DIOS EXPLORATION INC.
INTERIM MANAGEMENT REPORT
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2012

This Management Discussion and Analysis dated August 22, 2012 and provides an analysis of operations and financial position of Dios Exploration Inc. (the "Company" or "Dios") for the six-month period ended June 30, 2012. 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 and December 31, 2010. These audited financial statements have been prepared in accordance with *International Financial reporting Standards* ("IFRS") as issued by the *Accounting Standards Board*.

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

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 Laurentian 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 glacial dome displacement and subsequent sedimentary deposition associated with this process.

Following Dios' systematic claim evaluation for diamond potential over the years, detailed till sampling led to the discovery of several gold occurrences and gold glacial dispersal trains on its wholly-owned diamond projects in the Opinaca and Otish areas. Dios diversified looking for gold while actively pursuing its diamond exploration strategy. Dios has over 2,700 sq. kilometres of properties (5,280 mining cells) in the high potential areas of James Bay. 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.

Dios' shares are traded on the TSX Venture Exchange under the symbol **DOS** and 39,095,961 shares were issued as of June 30, 2012. Additional information may be available through the www.sedar.com web site, under the Company's section "Sedar filing" or at www.Diosexplo.com.

Dios' 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 Dios' strength, focusing on glacial sediment sampling and exploration.

Dios applies exploration techniques outlining geochemical or mineralogical anomalies associated to subglacial sediments, permitting delineation of dispersal trains related to glacier movements (advances and regressions), specially in regions more proximal to glacial centres, with simpler and shorter displacements.

In this latter situation, Dios 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 separated. The heavier fractions are isolated and their different minerals studied with a binocular. In precious and base metal exploration, the finer 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 Le Caron, Shadow, 14 Karats and 33 Carats properties and AU33 West (optioned to Osisko Mining Corporation ("Osisko")). Drilling a magnetic anomaly led to the discovery of a new alkaline complex on the Shipshaw property, near Chicoutimi, and of nearby Falardeau alkaline complex anomaly

SUMMARY OF ACTIVITIES DURING THE QUARTER

- Exploration expenses totalling $420,069 on Shipshaw and Shadow properties. See "**Summary of exploration activities**".
- Au 33 West property (*pophyric type gold deposit potential*) :
  Osisko's team realized two exploration campaigns from June 4th to June 29th and from July 10th to July 28th with a field team of 6 people on road and by helicopter. A new soil survey was completed and Osisko completed detailed sampling (364 samples) of outcrops located in the centre of the property where mineralized occurrences were discovered in 2011. Follow up is planned in the coming weeks.

- Shipshaw property:
  - Important drilling campaign started in March around Niobec mine;
  - Discovery of a new alkaline complex (Falardeau). Pending drill results.
- 14 Karats project and 33 Carats property (*porphyric gold type deposit potential*) :
  - Recent re-assaying of diamond till allowed the discovery of significant gold in till values along the glacial structured dispersal train which stops in the tonalite jammed in the volcanic foldnose.
  - Beginning of major summer prospecting campaign to be followed by soil sampling to define eventual drill targets at proximity of the Otish road.
- Shadow property:
  - Processing of kimberlite indicator minerals for promising diamond targets.
  - Soil survey on prospective 2 by 4 km gold sector up-ice of a dispersal train reaching 3,510 ppb gold in till, poorly outcropping, near a power line.
- Launch of Dios' blog in August 2012.

RESULTS OF OPERATION

Summary of exploration activities

During the second quarter, the Company incurred $420,069 in exploration expenses mainly on the Shipshaw and Shadow mining properties.

Exploration Expenses Analysis

Description	Shipshaw	Shadow	14 Karats	33 Carats	Others	Total
	$	$	$	$	$	$
Geology	2 509	15 632	15 290	18 224	27 031	78 686
Tills sampling and analysis	-	68 085	41 724	1 640	19 903	131 352
Transport and lodging	-	-	-	4 116	-	4 116
Office and other	4 222	-	2 087	1 674	1 992	9 975
Drilling and assays	195 940	-	-	-	-	195 940
	202 671	83 717	59 101	25 654	48 926	420 069

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

Dios' projects are located within the James Bay *Paix des Braves* Agreement and Cree territory, Eeyou Ischte, in the *Plan Nord region* of Quebec, more specifically along the Eastmain River area, except for the Shipshaw project adjacent to the Niobec mine in the Saguenay region.

Lower Eastmain River area, James Bay, Quebec (near Eastmain 1-A hydropower plant)

On **AU33 WEST gold project,** which exploration expenses are funded by Osisko, near EM-1, Osisko's exploration team completed two exploration campaigns from June 4th to June 29th and from July 10th to July 28th with a 6 person field crew. The work was carried out by helicopter and by road. The crew stayed at the Eastmain Hydro camp. In the first week, a soil sampling (B horizon) grid including 140 samples on east-west lines at each 50 meter was completed, the purpose of which was to find out the origin of the mineralized block found in 2010 by Dios.

Following soil sampling, the crew completed detailed rock sampling of all outcrops located in the center of the property where were discovered some gold showing in 2011 by Dios and Osisko. Some 364 rock samples have been picked up with spectrometry readings for K alteration. Field work follow-up will be carried out in coming weeks. Results are pending.

On July 5th, 2011 an option and joint-venture agreement was signed between Osisko and Dios on the AU33 west property. Two exploration campaigns of one month each then followed (July and October, 2011).On a total of 806 gold sampled outcrops, 98 returned values superior to 20 ppb, 62 returned values superior to 50 ppb, 7 values superior to 1.5 g/t and one sample at 23.6 g/t.

Exploration of this sector provided a definition of a gold interest zone of 4 x 6 km of tonalite-granodiorite. The gold values are associated with silver grades and generally copper as well as the presence of bismuth and molybdene, which would indicate a porphyric type deposit.

The gold tonalite-granodiorite is generally silicified. It is present in three forms: disseminated, in quartz veinlets and quartz-calcite, and plated. The pyrite carries the mineralization and may be accompanied of chalcopyrite and malachite. The mineralized outcrops stay open laterally and at depth and future sampling, detailed mapping, and drilling work with allow a better idea of the property's potential.

In July 2011, Dios and Osisko had discovered outcropping gold mineralized occurrences in tonalite rocks. Highlights included: (3.79 ; 2.71 ; 2.66 ; 2.04 ; 1.765 ; 1.575 ; 0.804 ; 0.673 ; 0.539 ; 0.535 g/t Au).

The style of mineralization (disseminated, not vein-hosted) and metal associations suggest potential for a low-grade bulk tonnage porphyry gold deposit on the property.

In July 2011, 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 further 9 percent participating interest by incurring $9,000,000 of 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.

On **SHADOW diamond project**, in 2012, new independent reprocessing of Dios 2009 tight 100 m spaced airborne geophysical data as well as Quebec government 2010 public data uncovered some 20 priority geophysical targets for diamondiferous kimberlite within a 10 by 15 kilometer area some tens of km south of the world-class Eleonore gold deposit**.** These targets are located up-ice of Dios 2009-2010 favourable kimberlite indicator minerals (and Fall 2011 microprobe results) such as G9 pyrope, eclogitic garnet, omphacite (eclogitic clinopyroxene), kosmochlor (chrome diospside), and forsterite. **Eclogitic signature of indicator minerals strongly suggests high diamondiferous potential for kimberlites they come from.** The area hosts numerous favourable NNW, N-S and NNE magnetic features, and some E-W striking in its eastern part. Several regional diabase-gabbro dykes are very well outlined by geophysics. Last fall, some 40 additional heavy mineral samples were collected on the **Shadow-LeCaron project** and are still being for kimberlite indicator minerals.

On **SHADOW SOUTH gold project** occurs in the southern part a foliated volcanic sequence wrapped around a felsic pluton showing pressure-shadow structures on Dios' proprietary magnetic data. A 4-5 x 2.5 km gold in till anomaly includes up to 1,120 ppb, 938 ppb Au and 3,510 ppb Au (parts per billion gold) in heavy mineral concentrates. This glacial gold dispersal train points out towards a volcano-sedimentary contact (further up-ice sampling results were negative) and/or a small phantom plug jammed in the fold nose of the volcano-sedimentary sequence, over all of which was completed in June a large soil geochemical survey, the targeted area poorly outcropping but near hydropower line road .

On adjacent **Le CARON gold project**, compilation of 2010-2011 rock sampling for gold outlined a 4 km x 1.5 km auriferous (over 0.1 g/t Au in rocks) area within a mafic volcanic sequence west of Dios Conductor gold showing (up to 37 g/t Au), near a major NW structure. This area is also located up-ice of anomalous gold in tills (265; 285; 666; 925; 1,035; 1,160 ppb Au in heavy mineral concentrates). A new 921 ppb Au anomaly was located by the 2011 till sampling, which results end the dispersal train, suggesting a local source in this area some 12 kilometers north of the Clearwater 1.67 million ounce gold deposit.

Dios Conductor gold showing had returned between 2.9 et 37.3 g/t Au in grab samples and 1.3 g/t Au / 2.5 m (track A) incl. 3.44 g/t Au / 1 m; 2.1 g/t Au/4.5 m (track B) incl. 2.1 g/t Au / 1.5 m & 8.1 g/t Au, 22.6 g/t Ag, 0.31% Pb, 0.32% Zn/1 m; 4.9 g/t Au, 14 g/t Ag, 0.28% Pb, 0.15% Zn/ 1 m (track C); 9.64 g/t Au/0.7 m (track D). Extensive sampling of this first-priority target-area is recommended.

Upper Eastmain River area, James bay, Quebec

A Porphyry Gold model deposit is looked for on **33 CARATS diamond and gold project.** On its porphyry type **33 CARATS** gold target NW of the Eastmain gold mine some 315 kilometers north of the town of Chibougamau, Dios plans major mapping and prospecting of the tonalitic phase of the Erasme Lake pluton. The Otish Mountains road which will go to the diamond Renard deposit passes less than one to two kilometers east of the sector targeted by Dios. In 2011, many tonalite boulders returned from 0.97 to 3.18 g/t Au up-ice of a gold in till glacial train (252 – 2,090 ppb Au (from 0.25 g/t Au to 2.09 g/t Au)). Recent analysis work during the quarter of other diamond tills from Dios allows us to add the following gold values in g/t in tills (fine concentrates) along the gold dispersal glacial train stopping in the tonalite: 2.5 g/t Au, 2.385 g/t Au, 1.320 g/t Au, 0.384 g/t Au, 0.352 g/t Au, 0.504 g/t Au, 0.731 g/t Au, 0.424 g/t Au and 0.301 g/t Au (Falcon concentrates). These new positive results allow the confirmation of the gold dispersal train and to define it more while enlightening its significance with many values greater than 2 g/t Au. IOS Services Géoscientifiques will execute on behalf of Dios soil sampling work (1,200 humus samples) on the sector poorly outcropping up-ice of the gold train to eventually target drilling areas. The till samples (sand from glacial erosion) were processed in their Saguenay laboratory. Even more so, five rock samples from the glacial boulders were submitted to them for a petrographic study. They had returned anomalous values in gold and silver. Potassic alterations were suspected and confirmed by the petrographic study. Potassic alteration of the tonalitic-granodioritic rocks lightly mineralized in pyrite-chalcopyrite and in quartz veinlets shows favourable potential for porphyry gold type mineralizations. Potassic alteration is characteristic of porphyry gold deposits such as in Malartic and such as is noted on Dios Au 33 West gold project optioned to Osisko.

Last Fall, gold was for the first time discovered in rocks on **33 CARATS:** gold was found within targeted tonalitic intrusive rocks: six samples returned values in 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 in till train. Boulders are angular and their sizes suggest an outcrop source within 2 km, where tonalite 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

The major prospecting campaign planned for summer 2012, then the large soil geochemical survey commissioned will be possibly followed later on by induced polarization survey and drilling over the tonalite in the volcanic fold nose on Dios' claims.

Gold mineralization in these tonalite boulders correlates with significant values of copper and silver, and related values in bismuth, suggestive 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. 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 gold in till 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.

The style of mineralization (disseminated, not vein-hosted) and metal associations suggest potential for a low-grade bulk tonnage porphyry gold deposit on the property.

On **14 KARATS gold-diamond project** located far away upward of the Upper Eastmain River, 35-55 km east of the Stornoway Renard diamond deposit, and 50-75 km NE of the Eastmain gold mine (accessible by a 160 km winter-road from Temiscami), 2012 assays of new 2011 Fall regional glacial till (54 samples) sampling yielded 642 ppb Au, 583 ppb Au, 151 ppb Au, 120 ppb Au, 131 ppb Au, 115 ppb Au. These anomalous gold results adds up to re-assays of former proprietary Dios' 2006 diamond tills that returned 1,660 ppb Au, 123 ppb Au, 534 ppb Au and 2,330 ppb Au and are located within a few km down-ice of the Dios' interpreted extent of the Archean Upper Eastmain volcano-sedimentary belt.

The geological environment suggests a potential for worldclass Eleonore-type gold mineralization at the same southern geological contact between Opinaca and La Grande Subprovinces. The **14 KARATS** project covers a 40 km under-explored strike of this interpreted Upper Eastmain archean volcano-sedimentary belt and is effectively located near the metamorphic facies contact between the two Subprovinces, at the transition level between Greenschist and Amphibolite metamorphic gradients. Dios 2011 geological reconnaissance program outlined a pluri-kilometric sequence of metasediments (conglomerates, biotite graywackes & silicate iron-formation), and lesser metabasalts, dacites, ultramafics and gabbroic-dioritic sills within a Greenschist-grade metamorphic domain (LaGrande) adjacent to the LaGuiche migmatitic orthogneiss and paragneiss (middle amphibolite /Granulites facies (Opinaca). Disseminated sulfides (1-15% arsenopyrite-pyrite-pyrrhotite) mineralization was observed within the silicified metasediments and metavolcanics. Federal magnetic data shows interesting weak magnetic lineaments with some flexure/folding pattern (strike variation) of the major LaGrande- Opinaca contact.

Reconnaissance and systematic mapping-prospecting will be completed in 2012 as well as further heavy mineral sampling while are still being processed the 2011 till samples for diamond indicators.

Saguenay area

On the **SHIPSHAW niobium-rare earths** project, Saguenay region, a wholly new hematized carbonatite breccia zone was discovered while drilling a distinct anomaly (Falardeau) some km northeast of the St-Honore carbonatite. Further drilling was pursued later in March confirming the discovery and detailed core studies are undertaken before sending splitted core for assaying.

Dios completed four drill holes following the discovery of the Falardeau Alkaline Complex, Saguenay, Quebec by diamond drilling the Falardeau geophysical anomaly reaching 2.5-3 km by 2 km in size and located some 6 km northeast of the Niobec Niobium mine.

Dios commissioned a detailed petrographic study of the drill core to better understand the complex geology of the several hundreds meter width of very much altered alkaline complex carbonated rocks and this detailed petrographic logging has just been completed for holes M 2.3 and M 2.5 reaching a 402 meter and 345 meter length, respectively. This drill core has just finished being split in two and is being sent for assaying for these two holes. Detailed core logging and splitting is currently ongoing for other holes. The carbonated rocks are very strongly altered with pervasive alteration within the matrix, which might suggest mineralization content. Results will be published as soon as available.

The exploration team of Dios thought the Saint-Honore Alkaline Complex host to the Niobec mine might not be a stand alone event in the area. Dios discovered the Shipshaw Alkaline Complex two years ago and is studying the newly discovered Falardeau Alkaline Complex, which seems a lot more altered, a good sign for niobium and rare earth potential.

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
14 KARATS	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**	

Given the difficulty of raising funds in 2012, the Company may reduce the 2012 exploration budget.

SUMMARY OF FINANCIAL ACTIVITIES

Net loss for the quarter is $133,160 (net loss of $122,275 for the second quarter 2011) whereas administration fees for the quarter totalled $120,879 ($129,104 for the second quarter 2011).

Net loss for the six-month period is $286,962 (net loss of $235,983 for the six-month period ended June 30, 2011) whereas administration fees for the six-month period totalled $242,938 ($258,511 for the six-month period ended June 30, 2011).

Analysis of Administrative expenses

Description	Quarter ended June 30	
	2012	2011
	$	$
Salaries and employee benefits expense	**98 457**	72,540
Registration fees and shareholders information	**10 764**	16,154
Office	**6 676**	7,463
Insurances, taxes and permits	**2 211**	1,962
Professional fees	**1 300**	14,499
Publicity and public relations	**1 207**	16,300
Banking fees and interests	**264**	186
	120 879	129,104

During the three-month period June 30, 2012, one notes mainly:

- Increase of stock-based compensation expenses in 2012;
- Additional professional fees incurred in 2011 for the transition to IFRS;
- Decrease in promotional costs: Participation in various mining exploration fairs in 2011;

Description	Semester ended June 30	
	2012	2011
	$	$
Salaries and employee benefits expense	**159 173**	140,810
Professional fees	**32 300**	42,333
Publicity and public relations	**8 188**	27,120
Registration fees and shareholders information	**18 698**	27,234
Office	**17 734**	14,962
Insurances, taxes and permits	**6 382**	5,788
Banking fees and interests	**463**	264
	242 938	258,511

During the six-month period June 30, 2012, one notes mainly

- Increase of stock-based compensation expenses in 2012;
- Additional professional fees incurred in 2011 for the transition to IFRS;
- Decrease in promotional costs: Participation in various mining exploration fairs in 2011;
- Decrease in 2012 base fee paid to TSX Ventures Exchange.

Analysis of Other Revenues and Expenses

Finance Income

Interest income for the quarter decreased to $6,177 ($13,546 for the six-month period ended June 30, 2012) from $12,283 for the same period last year ($24,967 for the six-month period ended June 30, 2011) due to less cash being invested and lower interest rates paid by banks.

Other

- Gain on sale of Pontax-Lithium property of $112,513;
- Negative change in fair value of listed shares of $9,598 for the quarter ended June 30, 2012 ($126,583 for the six-month period ended June 30 , 2012);
- Following the IFRS accounting rules related to the Flow-Through-Shares, the Company recorded deferred taxes of $8,860 for the quarter ($43,500 for the six-month period ended June 30, 2012).

SUMMARY OF QUARTERLY RESULTS

	2012			**2011**					**2010**	
($ 000 except loss/share)	**Q2**	**Q1**		**Q4**	**Q3**	**Q2**	**Q1**		**Q4**	**Q3**
Income and others	6	7		46	14	7	16		(12)	16
Net earnings (net loss)	(133)	(153)		(2 346)	(127)	(122)	(113)		777	(84)
Net earnings (net loss) per share (basic and diluted)	(0.003)	(0.004)		(0.061)	(0.003)	(0.003)	(0.003)		0.023	(0.002)

Variations in quarterly loss can be explained by the following:

2012-Q2	Refundable credit on mining duties for losses of $98,290 and payment on option of $75,000 received during the quarter with respect to AU33 ouest property.
2012-Q1	Gain on sale of Pontax-Lithium property for $112,513 and negative change in fair value of listed shares for $116,985.
2011-Q4	Write-off of exploration and evaluation assets for $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 were written off.
2010-Q3	No significant fact.

CASH FLOW SITUATION

The working capital increased by $76,480 during the second quarter going from $1,802,567 as at March 31, 2012 to $1,879,047 as at June 30, 2012. The increase is mainly due to the reallocation from non-current investments to current investments and an option payment of $75,000 received during the quarter.

The cash and investments, excluding Shares listed (free cash flow) amounted to $945,206 as at June 30, 2012 compared to $1,165,279 as at March 31, 2012.

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 June 30, 2012, the Company did not have any debt or any financial commitments in the upcoming quarters.

SHARE CAPITAL, OPTIONS AND WARRANTS

As at June 30, 2012 :

- 39,095,961 Common Shares were issued.
- 3,930,000 options were granted and a total of 2,907,750 can be exercised at prices ranging between $0.15 to $0.38 between 2012 and 2017. 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.

Share capital

Variations in share capital as at August 22, 2012 are the following:

Description	Number of shares	Amount $
As at December 31, 2011	39,095,961	17,797,148
As at June 30, 2012 and August 22, 2012	**39,095,961**	**17,797,148**

Options

Variations in outstanding options as at August 22, 2012 are the following:

	Number	Weighted average exercise price ($)
As at December 31, 2011	3,985,000	0.38
Issued	995,000	0.235
Forfeited	(30,000)	0,30
Expired	(1,020,000)	0.67
As at June 30, 2012 and August 22, 2012	**3,930,000**	**0.27**

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 at August 22, 2012:

Expiry date	Number of options	Exercisable	Exercise 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	920,000	644,000	0.30
February 28, 2017	995,000	248,750	0.235
	3,930,000	2,907,750	0.27

The weighted fair value of these options ($0.16 per option issued) during the year ($0.21 per option issued in 2011) was estimated using the Black-Scholes stock option pricing model with the following weighted average assumptions:

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

	2012	2011	2
Expected dividend	0%	0%	
Expected volatility	98%	98%	
Risk free interest rate	1.1%	2.0%	1
Estimated weighted average duration	5 years	5 years	5
Average exercise price at date of grant	$0.235	$0.30	
Average share price at date of grant	$0.235	$0.30	

The underlying expected volatility was determined by reference to historical data of Company's shares over a period of time since its listing on the TSX Venture Exchange. No special features inherent to the options granted were incorporated into measurement of fair value.

In total, $123,633 of employee remuneration expense (all of which related to equity-settled share-based payment transactions) were included in profit or loss for the six-month period ended June 30, 2012 ($54,401 for the six-month period ended June 30, 2011) and credited to Contributed surplus.

Warrants

Variation in outstanding warrants as at August 22, 2012 is the following:

	Number	**Weighted average exercise price**
As at December 31, 2011	428,550	0.49
As at June 30, 2012 and August 22, 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.

ACCOUNTING POLICIES

These interim financial statements of the Company were prepared in accordance with IFRS, as issued by the International Accounting Standards Board (IASB) under International Accounting Standard (IAS) 34 - Interim Financial Reporting. These interim financial statements were prepared using the same basis of presentation, accounting policies and methods of computations outlined in Note 4, SIGNIFICANT ACCOUNTING POLICIES as described in our financial statements for the year ended December 31, 2011. The interim financial statements do not include all of the notes required in annual financial statements.

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 Company's assets and earnings may occur during the next period. No impairment loss of the exploration and evaluation assets was recognized during the period.

(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.

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 IFRS. 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 CPA, CA Chief Financial Officer

Montreal, August 22, 2012