# DIOS EXPLORATION INC.

## UNAUDITED INTERIM FINANCIAL STATEMENTS

### June 30, 2012

## Content



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


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# DIOS EXPLORATION INC.
## Interim Statement of Financial Position (unaudited)

(Canadian dollars)

| | Notes | June 30 2012 | December 31 2011 |
|---|---|---|---|
| | | $ | $ |
| **ASSETS** | | | |
| **Current** | | | |
| Cash and cash equivalents | 5 | **126 645** | 564 130 |
| Accounts receivable | | **-** | 55 390 |
| Investments | 6 | **921 023** | 614 949 |
| Good and services tax receivable | | **55 694** | 14 795 |
| Tax credit and credit on duties receivable | | **868 197** | 802 400 |
| Exploration and evaluation asset held for sale | 7 | **-** | 107 487 |
| Prepaid expenses and deposit | | **6 424** | - |
| | | **1 977 983** | 2 159 151 |
| **Non-current** | | | |
| Investments | 6 | **-** | 406 675 |
| Exploration and evaluation assets | 7 | **8 512 459** | 8 040 244 |
| | | **8 512 459** | 8 446 919 |
| **Total assets** | | **10 490 442** | 10 606 070 |
| **LIABILITIES** | | | |
| **Current** | | | |
| Trade and other payables | | **98 936** | 94 735 |
| **Non-current** | | | |
| Deferred taxes | | **43 500** | - |
| **Total liabilities** | | **142 436** | 94 735 |
| **EQUITY** | | | |
| Share capital | 8.1 | **17 724 148** | 17 724 148 |
| Contributed surplus | | **2 334 923** | 2 211 290 |
| Deficit | | **(9 711 065)** | (9 424 103) |
| **Total equity** | | **10 348 006** | 10 511 335 |
| **Total liabilities and equity** | | **10 490 442** | 10 606 070 |

The accompanying notes are an integral part of the interim financial statements

These financial statements were approved and authorized for issue by the Board of Directors on August 22, 2012

| | |
|---|---|
| *(s) Marie-José Girard* | *(s) René Lacroix* |
| Marie-José Girard | René Lacroix |
| Director | Director |

# DIOS EXPLORATION INC.
## Interim Statement of Comprehensive Income (unaudited )

(Canadian dollars)

| | Notes | Three-month period ended June 30 | | Six-month period ended June 30 | |
|---|---|---|---|---|---|
| | | **2012** | 2011 | **2012** | 2011 |
| | | **$** | $ | **$** | $ |
| **EXPENSES** | | | | | |
| Salaries and employee benefits expense | 9.1 | **98 457** | 72 540 | **159 173** | 140 810 |
| Trustees, registration fees and shareholders relations | | **10 764** | 16 154 | **18 698** | 27 120 |
| Offices expenses | | **6 676** | 7 463 | **17 734** | 14 962 |
| Insurance, taxes and permits | | **2 211** | 1 962 | **6 382** | 5 788 |
| Professional fees | | **1 300** | 14 499 | **32 300** | 42 333 |
| Publicity, travel and promotion | | **1 207** | 16 300 | **8 188** | 27 234 |
| Bank charges | | **264** | 186 | **463** | 264 |
| **OPERATING INCOME** | | **120 879** | 129 104 | **242 938** | 258 511 |
| **OTHER REVENUES AND EXPENSES** | | | | | |
| Finance income | 10 | **6 177** | 12 283 | **13 546** | 24 967 |
| Gain on sale of exploration and evaluation asset | 7 | - | - | **112 513** | - |
| Loss on disposal of investments | | - | (2 439) | - | (2 439) |
| Change in fair value of listed shares | | **(9 598)** | (3 015) | **(126 583)** | - |
| | | **(3 421)** | 6 829 | **(524)** | 22 528 |
| **LOSS BEFORE INCOME TAXES** | | **(124 300)** | (122 275) | **(243 462)** | (235 983) |
| Deferred income taxes | | **8 860** | - | **43 500** | - |
| **NET LOSS AND COMPREHENSIVE LOSS** | | **(133 160)** | (122 275) | **(286 962)** | (235 983) |
| **NET LOSS PER SHARE** | | | | | |
| Basic and diluted loss per share | 11 | **(0.003)** | (0.003) | **(0.007)** | (0.006) |

The accompanying notes are an integral part of the interim financial statements

# DIOS EXPLORATION INC.
## Interim Statement of Changes in Equity (unaudited)

(Canadian dollars)

| | Note | Share capital | Contributed surplus | Deficit | Total equity |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| Balance at January 1, 2012 | | 17 724 148 | 2 211 290 | (9 424 103) | 10 511 335 |
| Net loss for the period | | - | - | (286 962) | (286 962) |
| Share-based payments | 9.2 | - | 123 633 | - | 123 633 |
| Balance at June 30, 2012 | | 17 724 148 | 2 334 923 | (9 711 065) | 10 348 006 |
| | | | | | |
| Balance at January 1, 2011 | | 16 231 701 | 2 033 223 | (6 705 007) | 11 559 917 |
| Net loss for the period | | - | - | (235 983) | (235 983) |
| Share-based payments | | - | 54 401 | - | 54 401 |
| Shares issued by private placement | | 1 192 914 | - | - | 1 192 914 |
| Shares issued for the acquisition of mining rights | | 82 500 | - | - | 82 500 |
| Exercice of options | | 42 000 | - | - | 42 000 |
| Value of exercised options | | 22 400 | (22 400) | - | - |
| Balance at June 30, 2011 | | 17 571 515 | 2 065 224 | (6 940 990) | 12 695 749 |

The accompanying notes are an integral part of the interim financial statements

# DIOS EXPLORATION INC.
## Interim Statement of Cash Flows (unaudited)

(Canadian dollars)

| | Notes | Six-month period ended June 30 2012 | 2011 |
|---|---|---|---|
| | | **$** | $ |
| **OPERATING ACTIVITIES** | | | |
| Net loss | | **(286 962)** | (235 983) |
| Adjustments | | | |
| Share-based payments | | **123 633** | 54 401 |
| Change in fair value of listed shares | | **126 583** | - |
| Gain on sale of exploration and evaluation asset | | **(112 513)** | - |
| Deferred income taxes | | **43 500** | - |
| Changes in working capital items | 12 | **12 268** | 284 858 |
| Cash flows from operating activities | | **(93 491)** | 103 276 |
| **INVESTING ACTIVITIES** | | | |
| Investments redeemed | | **600 000** | 470 000 |
| Investments | | **(405 983)** | (608 084) |
| Payment received on option | | **75 000** | 15 000 |
| Tax credits and credit on duties received | | **98 291** | - |
| Additions to exploration and evaluation assets | | **(711 302)** | (1 159 737) |
| Cash flows from investing activities | | **(343 994)** | (1 282 821) |
| **FINANCING ACTIVITIES** | | | |
| Issuance of shares by private placement | | **-** | 1 200 000 |
| Issuance cost of shares | | **-** | (7 087) |
| Exercice of options | | **-** | 42 000 |
| Cash flows from financing activities | | **-** | 1 234 913 |
| **Net change in cash and cash equivalents** | | **(437 485)** | 55 368 |
| **Cash and cash equivalents, beginning of period** | | **564 130** | 32 283 |
| **Cash and cash equivalents, end of period** | | **126 645** | 87 651 |
| **Supplemental disclosure** | | | |
| Interests income cashed | | **12 031** | 26 863 |

Additional information - Cash Flows- note 12

The accompanying notes are an integral part of the interim financial statements

## 1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

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

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.

## 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 June 30, 2012, the Company has a negative cumulated retained deficit of $9,711,065 ($9,424,103 as at December 31, 2011). 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.

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. BASIS OF PRESENTATION

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 and are based on IFRS issued as of August 22, 2012, the date the Board of Directors approved these financial statements. The interim financial statements do not include all of the notes required in annual financial statements.

## 4. 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.

**Impairment of property and equipment and evaluation assets**

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is 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 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 quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or 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.

(Canadian dollars)

### 4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (continued)

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 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.

**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.

### 5. CASH AND CASH EQUIVALENTS

| | **June 30, 2012** | December 31, 2011 |
|---|---|---|
| | **$** | $ |
| Cash at bank (Bank overdraft) and in hand | **54 804** | 66 253 |
| Monetary fund | **71 841** | 497 877 |
| | **126 645** | 564 130 |

As at June 30, 2012, cash and cash equivalents include monetary fund bearing interest at 0.5%, cashable anytime without any penalties.

### 6. PLACEMENTS

| | Rate ranging from | to | **June 30, 2012** | December 31, 2011 |
|---|---|---|---|---|
| | | | **$** | $ |
| Current | | | | |
| Guaranteed investment certificates | 1.25% | 2.60% | **519 955** | 605 904 |
| Others investments from financial institutions | 1.10% | 3.05% | **298 606** | - |
| Shares listed | - | - | **102 462** | 9 045 |
| | | | **921 023** | 614 949 |
| Non-current | | | | |
| Guaranteed investment certificates | 2.35% | 2.60% | **-** | 305 741 |
| Others investments from financial institutions | 2.20% | 3.05% | **-** | 100 934 |
| | | | **-** | 406 675 |

(Canadian dollars)

### 7. EXPLORATION AND EVALUATION ASSETS

MINING RIGHTS

| | January 1, 2012 | Additions | | | | **June 30, 2012** |
|---|---|---|---|---|---|---|
| **QUEBEC** | $ | $ | | | | **$** |
| 33 Carats | 595 456 | 42 312 | | | | **637 768** |
| Hotish | 326 681 | 1 060 | | | | **327 741** |
| Pontax | - | 4 640 | | | | **4 640** |
| Shadow | 20 318 | 58 425 | | | | **78 743** |
| Lac LeCaron | 154 920 | 39 829 | | | | **194 749** |
| AU33 ouest | 60 926 | - | | | | **60 926** |
| Shipshaw | 216 286 | 12 602 | | | | **228 888** |
| Hotish Nord | 11 574 | - | | | | **11 574** |
| 14 Karats | 54 060 | 4 305 | | | | **58 365** |
| 15 Karats | - | 5 166 | | | | **5 166** |
| Solo | - | 3 444 | | | | **3 444** |
| Carbon 14 | 23 382 | - | | | | **23 382** |
| Carbon Goeland | 3 564 | - | | | | **3 564** |
| Carbo | 3 100 | - | | | | **3 100** |
| | 1 470 267 | 171 783 | | | | **1 642 050** |

EXPLORATION

| | January 1, 2012 | Additions | Tax credits | Disposal | Payment received on options | **June 30, 2012** |
|---|---|---|---|---|---|---|
| **QUEBEC** | $ | $ | | $ | | **$** |
| 33 Carats | 1 569 005 | 44 550 | (13 549) | - | - | **1 600 006** |
| Hotish | 3 470 094 | 3 940 | (1 198) | - | - | **3 472 836** |
| Pontax | - | 4 552 | (1 385) | - | - | **3 167** |
| Pontax Lithium-note | 107 487 | | - | (107 487) | - | **-** |
| Shadow | 116 180 | 96 220 | (29 264) | - | - | **183 136** |
| Lac LeCaron | 420 994 | 45 010 | (13 689) | - | - | **452 315** |
| AU33 ouest-note | 164 259 | | - | - | (75 000) | **89 259** |
| Shipshaw | 714 753 | 242 764 | (73 833) | - | - | **883 684** |
| Hotish Nord | 3 017 | 1 593 | (484) | - | - | **4 126** |
| 14 Karats | 81 932 | 81 425 | (24 765) | - | - | **138 592** |
| Solo | - | 7 722 | (2 348) | | | **5 374** |
| Carbon 14 | 27 609 | 11 743 | (3 572) | - | - | **35 780** |
| Carbon Goeland | 540 | - | - | - | - | **540** |
| Carbo | 1 594 | - | - | - | - | **1 594** |
| | 6 677 464 | 539 519 | (164 087) | (107 487) | (75 000) | **6 870 409** |
| TOTAL | 8 147 731 | 711 302 | (164 087) | (107 487) | (75 000) | **8 512 459** |

Note:

AU33 ouest
Under the option agreement dated July 5, 2011 with Osisko Mining Corporation, the Company received a sum of $ 75,000 during the period.

Pontax-Lithium
During the quarter, the Company sold to Khalkos Exploration Inc.its interest in the Pontax Lithium property for 1,000,000 common shares of Khalkos (attributed value of $220,000. A gain on sale of exploration and evaluation asset of $112,513 was recorded during the quarter.

(Canadian dollars)

## 8. EQUITY

### 8.1 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.

| Shares issued and fully paid | Number of shares Six-month period ended June 30, 2012 | June 30, 2011 |
|---|---|---|
| Shares issued and fully paid at the beginning | **39 095 961** | 34 633 839 |
| Private placement | **-** | 3 428 572 |
| Acquisition of mining rights | **-** | 250 000 |
| Exercise of share options | **-** | 240 000 |
| Total shares issued and fully paid at the end | **39 095 961** | 38 552 411 |

### 8.2 Warrants

The number of outstanding warrants which could be exercised for an equivalent number of common shares is as follows:

| Expiration date | Number | Exercice price |
|---|---|---|
| September 6, 2012 / September 6, 2013 | 428 550 | $0.49 / $0.63 |

## 9. EMPLOYEE REMUNERATION

### 9.1 Salaries and employee benefits expense

| | Three-month period ended June 30 | | Six-month period ended June 30 | |
|---|---|---|---|---|
| | **2011** | 2011 | **2012** | 2011 |
| | **$** | $ | **$** | $ |
| Wages, salaries | **76 250** | 71 810 | **155 196** | 157 852 |
| Professional fee paid to an officer | **16 300** | 18 850 | **27 200** | 28 250 |
| Social security costs | **2 736** | 3 604 | **5 619** | 6 574 |
| Share-based payments | **78 517** | 33 072 | **123 633** | 54 401 |
| Defined contribution State plans | **3 340** | 1 992 | **8 697** | 6 882 |
| | **177 143** | 129 328 | **320 345** | 253 959 |
| Less: salaries capitalized in Exploration and evaluation assets | **(78 686)** | (56 788) | **(161 172)** | (113 149) |
| Salaries and employee benefits expense | **98 457** | 72 540 | **159 173** | 140 810 |

### 9.2 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 6,600,000. 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.

(Canadian dollars)

**9.2 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, 2011 | 3 985 000 | 0.38 |
| Granted | 995 000 | 0.235 |
| Forfeited | (30 000) | 0.30 |
| Expired | (1 020 000) | 0.67 |
| Outstanding as at June 30, 2012 | 3 930 000 | 0.27 |
| Exercisable as at June 30, 2012 | 2 907 750 | 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.

The table below summarizes the information related to share options as at June 30, 2012:

| Range of exercise price | Outstanding options | | |
|---|---|---|---|
| $ | Number of options | Weighted average exercise price | Remaining life (years) |
| | | $ | |
| 0.10 to 0.29 | 1 695 000 | 0.20 | 3.51 |
| 0.30 to 0.50 | 2 235 000 | 0.32 | 2.57 |
| | 3 930 000 | | |

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:

| | **2012** | 2011 |
|---|---|---|
| Average share price at date of grant | **$0.235** | $0.30 |
| Dividends yield | **0%** | 0% |
| Expected weighted volatility | **98%** | 98% |
| Risk-free interest average rate | **1.10%** | 2,00% |
| Expected average life | **5 years** | 5 years |
| Average exercise 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.

## 10. FINANCE INCOME

| | Three-month period ended June 30 | | Six-month period ended June 30 | |
|---|---|---|---|---|
| | **2012** | 2011 | 2012 | 2011 |
| | **$** | $ | $ | $ |
| Interest income from cash and cash equivalents | **481** | 388 | 1 730 | 1 652 |
| Interest income from guaranteed investment certificates | **2 719** | 8 911 | 5 078 | 17 109 |
| Interest income from other investments | **2 977** | 2 984 | 6 738 | 6 206 |
| Finance income | **6 177** | 12 283 | 13 546 | 24 967 |

(Canadian dollars)

### 11. 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 8.2 and 9.2.

| | Three-month period ended June 30 | | Six-month period ended June 30 | |
|---|---|---|---|---|
| | 2011 | 2011 | 2012 | 2011 |
| Net loss | $(133,160) | $(122,275) | $(286,962) | $(235,983) |
| Weighted average number of shares in circulation | 39 095 961 | 38 587 796 | 39 095 961 | 37 889 064 |
| Basic and diluted loss per share | $(0.003) | $(0.003) | $(0.007) | $(0.006) |

There have been no other transactions involving ordinary shares between the reporting date and the date of authorization of these financial statements.

### 12. ADDITIONAL INFORMATIONS – CASH FLOWS

The changes in working capital items are detailed as follows:

| | Six-month period ended June 30 | |
|---|---|---|
| | 2012 | 2011 |
| | $ | $ |
| Good and services tax receivable | (40 899) | 61 464 |
| Receivables | 55 390 | (4 804) |
| Tax credit and credit on duties receivable | - | 82 205 |
| Prepaid expenses and deposit | (6 424) | (25) |
| Trade and other payables | 4 201 | 149 978 |
| Account payable to a mining company | - | (3 960) |
| | 12 268 | 284 858 |

Non cash transactions in the Statement of Financial Position are:

| | | |
|---|---|---|
| Listed shares value received as consideration for disposal of exploration and evaluation assets | **220 000** | - |

### 13. 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.

(Canadian dollars)

### 13.1 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 financial officer and the vice-president, exploration. Key management personnel remuneration includes the following expenses:

| | Three-month period ended June 30 | | Six-month period ended June 30 | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | $ | $ | $ | $ |
| Short-term employee benefits | | | | |
| Salaries including bonuses and benefits | 61 250 | 68 750 | 125 000 | 154 792 |
| Professional fees | 16 300 | 18 850 | 27 200 | 28 250 |
| Social security costs | 4 404 | 3 939 | 10 956 | 11 798 |
| Total short-term employee benefits | 81 954 | 91 539 | 163 156 | 194 840 |
| Share-based payments | 65 713 | 29 343 | 104 080 | 49 150 |
| Total remuneration | 147 667 | 120 882 | 267 236 | 243 990 |

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

### 13.2 Transactions with an related company

The Company was related to another corporation until April 1, 2011, as they have in common certain directors.

For the period ended April 1, 2011, in the normal course of activities, a company with a common director invoiced the Company $12,234 for professional fees.

## 14. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to increase the value of the assets of the business; and
- to provide an adequate return to the shareholders.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity. Capital for the reporting periods under review is summarized in Note 8 and in the statement of changes in equity.

The Company is not exposed to any externally imposed capital requirements except when the Company issues flow-through shares for which an amount should be used for exploration work. See all the details in Note 15.

The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares, or sell assets to reduce debt.

No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

## 15. CONTINGENCIES AND COMMITMENTS

The Company is partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Company is engaged in realizing mining exploration work. However, there is no guarantee that the Company's exploration expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than the earlier of the following dates:

- Two years following the flow-through placements;
- One year after the Company has renounced the tax deductions relating to the exploration work.

Commitments to carry out exploration work that are not respected are subject to a combined tax rate of 30% (Canada and Quebec).

In 2011, the Company received $150,000 following flow-through placements for which the Company renounced tax deductions on December 31, 2011. As at June 30, 2012, the Company had committed the entire outstanding exploration work related to this financing.