz-Diorite Porphyry contact. Mineralization consists in disseminated and stringer sulphides (pyrite-chalcopyrite, minor sphalerite-pyrrhotite) associated with strong silica-chlorite-carbonate stockwork alteration zone. **Alteration Zone is centred on Kali fault, overlapping southern margin of magnetic high anomaly. It was traced over a 500 m width and a 2 km lateral extent** within felsic volcanic sequence. Sericitization-silicification-pyritization (2-5%) of a specific several meter volcanic unit was also observed. Some 300 samples incl. 28 blanks were collected in September.

Research work outlined a 10 km long felsic sequence injected by synvolcanic Kali Quartz-Diorite porphyry, favourable for gold-silver-copper mineralized system. Several types of gold-bearing mineralization were observed: disseminated and stringer sulphide (pyrite-chalcopyrite) zones hosted in felsic volcanics sub-parallel to stratigraphy; shear zones; fracture-filling and narrow (cm-dm) quartz-carbonate-sulphide veins.

Follow-up work is planned on K2 in Lower Eastmain belt near Opinaca Sub-province. Eleonore Gold Mine is also located in this Lower Eastmain belt near Opinaca sub-

## **DIOS EXPLORATION INC. - Management's Discussion & Analysis – Quarterly Highlights – September 30, 2016**

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province. Due to positive results so far, Dios extended K2 over a 12 km-strike of favourable volcanics in contact with Kali pluton (65 claims, 35 sq. km). New claims cover an EW shear coincidental with weak electromagnetic (input) anomalies over a 2 km-strike. Ground geophysical Induced-Polarization surveys are considered to outline large-scale targets at depth.

### **AU 33 PROPERTY WORK**

#### **Wholly-owned Heberto GOLD discovery in Eeyou Istchee James Bay**

In September, Dios sampled **Robino** with two one-meter diamond saw samples out of two returning positive results: 5.19 grams gold per ton over one meter and 4.83 grams gold per ton over one meter, respectively. **Robino** hydrothermal-magmatic breccia pipe had returned up to 37grams gold per ton, 14 grams silver per ton, 3.5 kilometers north of **Heberto Gold discovery**, 50 km south of Eleonore gold mine and 20 km west of Clearwater gold deposit, James Bay, Quebec.

Permitting is going well for next **Heberto** drilling targeting extents at depth and to the southwest. First drilling over last year (1500 m in March), targeting the 100 m near surface, yielded up at least **4.8 grams gold per tonne over 8.65 meters** included in 2.13 g/t Au /22.90 m; 1.15 g/t Au/64 m including **3.65 g/t Au/13 m**; and, 2.0 g/t Au over 22.0 m etc. Gold zones can be followed from hole to hole.

The drill program targeted vicinities of Heberto gold showing and investigated a 700 meter strike of the N160-180 favourable structure moderately dipping west.

That Heberto goldbearing structure consists of several meters wide potassic altered shears with traces-4% pyrite (traces-magnetite) in a granodioritic /tonalitic pluton.

The Heberto diorite is a 100-200 m wide by 400-500 m long intrusion and is cut through by two late E-W faults that displaced the three sections. Along the central section, a shallower-dipping pyrite-magnetite-hematite-quartz stringers system seems developed.

AU33 road accessible property encompasses a major km scale gold system within a 5 X 8 km highly anomalous gold-in-outcrops area, with several other targets of **Heberto** and **Robino** style. An area some 5 km up-ice returned highly significant gold-in-till values of over 1 and 2 grams gold per tonne that certainly need further prospecting. This area is not very outcropping and could mask a significant deposit.

## **DIOS EXPLORATION INC. - Management's Discussion & Analysis – Quarterly Highlights – September 30, 2016**

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### **Clarkie Gold (Wholly-owned no royalties)**

*South-east of Cheechoo discovery and Goldcorp Eleonore world-class gold mine*

Results of first ever seven-days reconnaissance program on CLARKIE in August following up proprietary data from a gold glacial dispersal train are significantly positive.

Main objective was to investigate Natel volcanic contact with Clarkie sediments (stratigraphic equivalent of those hosting world-class Goldcorp Eleonore gold mine), and adjacent diorite intrusions and porous conglomerates and tuffs.

Gold was discovered for the first time, in outcropping sedimentary rocks, of same type and age hosting Eleonore gold mine, also both in La Grande slightly metamorphosed rocks, James Bay, Quebec, along Opinaca contact. **Three (3) rock samples returned anomalous gold over 1 gram per tonne gold (including 1.66; 1.28 & 1.22 g/t gold). They all consist of silicified wackes with 1-2% disseminated pyrite and are clustered within 80 meters from each other.** One is a 15 m x 5 m outcrop and two others are several meter large sub-outcropping/angular boulders within a 25 x 25 m boulder field. **A gold-in-till train (13 samples over 0.10 g/t gold, up to 1.16 g/t gold) points towards the northern extent of this new gold occurrence.**

The Clarkie sedimentary Basin on Dios' claims is dominated by folded wacke/conglomerates with minor mafic volcanics and silicate iron formations. Dominant lithic wackes are locally silicified with traces to 3% disseminated pyrite/pyrrhotite particularly near contacts with mafic units and iron formations. Silicate iron formations (rusty orange gossans over a 2 km strike length) vary from 1 to 40 meters thick. A (100-300 m thick) lapilli (block) felsic/intermediate volcanoclastic unit topped that mixed sequence. From 160 visited outcrops up to now (114 claims for 70 sq. km), 88 samples were collected.

### **Overall performance**

Net loss for quarter ended September 2016 is \$955 (net loss of \$30,175 for third quarter 2015) whereas expenses for the quarter totalled \$30,809 (\$25,974 for third quarter 2015).

During the three-month period ended September 30, 2016, one notes mainly:

- Increase in the market value of listed shares; and
- Three-month promotion contract in Europe (ended in April 2016).

## **DIOS EXPLORATION INC. - Management's Discussion & Analysis – Quarterly Highlights – September 30, 2016**

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Net loss for the nine-month period ended September 30, 2016 is \$97,858 (net loss of \$151,504 for the nine-month period ended September 30, 2015) whereas expenses for the nine-month period 2016 totalled \$162,489 (\$147,899 for the nine-month period ended September 30, 2015).

During the nine-month period ended September 30, 2016, one notes mainly

- Three-month promotion contract in Europe (ended in April 2016);
- Increased costs of transfer agent with respect to shares issued in the second quarter; and
- Increase in the market value of listed shares.

### Financial position

- Working capital increased by \$720,052 as at September 30, 2016 going from \$370,708 as at December 31, 2015 to \$1,090,760 as at September 30, 2016. The increase is mainly due to the private placement closed in May 2016 and to the increase in the market value of listed shares.
- Cash and term deposits totalled \$860,494 as at September 30, 2016 compared to \$306,448 as at December 31, 2015. The product of unspent funding related to flow-through financings total \$706,850 to spend before December 31, 2017. The Company is considered to be in the exploration stage, thus it is dependent on obtaining regular financing in order to continue exploration. Despite previous success in acquiring sufficient financing, there is no guarantee of obtaining any future financing.
- At September 30, 2016, Dios has accrued an estimation of \$164,640 in refundable tax credits related to exploration expenditures.

Exploration Budget for fiscal 2016: The anticipated exploration work to be conducted by Dios in 2016 is disclosed in the 2015 Annual Management report. This budget is subject to change following exploration results obtained. The budget was increased following the issuance of share capital in May 2016

Listed Shares: Dios sold for an amount of \$51,511 of Listed shares for the nine-month period ended September 30, 2016.

## **DIOS EXPLORATION INC. - Management's Discussion & Analysis – Quarterly Highlights – September 30, 2016**

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### **Related party transactions**

Key management personnel of the Company are members of the Board of Directors, as well as the president, the chief financial officer and the vice-president, exploration. Key management personnel remuneration includes salaries, professional fees and share-based payments. For the 2016-Q3, the compensation is \$71,061 (\$51,508 for the same period last year). An amount of \$48,562 (\$32 513 for the same period last year) was capitalized in Exploration and Evaluation assets.

During the period, an officer advanced some funds (reimbursed as at September 30, 2016). Interest at rates varying between 1.99% and 4.2% was paid (\$1,600) to a bank.

### **Forward-looking information**

See the forward-looking information in 2015 Annual Management report.

Montreal, Quebec  
November 17, 2016