

DIOS EXPLORATION INC.

INTERIM FINANCIAL STATEMENTS

MARCH 31, 2011

Content

Statement of Financial Position	2
Statement of Earnings and Comprehensive loss	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes	6-28

The attached interim financial statements have been prepared by Dios Exploration Inc. and its external auditors have not reviewed these unaudited financial statements.

DIOS EXPLORATION INC.
Statement of Financial Position (unaudited)

(Canadian dollars)

	Notes	March 31 2011 \$	December 31 2010 \$	January 1 2010 \$
ASSETS				
Current				
Cash and cash equivalents	6	363 173	32 283	546 534
Investments	7	1 550 428	1 338 694	1 180 754
Good and services tax receivable		71 076	86 779	39 730
Tax credit and credit on duties receivable		1 098 734	891 099	862 815
Prepaid expenses and deposit		5 886	11 899	49 841
		3 089 297	2 360 754	2 679 674
Non-current				
Investments	7	302 370	300 934	1 446 170
Exploration and evaluation assets	8	9 652 615	9 182 776	8 201 249
		9 954 985	9 483 710	9 647 419
Total assets		13 044 282	11 844 464	12 327 093
LIABILITIES				
Current				
Trade and other payables	9	262 228	280 587	43 717
Account payable to a mining company	17.2	18 666	3 960	3 098
		280 894	284 547	46 815
Non-current				
Deferred taxes		-	-	842 534
Total liabilities		280 894	284 547	889 349
EQUITY				
Share capital	10.1	17 538 750	16 231 701	16 146 451
Contributed surplus		2 043 353	2 033 223	1 813 365
Deficit		(6 818 715)	(6 705 007)	(6 522 072)
Total equity		12 763 388	11 559 917	11 437 744
Total liabilities and equity		13 044 282	11 844 464	12 327 093

The accompanying notes are an integral part of the financial statements

These financial statements were approved and authorized for issue by the Board of Directors on May 27, 2011

signed

Marie-José Girard
Director

signed

René Lacroix
Director

DIOS EXPLORATION INC.

Statement of Earnings and Comprehensive loss (unaudited)

(Canadian dollars)

	Notes	Three-month period ended	
		March 31	
		2011	2010
		\$	\$
EXPENSES			
Salaries and employee benefits expense	11.1	68 270	61 890
Professional fees		27 833	25 000
Trustees, registration fees and shareholders relations		10 966	9 819
Publicity, travel and promotion		10 935	31 627
Offices expenses		7 499	8 919
Insurance, taxes and permits		3 826	4 038
Bank charges		78	205
		<u>129 407</u>	<u>141 498</u>
OPERATING LOSS			
		129 407	141 498
OTHER REVENUES AND EXPENSES			
Finance income	13	12 684	18 497
Change in fair value of listed shares held for trading		3 015	(4 522)
		<u>15 699</u>	<u>13 975</u>
		(113 708)	(127 523)
LOSS BEFORE INCOME TAXES			
		(113 708)	(127 523)
Deferred income taxes		-	53 708
		(113 708)	(181 231)
NET LOSS AND COMPREHENSIVE LOSS			
		<u>(113 708)</u>	<u>(181 231)</u>
NET LOSS PERSHARE			
Basic and diluted loss per share	14	<u>(0.003)</u>	<u>(0.005)</u>

The accompanying notes are an integral part of the financial statements

DIOS EXPLORATION INC.

Statement of Changes in Equity (unaudited)

(Canadian dollars)

	Note	Share capital	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$
Balance at January 1, 2010		16 146 451	1 813 365	(6 522 072)	11 437 744
Net loss for the period		-	-	(182 935)	(182 935)
Share-based payments		-	219 858	-	219 858
Shares issued for the acquisition of mining rights		85 250	-	-	85 250
Balance at December 31, 2010		16 231 701	2 033 223	(6 705 007)	11 559 917
Balance at January 1, 2010		16 146 451	1 813 365	(6 522 072)	11 437 744
Net loss for the period		-	-	(181 231)	(181 231)
Share-based payments		-	35 358	-	35 358
Balance at March 31, 2010		16 146 451	1 848 723	(6 703 303)	11 291 871
Balance at January 1, 2011		16 231 701	2 033 223	(6 705 007)	11 559 917
Net loss for the period		-	-	(113 708)	(113 708)
Share-based payments	11.1	-	21 330	-	21 330
Shares issued by private placement	10.1	1 192 349	-	-	1 192 349
Shares issued for the acquisition of mining rights	10.1	82 500	-	-	82 500
Exercise of options	11.2	21 000	-	-	21 000
Value of exercised options		11 200	(11 200)	-	-
Balance at March 31, 2011		17 538 750	2 043 353	(6 818 715)	12 763 388

The accompanying notes are an integral part of the financial statements

DIOS EXPLORATION INC.
Statement of Cash Flows (unaudited)

(Canadian dollars)

	Notes	Three-month period ended	
		March 31	
		2011	2010
		\$	\$
OPERATING ACTIVITIES			
Net loss		(113 708)	(181 231)
Adjustments			
Share-based payments		21 330	35 358
Change in fair value of listed shares held for trading		(3 015)	4 522
Interest received		(11 073)	(9 725)
Deferred income taxes		-	53 708
Changes in working capital items	16	18 062	520 358
Cash flows from operating activities		<u>(88 404)</u>	<u>422 990</u>
INVESTING ACTIVITIES			
Investments redeemed		400 000	(9 731)
Investments		(610 154)	-
Additions to exploration and evaluation assets		(594 974)	(655 045)
Interest received		11 073	9 725
Cash flows from investing activities		<u>(794 055)</u>	<u>(655 051)</u>
FINANCING ACTIVITIES			
Issuance of shares by private placement		1 200 000	-
Issuance cost of shares		(7 651)	-
Exercise of options		21 000	-
Cash flows from financing activities		<u>1 213 349</u>	<u>-</u>
Net change in cash and cash equivalents		330 890	(232 061)
Cash and cash equivalents, beginning of period		32 283	546 534
Cash and cash equivalents, end of period		363 173	314 473

The accompanying notes are an integral part of the financial statements

DIOS EXPLORATION INC.

Notes to Financial Statements

For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

1. NATURE OF OPERATIONS

Dios Exploration Inc. (the "Company"), is an exploration company with activities in Canada.

2. GOING CONCERN ASSUMPTION

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company has not yet generated income nor cash flows from its operations. As at March 31, 2011, the Company has a negative cumulated retained deficit of \$6,818,715 (\$6,705,007 as at December 31, 2010). These material uncertainties cast significant doubt regarding the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

In February 2011, the Company has completed a private placement for a total amount of \$1.2MM. See details in Note 10.1.

The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements and the classification used in the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate.

3. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH 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 along with reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, earnings and comprehensive loss.

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

The Company is incorporated under the Canada Business Corporations Act. The address of the Company's registered office and its principal place of business is 1000, St-Antoine street west, suite 711, Montreal, Quebec, Canada. The Company's shares are listed on the TSX Venture Exchange.

The financial statements for the reporting period ended March 31, 2011 (including comparatives) were approved and authorized for issue by the Board of Directors on May 27, 2011 and have not been audited by their external auditors.

4. SUMMARY OF ACCOUNTING POLICIES

4.1 Overall considerations and first-time adoption of IFRS

The financial statements have been prepared using accounting policies specified by those IFRS that will be in effect at the end of the year-end (December 31, 2011).

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

These accounting policies have been used throughout all periods presented in the financial statements, except where the Company has applied certain accounting policies and exemptions upon transition to IFRS. The exemptions applied by the Company and the effects of transition to IFRS are presented in Note 18.

DIOS EXPLORATION INC.

Notes to Financial Statements

For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

The IASB (International Accounting Standards Board) aims to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after January 1, 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Company. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

4.3 Presentation of financial statements in accordance with IAS 1

The financial statements are presented in accordance with IAS 1, *Presentation of Financial Statements*.

In accordance with IFRS 1, *First-time adoption of international financial reporting standards*, the Company presents three statements of financial position in its first IFRS financial statements. In future years, the Company will present two comparative periods for the statement of financial position only when it: (i) applies an accounting policy retrospectively, (ii) makes a retrospective restatement of items in its financial statements, or (iii) reclassifies items in the financial statements.

4.4 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loan and receivables;
- Financial assets at fair value through profit or loss.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All income and expenses relating to financial assets that are recognized in profit or loss are presented within Finance costs or Finance income.

DIOS EXPLORATION INC.

Notes to Financial Statements

For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

4.4 Financial instruments (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents and guaranteed investment certificates fall into this category of financial instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Listed shares and others investments from financial institutions are classified as held-for-trading assets.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss.

Impairment of financial assets

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of receivables is presented in profit or loss within Other operating expenses.

Financial liabilities

The Company's financial liabilities include trade accounts and amounts payable due to mining company and others payable.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss within Finance costs.

4.5 Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares shall be deemed to have been converted into ordinary shares at the beginning of the period or, if later, at the date of issue of the potential ordinary shares.

For the purpose of calculating diluted loss per share, an entity shall assume the exercise of dilutive options of the entity. The assumed proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. The diluted loss per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding options as explained in Note 14.

4.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments with original maturities of three months or less, and that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

DIOS EXPLORATION INC.

Notes to Financial Statements

For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

4.7 Tax credits and credit on duties

The Company is entitled to a refundable credit on duties for losses under the Mining Duties Act. This refundable credit on duties for losses is applicable on exploration costs incurred in the Province of Quebec.

Furthermore, the Company is entitled to a refundable tax credit for resources for mining companies on qualified expenditures incurred. In accordance with IAS 20, the credit on duties and the exploration tax credit have been applied against the costs incurred.

4.8 Exploration and evaluation assets

Exploration and evaluation assets include the cost of acquiring mining rights and expenses, directly related to the exploration and evaluation of mining properties. These assets are recognized as intangible assets and are carried at cost less any impairment loss recognized, less refundable tax credits and credits on duties.

Costs incurred before the legal right to undertake exploration and evaluation activities on a project was acquired are recognized in the consolidated statement of comprehensive income when they are expensed.

Mining rights and expenses related to exploration and evaluation activities are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of the project. The accessory revenues earned over the exploration and evaluation period are recognized in profit or loss. No depreciation is recognized during the exploration and evaluation phase. Costs capitalized include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource.

Whenever a project is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts; the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, mining rights and expenses related to exploration and evaluation activities of the related mining property are transferred to Mining assets under construction.

Upon transfer of exploration and evaluation assets into Mining assets under construction, all subsequent expenditures on the construction, installation or completion of infrastructure facilities are capitalized within Mining assets under construction. When development stage is completed, all assets included in mining assets under construction are then transferred to Mining assets and depreciated over the expected productive lives of the assets.

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

4.9 Impairment of non-financial assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level. Impairment reviews for exploration and evaluation assets are carried out on a property-by-property basis, with each property representing a potential single cash-generating unit.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use. To determine the value in use, management estimates expected future cash flows from each asset or cash-generating unit, and then determines an appropriate interest rate for the calculation of the expected present value of the cash flows.

An impairment loss is recognized immediately in the consolidated statement of comprehensive income and reduces the asset or is charged pro rata on the basis of the carrying amount of each asset in the cash-generating unit. All the assets are assessed whether there is any indication that an impairment loss recognized in prior periods may no longer exist. An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

DIOS EXPLORATION INC.

Notes to Financial Statements

For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

4.10 Provisions, contingent liabilities and contingent assets

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes, decommissioning, restoration and similar liabilities, or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted when the time value of money is significant.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination. In a business combination, contingent liabilities arising from present obligations are recognized in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognized, less any amortization.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

The company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. The Company's operations are in compliance with current laws and regulations. Any payment resulting from mining property restorations would be charged to the cost of the mining properties when it is possible to reasonably estimate the amount.

4.11 Employee benefits

A defined contribution plan is a pension plan under which the Company pays fixed contributions to an independent entity. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contributions. The Company contributes to several state plans for individual employees, that are considered defined contribution plans. Contributions to the plans are recognized as an expense in the period that relevant employee services are rendered.

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) is recognized in the period in which the services are rendered and is not discounted.

The expected cost of compensated absences is recognized in profit or loss as the employees render services that increase their entitlement. The cost of bonus payments is recognized in profit or loss when there is a legal or constructive obligation to make such payments as a result of past performance.

4.12 Deferred income taxes

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. For management's assessment of the probability of future taxable income to utilize against deferred tax assets, see Note 5.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

DIOS EXPLORATION INC.

Notes to Financial Statements

For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

4.12 Deferred income taxes (continued)

Changes in deferred tax assets or liabilities are recognized as deferred income tax in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Under the provisions of tax legislation relating to flow-through shares, the Company is required to renounce tax deductions for expenses related to exploration activities to the benefit of the investors. Deferred income taxes relating to temporary differences are recorded when the renouncement forms are filed with the tax authorities.

4.13 Equity

Share capital represents the amount received on the issue of shares, less issuance costs.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Flow-through placements

Issuance of flow-through shares is accounted for similarly to the issuance of a compound financial instrument. The liability component represents the obligation to revert the tax benefit to the investors. Proceeds from the issuance of shares by flow-through private placements are allocated between shares issued and a liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to the liability.

Contributed surplus includes charges related to share options and warrants until such equity instruments are exercised.

Retained deficit includes all current and prior period retained profits or losses.

4.14 Equity-settled share-based payments

The Company operates equity-settled share-based remuneration plans (share options plans) for its eligible directors, officers, employees and consultants. None of the Company's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values. Where employees are rewarded using share-based payments, the fair value of the services rendered by the employees is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to Contributed surplus, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are recorded as share capital. The accumulated charges related to the share options recorded in contributed surplus are then transferred to share capital.

4.15 Segmental reporting

In accordance with IFRS 8, Operating Segments, it is mandatory for the Company to present and disclose segmental information based on the internal reports that are regularly reviewed by the Executive Chairman and the Board of Directors in order to assess each segment's performance.

The Company has determined that there was only one operating segment: Sector of exploration and evaluation.

DIOS EXPLORATION INC.

Notes to Financial Statements

For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

5. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Exploration and evaluation assets

Indications of impairment and of reversal of impairment loss and recoverable amount

The assessment of indications of impairment loss and the reversal of an impairment loss and the measuring of the recoverable amount when impairment tests has been done involve judgment. If there is an indication of impairment or reversal of an impairment loss, an estimate of the recoverable amount of the asset or the cash generating unit is performed and an impairment loss or reversal of impairment loss is recognized to the extent that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is determined as the higher of its fair value less costs to sell and its value in use.

The management determines for each property if there are any facts and circumstances indicating impairment loss or reversal of impairment losses. Facts and circumstances indicating impairment include, but are not limited to the following:

- (a) the period for which the entity has the right to explore in a specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- (b) substantive expenditure on further exploration for an evaluation of mineral resources in a specific area is neither budgeted nor planned;
- (c) exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- (d) sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, management has to evaluate the recoverable amount of the asset or the cash-generating unit, and this requires management to make assumptions as to the future events or circumstances. The assumptions are based on the Company's exploration and evaluation program which consider whether results from exploration works justify further investments, the confirmation of the interest of the Company in the mining claims, the ability of the Company to obtain the necessary financing to complete the future development or if the disposal of the properties for proceeds is in excess of their carrying value.

The actual results are likely to differ and significant adjustments to the Company's assets may happen during the next period. No impairment loss of the exploration and evaluation assets recognized during the period.

Deferred taxes

The assessment of availability of future taxable profits involves judgment. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Further information regarding going concern is outlined in Note 2.

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.

DIOS EXPLORATION INC.
Notes to Financial Statements
For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

5. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (continued)

Provisions and contingent liabilities

Judgements are made as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realized. Several of these factors are source of estimation uncertainty.

6. CASH AND CASH EQUIVALENTS

	March 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Cash at bank (Bank overdraft) and in hand	(18 193)	(452)	109 746
Monetary fund	381 366	32 735	436 788
	<u>363 173</u>	<u>32 283</u>	<u>546 534</u>

As at March 31, 2011, cash and cash equivalents include monetary fund bearing interest at 0.5%, cashable anytime without any penalties.

7. PLACEMENTS

	Rate ranging		March 31, 2011	December 31, 2010	January 1, 2010
	from	to	\$	\$	\$
Current					
Guaranteed investment certificates	1.75%	4.8%	1 317 273	906 574	201 076
Others investments from financial institutions	1.25%	1.25%	209 035	411 015	952 543
Shares listed	-	-	24 120	21 105	27 135
			<u>1 550 428</u>	<u>1 338 694</u>	<u>1 180 754</u>
Non-current					
Guaranteed investment certificates	3.85%	3.85%	200 684	200 000	877 401
Others investments from financial institutions	3.05%	3.05%	101 686	100 934	568 769
			<u>302 370</u>	<u>300 934</u>	<u>1 446 170</u>

8. EXPLORATION AND EVALUATION ASSETS

MINING RIGHTS

	December 31, 2010	Additions	March 31, 2011
	\$	\$	\$
QUEBEC			
33 Carats	561 141	4 320	565 461
14 Carats	-	22 080	22 080
Carbon 14	-	19 560	19 560
Hotish	282 738	16 504	299 242
Hotish nord	-	15 960	15 960
Pontax	66 371	960	67 331
Chibouki	48 438	-	48 438
AU33	197 717	(778)	196 939
Upinor	66 695	-	66 695
Upinor 2	13 560	-	13 560
Shipshaw	131 414	83 865	215 279
U2	76 320	-	76 320
Pam and Ugo	92 940	-	92 940
Others	-	3 640	3 640
	<u>1 537 334</u>	<u>166 111</u>	<u>1 703 445</u>

DIOS EXPLORATION INC.
Notes to Financial Statements
For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

MINING RIGHTS (balance forwarded) 1 537 334 166 111 1 703 445

EXPLORATION

	December 31, 2010	Additions	Tax credits and credit on duties	March 31, 2010
	\$	\$	\$	\$
QUEBEC				
33 Carats	1 477 571	13 019	(5 286)	1 485 304
14 Carats	-	2 186	(888)	1 298
Carbon 14	-	2 187	(888)	1 299
Hotish	3 270 520	23 860	(9 688)	3 284 692
Pontax	968 798	796	(324)	969 270
Pontax Lithium	107 139	597	(242)	107 494
Chibouki	428 085	-		428 085
AU33	605 086	62 835	(25 514)	642 407
Upinor	442 487	-		442 487
Shipsaw	290 519	403 850	(163 980)	530 389
U2	17 443	-		17 443
Pam and Ugo	37 794	2 033	(825)	39 002
	7 645 442	511 363	(207 635)	7 949 170
TOTAL	9 182 776	677 474	(207 635)	9 652 615

Under the agreement signed on October 21, 2010, the Company issued on January 6, 2011, 250,000 common shares to Exploration Diagold Inc., which allows the Company to fulfill the last condition to obtain the remaining 25% interest in the Shipsaw property.

On February 3, 2011, through a private placement, the Company issued to IAMGOLD Corporation ("IAMGOLD") 3,428,572 common shares at a price of \$0.35 per share for a total of \$1,200,000 and IAMGOLD is also granted an exclusive option to earn 60% interest in the Shipsaw Property under certain conditions, within two years of this private placement. No less than 80% of the private placement will be committed to the Shipsaw property.

9. TRADE AND OTHER PAYABLES

	March 31, 2011	December 31, 2010	January 1, 2010
	\$	\$	\$
Trade accounts	244 937	251 536	19 653
Credit cards	17 291	22 361	24 064
Payroll deduction at source	-	6 352	-
Accrued	-	338	-
	262 228	280 587	43 717

10. EQUITY

10.1 Share capital

The share capital of the Company consists only of fully paid ordinary shares.

Authorized

Unlimited number of common shares without par value, voting, participating, dividend as declared by the Board of Directors.

DIOS EXPLORATION INC.
Notes to Financial Statements
For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

10.1 Share capital (continued)

Shares issued and fully paid	Number of shares	
	Three-month period ended	
	March 31, 2011	March 31, 2010
Shares issued and fully paid at the beginning	34 633 839	34 333 839
Private placement (a)	3 428 572	-
Acquisition of mining rights (b)	250 000	-
Exercise of share options	140 000	-
Total shares issued and fully paid at the end	<u>38 452 411</u>	<u>34 333 839</u>

(a) 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 (\$1,192,349 after the issue costs of \$7,651). No less than 80% of the private placement will be committed to the Shipshaw property.

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

11. EMPLOYEE REMUNERATION

11.1 Salaries and employee benefits expense

	Three-month period ended March 31	
	2011	2010
	\$	\$
Wages, salaries	86 042	65 000
Professional fee paid to an officer	9 400	6 700
Social security costs	2 970	2 177
Share-based payments	21 330	35 358
Defined contribution State plans	4 889	4 168
	<u>124 631</u>	<u>113 403</u>
Less: salaries capitalized in Exploration and evaluation assets	<u>(56 361)</u>	<u>(51 513)</u>
Salaries and employee benefits expense	<u>68 270</u>	<u>61 890</u>

11.2 Share-based payments

The Company has adopted share-based payment plans under which members of the Board of Directors may award options for ordinary shares to directors, officers, employees and consultants. The maximum number of shares issuable under the plans is 6,000,000. The maximum number of common shares which may be reserved for issuance to any one optionee may not exceed 5% of the common shares outstanding at the date of grant.

The exercise price of each option is determined by the Board of Directors and cannot be less than the market value of the ordinary shares on the day prior the award, and the term of the options cannot exceed five years. The options granted vest in stages over a period of 18 months after the grant date, at the rate of 15% per quarter, at the exception of 10%, which may be exercised from the date of the grant. For the options granted to a consultant, it vests in stages over a period of 12 months after the grant, at the rate of 25 % per quarter.

DIOS EXPLORATION INC.
Notes to Financial Statements
For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

11.2 Share-based payments (continued)

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options. The Company's share options are as follows for the reporting periods presented:

	Options	Weighted average exercise price
Outstanding as at December 31, 2010	4 710 000	0.40
Exercised	(140 000)	0.15
Cancelled	(540 000)	0.42
Outstanding as at March 31, 2011	4 030 000	0.40

The table below summarizes the information related to share options as at March 31, 2011:

Range of exercise price \$	Outstanding options			Exercisable options	
	Number of options	Weighted average exercise price	Remaining life (years)	Number of options	Weighted average exercise price
		\$			\$
0.10 to 0.29	840 000	0.15	3.13	840 000	0.15
0.30 to 0.50	2 290 000	0.36	2.27	2 059 000	0.36
0.51 to 0.75	900 000	0.75	0.94	900 000	0.75
	<u>4 030 000</u>	0.40		<u>3 799 000</u>	0.41

The fair value of these options of \$0 during the first quarter(\$0.26 per option issued in 2010) was estimated using the Black-Scholes stock option pricing model with the following weighted average assumptions:

	2011	2010
Average share price at date of grant	-	\$0.34
Dividends yield	-	0%
Expected weighted volatility	-	101%
Risk-free interest average rate	-	1.5%
Expected average life	-	5 years
Average exercise price at date of grant	-	\$0.34

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, \$21,330 of employee remuneration expense (all of which related to equity-settled share-based payment transactions) were included in profit or loss for the three-month period ended March 31, 2011(\$35,358 for the three-month period ended March 31, 2010) and credited to Contributed surplus.

DIOS EXPLORATION INC.
Notes to Financial Statements
For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

12. FINANCIAL ASSETS AND LIABILITIES

Categories of financial assets and liabilities

The carrying amounts and fair values of financial instruments presented in the consolidated statement of financial position are as follows:

	March 31, 2011		December 31, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
<i>Loans and receivables</i>				
Cash and cash equivalents	363 173	363 173	32 283	32 283
Guaranteed investment certificates	1 517 957	1 517 957	1 106 574	1 106 574
<i>Financial assets at fair value through profit or loss.</i>				
Listed shares	24 120	24 120	21 105	21 105
Other investments from financial institutions	310 720	310 720	511 749	511 749
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade accounts	244 937	244 937	251 536	251 536
Other payable	17 291	17 291	29 051	29 051
Account payable to a mining company	18 666	18 666	3 960	3 960
			January 1, 2010	
			Carrying amount	Fair value
			\$	\$
Financial assets				
<i>Loans and receivables</i>				
Cash and cash equivalents			546 534	546 534
Guaranteed investment certificates			1 078 477	1 078 477
<i>Financial assets at fair value through profit or loss.</i>				
Listed shares			27 135	27 135
Other investments from financial institutions			1 521 312	1 521 312
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade accounts			19 653	19 653
Other liabilities			24 064	24 064
Account payable to a mining company			3 098	3 098

The carrying value of cash and cash equivalents, guaranteed investment certificates, trade accounts, account payable to a mining company and other liabilities are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

See Note 4.4 for a description of the accounting policies for each category of financial instruments.

DIOS EXPLORATION INC.
Notes to Financial Statements
For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

12. FINANCIAL ASSETS AND LIABILITIES (continued)

Financial instruments measured at fair value

The following presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for the assets or liabilities that are not based on observable market data.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

Marketable securities in quoted mining exploration companies and investment in bonds measured at fair value in the consolidated statement of financial position as at March 31, 2011 are classified in Level 1.

The fair value of the marketable securities in quoted mining exploration companies and bonds was determined by reference to the quoted bid prices at the reporting date.

There have been no significant transfers between Levels 1 and 2 in the reporting periods.

The method and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

13. FINANCE INCOME

	Three-month period ended March 31,	
	2011	2010
	\$	\$
Interest income from cash and cash equivalents	1 264	536
Interest income from guaranteed investment certificates	8 198	13 853
Interest income from other investments	3 222	4 108
	<u>12 684</u>	<u>18 497</u>
Finance income	<u>12 684</u>	<u>18 497</u>

14. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, potential ordinary shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 11.2.

	March 31,	
	2011	2010
Net loss	\$(113,708)	\$(181,231)
Weighted average number of shares in circulation	37 182 569	34 333 839
Basic and diluted loss per share	\$(0.003)	\$(0.005)

There have been no other transactions involving ordinary shares between the reporting date and the date of authorization of these financial statements except the issue of 140,000 common shares following an exercised options. This issue of shares does not change the results above.

DIOS EXPLORATION INC.
Notes to Financial Statements
For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

15. INCOME TAXES

The recorded deferred income tax assets and liabilities result from differences between the carrying amount and the tax basis of the following

	March 31, 2011	Dec. 31, 2010
	\$	\$
Deferred income tax assets		
Listed shares	11 247	11 205
Exploration and evaluation assets	100 015	100 012
Issuance cost of equity instruments	32 902	43 869
Non-capital losses	510 298	503 489
	<u>654 462</u>	<u>658 575</u>
Deferred income tax liability	-	-

Deferred income tax assets are not recognized because the Company considers it unlikely that they will offset future taxable income.

16. ADDITIONAL INFORMATIONS – CASH FLOWS

The changes in working capital items are detailed as follows:

	Three-month period ended March 31,	
	2011	2010
	\$	\$
Good and services tax receivable	15 702	(33)
Tax credit and credit on duties receivable	-	347 268
Prepaid expenses and deposit	(1 987)	38 699
Trade and other payables	(10 359)	133 850
Account payable to a mining company	14 706	574
	<u>18 062</u>	<u>520 358</u>

17. RELATED PARTY TRANSACTIONS

The Company's related parties include its associate, one related company and joint key management, as described below. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

17.1 Transactions with key management personnel

Key management personnel of the Company are members of the Board of Directors, as well as the president, the chief of finance and the vice-president-exploration. Key management personnel remuneration includes the following expenses:

	Three-month period ended March 31,	
	2011	2010
	\$	\$
Short-term employee benefits		
Salaries including bonuses and benefits	86 042	65 000
Professional fees	9 400	6 700
Social security costs	7 859	6 345
Total short-term employee benefits	<u>103 301</u>	<u>78 045</u>
Share-based payments	19 807	32 834
Total remuneration	<u>123 108</u>	<u>110 879</u>

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

DIOS EXPLORATION INC.

Notes to Financial Statements

For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

17.2 Transactions with an related company

The Company is related to another company 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%. These advances are normally paid in the following month.

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.

18. FIRST-TIME ADOPTION OF IFRS

These are the Company's first financial statements prepared in accordance with IFRS. The date of transition to IFRS is January 1, 2010.

The Company's IFRS accounting policies presented in Note 4 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.

The Company has applied IFRS 1 in preparing these first IFRS financial statements. The effects of the transition to IFRS on equity, total comprehensive loss and reported cash flows already established are presented in this section and are further explained in the notes that accompany the tables.

18.1 First-time adoption – exemptions applied

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 Group 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). See Note 18.5 for an explanation of the effect of the exemption.

18.2 Reconciliation of equity

Some differences were noted but the net result of these differences between the accounting standards in force before the changeover and IFRS is zero.

DIOS EXPLORATION INC.
Notes to Financial Statements
For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

18.3 Reconciliation of net loss

Total loss and comprehensive loss for the reporting period ended Mars 31, 2010 and December 31, 2010 can be reconciled to the amounts reported under pre-change accounting standards as follows:

	December 31, 2010 <u>12 months</u>	March 31, 2010 <u>3 months</u>
	<u>\$</u>	<u>\$</u>
Loss and comprehensive loss under pre-change accounting standards	(150 257)	(183 113)
Variation in total loss and comprehensive loss reported in accordance with pre-change accounting standards, as a result of the following differences between pre-change accounting standards and IFRS		
Share-based payments	<u>(32 678)</u>	<u>1 882</u>
Total loss and comprehensive loss under IFRS	<u><u>(182 935)</u></u>	<u><u>(181 231)</u></u>

18.4 Presentation differences

Certain presentation differences between pre-change accounting standards and IFRS have no impact on reported loss or total equity.

As can be seen in the following tables, some line items are described differently (renamed) under IFRS compared to pre-change accounting standards, although the assets and liabilities included in these line items are unaffected.

DIOS EXPLORATION INC.
Notes to Financial Statements
For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

18.4 Presentation differences (continued)

The following table shows the total effect of the transition on the statement of financial position as at December 31, 2010:

PRE-CHANGE ACCOUNTING STANDARDS DESCRIPTION	Notes	December 31, 2010			IFRS DESCRIPTION
		Previous GAAP	Effect of transition to IFRS	IFRS	
		\$	\$	\$	
ASSETS					ASSETS
Current assets					Current
Cash		32 283		32 283	Cash and cash equivalents
Investments	a	1 317 589	21 105	1 338 694	Investments
Listed shares held for trading	a	21 105	(21 105)		
Taxes receivable		86 779		86 779	Good and services tax receivable
Prepaid expenses		11 899		11 899	Prepaid expenses and deposit
Exploration tax credit receivable		891 099		891 099	Tax credit and credit on duties receivable
		<u>2 360 754</u>		<u>2 360 754</u>	
Investments		300 934		300 934	Investments
Mineral Properties	a	1 537 334	(1 537 334)		
Deferred exploration expenses	a	7 645 442	1 537 334	9 182 776	Exploration and evaluation assets
		<u>11 844 464</u>		<u>11 844 464</u>	
LIABILITIES					LIABILITIES
Current liabilities					Current
Account payables and accrued liabilities		280 587		280 587	Trade and other payables
Account payable to a mining company		3 960		3 960	Account payable to a mining company
		<u>284 547</u>		<u>284 547</u>	
SHAREHOLDERS' EQUITY					EQUITY
Capital stock		16 231 701		16 231 701	Share capital
Contributed surplus	b	1 982 464	50 759	2 033 223	Contributed surplus
Deficit	b	(6 654 248)	(50 759)	(6 705 007)	Deficit
		<u>11 559 917</u>		<u>11 559 917</u>	
		<u>11 844 464</u>		<u>11 844 464</u>	

DIOS EXPLORATION INC.
Notes to Financial Statements
For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

18.4 Presentation differences (continued)

The following table shows the total effect of the transition on the statement of financial position as at March 31, 2010:

PRE-CHANGE ACCOUNTING STANDARDS DESCRIPTION	Notes	March 31, 2010		IFRS DESCRIPTION
		Previous GAAP	Effect of transition to IFRS	
		\$	\$	\$
ASSETS				ASSETS
Current assets				Current
Cash		314 473		Cash and cash equivalents
Investments	a	1 360 822	22 612	Investments
Listed shares held for trading	a	22 612	(22 612)	
Taxes receivable		39 763		Good and services tax receivable
Prepaid expenses		11 142		Prepaid expenses and deposit
Exploration tax credit receivable		515 547		Tax credit and credit on duties receivable
		<u>2 264 359</u>		<u>2 264 359</u>
Investments		1 248 698		Investments
Mineral Properties	a	1 387 611	(1 387 611)	
Deferred exploration expenses	a	7 468 684	1 687 611	Exploration and evaluation assets
		<u>12 369 352</u>		<u>12 669 352</u>
LIABILITIES				LIABILITIES
Current liabilities				Current
Account payables and accrued liabilities		177 567		Trade and other payables
Account payable to a mining company		3 672		Account payable to a mining company
		<u>181 239</u>		<u>181 239</u>
Future income taxes		896 242		Deferred tax
		<u>1 077 481</u>		<u>1 077 481</u>
SHAREHOLDERS' EQUITY				EQUITY
Capital stock		16 146 451		Share capital
Contributed surplus	b	1 832 524	16 199	Contributed surplus
Deficit	b	(6 687 104)	(16 199)	Deficit
		<u>11 291 871</u>		<u>11 291 871</u>
		<u>12 369 352</u>		<u>12 369 352</u>

DIOS EXPLORATION INC.
Notes to Financial Statements
For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

18.4 Presentation differences (continued)

The following table shows the total effect of the transition on the statement of financial position as at January 1, 2010:

PRE-CHANGE ACCOUNTING STANDARDS DESCRIPTION	Notes	January 1, 2010			IFRS DESCRIPTION
		Previous GAAP	Effect of transition to IFRS	IFRS	
		\$	\$	\$	
ASSETS					ASSETS
Current assets					Current
Cash		546 534		546 534	Cash and cash equivalents
Investments	a	1 153 619	27 135	1 180 754	Investments
Listed shares held for trading	a	27 135	(27 135)		
Taxes receivable		39 730		39 730	Good and services tax receivable
Prepaid expenses		49 841		49 841	Prepaid expenses and deposit
Exploration tax credit receivable		862 815		862 815	Tax credit and credit on duties receivable
		<u>2 679 674</u>		<u>2 679 674</u>	
Investments		1 446 170		1 446 170	Investments
Mineral Properties	a	1 180 129	(1 180 129)		
Deferred exploration expenses	a	7 021 120	1 180 129	8 201 249	Exploration and evaluation assets
		<u>12 327 093</u>		<u>12 327 093</u>	
LIABILITIES					LIABILITIES
Current liabilities					Current
Account payables and accrued liabilities		43 717		43 717	Trade and other payables
Account payable to a mining company		3 098		3 098	Account payable to a mining company
		<u>46 815</u>		<u>46 815</u>	
Future income taxes		842 534		842 534	Deferred tax
		<u>889 349</u>		<u>889 349</u>	
SHAREHOLDERS' EQUITY					EQUITY
Capital stock		16 146 451		16 146 451	Share capital
Contributed surplus	b	1 795 284	18 081	1 813 365	Contributed surplus
Deficit	b	(6 503 991)	(18 081)	(6 522 072)	Deficit
		<u>11 437 744</u>		<u>11 437 744</u>	
		<u>12 327 093</u>		<u>12 327 093</u>	

DIOS EXPLORATION INC.
Notes to Financial Statements
For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

18.4 Presentation differences (continued)

The following table shows the total effect of the transition on the statement of earnings and comprehensive loss for the year ended December 31, 2010:

PRE-CHANGE ACCOUNTING STANDARDS DESCRIPTION	Notes	year ended December 31, 2010			IFRS DESCRIPTION
		Previous GAAP	Effect of transition to IFRS	IFRS	
		\$	\$	\$	
ADMINISTRATIVE EXPENSES					EXPENSES
Salaries and employee benefits	a	73 543	262 418	335 961	Salaries and employee benefits expense
Stock-based compensation	a	187 180	(187 180)		
Publicity and promotion		90 072	9 199	99 271	Publicity, travel and promotion
Professional fees	a	78 270	(42 560)	35 710	Professional fees
Trustees, registration fees and shareholders relations		31 230		31 230	Trustees, registration fees and shareholders relations
Office expenses		27 919		27 919	Offices expenses
Insurance, taxes and permits		18 610		18 610	Insurance, taxes and permits
Travelling and promotion	a	9 199	(9 199)		
Bank charges		890		890	Bank charges
		<u>516 913</u>		<u>549 591</u>	OPERATING LOSS
OTHER REVENUES AND EXPENSES					OTHER REVENUES AND EXPENSES
Interest and others		57 524		57 524	Finance income
Write-off of mineral properties	a	(77 015)	77 015		
Write-off of deferred exploration expenses	a	(450 357)	(77 015)	(527 372)	Write-off of exploration and evaluation assets
Change in fair value of listed shares held for trading		(6 030)		(6 030)	Change in fair value of listed shares held for trading
		<u>(475 878)</u>		<u>(475 878)</u>	
LOSS BEFORE INCOME TAXES		(992 791)		(1 025 469)	LOSS BEFORE INCOME TAXES
Future income taxes		842 534		842 534	Deferred income taxes
NET LOSS AND COMPREHENSIVE LOSS		<u>(150 257)</u>		<u>(182 935)</u>	NET LOSS AND COMPREHENSIVE LOSS
BASIC AND DILUTED NET LOSS PER SHARE		<u>(0.004)</u>		<u>(0.005)</u>	BASIC AND DILUTED LOSS PER SHARE

DIOS EXPLORATION INC
Notes to Financial Statements
For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

18.4 Presentation differences (continued)

The following table shows the total effect of the transition on the statement of earnings and comprehensive loss for the year ended March 31, 2010:

PRE-CHANGE ACCOUNTING STANDARDS DESCRIPTION	Notes	Three-month period ended March 31, 2010			IFRS DESCRIPTION
		Previous GAAP	Effect of transition to IFRS	IFRS	
		\$	\$	\$	
ADMINISTRATIVE EXPENSES					EXPENSES
Salaries and employee benefits	a	19 832	42 058	61 890	Salaries and employee benefits expense
Stock-based compensation	a	37 240	(37 240)		
Publicity and promotion		31 627		31 627	Publicity, travel and promotion
Professional fees	a	31 700	(6 700)	25 000	Professional fees
Trustees, registration fees and shareholders relations		9 819		9 819	Trustees, registration fees and shareholders relations
Office expenses		8 919		8 919	Offices expenses
Insurance, taxes and permits		4 038		4 038	Insurance, taxes and permits
Bank charges		205		205	Bank charges
		<u>143 380</u>		<u>141 498</u>	OPERATING LOSS
OTHER REVENUES AND EXPENSES					OTHER REVENUES AND EXPENSES
Interest and others		18 497		18 497	Finance income
Change in fair value of listed shares held for trading		(4 522)		(4 522)	Change in fair value of listed shares held for trading
		<u>13 975</u>		<u>13 975</u>	
LOSS BEFORE INCOME TAXES		(129 405)		(127 523)	LOSS BEFORE INCOME TAXES
Future income taxes		(53 708)		(53 708)	Deferred income taxes
NET LOSS AND COMPREHENSIVE LOSS		<u>(183 113)</u>		<u>(181 231)</u>	NET LOSS AND COMPREHENSIVE LOSS
BASIC AND DILUTED NET LOSS PER SHARE		<u>(0.005)</u>		<u>(0.005)</u>	BASIC AND DILUTED LOSS PER SHARE

DIOS EXPLORATION INC

Notes to Financial Statements

For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

18.5 Notes to reconciliation

(a) Presentation

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*.

Statements of earnings and comprehensive loss

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

	March 31, 2010 3 months	Dec. 31, 2010 12 months
	\$	\$
Balance before the transition date	19 832	73 543
Grouping		
Share-based payments	37 240	187 180
Professional fee paid to an officer	6 700	42 560
Share-based payments adjustment	(1 882)	32 678
Balance as per IFRS	<u>61 890</u>	<u>335 961</u>

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*.

(b) 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
\$	\$	\$
<u>50 759</u>	<u>16 199</u>	<u>18 081</u>

DIOS EXPLORATION INC

Notes to Financial Statements

For the three-month period ended March 31, 2011 (unaudited)

(Canadian dollars)

18.6 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.

18.7 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.

18.8 Financial instruments classification

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

19 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.