



# **DIOS** EXPLORATION

## **DIOS EXPLORATION INC. ANNUAL MANAGEMENT REPORT FOR THE YEAR ENDED DECEMBER 31, 2013**

This Management Discussion and Analysis dated April 11, 2014 provides an analysis of operations and financial position of Dios Exploration Inc. (the “Company” or “Dios”) for the year ended December 31, 2013. 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, 2013 and December 31, 2012. 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 is now focusing on gold exploration in Quebec in association with deep major geological structures. Glacial sediment sampling defines indicator mineral dispersal trains. Dios discovered significant gold dispersal trains leading to outcropping gold-bearing high potential intrusive granitic rocks and metric size proximal glacial boulders of auriferous wackes (sediments).

Dios’ systematic diamond exploration based on detailed till sampling led to the discovery of several gold occurrences and gold glacial till and boulder dispersal trains on its wholly-owned diamond projects of Opinaca and Otish areas, James Bay, QC. Dios’ gold properties are located within a low metamorphic geological sub-province in contact to the south of the Opinaca highly metamorphic metasedimentary basin. The major Eleonore gold deposit is located near that contact. Dios wholly owns a significant number of mining rights in Quebec (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 to access and facilities.

Dios' shares are traded on the TSX Venture Exchange under the symbol **DOS** and 40,070,961 shares were issued as of December 31, 2013. Additional information may be available through the [www.sedar.com](http://www.sedar.com) web site, under the Company's section "Sedar filing" or at [www.Diosexplo.com](http://www.Diosexplo.com).

Looking for new developments in mineral exploration, Dios' strength relies on defining new highly prospective glacial till and boulder dispersal trains. Dios focuses on glacial sediment sampling and exploration over poorly explored regions.

Some 18,000 to 5,000 years BC, glaciers occupied a large area up to 44,400,000 square kilometres, including the Laurentian Inlandsis (13,400,000 sq. kilometres) covering the province of Québec and part of Ontario. **This geological event magnitude considerably shaped the Quebec geomorphology, eroding its rock basement through glacial dome displacement, causing subsequent sedimentation.**

Dios collects regional fluvio-glacial sediment samples from eskers (river channels at glacier sole) or remobilized beach sands. Samples are screened and different fractions separated. Heavier fractions are isolated and their different minerals studied under a binocular for identification.

Tighter spacing follow-up sampling is completed up-ice of detected anomalies, collecting shorter transport glacial material. Glacial float prospecting and outcrop mapping up-ice of anomalies lead to gold showings.

Dios' research method uncovered well-structured gold-in-till and mineralized boulder glacial dispersal trains on wholly-owned AU33West (*HÉBERTO*), 33 Carats (*BOHIER*), Le Caron, Shadow and 14 Karats properties. Several gold-bearing outcrops were discovered on AU33West, 33 Carats and Le Caron.

## SUMMARY OF ACTIVITIES DURING THE YEAR

- Mining right payments of \$90,152 to provincial government (\$223,894 in 2012).
- Exploration expenses totalling \$725,816 mainly on 33 Carats, 14 Karats, Shadow and LeCaron properties (\$1,430,759 in 2012). See “**Summary of exploration activities**”.
- AU33 West – HÉBERTO TARGET (*intrusion-related gold type deposit potential*) :
  - Stripping and track-sampling up to some 5 g/t gold over 5.25 m
  - HÉBERTO is located within a shear zone in a silicified tonalite, and is open over several hundred meters in strike
  - Geophysical tests helped define the continuity of selected showings under vegetal cover, including HÉBERTO, to better select drill targets.
  - **Major gold system in association with a cluster of intrusive plugs and north-south faults, possibly a buried *intrusive related-gold*.**
  - Gold mineralization probably remobilized within structures in association with intruding deep plugs
- 33 Carats property – BOHIER TONALITE TARGET (*porphyry gold potential*):
  - **Felsic intrusive (3.5 by 1.5 km low magnetic anomaly within BOHIER TONALITE)** hosting several gold-silver-copper-bismuth porphyry showings up-ice of a gold glacial dispersal train. Typical mineralization in tonalite consists in disseminated pyrite-chalcopyrite (and/or stringers), in association with 1-5% biotite-magnetite and/or quartz stringers.
  - Road accessible from Chibougamau (QC), some 40 km south of Renard diamond deposit and 6 km northwest of the former Eastmain gold mine.
  - Nine drill holes (totalling 1,332 meters) tested some gold targets (where access was possible on solid ground from new provincial road) such as weak to intense magnetic lineaments within low magnetic anomaly. Best intercept was 1.14 g/t Au, 2 g/t Ag & 0,12% Cu over 3,0 m in hole 01. Wide potassic alteration zones (biotite-potassic feldspar) and propylitic (epidote-carbonates) were noted in holes 01 and 03. Hole 07 (111 m long) directly drilled under Shower Cap gold showing shows 3 intercepts grading more than 1,0 g/t Au: 1,3 g/t Au over 1,0 m (100,00-101,00 m), 1,09 g/t Au, 1,2 g/t Ag and 0,13% Cu over 1,5 m (25,25-26,75 m) and 1,38 g/t Au, 1,7 g/t Ag and 0,15% Cu over 0,5 m (19,00-19,50 m). Auriferous intercepts are all associated with zones of biotitized-silicified-sulfurized (cpy-py) tonalite intruded by feldspar-porphyrific intermediate dikes
- 14 Karats property: (prospecting for *auriferous metasediments such as Eleonore gold deposit*)
  - Metric silicified metasediments (wacke) glacial float with disseminated sulfides (2-5% arsenopyrite-pyrite-pyrrhotite) grading 2,6 g/t gold, 0,7 g/t silver, over 1% arsenic and 0,3% tungsten, nearby numerous mineralized (1-10% PY-ASPY-PO) Opinaca metasediments boulders, some reaching up to 6 m x 6 m x 3 m, suggesting a proximal source.
- 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:
  - Final report for drilling (totalling 1,756 m) of alkaline intrusive complex discovered on the Falardeau magnetic anomaly.

## RESULTS OF OPERATION

### Summary of exploration activities

During the year, the Company incurred \$725,816 in exploration expenses (\$1,430,759 in 2012) mainly on the 33 Carats, 14 Karats, Shadow and LeCaron mining properties. Exploration fieldwork of some \$100,000 (\$824,117 in 2012) conducted in June and July 2012 on the AU33 West property was funded by Osisko.

#### Exploration Expenses Analysis

Description	33 Carats	14 Karats	Shadow	Le Caron	Others	Total
	\$	\$	\$	\$	\$	\$
Geology	157 471	23 897	33 274	25 664	66 898	307 204
Sampling and analysis	81 589	42 358	3 230	16 683	7 266	151 126
Transport and lodging	32 264	-	-	-	-	32 264
Office and other	21 290	234	87	-	347	21 958
Drilling and assays	-	-	-	-	-	210 700
	503 314	66 489	36 591	42 347	74 511	725 816

*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](#)

#### **Eastern part of the Eastmain River, James Bay, Québec**

#### **33CARATS gold project (BOHIER TONALITE)**

Helicopter-borne prospecting, geological mapping and soil sampling completed over the last two years by Dios delineated a highly prospective area for gold within a felsic intrusive, located at the head of a gold-in-till dispersal train on wholly-owned 33 CARATS project, along road 167 north of the town of Chibougamau, Quebec, 40 km south of the Renard diamond deposit and 6 km northwest of the Eastmain Mine gold deposit (1.0 million tons grading 15.3 g/t Au (grams of gold per tonne), 15.1 g/t Ag and 0.27% Cu). Dios' BOHIER TONALITE hosts numerous porphyry-type gold-silver-copper-bismuth showings associated with a magnetic low. The head of the gold glacial train points to the low magnetic anomaly within the BOHIER TONALITE (a 3.5 by 1.5 km area). First gold-bearing tonalite outcrops were discovered in summer 2012. The property is cut by the Eastmain River and hosts numerous shallow lakes. It is poorly outcropping, with large areas covered by swamps, muskegs and creeks. Typical mineralization within tonalite consists of

disseminated/stringer pyrite-chalcopyrite associated with 1-5% biotite-magnetite and/or quartz stringers/veinlets.

With recent (2013 Fall) road access, a first drill program was undertaken to locate the source of some mineralized boulder trains and to drill-test some surface showings within the BOHIER TONALITE on dry ground accessible from the road. A total of nine exploratory diamond drill holes totalling 1332 m were completed on the BOHIER TONALITE. The drill program specifically targeted weak to high magnetic lineaments within the magnetic low. Drilling was divided into two parts, with a two km area between the two remaining untested due to lack of access, focusing first on the northern part of the low magnetic anomaly within the BOHIER TONALITE, where 10 metric intervals greater than 100 ppb Au were intersected in three different holes: 13-01, 03 & 04. The best cut returned 1.14 g/t Au, 2 g/t Ag & 0.12% Cu over 3.0 m (210.35-204.35 m) in hole 13-01. Wide zones of potassic (biotite- potassic feldspars) and propylitic (epidote-calcite) alteration were intersected in holes 13-01 & 03. The second part of the drill program targeted the Shower Cap area some two km to the south, located at the southern limit of the low magnetic anomaly. Hole 13-07 was drilled directly underneath the Shower Cap showing to a total depth of 111 m and returned 3 intervals greater than 1.0 g/t Au: 1.38 g/t Au, 1.7 g/t Ag & 0.15% Cu over 0.5 m (19.00-19.50 m), 1.09 g/t Au, 1.2 g/t Ag & 0.13% Cu over 1.5 m (25.25-26.75 m) and 1.3 g/t Au over 1.0 m (100.00-101.00 m).

Best results from the drill program are as follows:

- 1.14 g/t Au; 2.0 g/t Ag; 0.124% Cu; 25 g/t Bi/ 3,0 meters (hole 341-13-01; 201,35-204,35m);:
- 0.322 g/tAu /7.75 m (hole 341-07; 19,00-26,75 m) including 1.375 g/t Au; 1.7 g/t Ag; 0.15% Cu/0.50m (19,00-19,50 m), 1.085 g/t Au; 0.87 g/t Ag; 0.09% Cu/1.50 m (25,25-26,75 m) and 1.295 g/t Au /1.00 meters (100-101m).
- 0.184 g/t Au /11 meters (hole 341-13-04; 91,50-102,50 m) including 0.97 g/t Au/ 1 meter (91,50-92,50 m) and 0.868 g/t Au / 1 meter (101,50-102,50 m).

They are all associated with biotitized-silicified-sulfurized (cpy-py) tonalitic zones adjacent to feldspar-phric intermediate dikes.

Extensive porphyry-type alteration zones were observed within the tonalite. Biotitization (potassic alteration) is particularly well-developed and appears to be coincidental with a 2000 x 250 meter moderate magnetic (vertical gradient) lineament within the non to weakly magnetic tonalite (3500 x 1500-2000 m). The magnetic biotite-alteration consists of 10-30% disseminated (mm-cm) and/or fractured-filling. Potassic-feldspar alteration, hematitization-epidotization, and +/-carbonation (propylitic alteration) zones are also present in the northern portion of the weakly magnetic tonalite.

<http://diosexplo.com/images/2013DDH.gif>

Let us recall the BOHIER TONALITE hosts numerous showings associated with porphyry-type mineralization in outcrops (up to 4.93 g/t Au, 6.8 g/t Ag & 0.477% Cu) and in metric boulders (up to 7.76 g/t Au, 15.7 g/t Ag, 2% Cu and 74 g/t Bi). A two km long area within the heart of the magnetic low could not be drill tested this fall. During the drill campaign, further prospecting & geological mapping was also conducted in the vicinities of the drilling sites.

About 100 m west of Shower Cap, a metric tonalite boulder returned this year 7.63 g/t Au, 16.5 g/t Ag, 0.64% Cu & 72 g/t Bi. Some 500 m west of Shower Cap, another similar mineralized boulder (found in 2012) returned 6.11 g/t Au, 3.7 g/t Ag, 0.35% Cu. Mineralization comprises disseminated traces-1% PY-CPY-MC associated with 2% (mm up to 4 cm wide) quartz veins, hosted within a moderately silicified non-magnetic tonalite. The presence of these boulders indicates that a 500 x 500 m area located north of Shower Cap between drill holes 13-07 & 13-08 remains highly prospective. The whole area is non-outcropping and covered with swamps.

About 100 m south of drill holes 13-01 & 02, a metric boulder returned this year 5.62 g/t Au, 7.3g/t Ag, 1.48% Cu, 4g/t Bi & 94 ppm Mo within a silicified tonalite. The source of this boulder is under a swampy area that was not tested during the 2013 drill campaign because of the field conditions. Another metric boulder located approximately 350 m south graded 7.33 g/t Au, 14.5 g/t Ag, 0.63% Cu & 74 g/t Bi. Mineralization consisting of 5-15% PY-PO and tr-1% CPY-MC occurs within a sheared, strongly biotitized and magnetic zone located at the contact with a fine to medium grained feldspar phyric intermediate intrusive (dyke?). The source of this boulder remains unknown. From 37 new rock samples, best results follow:

**2013 Prospecting Assay Results greater than 100 ppb Au on BOHIER TONALITE**

<i>UTM x (Nad 27 18U)</i>		<i>UTM y (Nad 27 18u)</i>	<i>Rock type</i>	<i>Au (ppm)</i>	<i>Ag (ppm)</i>	<i>Cu (%)</i>	<i>Bi (ppm)</i>
Boulder	692304	5803154	Tonalite	7,63	16,5	0,76	19
Boulder	691689	5805638	Tonalite	5,62	7,3	1,48	4
Boulder	692201	5801910	Tonalite	1,68	10,5	0,73	7
Outcrop	692484	5803170	Tonalite	1,10	0,3	0,01	5
Outcrop	692240	5802126	Tonalite	0,70	0	0,00	6
Outcrop	692698	5802611	Tonalite	0,61	0,6	0,11	2
Outcrop	692698	5802611	Tonalite	0,54	0,6	0,11	5
Outcrop	692698	5802611	Tonalite	0,54	0,4	0,11	0
Outcrop	692698	5802611	Tonalite	0,47	0,9	0,19	2
Outcrop	692698	5802611	Tonalite	0,32	0,2	0,03	2
Outcrop	692709	5802568	Granodiorite	0,25	0,2	0,04	0
Outcrop	692715	5802610	Tonalite	0,22	1,4	0,02	0

SEE MAPS : <http://diosexplo.com/images/Prospection20112013.gif>

<http://diosexplo.com/images/33Carats2014Targets.jpg>

Future drilling top priority-targets include:

- Eastern contact between tonalite and granodiorite marked by a N-S moderate magnetic lineament (gradient) located up-ice of mineralized (5.62; 6.59 and 7.33 g/t Au) tonalite glacial boulders; some weak humus gold anomalies (98,5 percentils) are present.
- Intersection of dioritic breccia (only observed as abundant metric glacial boulders) with E-W magnetic lineament;

- Up-ice area of JD glacial float train (grading up to 3.18 g/t Au) intersecting the same E-W magnetic lineament associated with diorite breccia;
- Western N-S oriented contact between the main magnetic and non-magnetic tonalite; numerous humus copper anomalies (98,5 percentil) are coincidental with the contact; including 131 000 ppb Cu.
- Possible extent of the northern biotite-alteration zone and its intersection with the magnetic tonalite (top priority target, coincident with spectrometric potassic anomaly).

Future work includes completing a grid and geophysical induced-polarization survey on the northern portion of the weakly magnetic tonalite where holes 1 to 6 intersected more intense alterations associated with disseminated sulphides (pyrite-chalcopyrite) and magnetite. Coincidental i.p. (induced polarization) conductors with magnetic lineaments will define priority drill targets. The E-W magnetic lineament associated with dioritic breccia and mineralized tonalitic floats also warrant being test-drilled. Whole rock analysis and geological studies completed this winter indicate the BOHIER TONALITE belongs to the high silica leucotonalite suite (calc-alkaline) associated with a deformation zone, alteration and mineralization. Major and trace elements suggest geochemistry and geology (apart from thorium) similar to that of the Mooshla pluton in Abitibi (which is spatially associated with five gold deposits).

**The length and significant values of the gold glacial train leading to the auriferous BOHIER TONALITE** are comparable to the Au33 West gold glacial dispersal train and another major gold train of the James Bay area, such is suggested from internal and proprietary data from Dios. The geological team at Dios is of the opinion that the source of such a major long gold train with many values above 2 g/t gold and above 1 g/t gold in till (heavy mineral concentrates) suggests a very significant gold source. 2012 Geological and soil geochemical reports were completed during the year ended.

### ***14KARATS gold project***

Dios' **14 KARATS project** covering 273 sq. km near the Patamisk Lake area, some 35-55 km east of the Renard diamond deposit, and 50-75 km NE of the Eastmain gold mine and the BOHIER TONALITE **Gold Porphyry** discovered by Dios (now and recently road accessible).

Dios' regional 2012 & 2011 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-ASPY-PO) Opatica metasedimentary boulders, with several angular floats up to 6 m by 6 m by 3 m, suggesting a local source. The geological context suggests Eleonore-type mineralization.

Dios' 2011-12 geological programs also outlined a 30-40 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 Opinata 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 the gold in till anomalies from Dios, good arsenic in lake sediment anomalies (from 9 ppm A to 32 ppm As) are present. Assessment reports were completed during the year ended.

### Western part of the Eastmain River, James Bay, Québec

#### **AU33 West gold project (HEBERTO target)**

On **AU33 West** project located near James Bay EM-1 hydropower facilities, new gold showings were uncovered during the 2012 summer-fall prospecting program. Future work will test a dome-like magnetic structure near the interesting Heberto showing, a first priority target that returned approximately 5 g/t gold over some 5.25 m and around 1.12 g/t gold over some 4.5 m in a sheared silicified tonalite (type of granite). Furthermore, there is an interesting induced polarization anomaly to be checked in the area near this showing and there are as well good drilling targets near the HEBERTO gold showing: the HEBERTO TARGET is open in strike over at least some hundreds of meters.

Future field work will also target the fold nose area and some diorite granite geological contact, as well as a breccia zone target in contact with a diorite. Known gold showings discovered to date do not explain in all its length the gold glacial dispersal train with several values greater than 1 g/t gold in till, one of the most significant gold glacial dispersal train of the Opinaca area. Several anomalous results of 0.5 to 1.1 g/t gold over 0.75 to 2.25 m were also returned in other trenches in granitic rocks over the large **AU33 West** project. Half planned trenches and stripping have not yet been dug.

Using historical Dios' glacial till data from 2009 and 2010 diamond exploration campaigns, Dios defined a major significant glacial gold dispersal train over a large area covered by granite and granodiorite and cut through by major geological structures and lineaments. Dios discovered metric size angular (proximal) gold-bearing tonalite boulders in 2010. In 2011, Osisko Mining Corporation ("Osisko") funded two exploration, mapping and prospecting campaigns including soil surveys (humus – B horizon) in the central area near the first discovered gold-bearing boulders and discovered several outcropping gold showings in 2011 up to 23 g gold per tonne, and then discovered as well in 2012 at least five other outcropping gold showings, including HEBERTO returning 11,85 g gold per tonne in grab sample and around some 5 g/t gold (grams per tonne) over some 5.25 m and around 1.12 g/t gold over some 4.5 m, composed of 1-3% pyrite, finely disseminated in lightly sericitised foliated tonalite. This mineralized occurrence is associated to a weak 1.4 km long induced polarization anomaly and remains open in all directions. Large stripping and drilling was recommended by the exploration team. Dios was advised last Fall that major cuts and lay-off of Osisko exploration personnel could not allow for the option agreement to be pursued in 2014. This partner funded some \$1.4-1.5 million program in two years.

Mineralization (disseminated, not vein-hosted) and metal associations suggest potential for a low-grade bulk tonnage gold deposit (oxidized intrusion related). The occurrence of concentric structures associated with mineralized brittle structures, the superimposed alteration patterns, the major regional gold in till anomalies, the highly anomalous gold background of the fractured intrusive could suggest that this property might still represent a potential signature for a world-class five million ounces gold deposit, particularly in the central part near **HEBERTO**. Gold tills also suggested another source located more to the east in the fold nose very poorly outcropping area. Certain geochemical features similar to Malartic were also observed. Geological, soil geochemical and I.P. reports were completed during the year ended.



## ***SHADOW SOUTH gold project***

**DIOS delineated significant gold targets following soil geochemical surveying over a poorly outcropping area up-ice of a gold glacial dispersal train of its Shadow South gold project**, in the emerging Opinaca-Eastmain gold area. This project is located just north of Dios' AU33 West.

In June 2012, DIOS commissioned an independent soil (humus) geochemical survey, over a 4 x 1.5 km grid (1 472 samples). 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 percentile of IOS Services Geosciences 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. The geological environment suggests a signature for intrusion-related gold mineralization. Geological and soil geochemical reports were completed during the year ended.

SEE MAP: [Carte Humus Shadow Sud](#)

## ***LECARON gold project***

The **LECARON** project lies within the Archean La Grande Sub-province of the Superior Province and it is just east of the Shadow project. It is bordered to the south by the Nemiscau Sub-province and to the northeast by the Opinaca Sub-province. The **LECARON** project is centered on rocks of the Natel Formation and the Clarkie Formation. The Natel formation consists of mafic to felsic volcanics with intercalations of sedimentary rocks (including graphitic sediments and iron formation). The Clarkie Fm consists of sandstones and a few intercalations of conglomerate.

The **LECARON** claims hosts the Fallara and Conductor gold showings as well as the Lac Caron Ni-Cu-Au showings. The Fallara gold showing that assayed 9.9 g/t Au; 7.7 g/t Au; 0.17 g/t Au and 2.5% As. **The Conductor gold showing discovered in 2010 by DIOS returned assays between 2.9 to 37.3 g/t Au in grab-samples and its track-sampling assayed: 1.3 g/t Au / 2.5m (track A) including 3.44 g/t Au / 1.0m; 2.1 g/t Au/4.5m (track B) including 2.1 g/t Au / 1.5m & 8.1 g/t Au, 22.6 g/t Ag, 0.31% Pb, 0.32% Zn/1.0m; 4.9 g/t Au, 14 g/t Ag, 0.28% Pb, 0.15% Zn/ 1.0m (track C); 9.64 g/t Au/0.7m (track D).** It is composed of centimetric quartz veins with disseminated pyrite-arsenopyrite-sphalerite-galena injected within mafic volcanics. It is adjacent to several first-priority E-W oriented I.P. conductors, adjacent to a major NW fault. This area hosts a 1-2 km par 6-7km (12 tills) glacial dispersal train located up-ice gold showings. The heavy minerals concentrates included 11 till samples (44%) > 0.1 g/t Au including 0.103, 0.132, 0.176, 0.182, 0.208, 0.236, 0.285, 0.666, 0.925, 1.035, 1.160 g/t Au.

SEE MAPS : <http://diosexplo.com/images/DiosLECARONgoldtrain.jpg>

[http://www.diosexplo.com/images/Dios\\_Au33\\_conductor\\_showing2\\_jpg.jpg](http://www.diosexplo.com/images/Dios_Au33_conductor_showing2_jpg.jpg)

IP MAP [http://diosexplo.com/images/2011\\_02\\_10\\_2.jpg](http://diosexplo.com/images/2011_02_10_2.jpg)

## SOLO gold project

Located in the western part of the Opinaca-Eastmain Gold Camp, 350 km north of Matagami, James Bay, QC, the wholly-owned **SOLO** gold project covering 29 sq. km along the Lower Eastmain Greenstone belt, part of the Archean La Grande Sub-province, James Bay, Quebec. It is located about 30 km due west of the Km 381 Relay and of the Matagami-Radisson highway, between the Opinaca and Eastmain Rivers. 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 surimposed 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. A geological compilation report was completed during the year ended.

SEE MAP: [Carte Projet Solo](#)

### Summary of planned exploration programs for 2014

PROJECTS	PLANNED WORK	BUDGET (\$)	FOLLOW-UP WORK
<b>33 CARATS</b>	IP survey, line cutting (7 km grid) and drilling	50,000 300,000	Drilling
<b>AU33 West</b>	Drilling	300,000	Stripping, trenching & Drilling
<b>SHADOW</b>	Prospecting and mapping	100,000	Geophysics (I.P) & Drilling
<b>LECARON-CLARKIE</b>	Prospecting and mapping	502,000	Soils and Geophysics (I.P.)
<b>SOLO-K2</b>	Prospecting and mapping	100,000	Prospecting, Geophysics (I.P) & Drilling
<b>TOTAL DIOS</b>		<b>900,000</b>	

This budget is subject to additional fundraising in 2014.

### Summary of exploration work planned in 2013 and Results

PROJECTS	PLANNED WORK	BUDGET (\$)	RESULTS (\$)
<b>33 CARATS</b>	Trenching, soils and drilling	500,000	503,314
<b>AU33 West (Osisko)</b>	Geophysics (I.P) & Drilling	500,000	100,000 (estimated)
<b>SHADOW</b>	Prospecting, mapping, trenching	315,000	36,591
<b>LECARON</b>	Prospecting and mapping	92,000	42,347
<b>SOLO-K2 and OTHER</b>	Prospecting and mapping	100,000	77,075
<b>14 KARATS James Bay Compilation Work</b>	Compilation & Reconnaissance work	60,000	66,489
<b>TOTAL DIOS</b>		<b>1,159,000</b>	725,816
<b>TOTAL OSISKO</b>		<b>500,000</b>	100,000

Differences are explained as follows

LECARON SHADOW SOLO K2:	Lack of funding and work deferred to 2014.
AU33WEST :	Osisko ended its option in Fall 2013

## OPERATION RESULTS AND SELECTED ANNUAL INFORMATION

Net loss for the year is \$274,831 (\$448,669 for 2012) whereas expenses for the year totalled \$267,080 (\$311,139 for 2012).

	<b>As at December 31, 2013</b>	<b>As at December 31, 2012</b>
	<b>\$</b>	<b>\$</b>
<b>Other Income</b>	7,922	25,442
<b>Net loss</b>	(448,669)	(448,669)
<b>Expenses</b>	267,080	311,139
<b>Net loss per share (basic and diluted)</b>	(0.01)	(0.01)
<b>Total assets</b>	10,319,169	10,428,632

### Other Income

2013 compared to 2012

- In 2013, Other income relates to realized interest on investments. Sharp decrease in 2013 is due to used term deposits in order to provide sufficient funds for exploration activities

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.

## **Net loss and expenses**

### 2013 compared to 2012

- Compensation: Decrease in stock-based compensation in 2013
- Office fees and Professional fees: Spending cut program in 2013

### 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.

## **Total assets**

### 2013 compared to 2012

- Exploration and evaluation assets:
  - Acquisition and claims renewal costs of \$90,152;
  - Explorations expenses of \$725,816;
  - Tax credit of \$316,589 related to exploration expenses;
  - No Write-off in 2013.
- Redemption of investments to finance the exploration and evaluation 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.

## SUMMARY OF QUARTERLY RESULTS

	2013				2012			
(\$ 000 except loss/share)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Income	2	1	1	4	6	6	6	7
Net earnings (Net loss)	(26)	(45)	(86)	(118)	(40)	(123)	(133)	(153)
Net earnings (net loss) per share(basic and diluted)	(0.002)	(0.001)	(0.002)	(0.003)	(0.002)	(0.003)	(0.003)	(0.004)

Variations in quarterly loss can be explained by the following:

- 2013-Q4** Decrease in stock-based compensation
- 2013-Q3** Decrease in banking interests and stock-based compensation.
- 2013-Q2** Decrease in banking interests and stock-based compensation. Spending cut program in 2013 (Office and Publicity and public relation)
- 2013-Q1** Increase of stock-based compensation.
- 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.

## FOURTH QUARTER

Highlights of the fourth quarter of 2013 are as follows :

- Exploration expenses totalling \$324,495 mainly on 33 Carats (\$306,799) and AU33WEST (\$12,650) properties;
- Mining right payments of \$39,485;
- Administration costs of \$39,3661 for the quarter;
- Interest income of \$1,628;
- Flow through financing of \$90,000.

## CASH FLOW SITUATION

Working capital decreased by \$599,959 as at December 31, 2013 going from \$1,232,572 as at December 31, 2012 to \$632,613 as at December 31, 2013. 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 \$316,474 as at December 31, 2013 compared to \$801,078 as at December 31, 2012.

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 of April 11, 2014, the Company considers cash on hand sufficient for known obligations. The 2014 budget is subject to additional fundraising in 2014. As at December 31, 2013, the Company did not have any debt or any financial commitments for the upcoming quarters except to incur \$90,000 in exploration expenses before December 31, 2014.

## FINANCING SOURCES

As at December 31, 2013 :

- 40,070,961 Common Shares were issued.
- 4,220,000 options were granted and a total of 3,921,500 can be exercised at prices ranging between \$0.15 to \$0.34 between 2014 and 2017. Each option can be exchanged by its holder thereof for one Common Share of the Company.

Variations in share capital as at April 11, 2014 are as follows:

<b>Description</b>	<b>Number of shares</b>	<b>Amount \$</b>
As at December 31, 2012	39,170,961	17,730,898
Private Placement	900,000	45,000
<b>As at December 31, 2013 and April 11, 2014</b>	<b>40,070,961</b>	<b>17,775,898</b>

On October 3, 2013, the Company completed a flow through private placement without a broker. An amount of \$90,000 was subscribed consisting of 900,000 flow-through shares recorded at a price of \$0.10 per share. An amount of \$45,000 related to share capital and \$45,000 related to “Other liabilities” were recorded.

## Options

Variations in outstanding options as at April 11, 2014 are the following:

	<b>Number</b>	<b>Weighted average exercise price (\$)</b>
<b>As at December 31, 2012</b>	<b>4,790,000</b>	<b>0.24</b>
Expired	(570,000)	0.31
<b>As at December 31, 2013 and April 11, 2014</b>	<b>4,220,000</b>	<b>0.23</b>

Options granted and exercisable as at April 11, 2014:

<b>Expiry date</b>	<b>Number of options</b>	<b>Exercisable</b>	<b>Exercise price (\$)</b>
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	965,500	0.235
December 12, 2017	995,000	696,500	0.15
	<b>4,220,000</b>	<b>3,921,500</b>	<b>0.23</b>

An amount of \$114,251 of employee remuneration expense (all of which related to equity-settled share-based payment transactions) were included in profit or loss for the reporting period ended December 31, 2013 (\$207,187 for the reporting period ended December 31, 2012) and credited to Contributed surplus.

### ***Warrants***

Variation in outstanding warrants as at April 11, 2014 is the following:

	<b>Number</b>	<b>Weighted average exercise price</b>
As at December 31, 2012	428,550	0.63
Expired	(428,550)	0.63
<b>As at December 31, 2013 and April 11, 2014</b>	<b>428,550</b>	<b>0.63</b>

In respect with the private placement dated September 7, 2011, the Company issued 428,550 warrants. Each warrant entitled 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.

### **ACCOUNTING POLICIES**

The 2013 financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board as described in note 4 of 2013 financial statements.

A certain number of new and modified accounting computation presentations is applied in these financial statements covering the financial year since January 1, 2013, as presented in information herunder:

### *Adoption of Amendments to IAS 1 Presentation of other elements from global result*

The Company adopted *Presentation of other elements from global result* (amendments to IAS 1). Amendments to IAS 1 require regrouping of elements presented in *other elements from global result* in those that, in conformity with other IFRS, will not be later on classified as net result and in those that will later on be classified as net result, in particular conditions. The choice remains as is to present *other elements from global result* either before, or after tax; however, if presented before tax, amendments to IAS 1 require to present separately taxes relating to each of the two groups of *other elements from global result*. Amendments were adopted retroactively; these amendments did not incur any effects on *other elements from global result*.

### *IFRS 13, Fair value valuation*

IFRS 13 clarifies definition of fair value and provides related directives and more specific informations on fair value valuation. It has no effect on elements to be presented at fair value.

IFRS 13 is extended to and applies to financial and non financial elements for which other IFRS require or permit fair market valuations or to informations to be provided for fair market valuations, except in certain circumstances. IFRS 13 is to be applied forward for not ended periods starting January 1, 2013. Information requirements do not apply to comparative informations for first period of implementation.

## **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.

### *Significant management judgment*

Significant management judgments to be made while implementing accounting methods that are the most significant for the Company are discussed hereafter:

#### 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 exit 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.



## Operating continuity

Determining whether to continue operating requires management's judgment to be able to raise or find sufficient funds for operating expenses and planned exploration programs, among others, to fulfill requirements for the coming period; such judgments are based on past expertise and other factors, including evaluation of probable future events that could be deemed reasonable in said circumstances.;

## *Estimation uncertainty*

### Impairment of exploration and evaluation assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

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

There was no write-off of exploration and evaluation asset recognized in profit or loss amounts for the year ended December 31, 2013 (\$24,368 for the year ended December 31, 2012). No reversal of impairment losses has been recognized for the reporting periods.

For Hotish, Pontax, Shipshaw and AU33 West properties, 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.

### 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.

## Future tax credits

Calculation of refundable tax credits and refundable mining rights for eligible exploration expenses incurred require estimates and judgments for certain items for which 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. Discrepancies could occur with final results and refundable tax credits and refundable mining rights could have to be amended for deferred exploration costs in future periods.

## *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, M.Sc. Geo President    *(Signed)* René Lacroix CPA, CA Chief Financial Officer

Montreal, April 11, 2014