



**DIOS**  
EXPLORATION

## **DIOS EXPLORATION INC.**

### **Interim Financial Statements**

**September 30, 2008**

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

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

	Three-month period ended		Nine-month period ended	
	September 30		September 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>ADMINISTRATIVE EXPENSES</b>				
Stock based compensation	126 420	98 715	370 770	265 670
Publicity and promotion	39 590	6 134	130 405	34 983
Office expenses	8 975	4 584	18 633	9 786
Professional fees	7 223	35 806	88 495	101 004
Salaries-management	4 816	-	17 502	13 612
Trustees and registration fees	3 920	3 873	19 618	26 459
Shareholders information	2 136	2 330	29 950	19 272
Insurances, taxes and permits	276	1 912	14 549	11 716
Rent	-	2 250	2 250	4 500
Interest on convertible debenture	-	(4 551)	-	5 985
Bank fees and interests	303	305	703	774
	<b>193 659</b>	<b>151 358</b>	<b>692 875</b>	<b>493 761</b>
<b>OTHER INCOME AND EXPENSES</b>				
Interests income	54 796	92 224	186 460	192 353
Unrealized loss on listed shares	(40 702)	(19 566)	(36 180)	(29 042)
	<b>14 094</b>	<b>72 658</b>	<b>150 280</b>	<b>163 311</b>
<b>LOSS BEFORE INCOME TAXES</b>	<b>(179 565)</b>	<b>(78 700)</b>	<b>(542 595)</b>	<b>(330 450)</b>
Future income taxes	369 807	125 810	498 399	(153 243)
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>(549 372)</b>	<b>(204 510)</b>	<b>(1 040 994)</b>	<b>(177 207)</b>
<b>DEFICIT AT BEGINNING</b>	<b>(5 148 788)</b>	<b>(4 068 356)</b>	<b>(4 657 166)</b>	<b>(2 590 458)</b>
<b>NET LOSS</b>	<b>(549 372)</b>	<b>(204 510)</b>	<b>(1 040 994)</b>	<b>(177 207)</b>
<b>SHARE ISSUANCE EXPENSES</b>	<b>-</b>	<b>(1 736)</b>	<b>-</b>	<b>(1 506 937)</b>
<b>DEFICIT AT END</b>	<b>(5 698 160)</b>	<b>(4 274 602)</b>	<b>(5 698 160)</b>	<b>(4 274 602)</b>
<b>NET LOSS PER SHARE</b>	<b>(0.02)</b>	<b>(0.006)</b>	<b>(0.03)</b>	<b>(0.006)</b>
	basic and diluted			
Weighted average number of common shares outstanding	34 333 839	33 768 819	34 333 839	28 793 328

# DIOS EXPLORATION INC.

## Balance sheets

	As at September 30, 2008 (unaudited) \$	As at December 31, 2007 (audited) \$
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	-	48 842
Term deposits	3 133 588	7 201 722
Prepaid expenses	2 543	-
Listed shares held for trading at market value (cost of \$104,417)	27 135	63 315
Sales tax receivable	401 283	164 963
Tax credit receivable (note 3)	153 177	1 027 024
Accounts receivable from related company	377 491	90 543
	<b>4 095 217</b>	8 596 409
MINING PROPERTIES (note 4)	1 064 063	910 551
DEFERRED EXPLORATION EXPENSES (note 5)	8 577 223	4 423 904
	<b>13 736 503</b>	13 930 864
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Bank overdraft	104 514	653 408
Accounts payable and accrued liabilities	526 362	-
	<b>630 876</b>	653 408
FUTURE INCOME TAXES	1 029 267	530 868
	<b>1 660 143</b>	1 184 276
<b>SHAREHOLDER'S EQUITY</b>		
Share capital (note 6)	16 146 451	16 146 451
Contributed surplus (note 7)	1 628 069	1 257 299
Deficit	(5 698 160)	(4 657 162)
	<b>12 076 360</b>	12 746 588
	<b>13 736 503</b>	13 930 864

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

	Three-month period ended		Nine-month period ended	
	September 30,		September 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>BALANCE, BEGINNING OF THE PERIOD</b>	<b>5 495 496</b>	3 105 532	<b>4 423 904</b>	2 678 176
<b>ADD:</b>				
Transport, lodging and logistic	<b>1 605 566</b>	191 534	<b>2 093 762</b>	203 726
Diamond drilling	<b>922 578</b>	166 252	<b>1 335 932</b>	237 837
Geology	<b>340 103</b>	65 315	<b>440 246</b>	129 588
Geophysics	<b>171 258</b>	355 376	<b>176 244</b>	460 997
Sampling and analysis	<b>32 932</b>	264 331	<b>43 052</b>	470 858
Furnitures, office and small tools	<b>9 290</b>	5 614	<b>64 083</b>	17 389
Total expenses of the period	<b>3 081 727</b>	1 048 422	<b>4 153 319</b>	1 520 395
<b>DEDUCT:</b>				
Tax credit	-	-		(44 617)
<b>NET EXPENSES OF THE PERIOD</b>	<b>3 081 727</b>	1 048 422	<b>4 153 319</b>	1 475 778
<b>BALANCE, END OF THE PERIOD</b>	<b>8 577 223</b>	4 153 954	<b>8 577 223</b>	4 153 954

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

	Three-month period ended		Nine-month period ended	
	September 30,		September 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net Income (loss)	(549 372)	(204 510)	(1 040 994)	(177 207)
Non-cash items				
Stock based compensation	126 420	98 715	370 770	265 670
Unrealized (gain) loss on listed shares	40 702	19 566	36 180	29 042
Interest on convertible debenture	-	(4 551)	-	5 985
Future income taxes	369 807	125 810	498 399	(153 243)
	(12 443)	35 030	(135 645)	(29 753)
Changes in non-cash operating working capital items				
Term deposits and accrued interest	3 022 789	(1 111)	4 068 130	(8 296 707)
Prepaid expenses	-	-	(2 543)	-
Deposits paid	316 533	98 055	-	(19 445)
Sales tax receivable	(284 511)	(44 990)	(236 320)	(40 316)
Tax credit receivable	66 282	340 454	873 847	424 372
Accounts receivable from related company	(377 491)	-	(286 948)	25 300
Accounts payable and accrued liabilities	370 674	260 049	(127 046)	216 313
Deposit received	(75 000)	-	-	-
Account payable to a related party	(16 825)	(38 529)	-	5 731
	3 010 008	648 958	4 153 475	(7 714 505)
<b>INVESTING ACTIVITIES</b>				
Exploration funds	-	581 443	-	1 064 416
Mining properties	(33 263)	(150 053)	(153 512)	(180 357)
Deferred exploration expenses	(3 081 727)	(1 048 422)	(4 153 319)	(1 475 778)
	(3 114 990)	(617 032)	(4 306 831)	(591 719)
<b>FINANCING ACTIVITIES</b>				
Share capital issuance	-	13 475	-	8 905 672
Share issuance expenses	-	(1 735)	-	(815 408)
	-	11 740	-	8 090 264
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	(104 982)	43 666	(153 356)	(215 960)
Cash and cash equivalents (Bank overdraft), at beginning	468	-	48 842	259 626
Cash and cash equivalents ( Bank overdraft), at end	(104 514)	43 666	(104 514)	43 666

**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 31, 2007. They have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies as outlined in Note 3 of the financial statements for the year ended December 31, 2007.

**3. TAX CREDIT RECEIVABLE**

The Company is entitled to a refundable tax credit for mining exploration companies on qualified exploration expenditures incurred after March 29, 2001. This tax credit refundable for the nine-month period ended September 30, 2008 is estimated to \$1,609,411 and will be recorded at the 2008 year-end financial statement.

The Company is also entitled to a refundable mining rights tax credit on mining exploration expenditures incurred in Quebec. This tax credit refundable for the nine-month period ended September 30, 2008 is estimated to \$305,269 and will be recorded at the 2008 year-end financial statement.

**4. MINING PROPERTIES**

	As at December 31, 2007	Additions	As at September 30, 2008
	\$	\$	\$
<b>33 Carats</b>	423 502	<b>29 686</b>	<b>453 188</b>
<b>Hotish</b>	181 049	<b>10 216</b>	<b>191 265</b>
<b>Pontax</b>	43 679	<b>2 595</b>	<b>46 274</b>
<b>Opinaca-Nord</b>	60 090	<b>33 050</b>	<b>93 140</b>
<b>Upinor</b>	26 385	<b>23 690</b>	<b>50 075</b>
<b>PAM</b>	56 580	-	<b>56 580</b>
<b>UGO</b>	-	<b>15 985</b>	<b>15 985</b>
<b>Lac Chabran</b>	-	<b>13 685</b>	<b>13 685</b>
<b>Chibouki</b>	87 429	<b>1 950</b>	<b>89 379</b>
<b>U2</b>	30 590	<b>22 655</b>	<b>53 245</b>
<b>Others</b>	1 247	-	<b>1 247</b>
	<b>910 551</b>	<b>153 512</b>	<b>1 064 063</b>

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

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

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**5. DEFERRED EXPLORATION EXPENSES**

	As at December 31, 2007	Additions	As at September 30, 2008
	\$	\$	\$
<b>33 Carats</b>	1 033 952	<b>546 856</b>	<b>1 580 808</b>
<b>Hotish</b>	1 670 985	<b>1 757 072</b>	<b>3 428 057</b>
<b>Pontax</b>	543 273	<b>665 244</b>	<b>1 208 517</b>
<b>Opinaca-Nord</b>	218 518	<b>141 191</b>	<b>359 709</b>
<b>Upinor</b>	50 312	<b>606 437</b>	<b>656 749</b>
<b>PAM</b>	-	<b>32 279</b>	<b>32 279</b>
<b>UGO</b>	-	<b>12 233</b>	<b>12 233</b>
<b>Lac Chabran</b>	-	<b>25 119</b>	<b>25 119</b>
<b>Chibouki</b>	904 325	<b>305 255</b>	<b>1 209 580</b>
<b>U2</b>	-	<b>43 496</b>	<b>43 496</b>
<b>Autres</b>	2 539	<b>18 137</b>	<b>20 676</b>
	<b>4 423 904</b>	<b>4 153 319</b>	<b>8 577 223</b>

**6. 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, 2007	34 333 839	16 146 451
Balance September 30, 2008	34 333 839	16 146 451

*Options*

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

	Number	Average Exercise price (\$)
Balance as at December 31, 2007	2 835 000	0.52
Granted	980 000	0.31
Expired	(325 000)	0.36
<b>Balance as at September 30, 2008</b>	<b>3 490 000</b>	<b>0.48</b>

On February 14, 2008, the Company granted to certain employees, directors and officers a total of 980,000 stock options that may be exercised over a period of 5 years, at an exercise price of \$0.31 and a fair value of \$0.21.

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

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**6. SHARE CAPITAL (continued)**

*Options (continued)*

Options granted and exercisable as at September 30, 2008

<b>Expiration date</b>	<b>Number of options</b>		<b>Exercise Price (\$)</b>
	<b>outstanding</b>	<b>Exercisable</b>	
November 1, 2008	100 000	55 000	0.40
September 7, 2009	640 000	640 000	0.37
April 7, 2011	270 000	270 000	0.33
January 29, 2012	450 000	450 000	0.50
March 8, 2012	1 000 000	1 000 000	0.75
October 29, 2012	50 000	27 500	0.38
February 14, 2013	980 000	392 000	0.31
	<b>3 490 000</b>	<b>2 834 500</b>	

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.

The fair value of these options was estimated using the Black Scholes stock option evaluation model with the following assumptions: estimated average duration of 5 years for these options, risk free interest rate of 3.5% to 4.5%, forecast volatility of 49% to 113% and no forecast dividend.

*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, 2007	7 018 933	0.85
<b>As at September 30, 2008</b>	<b>7 018 933</b>	<b>1.00</b>

Warrants characteristics as at September 30, 2008 are the following:

<b>Number</b>	<b>Exercise price \$</b>	<b>Expiry date</b>
568 750	0.38	December 2008
1 777 600	0.80	March 2009
3 333 333	1.15	March 2009
1 339 250	1.15	May 2009
<b>7 018 933</b>		

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

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**6. SHARE CAPITAL (continued)**

*Brokers' units options*

Outstanding brokers' units options as at September 30, 2008:

<b>Date of issue</b>	<b>Number of units options</b>	<b>Exercise price</b>	<b>Expiry date</b>	<b>Carrying value</b>
		<b>\$</b>		<b>\$</b>
March 15, 2007	355 520	0,45	March 15, 2009	157 114
March 30, 2007	666 666	0,75	March 30, 2009	365 530
May 2, 2007	267 850	0,70	May 2, 2009	80 545
	<b>1 290 036</b>	<b>0,66</b>		<b>603 189</b>

Each unit is comprised of one common share and half a warrant. Each warrant can be exercised like the following:

<b>Number</b>	<b>Exercise Price</b>	<b>Expiry date</b>
177 760	\$0.80	March 2009
333 333	\$1.15	March 2009
133 925	\$1.15	May 2009
<b>645 018</b>	<b>\$1.05</b>	

The fair value of each option granted was estimated on the grant date using Black-Sholes and the binominal option pricing model.

**7. CONTRIBUTED SURPLUS**

	<b>\$</b>
Balance, December 31, 2007	<b>1 257 299</b>
Options granted (exercisable)	<b>370 770</b>
Balance, September 30, 2008	<b>1 628 069</b>