

# **DIOS EXPLORATION INC.**

## **Interim Financial Statements**

**June 30, 2007**

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

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

	Three-month period ended		Six-month period ended	
	June 30		June 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>ADMINISTRATIVE EXPENSES</b>				
Stock based compensation	98 805	40 500	166 955	40 500
Professional fees	39 265	4 676	65 198	28 471
Salaries-management	13 612	-	13 612	-
Trustees and registration fees	11 231	3 361	22 586	5 013
Shareholders information	10 483	4 792	16 942	11 573
Publicity and promotion	5 955	5 807	28 849	9 425
Office expenses	3 828	1 990	5 203	2 667
Rent	2 250	-	2 250	-
Insurances, taxes and permits	-	1 165	9 803	11 855
Interest on convertible debenture	5 268	-	10 536	-
Bank fees and interests	288	244	470	406
	<b>190 985</b>	<b>62 535</b>	<b>342 404</b>	<b>109 910</b>
Other income and expenses				
Interest	84 487	8 790	100 129	12 544
Unrealized gain (loss) on listed shares	(25 659)	-	(9 476)	-
	<b>58 828</b>	<b>8 790</b>	<b>90 653</b>	<b>12 544</b>
<b>LOSS BEFORE INCOME TAXES</b>	<b>(132 157)</b>	<b>(53 745)</b>	<b>(251 751)</b>	<b>(97 366)</b>
Future income taxes (note 4)	48 189	3 723	(279 053)	5 727
<b>NET INCOME (LOSS)</b>	<b>(180 346)</b>	<b>(50 022)</b>	<b>27 302</b>	<b>(91 639)</b>
<b>DEFICIT AT BEGINNING</b>				
	<b>(3 567 441)</b>	<b>(2 082 389)</b>	<b>(2 590 458)</b>	<b>(2 012 899)</b>
<b>NET INCOME (LOSS)</b>	<b>(180 346)</b>	<b>(50 022)</b>	<b>27 302</b>	<b>(91 639)</b>
<b>SHARE ISSUANCE EXPENSES</b>	<b>(320 569)</b>	<b>(35 220)</b>	<b>(1 505 200)</b>	<b>(63 093)</b>
<b>DEFICIT AT END</b>	<b>(4 068 356)</b>	<b>(2 167 631)</b>	<b>(4 068 356)</b>	<b>(2 167 631)</b>
<b>NET PROFIT (LOSS) PER SHARE</b>				
	basic	(0,006)	(0,003)	(0,001)
	diluted	n/a	n/a	(0,001)
<b>Nombre moyen pondéré d'actions en circulation</b>				
	basic	32 268 425	14 746 987	26 264 354
	diluted	n/a	n/a	29 358 019

# DIOS EXPLORATION INC.

## Balance sheets

	As at June 30, 2007 (unaudited) \$	As at December 31 2006 (unaudited) \$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	-	259 626
Term deposits	8 295 596	-
Listed shares at market value (Cost of \$104,417)	94 941	104 417
Deposit	117 500	
Sales tax receivable	81 853	86 527
Tax credit receivable	406 736	490 654
Accounts receivable from related company, without interest	-	25 300
	<b>8 996 626</b>	<b>966 524</b>
EXPLORATION FUNDS	581 443	1 064 416
MINING PROPERTIES (note 3)	660 181	604 877
DEFERRED EXPLORATION EXPENSES (note 4)	3 105 532	2 678 176
	<b>13 343 782</b>	<b>5 313 993</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	163 279	207 015
Account payable to a related company, without interest	69 260	-
	<b>232 539</b>	<b>207 015</b>
Liability component of convertible debenture	152 666	142 130
Future Income taxes	372 664	311 680
	<b>757 869</b>	<b>660 825</b>
<b>SHAREHOLDER'S EQUITY</b>		
Share capital (note 5)	15 777 048	6 866 701
Contributed surplus (note 6)	807 221	306 925
Convertible debenture	70 000	70 000
Deficit	(4 068 356)	(2 590 458)
	<b>12 585 913</b>	<b>4 653 168</b>
	<b>13 343 782</b>	<b>5 313 993</b>

**DIOS EXPLORATION INC.**  
**DEFERRED EXPLORATION EXPENSES (unaudited)**

	Three-month period ended		Six-month period ended	
	June 30,		June 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>BALANCE, BEGINNING OF THE PERIOD</b>	<b>2 703 961</b>	<b>2 441 926</b>	<b>2 678 176</b>	<b>2 352 565</b>
<b>ADD:</b>				
Sampling and analysis	206 527	31 675	206 527	73 662
Geophysics	105 621	30 125	105 621	30 125
Diamond drilling	55 913	5 076	71 586	2 364
Geology	28 211	61 356	64 273	100 828
Transport and lodging	2 515	2 281	12 192	5 615
Furnitures, office and others	2 784	6 648	11 774	13 928
<b>Total expenses of the period</b>	<b>401 571</b>	<b>137 161</b>	<b>471 973</b>	<b>226 522</b>
<b>DEDUCT:</b>				
Tax credit	-	(105 192)	(44 617)	(105 192)
<b>NET EXPENSES OF THE PERIOD</b>	<b>401 571</b>	<b>31 969</b>	<b>427 356</b>	<b>121 330</b>
<b>BALANCE, END OF THE PERIOD</b>	<b>3 105 532</b>	<b>2 473 895</b>	<b>3 105 532</b>	<b>2 473 895</b>

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

	Three-month period ended		Six-month period ended	
	June 30,		June 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net Income (loss)	(180 346)	(50 022)	27 302	(91 639)
Non-cash items				
Stock based compensation	98 805	40 500	166 955	40 500
Unrealized loss on listed shares	25 659	-	9 476	-
Interest on convertible debenture	5 268	-	10 536	-
Future income taxes	48 189	(3 723)	(279 053)	(5 727)
	(2 425)	(13 245)	(64 784)	(56 866)
Changes in non-cash operating working capital items				
Term deposits and accrued interest	(5 393 086)	(126 239)	(8 295 596)	(219 230)
Deposit	(117 500)		(117 500)	
Sales tax receivable	(64 256)	(15 796)	4 674	(1 529)
Tax credit receivable	37 874	-	83 918	-
Subscription receivable	844 790	-	-	-
Accounts receivable from related company	37 152	(24 602)	25 300	(16 659)
Accounts payable and accrued liabilities	125 300	(183 067)	(43 736)	(211 027)
Account payable to a related party	69 260	-	69 260	-
	(4 462 891)	(362 949)	(8 338 464)	(448 445)
<b>INVESTING ACTIVITIES</b>				
Exploration funds	401 571	68 341	482 973	157 700
Mining properties	(45 106)	(55 611)	(55 304)	(60 217)
Deferred exploration expenses	(401 571)	(31 969)	(427 356)	(121 331)
	(45 106)	(19 239)	313	(23 848)
<b>FINANCING ACTIVITIES</b>				
Share capital issuance	1 934 741	200 000	8 892 197	200 000
Convertible debenture	-	200 000	-	200 000
Share issuance expenses	(242 893)	(15 678)	(813 672)	(21 664)
	1 691 848	384 322	8 078 525	378 336
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	(2 816 149)	2 134	(259 626)	(93 957)
<b>Cash and cash equivalents, at beginning</b>	<b>2 816 149</b>	<b>(21 851)</b>	<b>259 626</b>	<b>74 240</b>
<b>Cash and cash equivalents ( Bank overdraft), at end</b>	<b>-</b>	<b>(19 717)</b>	<b>-</b>	<b>(19 717)</b>
Additional disclosure of non cash items				
Fair value of exercised options	-	-	18 150	-
Fair value of agent' warrants	77 676	-	351 491	-
Future income taxes related to CEE renunciation	-	-	340 037	-

# **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, 2006. 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, 2006 except for the items discussed below.

Effective as of January 1, 2007, the Company adopted two new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants ("CICA"). These accounting policies changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards an accounting policy changes are as follows:

#### a) Comprehensive income (CICA Handbook Section 1530)

This new accounting rule introduces a new financial statement which shows the change in equity of an enterprise from transactions and other events and circumstances from non-owner.

#### b) Financial Instruments – recognition and measurement (CICA Handbook Section 3855)

This new accounting rule establishes standards for recognized and measuring financial instruments, namely financial assets, financial liabilities and derivatives. The new standards lay out how financial instruments are to be recognized depending on their classification. Financial instruments are initially recorded at fair value. The subsequent evaluation depends on the classification of the financial instruments. Depending on financial instruments classification, changes in subsequent measurements are recognized in net income or comprehensive income.

Upon adoption of these new standards, the Company has designated its cash and cash equivalents, Term deposit, Listed shares and Exploration funds as held-for-trading, which are measured at fair value. Those financial assets are marked-to-market through net income at each period end. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and Liability component of convertible debenture are classified as other liabilities, which are measured at amortized cost. For the Company, the measured amount generally corresponds to cost.

The adoption of these new standards has no impact on the financial position and the results of operations of the Company.

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

**3. MINING PROPERTIES**

	As at December 31, 2006	Additions	As at June 30, 2007
	\$	\$	\$
<b>33 Carats</b>	358 207	(330)	357 877
<b>Hotish</b>	119 465	25 934	145 399
<b>Chibouki</b>	82 279	4 700	86 979
<b>Pontax</b>	43 679	-	43 679
<b>Opinaca Nord - option</b>	-	25 000	25 000
<b>Others</b>	1 247	-	1 247
	<b>604 877</b>	<b>55 304</b>	<b>660 181</b>

On May 15, 2007, the Company concluded an agreement to option Opinaca Nord property. The Company shall be granted a 50% interest in the property for \$1,25 M in exploration expenditures on the property over 5 years with a firm \$250,000 commitment the first year as well as yearly instalment of \$25,000 (in cash or shares).

**4. DEFERRED EXPLORATION EXPENSES**

	As at December 31, 2006	Additions	Government grant	As at June 30, 2007
	\$	\$	\$	\$
<b>Hotish</b>	1 234 584	15 072	(15 170)	1 234 486
<b>33 Carats</b>	927 230	181 213	(29 447)	1 078 996
<b>Chibouki</b>	443 598	197 743	-	641 341
<b>Pontax</b>	70 225	77 945	-	148 170
<b>Autres</b>	2 539	-	-	2 539
	<b>2 678 176</b>	<b>471 973</b>	<b>(44 617)</b>	<b>3 105 532</b>

Under the recommendations of the CICA Emerging Issues Committee (EIC 146), future income tax liabilities resulting from the renunciation of qualified mineral exploration expenditures by the Company pursuant to flow-through share offerings are recorded as a share issuance costs. During the first semester, the Company filed for flow-through share renunciations totalling \$1,267,000 resulting in the recording of \$340,037 in a reduction of share capital costs and a recovery of future income taxes of the same amount.

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

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**5. SHARE CAPITAL**

Authorised

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

Issued	Number	Amount \$
Balance December 31, 2006	19 194 016	6 866 701
Private placements	12 900 366	8 474 789
Exercised warrants	1 027 993	380 958
Exercised options	121 500	36 450
Fair value of exercised options	-	18 150
<b>Balance June 30, 2007</b>	<b>33 243 875</b>	<b>15 777 048</b>

On March 15, 2007, the company closed a \$1,599,840 brokered private placement. The Company issued 3,555,200 units at a price of \$0.45 comprised of one common share of the Company and one-half warrant. One warrant entitles its holder thereof to subscribe for one common share at \$0.60 per share for 12 months and \$0.80 for a further 12 months. A commission equal to 8% of the gross proceeds, as well as 355,520 broker warrants was paid to a broker.

On March 30, 2007, the Company closed a \$5,000,000 brokered private placement. The Company issued 6,666,666 units at a price of \$0.75 comprised of one common share of the Company and one-half warrant. One warrant entitles its holder thereof to subscribe for one common share at \$1.00 per share for 12 months and \$1.15 for a further 12 months. A commission equal to 8% of the gross proceeds, as well as 666,666 broker warrants was paid to a broker.

On May 2, 2007, the Company closed a \$1,874,950 brokered private placement. The Company issued 2,678,500 units at a price of \$0.70 comprised of one common share of the Company and one-half warrant. One warrant entitles its holder thereof to subscribe for one common share at \$1.00 per share for 12 months and \$1.15 for a further 12 months. A commission equal to 8% of the gross proceeds, as well as 267,850 broker warrants was paid to a broker.

On January 11, 2007, three directors exercised certain of their stock options for a total of 121,500 shares at an exercised price of \$0.30.

During the quarter, the Company issued 1,027,993 common shares following exercised warrants at a average price of \$0.37.

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

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5. **SHARE CAPITAL (continued)**

*Options*

Variation in outstanding options since the beginning of year is as follows:

	<b>Number</b>	<b>Average Exercise price (\$)</b>
Balance as at December 31, 2006	1 655 000	0.34
Granted	1 450 000	0.67
Exercised	(121 500)	0.30
Expired	(298 500)	0.30
<b>Balance June 30, 2007</b>	<b>2 685 000</b>	<b>0.53</b>

On January 29, 2007, the Company granted to certain directors and officers a total of 450,000 stock options that may be exercised over a period of 5 years, at an exercise price of \$0.50 and a fair value of \$0.31.

On March 8, 2007, the Company granted to certain directors and officers a total of 1,000,000 stock options that may be exercised over a period of 5 years, at an exercise price of \$0.75 and a fair value of \$0.47.

The options granted vest in stages over a period of 18 months after the grant, at the rate of 15% per quarter, at the exception of 10%, which may be exercised from the date of the grant.

Options granted and exercisable as at June 30, 2007

<b>Expiration date</b>	<b>Number of options</b>		<b>Exercise Price (\$)</b>
	<b>outstanding</b>	<b>Exercisable</b>	
February 6, 2008	325 000	325 000	0.36
September 7, 2009	640 000	640 000	0.37
April 7, 2011	270 000	189 000	0.33
January 29, 2012	450 000	112 500	0.50
March 8, 2012	1 000 000	250 000	0.75
	<u>2 685 000</u>	<u>1 516 500</u>	

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 72% and no forecast dividend.

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

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**5. SHARE CAPITAL (continued)**

*Warrants*

Variation in outstanding warrants since the beginning of year is as follows:

<b>Date</b>	<b>Number</b>	<b>Average exercise price (\$)</b>
As at December 31, 2006	3 539 087	0.37
Issued	7 740 219	0.83
Exercised	(1 027 993)	0.37
Expired	-	-
<b>Balance June 30, 2007</b>	<b>10 251 313</b>	<b>0.73</b>

Warrants characteristics as at June 30, 2007 are the following:

<b>Number</b>	<b>Exercise price \$</b>	<b>Expiry date</b>
571 429	0.45	October 2007
370 000	0.29	November 2007
916 665	0.35	December 2006
30 000	0.30	December 2007
623 000	0.35/0.38	December 2007/2008
1 777 600	0.60/0.80	March 2008/2009
355 520	0.45	March 2009
3 333 333	1.00/1.15	March 2008/2009
666 666	0.75	March 2009
1 339 250	1.00/1.15	May 2008/2009
267 850	0.70	May 2009
<b>10 251 313</b>		

**6. CONTRIBUTED SURPLUS**

	<b>\$</b>
Balance, December 31, 2006	<b>306 925</b>
Options granted (exercisable)	<b>166 955</b>
Exercised options	<b>(18 150)</b>
Warrants issued to broker	<b>351 491</b>
<b>Balance, June 31, 2007</b>	<b>807 221</b>

**7. SUBSEQUENT EVENT**

On July 20, 2007, the Solidarity Fund QFL decided to receive 634,705 common shares of the Company (deemed value of \$218,115) for the reimbursement of its convertible debenture. This decision follows the request by the Company dated May 23, 2007 to refund the convertible debenture amounting to \$200,000 plus the accrued interests.

**8. COMPARATIVE FIGURES**

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