



DIOS
EXPLORATION

+Alex B. O'Connell
+2010



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EXPLORATION

**DIOS EXPLORATION INC.
INTERIM MANAGEMENT REPORT
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010**

This Management Discussion and Analysis dated November 12, 2010, and provides an analysis of our interim financial statements as at September 30, 2010. This discussion and analysis of the financial position and results of operation should be read in conjunction with the unaudited interim financial statements for the nine-month period ended September 30, 2010 and the audited financial statements for the year ended December 31, 2009 and 2008. The unaudited interim financial statements for the period ended September 30, 2010 were not reviewed by the external auditors.

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.

COMPANY PROFILE AND MISSION

Dios Exploration Inc. (the “Company” or “Dios”) is a leading research and exploration company with over 2,690 sq. kilometres of properties (5,280 mining cells) in the high potential Opinaca and Otish districts, James Bay, in central Québec, Canada. Dios looks for uranium, gold and niobium-tantalum-rare earths (in demand strategic metals) and lithium while still pursuing its diamond exploration strategy. Dios’ systematic strategy can lead to the discovery of other commodities, which could be explored with a partner. Dios’ strategy is to generate projects and develop them either alone or through farming out agreements, with the benefit of shareholders in mind.

Dios generates most of its exploration projects, from scientific conceptual design to field discovery and tries to evaluate from the start feasible economics in relation with access and facilities. The Company’s shares are traded on the TSX Venture Exchange under the symbol **DOS** and 34,333,839 shares were issued as of September 30, 2010. Additional information may be available through the www.sedar.com web site, under the Company’s section “Sedar filing” or at www.Diosexplo.com.

SUMMARY OF ACTIVITIES DURING THE QUARTER AND SUBSEQUENT EVENTS

- Exploration expenses totalling \$443,356 and mining right acquisition and renewal totalling \$16,308. See the item “**Summary of exploration activities**” below.
- Shipshaw property:
 - Dios to drill this fall;
 - Option agreement to purchase a balance of 25% the Company did not have.
- U33 property
 - Discovery a new gold showing (the “Conductor” showing) up to 37 g/t & 24 g/t gold & 54 & 53.6 g/t silver by grab sampling and up to 8.1 g/t gold over one meter from diamond saw channelling;
 - Discovery of in-situ gold bearing Tonalite and boulders near the gold dispersal train; and
 - Option agreement to purchase the Lac Caron property located near the U33 property.

RESULTS OF OPERATION

Summary of exploration activities

The Company’s team works with a systematic approach and is always looking for new developments in mineral exploration.

Discovery of new glacial dispersal trains indicating strong mineral potential of poorly explored regions remains one of the Company’s strength. Dios research method uncovered a well-structured gold glacial dispersal train on its new property U33. Further research on diamond property Pontax led to the discovery of lithium while drilling an old survey magnetic anomaly led to the discovery of a new carbonatite complex on the Shipshaw property, near Chicoutimi. Dios, as for its pre-existent privileged stand in possession of claims and the expertise of its employees, diversified its exploration strategy on diamond, uranium and gold, three substances highly requested in the natural resources industry.

Following a review of the mineral properties, the Company decided during the second quarter to write down 50% of the Chibouki property (\$47,345 for the property and \$428,085 for deferred exploration expenses) and 100% of the Lac Chabran property (\$13,685 for the property and \$14,304 for deferred exploration expenses).

In the interim financial statements, in the third quarter, a tax credit amounting to \$179,484 has been applied against the deferred exploration expenses.

During the third quarter, the Company incurred \$443,356 in exploration expenses mainly on the 33 Carats and U33 mining properties.

Exploration Expenses Analysis

Description	U33	33 Carats	Others	Total
	\$	\$	\$	\$
Geology	95 353	32 721	2 687	130 761
Geophysics	-	-	-	-
Sampling and analysis	95 037	-	-	95 037
Transportation, lodging and logistics	106 188	93 353	4 315	203 856
Office and other	5 170	2 714	64	7 948
Drilling and assays	5 245	-	509	5 754
	306 993	128 788	7 575	443 356

Acquisitions, disposals, write-off and claims renewal analysis

Properties	Acquisitions	Claims renewal	Write-off	Total
	\$	\$		\$
U33	(2,332)	-	-	(2,332)
33 Carats	-	6,276	-	6,276
Upinor	3,720	-	-	3,720
Hotish	-	4,528	-	4,528
Pam	3,960	-	-	3,960
Chibouki	-	156	-	156
	5,348	10,960	-	16,308

These amounts represent either staking acquisition costs or claims renewal costs for the third quarter ended September 30, 2010. The Company always favoured the acquisition of mining properties by map staking.

Following very encouraging research results obtained, Dios staked during the first semester a new wholly owned diamond-gold exploration project named U33, covering more than 500 square kilometres, located in the north-east of the Pontax (diamond and lithium) property.

Following research results obtained, Dios has largely increased, since the beginning of the year, its land holdings in the vicinities of the Renard diamond project of Stornoway Diamond Corporation.

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

Shipsaw property (Niobium, Tantalum & REE), Saguenay, Qc

Dios discovered the *Shipshaw Carbonatite Complex* (the “Complex”), near Chicoutimi, Quebec, with niobium, tantalum and rare earth potential as well as strontium, barytine and carbonate potential. The discovery was made by drill testing a magnetic anomaly targeting a carbonatite intrusive for strategic metals (niobium, tantalum) and rare earths, located seven kilometres away from the 30 years old operating Niobec niobium mine and ferro-niobium milling facilities owned by IAMGOLD. Niobium is used in the making of specific alloys used in the aerospace industry, for instance. The Dios Shipshaw property itself is road accessible and located near various facilities. Dios previously acquired 75 % of the project and just signed an option to acquire the remaining 25% interest. Some 15 to 20 drill holes (3,400 m) are planned this fall in order to better assess the niobium (and rare earths) potential of the carbonatite complex.

The Complex is related to the Saguenay Rift Zone and a fault zone related to the Shipshaw River, discovered through testing an ancient topographic parallel bedrock low. The rift zones are favourable locations for development of deep-rooted alkaline (magmatic) volcanoes such as kimberlites (diamond), ultramafic lamprophyres, and carbonatites (niobium, tantalum, rare earths) that use the same structures to ascend up to surface.

To this date, work by Dios confirms the discovery of a Twin-system to the Niobec one, with a signature showing numerous similarities. Dios exploration work is about at the same stage that it was at Niobec, a few months after discovery of the rare-earth zone. The applied geological model is the one associated with the sheeted dykes, i.e. various alternating complex layers. Historical data showed that Niobec discovery was initially made from its (rare-earth carbonatite) core system, and later with the following drilling outlining the outer surrounding economic niobium zones.

On the map (scale = 5 X 8 km) <http://diosexplo.com/images/g.jpg>, the rather circular low magnetic signature in blue corresponds to Complex.

James Bay Area Properties (Paix des Braves region)

U33 property (Diamond-gold), Eastmain 1 Area, Lower Eastmain river region, Qc

In 2009, **DIOS** initiated a grass root reconnaissance airborne glacial sand sampling program of 88 samples for kimberlite indicator and heavy minerals, following which some 1,400 claims were staked as map designated cells during the next winter in 2010. In late spring 2010, 167 more till samples were taken and significant results again obtained confirming the occurrence of a major gold glacial dispersal train, indicating a different source than the Gold Conductor showing later discovered this summer. But other areas also returned very significant values such as 6 and 10 grams per ton gold in glacial till (heavy minerals concentrates) and are thus being followed up this fall.

Dios map-staked major NW-oriented structures highly prospective for diamond as well as the Fallara gold showing (9,9 g/t Au; 7,7 g/t Au and 2,5% As (MRNFQ 2000); all associated with disseminated pyrite within silicified intermediate volcanics located within 13 km from the Clearwater gold deposit (1,09 Mt @ 9,46 g/t Au). The gold showing is located within 12 km from the contact between the LaGrande-Opinaca Sub-provinces. Golcorp Eleonore gold deposit is also located 50 km northwest further along this favourable contact (3,15 M ounces of gold in measured and indicated resources with an average grade of 11,92 g/t Au; and 6,25 M ounces of gold in inferred resources with an average grade of 12,93 g/t Au).

Diamond exploration

The target area consists of two favourable kimberlite indicator mineral trains that include G11 garnet, kosmochlor diopside and fosterites olivines. The indicators are centered within a 7 x 7 kilometer area stopping just down-ice of a regional northwest striking diabase dyke (a large deep intra-continental structure belonging to the Mistassini diabase cluster and similar to the large structures associated with the Renard diamond deposit). Numerous north-northwest, northwest and north-south topographic lineaments are visible in the area.

Dios carried out follow-up work on the results of its detailed airborne geophysical survey (8,300 km-lines, 100 m tight spacing) on its diamond-gold U33 project. The survey shows abundance of favourable NNW, N-S and NNE magnetic lineaments, and some oriented E-W in its eastern part. Several regional diabase-gabbro dykes are also well outlined by geophysics.

Independent data processing outlined 114 geophysical targets for diamondiferous kimberlite. So far, 87 of these targets have been checked by surface prospecting for outcrops and/or glacial floats. Twenty-four (24) of the prospected anomalies were explained by magnetic granite outcrops. So 63 remain as potential drill targets. Last year program yielded kimberlite indicator minerals as such as kosmochlor diopside, fosterite olivine and G11 pyrope garnet.

Gold exploration

Field check of geophysical targets in the vicinities of a major regional structure led to the discovery of the Conductor gold showing on U33 eastern block, located about 1 km south of the Fallara gold showing. Let us recall that outcrop grab sampling of the Conductor showing had returned:

- 37.3 g/t gold , 16.8 g/t silver;
- 24.0 g/t gold, 29.6 g/t silver;
- 16.0 g/t gold, 3.9 g/t silver, 0.18% zinc;
- 14.2 g/t gold, 54.0 g/t silver, 1.75% lead, 1.06% zinc;
- 6.0 g/t gold, 3.9 g/t silver;
- 5.0 g/t gold, 4.5 g/t silver;
- 4.5 g/t gold, 1.4 g/t silver;
- 4.2 g/t gold, 53.6 g/t silver, 0.82% lead, 0.75% zinc;
- 2.9 g/t gold, 15.8 g/t silver, 0.56% lead, 0.11% zinc.

Diamond saw channel sampling of DIOS' Gold Conductor showing returned from east to west:

- 9.64 g/t gold / 0.7 m (grams per ton over meter length) (eastern track)
- 4.9 g/t gold, 14 g/t silver, 0.28% lead, 0.15% zinc / 1 m
- 8.1 g/t gold, 22.6 g/t silver, 0.31% lead, 0.32% zinc / 1 m & 2.1 g/t gold / 1.5 m totalling 2.1 g/t gold / 4.5 m;
- 3.44 g/t gold / 1 m totalling 1.3 g/t gold / 2.5 m (western track);

See result map at:

<http://diosexplo.com/pdfs/carteU33.pdf>

To date, the exposed Conductor gold showing extended is outcropping over twenty meters long and it remains open laterally. It consists of a 4-5 meters wide corridor with two series of centimetric quartz veins containing traces to 2% pyrite-arsenopyrite-(chalcopyrite-galena) in chloritized-carbonatized-silicified

metavolcanics (basalts) that may contain 1-2% disseminated sulfides (pyrite-pyrrhotite-arsenopyrite-galena-sphalerite). It is east-west striking dipping 65 degrees to the north. An airborne EM (electromagnetic) conductor is located within a topographic low (at the contact between dacitic and basaltic volcanics) within 250 meters west/southwest of the Conductor showing. Down-ice till results showed anomalous gold contents in the heavy minerals concentrates: 0,666 g/t Au; 0,925 g/t Au and 1,035 g/t Au.

This fall, work was also carried out in the vicinities of the Conductor gold showing in the eastern block of the U33 project. A 40 km-lines grid was cut and an induced polarization survey completed. Geological mapping and prospecting of the grid was also done and 210 rock samples were shipped to Val D'Or ALS-Chemex laboratory (assays still pending).

The western block of the U33 project hosts a well-structured 3 to 5 by 15 kilometer gold glacial dispersal train from which heavy minerals concentrates from 47 till samples averaged 0.48 grams per ton gold. The till gold train yielded:

- 16 samples (34%) over 0.5 g/t gold;
- 11 samples (23%) over 0.75 g/t gold; and
- 7 samples (15%) over 1.0 g/t gold (1.085, 1.13, 1.255, 1.39, 1.60, 1.75, 2.09 g/t gold)

This fall, field follow-up work on this major gold train confirmed the presence of in-situ porphyry-gold type mineralization within the tonalite outcrops within 5 km from the access road. In 2010, a reconnaissance prospecting program outlined four tonalite blocks (40-100 cm in diameter) with 1 to 5% disseminated pyrite respectively assayed 2.3 g/t Au, 6,6 g/t Ag; 2.3 g/t Au, 1,6 g/t Ag; Au, 0.84 g/t Au, 1,5 g/t Ag; and 0.74 g/t Au. About 400-500 m north of these auriferous floats, an hematitized tonalite (injected by cm quartz veinlets with traces of pyrite) outcrop returned 2.2 g/t Au, therefore confirming possible proximal sources. But, multiple sources are considered in reason of the presence of 9 gold anomalous till samples (0.4 to 2.09 g/t Au) located **up-ice of the auriferous tonalite outcrop**. This fall, 46 additional till samples were collected (including 16 along the main gold train). All the area is dominated by tonalite rock outcrops. The tonalite is generally medium to coarse-grained and contains 15-25% mm quartz phenocrysts and 5% mm k-feldspar phenocrysts. Diagnostics magnetic data show a well-developed set of NNW-NS lineaments that cross-cut the tonalite in this target-area.

Reconnaissance traverses have also outlined a plurimetric-wide east-west sheared zone at the contact between the tonalite pluton and the mafic metavolcanics, located about 5 km northeast of the auriferous tonalite outcrop. The volcanics are altered in chlorite-actinolite-biotite-garnet with traces to 3% sulfides (pyrite-pyrrhotite-chalcopyrite-molybdenite-arsenopyrite?). They are also injected by two generations of veins : 1-metasomatic chlorite-epidote-potassic feldspar cm-dm veins; 2-late tension tourmaline-quartz & tourmaline mm-cm veins. The tonalite is variably altered with quartz and tourmaline (locally up to 15%) and is injected with 3-5% tourmaline-quartz-feldspar stockwork or veinlets. A gold porphyry target is now considered for this area, especially as such a mineralization type is known elsewhere in the Eastmain-1 region. Another small (7 x 2 km) tonalite plug in contact with mafic volcanics is also located further up-ice, just at the head of the gold till train. This year early snow has stopped further investigation of this very promising sector.

33 Carats diamond (gold) property, Upper Eastmain River area, Qc

Following very encouraging research results obtained by Dios, **the company** largely increased its land holdings in the vicinities of Stornoway-SOQUEM **RENARD** diamond project, Otish region, Quebec. Dios applied for about 350 additional claims (cdc) covering 180 square kilometres after extensive kimberlite targeting compilation work over the last few years. Three main claim blocks were acquired, three being located 10 to 20 km away from the Renard-Lynx cluster. The 33 CARATS diamond project currently comprises 920 claims (410 sq. kilometres) and Dios delineated 96 priority kimberlite targets for further testing.

Targeting was based on magnetic/electromagnetic data analysis, target location related to a known kimberlite indicator mineral train, quality of the chemistry of associated indicators, the presence of favourable structures and its proximity to the Renard-Lynx diamond-bearing kimberlite cluster.

The most recent (22th march, 2010) preliminary assessment of the Renard Diamond Project was updated to 42.6 MT @ 70 cpht (for 30 million carats) for a 25 years mine life. Its Pre-tax Net Present Value (NPV) is now estimated at C\$885 million. The total capital cost of the Renard project is estimated at C\$511 million.

RENARD seems to be the most promising and advanced diamond development project in Quebec. Dios **has the largest diamond potential and kimberlite target land position in the vicinities and still remains the most active grass root diamond explorer in Québec.**

Hotish (uranium) property, Otish Mountains area, Upper Eastmain River region, Qc

Detailed structural interpretation and lineament studies were undertaken over the whole Hotish property located at the western shallow edge of the Otish Proterozoic sedimentary Basin, adjacent to CAMECO uranium Quebec property, in order to locate other such structures as the Butte zone, as well as on the GODZILA showing. Detailed time-domain electro-magnetic testing was also completed on Butte and GODZILA, as well as detailed magnetics.

Summary of planned exploration programs for 2010

Compared to projections made in our annual 2009 management report, we revised the annual budget in 2010 without varying the amount already provided. The main changes are as follows:

- Additional drilling on the Shipshaw property (increase of \$400,000);
- Drilling on the Pontax property postponed to 2011 (decrease of \$300,000); and
- Works cost less than anticipated on 33 Carats property (\$90,000) and reduction of the budget on other properties (\$10,000).

PROJECTS	PLANNED WORK	BUDGET \$	FOLLOWING WORKS
HOTISH	Geological and geophysical compilation, structural interpretation	300,000	Drilling

	and ground prospecting		
SHIPSHAW	Geophysic and driling	725,000	Drilling
PONTAX	Geological compilation	25,000	Prospecting and compilation
U33	Airborne geophysics, prospecting and mapping	352,000	Additional prospecting and drilling
33 CARATS	Geological compilation and till sampling	150,000	Additional prospecting and drilling
UPINOR	Geological compilation and geochemistry	67,000	Additional prospecting and geophysics
OTHERS	Geological and geophysical compilation	87,000	Additional prospecting and geophysics
TOTAL 2010		1,706,000	

MINING PROPERTIES ACCOUNTING VALUES

At the end of each quarter, exploration work done on mining properties is reviewed to evaluate their potential. Following this analysis, write-offs are done if needed. During the second quarter, the Company decided to write-off the cost of the Chibouki Property and its deferred exploration expenses (50%) and the Lac Chabran Property and its deferred exploration expenses (100%).

SUMMARY OF FINANCIAL ACTIVITIES

Net loss for the quarter is \$79,918 (net loss of \$497,418 for the third quarter 2009) whereas administration fees for the quarter totalled \$100,685 (\$73,454 for the third quarter 2009). Significant decrease in losses from one year to another are explained by the radiation of mineral properties and deferred exploration expenses in 2009.

Net loss for the nine-month period is \$912,999 (net loss of \$680,077 for the nine-month period ended September 30, 2009) whereas administration fees for the nine-month period totalled \$405,344 (\$281,405 for the nine-month period ended September 30, 2009). The write-off of mineral properties and deferred exploration expenses were higher in 2010.

Interest income for the quarter decreased to \$16,245 (\$50,850 for the nine-month period ended September 30, 2010) from \$24,826 for the same period last year (\$68,250 for the nine-month period ended September 30, 2009) due to less cash being invested and lower interest rates paid by banks.

Analysis of Administrative expenses

Description	Quarter ended September 30		Nine-month period ended September 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
Stock based compensation	49 980	42 630	137 200	115 060
Salaries-management and directors	19 292	11 016	57 553	41 643
Professional fees	10 540	8 447	62 560	62 534
Publicity and public relations	11 601	5 190	83 610	15 604
Office	5 591	3 694	21 573	9 087

Registration fees	981	1 420	8 907	8 194
Shareholders information	510	894	18 435	17 455
Insurances, taxes and permits	1 962	-	14 889	11 224
Banking fees and interests	228	163	617	604
	100 685	73 454	405 344	281 405

During the three-month period and nine-month period ended September 30, 2010, one notes mainly:

- Increase of Stock based compensation: New options granted during the first quarter, therefore a number of options exercisable higher in 2010 compared to 2009.
- The Company paid director salaries for nine months in 2010 (six months in 2009). In the third quarter of 2009, a portion of wages to certain directors have been charged to exploration expense.
- Increase in promotion expenses:
 - New investor relations contract dated February 10, 2010 (term completed during the second quarter);
 - Participation in the Vancouver Mining show in January 2010 and June 2010, PDAC in March 2010, the Salon du monde mineral 2010 (UQAC) in March 2010 and The New-York Mining World Investments in April 2010;
 - Investors meeting in June at the Richmond Club in Toronto;
 - Asian tour in July organized by Investissement Quebec; and
 - Financial contribution (\$15,000) to a communication lobby for mineral exploration in Quebec.
- Increase the tasks of an assistant to the President for the day to day management (for the nine-month period ended September 30, 2010).
- From 2010, the Company calculates the insurance paid in advance each quarter. Also in the second quarter, the Company has paid an amount of arrears to the CSST.

SUMMARY OF QUARTERLY RESULTS

(\$ 000 except loss/share)	2010			2009				2008
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Income	16	(494)	14	21	(406)	30	28	224
Net loss	79	650	183	(21)	(497)	(93)	(90)	(105)
Net loss per share(basic and diluted)	0.002	0.019	0.005	0.001	0.014	0.002	0.003	0.003

Variations in quarterly loss can be explained by the following:

- 2010-Q3** No significant fact.
- 2010-Q2** Write-off of a mining property and related deferred exploration expenses for \$503,419.
- 2010-Q1** Grant of 980,000 options in March 2010. Renewal of an investors relation contract in February 2010.
- 2009-Q4** Future income tax expense adjustment (Future income tax income of \$17,886) following the accounting of tax credits.
- 2009-Q3** Write-off of a mining property and related deferred exploration expenses for \$431,192.
- 2009-Q2** New Director fees policy in force during the quarter. Grant of 980,000 options in May 2009.

- 2009-Q1** End of the Public relation and Communications contract in January. Decrease in the number of options exercisable in 2009 resulting in a reduction of the stock compensation charge.
- 2008-Q4** Income tax liability following the accounting of tax credits. Write-off of a mining property and related deferred exploration expenses for \$226,794.

CASH FLOW SITUATION

The working capital increased by \$266,155 during the third quarter going from \$2,179,532 as at June 30, 2010, to \$2,445,687 as at September 30, 2010. The increase is mainly due to the reallocation from long term investments to short term investments.

The cash and investments (free cash flow) amounted to \$2,523,035 as at September 30, 2010 compared to \$2,684,457 as at June 30, 2010.

The Company is considered to be in the exploration stage, thus it is dependent on obtaining regular financing in order to continue exploration. Despite previous success in acquiring sufficient financing, there is no guarantee of obtaining any future financing. **Moreover, the current climate of uncertainty requires larger efforts than before to obtain funds from investors.**

The Company considers the cash on hand sufficient for the known obligations. As at September 30, 2010, the Company did not have any debt or any financial commitments in the upcoming quarters.

As at September 30, 2010 :

- 34,333,839 common shares were issued.
- 4,710,000 options were granted and a total of 3,975,000 can be exercised at prices between \$0.15 to \$0.75 between 2011 and 2015. Each option can be exchanged by its holder thereof for one common share of the Company.

Variation in share capital as at November 12, 2010 is the following:

Description	Number of shares	Amount \$
As at December 31, 2009	34,333,839	16,146,451
As at September 30 and November 12, 2010	34,333,839	16,146,451

Options

Variation in outstanding options as at November 12, 2010 is the following:

Date	Number of options	Average exercise price \$
As at December 31, 2009	3,730,000	0.41
Granted	980,000	0.34
As at September 30 and November 12, 2010	4,710,000	0.40

On March 22, 2010, the Company granted a total of 980,000 stock options that may be exercised over a period of five years, at an exercise price of \$0.34 and having a fair value of \$0.26. These options have been granted to employees, directors and officers. The fair value of these options was estimated using the Black Scholes stock option evaluation model with the following assumptions: estimated average duration of 5 years for these options, risk free interest rate of 1.5%, forecast volatility of 101% and no forecast dividend.

Options granted and exercisable as at November 12, 2010:

Expiry date	Number of options	Exercisable	Price (\$)
April 7, 2011	270,000	270,000	0.33
January 29, 2012	450,000	450,000	0.50
March 8, 2012	1,000,000	1,000,000	0.75
October 29, 2012	50,000	50,000	0.38
February 12, 2013	980,000	980,000	0.31
May 19, 2014	980,000	833,000	0.15
March 22, 2015	980,000	392,000	0.34
	4,710,000	3,975,000	0.40

The fair value of these options was estimated using the Black Scholes stock option evaluation model with the following assumptions: estimated average duration of 5 years for these options, risk free interest rate of 1.5% to 4.5%, forecast volatility of 49% to 113% and no forecast dividend.

RELATED PARTY TRANSACTIONS

The Company is related to another company, Sirius Resources Inc., because of certain common officers.

As at September 30, 2010, there is a balance payable of \$17,688 (\$3,098 as at December 31, 2009) to this company. This payable bears a monthly interest of 0.5%.

Also, for the nine-month period ended September 30, 2010, in the normal course of activities, a company with a common director invoiced the Company \$31,760 (\$28,940 in 2009) for professional fees.

These transactions were measured at the exchange amount that is the amount established and accepted by the parties.

SUBSEQUENT EVENTS

On October 1, 2010, the Company signed an agreement that would allow the Company to acquire a 100% interest in the Lac Caron property, which consists of 35 mining claims, located in the James Bay area near the U33 property. The agreement consists of an initial payment of \$3,000 at the time of signing of the agreement, the issuance of 50,000 common shares of the Company (deemed value per share of \$0.28) the fifth business day following regulatory approval, payment of \$3,000 and the issuance of 75,000 common shares of the Company on the date which is 12 months following regulatory approval and payment of \$4,000 and the issuance of 75,000 common shares of the Company on the date which is 24 months following regulatory approval.

On October 21, 2010, the Company signed an agreement that would allow the Company to acquire the 25% interest it does not possess in the Shipshaw property, which consists of 12 mining claims located in the Saguenay region. The agreement consists of an initial payment of \$50,000 at the time of signing of the agreement, the issuance of 250,000 common shares of the Company (deemed value per share of \$0.285) the fifth business day following regulatory approval and 250,000 common shares of the Company on the date which is 24 months following regulatory approval.

ACCOUNTING POLICIES

Accounting changes

Certain new primary sources of Canadian generally accepted accounting principles (standards) have been published during the quarter but should not have a significant impact on the Company's financial statements.

Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. Significant estimates include the recoverability of mineral properties and deferred exploration expenses, future income taxes and stock-based compensation. Actual results may differ from those estimates.

Off-balance sheet arrangements

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

International financial reporting standards

In February 2008, Canada's Accounting Standards Board ('AcSB') confirmed January 1, 2011 as the changeover date to move financial reporting for Canadian publicly accountable enterprises to the International Financial Reporting Standards ('IFRS'). The Company followed the key events timeline

proposed by the AcSB to obtain training and thorough knowledge of IFRS, finalize assessment of accounting policies with reference to IFRS and plan convergence to be ready for the changeover planned in 2011.

The Company has begun the planning activities, including the establishment of a steering committee comprised the Finance responsible and an independent member of the audit committee, and is currently progressing through the detailed assessment and design of the overall implementation strategy. In the fall 2009 and 2010, three directors included the president and the CFO of the Company attended the IFRS specific to the exploration company given par Raymond Chabot Grant Thornton, chartered accountants and the CFO was attended a one day training course on the impact of IFRS on the mining industries (Ordre des comptables agréés du Québec). At the date of this report, IFRS standards whose applications are compulsory in 2011 will cease to be amended.

The detailed analysis of the accounting policies impacted by the IFRS convergence is expected to be completed throughout 2010. Based on a preliminary analysis, the following IFRS could have a potential impact on the financial statements of the Company:

IFRS 1 : Provides guidance on the general approach to be taken when first adopting IFRS. Under IFRS 1, there is now a requirement to disclose not only comparative information but also, the year of adoption, the opening balance sheet at the start of the comparative period. IFRS 1 also provides guidance concerning retrospective application and prescribes optional exemptions and exceptions. The Company now sets its opening balance sheet and its choice of exemptions if applicable.

IFRS 2 Share-based payments: For grades-vesting features, this IFRS requires each instalment to be treated as a separate share option grant. It's not expected to have a material impact for the Company.

IFRS 6 : As per this IFRS, the Company would be required to develop an accounting policy to specifically identify which expenditures on exploration and evaluation activities will be recorded as assets. IFRS allows accounting in line with Canadian GAAP for the exploration and evaluation phase but expenditures beyond the exploration and evaluation phase, must be considered in line with the capitalisation criteria for property, plant and equipment. As the Company's mineral properties are not in development phase, no significant impact is expected.

IAS 36 (International Accounting Standards) Impairment: Impairment tests have been applied on the carrying value of projects on a quarterly basis, as required under Canadian GAAP. Although the methodology of testing impairment under IFRS is slightly different, no complications are expected on the transition to IFRS. IFRS requires reversal of impairment losses where there has been a change in estimates used to determine the recoverable amount. This standard concerns the method of depreciation of assets based on discounted cash flows.

Accounting, internal controls and information system

The accounting system and its internal controls, since it is still an exploration company, are simple and the Company believes to be able to adapt it under the IFRS. The IFRS convergence will not prevent the Company from pursuing its business plan or continue to certify the financial information.

Accounting of tax credits receivable

From the second quarter of 2010, the Company has decided to account the tax credits for exploration expenses incurred in Quebec instead to wait at the end of the year. These tax credits are recorded as a reduction of deferred exploration expenses.

FINANCIAL INSTRUMENTS

Initially, all the financial assets and liabilities are evaluated and recognized at fair value, at the exception of the assets and liabilities arising from certain operations with related parties. The costs of transaction are recognized in earnings when they are incurred. Subsequently, financial assets and liabilities are measured and recognized as follows:

- o Held-for-trading financial assets are measured at their fair value and changes in fair value are recognized in earnings. Changes in fair value that are recognized in earnings include interest, realized and unrealized gains or losses, and are presented under section Interest and others and Change in value of listed shares held for trading. Cash, short and long term investments and listed shares are classified as held-for-trading assets. They are classified under level 1 that is valuation based on active market price in determining fair value. Term deposits included in short and long term investments are designated as held for trading because the Company envisages repurchasing them, entirely or partly, before their maturing date.
- o Other financial liabilities are evaluated at amortized cost using the effective interest method. The calculated interests using the effective interest method are presented in the earning statement under Interests and others. Accounts payable and accrued liabilities and account payable to a mining company are classified as other financial liabilities.

The Company recorded a fair value variation for financial instruments held for trading as follows:

	Period ended September 30, 2010	
	Three months	Nine months
	\$	\$
Listed shares held for trading	4,522	(7,538)

Objectives and politics concerning financial risks management

The Company is exposed to different financial risks resulting from both its operations and investing activities. The management of the financial risks is done by the management of the Company. The Company does not conclude agreements for financial instruments including financial derivatives for speculation purpose.

Financial risks

The principal financial risks to which the Company is exposed as well as its politic concerning the management of the financial risks are detailed as follow:

Interest rate risk

Some investments and the account receivable from a mining company are at fixed rates and therefore expose the Company to risk of fair value variation due to interest rate variation. The other financial assets and liabilities of the Company do not represent interest risk because they are concluded without interest. The Company does not use financial derivatives to decrease its exposure to interest risk.

Liquidity risk

The management objective is to maintain sufficient cash to ensure that the Company has at its disposal sufficient sources of financing such as private financing. The Company also establishes budget and liquidity forecasts to ensure that it has to its disposal sufficient funds to meet its financial obligations. Obtaining additional funds make it possible to the Company to continue its 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.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is subject to concentrations of credit risk through cash and investments. The Company reduces its credit risk by maintaining its cash and an important part of investments in financial instruments guaranteed by and held with a Canadian chartered bank. The Company aims at signing partnership agreements with established companies and follows closely their cash position to reduce its credit risk on accounts receivable.

Market risk related to listed shares

The listed shares held by the Company are exclusively shares from an issuer acting in the mineral exploration area. The Company is exposed to market risk in trading its shares and unfavorable market conditions could result in the disposal of its listed shares at lesser prices than their book value. As at September 30, 2010, the value of these listed shares is \$19,597 with an original cost of \$104,417. A 10% variation in the closing price on the stock market would result in an estimated variation of \$1,959 of the loss at the end of the September 30, 2010.

Fair value of listed shares

The fair value of the Listed shares is equivalent to the market value based on the current bid price.

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 assurance 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 generally accepted Canadian accounting principles. 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 CA, Chief Financial Officer

Montreal, November 12, 2010