



DIOS
EXPLORATION

**DIOS EXPLORATION INC.
ANNUAL MANAGEMENT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012**

This Management Discussion and Analysis dated April 16, 2013 provides an analysis of operations and financial position of Dios Exploration Inc. (the “Company” or “Dios”) for the year ended December 31, 2012. This discussion and analysis of the financial position and operation results should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2012 and December 31, 2011. These audited financial statements have been prepared in accordance with *International Financial reporting Standards* (“IFRS”).

Our report contains «forward-looking statements» not based on historical facts. Forward-looking statements express, as of the date of this report, our estimates, forecasts, projections, expectations and opinions as to future events or results. Forward-looking statements herein expressed are reasonable, but involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to, fluctuations in the market price of precious metals, mining industry risks, uncertainty as to calculation of mineral reserves and requirements of additional financing and the capacity of the Company to obtain financing.

ABOUT DIOS

Dios explores for high potential intrusives associated with deep structures. Glacial sediment sampling defines indicator mineral dispersal trains for diamond indicator minerals for kimberlites. Dios discovered gold dispersal trains leading up-ice to date to outcropping gold-bearing granites near major structures.

Dios’ systematic diamond exploration based on detailed till sampling led to the discovery of several gold occurrences and gold glacial dispersal trains on its wholly-owned diamond projects in the Opinaca and Otish areas, James Bay, QC. Dios diversifies looking for gold while actively pursuing its diamond exploration strategy. Dios’ gold properties are hosted within the La Grande geological sub-province (low metamorphism) at the southern contact of the Opinaca highly metamorphic metasedimentary basin. The Eleonore world-class gold deposit is located near that contact. Dios is the third largest owner of mining rights in superficy with 2463 sq. km in Quebec (mostly in James Bay). Dios generates projects from scientific conceptual design to field discovery and develops them either alone or through farming out agreements, with the benefit of shareholders in mind, trying to evaluate from the start feasible economics in relation with access and facilities.

Dios' shares are traded on the TSX Venture Exchange under the symbol **DOS** and 39,170,961 shares were issued as of December 31, 2012. Additional information may be available through the www.sedar.com web site, under the Company's section "Sedar filing" or at www.Diosexplo.com.

Always looking for new developments in mineral exploration, Dios' strength relies on the identification of new glacial dispersal trains with strong potential. It focuses on glacial sediment sampling and exploration over under-explored regions.

During the Upper Quaternary last glacial era (18,000-5,000 years BC), glaciers occupied an area up to 44,400,000 square kilometres, including the Laurentian Inlandsis (13,400,000 sq. kilometres) that then covered the province of Québec and part of Ontario. This geological event magnitude considerably shaped the Quebec geomorphology through the erosion of its rock basement resulting from the glacial dome displacement and subsequent sedimentation associated with this process.

Dios applies exploration techniques outlining geochemical or mineralogical anomalies associated to sub-glacial sediments. It allows delineation of dispersal trains related to glacier movements (advances and regressions), especially in regions more proximal to glacial centres, with simpler and shorter displacements.

Dios thus first uses a regional reconnaissance approach by collecting glacial (fluvio-glacial) sediment samples (20-40 kg) following a several kilometre mesh. During this stage, sampling mainly targets regional eskers (river channels at the glacier sole) or remobilized beach sands. Samples are sent to the laboratory for screening and different fraction separation. Heavier fractions are isolated and their different minerals studied under a binocular. In precious and base metal exploration, finer fractions are also assayed for different metals. For diamond exploration, possible kimberlite indicator minerals are picked and micro-probed.

If there is a positive identification for right minerals or metals, follow-up sampling with a tighter mesh is carried out up-ice of detected anomalies. This new sampling work will collect glacial material with shorter transport (i.e. till (in particular basal till), a non-sorted glacial sediment). In this follow-up work, glacial float prospecting and rock outcrop mapping will also be undertaken up-ice of the anomalies.

Dios' research method uncovered well-structured gold-in-till glacial dispersal trains on wholly-owned Le Caron, Shadow, 14 Karats and 33 Carats South properties and AU33 West (optioned to Osisko Mining Corporation ("Osisko")). Drilling magnetic anomalies led to the discovery of a new alkaline complex on Shipshaw, near Chicoutimi, and of nearby Falardeau alkaline complex anomaly.

SUMMARY OF ACTIVITIES DURING THE QUARTER

- Mining right payments of 223,894 \$ to provincial government (308,860 \$ in 2011).
- Exploration expenses totalling \$ 1,430,759 mainly on 33 Carats, Shadow, 14 Karats and Shipshaw properties (1 682 923 \$ en 2011). See "**Summary of exploration activities**".

- AU33 West property (*porphyry gold type deposit potential*) :
 - Exploration expenses of 824,117 \$ incurred by Osisko on AU33 West (500 000 \$ in 2011):
 - Osisko's team realized at least two exploration campaigns on AU 33 WEST from June 4th to June 29th and from July 10th to July 28th with a field team of 6 people on road and by helicopter. A new soil survey was completed and Osisko completed detailed sampling (364 samples) of outcrops in the centre of the property where mineralized occurrences were discovered in 2011. New gold showings were discovered this summer.
- 33 Carats South property (*porphyry gold type deposit potential*) :
 - Recent re-assaying of sampled for diamond till allowed the discovery of significant gold-in-till values along the structured glacial dispersal train which stops in the volcanic fold-nose hosted tonalite on 33 Carats South.
 - Gold *in situ* discovery on 33 Carats South property: Exploration this summer provided the definition of a gold interest zone of a few sq. kilometers of auriferous homogeneous grey granite (tonalite) with some sixty disseminated copper sulfide bearing samples.
- 14 Karats project
 - New gold glacial dispersal train defined, new volcano-sedimentary belt discovered as well as gold-bearing decametric sedimentary boulders grading up to 2.6 g/t Au
- Shadow property:
 - Processing of kimberlite indicator minerals for promising diamond targets.
 - Soil survey on prospective 2 by 4 km gold sector up-ice of a dispersal train reaching 3,510 ppb gold in till, poorly outcropping, near a power line.
- Shipshaw property: Drilling of 1,756 m completed during the quarter.
- Launch of Dios' blog in August 2012. <http://blog.diosexplo.com/>

RESULTS OF OPERATION

Summary of exploration activities

During the year, the Company incurred \$1,430,759 in exploration expenses (\$1,682,923 in 2011) mainly on the 33 Carats, Shadow, 14 Karats and Shipshaw mining properties. Exploration fieldwork of \$824,117 (\$500,000 in 2011) conducted in June and July 2012 on the AU33 West property was funded by Osisko.

Exploration Expenses Analysis

Description	33 Carats	14 Karats	Shadow	Shipshaw	Others	Total
	\$	\$	\$	\$	\$	\$
Geology	128 479	98 916	91 858	50 337	94 923	464 513
Tills sampling and analysis	101 083	71 770	159 368	-	54 206	386 427
Transport and lodging	167 207	97 869	28 676	3 752	7 424	304 928
Office and other	22 566	2 617	6 074	8 117	8 140	47 514
Drilling and assays	-	-	-	227 377	-	227 377
	419 335	271 172	285 976	289 583	164 693	1 430 759

Description	Au33 West funded by Osisko \$
Geology	398 619
Tills sampling and analysis	199 114
Transport and lodging	3 930
Office and other	119 453
Trenching and assays	103 001
	824 117

Following a review of the mineral properties, the Company decided during the last quarter to write down the Hotish Nord, Carbon Goeland and Carbo properties for a total of \$24,368.

Geological information presented herein was summarized by Marie-José Girard M.Sc., Geo, qualified person pursuant to National Instrument 43-101.

Dios' gold projects were outlined following discovery of several gold-in-till glacial dispersal trains through systematic diamond exploration on its wholly-owned properties, thus defining gold targets in areas or within rock types previously poorly explored for gold. Positive gold exploration results to date look promising.

Click for map: [Gold projects location](#)

Lower Eastmain River area, James bay, Quebec

AU33 WEST PROPERTY

New gold showings were discovered during summer 2012 on the AU33 West property, James Bay, Quebec, optioned to Osisko and located near the EM-1 hydropower plant and facilities. These preliminary results from the summer outcrop and soil sampling program revealed at least five new gold showings in a felsic (tonalite-granodiorite) intrusive complex. Best new results are shown in table below. Mechanical trenching was ongoing this fall for detailed rock sampling.

This text summarizes the exploration work completed on the AU33 West project between June 6 and October 5, 2012. It consists of soil geochemistry (B-horizon), prospecting, geological mapping, track-sampling on trenches and mechanical stripping. The AU33 West property is located in the vicinities of the Opinaca-Eastmain reservoir.

Following the 2011 regional exploration work, several showings were discovered in the central part of the AU33 West property. A 3.5 by 5.2 km area was targeted for systematic prospecting along 100 m-spaced lines. The 2010-2011 till sampling programs outlined several gold anomalies in a poorly-outcropping area located north of Mistumis Lake. This area was later selected for a soil (B-horizon) geochemical survey. Its grid is composed of 6 lines of 2.3 km long with a 200 m line-spacing and 50 m-spaced stations. A total of 252 samples were sent for assays. Numerous samples yielded anomalous gold contents. From the ten trenches planned on selected anomalies, five were completed. Only, T-8 and T-5 trenches returned six assays

superior to 0.5 ppm Au in that sector north of Mistumis lake. In each case, the mineralization is associated with quartz injections or quartz-tourmaline veins in tonalite-granodiorite or mafic intrusions.

Furthermore, prospecting was also carried on a 100 x 100m mesh over an area of 18 square kilometers in the center of the property. A total of 981 samples were sent for assays. Their analytical results outlined four new targets and confirmed the existing ones in the area. Five areas could be stripped out of ten planned and 515 track-samples were collected for analysis. The best results are from the TW-7 (Heberto showing), TW-5 and TW-2 trenches. Fifty-one track-samples assayed over 200 ppm Au including 13 over 1.0 ppm Au. The mineralization is hosted in the granodiorite and associated with quartz injections within 0.1-3.0 metres-wide shear zones.

While it is still recommended to further work on Au33 West different showings, more attention should be put on the Heberto showing. The main reason is that very few samples were collected in a 300 m radius north of this gold showing. Additional stripping and/or geophysics are necessary. The second priority should be the TW-4 area which was not accessed during the 2012 program, but hosting a 3 to 4 meters-wide shear zone similar to the one at the Heberto showing. Three samples collected on TW-4 yielded very good gold assays.

Gold (g/t) ppm Au New showings discovered from outcrop grab samples during summer 2012

17.3	Granodiorite, fine grained, beige, rusty, 2% pyrite, 4 cm qz vein
12.65	Granodiorite, fine grained, beige, rusty, 3% pyrite, magnetite
11.85	Tonalite, fine grained, strongly oxidized, quartz network, disseminated pyrite mainly in quartz veinlets
4.72	Granodiorite, medium grained, beige, magnetic, rusty spots
1.775	Granodiorite with pegmatite, aplite and felsic dikes, quartz- hematite veinlets with traces pyrite

Click for map: [AU33W gold results](#)

A summer prospecting program was undertaken by Osisko in 2012 on AU33 West, targeting a large felsic (tonalite-granodiorite) igneous complex with potential for low-grade disseminated bulk tonnage gold deposits. The new showings are located within a two by three kilometre area, roughly in the same area as the previously reported 2011 gold showings. Outcropping auriferous mineralization comprises 1-2% pyrite as disseminations and fracture fillings, associated with potassic alteration. The gold-bearing outcrops were found up-ice of a glacial dispersal train using historical data and Dios database for auriferous till and boulders.

In fall 2011, a field campaign revealed outcropping gold showings in a felsic (tonalite-granodiorite) intrusive complex, with 34 of the mineralized outcrops concentrated over a 18 sq. kilometre area. All showings yielded values above 100 ppb gold (0.1 g/t Au), and seven yielded between 1.58 g/t and 23.6 g/t Au.

Gold values are associated with silver grades and generally copper as well, in addition to bismuth and molybdenite, suggesting a porphyry-type deposit. The individual outcrops remain open laterally and at depth, and future work will focus on detailed prospecting, stripping, channelling and drilling to better define the nature and extent of the mineralization. ***The style of mineralization (disseminated, not vein-hosted) and metal association suggest potential for a low-grade bulk tonnage porphyry gold deposit on the property.***

In July 2011, Dios and Osisko had discovered outcropping gold mineralized occurrences within tonalite rocks. Highlights included: 3.79 ; 2.71 ; 2.66 ; 2.04 ; 1.765 ; 1.575 ; 0.804 ; 0.673 ; 0.539 ; 0.535 g/t Au.

In fall 2012, ten trenches were dug to test geochemical soil anomalies or to extend previous known showings. Best results were returned in T7 trench on the Heberto showing that assays 5.0 g/t gold over 5.25 m and 1.12 g/t gold over 4.5 m over a sheared tonalite (a kind of granite). Several anomalous results in the order of 0.5 to 1.1 g/t gold over sections of 0.75 to 2.25 m were obtained from the other trenches (g/t equals grams per ton). These trenches allowed a better exposure of mineralized outcrops and a better understanding of the vectors controlling the mineralization.

During the 2012 summer, Osisko discovered five new gold showings in a felsic (tonalite-granodiorite) intrusive complex that assays between 1.77 and 17.3 g/t gold in grab-samples. Gold-bearing mineralization appears as 1-5 percent pyrite in disseminations and fracture fillings associated with potassic alteration and/or silicification. It appears structurally controlled by zones of shearing and foliation along two main strikes (N160 and N080E). Following this new information concerning the nature and orientation of the mineralization, additional geophysical tests are planned for winter–spring 2013 to better define the extent of the showings under the overburden and to target next exploration work and drilling.

SHADOW-LE CARON DIAMOND AND GOLD PROPERTY

This property hosts the high grade Conductor gold showing discovered by Dios and kimberlite indicator mineral dispersal trains as well as gold-in-till trains, some tens of kilometres south of the Eleonore worldclass gold deposit and 10-15 km from the Clearwater gold deposit. Results are pending for another systematic till sampling campaign completed for diamond & gold in 2012

Le Caron gold project

Click for maps: <http://diosexplo.com/images/DiosLECARONGoldtrain.jpg>

http://www.diosexplo.com/images/Dios_Au33_conductor_showing2.jpg.jpg

Click for IP map: http://diosexplo.com/images/2011_02_10_2.jpg

Shadow gold project (*potential for intrusion-related gold mineralization*)

The Shadow South gold project, in the emerging Opinaca-Eastmain gold camp, is located 350 km northeast of Matagami, and 10 kilometres north of the Eastmain-1 hydropower facilities, James Bay, QC. The geological environment is favourable for Eleonore-type magmatic gold mineralization.

SHADOW South

Click for map: [Map Humus Shadow South](#)

12 geochemical gold-arsenic-copper in humus anomalies on Shadow.

Very significant humus values up to 45.7 ppb gold, 40.6 ppb Au, 23.3 ppb Au, 13.9 ppb Au, 9.7 ppb Au, 9.4 ppb Au, 9.1 ppb Au, 8.2 ppb Au, 7.5 ppb Au, 6.4 ppb Au etc.

Contact between felsic intrusive and sedimentary rocks.

In June 2012, Dios commissioned an independent soil (humus) geochemical survey over a 4 x 1.5 km grid. This grid encompasses a volcano-sedimentary rock sequence wrapped around a 5 x 2 km felsic intrusive, up-ice of gold in till anomalies including 1 120 ppb, 938 ppb Au and 3 510 ppb gold in heavy mineral concentrates (1 000 ppb equals 1 g/T). The survey defined 12 geochemical gold-arsenic-copper anomalies (exceeding the 99.8 centile of IOS regional database which includes more than 25,000 samples in vicinity of Shadow). Anomalous humus assayed up to 45.7 ppb gold, 2700 ppb arsenic and 402 000 ppb copper, which values are considered as highly significant. Highly significant (over 99.8 percentile) anomalies were also detected in molybdenum, vanadium, strontium, rare-earths and halogens. The soil sampling program totals 1472 humus samples. Most of the anomalies are located along the targeted margin of the felsic intrusive and adjacent sedimentary rocks, underlined by a magnetic anomaly and crosscut by late structures. This humus survey was undertaken on poorly outcropping ground up-ice of a gold glacial dispersal train discovered by Dios. A few tens of boulder grab samples were taken. The geological environment suggests a signature for intrusion-related gold mineralization.

SOLO

Click for map: [Solo Project MAP](#)

The **SOLO** gold property is underlain by favourable complex geological features. The general geological environment suggests a potential for Bousquet type gold or intrusion-related type gold mineralization. The Opinaca-LaGrande Sub-provinces contact is located from two to four kilometres from the **SOLO** gold property. This gold project covers a folded (tilted syncline towards the south; north dipping) volcanic sequence composed of calc-alkaline sinter to lapillis-blocks felsic-intermediate tuffs (WABAMISK Formation), banded iron-formation (BIF)/ chert, intermediate and tholeiitic mafics. **The sequence covers a 5 km strike of untested (and non-outcropping) inputs/ induced polarization anomalies, along which are coincident with gold soil (humus) anomalies.** The geophysical anomalies are interpreted as the contact between felsic tuffs and intermediate volcanics and are located near a kilometric tonalite plug intruding the [northern](#) limb of the fold. These coincidental anomalies constitute good drilling targets.

Upper Eastmain River area, James bay, Quebec

Click for diamond and gold project map location: <http://diosexplo.com/images/JamesBayProjects.jpg>

33 CARATS project

Gold porphyry discovery by Dios on wholly-owned **33 CARATS** project, Upper Eastmain River area, James bay, Quebec, is made *in situ*. Exploration of this sector of **33 CARATS SOUTH** provided the definition during the period of *a gold interest zone of a few sq. kilometers of homogeneous grayish granite (tonalite) with some sixty disseminated copper sulfide bearing samples. There is a clear gold-silver-copper-bismuth association typical of gold porphyry deposits. The style of mineralization (disseminated, not vein-hosted) and metal association suggest potential for a low-grade bulk tonnage porphyry gold deposit.*

Click for result map: [Dios33CaratsAulitho](#)

Click for geology map: <http://diosexplo.com/images/Soutcrop-structure.jpg>

2012 results greater than 0,45 grams gold per tone

<i>Au g/t</i>	<i>Ag g/t</i>	<i>Cu %</i>	<i>Bismuth g/t</i>
7.76	17.8	1.495	14
7.33	14.5	0.625	74
6.11	3.7	0.349	7
4.93	2.5	0.171	9
3.09	20	1.975	25
3.04	5.6	0.236	25
2.21		0.02	14
2.06	7.3	0.255	7
1.965	1.6	0.166	
1.84	4.1	0.57	10
1.695	40.4	2.07	23
1.53	2.3	0.482	2
1.5	15.7	1.70	25
1.325	2	0.08	6
1.25	6.8	0.477	8
1.04	24.4	0.983	10
0.937		0.177	12
0.78	2.9	0.26	43
0.692	1.1	0.351	
0.652	11.2	0.841	5
0.561	2	0.091	5
0.488	2.3	0.1435	19
0.475	11.3	0.651	10
0.469	1.8	0.224	2
0.467	6.5	0.491	25
0.463	0.8	0.048	

Au: gold, Ag: silver, Cu: copper, g/t: gram per tone

Metric size angular boulders grade up to 7,76 g/t Au, 15,7 g/t Ag, 2 % Cu et 74 g/t Bi. Outcrops grade up to 4.93 g/t Au, 6,8 g/t Ag, 0.477% Cu et 14 g/t Bi.

In July-August 2012, Dios completed a spectrometry and prospecting-mapping follow-up (325 rock samples including with sixty disseminated copper sulfides) targeting the tonalitic phase of Erasme Lake intrusive. Dios also just completed a soil sampling (1,200 humus samples) in the same area to define drill targets.

Many tonalitic glacial boulders returning between 1.0 and 3.2 g/t Au discovered last Fall by Dios are located up ice of a gold-in-till train (252-2,090 ppb Au).

A new series of reassayed tills from diamond exploration returned anomalous values of 301, 352, 384, 424, 504, 1320, 2385, 2500 ppb Au in the heavy minerals concentrates strengthening the well structured gold glacial train. **The Otish Mountains road going to the diamond Renard deposit passes on the prospective area of the soil grid.**

14 Karats Property (*intrusion related gold mineralization – Éléonore type*)

The 14 Karats property covers a poorly explored 40 kilometre long extent further away northeast of the Archean Upper Eastmain volcano-sedimentary belt located at the contact between Lagrande (? equivalent) low metamorphic and Opinaca high metamorphic geological subprovinces. Dios' fieldwork program in 2012 was to investigate priority and proprietary gold-in-till anomalies (up to 2,330 ppb Au in heavy mineral concentrates) and related magnetic features at the Lagrande-Opinaca contact, looking for intrusion related gold mineralizations (Éléonore-Hemlo types). Two hundred and eleven (211) rock samples et 69 tills were taken in the magnetic structure areas in association with arsenic-in-lake bottom sediment anomalies, results pending.

In 2012 & 2011, regional till sampling programs (54 & 69 glacial sand [samples](#)) yielded **over 1 gram per ton gold in till**: 1010 parts per billion gold (ppb Au), 836 ppb Au, 642 ppb Au, Au, 583 ppb Au, 454 ppb Au, 356 ppb Au, 160 ppb Au, 151 ppb Au, 131 ppb Au, 120 ppb Au, 115 ppb Au, 113 ppb Au, 109 ppb Au (in heavy mineral concentrates) on its 14 KARATS project. In the vicinities of arsenic in lake sediment anomalies of 11, 17 and 18 parts per million, **a metric silicified meta-sedimentary boulder with disseminated sulfides (2-5% arsenopyrite-pyrite-pyrrhotite) returned 2.6 g/t gold, 0.7 g/t silver, over 1% arsenic and 0.3% tungsten.** The same area hosts abundant mineralized (1-10% PY-ASPYP-PO) Opatica metasedimentary boulders, with several angular floats up to 6 m by 6 m by 3 m large, suggesting a local source. **The geological context suggests Eleonore-type mineralization.**

Dios 2011-12 geological programs also outlined a 40 km long under-explored strike of a pluri-kilometric sequence of metasediments (conglomerate, biotite grauwacke & silicate iron-formation), metabasalts, dacites, ultramafics and gabbro-diorite sills within a Greenschist-grade metamorphic domain (Opatica) adjacent to the LaGuiche migmatitic orthogneiss and paragneisses. Disseminated sulfides (1-15% arsenopyrite-pyrite-pyrrhotite) mineralization was observed within the silicified metasediments and metavolcanics. Federal magnetic data shows interesting weak magnetic lineaments with some flexure/folding pattern following the Opinaca and Opatica Sub-Province contact. In 2006-2007, Dios re-assayed its **33 Carats** diamond tills for gold. **Gold in till anomalies of 1660 ppb Au, 123 ppb Au, 534 ppb Au and 2330 ppb Au** (in heavy mineral concentrates) do occur a few km down-ice from the **14 KARATS** interpreted greenstone-belt. Up-ice from those gold in till anomalies from Dios, good arsenic in lake sediment anomalies (from 9 ppm A to 32 ppm As) are present.

Shipshaw Property (exploration of alkaline intrusive complex along the Saguenay rift)

In 2012, a total of 1,756 m of diamond drilling was completed in five holes mainly on the Falardeau alkaline complex anomaly. Intense carbonated alteration and hematization was intercepted by drilling over near one hundred meters, an indication of an alkaline system, the main source of which remains to be explored. During the period, the core was detailed logged, split and sent for assay. Drill intersections to date are sub-economic for niobium and rare earths.

On Falardeau anomaly, importance of carbonated alteration is high. Holes M2.5 et M2.3 are interesting. There are similarities in carbonated alterations with those noted at Niobec. The Falardeau anomaly possibly corresponds to a dike complex of altered carbonatites, altered carbonated syenites and ultramafic altered carbonated lamprophyric dikes. The significance of this alteration suggests proximity to a more massive carbonatite zone?

The altered carbonated syenite and alteration type bear similarities with transition zones (between REE and niobium zones?). To date, there are sub-economic intercepts but on metric size lengths. Carbonated and/or red (hematization) alteration cuts through rock types and is considered significant. Values are heterogeneous in different lithologies. A carbonatite breccia in Falardeau returned 1 % REE over a few m in 2011. Best targets remain red carbonatite zones.

Carbonatites may occur in clusters, as generally do kimberlites. Dios generated niobium and rare earths exploration targets surrounding the Niobec Niobium mine, Saguenay, QC, using its expertise in diamond exploration. Diamond mines are hosted within kimberlites, deep rooted volcanoes that came up from the mantle of the earth in clusters. Carbonatites are also deep rooted, though not as deep as kimberlites, and may use the same ways or structures to come up. The exploration team of Dios thought the Saint-Honore carbonatite host to the Niobec mine might not be a stand alone event in the area. Dios discovered the Shipshaw carbonatite complex two years ago and now reports the discovery of the Falardeau carbonatite, which seems a lot more altered, a good sign for niobium and rare earth potential.

Dios has discovered a carbonatite complex on the Shipshaw property by drilling a carbonatite target for strategic metals (niobium, tantalum) and rare earths 7 kilometers away from the operating Niobec niobium mine.

The drill target consists of a circular geophysical feature (low magnetic) coincidental with a low bedrock topographic feature as well, in association with the Saguenay rift zone and the fault zone related to the Shipshaw river. There is an ancient topographic bedrock low possibly related to a north south fault zone parallel to the Shipshaw river.

The Shipshaw property is road accessible and located near various facilities. The Shipshaw Complex was drilled down to 100 m with helicopter borne geophysics. Further work should target zone at depth.

Summary of planned exploration programs for 2013

PROJECTS	PLANNED WORK	BUDGET (\$)	FOLLOW-UP WORK
33 CARATS	Trenching, tills and drilling	500,000	Geophysics (I.P.) & Drilling
AU33 West (Osisko)	Geophysics (I.P.) & Drilling	500,000	Geophysics (I.P.) & Drilling
SHADOW	Prospecting, mapping & Trenching	315,000	Geophysics (I.P.) & Drilling
LECARON	Prospecting and mapping	92,000	Tills, Geophysic and drilling
LECARON-CLARKIE	Prospecting and mapping	92,000	Soils, Trenching and Geophysics
SOLO	Prospecting and mapping	100,000	Compilation, Prospecting and mapping
14 KARATS	Compilation	60,000	Mapping and additional Prospecting
TOTAL DIOS		1,159,000	
TOTAL OSISKO		500,000	

This budget is subject to additional fundraising in 2013.

Summary of exploration work planned in 2012 and Results

PROJECTS	PLANNED WORK	BUDGET \$	RESULTS \$
SHIPSHAW	Drilling	250,000	289,583
AU33-WEST	Prospecting, mapping, tills, outcrop grab sampling and diamond saw channel	Osisko	N/A
SHADOW	Prospecting, mapping, tills, and sampling	250,000	285,976
LECARON	Prospecting, mapping, tills, and sampling (?)	475,000	80,201
33 CARATS	Prospecting, tills, outcrop grab sampling (?)	275,000	419,335
14KARATS	Prospecting, mapping, outcrop grab sampling and diamond saw channel	300,000	271,172
CARBON14	Prospecting and tills (?)	65,000	31,674
GENEX	Compilation, prospecting and tills	85,000	52,818
TOTAL 2012		1,700,000	1 430 579

The differences are explained as follows

LECARON :	Work deferred to 2013.
33 CARATS :	Additional work following the gold discovery in summer 2012.

OPERATION RESULTS AND SELECTED ANNUAL INFORMATION

Net loss for the year is \$448,669 (\$2,708,186 for 2011) whereas expenses for the year totalled \$311,139 (\$2,755,112 for 2011).

	As at December 31, 2012 \$	As at December 31, 2011 \$
Other Income	25,017	72,434
Net loss	(448,669)	(2,708,186)
Expenses	311,139	2,755,112
Net loss per share (basic and diluted)	(0.01)	(0.07)
Total assets	10,428,632	10,606,070

Other Income

2012 compared to 2011

- In 2012, Other income relates to realized interest on investments. Decrease in 2012 is due to used term deposits in order to provide sufficient funds for exploration activities and lower rates obtained on term deposits. In 2011, there was Management fees income of \$27,680.
- Gain on sale of Pontax-Lithium property of \$112,513;
- The unrealized loss on listed shares of \$162,972 is due for the most part to the decline in value of the shares received upon disposition of the Pontax-Lithium property.

2011 compared to 2010

- In 2011, Other income relates to realized interest on investments. Decrease in 2011 is due to used term deposits in order to provide sufficient funds for exploration activities and lower rates obtained on term deposits.
- Management fees of \$27,680 earned following the option granted to Osisko.

Net loss and expenses

2012 compared to 2011

- Expenses (excluding impairment and write-off of exploration and evaluation assets of \$24,368 in 2012 (\$2,272,722 in 2011) and the gain on sale of exploration and evaluation asset of \$112,513 in 2012) decreased in 2012 going from \$482,390 in 2011 to \$399,284 in 2012 due to the following:
 - No cash remuneration to directors in 2012;
 - Additional professional fees incurred in 2011 for the transition to IFRS;
 - Decrease in 2012 base fee paid to TSX Ventures Exchange and the cost of the 2012 AGM;
 - Decrease in promotional costs: Participation in various mining exploration fairs in 2011;
- Non cash items included in the 2012 loss are the following:
 - Write-off of exploration and evaluation assets of \$24,368;
 - Unrealized loss on listed shares: \$162,972;
 - Stock based compensation expense: \$207,187 ; and
 - Gain on sale of Pontax-Lithium property of \$112,513.

2011 compared to 2010

- Expenses (excluding impairment and write-off of exploration and evaluation assets of \$2,272,722 in 2011 and \$527,372 in 2010) decreased in 2011 going from \$549,591 in 2010 to \$482,390 in 2011 due to the following:
 - Payment of a bonus and salary increase for two officers in the first quarter offset by an increase in stock-based compensation in 2010.
 - Additional professional fees incurred in 2011 for the transition to IFRS;
 - In the second quarter 2010, the Company has paid an amount of arrears to the CSST.
 - Transfer agent: Shareholders rights fees
 - Decrease in promotional costs: Investor Relations contract ended in 2010, promotional trip to Asia in 2010;

- Non cash items included in the 2011 loss are the following:
 - Write-off of exploration and evaluation assets of \$2,272,722;
 - Unrealized loss on listed shares: \$12,060; and
 - Stock based compensation expense: \$176,889.

Total assets

2012 compared to 2011

- Exploration and evaluation assets:
 - Acquisition and claims renewal costs of \$223,894;
 - Explorations expenses of \$1,430,759;
 - Tax credit of \$551,498 related to exploration expenses incurred in 2012;
 - Write-off of exploration and evaluation assets of \$24,368.
- Redemption of investments to finance the exploration and evaluation assets.

2011 compared to 2010

- Private placements of 1,350,000\$ (gross).
- Exploration and evaluation assets:
 - Acquisition and claims renewal costs of \$308,860;
 - Explorations expenses of \$1,682,923;
 - Tax credit of \$704,106 related to exploration expenses incurred in 2011;
 - Write-off of exploration and evaluation assets of \$2,272,722.
- Redemption of investments to finance the exploration and evaluation assets.

SUMMARY OF QUARTERLY RESULTS

(\$ 000 except loss/share)	2012				2011			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Income	6	6	6	7	15	32	12	13
Net earnings (Net loss)	(40)	(123)	(133)	(153)	(2 346)	(127)	(122)	(113)
Net earnings (net loss) per share(basic and diluted)	(0.002)	(0.003)	(0.003)	(0.004)	(0.061)	(0.003)	(0.003)	(0.003)

Variations in quarterly loss can be explained by the following:

- 2012-Q4** Exploration and evaluation asset write-off of \$24,368.
- 2012-Q3** Decrease of stock-based compensation expenses.
- 2012-Q2** Refundable credit on mining duties for losses of \$98,290 and payment on option of \$75,000 received during the quarter with respect to AU33 WEST property.
- 2012-Q1** Gain on sale of Pontax-Lithium property for \$112,513 and negative change in fair value of listed shares for \$116,985.
- 2011-Q4** Exploration and evaluation asset write-off of \$2,272,722.
- 2011-Q3** Increase of stock-based compensation.

- 2011-Q2** Grant of 950,000 options in April 2011.
2011-Q1 Increased executive salaries during first quarter.

FOURTH QUARTER

Highlights of the fourth quarter of 2012 are the following :

- Exploration expenses totalling \$212,189 mainly on Shadow-LeCaron (\$118,433), 14 Karats (\$32,768) and 33 Carats (\$24,195) properties;
- Write-off of exploration and evaluation assets of \$24,368;
- Administration costs of \$69,371 for the quarter;
- Interest income of \$5,747.

CASH FLOW SITUATION

Working capital decreased by \$831,844 as at December 31, 2012 going from \$2,064,416 as at December 31, 2011 to \$1,232,572 as at December 31, 2012. The decrease is mainly due to exploration costs and administrative expenses incurred during the period.

Cash and investments, excluding listed Shares (free cash flow) amounted to \$801,078 as at December 31, 2012 compared to \$1,585,754 as at December 31, 2011.

The Company is considered to be in the exploration stage, thus is dependent on obtaining regular financing in order to pursue exploration. Despite previous successes in acquiring sufficient financing, there is no guarantee of obtaining any future financings.

As April 16, 2013, the Company considers cash on hand sufficient for known obligations. As at December 31, 2012, the Company did not have any debt or any financial commitments for the upcoming quarters.

SHARE CAPITAL, OPTIONS AND WARRANTS

As at December 31, 2012 :

- 39,170,961 Common Shares were issued.
- 4,790,000 options were granted and a total of 3,460,250 can be exercised at prices ranging between \$0.15 to \$0.34 between 2013 and 2017. Each option can be exchanged by its holder thereof for one Common Share of the Company.
- 428,550 warrants were issued, entitling their holders thereof to subscribe for the same amount of flow-through Common Shares of the Company at a price of \$0.63 until September 6, 2013.

Share capital

Variations in share capital as at April 16, 2013 are as follows:

Description	Number of shares	Amount \$
As at December 31, 2011	39,095,961	17,724,148
Acquisition of exploration and evaluation assets	75,000	6,750
As at December 31, 2012 and April 16, 2013	39,170,961	17,730,898

Pursuant to the agreement of October 1st, 2010 related to the LeCaron property, the Company issued on November 15, 2012, 75,000 common shares (market value of shares of \$6,750).

Options

Variations in outstanding options as at April 16, 2013 are the following:

	Number	Weighted average exercise price (\$)
As at December 31, 2011	3,985,000	0.38
Issued	1,990,000	0.19
Forfeited	(165,000)	0.28
Expired	(1,020,000)	0.67
As at December 31, 2012	4,790,000	0.24
Expired	(570,000)	0.31
As at April 16, 2013	4,220,000	0.23

On February 28, 2012, the Company granted 995,000 options exercisable at \$0.235 to officers, directors and employees of the Company. The options have a term of five years and can be exercised gradually over a period of eighteen months.

On December 13, 2012, the Company granted 995,000 options exercisable at \$0.15 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.

Options granted and exercisable as at April 16, 2013:

Expiry date	Number of options	Exercisable	Exercise price (\$)
May 19, 2014	670,000	670,000	0.15
March 22, 2015	670,000	670,000	0.34
April 25, 2016	920,000	920,000	0.30
February 28, 2017	965,000	675,500	0.235
December 12, 2017	995,000	248,750	0.15
	4,220,000	3,184,250	0.23

The fair value of these options was estimated using the Black Scholes stock option evaluation model with the following assumptions:

	2012	2011
Expected dividend	0%	0%
Expected volatility	101%	98%
Risk free interest rate	1.1%	2.0%
Estimated weighted average duration	5 years	5 years
Average exercise price at date of grant	\$0.19	\$0.30
Average share price at date of grant	\$0.19	\$0.30

Warrants

Variation in outstanding warrants as at April 16, 2013 is the following:

	Number	Weighted average exercise price
As at December 31, 2011	428,550	0.63
As at December 31, 2012 and April 16, 2013	428,550	0.63

In respect with the private placement dated September 7, 2011, the Company issued 428,550 warrants. Each warrant entitles its holder thereof to acquire one flow-through share of the Company at a price of \$0.63 until September 6, 2013.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2012, a company in which a director is an owner, charged geological fees amounting to \$47,566 recorded in Exploration and evaluation assets (\$0 for the year ended December 31, 2011).

The Company was related to another company until April 1st, 2011, as they had some common directors. During the year ended December 31, 2011, in the normal course of business, a company with a common director charged an amount of \$12,234 for professional fees.

ACCOUNTING POLICIES

The 2012 financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. The accounting policies, methods of computation and presentation applied in these financial statements are consistent with those of the previous financial year. There were no changes to the accounting policies applied by the Company to each of the 2012 quarterly unaudited interim financial statements, to those applied by the Company to the financial statements for the year ended December 31, 2012.

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS 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. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Estimation uncertainty

(a) Impairment of exploration and evaluation assets

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 to which the asset belongs must be determined.

The total write-off of exploration and evaluation asset recognized in profit or loss amounts to \$24,368 for the year ended December 31, 2012 (\$2,272,722 for the year ended December 31, 2011). No reversal of impairment losses has been recognized for the reporting periods.

(b) 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 and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model.

Significant management judgement

(a) 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.

Determining whether to test for impairment of exploration and evaluation assets requires management's judgment, among others, regarding the following: the period for which the Company has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For the other properties, Pontax and AU33 ouest, no testing for impairment was conducted despite the fact that the carrying value of the company's net asset is superior to its market capitalization and despite the fact that no significant fieldwork was undertaken on certain properties during the year. Management judged that there was no testing for impairment required this year on those properties because despite an unfavourable change of the overall climate of the sector as well as the general situation of the economy that have had an impact on the company's capacity to raise additional capital in order to pursue its exploration activities, coupled with a decrease in the share price, the company has sufficient funds to respect its short term obligations and has both the intention and capacity to keep these properties until the economic context improves and the company can then pursue exploration activities on these properties after raising additional capital.

(b) 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.

Off-balance sheet arrangements

During the period, the Company did not set up any off-balance sheet arrangements.

RISK AND UNCERTAINTIES

Risks inherent in the nature of mineral exploration and development

Mineral exploration and development involve several risks which experience, knowledge and careful evaluation may not be sufficient to overcome. Large capital expenditures are required in advance of anticipated revenues from operations. Many exploration programs do not result in the discovery of mineralization; moreover, mineralization discovered may not be of sufficient quantity or quality to be profitably mined. Unusual or unexpected formations, formation pressures, fires, power outages, labor disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labor are some of the risks involved in the conduct of exploration programs and the operation of mines. The commercial viability of exploiting any precious metal deposit is dependent on a number of factors including infrastructure and governmental regulations, in particular those respecting the environment, price, taxes, and royalties. No assurance can be given that minerals of sufficient quantity, quality, size and grade will be discovered on any of the Company's properties to justify commercial operation. Numerous external factors influence and may have significant impacts on the operations of the Company and its financing needs.

Financial risks

The Company is an exploration company. The Company will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Tax

No guaranty can be made that Canada Revenue Agency or Quebec Minister of Revenue will agree with Company's characterization of expenditures as Canadian exploration expenses or Canadian development expenses.

Dependence on key personnel

The development of the Company's business is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company faces competition for personnel from other employers.

Conflicts of interest

Certain directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith of view to the best interests of the Company and to disclose any interest, which they may have un any project or opportunity of the Company. If a conflict arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

Environmental risks

The Company is subject to various environmental incidents that can occur during exploration work. The Company maintains an environmental management system including operational plans and practices.

MANAGEMENT'S RESPONSABILITY FOR FINANCIAL INFORMATION

The Company's financial statements are the responsibility of the Company's management, and have been approved by the board of directors. The financial statements were prepared by the Company's management in accordance with IFRS. The financial statements include certain amounts based on the use of estimated and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

(Signed) Marie-José Girard, President

(Signed) René Lacroix CPA, CA Chief Financial Officer

Montreal, April 16, 2013