

DIOS EXPLORATION INC.

Annual financial statements

DECEMBER 31, 2018 and 2017

Table of contents

Independent Auditor's Report	2-5
Statements of Financial Position	6
Statements of Comprehensive Loss	7
Statements of Changes in Equity	8
Statements of Cash Flows	9
Notes to Financial Statements	10-28

P.O. Box 114, Station NDG, Montreal QC H4A 3P4
Phone: 514-923-9123
Email : mjgirard@diosexplo.com
Web site: www.diosexplo.com

Independent Auditor's Report

Raymond Chabot
Grant Thornton LLP
1000 Germain Street
Val-d'Or, Quebec J9P 5T6

T 819-825-6226

To the Shareholders of
Exploration Dios Inc.

Opinion

We have audited the financial statements of Exploration Dios Inc. (hereafter "the Company"), which comprise the statement of financial position as at December 2018 and 2017, and the statements of comprehensive loss, the statements of changes in equity and the statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

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 the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information other than the financial statements and the auditor's report thereon

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in Management's discussion and analysis report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's discussion and analysis report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Alain Lemaire.

1

Raymond Chabot Grant Thornton LLP

Val-d'Or

April 11, 2019

¹ CPA auditor, CA public accountancy permit no. A109964

DIOS EXPLORATION INC.
Statements of Financial Position

(in Canadian dollars)

	Notes	As at December 31, 2018 \$	As at December 31, 2017 \$
ASSETS			
Current			
Cash and cash equivalents	6	561,183	376,296
Goods and services tax receivable		2,596	15,163
Prepaid expenses		2,287	350
Tax credits receivable		263,122	-
		829,188	391,809
Non-current			
Exploration and evaluation assets	7	2,273,921	1,719,657
Total assets		3,103,109	2,111,466
LIABILITIES			
Current			
Trade and other payables		98,883	41,584
Other liabilities	8.1	159,856	52,040
Total liabilities		258,739	93,624
EQUITY			
Share capital	8.1	20,318,951	19,448,838
Contributed surplus		2,937,037	2,795,107
Deficit		(20,411,618)	(20,226,103)
Total equity		2,844,370	2,017,842
Total liabilities and equity		3,103,109	2,111,466

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 April 11, 2019.

(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,	
		2018	2017
		\$	\$
EXPENSES			
Employee benefits expense	9.1	57,445	23,124
Consultation fees		29,627	30,050
Professional fees		25,407	26,957
Trustees, registration fees and shareholders relations		25,289	22,884
Publicity, travel and promotion		7,855	7,684
Insurances, taxes and permits		7,380	9,639
Office expenses		4,694	5,324
Bank charges		756	720
Impairment of exploration and evaluation assets	7	-	1,649,892
Write-off of exploration and evaluation assets	7	-	1
OPERATING LOSS		158,453	1,776,275
OTHER REVENUES AND EXPENSES			
Finance income	10	2,245	5,674
Finance costs	10	(3,678)	(395)
		(1,433)	5,279
LOSS BEFORE INCOME TAXES		(159,886)	(1,770,996)
Deferred income tax	12	52,040	-
NET LOSS AND TOTAL COMPREHENSIVE LOSS		<u>(107,846)</u>	<u>(1,770,996)</u>
NET LOSS PER SHARE - basic and diluted	11	<u>(0.002)</u>	<u>(0.03)</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 issued	Number of shares to be issued	Surplus			
				\$	\$	\$	
Balance at January 1 st , 2017		55,168,060	-	19,344,758	2,787,331	(18,451,615)	3,680,474
Net loss and total comprehensive loss		-	-	-	-	(1,770,996)	(1,770,996)
Share-based payments	9.2	-	-	-	7,776	-	7,776
Share issuance costs		-	-	-	-	(3,492)	(3,492)
Issuance of shares	8.1	-	1,734,667	104,080	-	-	104,080
Balance at December 31, 2017		55,168,060	1,734,667	19,448,838	2,795,107	(20,226,103)	2,017,842
Balance at January 1 st , 2018		55,168,060	1,734,667	19,448,838	2,795,107	(20,226,103)	2,017,842
Net loss and total comprehensive loss		-	-	-	-	(107,846)	(107,846)
Share-based payments	9.2	-	-	-	47,996	-	47,996
Share issuance costs		-	-	-	-	(77,669)	(77,669)
Issuance of units and shares	8.1	16,754,700	(1,734,667)	870,113	81,334	-	951,447
Broker's warrants issued		-	-	-	12,600	-	12,600
Balance at December 31, 2018		71,922,760	-	20,318,951	2,937,037	(20,411,618)	2,844,370

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,	
		2018	2017
		\$	\$
OPERATING ACTIVITIES			
Net loss		(107,846)	(1,770,996)
Adjustments			
Shares-based payments		47,996	7,776
Change in fair value of listed shares		-	395
Finance income not received		-	(2,422)
Impairment of exploration and evaluation assets		-	1,649,892
Write-off of exploration and evaluation assets		-	1
Deferred income tax		(52,040)	-
Changes in working capital items	14	16,320	(13,615)
Cash flows used to operating activities		<u>(95,570)</u>	<u>(128,969)</u>
INVESTING ACTIVITIES			
Disposal of listed shares		-	4,071
Term deposits received		-	370,000
Addition to exploration and evaluation assets		(766,149)	(693,266)
Tax credits received		372	189,814
Interest income		-	6,140
Cash flows used to investing activities		<u>(765,777)</u>	<u>(123,241)</u>
FINANCING ACTIVITIES			
Issuance of units and shares		1,111,303	156,120
Share issuance costs		(65,069)	(3,492)
Cash flows from financing activities		<u>1,046,234</u>	<u>152,628</u>
Net change in cash and cash equivalents		184,887	(99,582)
Cash and cash equivalents, beginning of year		<u>376,296</u>	<u>475,878</u>
Cash and cash equivalents, end of year		<u><u>561,183</u></u>	<u><u>376,296</u></u>
Additional informations			
Interest received related to operating activities		<u>2,245</u>	<u>3,252</u>
Interest paid related to operating activities		<u>(3,678)</u>	<u>-</u>
Additional informations - cash flows Note 13			

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

DIOS EXPLORATION INC.

Notes to Financial Statements

December 31, 2018 and 2017

(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, 2018, the Company has a cumulated deficit of \$20,411,618 (\$20,226,103 as at December 31, 2017). These material uncertainties cast significant doubt regarding the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

In January 2019, the Company completed a flow-through private placement for a total amount of \$ 193,950 details of which are provided in Note 18.

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 New standard adopted as at January 1, 2018

Effective January 1, 2018, the Company has adopted IFRS 9 on a retrospective basis with restatement of comparative periods in accordance with the transitional provision of IFRS 9. IFRS 9 sets out requirements for recognising financial assets and liabilities and replaces IAS 39, Financial Instruments: Recognition and Measurement.

The adoption of IFRS 9 resulted in a change in classification of the financial assets but has not change the classification of financial liabilities. Cash and cash equivalents classified as loan and receivables under the classification prescribes by IAS 39 are now classified in amortized cost category. The adoption of IFRS 9 did not have any impact on the carrying values; therefore, comparative figures have not been restated.

4.4 Financial instruments

Accounting 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 adjusted for transaction costs., if necessary.

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.

DIOS EXPLORATION INC.

Notes to Financial Statements

December 31, 2018 and 2017

(in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Financial instruments (continued)

Under IFRS 9, the classification of financial instruments depends on the entity's business model and the cash flow characteristics of the financial asset or liability.

Classification and initial measurement of financial assets

Financial assets are classified into the following categories:

- Amortised cost;
- Fair value through profit or loss (FVTPL).

For the periods presented the Company does not hold any financial assets classified as FVTPL.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within Finance costs or Finance income.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost they meet the following conditions:

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest in the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses, the expected credit loss model which replaces IAS 39's incurred loss model.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the financial instrument.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial asset.

Classification and measurement of financial liabilities

The Company's financial liabilities include trade and other payables, except wages payable.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

Interest charges and change in fair value of an instrument accounted in profit or loss, if applicable, are reported within Finance costs or Finance income.

4.5 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.

4.6 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.

DIOS EXPLORATION INC.

Notes to Financial Statements

December 31, 2018 and 2017

(in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Tax credits receivable

The Company is entitled to a refundable tax credit on qualified exploration expenses incurred and the refundable tax credit on duties for losses under the *Mining Tax Act*. These tax credits are recognized as a reduction of the exploration and evaluation expenses incurred based on estimates made by management. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

4.8 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 4.9), 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 4.9) 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.

4.9 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, 2018 and 2017

(in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 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.

4.10 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, 2018 and 2017, there was no provision recorded in the statement of financial position.

4.11 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 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, 2018 and 2017

(in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 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.

4.12 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 remuneration charges related to share options and the value of the warrants until the exercise of such share options and warrants.

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.

4.13 Equity-settled share-based payments

The Company operates equity-settled share-based payment plan for its eligible directors, employees and consultants. The Company's plan features 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, 2018 and 2017

(in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 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.

4.14 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.

4.15 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Certain other new standards and interpretations have been issued but are not expected to have an impact on the Company's financial statements.

5. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from judgments, estimates and assumptions made by management and will seldom equal to the estimated results. Information on judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is presented below.

Significant management judgements

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period (see Note 4.11).

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, 2018 and 2017

(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 4.9).

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, 2017, the Company impaired the gold portion of the property 33 Carats and wrote off Shadow property. The impairment and write-off of exploration and evaluation assets recognized in profit or loss amount to \$1,649,893. 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 4.7 for more information.

6. CASH AND CASH EQUIVALENTS

	Year ended December 31,	
	2018	2017
	\$	\$
Cash	21,148	31,729
Monetary funds	540,035	344,567
	<u>561,183</u>	<u>376,296</u>

Cash and cash equivalents include monetary funds bearing interest at varying rates from 0.25% to 1.12% depending on the balance of monetary funds held (0.90% as at December 31, 2017) which are redeemable at any time without penalty.

DIOS EXPLORATION INC.
Notes to Financial Statements
December 31, 2018 and 2017

(in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

YEAR 2018

MINING RIGHTS

	January 1 st , 2018	Additions	Write-off / Impairment	December 31, 2018
QUEBEC	\$	\$	\$	\$
33 Carats (a)	1	8,909	-	8,910
Autish (b)	2,197	-	-	2,197
LeCaron (d)	1	1,930	-	1,931
AU33 (e)	126,782	24,243	-	151,025
Shipshaw (f)	1	-	-	1
14 Karats (g)	1	3,267	-	3,268
K2 (h)	36,773	13,363	-	50,136
Clarkie (i)	17,203	7,127	-	24,330
	182,959	58,839	-	241,798

EXPLORATION AND EVALUATION EXPENSES

	January 1 st , 2018	Additions	Impairment	Tax credits	December 31, 2018
QUEBEC	\$	\$	\$	\$	\$
33 Carats (a)	-	392	-	(136)	256
AU33 (e)	1,127,910	527,335	-	(183,203)	1,472,042
K2 (h)	292,542	101,591	-	(35,222)	358,911
Clarkie (i)	116,246	129,601	-	(44,933)	200,914
	1,536,698	758,919	-	(263,494)	2,032,123
TOTAL 2018	1,719,657	817,758	-	(263,494)	2,273,921

YEAR 2017

MINING RIGHTS

	January 1 st , 2017	Additions	Write-off / Impairment	December 31, 2017
QUEBEC	\$	\$	\$	\$
33 Carats (a)	73,072	2,821	(75,892)	1
Autish (b)	1,813	384	-	2,197
Shadow (c)	1	-	(1)	-
LeCaron (d)	1	-	-	1
AU33 (e)	126,782	-	-	126,782
Shipshaw (f)	1	-	-	1
14 Karats (g)	1	-	-	1
K2 (h)	31,782	4,991	-	36,773
Clarkie (i)	16,312	891	-	17,203
	249,765	9,087	(75,893)	182,959

EXPLORATION AND EVALUATION EXPENSES

	January 1 st , 2017	Additions	Impairment	Tax credits	December 31, 2017
QUEBEC	\$	\$	\$	\$	\$
33 Carats (a)	1,574,000	-	(1,574,000)	-	-
AU33 (e)	634,782	492,057	-	1,071	1,127,910
K2 (h)	135,786	156,508	-	248	292,542
Clarkie (i)	56,776	59,140	-	330	116,246
	2,401,344	707,705	(1,574,000)	1,649	1,536,698
TOTAL 2017	2,651,109	716,792	(1,649,893)	1,649	1,719,657

DIOS EXPLORATION INC.

Notes to Financial Statements

December 31, 2018 and 2017

(in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

All write-off charges are included within *Impairment of exploration and evaluation assets* or *Write-off of exploration and evaluation assets* in profit or loss. During the year 2017, management impaired mining rights and deferred exploration expenses for the gold portion of the property 33 Carats and wrote-off the mining rights on Shadow property 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 a block (33A08) totaling 106 mineral claims covering 56 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, as at December 31, 2017, to impaired the gold portion of the property (\$75,892 for mining rights and \$1,574,000 for exploration and evaluation expenses for a total amount of \$1,649,892 recognized at expense).

(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 6 mineral claims covering 3.2 square km.

(c) Shadow

Following the abandonment of mining rights, the Company decided in 2017 to write-off this property (\$1 for mining rights expensed in 2017).

(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.

(e) AU33

The AU33 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 171 mineral claims covering 90 square km.

(f) Shipshaw

The Shipshaw property (22D06) consists of 5 mineral claims covering 3 square km located in Saguenay, Quebec. The Company holds a royalty of 1% of the potential production on 3 mineral claims.

(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).

(h) K2

The K2 property (33C04-05) consists of 134 mineral claims covering close to 70 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 56 mineral claims covering close to 30 square km and is located near Eastmain river, north-east of Hydro electric complex of Eastmain-1 in the James Bay area in Quebec.

DIOS EXPLORATION INC.
Notes to Financial Statements
December 31, 2018 and 2017

(in Canadian dollars)

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 December 27, 2017, the Company completed a non-brokered private placement. An amount of \$156,120 was subscribed consisting of 1,734,667 flow-through shares at a price of \$0.09 per share. An amount of \$104,080 was allocated to share capital and \$52,040 was attributed to other liabilities in the statement of financial position. These shares were issued on January 29, 2018.
- (b) On February 2, 2018, the Company completed a flow-through non-brokered private placement with subscribers. An amount of \$70,003 was subscribed consisting of 777,811 flow-through shares recorded at a price of \$0.09 per share. An amount of \$54,447 was allocated to share capital and \$15,556 was attributed to other liabilities in the statement of financial position.
- (c) On June 26, 28 and 29 2018, the Company completed a non-brokered private placement with four Quebec venture capital funds for a total amount of \$416,000 wa subscribed consisting of 4,622,222 units at a price of \$0.09 per unit. Each unit comprised one common share of the Company and one warrant. Each warrant entitles its holder to subscribe to one common share of the Company at a price of \$0.11 per share for a period of 24 months. An amount of \$81,334 related to warrants was recorded as an increase to contributed surplus and \$334,666 was allocated to share capital. Share issuance costs were \$18,719. Under the subscription agreements entered into with two Quebec venture capital funds, the Company is committed to use \$200,000 of the total of the subscriptions received to carry out exploration work on the Clarkie, AU33 et K2 properties (condition met as at December 31, 2018).
- (d) On December 27, 2018, the Company completed a flow-through placement. An amount of \$625,300 was subscribed consisting of 9,620,000 flow-through shares at a price of \$0.065 per share. An amount of \$481,000 was allocated to share capital and \$144 300 was attributed to other liabilities in the statement of financial position. Share Issuance costs were \$54,494 including \$40,950 cash intermediaries fees and the issuance of 630,000 intermediaries's warrants. Each warrant entitles its holder to subscribe for one common share at a price of \$0.075 on or before June 27, 2020. An amount of \$12,600 related to these warrants was recorded as share issuance costs.

8.2 Warrants

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

	December 31, 2018		December 31, 2017	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Balance, at beginning	6,469,501	0.17	8,470,929	0.15
Granted	5,252,222	0.11	-	-
Exercised	-	-	-	-
Expired	(6,469,501)	0.17	(2,001,428)	0.10
Balance, at the end	<u>5,252,222</u>	<u>0.11</u>	<u>6,469,501</u>	<u>0.17</u>

DIOS EXPLORATION INC.
Notes to Financial Statements
December 31, 2018 and 2017

(in Canadian dollars)

8. EQUITY (continued)

8.2 Warrants (continued)

For the reporting year ended December 31, 2018, the Company recorded an amount of \$12,600 as share issuance costs when the intermediaries' warrants were issued. The fair value was recorded as an increase of the contributed surplus and deficit.

The weighted average fair value of the intermediaries's warrants of \$0.02 was estimated using the Black-Scholes option pricing model and based on the following weighted average assumptions:

Share price at date of grant	0.05 \$
Expected dividend	0%
Expected volatility	105%
Risk-free interest rate	1.89%
Expected life	1.5 year
Exercise price at date of grant	\$0.075

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, 2018		December 31, 2017	
	Number of warrants	Exercise price \$	Number of warrants	Exercise price \$
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
June 26, 2020	1,400,000	0.11	-	-
June 27, 2020	630,000	0.075	-	-
June 28, 2020	1,000,000	0.11	-	-
June 29, 2020	2,222,222	0.11	-	-
	<u>5,252,222</u>	<u>0.11</u>	<u>6,469,501</u>	<u>0.17</u>

9. EMPLOYEE REMUNERATION

9.1 Employee benefits expense

	Year ended on December 31,	
	2018	2017
	\$	\$
Salaries and benefits	250,541	282,082
Share-based payments	47,996	7,776
	<u>298,537</u>	<u>289,858</u>
Less: salaries capitalized in exploration and evaluation assets	(241,092)	(266,734)
Employee benefits expense	<u>57,445</u>	<u>23,124</u>

DIOS EXPLORATION INC.
Notes to Financial Statements
December 31, 2018 and 2017

(in Canadian dollars)

9. EMPLOYEE REMUNERATION (continued)

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 plan 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 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. For the options granted to investor relation services, 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:

	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1st	2,860,000	\$ 0.12	5,170,000	\$ 0.15
Granted	980,000	0.10	-	-
Expired	-	-	(1,775,000)	0.19
Forfeited	-	-	(535,000)	0.14
Outstanding at December 31	3,840,000	0.11	2,860,000	0.12
Exercisable at December 31	3,399,000	0.12	2,860,000	0.12

The table below summarizes the information related to outstanding share options as at December 31, 2018 and 2017:

Range of exercise price	2018		2017	
	Number of options	Weighted average remaining contractual life (years)	Number of options	Weighted average remaining contractual life (years)
\$ 0.10 to 0.19	3,840,000	2.10	2,860,000	2.42

On February 19, 2018, 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 \$0.06 per option for the year ended December 31, 2018 was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

Share price at date of grant	\$0.075
Expected dividend	0%
Expected volatility	122%
Risk-free interest rate	2%
Expected life	5 years
Exercise price at date of grant	\$0.10

DIOS EXPLORATION INC.
Notes to Financial Statements
December 31, 2018 and 2017

(in Canadian dollars)

9. EMPLOYEE REMUNERATION (continued)

9.2 Share-based payments (continued)

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 \$47,996 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, 2018 (\$7,776 for the reporting period ended December 31, 2017) and credited to contributed surplus.

10. FINANCE COSTS AND FINANCE INCOME

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

	Year ended on December 31,	
	2018	2017
Interest income from cash and cash equivalents	\$ 2,245	\$ 5,674

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

	Year ended on December 31,	
	2018	2017
Change in fair value of listed shares	\$ -	\$ 395
Interest on supplier debt	2,152	-
Interests on advances of an officer	1,526	-
	<u>3,678</u>	<u>395</u>

DIOS EXPLORATION INC.
Notes to Financial Statements
December 31, 2018 and 2017

(in Canadian dollars)

11. 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 2018 and 2017.

	Year ended on December 31,	
	2018	2017
Net loss	\$(107,846)	\$(1,770,996)
Weighted average number of shares in circulation	60,099,561	55,168,060
Basic and diluted loss per share	\$(0.002)	\$(0.03)

12. 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:

	2018	2017
	\$	\$
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26.7% (26.8% in 2017)	(42,690)	(474,627)
Adjustments for the following items:		
Share-based payments	12,815	2,084
Issuance of flow-through shares	41,684	189,436
Recovery of liabilities related to flow-through shares	(52,040)	-
Change in tax rate	220	58,365
Other non-deductible expenses	148	(1,093)
Temporary difference unrecognized	(12,177)	225,835
Total deferred tax income	<u>(52,040)</u>	<u>-</u>

Major components of tax income

The major components of tax income are outlined below:

	2018	2017
	\$	\$
Deferred tax expense (income)		
Origination and reversal of temporary differences	(29,727)	(473,636)
Issuance of flow-through shares	41,684	189,436
Recovery of liabilities related to flow-through shares	(52,040)	-
Change in tax rate	220	58,365
Temporary difference unrecognized	(12,177)	225,835
Total deferred tax expense (income)	<u>(52,040)</u>	<u>-</u>

DIOS EXPLORATION INC.
Notes to Financial Statements
December 31, 2018 and 2017

(in Canadian dollars)

12. INCOME TAXES (continued)

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 , 2018	Recognized in profit or loss	Balance as at December 31, 2018
	\$	\$	\$
Recognized amount			
Exploration and evaluation assets	-	(26,862)	26,862
Tax credits receivable	-	26,862	(26,862)
Recognized deferred income tax assets and liabilities	-	-	-
Recovery of liabilities related to flow-through shares		(52,040)	
Change in deferred income tax according the statement of comprehensive loss		<u>(52,040)</u>	

	Balance as at January 1 st , 2017	Recognized in profit or loss	Balance as at December 31, 2017
	\$	\$	\$
Recognized amount			
Exploration and evaluation assets	19,972	(19,972)	-
Tax credits receivable	(19,972)	19,972	-
Recognized deferred income tax assets and liabilities	-	-	-
Recovery of liabilities related to flow-through shares		-	
Change in deferred income tax according the statement of comprehensive loss		<u>-</u>	

	December 31, 2018		December 31, 2017	
	Federal	Provincial	Federal	Provincial
	\$	\$	\$	\$
Deductible temporary differences and unused tax losses not recognized				
Exploration and evaluation assets	10,557,127	13,311,725	10,712,848	11,467,777
Non-capital losses	2,874,400	2,829,692	2,724,082	2,680,381
Capital losses	100,294	100,294	100,294	100,294
Share issuance costs	101,003	101,003	75,417	75,417
	<u>13,632,824</u>	<u>16,342,714</u>	<u>13,612,641</u>	<u>14,323,869</u>

DIOS EXPLORATION INC.
Notes to Financial Statements
December 31, 2018 and 2017

(in Canadian dollars)

12. INCOME TAXES (continued)

The Company has non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recorded in the statement of financial position, that can be carried over the following years:

	Federal	Provincial
	\$	\$
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
2037	139,012	138,739
2038	150,318	149,311
	<u>2,874,400</u>	<u>2,829,692</u>

Accumulated capital losses of \$200,588 (\$200,588 in 2017) are available to be applied against future taxable capital gains. These losses may be carried forward indefinitely.

The Company has investment tax credits to receive for an amount of \$771,293 that are not recognized. Those credits can be applied to reduce federal income tax and expire between 2027 and 2033.

13. ADDITIONAL INFORMATIONS – CASH FLOWS

The changes in working capital items are detailed as follows:

	Year ended on December 31,	
	2018	2017
	\$	\$
Goods and services tax receivable	12,567	(12,485)
Prepaid expenses	(1,937)	(350)
Trade and other payables	5,689	(780)
	<u>16,319</u>	<u>(13,615)</u>

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

	2018	2017
	\$	\$
Tax credits receivable credited (debited) against exploration and evaluation assets	263,122	(1,649)
Trade and other payables related to exploration and evaluation assets	75,135	23,526
Warrants include in share issuance costs	12,600	-

DIOS EXPLORATION INC.
Notes to Financial Statements
December 31, 2018 and 2017

(in Canadian dollars)

14. 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.

14.1 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,	
	2018	2017
	\$	\$
Short-term employee benefits		
Salaries including bonuses and benefits	220,833	245,349
Social security costs	13,755	14,665
Total short-term employee benefits	234,588	260,014
Consultation fees	29,627	30,050
Share-based payments	43,587	7,599
Total remuneration	307,802	297,663

During the year ended on December 31, 2018, an enterprise owns by a director invoiced fees for an amount of \$31,566 recognized in exploration and evaluation assets (\$15,505 for year ended December 31, 2017).

During the year ended December 31, 2018 an officer made advances to the Compagny. These advances bore interest rates ranging between 2,99% and 7,95%, the rates assumed by this officer with banking institution. A total of \$1,526 interests was paid during the year. As at December 31, 2018 these advanced were repaid.

15. 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 17.

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.

DIOS EXPLORATION INC.
Notes to Financial Statements
December 31, 2018 and 2017

(in Canadian dollars)

16. 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.

16.1 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, 2018	As at December 31, 2017
	\$	\$
Cash and cash equivalents	561,183	376,296

The credit risk for cash and cash equivalents is considered negligible, since the counterparty is a reputable bank with high quality external credit ratings.

16.2 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 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 private and flow-through financings.

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

	December 31,	
	2018	2017
	\$	\$
Within six months		
Trade and other payables	92,562	32,093

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash and cash equivalents and tax credits receivable. Company's cash and cash equivalents and tax credits receivable exceed the current cash outflow requirements.

DIOS EXPLORATION INC.
Notes to Financial Statements
December 31, 2018 and 2017

(in Canadian dollars)

17. 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, 2018, the Company received an amount of \$695,303 (\$156,120 as at December 31, 2017) 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 \$695,303 as at December 31, 2018 and must be spent before December 31, 2019.

18. SUBSEQUENTS EVENTS

On January 31, 2019, the Company completed non-brokered private placement with subscribers. An amount of \$193,950 was subscribed consisting of 2,983,846 flow-through shares recorded at a price of \$0.065 per share. An amount of \$193,950 was allocated to share capital.