

**DIOS EXPLORATION INC.  
MANAGEMENT INTERIM REPORT  
FOR THE THREE-MONTHS PERIOD ENDED MARCH 31 2004**

**CORPORATE PROFILE AND MISSION**

Dios Exploration Inc. (Dios) is exploring to discover diamond-bearing kimberlites in the Superior Carton. Dios is using innovative and aggressive methods in order to optimize exploration work. Dios is a major player in Eastern Canada Diamond play with over 600,000 acres of strong potential prospects. Further more Dios privileged to be in partnership with DeBeers Canada Exploration Inc. on the 33 Carats property and Diarough Group with a diamond marketing rights agreement.

**ACTIVITIES SUMMARY**

- Exploration expenses of 81 007 \$ incurred on mining properties;
- Exploration expenses of 53 429 \$ on the 33 Carats property funded by DeBeers (not included in the interim statement);
- Acquisition or reclaims renewal on mining properties totalling 68 349 \$.

**RESULTS OF OPERATIONS**

Net loss for the period amounted to \$16,259 compared to net loss of \$60 847 (without the Stock based compensation expense of \$54,275 a non cash item, the net loss was \$38,752 in the first quarter 2003). Administrative expenses (without the non cash item) for the period totalled \$38,768 as compared to \$41,396 last year.

**WORKING CAPITAL AND CASH FLOW**

The working capital decreased from \$650,268 at the end of 2003 to \$544,952 at the end of the first quarter 2004. Receivable remains important and some amounts will be received in the next quarter (sales taxes and DeBeers receivable). Cash available amounted to \$121,043 compared to \$165,115 at the end of 2003. As at March 31, 2004 Dios has reserved funds of \$50,993 that will finance exploration works for the next quarter related to a flow-through shares placement done in last December. Dios has no debt.

**FINANCING AND LIQUIDITY NEEDS FOR THE NEXT PERIOD**

No shares were issued during the quarter. At the end of March 31, 2004 and at the end of 2003, 10,586,107 common shares were issued.

The 33 Carats property expenditures is financed by DeBeers. In April 2004, 384,615 warrants were exercised for gross proceeds of \$250,000. Furthermore, in April 2004 the company did sign letters of intent with two venture capital funds for two common shares placements totalling \$450,000 at \$ 0.47 per share with a half-warrant per share exercisable at \$0.55 for twelve months ant at \$0.65 for a further twelve months

## **RISK AND UNCERTAINTIES**

Dios is considered to be in the exploration stage, thus it is dependent on obtaining regular financing in order to continue exploration. Despite previous success in acquiring this financing, there is no guarantee of obtaining any future financing.

## **MANAGEMENT'S RESPONSABILITY FOR FINANCIAL INFORMATION**

Dios's financial statements are the responsibility of the Dios's management, and have been approved by the board of directors. The financial statements were prepared by the company's management in accordance with generally accepted Canadian accounting principles. The financial statements include certain amounts based on the use of estimated and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

(signed) Marie-José Girard, president

(signed) Dominique Doucet, treasurer

**DIOS EXPLORATION INC.**  
**EARNINGS AND DEFICIT**  
THREE MONTHS ENDING MARCH 31, 2004 (unaudited)

	Three-months period ended March 31	
	2004	2003
	\$	\$
<b>REVENUE</b>		
Interest and others	2 455	2 644
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Stock based compensation	-	54 275
Public relations	14 414	8 926
Professional fees and consulting	15 234	12 679
Information to shareholders	4 016	3 010
Registration fees	2 902	7 622
Office	1 483	3 438
Communications	-	1 296
Insurance, taxes and permits	605	4 287
Interest and bank charges	114	138
	<u>38 768</u>	<u>95 671</u>
NET LOSS BEFORE INCOME TAXES	(36 313)	(93 027)
Future income taxes	20 054	32 180
NET LOSS	<u>(16 259)</u>	<u>(60 847)</u>
DEFICIT AT BEGINNING	(964 093)	(602 220)
SHARE ISSUANCE EXPENSES	( 74 833)	( 59 579)
DEFICIT AT THE END	<u>(1 055 185)</u>	<u>(722 646)</u>
NET LOSS PER SHARE	<u>\$ (0.002)</u>	<u>\$ (0.007)</u>

**DIOS EXPLORATION INC.  
BALANCE SHEETS**

	March 31, 2004	December 31, 2003
	(unaudited)	(audited)
	\$	\$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	121 043	165 115
Receivable	727 617	832 355
	<u>848 660</u>	<u>997 470</u>
FUNDS HELD FOR EXPLORATION EXPENSES	50 993	132 000
MINING PROPERTIES	887 078	818 729
DEFERRED EXPLORATION EXPENSES	1 546 749	1 465 742
	<u>3 333 480</u>	<u>3 413 941</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	303 708	347 202
FUTURE INCOME TAXES	223 893	169 768
	<u>527 601</u>	<u>516 970</u>
<b>SHAREHOLDER' EQUITY</b>		
Share capital	3 731 789	3 731 789
Stock options	129 275	129 275
Deficit	(1 055 185)	(964 093)
	<u>2 805 879</u>	<u>2 896 971</u>
	<u>3 333 480</u>	<u>3 431 941</u>

**DIOS EXPLORATION INC.**  
**CASH FLOW**  
**THREE-MONTHS ENDING MARCH 31, 2004 (unaudited)**

	<u>Three-months period ended March 31</u>	
	2004	2003
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss	(16 259)	(60 847)
Future income taxes	(20 054)	(32 180)
Stock based compensation	-	54 275
Change in non-cash working capital items	61 244	(20 625)
	<u>24 931</u>	<u>(59 377)</u>
<b>FINANCING ACTIVITIES</b>		
Share capital issuance	-	-
Share issuance expenses	(654)	-
	<u>(654)</u>	<u>-</u>
<b>INVESTMENT ACTIVITIES</b>		
Deferred exploration expenses	(81 007)	(156 697)
Funds held for exploration expenses	81 007	9 113
Acquisition of mining properties	(68 349)	(38 406)
	<u>(68 349)</u>	<u>(185 990)</u>
<b>CASH DECREASE</b>	(44 072)	(245 367)
<b>CASH POSITION, BEGINNING</b>	165 115	272 045
<b>CASH POSITION, END OF PERIOD</b>	<u>121 043</u>	<u>26 678</u>

**NOTES TO FINANCIAL STATEMENTS** for the three-months ended March 31, 2004 (unaudited)

**1. Significant accounting policies**

The interim financial statements 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 31, 2003. These financial statements must be read in parallel with the financial statements for the year ended December 31, 2003.

**DIOS EXPLORATION INC.****NOTES TO FINANCIAL STATEMENTS** for the three-months ended March 31, 2004 (unaudited)**2. Deferred exploration expenses**

Mining properties	As at December 31 2003 \$	Addition \$	As at March 31, 2004 \$
Hotish	1 086 137	33 268	1 119 405
33-carats	128 417	-	128 417
Schofield	123 769	-	123 769
Minti	51 509	9 940	61 449
Artaud	4 262	25 626	29 888
Others	71 648	12 173	83 821
	1 465 742	81 007	1 546 749

**3. Share capital**

Authorized

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

	March 31, 2004 (unaudited)	December 31, 2003 (audited)
Shares issued		
10 586 107 common shares	\$ 3 731 789	\$ 3 731 789

During the period no common shares were issued.

*Options*

Beneficiaries	Number of shares	Price (\$)	Expiry date
Directors and managers	500 000	0.30	January 10, 2007
Directors and managers	325 000	0.36	February 6, 2008

During the period no options were granted

*Warrants*

Number	Exercise price	Expiry date
165 090	\$ 0.45	May 2004
333 334	\$ 0.58	May 2004
337 744	\$ 0.58	June 2004
500 000	\$ 0.65	April 2004
400 000	\$ 0.65	July 2004
500 000	\$ 0.65	July 2004
300 000	\$ 0.58 - \$ 0.65	February 2005
62 800	\$ 0.65 - \$ 0.70	February 2005
23 864	\$ 0.53	February 2005
66 000	\$ 0.65 - \$ 0.70	June 2005

**DIOS EXPLORATION INC.**

**NOTES TO FINANCIAL STATEMENTS** for the three-months ended March 31, 2004 (unaudited)

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**4. Subsequent events**

In April 2004, 384,615 warrants were exercised for gross proceeds of \$250,000. Furthermore, in April 2004 the company did sign letters of intent with two venture capital funds for two common shares placements totalling \$450,000 at \$ 0.47 per share with a half-warrant per share exercisable at \$0.55 for twelve months and at \$0.65 for a further twelve months.