DIOS EXPLORATION INC.
INTERIM MANAGEMENT REPORT
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2011

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 areas of central Québec, James Bay area and the Otish Mountains, Canada. Dios pursues its diamond exploration strategy, but also diversified looking for uranium, gold and in demand exotic minerals such as lithium and niobium. 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 38,452,411 shares were issued as of March 31, 2011. Additional information may be available through the www.sedar.com web site, under the Company's section “Sedar filing” or at www.Diosexplo.com.

This Management Discussion and Analysis dated May 27, 2011 and provides an analysis of our interim financial statements as at March 31, 2011. This discussion and analysis of the financial position and results of operation should be read in conjunction with the interim financial statements as at March 31, 2011 and the audited financial statements for the year ended December 31, 2010 and the audited financial statements for the year ended December 31, 2009. The financial statements for the three-months ended March 31, 2011 have been prepared in accordance with International Financial Reporting Standards (“IFRS”), including comparative figures. Note 4 to the interim financial statements provides details of these new accounting policies while the adjustments made to the financial statements at the transition date are explained on the note 18.

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.

SUMMARY OF ACTIVITIES DURING THE QUARTER

- Exploration expenses totalling $511,363 mainly on Shipshaw and AU33 properties and mining right acquisition and renewal totalling $83,611. See the item “**Summary of exploration activities**” below.
- Shipshaw property:
  - Beginning of a drilling campaign in the fall 2010 in the carbonatite discovered by Dios earlier;
  - Purchase of the balance of 25% the Company did not have.
- Private placement of $1.2 million by Iamgold Corporation in February 2011.

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.

Dios research method uncovered a well-structured gold glacial dispersal train on its new property AU33. 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.

During the first quarter, the Company incurred $511,636 in exploration expenses mainly on the Shipshaw and U33 mining properties.

Exploration Expenses Analysis

Description	Shipshaw	AU33	Hotish	33 Carats	Others	Total
	$	$	$	$	$	$
Geology	53 522	31 201	18 085	12 952	7 799	123 559
Geophysics	-	-	5 775	-	-	5 775
Sampling and analysis	-	30 685	-	-	-	30 685
Office and other	8 307	949	-	67	-	9 323
Drilling and assays	342 021	-	-	-	-	342 021
	403 850	62 835	23 860	13 019	7 799	511 363

Acquisitions, disposals, write-off and claims renewal analysis

Properties	Acquisitions $	Claims renewal $	Options	Total $
14 Carats	22,080	-	-	22,080
Carbon 14	19,560	-	-	19,560
Shipshaw	1,365	-	82,500	83,865
Hotish	3 868	12,636	-	16,504
Hotish Nord	15,960	-	-	15,960
Others	7,026	1,116	-	8,142
	69,859	**13,752**	**82,500**	**166,111**

These amounts represent either staking acquisition costs or claims renewal costs for the first quarter ended March 31, 2011. The Company always favoured the acquisition of mining properties by map staking.

Pursuant an agreement signed on October 21, 2010, the Company issued on January 6, 2011, 250,000 common shares to Exploration Diagold Inc. (attributed value of $82,500), which allows the Company to fulfill the last condition to obtain the remaining 25% interest in the Shipshaw property.

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

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

Dios approved a major exploration budget of some one million dollars planned for this year on its wholly-owned niobium and rare earths Shipshaw Carbonatite Complex, a few kilometers away from the Niobec mine in operation for over thirty years within the Saint-Honoré Carbonatite Complex.

A 20 hole drill program was recently completed by Dios this spring and a last hole for this first definition phase had to be delayed due to the spring break-up, but should be undertaken in 4-6 weeks. A total of 4,340 meters of core was recovered in order to better assess the niobium (and rare earths) potential of the carbonatite complex to a depth of 125-150 m through systematic drilling of the magnetic intrusive rims surrounding the rare-earth enriched carbonatite core (initial discovery). The fifty degree dipping holes measure from 175 to 275 m. The Niobec mine is located 300 feet (90 m) at vertical depth from surface, covered by 240 feet of Trenton limestone, and developments now reach 2,400 feet. Dios' drilling intercepted the carbonatite complex in all holes, consisting of heterogeneous material. Detailed core logging, splitting and expedition for assaying were completed. Pending results, drilling at depth could be considered.

The 2011 summer-fall program should include, in addition to the delayed hole planned once ground is dry: additional magnetic airborne survey on Dios claims located in the NE rims of the carbonatite complex as well as on the NW anomaly; -systematic diamond-drilling (20-30 holes for 4,000 m) of other magnetic rim targets (7-9) defined by geophysics on Dios**'** 276 claims surrounding the Niobec mine**;** - additional mapping-prospecting along streams, rivers and various geophysical targets. A carbonatite outcrop was surprisingly discovered last fall on the property, showing different episodes of carbonatite intrusives. Dios' exploration work is about at the same stage it was at Niobec, a few months after discovery of the Saint-Honoré Carbonatite, which was discovered around 1967, a discovery initially made from its (rare-earth carbonatite) core system near surface, and later with the following drilling over 3-4 years was discovered the niobium zone and later the development of economic zones brought the mine into production around 1976. Ferro-niobium milling facilities were built over 15 years ago. Niobium is used in the making of specific alloys used in the aerospace industry, for instance. Ferro-niobium is an added value product more directly in demand than niobium. Dios discovered in 2010 the *Shipshaw Carbonatite Complex*, near Chicoutimi, Quebec, which is road accessible and located near various facilities.

Dios entered into a letter of offer from IAMGOLD Corporation ("IAMGOLD") to participate in a private placement of $1.2 million in Common Shares of Dios, at a price of $0.35 per share. IAMGOLD is consequently granted an exclusive option to enter into an Option and Joint Venture Agreement to earn sixty percent (60%) of Dios 's interest in the Shipshaw Project, Saguenay area, Quebec, within two years of the private placement in Dios, which Option may not be exercised until the earliest of the time taken by Dios to spend 80% of the Subscription Amount on the Shipshaw Carbonatite program (under Dios' management), or of a period of one year after IAMGOLD has subscribed to the initial private placement.

Dios grants IAMGOLD a pre-emptive right to subscribe to any future financing of Dios to maintain its percentage interest (around 9.9 %) in the total issued and outstanding Common Shares of Dios.

To earn 60% of the Interest and of all mining claims acquired by Dios in the Niobec Niobium Mine area, IAMGOLD would have to spend, over a three year period after the Option Agreement would have been executed, work expenditures in an amount equivalent to 200% of past expenditures incurred by Dios on the property, including, all exploration expenses incurred through IAMGOLD private placement and all acquisition costs incurred by Dios; and, during the Option Period, IAMGOLD would have to purchase for $250,000 of common shares of Dios. From the Execution Date, IAMGOLD would be appointed operation manager. A transition period will be discussed and negotiated with management of Dios to ensure a smooth transition in any current exploration program and in the transfer of knowledge by Dios professionals. Upon the Option being exercised, a joint venture will be established with 60% interest for IAMGOLD and 40% interest for Dios, including all necessary provisions commonly used in the mining industry for joint venture agreements.

AU33 property (gold-diamond), Eastmain 1 Area, Lower Eastmain river region, Qc

Dios received results during the quarter from an independent summary petrographic examination of five auriferous samples from the AU33 WEST project that shows they have strong potassic alteration. The replacement textures described below as well as the abundance of matrix microcline, in association with biotite and the quartz-microcline veins indicate that the AU33 WEST auriferous tonalite samples were strongly affected by potassic alteration. This type of alteration further enhances the porphyry gold type model looked for by Dios (such potassic alteration is typical of other gold deposits in the Abitibi area).

The examined samples of this recent gold discovery with a petrographic microscope show that they consist in a medium-grained (less than 4 mm) intrusive rock of tonalitic to granodioritic composition that underwent major re-crystallization associated with a pronounced potassic (K) replacement. Some of the samples show well-preserved primary textures, while others are sheared and injected by quartz +/- microcline +/- carbonate veins. All samples show evidences of multiple microcline replacements.

Biotite is present within all samples, in fine-grained and of greenish (kaki) color. Observations suggest that biotite is partly associated with potassic alteration that is mainly highlighted by the microcline abundance and textures. It forms uniformly distributed granular aggregates that may suggest replacement of primary ferromagnesian minerals. We also observed it in inclusions within the feldspars, as well as locally associated to microcline at the contact between quartz and feldspar-rich matrix. These observations suggest that the biotite is partly associated with the potassic alteration that is mainly characterized by the abundance and the texture of the microcline.

Back 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 1,447 claims for 762 square kilometres were staked as map-designated cells 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 last summer. Forty-four additional tills were also collected late last fall.

One of Dios main targets was a major NW-oriented structure 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.   Dios carried out on 2010 a detailed airborne geophysical survey (8,300 km-lines, 100 m tight line-spacing) on its diamond-gold AU33 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.

<u>AU33 EAST project</u>

Field check of geophysical targets in the vicinities of a major regional structure led to the discovery of the Conductor gold showing on AU33 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 outcrop hosting the Conductor gold showing is twenty meters long and remains open laterally, consisting 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 with a 65 degrees dip towards the north. An airborne EM (electromagnetic) conductor is located within a low topography (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.

Last fall, work was also carried out over the vicinities of the Conductor gold showing in the eastern block of the AU33 project. A 40 km-lines gridline was cut and surveyed by induced polarization. Six first-priority kilometric conductors were outlined by the survey, including one coincidental with the Conductor gold showing. In 2011, trenching and stripping along the I.P. conductor extending from the gold showing is planned. Geological mapping and prospecting of the gridline was also done and 210 rock samples were analyzed at Val D'Or ALS-Chemex laboratory. Last fall 44 samples till sampling defined a 1-2 km by 6-7 km gold glacial dispersal train (composed of 12 samples) down-ice of the **Conductor** and **Fallara (up to 9.9 g/t Au)** gold showings. Heavy mineral concentrates from this dispersal train yielded 4 samples (25%) over 0.6 g/t Au (0.666, 0.925, 1.035, 1.160 g/t Au). Other significant clusters of anomalous gold from heavy mineral concentrates in till were also observed near Le Caron Lake (1.305 & 6.63 g/t Au) and Tiki Lake (0.983 & 3.510 g/t Au) within the AU33 property. But other areas also returned very significant values such as 6 and 10 grams per ton gold in glacial till (heavy minerals concentrates) that remain to be explained. Additional mapping-prospecting should be carried out up-ice of anomalous gold in tills, as well as in the southern part of the volcanic complex.

<u>The AU33 WEST project</u> hosts a well-structured 3 to 5 kilometers by 15 kilometers 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)

Last fall, field follow-up work on this major gold train confirmed the presence of porhyry-gold type mineralization in tonalite rocks within 5 km from the access road.

A small (2-3 days) reconnaissance gold prospecting program on this area mainly targeted volcanic rocks as the possible (and most logical) source of the gold train in tills. However, it outlined five tonalite glacial floats (40-100 cm in diameter) with 1 to 5% disseminated pyrite that 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; 0.74 g/t Au and 2.2 g/t Au, the latter being a sub-in place boulder about 400-500 m north of the other floats. The association of gold and tonalite is significant as only the third of the samples were tonalite comparative to the volcanic ones. There is also an hematitized tonalite (injected by cm quartz veinlets with traces of pyrite) outcrop close by the 2.2 g/t Au, therefore suggesting possible proximal sources for gold from till samples. There are numerous other tonalite outcrops to prospect in the same area. The auriferous tonalite floats are of different sizes, but generally of metric size and sub-angular. However, multiple sources are considered in reason of the presence of 9 gold anomalous till samples (0.4 to 2.09 g/t Au) located 3 to 10 km up-ice of the auriferous tonalite floats. Last fall. 44 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. Dios magnetic data show a well-developped set of NNW-NS lineaments that cross-cuts the tonalite in this target-area.

Diamond exploration

The Caron Lake 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 kilometers 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 topograghic lineaments are visible in the area.

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

Gold exploration

Dios discovers a significant hydrothermal potassic anomaly in association with a GOLD TONALITE TARGET (gold porphyry potential) hosted within a volcanic rock hinge-fold on its wholly-owned 33 CARATS diamond-gold project, which project is located adjacent to the Eastmain gold mine deposit and the Renard advanced diamond project, Otish region, Quebec, Upper Eastmain river area, in very close proximity to the route des Otish planned pursuant to the Quebec Government Plan Nord.

In 2010, the Quebec government flew an airborne magnetic-spectrometric survey covering the surface area of the 33 CARATS property. During winter and spring 2011, DIOS' research team processed that data with the help of an independent specialized geophysicist: a significant first priority potassic anomaly of 3 by 1-2 kilometers was delineated and is coincidental with a gold tonalite target area previously defined by DIOS in folded volcanics. DIOS thus found one more clue to understand that puzzling area with gold potential. In addition, detailed structural interpretation with the help of the magnetic data defined a major east-west structural zone or fault, where naturally will be the focus of next summer field campaign in the amount of a few hundreds thousand dollars. Nosefolds and structures are very good traps for gold.

The 33 CARATS property is overlying part of the Eastmain greenstone volcanic belt, hosting the Eastmain gold mine (in operation in the nineties). Advanced glacial studies completed by DIOS over the years outlined a 15-20 km x 3-5 km well-structured gold north-east anomalous dispersal train. The glacial gold train is composed of 80 till samples including 13 samples (16%) over 0.25 grams gold per ton and 4 samples over 0.50 grams gold per ton including 0.519, 0.583, 1.165, 2.090 grams gold per ton (all from heavy mineral concentrates). The head source of this gold dispersal train is pointing out towards the volcanic belt wrapping around a tonalitic complex on DIOS ground. It shows a lot of similarities with the gold dispersal train recently discovered by DIOS on its wholly-owned AU33 West project located a few hundreds kilometres more to the west in the lower Eastmain River Area.

Diamond exploration

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 increased its land holding 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 877 claims (457 sq. kilometres) and Dios delineated several tens of priority kimberlite targets for further testing. A ten to fifteen holes drilling program is planned for the coming year to test a selection of the best remaining targets.

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.

Summary of planned exploration programs for 2011

PROJECTS	PLANNED WORK	BUDGET $	FOLLOWING WORKS
SHIPSHAW	Geophysics and drilling	1,075,000	Drilling
AU33 TONALITE	Prospecting, mapping, tills, outcrop grab sampling and diamond saw channel	500,000	Additional prospecting and drilling
AU33 NORTH	Prospecting, mapping, tills, outcrop grab sampling and diamond saw channel	400,000	Additional prospecting and drilling
33 CARATS	Prospecting, mapping and drilling	700,000	Drilling
HOTISH	Prospecting, mapping, outcrop grab sampling and diamond saw channel	200,000	Drilling
UPINOR	Mapping and diamond saw channel	65,000	Additional prospecting and drilling?
PAM	Mapping and diamond saw channel	50,000	Additional prospecting
TOTAL 2011		**2,990,000**	

SUMMARY OF FINANCIAL ACTIVITIES

Net loss for the quarter is $113,708 (net loss of $181,231 for the first quarter 2010) whereas administration fees for the quarter totalled $129,407 ($141,498 for the first quarter 2010).

Analysis of Administrative expenses

Description	Quarter ended March 31	
	2011	2010
	$	$
Salaries and employee benefits expense	**68,270**	61,890
Professional fees	**27,833**	25,000
Publicity and public relations	**10,935**	31,627
Registration fees and shareholders information	**10,966**	9,819
Office	**7,499**	8,919
Insurances, taxes and permits	**3,826**	4,038
Banking fees and interests	**78**	205
	129,407	141,498

During the three-month period March 31, 2011, one notes mainly:

- Payment of a bonus and salary increase of two officers in the first quarter offset by an increase in stock-based compensation in 2010.
- Decrease in promotional costs: Investor Relations contract ended in 2010.

SUMMARY OF QUARTERLY RESULTS

	2011 IFRS		**2010 IFRS**					**2009 CANADIAN GAAP**		
($ 000 except loss/share)	**Q1**		**Q4**	**Q3**	**Q2**	**Q1**		**Q4**	**Q3**	**Q2**
Income	16		(12)	16	(494)	14		21	(406)	30
Net loss	(113)		777	(84)	(694)	(181)		(21)	(497)	(93)
Net loss per share(basic and diluted)	(0.003)		0.023	(0.002)	(0.02)	(0.005)		(0.001)	(0.014)	(0.002)

Variations in quarterly loss can be explained by the following:

2011-Q1 Increase executive salaries in the first quarter.
2010-Q4 Future income tax liability related to mining rights of $842,534 have been written off.
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 $732,196 during the first quarter going from $2,076,207 as at December 31, 2010, to $2,808,403 as at March 31, 2011. The increase is mainly due to the $1.3MM placement with IAMGOLD during the first quarter.

The cash and investments, excluding Shares listed (free cash flow) amounted to $1,828,678 as at March 31, 2011 compared to $1,650,806 as at December 31, 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.

The Company considers the cash on hand sufficient for the known obligations. As at March 31, 2011, the Company did not have any debt or any financial commitments in the upcoming quarters.

As at March 31, 2011 :

- 38,452,411 common shares were issued.
- 4,030,000 options were granted and a total of 3,799,000 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 May 27, 2011 is the following:

Description	**Number of shares**	**Amount $**
As at December 31, 2010	34,633,839	16,231,701
Private placement	3,428,572	1,192,349
Exercised options	140,000	21,000
Attributed value to exercised options	-	11,200
Acquisition of mineral properties	250,000	82,500
As at March 31, 2011	**38,452,411**	**17,538,750**
Exercised options	140,000	21,000
Attributed value to exercised options		11,200
As at May 27, 2011	**38,592,411**	**17,570,950**

Options

Variation in outstanding options as at May 27, 2011 is the following:

As at December 31, 2010	4,710,000	0.40
Exercised	(140,000)	0.15
Cancelled	(540,000)	0.42
As at March 31, 2011	**4,030,000**	**0.40**
Exercised	(140,000)	0.15
Expired	(240,000)	0.33
Issued	950,000	0.30
As at May 27, 2011	**4,600,000**	**0.39**

Options granted and exercisable as May 27, 2011:

Expiry date	Number of options	Exercisable	Exercice price ($)
January 29, 2012	400,000	400,000	0.50
March 8, 2012	900,000	900,000	0.75
October 29, 2012	25,000	25,000	0.38
February 12, 2013	755,000	755,000	0.31
May 19, 2014	700,000	700,000	0.15
March 22, 2015	870,000	609 000	0.34
April 25, 2016	950,000	95,000	0.30
	4,600,000	3,384,000	0.39

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

	2011	2010	2
Expected dividend	0%	0%	
Expected volatility	96%	101%	
Risk free interest rate	2.0%	1.5%	1
Estimated weighted average duration	4.21 years	4.21 years	5

RELATED PARTY TRANSACTIONS

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

As at March 31, 2011, there is a balance payable of $18,666 ($3,960 as at December 31, 2010) to this company. This payable bears a monthly interest of 0.5%.

Also, for the three-month period ended March 31, 2011, in the normal course of activities, a company with a common director invoiced the Company $12,234 ($6,700 for the same period in 2010) for professional fees.

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

The remuneration paid or payable to key management (President, CFO, Vice President Exploration and directors) is as follows

	Three-month period ended	
	March 31, 2011	March 31, 2010
	$	$
Salaries included bonus and fringe benefits	86,042	65,000
Professional fees	9,400	6,700
Social security costs	7,859	6,345
Share-based payments	19,807	32,834
	123,108	110,879

An important part of the remuneration of the President and Vice-President Exploration has been allocated to *Exploration and evaluation assets.*

SUBSEQUENT EVENTS

In April 25, 2011, the Company granted 950,000 options exercisable at $0.30 to officers, directors and employees of the Company. The options have a term of five years and can be exercised gradually over a period of eighteen months.

ACCOUNTING POLICIES

Accounting Estimates

The preparation of financial statements in accordance with IFRS 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 IFRS.

These interim financial statements of the Company were prepared in accordance with IFRS. As these financial statements represent the Company’s initial presentation of its results and financial position under IFRS, they were prepared in accordance with IAS 34, Interim Financial Reporting and by IFRS 1, First-time Adoption of IFRS.

The Company's financial statements were previously prepared in accordance with Canadian GAAP. Canadian GAAP differs in some areas from IFRS. In preparing these interim financial statements, management has amended certain accounting and valuation previously applied in the Canadian GAAP financial statements to comply with IFRS. The comparative figures for 2010 were restated to reflect these adjustments. Certain information and footnote disclosures which are considered material to the understanding of the Company’s interim financial statements and which are normally included in annual financial statements prepared in accordance with IFRS are provided in note 18 of the interim financial statements, along with reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, earnings and comprehensive income.

These financial statements were prepared under the historical cost convention, except for certain financial instruments are carried at fair value.

The Company’s IFRS accounting policies presented in Note 4 of the interim financial statements dated March 31, 2011 have been applied in preparing the financial statements for the reporting period ended March 31, 2011, the comparative information and the opening statement of financial position at the date of transition (January 1, 2010).

Upon transition, IFRS 1 dictate certain mandatory exceptions and certain optional exemptions from full retrospective application. The exceptions and exemptions adopted by the Company are set out below:

Mandatory exceptions

The estimates established by the Company in accordance with IFRS at the date of transition to IFRS are consistent with estimates made for the same date in accordance with Canadian GAAP, after adjustments to reflect any difference in accounting principles, if applicable.

Financial assets liabilities that were derecognised before January 1, 2010 as per the previous GAAP, have not been accounted for under IFRS. The Company has applied the IFRS amendment in advance at the date of application of the exception, January 1, 2010.

Optional exemptions

The Company has chosen not to apply IFRS 2, Share-based Payment, retrospectively to options granted on or before November 7, 2002 or granted after November 7, 2002 and vested before the date of transition to IFRS.

The Company has elected not to apply IFRS 3, Business Combinations, retrospectively to business combinations that occurred before the date of transition (January 1, 2010).

Transition to IFRS

Changes observed for the transition to IFRS are mainly the following:

a) Presentation differences at the Statement of Financial Position

Listed shares for trading, has been grouped with *Investments* for presentation purposes.

Mineral properties and *deferred exploration expenses* have been grouped for presentation under *Exploration and evaluation assets*.

b) Presentation differences in the Statements of earnings and comprehensive loss

Salaries and employee benefits expense for IFRS was adjusted as follows:

	Period ended	
	March 31, 2010 (3 months)	December 31, 2010 (12 months)
	$	$
Balance before the transition date	19,832	73,543
Grouping		
Stock-based-compensation	37,240	187,180
Professional fees paid to an officer	6,700	42,560
Share-based payments adjusment	(1,882)	32,678
Balance as per IFRS	61,890	335,961

Write-off of mineral properties and *Write-off of deferred exploration expenses* are have been grouped for presentation under *Write-off of exploration and evaluation assets.*

Travelling and promotion and *Publicity and promotion* have been grouped for presentation under *Publicity, travel and promotion.*

c) Share-based payments

Under pre-change accounting standards, for grants of share-based payments with graded vesting, the total fair value of the awards is recognized on a straight-line basis over the employment period necessary to vest the awards. Moreover, forfeitures of awards are recognized as they occur.

Under IFRS 2, each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. Also, an estimate of the number of share-based payments expected to be forfeited is required, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. As a result, the Company adjusted its expense for share-based payments to reflect these accounting method differences, resulting in an increase of contributed surplus as follows:

	Cumulative adjustments calculated		
	As at December 31, 2010	As at March 31, 2010	As at January 1, 2010
	$	$	$
	50,759	16,199	18,081

And affect the Statement of earnings and Comprehensive as follows:

	Period ended	
	March 31, 2010 3 months	March 31, 2010 12 months
	$	$
Increase (decrease)	(1,882)	32,678

d) Statement of cash flows

Under pre-change accounting standards, interest paid and received were presented through the notes. Under IFRS, interests are allocated to investing and financing activities where they can be identified with transactions within those categories. There are no other material adjustments to the statement of cash flows. The components of cash and cash equivalents under pre-change accounting standards are similar to those presented under IFRS.

e) Impairment losses recognized at the date of transition

The Company applied IAS 36, Impairment of assets, in determining whether any impairment losses arose at the date of transition to IFRS. No impairment losses (or reversals) were identified.

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, May 27, 2011