

# **DIOS EXPLORATION INC.**

## **UNAUDITED INTERIM FINANCIAL STATEMENTS**

**MARCH 31, 2016**

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The attached interim financial statements have been prepared by Dios Exploration Inc. and its external auditors have not reviewed these unaudited financial statements.

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**DIOS EXPLORATION INC.**  
**Interim Statement of Financial Position (unaudited)**

(Canadian dollars)

	Notes	March 31 2016	December 31 2015
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	5	116 730	306 448
Listed shares		68 807	62 806
Good and services tax receivable		31 375	2 874
Tax credits receivable		211 037	142 643
Prepaid expenses and deposit		4 999	-
		<b>432 948</b>	<b>514 771</b>
<b>Non-current</b>			
Exploration and evaluation assets	6	3 705 871	3 505 008
<b>Total assets</b>		<b>4 138 819</b>	<b>4 019 779</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables		228 890	68 353
Advance of an officer, 1.99% to 4.20%		69 489	69 485
Other liabilities		-	6 225
<b>Total liabilities</b>		<b>298 379</b>	<b>144 063</b>
<b>EQUITY</b>			
Share capital	7.1	18 142 608	18 142 608
Contributed surplus		2 699 970	2 682 744
Deficit		(17 002 138)	(16 949 636)
<b>Total equity</b>		<b>3 840 440</b>	<b>3 875 716</b>
<b>Total liabilities and equity</b>		<b>4 138 819</b>	<b>4 019 779</b>

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 May 17, 2016

*(s) Marie-José Girard*

Marie-José Girard  
 Director

*(s) René Lacroix*

René Lacroix  
 Director

**DIOS EXPLORATION INC.**  
**Interim Statement of Comprehensive Income (unaudited)**

(Canadian dollars)

	Notes	Three-month period ended	
		March 31	
		2016	2015
		\$	\$
<b>EXPENSES</b>			
Employee benefits expense	8.1	29 130	40 927
Professional fees		21 840	28 955
Trustees, registration fees and shareholders relations		10 138	9 729
Publicity, travel and promotion		7 299	2 711
Insurance, taxes and permits		2 957	3 456
Offices expenses		943	846
Bank charges		326	184
<b>OPERATING LOSS</b>		<b>72 633</b>	<b>86 808</b>
<b>OTHER REVENUES AND EXPENSES</b>			
Finance income	9	14 797	422
Finance costs	9	(892)	(18 608)
		<b>13 905</b>	<b>(18 186)</b>
<b>LOSS BEFORE INCOME TAXES</b>		<b>(58 728)</b>	<b>(104 994)</b>
Deferred income taxes		(6 226)	(7 177)
<b>NET LOSS AND COMPREHENSIVE INCOME</b>		<b>(52 502)</b>	<b>(97 817)</b>
<b>NET LOSS PER SHARE</b>			
Basic and diluted loss per share	10	<b>(0.001)</b>	<b>(0.002)</b>

The accompanying notes are an integral part of the financial statements

**DIOS EXPLORATION INC.**  
**Interim Statement of Changes in Equity (unaudited)**

(Canadian dollars)

	Note	Share capital		Contributed	Deficit	Total equity	
		Number of shares issued	Number of shares to be issued	\$	\$	\$	\$
Balance at January 1, 2015		40 070 961	728 575	17 819 612	2 549 239	(15 149 434)	5 219 417
Shares issued by flow-through private placement		1 143 575	(728 575)	22 825	-	-	22 825
Net loss for the period		-	-	-	-	(52 502)	(52 502)
Share-based payments	8.2	-	-	-	30 375	-	30 375
Balance at March 31, 2015		<u>41 214 536</u>	<u>-</u>	<u>17 842 437</u>	<u>2 579 614</u>	<u>(15 201 936)</u>	<u>5 220 115</u>
Balance at January 1, 2016		46 217 393	-	18 142 608	2 682 744	(16 949 636)	3 875 716
Net loss for the period		-	-	-	-	(52 502)	(52 502)
Share-based payments	8.2	-	-	-	17 226	-	17 226
Balance at March 31, 2016		<u>46 217 393</u>	<u>-</u>	<u>18 142 608</u>	<u>2 699 970</u>	<u>(17 002 138)</u>	<u>3 840 440</u>

The accompanying notes are an integral part of the financial statements

**DIOS EXPLORATION INC.**  
**Interim Statement of Cash Flows (unaudited)**

(Canadian dollars)

	Notes	Three-month period ended	
		March 31	
		2016	2015
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Net loss		(52 502)	(97 817)
Adjustments			
Share-based payments		17 226	30 375
Change in fair value of listed shares		(14 241)	18 608
Deferred income taxes expenses		(6 226)	(7 177)
Changes in working capital items	11	127 042	21 424
Cash flows from operating activities		<u>71 299</u>	<u>(34 587)</u>
<b>INVESTING ACTIVITIES</b>			
Disposal of listed shares		8 240	10 149
Tax credits received		8 275	-
Additions to exploration and evaluation assets		(277 532)	(59 956)
Cash flows from investing activities		<u>(261 017)</u>	<u>(49 807)</u>
<b>FINANCING ACTIVITIES</b>			
Issuance of shares by private placement		-	29 050
Cash flows from financing activities		<u>-</u>	<u>29 050</u>
<b>Net change in cash and cash equivalents</b>		<b>(189 718)</b>	<b>(55 344)</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>306 448</b>	<b>241 706</b>
<b>Cash and cash equivalents, end of period</b>		<b>116 730</b>	<b>186 362</b>
<b>Supplemental disclosure</b>			
Interest income received (operating activities)		556	422
Interest paid (operating activities)		892	-

Additional information - Cash Flows- note 11

The accompanying notes are an integral part of the financial statements

# **DIOS EXPLORATION INC.**

## **Notes to Interim Financial Statements**

### **For the three-month period ended March 31, 2016 (unaudited)**

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(Canadian dollars)

#### **1. NATURE OF OPERATIONS AND CORPORATE INFORMATION**

Dios Exploration Inc. (the "Company") is an exploration company with activities in Canada.

#### **2. GOING CONCERN ASSUMPTION**

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and 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 nor cash flows from its operations. As at March 31, 2016, the Company has a negative cumulated retained deficit of \$17,002,138 (\$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.

#### **3. SUMMARY OF ACCOUNTING POLICIES**

##### **Basis presentation**

These interim financial statements of the Company were prepared in accordance with IFRS, as issued by the International Accounting Standards Board (IASB) under International Accounting Standard (IAS) 34 - Interim Financial Reporting. These interim financial statements were prepared using the same basis of presentation, accounting policies and methods of computations outlined in Note 4, SIGNIFICANT ACCOUNTING POLICIES as described in our financial statements for the year ended December 31, 2015. The interim financial statements do not include all of the notes required in annual financial statements.

##### **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.

#### **4. 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.

# **DIOS EXPLORATION INC.**

## **Notes to Interim Financial Statements**

### **For the three-month period ended March 31, 2016 (unaudited)**

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(Canadian dollars)

#### **4. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

##### **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.

##### **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.

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

In assessing impairment, the Company must make some estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expenses will be recover from either future exploitation or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

There were no write-off of exploration and evaluation asset for the quarter ended March 31, 2016. No reversal of impairment losses has been recognized for the reporting periods.

##### **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.

##### **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.

**DIOS EXPLORATION INC.**  
**Notes to Interim Financial Statements**  
**For the three-month period ended March 31, 2016 (unaudited)**

(Canadian dollars)

**5. CASH AND CASH EQUIVALENTS**

	<b>March 31, 2016</b>	December 31, 2015
Cash at bank (Bank overdraft) and in hand	\$ (53 517)	\$ (33 546)
Money market fund	170 247	339 994
	<u>116 730</u>	<u>306 448</u>

As at March 31, 2016, cash and cash equivalents include monetary fund bearing interest at 0.8%, cashable anytime without any penalties.

**6. EXPLORATION AND EVALUATION ASSETS**

MINING RIGHTS

	January 1, 2016	Additions	<b>March 31, 2016</b>
<b>QUEBEC</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
33 Carats	681 643	12 928	694 571
14 Karats	1	2 816	2 817
Autish	1 813	-	1 813
Solo-K2	19 550	2 903	22 453
Shipshaw	276	-	276
LeCaron	1	3 041	3 042
AU33 ouest	100 246	26 536	126 782
	<u>803 530</u>	<u>48 224</u>	<u>851 754</u>

EXPLORATION

	January 1, 2016	Additions	Tax credits	<b>March 31, 2016</b>
<b>QUEBEC</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
33 Carats	2 174 968	-	-	2 174 968
Solo-K2	65 497	1 800	(602)	66 695
AU33 ouest	461 013	227 508	(76 067)	612 454
	<u>2 701 478</u>	<u>229 308</u>	<u>(76 669)</u>	<u>2 854 117</u>
<b>TOTAL</b>	<u>3 505 008</u>	<u>277 532</u>	<u>(76 669)</u>	<u>3 705 871</u>

**7. EQUITY**

**7.1 Share capital**

The share capital of the Company consists only of fully paid common shares.

**Authorized**

Unlimited number of common shares without par value, voting, participating, dividend as declared by the Board of Directors.

Shares issued and fully paid

	Number of shares	
	Three-month period ended	
	March 31, 2016	March 31, 2015
Shares issued and fully paid at the beginning	46 217 393	40 070 961
Shares to be issued as at December 31, 2014 issued during the period	-	728 575
Private placement	-	415 000
Total shares issued and fully paid at the end	<u>46 217 393</u>	<u>41 214 536</u>



**DIOS EXPLORATION INC.**  
**Notes to Interim Financial Statements**  
**For the three-month period ended March 31, 2016 (unaudited)**

(Canadian dollars)

**8. EMPLOYEE REMUNERATION**

**8.1 Salaries and employee benefits expense**

	Three-month period ended March 31	
	2016	2015
	\$	\$
Salaries and benefits	65 617	51 205
Fee paid to employee	9 100	8 700
Share-based payments	17 226	30 375
	<u>91 943</u>	<u>90 280</u>
Less: salaries capitalized in Exploration and evaluation assets	(62 813)	(49 353)
Salaries and employee benefits expense	<u>29 130</u>	<u>40 927</u>

**8.2 Share-based payments**

The Company has adopted share-based payment plans under which members of the Board of Directors may award options for common shares to directors, officers, 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 optionee 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 the award, and the term of the options cannot exceed five years. The options granted vest in stages over a period of 18 months after the grant date, at the rate of 15% per quarter, with the exception of 10% which may be exercised from the date of the grant. For the options granted to a consultant, it vests 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. The Company's share options are as follows for the reporting periods presented:

	Options	Weighted average exercise price \$
Outstanding as at December 31, 2015	5 110 000	0.18
Granted	980 000	0.10
Expired	-	-
<u>Outstanding as at March 31, 2016</u>	<u>6 090 000</u>	<u>0.17</u>
<u>Exercisable as at March 31, 2016</u>	<u>4 669 000</u>	<u>0.19</u>

On February 23, 2016, the Company granted 980,000 options exercisable at \$0.10 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.

The weighted fair value of the granted options in 2016 of \$0.05 per option granted was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

Average share price at date of grant	\$0.06
Expected dividends yield	0%
Expected weighted volatility	132%
Risk-free interest average rate	0.50%
Expected average life	5 years
Average exercise price at date of grant	\$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.

The table below summarizes the information related to share options as at March 31, 2016:

Range of exercise price \$	Outstanding options		
	Number of options	Weighted average exercise price \$	Remaining life (years)
0.10 to 0.29	5 170 000	0.15	3.09
0.30 to 0.50	920 000	0.30	0.08
	<u>6 090 000</u>		

**DIOS EXPLORATION INC.**  
**Notes to Interim Financial Statements**  
**For the three-month period ended March 31, 2016 (unaudited)**

(Canadian dollars)

**8. EMPLOYEE REMUNERATION (continued)**

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

In total, \$17,226 of employee remuneration expense (all of which related to equity-settled share-based payment transactions) were included in profit or loss for the three-month period ended March 31, 2016 (\$30,375 for the three-month period ended March 31, 2015) and credited to Contributed surplus.

**9. FINANCE COSTS AND FINANCE INCOME**

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

	Three-month period ended March 31,	
	2016	2015
	\$	\$
Interest on Advance of an officer	892	-
Change in fair value of listed shares	-	18 608
	<b>892</b>	<b>18 608</b>

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

	Three-month period ended March 31,	
	2016	2015
	\$	\$
Change in fair value of listed shares	14 241	-
Interest income from cash and cash equivalents	556	422
	<b>14 797</b>	<b>422</b>

**10. 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, potential ordinary shares such as share options 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 issued that could potentially dilute earnings per share in the future are given in Note 8.2.

	March 31,	
	2016	2015
Net loss	(52 502)	(97 817)
Weighted average number of shares in circulation	46 217 393	41 191 480
Basic and diluted loss per share	<b>\$(0.001)</b>	<b>\$(0.002)</b>

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

**11. ADDITIONAL INFORMATIONS – CASH FLOWS**

The changes in working capital items are detailed as follows:

	Three-month period ended March 31,	
	2016	2015
	\$	\$
Good and services tax receivable	(28 501)	(5 244)
Prepaid expenses and deposit	(4 999)	(4 999)
Trade and other payables	160 542	31 667
	<b>127 042</b>	<b>21 424</b>

**DIOS EXPLORATION INC.**  
**Notes to Interim Financial Statements**  
**For the three-month period ended March 31, 2016 (unaudited)**

(Canadian dollars)

**12. RELATED PARTY TRANSACTIONS**

**Transactions with key management personnel**

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 the following expenses:

	Three-month period ended March 31,	
	2016	2015
	\$	\$
Short-term employee benefits		
Salaries including bonuses and benefits	44 917	36 750
Professional fees	9 100	8 700
Social security costs	4 811	3 910
Total short-term employee benefits	<u>58 828</u>	<u>49 360</u>
Share-based payments	14 965	25 515
	<u>73 793</u>	<u>74 875</u>
less: Salaries capitalized in Exploration and evaluation assets	<u>(46 925)</u>	<u>(38 808)</u>
Total remuneration	<u><u>26 868</u></u>	<u><u>36 067</u></u>

As at March 31, 2016, the advances of an officer amounts to \$69,489 including accrued interest. These advances bear interest at different rates between 1.99% and 4.20%, the rates paid by such officer with banks.

**13. CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to increase the value of the assets of the business; and
- to provide an adequate return to the 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 Note 7 and the Statements of Changes in Equity.

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.

**14. 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 ended December 31, 2015, the Company received \$29,050 following flow-through placements for which the Company renounced tax deductions on December 31, 2015. The management is required to dedicate these funds to the exploration of Canadian mining properties exploration in the period of one year from the date of renouncement, amount that was spent as at March 31, 2016.