



DIOS
EXPLORATION

**DIOS EXPLORATION INC.
Management's Discussion and Analysis
Quarterly highlights
For the six-month period ended
June 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 six-month period ended June 30, 2016 ("2016-Q2").

This discussion and analysis should be read in conjunction with:

- The unaudited interim financial statements for 2016-Q2;
- 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 web site, under the Company's section "Sedar filing" or at www.diosexplo.com.

Nature of activities

The Company is involved in the exploration of mineral properties in the province of Quebec. Dios focuses on gold exploration in James Bay along the major southern Opinaca geological structure through glacial sediment sampling that defines indicator mineral dispersal trains.

Investing activities

In 2016-Q2, Dios paid \$18,177 for mining rights (claim renewal and acquisitions).

During the three-month period ended June 30, 2016, the Company incurred \$65,362 in exploration expenses compared to \$52,970 for the same period in 2015 and \$229,308 for the first quarter 2016.

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Exploration Expense Analysis

Description	AU33West	Solo-K2	Clarkie	Total
	\$	\$		\$
Geology	21 805	27 334	3 565	52 704
Transportation, lodging	22	-	-	22
Drilling and assays	11 860	-	-	11 860
Office and other	776	-	-	776
	34 463	27 334	3 565	65 362

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 entitles its holder to subscribe one common share of the Company at a price of \$0.20 for a 24-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 entitles its holder 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.

**AU 33 PROPERTY (Wholly-owned no royalties), Eeyou Istchee James Bay
Heberto Gold Discovery**

50 km south of Goldcorp's Eleonore world class mine and 20 km west of Clearwater gold deposit

During the quarter, Dios completed assaying of March 2016 Heberto Gold drilling of 1,532 meters in 8 holes. The 2016 program targeted the vicinities of the Heberto gold showing and investigated a 700 meters-strike of the N160-180 favourable structure that moderately dips towards the west.

That Heberto structure consists of several meters wide potassic altered shears with traces-4% pyrite (traces-magnetite) in a granodioritic /tonalitic pluton, intruded by the Heberto diorite, a 100-200 m wide by 400-500 m long intrusion cut through by two late

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E-W faults that displaced the three sections. Along the central section, a shallower-dipping pyrite-magnetite-hematite-quartz stringers system seems developed.

- **Hole 19 cut 3.65 grams gold per tonne over 13 m (71 m-84 m) in a 64 m true thickness interval grading 1.15 g/t gold** from 68 to 132 m.

Gold zones can be followed along strike and dip.

- **Hole 19 is 50 m south of 2015-01 (4.8 g/t gold /8.65 m in 2.13 g/t gold/22.9 m),**
- **50 m south of 2015-09 (2 g/t gold /22 m)** and
- 50 m south of 2015-10 (1.63 g/t gold/18.45 m) (incl. 4 m not yet sampled)
- Hole 19 is 50 m north of hole 2015-06 (1.94 g/t gold/7.75 m) and 112 m west of hole 2015-01.

Dios is looking for a significant worldclass oxidized Intrusion Related Gold deposit. Enriched gold content in association with pyrite and magnetite confirm that model. This is promising because of pyrite and magnetite associated with gold on **HEBERTO**. The first gold zone in hole 19 (from 71m to 84m) has 3-5% pyrite-magnetite (hematite-quartz-biotite) stringers/veinlets and the second one from 92-128 m has potassic shears with 1-3% disseminated pyrite (magnetite).

HEBERTO major km scale gold system is located within a 5 X 8 km highly anomalous gold-in-outcrops area. Dios is looking forward to pursue follow-up drilling at depth and in strikelength this Fall. There is gold zones continuity between drill sections and along dip in section. Gold zones reach surface. Drilling was shallow, targeting first 150 m (200m).

New K2 gold property (Wholly-owned no royalties)

along Opinaca River, James Bay, Quebec, increasing strategic land position (20 sq. km)

Dios outlined showings up to 5.39 g/t gold on its new K2 gold project

K2 is centered on several kilometer large Kali QP (Quartz-Porphyry) bordered by felsic volcanics/tuffs, both rock types hosting several sulphidic occurrences associated to northwest structures.

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

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Clarkie Gold (Wholly-owned no royalties)

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

Dios' claims cover the folded part of the Clarkie sediments with a lot of structures crossing the fold nose, which by the way happens to be located just up-ice of a significant gold-in-till glacial train discovered by Dios. Recent public data on Cheechoo also indicates sheared folded structural control for gold.

The Clarkie sediments are interpreted as equivalent (same age sediments) to those hosting Eleonore gold mine. (source RP 2007-05): The Low Formation that hosts world-class Eleonore gold is the stratigraphic equivalent of the Clarkie Formation.

The Clarkie Gold sediments fold nose on Dios' claims hosts small dioritic plugs and is located in a similar environment as **Eleonore gold** deposit, near the contact zone between LaGrande and Opinaca Sub-provinces with host rocks consisting in aluminous meta-sediments and conglomerates of the Low Formation, along a large dioritic intrusion edge and near a steep metamorphic gradient.

Diorite intrusions, porous sediments, fold closures and northwest sheared structures are among good physical traps for gold noted on Dios' Clarkie.

Overall performance

Net loss for the quarter ended June 2016 is \$44,401 (net loss of \$23,512 for the second quarter 2015) whereas expenses for the quarter totalled \$59,048 (\$35,217 for the second quarter 2015).

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

- Increase of stock-based compensation expenses in 2016; and
- Three-month promotion contract in Europe (ended in April 2016).

Net loss for the six-month period is \$96,903 (net loss of \$121,329 for the six-month period ended June 30, 2015) whereas expenses for the six-month period totalled \$131,680 (\$122,025 for the six-month period ended June 30, 2015).

During the six-month period June 30, 2016, one notes mainly

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

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Financial position

- Working capital increased by \$738,393 as at June 30, 2016 going from \$370,708 as at December 31, 2015 to \$1,109,101 as at June 30, 2016. The increase is mainly due to the private placement closed in May 2016 (see above).
- Cash and term deposits totaled \$938,817 as at June 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 June 30, 2016, Dios has accrued \$105,200 in refundable tax credits related to exploration expenditures.

Exploration Budget for fiscal 2016: 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 the exploration results obtained.

Listed Shares: Dios sold for an amount of \$24,605 of Listed shares for the six-month period ended June 30, 2016.

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-Q2, the compensation is \$71,442 (\$61,350 for the same period last year). An amount of \$37,529 (\$38,940 for the same period last year) was capitalized in Exploration and Evaluation assets.

During the period, an officer advanced some funds (reimbursed at 30 June 2016). Interest at rates varying between 1.99% and 4.2% were paid (\$1,600) to financial institutions.

Forward-looking information

See forward-looking information in 2015 Annual Management report.

Montreal, Quebec
August 24, 2016