



DIOS
EXPLORATION

**DIOS EXPLORATION INC.
INTERIM MANAGEMENT REPORT
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2009**

This Management Discussion and Analysis dated July 31, 2009, and provides an analysis of our financial results for the six-month period ended June 30, 2009. 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 six-month period ended June 30, 2009 and the audited financial statements for the year ended December 31, 2008 and the audited financial statements for the year ended December 31, 2007. The unaudited interim financial statements for the period ended June 30, 2009 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 2,000 sq. kilometres of properties in the high potential areas of central Québec and the Otish Mountains. Dios diversified its exploration strategy on uranium as well as diamonds, two substances highly in demand in the natural resources industry. If other substances are discovered, Dios’ strategy is to find a partner to develop such projects. 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 June 30, 2009. 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

- o Exploration expenses totalling \$147,737, as well as \$44,277 in mining rights. (see “**Summary of exploration activities**” below).
- o Final results from Hotish Drill holes 05, 06 & 07 which intersected the same vertical hydrothermal biotite-altered uranium-bearing structure down to 240 m deep and it remains open laterally and at depth.
- o Three biotite rock boulders discovered a few hundred meters away in surface with traces of apatite, uranophane, and uraninite returned 0.461%; 0.679% and 0.937% U3O8 (uranium oxide).
- o Amphibolite rocks return up to 0.169 % U3O8, 182 grams per ton silver and 1.9 % copper .

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 potential of poorly explored regions remains one of the Company’s strength.

The growth of uranium’s prices offered the opportunity to Dios, as for its pre-existent privileged stand in possession of claims and the expertise of its employees, to diversify the exploration strategy on diamond and uranium, two substances highly requested in the natural resources industry. Discovery of new glacial dispersal trains indicating strong mineral potential of poorly explored regions remains one of the Company’s strength.

During the second quarter, the Company incurred \$141,737 in exploration expenses mainly on the Hotish and Pontax properties, as well as \$44,277 in mining rights.

Exploration Expenses Analysis

Description	Hotish	Pontax	33 Carats	Upinor	Others	Total
	\$	\$	\$	\$	\$	\$
Geology	40 395	11 708	320	869	320	53 612
Transportation, lodging and logistic	-	39 812	-	-	-	39 812
Sampling and analysis	-	18 223	-	-	-	18 223
Geophysics	9 710	6 998	3 611	-	806	21 125
Office and others	8 793	-	-	172	-	8 965
	58 898	76 741	3 931	1 041	1 126	141 737

Acquisitions, disposals, write-off and claims renewal analysis

Properties	Additions \$	Claims renewal \$	Options	Total \$
Opinaca-Nord	-	8,600	12,500	21,100
Hotish	14,302	-	-	14,302
Pontax	3,952	1,840	-	5,792
33 Carats	-	2,875	-	2,875
Chibouki	-	208	-	208
	18,254	13,523	12,500	44,277

These amounts represent either staking acquisitions costs or claims renewal costs (cancellation) for the second quarter. The Company always favoured the acquisition of mining properties by map staking.

During the quarter, the Company paid the third cash payment for the option on the Opinaca Nord property for \$12,500 instead of as the previously yearly payment of \$25,000 (accepted by the owner). In the coming months, the Company will decide to keep or not this mining property.

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

Hotish Property, Otish Basin, Qc

An exploratory drilling program totalling twelve NQ-size holes for 3 000 meters over a 3 km strike length aimed at exploring at depth the 2,500 meters by 600 meters radioactive Butte zone that returned up to 0.937% U308 from biotite rich samples.

Mineralization consists of disseminated fine- grained uraninite (locally uranophane) in altered granitic rocks with smoky quartz and apatite and associated biotite-altered zones. This is considered a new mineralized discovery in the Otish area as far as the location is concerned as well as the type of mineralization.

Dios Hotish Drill holes 08-363-05, 06 & 07 intersected the same vertical hydrothermal biotite-altered uranium-bearing structure that remains open laterally and at depth.

Three biotite rock boulders discovered a few hundred meters away in surface with traces of apatite, uranophane, and uraninite returned 0.461%; 0.679% and 0.937% U308 (uranium oxide). The source of these boulders is believed to be very close, particularly as these are biotite-rich altered rocks that could not have been transported very far away by the glaciers without being disintegrated. They could come from the same enriched structure as the First Butte Zone or from another zone.

Hole #5, at a vertical depth of 120 m under the surface, intersected up to 0.093% U3O8 over 3.5 m (incl. in 0.04% U3O8 over 12.5 m or 0.036 over 13.5 m) and 5.9 g/t Ag; 0.26% Pb; 0.19% Zn over 60.2 m.

Hole #6 cut the same zone, which returned 0.056% U3O8 over 5.1 m at a vertical 120 m depth underneath hole #5 in the same section, then some 30 m away, hole #7 returned 0.083% U3O8 over 2.6 m and a value of 0.045% U3O8 over 2 m, this last one is included within 0.031% U3O8 over 5m.

Hole #10 returned 0.048% U3O8 over 4 m. The best drilling uranium oxide results are as follows:

HOLE	FROM (meters)	TO (m)	LENGTH (m)	RESULTS(% U3O8)
08-363-03	83.5	84.5	1.0	0.066%
08-363-05	115.4	127.9	12.5	0.038%
including	120.4	127.9	7.5	0.0512%
including	124.4	127.9	3.5	0.093 %
08-363-05	218.4	219.6	1.2	0.083%
08-363-06	106.0	107.0	1.0	0.040%
08-363-06	237.0	242.1	5.1	0.056%
08-363-07	166.3	168.9	2.6	0.083%
08-363-07	177	182	5	0.31%
08-363-07	179.0	181.0	2.0	0.045%
08-363-08	9.0	17.0	8.0	0.024%
including	12.0	13.0	1.0	0.050%
08-363-10	38.0	51.0	13.0	0.025%
including	42	46	4 m	0.048%
08-363-10	100.0	102.0	2.0	0.032%
08-363-10	184.0	185.0	1.0	0.064%
08-363-11	156.0	158.0	2.0	0.032%
08-363-11	187.0	188.0	1.0	0.030%

Drill hole 08-363-05 also intersected a 60 meters-wide zone with 3-10% disseminated sulfides (pyrite, pyrrhotite, galena, sphalerite, +/-chalcopyrite) within altered sheared paragneiss (metasediments) injected by minor pegmatite dykelets. The orientation of this disseminated sulphide zone remains unknown.

The significant assays of the base metal zone intersected by hole 08-363-05 and some anomalous sections in hole 08-363-06 are presented in the following table:

HOLE	FROM (m)	TO (m)	INTERVAL(m)	Ag g/(T)	Pb (%)	Zn (%)
05	114.4	174.6	60.2	5.9	0.26	0.19
	including					
05	134.4	174.6	40.2	6.9	0.38	0.26
	including					
05	134.4	145.30	10.9	13.7	1.20	0.60
06	174.2	179.6	5.4	2.4	-	-
06	219.8	221.8	2.0	1.2	0.05	-
06	226.8	229.9	3.1	2.5	-	-

The occurrence of uranium minerals such as uranophane, pitchblende, very radioactive biotite concentrations (probably in association with black uranium minerals) along the core are very encouraging signs for exploration. Major research work is in progress to understand the geology of the area, including the testing of crosscutting structures across the favourable horizon.

All core-samples were collected and prepared by IOS Services géoscientifiques, a geological firm that supervised the drilling. Assays and checks were carried out at the Saskatchewan Research Council and ALS-Chemex (Val d'Or) laboratories. Core samples were at least one meter long, split in two to keep witnesses.

A detailed exploration program is planned to check further the BUTTE ZONE characterized by U/Th ratios of 2.1 times the background and extending a minimum of 2,5 km by 0,6 km. Thirty-seven grab-samples had been collected on the western part of the zone and fourteen (or 38%) assayed more than 0.05% U₃O₈, including six samples grading more than 0.1 % U₃O₈ (0.225 %; 0.23 %; 0.419 % U₃O₈). On the poorly outcropping eastern part of the zone, fifty-five grab-samples (33 from outcrops and 22 from glacial floats) were collected. Three small biotite blocks assayed 0.461%; 0.679% and 0.937% U₃O₈. In the same area, six granitic blocks with traces of molybdenite and uranophane graded more than 0.1% U₃O₈. Five samples from a biotite-rich and smoky quartz bearing outcrop returned values up to 0.132% and 0.28% U₃O₈. Three other outcrops assayed more 0.05% U₃O₈.

Another first-priority geophysical targets, the east-west oriented B-1 zone, returned up to 0.854% U₃O₈ and is characterized by U/Th ratios of 2.0 times the background over 3.0 km by 0.5-1.0 km. Forty-four grab-samples were collected from the vicinities of the radioactive anomaly. Twenty-three samples are located on a hill, from which six (26%) graded more than 0.05% U₃O₈; including values of 0.50%; 0.052; 0.076; 0.13%; 0.21% and 0,22% U₃O₈. In the adjacent valley, an area of 100 m by 150 m returned seven assays greater than 0,3% U₃O₈ from nine samples from boulders, including 0.338%; 0.356%; 0.398%; 0.581%; 0.69%; 0.79%; 0.854% U₃O₈. The B1 anomaly is located directly over a strong magnetic high associated with a pegmatitic intrusive enclosing east-west striking migmatitic gneisses. The anomaly is located directly up-ice of a northeast-southwest uranium lake sediment anomaly probably associated with a glacial dispersal (boulders) train. The B-1 zone is perfectly lined-up (9 km due west) with the A-1 zone (a 3 km by 1,0-1,5km anomaly) associated with Uranerz TICH-1 and TICH-2 uranium lake sediment anomalies. The TICH-1 anomaly was confirmed by DIOS own lake sediment survey that returned up to 1020 ppm U. The A-1 zone is characterized by U/Th of 2.1 times the background. It is also associated with an east-west striking migmatitic gneiss unit within the pegmatitic intrusive.

Elsewhere, in the Diabase Target area, out of fourteen blocks sampled, four graded: 0,024%; 0.080%; 0.115% and 0.201% U₃O₈. One sample from the A-3 target returned 0.081% U₃O₈, and two other ones from the A-4 target assayed 0.047% and 0.048% U₃O₈.

On the Ring Dyke Target, eight samples were taken including five grab-samples collected on amphibolitic floats with 1-2% pyrite and traces of chalcopyrite-malachite. Four of these returned the following assays:

Sample	U ₃ O ₈ (%)	Cu (%)	Ag (g/T)	Au (ppb)
36390159	0.129	0.448	-	-
36390160	0.126	0.0693	-	-
36390164	0.169	1.9	182	112
36390165	0.058	0.0532	3	3

The Hotish property, wholly-owned by the Company, clearly has strong uranium potential. This property is a large 765 sq. kilometres mining property covering the western edge unconformity contact of the Otish Sedimentary Basin over the Archean basement, such a shallow edge being a good place for fracturing and mineralized fluid circulation. The property covers as well the north-eastern part of another Proterozoic sedimentary basin and its unconformity contact over an Archean age basement, the Papaskwasati basin more to the south-west, its north-eastern part, where is located the Dios property, considered as well interesting for uranium potential due to the occurrence of continental sediments.

During the 2009 Spring, a geological compilation was completed over the Hotish property and the southwestern edge of the Proterozoic Otish Basin. Geophysical data was also compiled from pertinent geophysical (magnetic, electromagnetic and radiometric) data available from the Quebec government (MRNFQ) over the same area. Following this, Dios map-staked several strategic new claim blocks in the vicinities of its Hotish uranium project, Otish region, Northern Quebec. The newly staked blocks are:

- The new “XC” block is composed of 96 contiguous mining cells (cdc) totalling 50 square kilometres, located over the south-western limit of the Otish Basin. It is directly located west of Cameco Otish South property. As it was previously part of the latter, it was fully surveyed by airborne geophysics (magnetic, electromagnetic and radiometric) by Uranerz & Cameco and hosts one second-order and one third-order radiometric anomalies. It also covered the south-western part of the favourable archean mafic volcanic sequence underlying the Paleoproterozoic Otish Basin as interpreted by Cameco.

- The new “XR” block is composed of 38 contiguous mining cells (cdc) totalling 20 square kilometres, located about 1 to 4 km south of the previous XR block. It covers an 8 km-strike of the Tichegami Group mafic volcanic sequence, directly adjacent to the south to the Otish Basin. This block was previously owned by Ridgestake Resources. It was fully surveyed for geophysics (magnetic, electromagnetic and radiometric) by Uranerz & Cameco and hosts one first-order, one third-order and one fourth-order radiometric anomalies.

- The new “CAMIE” block is composed of 80 continuous mining cells (cdc) totalling 40 square kilometres, located over the southern limit of the Otish Basin along the Camie River. It is adjacent to the south to Cameco Otish South property and to the west to Strateco Matoush property. These claims were previously owned by Cameco (southern half) and Nova Uranium (northern half). The block was previously surveyed by airborne geophysics and hosts one first-order, two second-order and one third-order radiometric anomalies. It also covered the north-eastern part of Cameco’s interpreted archean mafic volcanic sequence underlying the Paleoproterozoic Otish Basin.

- Additional (34) mining cells totalling 18 sq-km were also map-staked as in-fills between Uranerz Tich-2 and 4 uranium lake sediment anomalies on Hotish main claims block.

Upinor-U2-Opinaca Nord-Chat Brun-Ugo Uranium Properties, LaGuiche Basin, Qc

Geophysical data compilation and integration of new regional government geophysical data was completed.

Pontax Diamond Property, Pontax River Area, Qc

A 137 samples helicopter-borne till program was completed by IOS Services Geoscientifiques and Dios' geologists on the Pontax diamond claims in June. The till samples are currently being processed at IOS laboratory in Saguenay, Qc. Consulting geophysicist Camille St-Hilaire also re-processed the available geophysical data to better discriminate kimberlite targets.

Summary of planned exploration programs for 2009

A major exploration program is planned on Hotish Butte zone to check for drilling targets on this zone, as well as on other zones. Geophysical data of Hotish are being reviewed and additional mapping/prospecting is planned for the 2009 summer, as well as several follow-ups (including prospecting, detailed electromagnetic and soil geochemistry surveys) on other targets, as well as geophysical airborne surveys.

Follow-up work is planned on Pontax as well. Geophysical data interpretation is planned on the other projects to fully evaluate their potential.

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.

SUMMARY OF FINANCIAL ACTIVITIES

Net loss for the quarter is \$92,790 (net loss of \$292,385 for the second quarter 2008) whereas administration fees for the quarter totalled \$106,275 (\$259,864 for the second quarter 2008).

Interest income for the quarter decreased to \$24,379 from \$61,598 for the same period last year due to less cash being invested and lower interest rates paid by banks.

Analysis of Administrative expenses

Description	Quarter ended June 30th		Six-month period ended June 30th	
	2009	2008	2009	2008
	\$	\$	\$	\$
Stock based compensation	40,135	126,420	72,430	244,350
Professional fees	22,430	31,389	54,087	81,273
Salaries-management and directors	20,264	8,014	30,627	12,686
Shareholders information	11,561	18,511	16,561	27,813
Registration fees	5,497	10,667	6,773	15,698
Publicity and public relations	2,795	58,748	10,414	90,815
Office and rent	2,539	5,229	5,395	11,908
Insurances, taxes and permits	829	664	11,224	14,274
Banking fees and interests	225	222	441	399
	106,275	259,864	207,952	499,216

During the three-month period ended June 30, 2009, one notes mainly:

- Reduction of Stock based compensation: Decrease in the number of options exercisable in 2009.
- Decrease in promotion expenses: Public relation and Communications contracts ended in November 2008 and January 2009.
- Decrease in 2008 Audit fees when compared with 2007 paid during quarter.
- The Company paid during the quarter \$10,435 in director fees during the quarter (nil in 2008).
- Rent in 2009 is allocated to deferred exploration expenses. The premises are now dedicated to Dios's geologists.

SUMMARY OF QUARTERLY RESULTS

(\$ 000 except loss/share)	2009		2008				2007	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Income	30	28	(224)	14	72	64	109	73
Net loss	93	90	105	549	292	199	152	205
Net loss per share(basic and diluted)	0.002	0.003	0.003	0.02	0.009	0.006	0.008	0.006

Variations in quarterly loss can be explained by the following:

- 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.
- 2008-Q3** Accounting for stock based compensation expenses of \$126,420. Important future income taxes related to exploration activities.
- 2008-Q2** Accounting for stock based compensation expenses of \$126,420. Costs related to the annual shareholders meeting.
- 2008-Q1** Communication and marketing contract granted in January 2008 (Vector and Shift). Grant of 980,000 options in February 2008 (Accounting for stock based compensation expenses of \$117,930). Participation in the mining shows of Vancouver and Toronto (PDAC).
- 2007-Q4** Investor relation contract granted during the quarter (Publicity and promotion). Part XII.6 taxes paid during the quarter. Accounting for stock based compensation expenses of \$101,465. Participation in the mining shows of Toronto, Québec Exploration and Montreal (investir soi-même).
- 2007-Q3** Accounting for stock based compensation expenses of \$98,715. Future income taxes registered of \$125,810. Professional fees of \$25,000 paid to a financial consulting firm. Accounting of a unrealized write-down of \$19,566 on listed shares.

CASH FLOW SITUATION

The working capital decreased by \$621,659 as at June 30, 2009 going from \$4,795,075 as at March 31, 2009 to \$4,173,416 as at June 30, 2009. The decrease is mainly due to the purchase of long term investments (\$400,000), to exploration activities and the administrative expenses incurred during the quarter.

The cash and the short and long term investments (free cash flow) amounted to \$4,151,078 as at June 30, 2009 compared to \$2,517,349 as at March 31, 2009. During the quarter, the Company received an exploration tax credit of \$1,830,833.

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 June 30, 2009, the Company did not have any debt or any financial commitments in the upcoming quarters.

As at June 30, 2009 :

- 34,333,839 common shares were issued.
- 4,370,000 options were granted and a total of 3,341,000 can be exercised at prices between \$ 0.15 to \$ 0.75 between 2009 and 2014. Each option can be exchanged by its holder thereof for one common share of the Company.

Variation in share capital as at July 31, 2009 is the following:

Description	Number of shares	Amount \$
As at December 31, 2008	34,333,839	16,146,451
As at June 30 and July 31, 2009	34,333,839	16,146,451

Options

Variation in outstanding options as at July 31, 2009 is the following:

	Number of options	Average exercise price \$
As at December 31, 2008	3,390,000	0.48
Granted	980,000	0.15
As at June 30 and July 31, 2009	4,370,000	0.41

Options granted and exercisable as at July 31, 2009

Expiry date	Number of options	Exercisable	Price (\$)
September 7, 2009	640,000	640,000	0.37
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	833,000	0.31
May 19, 2014	980,000	98,000	0.15
	4,370,000	3,341,000	0.41

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 1.65% to 4.5%, forecast volatility of 49% to 113% and no forecast dividend.

Warrants

Variation in outstanding warrants since the beginning of year is as follows:

	Number of warrants	Average exercise price \$
As at December 31, 2008	6,450,183	1.00
Expired	(6,450,183)	1.00
As at June 30 and July 31, 2009	-	-

Broker's units options

Variation in outstanding Broker's units options since the beginning of year is as follows:

	Number of options	Average exercise price \$
As at December 31, 2008	1,290,036	0.66
Expired	(1,290,036)	0.66
As at June 30 and July 31, 2009	-	-

RELATED PARTY TRANSACTIONS

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

As at June 30, 2009, there is a balance of \$129,377 (\$125,645 as at December 31, 2008) receivable from this company. This receivable bears a monthly interest of 0.5% (1% in 2008). On July 2, 2009, the Company received \$99,000 from Sirius Resources Inc.

Also, during the six-month period ended June 30, 2009, in the normal course of activities, a company with a common director invoiced the Company \$21,255 (\$20,265 in 2008) for professional fees.

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

CONVERGENCE WITH 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 will follow 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.

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.

IFRS 2 Share-based payments: For grades-vesting features, this IFRS requires each instalment to be treated as a separate share option grant.

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.

IAS 36 (International Accounting Standards): This standard concerns the method of depreciation of assets based on discounted cash flows.

The accounting system is simple and the Company believes to be able to adapt it under the IFRS.

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.

Mining claims and title risks

Although the Company has taken steps to verify title to mining properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Tax

No assurance can be made that Canada Revenue Agency or Quebec Minister of Revenue will agree with the 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 in 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.

DISCLOSURE CONTROLS AND PROCEDURES

As required by Multilateral Instrument 52-109, the Company's evaluated the effectiveness of its disclosure controls and procedures and the internal control over financial reporting as of June 30, 2009 under the supervision and with the participation of the President and the Chief Financial Officer. Based on the results of this evaluation, the President and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were generally effective.

The only issue identified during the process was related to internal control over financial reporting. The issued identified, the concentration of some duties, is one that affects small companies. As a small organization, the Company's management is composed of a small number of key individuals, resulting in a situation where limitations in segregation of duties have to be compensated by more effective supervision and monitoring by the President and the Chief Financial Officer. Company's officers will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties. Since the increased funding costs of such hiring could threaten the Company's financial viability, the Company's management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when budgets will enable that action.

MANAGEMENT'S RESPONSIBILITY 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 that affect the balance sheet and the earnings statements. Significant areas where management judgment is applied are mining assets and stock-based compensation. Actual results could differ from these estimates. 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) Dominique Doucet, Treasurer

Montreal, July 31, 2009