

DIOS EXPLORATION INC. - Management's Discussion & Analysis – Quarterly Highlights – Three and six-month periods ended June 30, 2019



**DIOS EXPLORATION INC.
Management's Discussion and Analysis
Quartely highlights
For the three and six-month periods ended
June 30, 2019**

The following quarterly highlights management discussion and analysis of the financial condition and results of the operation of Dios Exploration Inc. ((the “Company” or “Dios”) constitutes management’s review of the factors that affected the Company’s financial operating performance for the three and six-month periods ended June 30, 2019.

This discussion and analysis should be read in conjunction with:

- The unaudited interim financial statements as at June 30, 2019;
- The 2018 Annual Management report; and
- The Company’s audited financial statements for the year ended December 31, 2018 and December 31, 2017.

These documents and additional information may be available through www.sedar.com web site, under the Company’s section “Sedar filing” or at www.diosexplo.com. The Company's shares are listed on the TSX Venture Exchange, under the symbol "DOS". As at June 30, 2019, there are 74,906,606 common shares of Dios issued and outstanding

Nature of activities

Dios is involved in mineral exploration in James Bay Eeyou Istchee, Quebec, along a major deformation zone using proprietary data (such as till sampling) to define high potential gold zones. Successful drilling of large AU33 gold property led to HEBERTO GOLD discovery and most recently, some 4 km NNE, to successful first drilling of CLN area. Very significant gold-copper-silver results were obtained on K2 project with Attlila-Kali eastern targets and the new Farwest claims and west input targets, west of Kali intrusive, as well as on Clarkie gold project, along Eleonore mine - Cheechoo corridor.

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Financing activities

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

Investing activities

Quarter ended June 30, 2019

During this period, Dios paid \$6,040 for mining rights (claim renewal and acquisitions).

During the three-month period ended June 30, 2019, the Company incurred \$146,557 in exploration expenses compared to \$74,438 for the same period in 2018.

Exploration Expense Analysis

Description	AU33	K2	Clarkie	Total
	\$	\$	\$	\$
Geology	13,984	40,703	10,662	65,349
Transportation, Lodging	1,797	55,965	17,538	75,300
Assays	789	636	106	1,531
Office and other	1,341	1,345	1,691	4,377
	17,911	98,649	29,997	146,557

Six-month period ended June 30, 2019

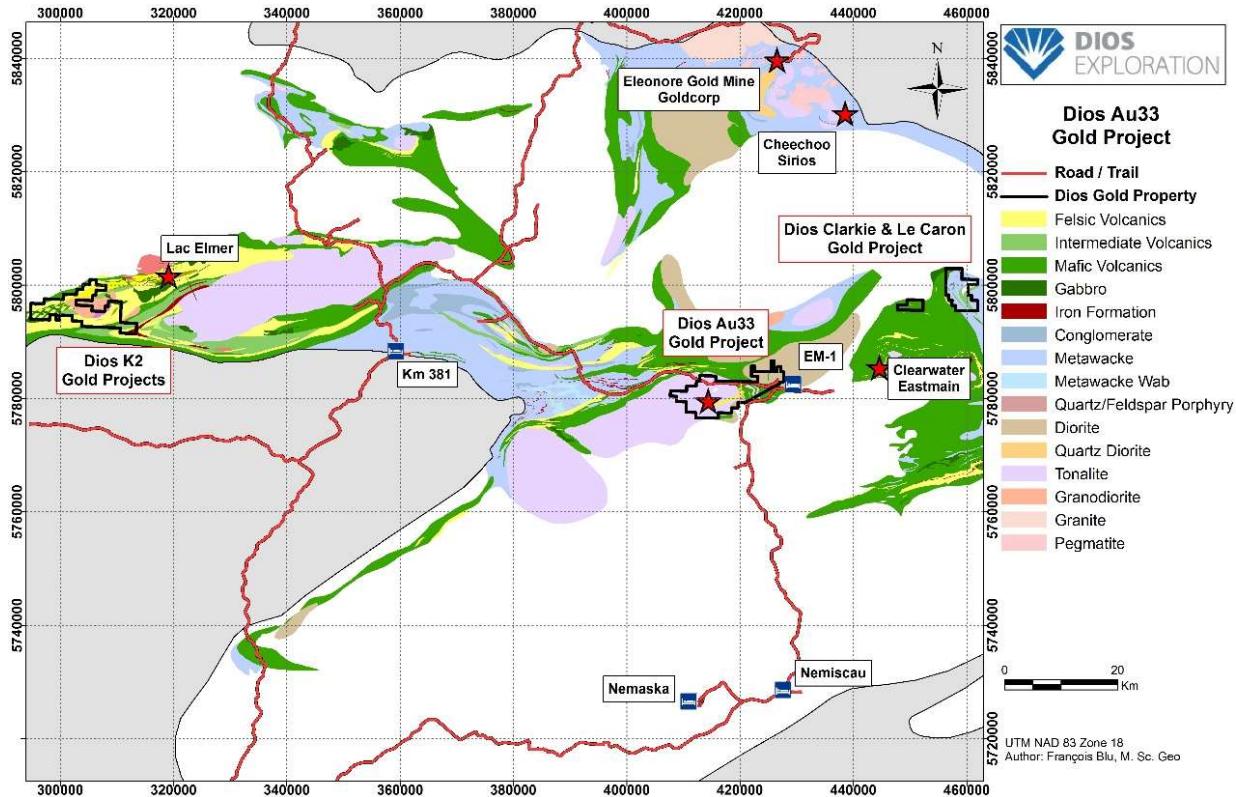
During this period, Dios paid \$9,366 for mining rights (claim renewal and acquisitions).

During the six-month period ended June 30, 2019, the Company incurred \$207,229 in exploration expenses compared to \$502,128 for the same period in 2018.

Exploration Expense Analysis

Description	AU33	K2	Clarkie	Total
	\$	\$	\$	\$
Geology	28,395	69,130	24,426	121,951
Transportation, Lodging	1,797	55,965	17,538	75,300
Assays	789	636	107	1,532
Office and other	3,293	1,345	3,808	8,446
	34,274	127,076	45,879	207,229

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Further Exploration Work planned for 2019, as presented in 2019 Exploration Budget in Management Report for year ended December 31, 2018, will be carried out in part during third and fourth quarters of year 2019, as planned work on different projects was undertaken in the field as soon as snow cover left the ground in these northern areas of Quebec province at the very end of second quarter.

New gold potential rock occurrences 8 km west of K2: different prospective rock types in association with electromagnetic conductor anomalies

In June and July was carried out rock prospecting, mapping and glacial soil sampling on **wholly-owned gold-copper-silver K2 project**, along a strategic 18 km long segment of favourable Lower Eastmain Greenstone belt DEFORMATION ZONE.

K2 hosts Archean age volcanics intruded by felsic porphyry plugs and dykes wrapped around a synvolcanic tonalite pluton. K2 geology is favourable for Volcanic Massive Sulfides (VMS gold) and Windfall-type gold mineralization.

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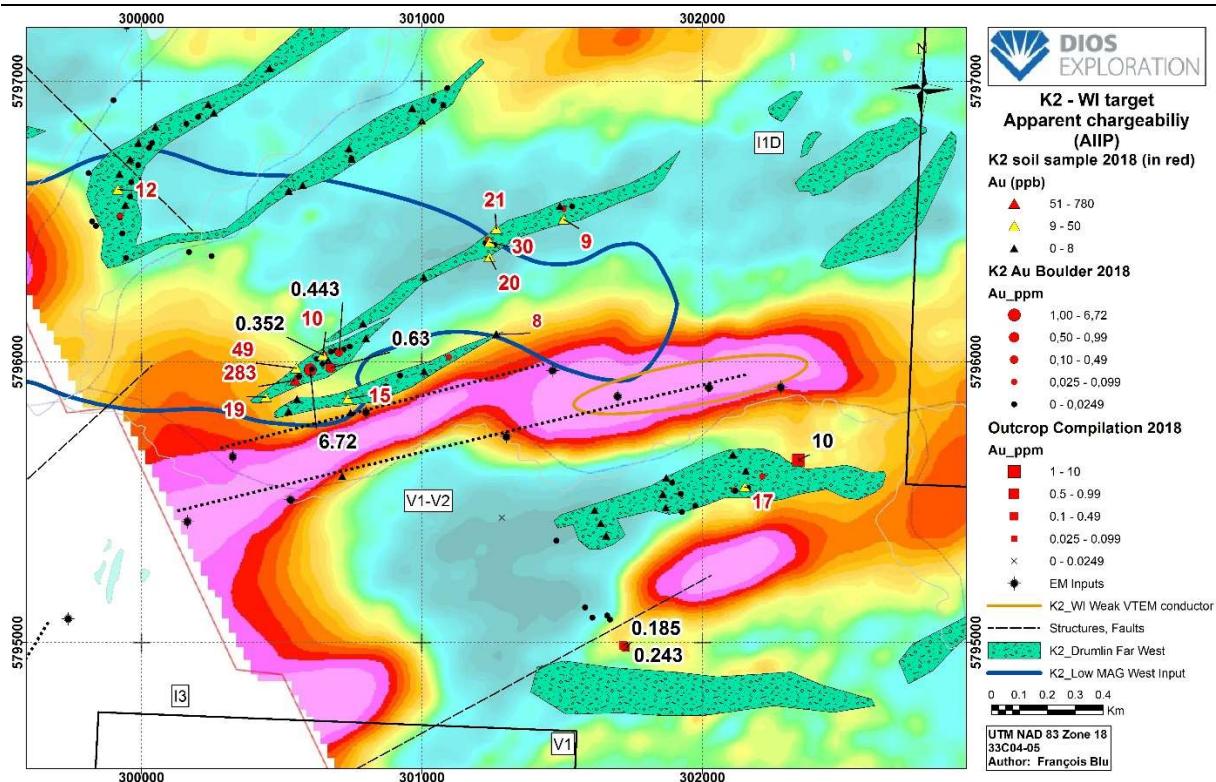
First in 2019, gold focus was on a dozen electromagnetic anomalies targeted for low sulfide content (apparent airborne induced polarization and other conductors) and their extents within **western mixed volcanics** (alternating basalt, gabbro, dacite and quartz-feldspar-porphyry horizons). Previous work by Dios yielded first ever gold in rock in the area in pyritized altered dacitic boulders up to 6.72 g/t gold associated with gold-in-soil anomalies (9 to 249 parts per billion gold) near several kilometer Wi-Target.

Also, favourable northeast & eastwest structures were investigated within **intrusives**:

- 1- Northeast several meters wide QFP shear (1-5 m), hosting cm quartz-chlorite-ankerite veins or stringers with traces to 2% pyrite in 4 x 1.5 km Quartz-Feldspar Porphyry plug over a 300 m strike.
- 2- Eastwest 1.4 km long several meters wide (5-15 m) Curcuma shear, hosting cm quartz-chlorite-ankerite veins-stringers with traces to 2% pyrite and traces chalcopyrite within Kali tonalite intruded by basic dykes, outlined in outcrop along a minimum 1.42 km strike length (mylonite, strongly foliated, open).
- 3- Several eastwest (and northwest) metric shear zones hosting quartz veinlets with 1 to 5% pyrite within Kali tonalite southern margin (like Cinnamon:10 g/t gold).

K2 was never drilled and western and northwestern claims (2019 focus) do not seem to have ever even been ground prospected nor sampled before Dios and its high expertise geological team is enthusiastic about the variety of different mineralization types and associated rock types uncovered and looking forward for results to come. A total of 301 rock grab samples were taken (31 control) and 147 B glacial horizon soil samples (11 duplicates) were also collected along drumlin elongated glacial features near targeted geophysical conductors and structures.

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Prospecting & mapping and soil sampling on wholly-owned AU33 gold project

In July, Dios carried out prospecting/mapping and soil sampling on AU33 gold project, located along a strategic 20 km long segment (114 sq. kilometers) of favourable Lower Eastmain Greenstone belt, James Bay Eeyou Istchee, Quebec. It is located 280 kilometres north of Matagami and 20 km west of Eastmain Resources Clearwater gold deposit. It is also accessible by road directly west of Hydro-Quebec Eastmain-1 dam.

It hosts an Archean synvolcanic (Mitsumis) tonalitic/granodioritic intrusive pluton overlain by a volcanic sequence intruded by felsic-intermediate plugs and sills/dykes. Several gold mineralizations are strongly controlled by altered NNW and NE structures, including the Heberto zone (2.13 g/t gold over 23 m; 1.15 g/t gold over 64 m including 3.65 g/t gold over 13m) and the CLN shear (2 g/t gold over 11m including 3.26 g/t gold over 6m). In 2019, special effort was put on the NNW Robino Breccia (previously up to 37.6 g/t Au) and on the Western Magnetic Tonalite Sill.

The aim of the program was to define more precise new drill targets for this year. Some 23 rock grab samples were collected. A total of 136 B-horizon soil samples were also collected over favourable magnetic sill that previously yielded up to 269 ppb Au in soil (and 800 ppb gold in rocks). Several NE low-magnetic structures that crosscut the magnetic tonalitic sill were targeted as possible drill targets and its fold nose. Results are pending. Permitting for drilling is underway.

Clarkie gold project

In June & July, Dios carried out prospecting mapping and soil sampling on its **Clarkie** gold project, strategically located along an 8 km long segment (20 sq. kilometers) of the favourable Lower Eastmain Greenstone belt, James Bay Eeyou Istchee, Quebec. The Clarkie claims are also located 45 km southeast of now Newmont's Eleonore gold mine. It hosts an Archean folded sedimentary (wackes/ conglomerates/iron formation)-volcanic (basalt/dacite) sequence favourable for Eleonore-type gold mineralization (same age and geology). Special effort was put on the pyritized (1-10%) altered NNW sedimentary-volcanic contact outlined over a 4 km-strike that previously yielded up to 8 g/t Au (Wacky showing) as well as on its footwall associated with gold-in-soil anomalies.

In 2019, a total of 98 rock grab-samples were collected and 10 blanks were inserted for quality control. A total of 67 B-horizon soil samples (including 6 doublons) were also collected to fully cover the footwall of the favourable pyritized sedimentary/volcanic contact. Results are pending and management is looking forward to follow up on 8 g per ton gold in outcrop and its extents.

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Overall performance

Net loss for the quarter ended June 2019 is \$472 (net loss of \$53,734 for the second quarter 2018) whereas expenses for the quarter totalled \$37,355 (\$51,970 for the second quarter 2018).

During the three-month period ended June 30, 2019, one notes mainly:

- Decrease of Share-based payments expenses. See below.
- Deferred income taxes recovered of \$33,741. See below.
- Decrease in Professional fees due to the timing of audit fees invoiced.
- Increase in Office expenses: Ongoing redesign on the website.
- Analysis of the non-monetary operations that does not require an exit or an inflow of cash (positive: income and negative: expenditure):

	Quarter ended June 30, 2019	Quarter ended June 30, 2018
Share-based payments	\$ (2,940)	\$(12,539)
Deferred income taxes recovered	\$33,741	-

Net loss for the six-month period ended June 30, 2019 is \$39,648 (net loss of \$58,375 for the six-month period ended June 30, 2018) whereas expenses for the six-month period 2019 totalled \$92,383 (\$109,339 for the six-month period ended June 30, 2018).

During the six-month period ended June 30, 2019, one notes mainly

- Decrease of Share-based payments expenses. See below.
- Deferred income taxes recovered of \$47,224. See below.
- Increase in Office expenses: Ongoing redesign on the website.
- Analysis of the non-monetary operations that does not require an exit or an inflow of cash (positive: income and negative: expenditure):

	Six-month period ended June 30, 2019	Six-month period ended June 30, 2018
Share-based payments	\$(8,159)	\$(27,239)
Deferred income taxes recovered	\$47,224	\$52, 040

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Financial position

- Working capital decreased by \$70,885 as at June 30, 2019 going from \$570,449 as at December 31, 2018 to \$499,564 as at June 30, 2019 and including in addition a further amount of \$112,632 of Other liabilities as of June 30, 2019 (to be erased when flow-through expenditures have been incurred). The decrease is mainly due to exploration costs, mining right payments and administrative expenses incurred during the period offset by financing made during the period.
- Cash (cash deficit) and term deposit totalled \$441,797 as at June 30, 2019 compared to \$561,183 as at December 31, 2018. The Company is considered to be in the exploration stage, thus it is dependent on obtaining regular financing in order to continue exploration. Despite previous success in acquiring sufficient financing, there is no guarantee of obtaining any future financing.
- The product of unspent funding related to flow-through financing as at June 30, 2019 is \$488,075 to be spent before December 31, 2019 and \$193,950 to be spent before December 31, 2020.

Related party transactions

Key management personnel of the Company are members of the Board of Directors, as well as the president, the chief financial officer and the vice-president, exploration. Key management personnel remuneration includes salaries, professional fees and share-based payments.

For the three-month period ended June 30, 2019, the compensation was \$69,398 (\$65,620 for the same period last year). An amount of \$55,395 (\$43,271 for the same period last year) was capitalized in Exploration and Evaluation assets.

For the six-month period ended June 30, 2019, the compensation was \$140,836 (\$155,253 for the same period last year). An amount of \$109,064 (\$109,064 for the same period last year) was capitalized in Exploration and Evaluation assets.

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For the six-month period ended June 30, 2018, a company in which a director is an owner, charged geological fees amounting of \$16,742 recorded in Exploration and evaluation assets.

Forward-looking information

See forward-looking information in the 2018 Annual Management report.

Montreal, Quebec
August 16, 2019