

DIOS EXPLORATION INC.

Interim Financial Statements

June 30th, 2005

DIOS EXPLORATION INC.

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DIOS EXPLORATION INC.
Statements of earnings and deficit (unaudited)

	Three months period ended June 30th		Six months period ended June 30th	
	2005	2004	2005	2004
	\$	\$	\$	\$
INCOME				
Management fees	-	26 772	22 504	27 372
Interest	5 532	3 670	11 980	5 526
	5 532	30 442	34 484	32 898
Expenses (schedule)				
General and Administrative	64 961	45 731	111 195	84 500
LOSS BEFORE THE FOLLOWING	(59 429)	(15 289)	(76 711)	(51 602)
GAIN ON SALE OF FIXED ASSETS	5 800	-	5 800	-
LOSS BEFORE INCOME TAXES	(53 629)	(15 289)	(70 911)	(51 602)
INCOME TAXES (RECOVERED)				
Future	(5 796)	(12 219)	(18 454)	(32 273)
NET LOSS	(47 833)	(3 070)	(52 457)	(19 329)
DEFICIT AT BEGINNING	(1 569 826)	(1 055 185)	(1 555 843)	(964 093)
NET LOSS	(47 833)	(3 070)	(52 457)	(19 329)
SHARES ISSUANCE EXPENSES	(7 304)	(44 669)	(16 663)	(119 502)
DEFICIT AT END	(1 624 963)	(1 102 924)	(1 624 963)	(1 102 924)
NET LOSS PER SHARE	(0,003)	(0,001)	(0,004)	(0,001)

DIOS EXPLORATION INC.

Balance sheets

	As at June 30th 2005 (unaudited) \$	As at December 31s 2004 (audited) \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	210 642	-
Temporary investments (market value of 17 250 \$)	14 500	-
Term deposits and accrued interest	509 512	904 244
Accounts receivable (note 4)	498 818	831 168
	1 233 472	1 735 412
FUNDS HELD FOR EXPLORATION EXPENSES	-	252 000
FIXED ASSETS (note 5)	-	36 000
MINING PROPERTIES (note 6)	969 934	937 950
DEFERRED EXPLORATION EXPENSES (note 7)	2 315 094	1 955 622
	4 518 500	4 916 984
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft	-	30 848
Accounts payable and accrued liabilities	276 407	570 515
	276 407	601 363
FUTURE INCOME TAXES	429 417	433 825
	705 824	1 035 188
SHAREHOLDER'S EQUITY		
Share capital (note 7)	5 198 764	5 198 764
Contributed surplus	238 875	238 875
Deficit	(1 624 963)	(1 555 843)
	3 812 676	3 881 796
	4 518 500	4 916 984

DIOS EXPLORATION INC.
Statements of cash flows (unaudited)

	Three months period		Six months period	
	ended June 30th		ended June 30th	
	2005	2004	2005	2004
	2	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(47 833)	(3 070)	(52 457)	(19 329)
Adjustments for :	3			
Gain on sale of fixed asset	(5 800)	-	(5 800)	-
Future income taxes	(5 796)	(12 219)	(18 454)	(32 273)
	(59 426)	(15 289)	(76 711)	(51 602)
Changes in non-cash operating working capital items				
Temporary investments	(14 500)	-	(14 500)	-
Term deposits and accrued interest	178 361	-	394 732	-
Accounts receivable	333 189	386 148	332 350	490 886
Accounts payable and accrued liabilities	30 590	198 411	(294 108)	154 917
	468 214	569 270	341 763	594 201
INVESTING ACTIVITIES				
Proceeds from sale of fixed asset	34 200	-	34 200	-
Funds held for exploration expenses	118 781	50 993	252 000	132 000
Mining properties	(32 030)	(29 825)	(31 984)	(98 174)
Deferred exploration expenses	(226 253)	(184 283)	(357 672)	(265 290)
	(105 302)	(163 115)	(103 456)	(231 464)
FINANCING ACTIVITIES				
Share capital issuance	-	699 975	-	699 975
Share issuance expenses	5 798	(19 184)	3 183	(19 838)
	5 798	680 791	3 183	680 137
NET INCREASE IN CASH AND CASH EQUIVALEN'	368 710	1 086 946	241 490	
Cash and cash equivalents, at beginning	(158 065)	121 043	(30 848)	165 115
Cash and cash equivalents, at end	210 645	1 207 989	210 642	165 115

Cash and cash equivalents are composed of cash and bank overdraft.

Non-cash transactions

During the first quarter, an amortization expense of \$ 1 800 was capitalized in the deferred exploration expenses.

DIOS EXPLORATION INC.
Notes to the financial statements (unaudited)

1. NATURE OF ACTIVITIES

The company was incorporated under the Canada Business Corporations Act to purchase, explore, develop, and eventually operate mining properties.

2. ACCOUNTING POLICIES

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The unaudited interim financial statements must be read in conjunction with the financial statements for the year ended December 31st, 2004. They have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies as outlined in Note 2 of the financial statements for the year ended December 31st, 2004. The sale of interest in mining properties is accounted for against the deferred exploration expenses until all related expenses are recuperated.

3. TEMPORARY INVESTMENTS

Temporary investments are accounted for at the lower of cost and market value.

4. ACCOUNTS RECEIVABLE

	<u>As at June 30th 2005</u>	<u>As at December 31st 2004</u>
	\$	\$
Sales tax receivable	29 665	96 386
Receivable from a mining company	-	157 139
Advance to an administrator	5 071	108 719
Advance to a related company	1 158	-
Gouvernement grant	462 924	462 924
Other receivable	-	6 000
	498 818	831 168

4. FIXED ASSETS

	<u>As at June 30th, 2005</u>			<u>31 2004</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net value</u>	<u>Net value</u>
	\$	\$	\$	\$
Drill	-	-	-	36 000
	-	-	-	36 000

DIOS EXPLORATION INC.
Notes to the financial statements (unaudited)

5. MINING PROPERTIES

	As at December 31st 2004	Additions	As at June 30th 2005
	\$	\$	\$
Hotish	104 581	-	104 581
33 Carats	205 723	-	205 723
Otish Extension	98 417	-	98 417
Chibouki	57 178	(682)	56 496
Schofield	362 170	-	362 170
Artaud	30 351	-	30 351
Minti	19 984	-	19 984
Pontax	-	32 666	32 666
Others	59 546	-	59 546
	937 950	31 984	969 934

6. DEFERRED EXPLORATION EXPENSES

	As at December 31st 2004	Additions	Sale of interest	As at June 30th 2005
	\$	\$	\$	\$
Hotish	1 265 725	29 059	(14 500)	1 280 284
33- Carats	128 417	19 000	-	147 417
Otish Extension	127 216	126 480	-	253 696
Chibouki	154 683	87 443	-	242 126
Schofield	123 769	-	-	123 769
Artaud	92 241	61 995	-	154 236
Minti	49 629	5 563	-	55 192
Pontax	-	36 927	-	36 927
Autres	13 942	7 505	-	21 447
	1 955 622	373 972	(14 500)	2 315 094

On April 12 2005, the company signed an agreement with Vaaldiam Resources Ltd. ("Vaaldiam") permitting the acquisition of a 51% ownership in the Hotish property. Vaaldiam must incur \$ 2,000,000 in exploration expenses and issue 100,000 common shares on a three year period. 25 000 common shares were received May 9th. The sale of interest in mining properties is accounted for against the deferred exploration expenses until all related expenses are recuperated.

DIOS EXPLORATION INC.
Notes to the financial statements (unaudited)

7. SHARE CAPITAL

Authorised

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

	As at June 30th 2005 (unaudited)	As at December 31st 2004 (audited)
Issued and paid		
13 476 107 common shares	5 198 764 \$	5 198 764 \$

No change in share-capital during the quarter ended June 30th, 2005

Options

Options granted and exercisable as at June 30, 2005 :

Beneficiaries	Number of options	Price (\$)	Expiry date
Administrators and directors	420 000	0.30	January 11, 2007
Administrators and directors	325 000	0.36	February 6, 2008
Administrators and directors	640 000	0.37	September 7, 2009

The fair value of these options was estimated using the Black Scholes stock option evaluation model with the following assumptions: estimated weighted average duration of 3 to 5 years for these options, risk free interest rate of 3.5% to 4.5%, forecast volatility of 57% to 65% and no forecast dividend.

Warrants

Variations in outstanding warrants since the beginning of year is as follow:

Date	Warrants	Average exercise price (\$)
As at December 31 2004	2 368 476	0.61
Issued	-	
Exercised	-	
Expired	(452 664)	0.66
As at June 30 2005	1 915 812	0.63

Warrants characteristics as at June 30, 2005 are the following:

Number	Exercise price	Expiry date
400 000	0,65 \$	July 2005
478 723	0.55 \$ - 0.65 \$	May 2006
430 850	0.55 \$ - 0.65 \$	July 2006
606 239	0.65 \$ - 0.70 \$	December 2006
<u>1 915 812</u>		

DIOS EXPLORATION INC.
Notes to the financial statements (unaudited)

8. RELATED PARTY TRANSACTIONS

During the quarter, the Company sold its drill for an amount of \$ 40 000 to an administrator. The Company rented the drill during the quarter for an amount of \$ 19 000. Those transactions were accounted for at the fair market value. The amount receivable relating to these transactions as at June 30 2005 is \$ 24 155.

DIOS EXPLORATION INC.

Schedule (unaudited)

General and Administrative expenses

	Three months period		Six months period	
	ended June 30th		ended June 30th	
	2005	2004	2005	2004
	\$	\$	\$	\$
Publicity and public relations	27 717	25 444	56 409	39 859
Professional fees	14 488	(4 997)	17 383	10 237
Shareholders information	6 419	12 164	9 152	16 180
Registration fees	2 470	3 517	4 311	6 419
Office expenses	4 137	1 333	4 378	2 816
Communications	-	138	-	138
Insurances, taxes and permits	602	8 026	10 295	8 631
Bank fees and interests	9 128	106	9 267	220
	64 961	45 731	111 195	84 500
