

# **DIOS EXPLORATION INC.**

## **Interim Financial Statements**

**September 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		Nine-month period ended	
	September 30		September 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>ADMINISTRATIVE EXPENSES</b>				
Stock based compensation	98 715	-	265 670	40 500
Professional fees	35 806	6 360	101 004	34 831
Salaries-management	-	-	13 612	-
Trustees and registration fees	3 873	534	26 459	5 547
Shareholders information	2 330	4 099	19 272	15 672
Publicity and promotion	6 134	5 957	34 983	15 382
Office expenses	4 584	412	9 786	3 079
Rent	2 250	-	4 500	-
Insurances, taxes and permits	1 912	1 853	11 716	13 708
Interest on convertible debenture	(4 551)	-	5 985	-
Bank fees and interests	305	283	774	689
	<b>151 358</b>	19 498	<b>493 761</b>	129 408
Other income and expenses				
Interest	92 224	6 762	192 353	19 306
Gain on disposal of listed shares	-	19 708	-	19 708
Unrealized gain (loss) on listed shares	(19 566)	-	(29 042)	-
	<b>72 658</b>	26 470	<b>163 311</b>	39 014
<b>PROFIT (LOSS) BEFORE INCOME TAXES</b>	<b>(78 700)</b>	6 972	<b>(330 450)</b>	(90 394)
Future income taxes (note 4)	125 810	29 851	(153 243)	24 124
<b>NET INCOME (LOSS)</b>	<b>(204 510)</b>	(22 879)	<b>(177 207)</b>	(114 518)
DEFICIT AT BEGINNING				
	(4 068 356)	(2 167 631)	(2 590 458)	(2 012 899)
NET INCOME (LOSS)				
	(204 510)	(22 879)	(177 207)	(114 518)
SHARE ISSUANCE EXPENSES				
	(1 736)	(3 699)	(1 506 937)	(66 792)
DEFICIT AT END				
	(4 274 602)	(2 194 209)	(4 274 602)	(2 194 209)
NET PROFIT (LOSS) PER SHARE				
	basic	(0.006)	(0.002)	(0.006)
	basic	(0.002)	(0.006)	(0.008)
Nombre moyen pondéré d'actions en circulation				
	basic	33 768 819	14 766 968	28 793 328
				14 560 507

# DIOS EXPLORATION INC.

## Balance sheets

	September 30, 2007 (unaudited) \$	December 31 2006 (unaudited) \$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	43 666	259 626
Term deposits	8 296 707	-
Listed shares at market value (Cost of \$104,417)	75 375	104 417
Deposit	19 445	
Sales tax receivable	126 843	86 527
Tax credit receivable	66 282	490 654
Accounts receivable from related company, without interest	-	25 300
	<b>8 628 318</b>	966 524
EXPLORATION FUNDS	-	1 064 416
MINING PROPERTIES (note 3)	810 234	604 877
DEFERRED EXPLORATION EXPENSES (note 4)	4 153 954	2 678 176
	<b>13 592 506</b>	5 313 993
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	423 328	207 015
Account payable to a related company, without interest	5 731	-
	<b>429 059</b>	207 015
Liability component of convertible debenture	-	142 130
Future Income taxes	498 474	311 680
	<b>927 533</b>	660 825
<b>SHAREHOLDER'S EQUITY</b>		
Share capital (note 5)	16 033 639	6 866 701
Contributed surplus (note 6)	905 936	306 925
Convertible debenture	-	70 000
Deficit	(4 274 602)	(2 590 458)
	<b>12 664 973</b>	4 653 168
	<b>13 592 506</b>	5 313 993

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

	Three-month period ended		Nine-month period ended	
	September 30,		September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>BALANCE, BEGINNING OF THE PERIOD</b>	<b>3 105 532</b>	2 473 896	<b>2 678 176</b>	2 352 565
<b>ADD:</b>				
Sampling and analysis	<b>264 331</b>	9 755	<b>470 858</b>	83 417
Geophysics	<b>355 376</b>	800	<b>460 997</b>	30 925
Diamond drilling	<b>166 252</b>	104 744	<b>237 837</b>	107 108
Geology	<b>65 315</b>	39 219	<b>129 588</b>	140 048
Transport and lodging	<b>191 534</b>	161 535	<b>203 726</b>	167 150
Furnitures, office and others	<b>5 614</b>	12 352	<b>17 389</b>	26 279
<b>Total expenses of the period</b>	<b>1 048 422</b>	328 405	<b>1 520 395</b>	554 927
<b>DEDUCT:</b>				
Tax credit	-	(5 885)	<b>(44 617)</b>	(111 076)
<b>NET EXPENSES OF THE PERIOD</b>	<b>1 048 422</b>	322 520	<b>1 475 778</b>	443 851
<b>BALANCE, END OF THE PERIOD</b>	<b>4 153 954</b>	2 796 416	<b>4 153 954</b>	2 796 416

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

	Three-month period ended		Nine-month period ended	
	September 30,		September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net Income (loss)	(204 510)	(22 879)	(177 207)	(114 518)
Non-cash items				
Stock based compensation	98 715	-	265 670	40 500
Unrealized loss on listed shares	19 566	-	29 042	-
Interest on convertible debenture	(4 551)	-	5 985	-
Future income taxes	125 810	29 851	(153 243)	24 124
	<b>35 030</b>	6 972	<b>(29 753)</b>	(49 894)
Changes in non-cash operating working capital items				
Term deposits and accrued interest	(1 111)	44 590	(8 296 707)	(174 640)
Deposit	98 055	31 000	(19 445)	-
Sales tax receivable	(44 990)	(9 643)	(40 316)	(11 172)
Tax credit receivable	340 454	337 722	424 372	337 722
Account receivable from a mining company	-	-	-	41 242
Account receivable from a related company	-	14 964	25 300	(1 695)
Accounts payable and accrued liabilities	260 049	114 264	216 313	(50 139)
Account payable to a related party	(38 529)	-	5 731	-
	<b>648 958</b>	539 869	<b>(7 714 505)</b>	91 424
<b>INVESTING ACTIVITIES</b>				
Listed shares	-	(89 917)	-	(89 917)
Exploration funds	581 443	-	1 064 416	157 700
Mining properties	(150 053)	21 878	(180 357)	(38 339)
Deferred exploration expenses	(1 048 422)	(322 520)	(1 475 778)	(443 852)
	<b>(617 032)</b>	(390 559)	<b>(591 719)</b>	(414 408)
<b>FINANCING ACTIVITIES</b>				
Share capital issuance	13 475	-	8 905 672	200 000
Convertible debenture	-	-	-	200 000
Share issuance expenses	(1 735)	-	(815 408)	(21 663)
	<b>11 740</b>	-	<b>8 090 264</b>	378 337
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	<b>43 666</b>	149 310	<b>(215 960)</b>	55 353
Cash and cash equivalents, at beginning	-	(19 517)	259 626	74 240
Cash and cash equivalents ( Bank overdraft), at end	<b>43 666</b>	129 793	<b>43 666</b>	129 593
Additional disclosure of non cash items				
Fair value of exercised options	-	-	18 150	-
Fair value of agents' warrants	-	-	351 491	-
Future income taxes registered as a issue costs (renounced CEE )	-	-	340 037	-
Amount due to related company paid in shares	25 000	-	25 000	-
Convertible debenture and accrued interest paid in shares	218 115	-	218 115	-

# **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. The financial information as at September 30, 2007 and for the three and six-month period ended September 30, 2007 is unaudited.

### **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)**

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**3. MINING PROPERTIES**

	As at December 31, 2006	Additions	As at September 30, 2007
	\$	\$	\$
<b>33 Carats</b>	358 207	<b>34 868</b>	<b>393 075</b>
<b>Hotish</b>	119 465	<b>59 834</b>	<b>179 299</b>
<b>Chibouki</b>	82 279	<b>4 700</b>	<b>86 979</b>
<b>Pontax</b>	43 679	-	<b>43 679</b>
<b>Opinaca Nord - option</b>	-	<b>58 940</b>	<b>58 940</b>
<b>Opinor</b>	-	<b>11 320</b>	<b>11 320</b>
<b>Papemen</b>	-	<b>35 695</b>	<b>35 695</b>
<b>Others</b>	1 247	-	<b>1 247</b>
	<b>604 877</b>	<b>205 357</b>	<b>810 234</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).

The other additions represent either stake acquisitions or claims renewal.

**4. DEFERRED EXPLORATION EXPENSES**

	As at December 31, 2006	Additions	Government grant	As at September 30, 2007
	\$	\$	\$	\$
<b>Hotish</b>	1 234 584	<b>609 731</b>	<b>(15 170)</b>	<b>1 829 145</b>
<b>33 Carats</b>	927 230	<b>183 193</b>	<b>(29 447)</b>	<b>1 080 976</b>
<b>Chibouki</b>	443 598	<b>435 518</b>	-	<b>879 116</b>
<b>Pontax</b>	70 225	<b>105 899</b>	-	<b>176 124</b>
<b>Opinaca nord</b>	-	<b>186 054</b>	-	<b>186 054</b>
<b>Autres</b>	2 539	-	-	<b>2 539</b>
	<b>2 678 176</b>	<b>1 520 395</b>	<b>(44 617)</b>	<b>4 153 954</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 quarter, the company filed for flow-through share renunciations totalling \$1,267,000 resulting in the recording of \$340,037 as share issuance 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	8 474 790
Exercised warrants	1 066 493	394 433
Exercised options	121 500	36 450
Mining property acquisition - Opinaca Nord option	33 333	25 000
Redemption of a convertible debenture and accrued interests	632 381	218 115
Fair value of exercised options	-	18 150
<b>Balance September 30, 2007</b>	<b>33 948 089</b>	<b>16 033 639</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.

On July 20, 2007, the company proceeded to a early redemption of a convertible débenture with its accrued interest by issuing to its holder 632 381 common shares of the company for a value of \$218,115.

**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>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 September 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 September 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	229 500	0.33
January 29, 2012	450 000	180 000	0.50
March 8, 2012	1 000 000	400 000	0.75
	<u>2 685 000</u>	<u>1 774 500</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>Exercise price (\$)</b>
As at December 31, 2006	3 539 087	0.37
Issued	7 740 219	0.83
Exercised	(1 066 493)	0.37
Expired	-	-
<b>Balance September 30, 2007</b>	<b>10 212 813</b>	<b>0.73</b>

Warrants characteristics as at September 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
584 500	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>10 212 813</b>		

**6. CONTRIBUTED SURPLUS**

	<b>\$</b>
Balance, December 31, 2006	<b>306 925</b>
Options granted (exercisable)	<b>265 670</b>
Exercised options	<b>(18 150)</b>
Warrants issued to broker	<b>351 491</b>
<b>Balance, September 30, 2007</b>	<b>905 936</b>

**7. COMPARATIVE FIGURES**

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