DIOS EXPLORATION INC.
ANNUAL MANAGEMENT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2011

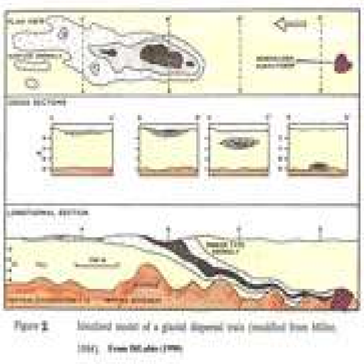
This Management Discussion and Analysis dated April 17, 2012 and provides an analysis of operations and financial position of Dios Exploration Inc. (the “Company” or “Dios”) for the year ended December 31, 2011. This discussion and analysis of the financial position and results of operation should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2011. These audited financial statements have been prepared in accordance with *International Financial reporting Standards* (“IFRS”) as issued by the *Accounting Standards Board*. The 2010 comparative information included in the December 31, 2011 audited financial statements and this MD&A has been restated in accordance with IFRS. The 2009 comparative information included in the section “OPERATION RESULTS AND SELECTED ANNUAL INFORMATION” has not been restated and has been prepared in accordance with Canadian generally accepted accounting principles at this time.

Our report contains «forward-looking statements» not based on historical facts. Forward-looking statements express, as of the date of this report, our estimates, forecasts, projections, expectations and opinions as to future events or results. Forward-looking statements herein expressed are reasonable, but involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to, fluctuations in the market price of precious metals, mining industry risks, uncertainty as to calculation of mineral reserves and requirements of additional financing and the capacity of the Company to obtain financing.

ABOUT DIOS

Following the discovery of several gold occurrences and gold glacial dispersal trains on its wholly-owned diamond projects in the Opinaca and Otish areas, Dios Exploration Inc. diversified looking for gold while actively pursuing its diamond exploration strategy. Dios is a leading research and exploration company with over 2,700 sq. kilometres of properties (5,280 mining cells) in the high potential areas of James Bay. Dios’ systematic strategy led to the discovery of other commodities, such as uranium or in demand exotic minerals such as rare earths and niobium. Dios’ strategy is to generate projects from scientific conceptual design to field discovery and develop them either alone or through farming out agreements, with the benefit of shareholders in mind, trying to evaluate from the start feasible economics in relation with access and facilities.

The Company's shares are traded on the TSX Venture Exchange under the symbol **DOS** and 39,095,961 shares were issued as of December 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.



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.

During the last glacial era of the Upper Quaternary (18,000-5,000 years BC), the glaciers occupied an area up to 44 400 000 square km, including the Laurentain Inlandsis (13,400,000 square km) that then covered the province of Québec and part of Ontario. The amplitude of this geological event considerably shaped the Quebec physiography by the erosion of its rock basement resulting from the displacements of the glacial domes and by the subsequent sedimentary deposits associated with this process.

Under such environment, it is logical that the mining industry applies exploration techniques that outline geochemical or mineralogical anomalies associated to the subglacial sediments and permit the delineation of dispersal trains associated to glacier movements (advances and regressions), specially in the regions that are more proximal to the glacial centres (i.e. characterized by simpler and shorter displacements).

In this latter situation, the Company uses a regional reconnaissance approach by collecting glacial (fluvioglacial) sediment samples (20-40 kg) following a plurikilometric mesh. During this phase, sampling is mainly applied to regional eskers (river channels at the glacier sole) or to remobilized beach sands. The samples are sent to the laboratory where they are screened, and their different fractions are separated. The heavier fractions are isolated and examined with a binocular for the different minerals. In precious and base metal exploration, the fine fractions are also analyzed for different metals in laboratory. For diamond exploration, the possible kimberlite indicator minerals are picked and analyzed with a microprobe.

If there is a positive identification of the right minerals or metals, follow-up sampling with a tighter mesh is carried out up-ice of the detected anomalies. This new sampling work will collect glacial material with shorter transport (i.e. till (and specially basal till), a non sorted glacial sediment). In this follow-up work, glacial float prospecting and rock outcrop mapping will also be carried out up-ice of the anomalies.

Dios research method uncovered well-structured gold in till glacial dispersal trains on its new properties AU33, Le Caron, Shadow, 14 Karats and 33 Carats. At the end of the second quarter and the during the third quarter, the Company divided the AU33 property into three new properties: Lac LeCaron, Shadow and AU33 West (optioned to Osisko). 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 of diamond on uranium, stategic metals and gold.

SUMMARY OF ACTIVITIES DURING THE YEAR

- Exploration expenses totalling $1,682,923 mainly on Shipshaw, Hotish and 33 Carats properties and $500,000 by partner on AU33 WEST. See the item "**Summary of exploration activities**" below.
- Claim acquisition and renewal of $308,860
- Shipshaw property:
  - Drilling campaign during winter 2010-2011 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;
  - Discovery of a new carbonatite (Falardeau) in March 2012.
- AU33 WEST property: Option granted to Osisko Mining Corporation on July 5, 2011 (60% of the property in exchange for $14 million in exploration work on the property and $700,000 in cash payments). New gold showing discoveries and clear indications of porphyry type gold mineralization (Malartic).
- Discovery of a high grade uranium lens in sub-vertical volcanics on Hotish property.
- 14 Carats and 33 Carats properties: Gold and diamond prospecting program on the properties. Numerous mineralized samples were collected and are been assayed: Gold, copper and silver discovered in tonalite rocks on 33 Carats up-ice of a gold train (indications of porphyry type gold mineralization (Malartic).
- Shadow and Le Caron properties: Gold and diamond prospecting programs were carried out on the properties, mapping and samples collected: gold in till trains confirmed and closed on Le Caron and Shadow, indicator mineral train confirmed and closed on Shadow North

RESULTS OF OPERATIONS

Summary of exploration activities

During the year, the Company incurred $1,682,923 in exploration expenses (including $ 600 for the Pontax-Lithium property presented separately in the financial statements) compared to $1,883,572 in 2010. In the 2011 financial statements, a tax credit amounting to $704,106 and write-off of $1,896,795 has been applied against the deferred exploration expenses ($808,893 and $450,357 in 2010, respectively).

Exploration Expenses Analysis

Description	Shipshaw	Hotish	33 Carats	14 Karats	LeCaron	Other	Total
	$	$	$	$	$	$	$
Geology	170 812	188 171	82 376	47 341	65 901	101 124	655 725
Transport and lodging	11 641	147 859	67 544	84 134	27 826	52 847	391 851
Office and other	17 017	7 107	7 287	6 834	9 360	8 860	56 465
Drilling and assays	529 935	-	-	2 560	28 266	18 121	578 882
	729 405	343 137	157 207	140 869	131 353	180 952	1 682 923

Following a review of the mineral properties, the Company decided during the last quarter to write off the Pontax, Chibouki, Upinor, Upinor 2, U2 and Pam properties for a total of $2,272,722.

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

All Dios projects are located within the James Bay Agreement territory, except for the Shipshaw project adjacent to the Niobec mine in the Saguenay region.

Lower Eastmain River area, James bay, Quebec

On **AU33 WEST gold project** optioned to Osisko in July 2011, near EM-1, a field campaign took place during fall 2011 and work revealed outcropping gold showings in a felsic (tonalite-granodiorite) intrusive complex, with 34 of the mineralized outcrops concentrated over a 18 sq. km area. All showings yielded values above 100 ppb gold (0.1 g/t Au), and seven yielded between 1.58 g/t and 23.6 g/t Au. These anomalous values represent 13% of the 260 samples collected from this part of the property.

In 2011, a total of two-months prospecting was carried out on the AU33 WEST property, targeting the felsic (tonalite-granodiorite) igneous complex, the diorites and the volcanic belts found up-ice of gold-bearing till dispersal trains and boulders defined by Dios earlier work. In all, 807 outcrops from across the property were described, sampled and analyzed for gold.

The outcropping auriferous mineralization comprises 1-2% pyrite as disseminations and fracture fillings, locally accompanied by minor chalcopyrite and malachite, and is associated with potassic alteration. The gold-bearing outcrops were found up-ice of a NE-to-SW glacial dispersal train using historical data and Dios data for auriferous till and boulders.

The gold values are associated with silver grades and generally copper as well, in addition to bismuth and molybdenite, suggesting a porphyry-type deposit. The individual outcrops remain open laterally and at depth, and future work will focus on detailed prospecting, stripping, channelling and drilling to better define the nature and extent of the mineralization. The style of mineralization (disseminated, not vein-hosted) and metal association suggest potential for a low-grade bulk tonnage porphyry gold deposit on the property.

A one-month mapping-prospecting program had first been completed last summer in July 2011 and 700 samples had been collected for analysis. Dios and Osisko reported the discovery of outcropping gold mineralized occurrences (up to 3.79 g/t gold) in tonalite rocks. Highlights include:

• 3 mineralized outcropping areas were discovered and could explain some of the gold in till anomalies and the occurrence of gold-bearing glacial boulders.
• 6 outcrop rock samples returned values greater than 1.5 g/t gold. Mineralization is disseminated (no quartz veins) suggesting a large bulk tonnage « gold porphyry » type mineralization potential.

First results of the July field campaign returned:

Au_g/t (*ALS-Chemex AU-AA24)*
3.79
2.71
2.66
2.04
1.765
1.575
0.804
0.673
0.539
0.535

Following the execution of an option and joint venture agreement in July, Osisko was granted the option to earn a 51 percent participating interest in the property by incurring expenditures totalling $5,000,000 and making cash payments totalling $700,000 during a five year period. Osisko was granted a second option to earn up to a 9 percent additional participating interest by incurring $9,000,000 of additional expenditures during a period of five years. Osisko was granted a third option to earn an additional 10 percent participating interest by solely funding a feasibility study.

The AU 33 EAST property was divided in two, the western and northern **SHADOW** project and the south-eastern **Le CARON** project, hosting a high grade gold showing and many glacial till gold trains and indicator minerals some tens of km south of the world-class Eleonore gold deposit.

On **SHADOW gold-diamond project**, a one week mapping-prospecting program was completed over a foliated volcanic sequence wrapping around a felsic pluton that shows pressure-shadow structures on Dios' proprietary magnetic data. The volcanics host abundant centimetric to metric quartz-carbonate-chlorite veins with 5-20% pyrite-pyrrhotite-chalcopyrite located up-ice of gold in till anomalies (3,510 & 863 ppb gold in heavy mineral concentrates). About 100 rock samples were collected in 2011 and sent to ALS Chemex laboratories in Val d'Or. The best analysis included metric late quartz-carbonate-chlorite vein floats with 5-15% pyrite-pyrrhotite-chalcopyrite that assayed:

Lithology	Mineralization	Au g/t	Ag g/t	Cu %
qz-cb-cl vein	5-10% PY-PO-CPY	0.15	5.9	0.94
qz-cb-cl vein	5-10% PY-PO-CPY	0.15	6.3	0.98
qz-cb-cl vein	5-10% PY-PO-CPY	0.07	2.6	0.40
V3b	5-10% PY-PO-CPY	0.20	0.6	0.16

Last fall, more till (40) samples were collected on Shadow-LeCaron and they are still being processed by IOS Services Geoscientifiques at its Saguenay laboratory.

On adjacent **Le CARON gold project**, a one-week prospecting program was carried out on a series of extensive sulphidic (5-20% sulphides injected by quartz veins) new gossans and their extents that were coincidental with former INCO conductors within the same volcanic complex that hosts the Clearwater gold deposit. All (100) associated assays are non-economical.

Re-compilation of all previous LeCaron assays confirms a 4 km x 1.5 km auriferous (x>100ppb Au) halo that is oriented at N065 within the mafic volcanics and hosts the Conductor showing and LaChicane vein. The auriferous halo is coincidental with the Conductor gold till train (including 666, 925, 1035 and 1160 ppb Au) and is limited to the south by a good N065 pluri-kilometric topographic lineament. Extensive sampling of this first-priority target-area is recommended. The contact between the Clarkie Fm sediments and the Natel Fm volcanics should also be systematically checked for mineralization such as the ones observed on Goldcorp Wabamisk or Eleonore projects.

Upper Eastmain River area, James bay, Quebec

A Porphyry Gold model deposit is looked for on **33 CARATS diamond and gold project** and for the first time, gold is discovered in rocks on **33 CARATS:** gold was found within targeted tonalitic intrusive rocks: six samples returned values of gold, silver and copper up to 3.18 g/t Au, 18 g/t Ag and 1.22% Cu, respectively. See table below for more results. Detailed geological mapping by Dios some 5-10 km northwest of the volcanic hosted Eastmain gold deposit helped outline a 2 by 6 km tonalitic phase specifically targeted for its gold potential in the western part of a felsic pluton around which is wrapped the Eastmain Greenstone Belt. The mineralized (1-2% pyrite) sicilified tonalite glacial float samples were collected up-ice of a glacial gold train in till. Boulders are angular and their sizes suggest an outcrop source within 2 km, where tonalite was mapped, so not in the eastern part of the property where granodiorite was mapped.

Rock sample description	Gold (g/t)	Silver (g/t)	Copper (%)	Bi (ppm)
Sub angular boulder, 2 x 2 x1m, moderately fractured, felsic volcanic, 20-30% mm QZ porphyric crystals , 2-3% BO, 5-10% rusty QZ veinlets, non-magnetic, 2-3% PY-CPY	3,18	9,5	0,16	13
Boulder 1.5 x 1.5 x 1 m, medium grain tonalite, veins, moderately foliated, strongly magnetic, altered: biotization-silicification, disseminated 2-4% CPY, traces PY	1,32	18,0	1,22	19
Boulder 1 x 0.5 x 0.5 m, medium to coarse grain tonalite, strongly foliated, altered, magnetic, 20-30% mm QZ veins developed in foliation, alteration comprises biotization, hematization and silicification , disseminated 1-3% PY	1,97	1,8	nil	3
Angular boulder 4 x 4 x 2 m, medium to coarse grain tonalite containing a 2-3 cm rusty QZ vein , magnetic, disseminated traces PY	0,95	1,7	0.07	2
Sub angular boulder 1.5 x 1.3 x 1.1m, medium to coarse grained tonalite, moderately foliated, non-magnetic, alteration comprises BO veinlets, carbonatation and silicification , disseminated 3-5% PY-CPY and patchy MC	0,42	8,6	0,64	9
Sub angular boulder 4 x 4 x 5 m, medium to coarse grained tonalite, non-foliated, strongly magnetic, alteration comprises biotization and silicification , disseminated 3-4% PY-CPY	0,29	1,8	0,13	nil
QZ: quartz, BO: biotite, CPY: chalchopyrite, PY: pyrite, PG: plagioclase feldspar	Gold	Silver	Copper	Bismuth

Gold mineralization in these tonalite boulders correlates with significant values of copper and silver, and related values in bismuth, indicative of porphyry type deposits. An anomalous gold bearing outcrop was also discovered, with high exploration potential in its surrounding one km or more radius. **DIOS** considers these results very significant as it indicates this part of the eastern Eastmain volcanic belt hosts a potential for copper-gold porphyry deposits related to the synvolcanic Lac Erasme pluton. The Otish road towards the Renard diamond deposit will go through **DIOS'** property, 1-2 kilometres east of the main gold potential area.

Siliceous and biotitic alteration affects most samples. Carbonatation is sometimes observed. Mineralization consists of disseminated pyrite, chalchopyrite and malachite within rocks but also in rusty quartz veins. Sulphide content varies between traces and 5%. Mineralization and alteration types combined with the important till gold train suggest a real potential for a large copper-gold porphyry system that could be the source of the gold-bearing boulders found during the 2011 campaign.

Gold values above 50 ppb were returned from 13 samples out of 154 sent to analysis, 10 of them were taken in metric sub-angular to angular blocks of felsic intrusive and 12 samples, including one outcrop, are located in the till gold train The highest gold assay returned 3.18 g/t from a volcanic felsic block. Only one anomalous sample comes from an outcrop of tonalite. Three auriferous boulders are found in the vicinity of this outcrop. Six samples returned sub-economic to economic values of gold, silver and copper up to 3.18 g/t, 18 g/t and 1.22% respectively. A one week prospecting program was completed over a tonalite (granodiorite) plug and adjacent volcanics up-ice of a glacial auriferous train (glacial till gold anomalies incl. 2090, 1165, 583 and 519 ppb gold in heavy minerals concentrates) and a total of 57 outcrops were mapped of which 48 were sampled. Moreover, 90 mineralized boulders were sampled and samples sent to Val d'Or ALS CHEMEX laboratory and assayed for gold (AA23) and multi-element package (ME-ICP 41), with fourteen (14) blanks.

On **HOTISH,** Dios discovered a high grade uranium lens (1.85 % U3O8 over one-meter true width), with *copper and lead* mineralization in sub-vertical volcanics under two feet of sand. Five horizontal diamond-saw channels crosscut the stripped mineralized lens along a fifteen meter length returning from north to south:

- 0.5042 % uranium oxide over 2 m (*1.04 % U3O8 over 1 m*)*
- 0.155 % U3O8 over 1 m (0.087 % U3O8 over 2 m with 0.13 % copper)
- 0.621 % U3O8 over 3 m (*1.85 % U3O8* / 1 m, 0.5% lead, 0.17 % Cu 0.5% vanadium)
- 0.1 % U3O8 over 1 m
- 0.532 % U3O8 over 1 m with 0.165 % lead
**one-meter long samples collected from volcanics with a rock saw and assayed by 3 analytical methods at Saskatchewan SRC Laboratory*

This **HOTISH uranium-rare earths** (diamond) **project** is adjacent to the Cameco property in the Otish mountains and a three-week prospecting-trenching-track-sampling programme took place in June-July:

Two grab samples returned 1,66 % U3O8 (0.131 % copper, 0.63 % lead, 1.5 % barium, 0.7 % vanadium) and 0,624 % en U3O8, respectively. They were discovered in outcrop following manual stripping of a 64,000 and 30,000 cps sector, with associated urano-phane and sulfides, mainly chalchopyrite. A brecciated texture super-imposed on a strong shear give a schisteous look to the host-rocks and in the brecciated areas, the fragments are hematized. Mechanical stripping was thus undertaken over a 15 m extent by 5 m width. The mineralized lens seems to follow a north-south structure crosscutting the east-west sub-vertical sheared volcanics (600 – 1000 meters width) and could be further stripped along its extents with larger machinery or drilled at depth. The actual Otish winter road and planned all weather road in the scope of the Quebec Government Plan Nord is located 15 km from the property, which overlaps the western unconformity of the Otish sedimentary basin.

On its new **14 KARATS gold-diamond project** located in the northern extent of the Upper Eastmain Greenstone-belt, reconnaissance mapping-prospecting was completed to investigate first-priority arsenic lake sediment anomalies associated with magnetic lineaments at the Opinaca-LaGrande sub-provinces contact. The target area has few outcrops, but abundant glacial drift. The mapping successfully confirmed the presence of a pluri-kilometric Greenschists-Low Amphibolite-grade sedimentary sequence (conglomerate, biotite wackes & silicate iron-formation), with minor chloritized metabasalts, ultramafics and gabbroic-dioritic sills. Seventy-four (74) rock-samples were collected and 7 blanks inserted; sent for multi-elements analysis at Val d`Or ALS Chemex laboratory. The best 2011 assays for rock samples from the 14 Karats project are:

Description	Mineralisation	Gold g/t	Silver g/t	Arseni ppm
silicate iron fm float	1-2% py	0.127	0.9	98
silicate iron fm float	1-2% py-aspy	0.446	1.0	3860
oxidized basalt float	1-3% py-po-aspy	0.269	0.5	3000
silicate iron fm float	10-15% py-aspy	0.045	<0.2	5290
silicified wacke float	2-3% py-po	0.082	0.2	219

Some heavy mineral sampling (53 till samples) was also carried out in the area by Dios. IOS Services Geoscientifiques is still processing the till samples for diamond indicators and metals at its Saguenay laboratory. The Lac Leran claims block located up-ice of anomalous gold (1.660 g/t Au, 0.123 g/t Au, 0.534 g/t Au and 2.330 g/t Au in the concentrate of heavy minerals) in 2006-07 tills was not prospected in 2011.

On its new **CARBON 14 niobium- rare earths project** located in the vicinities of Artigny and Ango Lakes, just west of the Naoccocane Lake**,** regional reconnaissance heavy mineral sampling (40 esker-till samples) was completed in the vicinities of regional niobium (>2ppm Nb; 95% percentile)-lanthane (>77ppm La; 95% percentile), cerium (>152ppm Ce; 95% percentile), cesium (over 0.8ppm Cs; 95% percentile) and locally with yttrium (>36ppm Y; 95% percentile) lake sediment anomalies. IOS Services Geoscientifiques is still processing the till samples for diamond indicators and metals at its Saguenay laboratory.

Saguenay area

On the **SHIPSHAW niobium-rare earths** project in the Saguenay region, an independent consultant IOS Services Geoscientifiques of Saguenay provided a complete detailed report from the last twenty drill holes program on the Shipshaw carbonatite complex. The Shipshaw Carbonatite Complex is located a few kilometers away from the Niobec mine, Saguenay area, Quebec, in operation for over thirty years. New areas of the Shipshaw Complex remained to be tested and also at depth as well as new potential carbonatite targets surrounding the Niobec mine and defined by recent research work on DIOS wholly-owned claims. The first definition drilling phase to understand the geology of the Shipshaw Complex aimed at testing part of the Complex to a depth of 125-150 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. .

Four drill holes returned metric size intercepts grading up to 0.251 %, 0.188 %, 0.177 %, 0.15 % Nb2O5, respectively, on SHIPSHAW. Several holes returned several intercepts grading 0.304 % to 0.442 % in rare earth elements (RRE) from one to sixteen m large intercepts. Also, a carbonatite outcrop was discovered and returned 7.5 m grading 0.36% rare earth element (REE) (incl. 0.582 % RRE over 1 m). Other track sampling returned one meter intercepts with 0.4% REE and 0.055 % and 0.04 % Nb2O5. Eleven grab samples returned values up to 0.071 % Nb2O5 and 0.525 % RRE.

The drill holes aimed at checking several concentric magnetic anomalies in the vicinities of a carbonatite occurrence. These anomalies were selected from the processing of an helicopter-borne magnetic survey carried out by Geodata Solutions and they are located about 4 kilometers south-southwest from the St-Honore carbonatitic complex. The Shipshaw anomaly is located in an area characterized by thick clay-rich overburden known as the terres rompues, is located within a paleo-depression along the Saguenay River. Nineteen (19) drill holes were completed in the northern and central parts of the geophysical anomaly. The Shipshaw anomaly is a particularly interesting target for niobium and rare-earths in reason of its size, proximity and similarities with the aeromagnetic anomaly associated with the world-class St-Honore niobium deposit.

Also, a few additional holes were drilled later this summer, results pending: a wholly new hematized carbonatite breccia? zone was discovered while drilling the Falardeau anomaly a few km northeast of the St-Honore carbonatite. Further drilling is planned later in the year.

Summary of planned exploration programs for 2012

PROJECTS	PLANNED WORK	BUDGET ($)	FOLLOW-UP WORK
SHIPSHAW	Drilling	250,000	Drilling
AU33-WEST	Prospecting, mapping, tills, outcrop grab sampling and diamond saw channel	Osisko	Prospecting and drilling
SHADOW	Prospecting, mapping, tills, and sampling	250,000	Prospecting and drilling
LECARON	Prospecting, mapping, tills, and sampling (?)	475,000	Outcrop grab sampling, diamond saw channel and drilling
33 CARATS	Prospecting, tills, outcrop grab sampling (?)	275,000	Geophysics (I.P.) and drilling
14KARATS	Prospecting, mapping, outcrop grab sampling and diamond saw channel	300,000	Geophysics, sampling and drilling
CARBON14	Prospecting and tills (?)	65,000	Prospecting and tills
GENEX	Compilation, prospecting and tills	85,000	
TOTAL 2012		**1,700,000**	

Summary of exploration work planned in 2011 and Results

PROJECTS	PLANNED WORK	BUDGET ($)	RESULTS ($)
SHIPSHAW	Geophysics and drilling	1,075,000	729,405
AU33 WEST	Prospecting, mapping, tills, outcrop grab sampling and diamond saw channel	500,000	25,069
AU33 NORTH (SHADOW AND LECARON)	Prospecting, mapping, tills, outcrop grab sampling and diamond saw channel	400,000	226,552
33 CARATS	Prospecting, mapping and drilling	700,000	157,207
HOTISH	Prospecting, mapping, outcrop grab sampling and diamond saw channel	200,000	343,137
UPINOR	Mapping and diamond saw channel	65,000	-
PAM	Mapping and diamond saw channel	50,000	2,388
OTHER		**-**	199,168
TOTAL 2011		**2,990,000**	1,682,926

The differences are explained as follows

Shipshaw :	Drilling deferred in March 2012 following the results of 2011 drilling.
AU33 ouest :	Decrease in work due to the option granted to Osisko.
Shadow et LeCaron :	Exploration work posponed to 2012.
33 Carats :	Drilling posponed to 2013.
Hotish :	Additional work done following the results of spring 2011.
Pam et Upinor	Write-off
Other	Basic work done on new properties staked (14 Karats and Carbon14).

OPERATION RESULTS AND SELECTED ANNUAL INFORMATION

Net loss for the year is $2,708,186 ($182,935 for 2010) whereas expenses for the year totalled $2,755,112 ($1,076,963 for 2010).

	As at December 31, 2011 $	**As at December 31, 2010 $**	**As at December 31, 2009 $**
Other Income	46,926	51,494	87,520
Net loss	(2,708,186)	(182,935)	(701,461)
Expenses	2,755,112	1,076,963	341,098
Net loss per share (basic and diluted)	(0.07)	(0.005)	(0.02)
Total assets	10,606,070	11,844,464	12,327,093

Other Income

2011 compared to 2010

- In 2011, Other income relates to realized interest on investments. Decrease in 2011 is due to use term deposits in order to provide sufficient funds for exploration activities and lower rates obtained on term deposits.
- Management fees of $27,680 earned following the option granted to Osisko.

2010 compared to 2009

- In 2010, Other income relates to realized interest on investments. Decrease in 2010 is due to use term deposits in order to provide sufficient funds for exploration activities and lower rates obtained on term deposits.

Net loss and expenses

2011 compared to 2010

- Expenses (excluding impairment and write-off of exploration and evaluation assets of $2,272,722 in 2011 and $527,372 in 2010) decreased in 2011 going from $549,591 in 2010 to $482,390 in 2011 due to the following:
    - Payment of a bonus and salary increase of two officers in the first quarter offset by an increase in stock-based compensation in 2010.
    - Additional professional fees incurred in 2011 for the transition to IFRS;
    - In the second quarter 2010, the Company has paid an amount of arrears to the CSST.
    - Transfer agent: Shareholders rights fees
    - Decrease in promotional costs: Investor Relations contract ended in 2010, promotional trip to Asia in 2010;
- Non cash items included in the 2011 loss are the following:
    - Write-off of exploration and evaluation assets of $2,272,722;
    - Unrealized loss on listed shares: $12,060; and
    - Stock based compensation expense: $176,889.

2010 compared to 2009

- Expenses (excluding impairment and write-off of exploration and evaluation assets of $527,372 in 2010 and $431,192 in 2009) increased in 2010 going from $341,098 in 2009 to $549,591 in 2010 due to the following:
    - 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 twelve 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.
    - During the year, the Company has paid an amount of arrears to the CSST.
- During the year, future income tax liability related to mining rights have been written off.
- Non cash items included in the 2010 loss are the following:
    - Write-off of exploration and evaluation assets: $527,372;
    - Future income tax : Credit of $842,534;
    - Unrealized loss on listed shares: $6,030; and
    - Stock based compensation expense: $219,858.

Total assets

2011 compared to 2010

- Private placements of 1,350,000$ (gross).
- Exploration and evaluation assets:
  - Acquisition and claims renewal costs of $308,860;
  - Explorations expenses of $1,682,923;
  - Tax credit of $704,106 related to exploration expenses incurred in 2011;
  - Write-off of exploration and evaluation assets of $2,272,722.
- Redemption of investments to finance the exploration and evaluation assets.

2010 compared to 2009

- No financing by share issuance in 2010. Contributed surplus increased by $187,180 following the grant of stock options in March 2010.
- Increase in net exploration expenses ($624,322) following the retraction of term deposits. Write-off of a mining property and related deferred exploration expenses totalling $527,372.
- During the year, future income tax liability related to mining rights of $842,534 have been written off.

SUMMARY OF QUARTERLY RESULTS

	2011 New GAAP					2010 New GAAP			
($ 000 except loss/share)	Q4	Q3	Q2	Q1		Q4	Q3	Q2	Q1
Income and others	46	14	7	16		(12)	16	(494)	14
Net earnings (Net loss)	(2 346)	(127)	(122)	(113)		777	(84)	(694)	(181)
Net earnings (net loss) per share(basic and diluted)	(0.061)	(0.003)	(0.003)	(0.003)		0.023	(0.002)	(0.02)	(0.005)

Variations in quarterly loss can be explained by the following:

2011-Q4	Write-off of exploration and evaluation assets of $2,272,722.
2011-Q3	Increase of stock-based compensation.
2011-Q2	Grant of 950,000 options in April 2011.
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 investor relation contract in February 2010.

FOURTH QUARTER

Highlights of the fourth quarter of 2011 are the following :

- Exploration expenses totalling $165,311 mainly on Shadow-LeCaron ($99,537) and 33 Carats ($25,027) properties;
- Write-off of exploration and evaluation assets of $2,272,722;
- Administration costs of $81,379 for the quarter;
- Interest income of $8,691 and management income of $7,000.

CASH FLOW SITUATION

The working capital decreased by $11,791 as at December 31, 2011 going from $2,076,207 as at December 31, 2010 to $2,064,416 as at December 31, 2011. The little change is mainly due to the realization of private placements totaling $ 1,350,000 and a relocation to current assets of a Exploration and evaluation assets (Pontax-Lithium) that was sold in the first quarter 2012 offset by increases in deferred exploration costs and administrative costs. See "SUBSEQUENT EVENTS”.

The cash and term deposits (free cash flow) totalled $1,587,754 as at December 31, 2011 compared to $1,671,911 as at December 31, 2011.

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.

As at April 17, 2012, the Company considers the cash on hand sufficient for the known obligations. As at December 31, 2011, the Company did not have any debt or any financial commitments in the upcoming quarters.

FINANCING

As at December 31, 2011 :

- 39,095,961 common shares were issued.
- 3,985,000 options were granted and a total of 3,415,000 can be exercised at prices ranging between $0.15 to $0.75 between 2012 and 2016. Each option can be exchanged by its holder thereof for one common share of the Company.
- 428,550 warrants were issued, entitling their holders to subscribe for the same amount of flow-through common shares of the Company at a price of $0.49 until September 6, 2012 or at a price of $0.63 after September 6, 2012 until September 6, 2013.

Variations in share capital as at April 17, 2012 are the following:

Description	**Number of shares**	**Amount $**
As at December 31, 2010	34,633,839	16,231,701
Private placements	3,857,122	1,326,422
Exercised options	280,000	64,400
Acquisition of mineral properties	325,000	101,625
As at December 31, 2011 and April 17, 2012	**39,095,961**	**17,797,148**

On February 3, 2011, through a private placement, the Company issued to IAMGOLD Corporation 3,428,572 common shares at a price of $0.35 per share for a total of $1,200,000 ($1,192,914 after the issue costs of $7,086). No less than 80% of the proceeds of the private placement will be committed to the Shipshaw property.

On September 7, 2011, the Company completed a non-brokerage private placement with subscribers. An amount of $150,000 was subscribed composed of 150 units at a price of $1,000 per unit. Each unit consists of 2,857 flow-through shares and 2,857 warrants. A sum of $126,422 was allocated to share capital, whereas an amount of $23,578 was allocated to the warrants.

Options

Variations in outstanding options as at April 17, 2012 are the following:

As at December 31, 2010	4,710,000	0.40
Issued	950,000	0.30
Exercised	(280,000)	0.15
Cancelled	(1,155,000)	0.46
Expired	(240,000)	0.33
As at December 31, 2011	**3,985,000**	**0.38**
Issued	995,000	0.235
Expired	(1,020,000)	0.67
As at April 17, 2012	**3,960,000**	**0.27**

On 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.

On February 28, 2012, the Company granted 995,000 options exercisable at $0.235 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.

Options granted and exercisable as April 17, 2012:

Expiry date	Number of options	Exercisable	Exercice price ($)
October 29, 2012	25,000	25,000	0.38
February 12, 2013	595,000	595,000	0.31
May 19, 2014	700,000	700,000	0.15
March 22, 2015	695,000	695,000	0.34
April 25, 2016	950,000	522,500	0.30
February 28, 2017	995,000	99,500	0,235
	3,960,000	2,637,000	0.27

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	98%	101%	
Risk free interest rate	2.0%	1.5%	1
Estimated weighted average duration	5 years	5 years	5
Average exercise price at date of grant	$0.30	$0.34	
Average share price at date of grant	$0.30	$0.34	

Warrants

Variation in outstanding warrants as at April 17, 2012 is the following:

As at December 31, 2010	-	-
Issued	428,550	0.49
As at December 31, 2011 and April 17, 2012	**428,550**	**0.49**

In respect with the private placement dated September 7, 2011, the Company issued 428,550 warrants. Each warrant entitles its holder to acquire one flow-through share of the Company at a price of $0.49 until September 6, 2012 or at a price of $0.63 after September 6 until September 6, 2013.

RELATED PARTY TRANSACTIONS

The Company was related until April 1, 2011 to another company, Sirios Resources Inc., because of certain common officers.

Also, for the period ended April 1, 2011, in the normal course of activities, a company with a common director invoiced the Company $12,234 ($47,470 for the year ended December 31, 2011) for professional fees.

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 impairment of exploration and evaluation assets and stock-based compensation. Actual results may differ from those estimates.

(a) Impairment of property and equipment and exploration and evaluation assets

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

Determining whether to test for impairment of exploration and evaluation assets requires management's judgment, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires considerable management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Group's assets and earnings may occur during the next period. An impairment losses of $2,272,722 has been recognized for the year 2011.

(b) Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model.

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 confirmed January 1, 2011 as the changeover date to move financial reporting for Canadian publicly accountable enterprises to the IFRS.

The financial statements for the year ended December 31, 2011 have been prepared in accordance with Canadian generally accepted accounting principles as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate the IFRS, as published by the International Accounting Standards Board, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the financial statements have been prepared in accordance with IFRS standards and interpretations effective as of December 31, 2011, with significant accounting policies as described in note 4 of the Company’s consolidated financial statements for the year ended December 31, 2011.

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 22 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.

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 exemption

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.

Transition to IFRS

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

a) Presentation differences at the Statement of Financial Position

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

The accounting items *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:

	Year 2010
	$
Balance before the transition date	73,543
Grouping	
Stock-based-compensation	187,180
Professional fees paid to an officer	42,560
Share-based payments adjustment	32,678
Balance as per IFRS	335,961

The accounting items *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.*

Interest and others was split into *Financial income* and *loss on disposal of investments.*

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	
Year 2010	As at December 31, 2010	As at January 1, 2010
$	$	$
32,678	50,759	18,081

And affect the Statement of earnings and Comprehensive as follows:

	Year ended December 31, 2010
	$
Increase	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.

f) Classification of financial instruments

During the transition, *cash and cash equivalents* has been reclassified from *financial assets held for trading* in the category *loans and receivables.*

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, April 17, 2012