

DIOS EXPLORATION INC.
STATEMENT OF LOSS AND DEFICIT (unaudited)

	Three-months period ended March 31st	
	2005	2004
	\$	\$
INCOME		
Management fees	22,504	-
Interest and others	6,448	2,455
	<u>28,952</u>	<u>2,455</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Public relations	28,691	14,414
Professional fees and consulting	2,896	15,234
Shareholders information	3,050	4,016
Registration fees	1,524	2,902
Office expenses	242	1,483
Insurance, taxes and permits	9,691	605
Interest and bank charges	140	114
	<u>46,234</u>	<u>38,768</u>
NET LOSS BEFORE INCOME TAXES	(17,282)	(36,313)
Future income taxes	(12,658)	(20,054)
NET LOSS	(4,624)	(16,259)
DEFICIT AT BEGINNING	(1,555,843)	(964,093)
SHARE ISSUANCE EXPENSES	(9,359)	(74,833)
DEFICIT AT THE END	(1,569,826)	(1,055,185)
NET LOSS PER SHARE	\$ (0.0003)	\$ (0.002)

DIOS EXPLORATION INC.
BALANCE SHEETS

	March 31st, 2005	December 31 st , 2004
	(unaudited)	(audited)
	\$	\$
ASSETS		
CURRENT ASSETS		
Term deposits	687,873	904,244
Accounts receivable	832,007	831,168
	<u>1,519,880</u>	<u>1,735,412</u>
FIXED ASSETS	34,200	36,000
FUNDS HELD FOR EXPLORATION EXPENSES	118,781	252,000
MINING PROPERTIES	937,904	937,950
DEFERRED EXPLORATION EXPENSES	2,088,841	1,955,622
	<u>4,699,606</u>	<u>4,916,984</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft	158,065	30,848
Accounts payable and accrued liabilities	245,817	570,515
	<u>403,882</u>	<u>601,363</u>
FUTURE INCOME TAXES	427,911	433,825
	<u>831,793</u>	<u>1,035,188</u>
SHAREHOLDER' EQUITY		
Share capital	5,198,764	5,198,764
Contributed surplus	238,875	238,875
Deficit	(1,569,826)	(1,555,843)
	<u>3,867,813</u>	<u>3,881,796</u>
	<u>4,699,606</u>	<u>4,916,984</u>

DIOS EXPLORATION INC.
STATEMENT OF CASH FLOWS (unaudited)

	Three-months period ended March 31st	
	2005	2004
	\$	\$
OPERATING ACTIVITIES		
Net loss	(4,624)	(16,259)
Future income taxes	(12,658)	(20,054)
Change in non-cash working capital items	(109,166)	61,244
	<u>(126,448)</u>	<u>24,931</u>
FINANCING ACTIVITIES		
Share issuance expenses	(2,615)	(654)
INVESTMENT ACTIVITIES		
Deferred exploration expenses	(131,419)	(81,007)
Funds held for exploration expenses	133,219	81,007
Mining properties	46	(68,349)
	<u>1,846</u>	<u>(68,349)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(127,217)	(44,072)
CASH AND CASH EQUIVALENTS, BEGINNING	(30,848)	165,155
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>(158,065)</u>	<u>121,083</u>

Non-cash transactions

During the quarter, an amortization expense of \$ 1,800 was capitalized in the deferred exploration expenses.

DIOS EXPLORATION INC.
NOTES TO THE INTERIM FINANCIAL STATEMENTS (unaudited)

1. Nature of activities

The company was incorporated under the Canada Business Corporations Act to purchase, explore, develop, and eventually operate mining properties.

2. Accounting policies

The unaudited interim financial statements must be read in conjunction with the financial statements for the year ended December 31st, 2004. They have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies as outlined in Note 2 of the financial statements for the year ended December 31st, 2004.

3. Accounts receivable

	<u>As at March 31st, 2005</u>	<u>As at December 31st, 2004</u>
	\$	\$
Sales tax receivable	119,611	96,386
Receivable from a mining company	247,540	157,139
Advance to a related party	1,313	108,719
Government grant	462,924	462,924
Other receivable	619	6,000
	<u>832,007</u>	<u>831,168</u>

4. Fixed assets

	<u>As at March 31st, 2005</u>			<u>As at December 2004</u>
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Drill	40,000	5,800	34,200	36,000

5. Deferred exploration expenses

<u>Properties</u>	<u>As at December 31st, 2004</u>	<u>Additions</u>	<u>As at March 31st, 2005</u>
	\$	\$	\$
Hotish	1,265,725	29,058	1,294,783
33-carats	128,417	-	128,417
Otish extension	127,216	85,244	212,460
Chibouki	154,683	12,341	167,024
Schofield	123,769	-	123,769
Artaud	92,241	-	92,241
Minti	49,629	5,564	55,193
Others	13,942	1,012	14,954
	<u>1,955,622</u>	<u>133,219</u>	<u>2,088,841</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (unaudited)

6. Share-capital

Authorized

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

	Aa at March 31st, 2005 (unaudited)	As at December 31 st , 2004 (audited)
Issued		
13,476,107 common shares	\$ 5,198,764	\$ 5,198,764

No change in share-capital during the quarter.

Options

Options granted and exercisable as at March 31st, 2005

Beneficiaries	Number of options	Price (\$)	Expiry date
Officers and directors	420,000	0.30	January 10 th , 2007
Officers and directors	325,000	0.36	February 6 th , 2008
Officers and directors	640,000	0.37	September 7 th , 2009

The fair value of these options was estimated using the Black Scholes stock option evaluation model with the following assumptions: estimated weighted average duration of five years for these options, risk free interest rate of 3.5%, forecast volatility of 57 % and no forecast dividend

Warrants

Variations in outstanding warrants since beginning of year is as follow:

Date	Number of warrants	Average exercise price \$
As at December 31 st , 2004	2,368,476	0.61
Issued	-	-
Exercised	-	-
Expired	(386,664)	0.65
As at March 31 st , 2005	1,981,812	0.63

Warrants characteristics as at March 31st, 2005 are the following:

Number	Exercise price	Expiry date
66,000	0.70 \$	June 2005
400,000	0.65 \$	July 2005
478,723	0.55 \$ - 0.65 \$	May 2006
430,850	0.55 \$ - 0.65 \$	July 2006
606,239	0.65 \$ - 0.70 \$	December 2006
<u>1,981,812</u>		

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (unaudited)

7. Subsequent events

On April 12 2005, the company signed an agreement with Vaaldiam permitting the acquisition of a 51% ownership in the Hotish property. Vaaldiam must incur \$ 2,000,000 in exploration expenses and issue 100,000 common shares on a three year period as follow:

- 25,000 common shares on agreement;
- at the end of year one : 25,000 common shares and \$ 300,000 in exploration expenses;
- at the end of year two : 50,000 common shares and \$ 700,000 in exploration expenses; and
- at the end of year three : \$ 1,000,000 in exploration expenses.