

**DIOS EXPLORATION INC.**

**Interim Financial Statements**

**June 30, 2006**

# **DIOS EXPLORATION INC.**

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**DIOS EXPLORATION INC.**  
**Statements of losses and deficit (unaudited)**

	Three months period ended June 30		Six months period ended June 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
INCOME				
Management fees	-	-	-	22 504
Interest	<b>8 790</b>	5 532	<b>12 544</b>	11 980
	<b>8 790</b>	5 532	<b>12 544</b>	34 484
Expenses (schedule)				
General and Administrative	<b>62 535</b>	64 961	<b>109 910</b>	111 195
LOSS BEFORE THE FOLLOWING	<b>(53 745)</b>	(59 429)	<b>(97 366)</b>	(76 711)
GAIN ON SALE OF FIXED ASSETS	-	5 800	-	5 800
FUTURE INCOME TAXES RECOVERED	<b>3 723</b>	5 796	<b>5 727</b>	18 454
NET LOSS	<b>(50 022)</b>	(47 833)	<b>(91 639)</b>	(52 457)
DEFICIT AT BEGINNING	<b>(2 082 389)</b>	(1 569 826)	<b>(2 012 899)</b>	(1 555 843)
NET LOSS	<b>(50 022)</b>	(47 833)	<b>(91 639)</b>	(52 457)
SHARE ISSUANCE EXPENSES	<b>(35 220)</b>	(7 304)	<b>(63 093)</b>	(16 663)
DEFICIT AT END	<b>(2 167 631)</b>	(1 624 963)	<b>(2 167 631)</b>	(1 624 963)
NET LOSS PER SHARE	<b>(0.003)</b>	(0.003)	<b>(0.006)</b>	(0.004)

# DIOS EXPLORATION INC.

## Balance sheets

	As at June 30 2006 (unaudited) \$	As at December 31 2005 (audited) \$
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	-	74 240
Short-term investments (market value of \$21 250)	14 500	14 500
Term deposits and accrued interest	578 171	358 941
Accounts receivable (note 4)	497 724	489 778
	<b>1 090 395</b>	937 459
FUNDS HELD FOR EXPLORATION EXPENSES		
	-	157 700
MINING PROPERTIES (note 5)	701 718	641 501
DEFERRED EXPLORATION EXPENSES (note 6)	2 473 895	2 352 564
	<b>4 266 008</b>	4 089 224
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Bank overdraft	19 717	-
Accounts payable and accrued liabilities	41 497	205 900
	<b>61 214</b>	205 900
FUTURE INCOME TAXES		
	325 786	290 084
	<b>387 000</b>	495 984
<b>SHAREHOLDER'S EQUITY</b>		
Share capital (note 7)	5 567 264	5 367 264
Convertible debenture (note 8)	200 000	-
Contributed surplus	279 375	238 875
Deficit	(2 167 631)	(2 012 899)
	<b>3 879 008</b>	3 593 240
	<b>4 266 008</b>	4 089 224

**DIOS EXPLORATION INC.**  
**Statements of cash flows (unaudited)**

	Three months period ended		Six months period ended	
	June 30		June 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net loss	(50 022)	(47 833)	(91 639)	(52 457)
Adjustments for :				
Gain on sale of fixed assets	-	(5 800)	-	(5 800)
Stock based compensation	40 500	-	40 500	-
Future income taxes	(3 723)	(5 796)	(5 727)	(18 454)
	<b>(13 245)</b>	<b>(59 429)</b>	<b>(56 866)</b>	<b>(76 711)</b>
Changes in non-cash operating working capital items				
Temporary investments	-	(14 500)	-	(14 500)
Term deposits and accrued interest	(126 239)	178 361	(219 230)	394 732
Accounts receivable	(71 398)	333 189	(7 946)	332 350
Accounts payable and accrued liabilities	(152 067)	30 590	(164 403)	(294 108)
	<b>(362 949)</b>	<b>468 211</b>	<b>(448 445)</b>	<b>418 474</b>
<b>INVESTING ACTIVITIES</b>				
Proceeds from sale of fixed assets	-	34 200	-	34 200
Funds held for exploration expenses	68 341	118 781	157 700	252 000
Mining properties	(55 611)	(32 030)	(60 217)	(31 984)
Deferred exploration expenses	(31 969)	(226 253)	(121 331)	(357 672)
	<b>(19 239)</b>	<b>(105 302)</b>	<b>(23 848)</b>	<b>(103 456)</b>
<b>FINANCING ACTIVITIES</b>				
Share capital issuance	200 000	-	200 000	-
Convertible debenture issuance	200 000	-	200 000	-
Share issuance expenses	(15 678)	5 798	(21 664)	3 183
	<b>384 322</b>	<b>5 798</b>	<b>378 336</b>	<b>3 183</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	<b>2 134</b>	<b>368 707</b>	<b>(93 957)</b>	<b>241 490</b>
Cash and cash equivalents( Bank overdraft), at beginning	(21 851)	(158 065)	74 240	(30 848)
Cash and cash equivalents (Bank overdraft), at end	<b>(19 717)</b>	<b>210 642</b>	<b>(19 717)</b>	<b>210 642</b>

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

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**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**

The unaudited interim financial statements must be read in conjunction with the financial statements for the year ended December 31st, 2005. 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, 2005.

**3. SHORT TERM INVESTMENTS**

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

**4. ACCOUNTS RECEIVABLE**

	<b>As at June 30th</b>	As at December 31st
	<b>2006</b>	2005
	\$	\$
Sales tax receivable	28 426	26 897
Receivable from related company	16 659	-
Receivable from a mining company	-	41 242
Receivable from a supplier	31 000	-
Gouvernement grant	421 639	421 639
	<b>497 724</b>	<b>489 778</b>

**5. MINING PROPERTIES**

	As at December 31st	Additions	As at June 30th
	2005		2006
	\$	\$	\$
<b>33 Carats</b>	310 304	34 281	344 585
<b>Hotish</b>	122 163	7 840	130 003
<b>Chibouki</b>	66 487	14 160	80 647
<b>Artaud</b>	30 351	96	30 447
<b>Minti</b>	19 984	-	19 984
<b>Pontax</b>	32 666	3 840	36 506
<b>Others</b>	59 546	-	59 546
	<b>641 501</b>	<b>60 217</b>	<b>701 718</b>

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

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**6. DEFERRED EXPLORATION EXPENSES**

	As at December 31st 2005	Additions	Government grant	As at June 30th 2006
	\$	\$	\$	\$
<b>Hotish</b>	1 287 936	<b>4 041</b>	<b>(98 880)</b>	<b>1 193 097</b>
<b>33 Carats</b>	591 245	<b>6 359</b>	-	<b>597 604</b>
<b>Chibouki</b>	242 264	<b>176 504</b>	-	<b>418 768</b>
<b>Artaud</b>	138 596	-	-	<b>138 596</b>
<b>Minti</b>	53 529	-	<b>(6 311)</b>	<b>47 218</b>
<b>Pontax</b>	25 912	<b>39 618</b>	-	<b>65 530</b>
<b>Autres</b>	13 082	-	-	<b>13 082</b>
	2 352 564	<b>226 522</b>	<b>(105 191)</b>	<b>2 473 895</b>

**7. SHARE CAPITAL**

Authorised

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

	Number	Amount
Balance december 31, 2005	14 160 907	5 367 264 \$
Private placement	606 061	200 000 \$
<b>Balance june 30, 2006</b>	<b>14 766 968</b>	<b>5 567 264</b>

On April 4, 2006, the company closed a \$200,000 non-brokered private placement with a venture capital fund. The company issued 606,061 common shares at \$0.33 per share and 606,061 warrants. One warrant entitles its holder threefold to subscribe for one common share at \$0.40 per share until April 4, 2007 and at \$0.45 during the next 12 months.

*Options*

Options granted and exercisable as at June 30, 2006 :

<b>Beneficiaries</b>	<b>Number of options</b>	<b>Price (\$)</b>	<b>Expiry date</b>
Directors and officers	420 000	0.30	January 11, 2007
Directors and officers	325 000	0.36	February 6, 2008
Directors and officers	640 000	0.37	September 7, 2009
Directors and officers	270 000	0.33	April 7, 2011

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.

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

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**7. SHARE CAPITAL (continued)**

*Warrants*

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

<b>Date</b>	<b>Number</b>	<b>Average exercise price (\$)</b>
<b>As at December 31 2005</b>	1 858 212	0.61
<b>Issued</b>	1 177 490	0.42
<b>Exercised</b>	-	-
<b>Expired</b>	(478 723)	0.65
<b>As at June 30, 2006</b>	2 556 979	0.50

Warrants characteristics as at June 30, 2006 are the following:

<b>Number</b>	<b>Exercise price \$</b>	<b>Expiry date</b>
430 850	0.65	July 2006
606 239	0.70	December 2006
342 400	0,25	December 2007
606 061	0.40	April 2008
571 429	0.45	October 2007
<u>2 556 979</u>		

**8. CONVERTIBLE DEBENTURE**

On April 18, 2006, the company closed a private placement by convertible debenture bonds of \$200,000 with a workers venture fund with 571,429 warrants. One warrant entitles its holder thereof to subscribe for one common share at \$0.45 per share until october 18, 2007. An interest rate of 12% and a conversion price of \$0.35 up to April 18, 2008 and of \$0.385 thereafter until the maturity date April 18, 2009, was agreed upon for the debenture. At the expiration date, April 18, 2009, the debenture will be reimbursed in Company common shares.

**9. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current year's presentation

**DIOS EXPLORATION INC.**  
**Schedule (unaudited)**

**General and Administrative expenses**

	Three months period ended		Six months period ended	
	June 30		June 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Stock based compensation	<b>40 500</b>	-	<b>40 500</b>	-
Publicity and public relations	<b>5 807</b>	27 717	<b>9 425</b>	56 409
Professional fees	<b>4 676</b>	14 488	<b>28 471</b>	17 383
Shareholders information	<b>4 792</b>	6 419	<b>11 573</b>	9 152
Registration fees	<b>3 361</b>	2 470	<b>5 013</b>	4 311
Office expenses	<b>1 990</b>	4 137	<b>2 667</b>	4 378
Insurances, taxes and permits	<b>1 165</b>	602	<b>11 855</b>	10 295
Bank fees and interests	<b>244</b>	9 128	<b>406</b>	9 267
	<b>62 535</b>	64 961	<b>109 910</b>	111 195