

# **DIOS EXPLORATION INC.**

## **UNAUDITED INTERIM FINANCIAL STATEMENTS**

**September 30, 2012**

### **Content**

<b>Interim Statement of Financial Position</b>	<b>2</b>
<b>Interim Statement of Comprehensive Income</b>	<b>3</b>
<b>Interim Statement of Changes in Equity</b>	<b>4</b>
<b>Interim Statement of Cash Flows</b>	<b>5</b>
<b>Notes to Interim Financial Statements</b>	<b>6-13</b>

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

1000, St-Antoine Street West, Suite 711, Montreal QC H3C 3R7  
Tel: 514-483-5149  
email: [mjgirard@diosexplo.com](mailto:mjgirard@diosexplo.com)  
web site: [www.diosexplo.com](http://www.diosexplo.com)

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

(Canadian dollars)

	Notes	September 30 2012	December 31 2011
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	5	204 134	564 130
Accounts receivable		-	55 390
Investments	6	672 483	614 949
Good and services tax receivable		83 118	14 795
Tax credit and credit on duties receivable		538 438	802 400
Exploration and evaluation asset held for sale	7	-	107 487
Prepaid expenses and deposit		4 971	-
		<b>1 503 144</b>	<b>2 159 151</b>
<b>Non-current</b>			
Investments	6	-	406 675
Exploration and evaluation assets	7	8 905 883	8 040 244
		<b>8 905 883</b>	<b>8 446 919</b>
<b>Total assets</b>		<b>10 409 027</b>	<b>10 606 070</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables		95 080	94 735
<b>Non-current</b>			
Deferred taxes		43 500	-
<b>Total liabilities</b>		<b>138 580</b>	<b>94 735</b>
<b>EQUITY</b>			
Share capital	8.1	17 724 148	17 724 148
Contributed surplus		2 380 301	2 211 290
Deficit		(9 834 002)	(9 424 103)
<b>Total equity</b>		<b>10 270 447</b>	<b>10 511 335</b>
<b>Total liabilities and equity</b>		<b>10 409 027</b>	<b>10 606 070</b>

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 November 26, 2012

*(s) Marie-José Girard*

Marie-José Girard  
 Director

*(s) René Lacroix*

René Lacroix  
 Director

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

(Canadian dollars)

	Notes	Three-month period ended September 30		Nine-month period ended September 30	
		2012	2011	2012	2011
		\$	\$	\$	\$
<b>EXPENSES</b>					
Salaries and employee benefits expense	9.1	60 416	112 206	219 588	253 016
Professional fees		10 000	4 543	42 300	46 875
Offices expenses		8 091	7 078	25 825	22 040
Trustees, registration fees and shareholders relations		4 045	8 667	22 743	35 787
Insurance, taxes and permits		2 040	2 115	8 422	7 904
Publicity, travel and promotion		1 629	7 700	9 817	34 934
Bank charges		755	190	1 218	454
<b>OPERATING INCOME</b>		<b>86 976</b>	142 499	<b>329 913</b>	401 010
<b>OTHER REVENUES AND EXPENSES</b>					
Finance income	10	6 148	11 095	19 694	36 063
Management income		-	20 680	-	20 680
Gain on sale of exploration and evaluation asset	7	-	-	112 513	-
Loss on disposal of investments		-	(11 009)	-	(13 448)
Change in fair value of listed shares		(42 110)	(6 030)	(168 693)	(6 030)
		<b>(35 962)</b>	14 736	<b>(36 486)</b>	37 265
<b>LOSS BEFORE INCOME TAXES</b>		<b>(122 938)</b>	(127 763)	<b>(366 399)</b>	(363 745)
Deferred income taxes		-	-	43 500	-
<b>NET LOSS AND COMPREHENSIVE LOSS</b>		<b>(122 938)</b>	(127 763)	<b>(409 899)</b>	(363 745)
<b>NET LOSS PER SHARE</b>					
Basic and diluted loss per share	11	<b>(0.003)</b>	(0.003)	<b>(0.01)</b>	(0.01)

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		-	-	(409 899)	(409 899)
Share-based payments	9.2	-	169 011	-	169 011
Balance at September 30, 2012		17 724 148	2 380 301	(9 834 002)	10 270 447
Balance at January 1, 2011		16 231 701	2 033 223	(6 705 007)	11 559 917
Net loss for the period		-	-	(363 745)	(363 745)
Share-based payments		-	134 025	-	134 025
Shares issued by private placement		1 319 336	23 578	-	1 342 914
Shares issued for the acquisition of mining rights		82 500	-	-	82 500
Exercise of options		42 000	-	-	42 000
Value of exercised options		22 400	(22 400)	-	-
Balance at September 30, 2011		17 697 937	2 168 426	(7 068 752)	12 797 611

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

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

(Canadian dollars)

	Notes	Nine-month period ended	
		September 30	
		2012	2011
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Net loss		(409 899)	(363 745)
Adjustments			
Share-based payments		169 011	134 025
Change in fair value of listed shares		168 693	6 030
Gain on sale of exploration and evaluation asset		(112 513)	-
Deferred income taxes		43 500	-
Changes in working capital items	12	(17 559)	836 903
Cash flows from operating activities		<u>(158 767)</u>	<u>613 213</u>
<b>INVESTING ACTIVITIES</b>			
Investments redeemed		804 916	1 218 571
Investments		(404 468)	(711 911)
Payments received on option		75 000	50 000
Tax credits and credit on duties received		723 037	-
Additions to exploration and evaluation assets		<u>(1 399 714)</u>	<u>(1 672 058)</u>
Cash flows from investing activities		<u>(201 229)</u>	<u>(1 115 398)</u>
<b>FINANCING ACTIVITIES</b>			
Issuance of shares by private placement		-	1 350 000
Issuance cost of shares		-	(7 087)
Issuance of shares upon exercise of stock options		-	42 000
Cash flows from financing activities		<u>-</u>	<u>1 384 913</u>
<b>Net change in cash and cash equivalents</b>		<b>(359 996)</b>	<b>882 728</b>
<b>Cash and cash equivalents, beginning of period</b>		<b><u>564 130</u></b>	<b><u>32 283</u></b>
<b>Cash and cash equivalents, end of period</b>		<b><u><u>204 134</u></u></b>	<b><u><u>915 011</u></u></b>
<b>Supplemental disclosure</b>			
Interests income cashed (Investing activities)		<u>20 609</u>	<u>36 784</u>

Additional informations - Cash Flows- note 12

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

# **DIOS EXPLORATION INC.**

## **Notes to Interim Financial Statements**

### **For the nine-month period ended September 30, 2012 (unaudited)**

---

(Canadian dollars)

#### **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 September 30, 2012, the Company has a negative cumulated retained deficit of \$9,834,002 (\$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 November 26, 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.

**DIOS EXPLORATION INC.**  
**Notes to Interim Financial Statements**  
**For the nine-month period ended September 30, 2012 (unaudited)**

(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**

	<b>September 30, 2012</b>	December 31, 2011
	\$	\$
Cash at bank (Bank overdraft) and in hand	(77 417)	66 253
Monetary fund	<b>281 551</b>	497 877
	<b><u>204 134</u></b>	<b><u>564 130</u></b>

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

**6. PLACEMENTS**

	Rate ranging		<b>September 30, 2012</b>	December 31, 2011
	from	to	\$	\$
Current				
Guaranteed investment certificates	1.25%	2.60%	<b>314 969</b>	605 904
Others investments from financial institutions	1.10%	3.05%	<b>297 163</b>	-
Shares listed	-	-	<b>60 351</b>	9 045
			<b><u>672 483</u></b>	<b><u>614 949</u></b>
Non-current				
Guaranteed investment certificates	2.35%	2.60%	-	305 741
Others investments from financial institutions	2.20%	3.05%	-	100 934
			<b><u>-</u></b>	<b><u>406 675</u></b>

**DIOS EXPLORATION INC.**  
**Notes to Interim Financial Statements**  
**For the nine-month period ended September 30, 2012 (unaudited)**

(Canadian dollars)

**7. EXPLORATION AND EVALUATION ASSETS**

MINING RIGHTS

	January 1, 2012	Additions			September 30, 2012
QUEBEC	\$	\$			\$
33 Carats	595 456	49 053			644 509
Hotish	326 681	1 060			327 741
Pontax	-	4 640			4 640
Shadow	20 318	59 532			79 850
Lac LeCaron	154 920	39 952			194 872
AU33 ouest	60 926	-			60 926
Shipsaw	216 286	12 761			229 047
Hotish Nord	11 574	-			11 574
14 Karats	54 060	4 305			58 365
15 Karats	-	5 166			5 166
Solo	-	4 674			4 674
Carbon 14	23 382	-			23 382
Carbon Goeland	3 564	-			3 564
Carbo	3 100	-			3 100
	1 470 267	181 143			1 651 410

EXPLORATION

	January 1, 2012	Additions	Tax credits	Disposal	Payment received on options	September 30, 2012
QUEBEC	\$	\$		\$		\$
33 Carats	1 569 005	395 141	(148 862)	-	-	1 815 284
Hotish	3 470 094	3 940	(1 484)	-	-	3 472 550
Pontax	-	4 552	(1 715)	-	-	2 837
Pontax Lithium-note	107 487	-	-	(107 487)	-	-
Shadow	116 180	185 573	(69 912)	-	-	231 841
Lac LeCaron	420 994	62 170	(23 421)	-	-	459 743
AU33 ouest-note	164 259	-	-	-	(75 000)	89 259
Shipsaw	714 753	283 879	(106 946)	-	-	891 686
Hotish Nord	3 017	1 592	(600)	-	-	4 009
14 Karats	81 932	238 405	(89 815)	-	-	230 522
Solo	-	11 644	(4 387)	-	-	7 257
Carbon 14	27 609	31 675	(11 933)	-	-	47 351
Carbon Goeland	540	-	-	-	-	540
Carbo	1 594	-	-	-	-	1 594
	6 677 464	1 218 571	(459 075)	(107 487)	(75 000)	7 254 473
<b>TOTAL</b>	<b>8 147 731</b>	<b>1 399 714</b>	<b>(459 075)</b>	<b>(107 487)</b>	<b>(75 000)</b>	<b>8 905 883</b>

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 first 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 first quarter.



**DIOS EXPLORATION INC.**  
**Notes to Interim Financial Statements**  
**For the nine-month period ended September 30, 2012 (unaudited)**

(Canadian dollars)

**8. EQUITY**

**8.1 Share capital**

The share capital of the Company consists only of fully paid common 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 Nine-month period ended September 30	
	2012	2011
Shares issued and fully paid at the beginning	<b>39 095 961</b>	34 633 839
Private placement	-	3 428 572
Flow-through private placement	-	428 550
Acquisition of mining rights	-	250 000
Exercise of share options	-	280 000
Total shares issued and fully paid at the end	<b><u>39 095 961</u></b>	<b><u>39 020 961</u></b>

**8.2 Warrants**

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

<u>Expiration date</u>	<u>Number</u>	<u>Exercise price</u>
September 6, 2013	428 550	\$0.63

**9. EMPLOYEE REMUNERATION**

**9.1 Salaries and employee benefits expense**

	Three-month period ended September 30		Nine-month period ended September 30	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$	\$	\$	\$
Wages, salaries	<b>81 242</b>	70 586	<b>236 438</b>	228 438
Professional fee paid to an officer	<b>11 800</b>	20 433	<b>39 000</b>	48 683
Social security costs	<b>2 653</b>	2 113	<b>8 272</b>	8 687
Share-based payments	<b>45 379</b>	79 624	<b>169 011</b>	134 025
Defined contribution State plans	<b>1 350</b>	346	<b>10 047</b>	7 228
	<b>142 424</b>	173 102	<b>462 768</b>	427 061
Less: salaries capitalized in Exploration and evaluation assets	<b>(82 008)</b>	(60 896)	<b>(243 180)</b>	(174 045)
Salaries and employee benefits expense	<b><u>60 416</u></b>	<u>112 206</u>	<b><u>219 588</u></b>	<u>253 016</u>

**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.

**DIOS EXPLORATION INC.**  
**Notes to Interim Financial Statements**  
**For the nine-month period ended September 30, 2012 (unaudited)**

(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:

	<b>Options</b>	<b>Weighted average exercise price</b>
		<b>\$</b>
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
<b>Outstanding as at September 30, 2012</b>	<b>3 930 000</b>	<b>0.27</b>
<b>Exercisable as at September 30, 2012</b>	<b>3 195 000</b>	<b>0.27</b>

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 September 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	3.26
0.30 to 0.50	2 235 000	0.32	2.33
	<b>3 930 000</b>		

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:

	<b>2012</b>	2011
Average share price at date of grant	<b>\$0.235</b>	\$0.30
Dividends yield	<b>0%</b>	0%
Expected weighted volatility	<b>98%</b>	98%
Risk-free interest average rate	<b>1.10%</b>	2.00%
Expected average life	<b>5 years</b>	5 years
Average exercise price at date of grant	<b>\$0.235</b>	\$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, \$169,011 of employee remuneration expense (all of which related to equity-settled share-based payment transactions) were included in profit or loss for the nine-month period ended September 30, 2012 (\$134,025 for the nine-month period ended September 30, 2011) and credited to Contributed surplus.

**10. FINANCE INCOME**

	Three-month period ended September 30		Nine-month period ended September 30	
	<b>2012</b>	2011	2012	2011
	\$	\$	\$	\$
Interest income from cash and cash equivalents	<b>880</b>	1 732	2 610	3 384
Interest income from guaranteed investment certificates	<b>2 275</b>	6 766	9 013	23 876
Interest income from other investments	<b>2 993</b>	2 597	8 071	8 803
<b>Finance income</b>	<b>6 148</b>	11 095	19 694	36 063

**DIOS EXPLORATION INC.**  
**Notes to Interim Financial Statements**  
**For the nine-month period ended September 30, 2012 (unaudited)**

(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 common shares in circulation during the period. In calculating the diluted loss per share, potential common 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 September 30		Nine-month period ended September 30	
	2012	2011	2012	2011
Net loss	\$(122,938)	\$(127,763)	\$(409,899)	\$(363,745)
Weighted average number of common shares in circulation	39 095 961	38 704 207	39 095 961	37 126 090
Basic and diluted loss per common share	\$(0.003)	\$(0.003)	\$(0.01)	\$(0.01)

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:

	Nine-month period ended September 30	
	2012	2011
	\$	\$
Good and services tax receivable	(68 323)	(16 009)
Receivables	55 390	(50 160)
Tax credit and credit on duties receivable	-	792 808
Prepaid expenses and deposit	(4 971)	1 937
Trade and other payables	345	112 287
Account payable to a mining company	-	(3 960)
	<u>(17 559)</u>	<u>836 903</u>

Non cash transactions in the Statement of Financial Position are:

Listed shares value received as consideration for disposal of exploration and evaluation assets	<u><b>220 000</b></u>	<u>-</u>
-------------------------------------------------------------------------------------------------	-----------------------	----------

**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.

**DIOS EXPLORATION INC.**  
**Notes to Interim Financial Statements**  
**For the nine-month period ended September 30, 2012 (unaudited)**

(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 September 30		Nine-month period ended September 30	
	2012	2011	2012	2011
	\$	\$	\$	\$
Short-term employee benefits				
Salaries including bonuses and benefits	61 250	68 750	186 250	223 542
Professional fees	11 800	20 433	39 000	48 683
Social security costs	1 779	2 273	12 735	14 071
Total short-term employee benefits	74 829	91 456	237 985	286 296
Share-based payments	37 973	69 085	142 053	118 235
Total remuneration	112 802	160 541	380 038	404 531

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**

During the nine-month period ended September 2012, a company in which a director is an owner, charged geological fees amounting of \$47,566 recorded in Exploration and evaluation assets (\$0 for the nine-month period ended September 30, 2011).

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.

**DIOS EXPLORATION INC.**  
**Notes to Interim Financial Statements**  
**For the nine-month period ended September 30, 2012 (unaudited)**

---

(Canadian dollars)

**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 September 30, 2012, the Company had committed the entire outstanding exploration work related to this financing.