



**DIOS**  
EXPLORATION

**DIOS EXPLORATION INC.**  
**INTERIM MANAGEMENT REPORT**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2006**

**COMPANY PROFIL AND MISSION**

Dios Exploration Inc. (the “Company” or “Dios”) is looking for diamondiferous kimberlites in the Superior Craton through glacial dispersal trains delineation. Dios is a major player in diamond exploration in Quebec.

Dios has a unique marketing agreement with Diarough N.V. (“Diarough”)<sup>1</sup> under which Diarough will buy rough diamonds from Dios’ share of diamond production. Dios will keep 100 % of the rough diamond sale profits. Diarough will market the diamonds and return 50 % of the marketing profits back to the Company.

**SUMMARY OF ACTIVITIES DURING THIRD QUARTER**

- Exploration expenses totaling \$ 89,361. See result details in “**Summary of exploration activities**”.
- Positive picking assay results received in April on Pontax property.
- Advanced glacial studies on 33 Carats & Extension, as well as on Chibouki
- Closing of private placement totalling \$400,000 in April 2006

**RESULTS OF OPERATION**

**Summary of exploration activities**

During the first quarter ended March 31, 2006, the Company incurred exploration expenses totaling \$ 89,361 and claims renewal costs totalling \$4,606 ( \$4,510 on 33 Carats and \$96 on Artaud property).

**Exploration expenses analysis**

<b>Work performed</b>	<b>Chibouki property</b>	<b>33 Carats Extension</b>	<b>33 Carats property</b>	<b>Hotish property</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Geology</b>	38,873	600	-	-	<b>39,473</b>
<b>Sampling and analyses</b>	41,986	-	-	-	<b>41,986</b>
<b>Transportation</b>	-	-	-	3,335	<b>3,335</b>
<b>Office expenses</b>	7,003	-	277	-	<b>7,280</b>
<b>Drilling</b>	-	-	(2,713)	-	<b>(2,713)</b>
	<b>87,862</b>	<b>600</b>	<b>(2,436)</b>	<b>3,335</b>	<b>89,361</b>

<sup>1</sup>Diarough has some 20,000 employees worldwide through its cutting and marketing facilities and owns the Matane Diamond Cutting Facility in Quebec.

*Geological information presented herein was summarized by Marie-José Girard, M.Sc., Geo (President) and Harold Desbiens, M.Sc., Geo (geologist of the Company), qualified persons under National Instrument 43-101. Marie-José Girard is a director of the Canadian Center for Diamond Valorization.*

## **Chibouki Property**

The CHIBOUKI project is composed of two main claim blocks (Mistissini and Sauvage Lake), located respectively 20 to 60 km northeast and 40 km due north of the town of Chibougamau in central Quebec. They cover 180,310 acres in the southern portion of the Mistissini-Lemoyne structure, hosting several kimberlites and alkaline intrusives several hundreds of kilometres farther north, including the Ashton-Soquem Renards diamondiferous cluster.

Dios uncovered at least four distinct well-defined glacial dispersal trains on two main claim blocks, Mistissini and Sauvage Lake.

Processing of till samples yielded numerous high-interest kimberlite indicator minerals (KIM), including high-chromium and low-calcium G10 pyropes garnets within the diamond window field, G9 pyropes, diamond-inclusion and harzburgitic chromites, picroilmenites, omphacites (indicative of eclogitic rock material within kimberlite), chromium-diopsides, and magnesium-olivines. So far, 351 heavy mineral samples were collected (30 still being processed) on the Mistissini claim block and another 60 on the Sauvage Lake block. Numerous KIM were identified and their distribution seems to be centered into four main areas: Frances Lake, Carbonneau-Des Canots Lakes, File-Axe Lake, and Claude Lake areas. Elsewhere, background till and fluvio-glacial material, as well as up-ice esker samples, do not show any indicators.

In 2005, 145 till samples were collected in the vicinities of the anomalous areas. New results confirm the Claude Lake train (Sauvage Lake block), a well-defined dispersal train (1.5 to two kilometres wide) with kimberlite indicator minerals such as pyropes, chromite, picroilmenite, TS-kosmochlor, kosmochlor and other KIM.

On the Mistissini block, the microprobe data results strengthened the Frances Lake area with possibly two subparallel KIM trains: the McKenzie Bay G10-chromite-ILM-CPX train and the Frances Lake G9-ILM-omphacite-TS-Kosmochlor train. These two trains are located down-ice of eight magnetic targets varying between 200 to 350 metres in diameter.

About 15 to 20 km east-northeast, two other subparallel G9-ILM-omphacite trains are present, the Carbonneau Lake West and East dispersal trains. The presence of eclogitic omphacite in specific samples appears to differentiate these trains from the one observed farther north (G9-ILM-File-Axe Lake train). Eclogite is a diamond source rock rarer than harzburgite, but a lot richer in diamonds. The chemistry of the Chibouki diamond project suggests different kimberlite sources than the Hotish project area.

In, 2005, a glacial sediment survey was conducted over four to five of the geophysical targets. Most of the Chibouki project was already covered by a Quebec government 200-metre spacing magnetic airborne survey. Specialised processing of the data returned approximately 30 targets and they still remain drilling targets.

In October, 2005, a follow-up mapping and prospecting campaign on 14 of these targets was completed near the Waconichi and Frances lakes. Trucks and all terrain vehicles (ATVs) were used to access the various targets located near logging roads. Twenty till samples and six rock samples were collected. Airborne geophysics and drilling are planned for this summer.

### **Pontax Property**

In 2005, the Company acquired, in partnership with Sirios, 912 claims composing the Pontax property. This new property covers close to 50,000 hectares (125,000 acres) 350 km north of Matagami along the paved road going to Radisson. This project will test the diamond and metals potential of a poorly explored region where an important staking rush recently took place (more than 5,000 claims were acquired for diamond and gold by various companies). It is located up-ice and adjacent to a large land position held by De Beers Canada Inc. covering over 3,000 sq. kilometres.

Under the agreement with Sirios, each partner has a 50% interest, and the acquisition and exploration costs are to be equally shared. A till sampling program was completed in 2005 (funded 50-50 by the partners). The process for kimberlite indicator minerals ("KIM") will be paid for by the Company, while the cost incurred for the gold and the base metals assaying will be paid by Sirios.

In 2005, a basal till sampling survey (150 samples) was initiated and microprobe results obtained at the very end of the current quarter led to the discovery of high-quality Kimberlite Indicator Minerals (KIM) including high chromium/ low calcium G10 pyrope (over 10% Cr<sub>2</sub>O<sub>3</sub>, less than 3% CaO), picroilmenite, clinopyroxenes (kosmochlor) and kimberlitic olivine. These positive results indicating diamond window chemistry and suggesting diamond potential content for a kimberlite fully warrant to pursue diamond exploration on part of the PONTAX project. The KIM are not distributed all over the property, but they occur in specific areas. Most of the observed KIM do occur within well-defined glacial dispersal trains with distinctive geochemical signatures. One is characterized and also defined by its anomalous gold-tungsten-gahnite contents, and the other one contains anomalous mercury-arsenic-antimony.

The till sampling program was completed during the 2005 summer by IOS Services Geoscientifiques Inc. (IOS) of Chicoutimi and processing for KIM is completed at IOS, an independent facility. **Processing costs do not appear in these financial statements, but will be accounted for in the next quarterly ones.**

### **33 Carats & 33 Carats Extension Property**

Processing results on 200 basal till samples are expected in May 2006 and microprobe results in June. Follow-up work will be oriented through glacial studies completed during the quarter and detailed prospecting work and drilling is planned.

At the end of the quarter, processing of the 200 samples was at the heavy liquid stage. **Processing costs do not appear in these financial statements, but will be accounted for in the next quarterly ones.**

### Summary of planned exploration programs

PROPERTIES	PLANNED WORK	BUDGET \$	FOLLOWING STEPS
<b>CHIBOUKI</b>	Prospecting, Till sampling, Soils, airborne geophysics and drilling	260,000	Geophysics and drilling
<b>33 CARATS</b>	Till sampling, airborne geophysics and drilling	334,400	Geophysics and drilling
<b>33 CARATS EXTENSION</b>	Till sampling and airborne geophysics	67,900	Geophysics and drilling
<b>WEMINDJI</b>	Till sampling	81,200	Geophysics and drilling
<b>PONTAX</b>	Till analyses	45,000	Geophysics and drilling

### Summary of financial activities

Working capital decreased by \$ 54,216 during the first quarter of 2006, from \$ 731,559 as at December 31, 2005 to \$ 677,343 as at March 31, 2006.

Unrestricted cash (cash, short term investments and term deposits less bank overdraft) totaled \$ 444,581 as at March 31, 2006 compared to \$ 447,681 as at December 31, 2005.

An amount of \$89,359 from restricted funds for exploration has been incurred during the first quarter compared to nothing during the previous quarter. The restricted funds were proceeds of flow-through financing totaling \$ 157,700 at the end of last year. See "**Summary of exploration activities**" for details of the exploration expenses incurred during the quarter.

Net loss for the quarter totals \$ 41,617 compared to \$ 4,624 for the quarter ended March 31, 2005. Loss increase is mostly due to decrease in future tax income and zero income from management fees in the first 2006 quarter. For this quarter, general and administrative expenses are similar with the first 2005 quarter.

Income mostly came in 2005 from the management of exploration expenses regarding the option agreement with DeBeers on the 33 Carats property. De Beers withdrew from the option agreement during the second quarter 2005. The Company also gains interests on term deposits.

### Details of administrative expenses

Description	Quarter ended March 31,	
	2006	2005
	\$	\$
<b>Publicity and public relations</b>	<b>3,617</b>	28,691
<b>Professional fees</b>	<b>23,795</b>	2,896
<b>Shareholders information</b>	<b>6,782</b>	3,050
<b>Registration fees</b>	<b>1,652</b>	1,524
<b>Office expenses</b>	<b>677</b>	242
<b>Banking fees and interests</b>	<b>162</b>	140
<b>Insurances, taxes and permits</b>	<b>10,690</b>	9,691
	<b>47,375</b>	46,234

During the the first 2006 quarter:

- Decrease in public relations expenses: The agreement with Renmark was terminated on July 31, 2005.
- The 2005 audit fees has been recorded in the the first quarter 2006 and the 2004 audit fees in the second quaterd 2005.
- The item *Insurance, taxes and permits* consists mostly in the Liability insurance for the benefit of its Directors and Officers.

## SUMMARY OF QUARTERLY RESULTS

	2006	2005					2004		
(000\$ except loss/share)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Income	4	12	5	5	29	29	28	30	
Net loss	42	332	58	48	4	88	118	3	
Net loss per share	0.003	0.025	0.002	0.003	0.0003	0.007	0.01	0.001	

Variations in quarterly loss can be explained by the following:

- 2006-Q1** No management fees. General and administrative expenses steady.
- 2005-Q4** Write off of the Scholfield property for a total amount of \$ 485,939 including \$ 123,769 in deferred exploration expenses.
- 2005-Q3** Future income tax expense of \$ 37,308.
- 2005-Q2** No management fees on 33 Carats property (DeBeers' option terminated) and a \$ 5,800 gain on sale of fixed asset.
- 2005-Q1** Accounting of management fees on 33 Carats property of \$ 22,504.
- 2004-Q4** Write-off of mining property (\$ 28,279) and deferred exploration expenses (\$ 38,776).
- 2004-Q3** Accounting for stock based compensation expenses of \$ 121,600 and management fees of \$ 22,151.
- 2004-Q2** Accounting of management fees on 33 Carats property of \$ 26,772.

## CASH FLOW SITUATION

The Company 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 sufficient financing, there is no guarantee of obtaining any future financing.

The Company considers the cash on hand sufficient for the known obligations. As at March 31, 2006, the Company did not have any debt or any financial commitments in the upcoming quarters except the commitment to spend an amount \$68,341 on exploration expenses.

## FINANCING

No issuance of common shares occurred during the quarter. As at March 31, 2006, 14,160,907 common shares were issued.

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 thereof to subscribe for one common share at \$0.40 per share until April 4, 2007 and at \$0.45 during the next 12 months.

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% payable in shares 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. No interest is payable over the years above certain closure prices.

On April 7, 2006 the Company granted 270,000 options at a subscription price of \$0.33 until April 7, 2011 to its officers and directors.

To date:

- 14,766,968 Common Shares are issued and outstanding.
- A \$200,000 12% interest debenture with a maturity date of April 18, 2009 as described above.
- 1,655,000 options are granted and can be exercised at prices between \$ 0.30 and \$ 0.37 from 2007 to 2011. Each option entitles its holder thereof to subscribe for one Common Share of the Company.
- 2,822,936 warrants were issued, entitling their holders thereof to subscribe for the same amount of Common Shares of the Company at prices between \$ 0.25 and \$ 0.70 with expiry dates ranging from May 2006 to April 2008. Each warrant entitles its holder thereof to subscribe for one Common Share of the Company.

Variations in share capital as at May 9, 2006 are the following:

Description	Number of shares	Price per share \$	Amount \$
<b>As at December 31, 2005</b>	14,160,907		5,367,264
<b>Options exercised</b>	-		-
<b>Private placements</b>	606,061	0.33	200,000
<b>Exercised warrants</b>	-		-
<b>As at May 9, 2006</b>	14,766,968		5,567,264

## Options

Variations in outstanding options as at May 9, 2006 is the following :

Date	Number of options	Average exercise price \$
<b>As at December 31, 2005</b>	1,385,000	0.35
<b>Issued</b>	270,000	0.33
<b>Exercised</b>	-	-
<b>Expired</b>	-	-
<b>As at May 9, 2006</b>	1,655,000	0.34

Options granted and exercisable as at May 9, 2006

Beneficiaries	Number of options	Price (\$)	Expiry date
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.

## Warrants

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

Date	Number of warrants	Average exercise price (\$)
<b>As at December 31, 2005</b>	1,858,121	0.61
<b>Issued</b>	1,177,490	0.42
<b>Exercised</b>	-	-
<b>Expired</b>	(212,766)	0.65
<b>As at May 9, 2006</b>	2,822,936	0.63

Warrants characteristics as at May 9, 2006 are the following:

Number	Exercise price	Expiry date
265,957	0.65 \$	May 2006
430,850	0.65 \$	July 2006
606,239	0.70 \$	December 2006
342,400	0.25-0.30 \$	December 2007
606,061	0.40-0.45 \$	April 2008
571,429	0.45\$	October 2007
<hr/> 2,822,936		

## **OFF-BALANCE SHEET TRANSACTIONS**

Mining claims on the 33 Carats property were renewed by DeBeers for a total amount of \$ 8,140 during the quarter ended March 31, 2006. Following the withdrawal from the option last year, DeBeers had to renew the claims and leave them in good standing until June 2006.

## **RELATED PARTY TRANSACTIONS**

The Company is related to another company, Sirius Resources Inc. (“Sirios”), because of certain common officers. Related party transactions are limited to common deferred exploration and development expenses. As at March 31, 2006 the Company had a payable of \$ 5,508 to Sirios.

A director received from Dios professional fees totalling \$ 6,810 for the quarter ending March 31, 2006 for accounting services and preparation of financial information's, billed on an hourly rate basis.

## **FINANCIAL INSTRUMENTS**

The fair value of the Company’s financial instruments approximates the carrying value. The current bank’s accounts, accounts receivable and accounts payable are non-interest bearing. A portion of cash is held in an interest bearing of less than 3 % with no restrictions.

## **OTHER INFORMATION**

This discussion and analysis of the financial position and results of operation as at May 9, 2006 should be read in conjunction with the unaudited interim financial statements for the quarter ended March 31, 2006 and the audited financial statements for the year ended December 31, 2005. The unaudited interim financial statements for the quarter ended March 31, 2006 were not reviewed by external auditors. Additional information of the Company can be obtained at the website [www.sedar.com](http://www.sedar.com) under SEDAR filings.

## **MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL INFORMATION**

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

(signed) Marie-José Girard, President

(signed) Dominique Doucet, Treasurer

Montreal, May 9, 2006

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**TSX-V : DOS**

**DIOS EXPLORATION INC.**

**Interim Financial Statements for the three months ended**

**March 31, 2006**

# **DIOS EXPLORATION INC.**

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

	Three months ended March 31	
	2006	2005
	\$	\$
INCOME		
Management fees	-	22 504
Interest	<b>3 754</b>	6 448
	<b>3 754</b>	28 952
Expenses (schedule)		
General and Administrative	<b>47 375</b>	46 234
LOSS BEFORE THE FOLLOWING	<b>(43 621)</b>	(17 282)
INCOME TAXES (RECOVERED)		
Future	<b>(2 004)</b>	(12 658)
NET LOSS	<b>(41 617)</b>	(4 624)
DEFICIT AT BEGINNING	<b>(2 012 899)</b>	(1 555 843)
NET LOSS	<b>(41 617)</b>	(4 624)
SHARE ISSUANCE EXPENSES	<b>(27 873)</b>	(9 359)
DEFICIT AT END	<b>(2 082 389)</b>	(1 569 826)
NET LOSS PER SHARE	<b>(0,003)</b>	(0,0003)

# DIOS EXPLORATION INC.

## Balance sheets

	As at March 31 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 \$34 500)	14 500	14 500
Term deposits and accrued interest	451 932	358 941
Accounts receivable (note 4)	426 326	489 778
	<b>892 758</b>	937 459
FUNDS HELD FOR EXPLORATION EXPENSES		
	68 341	157 700
MINING PROPERTIES (note 5)	646 107	641 501
DEFERRED EXPLORATION EXPENSES (note 6)	2 441 926	2 352 564
	<b>4 049 132</b>	4 089 224
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Bank overdraft	21 851	-
Accounts payable and accrued liabilities	193 564	205 900
	<b>215 415</b>	205 900
FUTURE INCOME TAXES		
	309 967	290 084
	<b>525 382</b>	495 984
<b>SHAREHOLDER'S EQUITY</b>		
Share capital (note 7)	5 367 264	5 367 264
Contributed surplus	238 875	238 875
Deficit	(2 082 389)	(2 012 899)
	<b>3 523 750</b>	3 593 240
	<b>4 049 132</b>	4 089 224

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

	Three months ended	
	March 31	
	2006	2005
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss	(41 617)	(4 624)
Adjustments for :		
Future income taxes	(2 004)	(12 658)
	<b>(43 621)</b>	<b>(17 282)</b>
Changes in non-cash operating working capital items		
Term deposits and accrued interest	(92 991)	216 371
Accounts receivable	63 452	(839)
Accounts payable and accrued liabilities	(12 336)	(324 698)
	<b>(85 496)</b>	<b>(126 448)</b>
<b>INVESTING ACTIVITIES</b>		
Funds held for exploration expenses	89 359	133 219
Mining properties	(4 606)	46
Deferred exploration expenses	(89 362)	(131 419)
	<b>(4 609)</b>	<b>1 846</b>
<b>FINANCING ACTIVITIES</b>		
Share capital issuance	-	-
Share issuance expenses	(5 986)	(2 615)
	<b>(5 986)</b>	<b>(2 615)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	<b>(96 091)</b>	<b>(127 217)</b>
<b>Cash and cash equivalents, at beginning</b>	<b>74 240</b>	<b>(30 848)</b>
<b>Cash and cash equivalents (Bank overdraft), at end</b>	<b>(21 851)</b>	<b>(158 065)</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**

	<u>As at March 31st 2006</u>	<u>As at December 31st 2005</u>
	\$	\$
Sales tax receivable	12 630	26 897
Receivable from a mining company	(7 943)	41 242
Gouvernement grant	421 639	421 639
	<u>426 326</u>	<u>489 778</u>

**5. MINING PROPERTIES**

	<u>As at December 31st 2005</u>	<u>Additions</u>	<u>As at March 31st 2006</u>
	\$	\$	\$
<b>33 Carats</b>	205 723	-	205 723
<b>33 Carats Extension</b>	104 581	4 510	109 091
<b>Hotish</b>	122 163	-	122 163
<b>Chibouki</b>	66 487	-	66 487
<b>Artaud</b>	30 351	96	30 447
<b>Minti</b>	19 984	-	19 984
<b>Pontax</b>	32 666	-	32 666
<b>Others</b>	59 546	-	59 546
	<u>641 501</u>	<u>4 606</u>	<u>646 107</u>

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

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**6. DEFERRED EXPLORATION EXPENSES**

	As at December 31st 2005	Additions	Sale of interest	As at March 31st 2005
	\$	\$	\$	\$
<b>Hotish</b>	1 287 936	<b>3 335</b>	-	<b>1 291 271</b>
<b>33 Carats</b>	279 964	<b>(2 436)</b>	-	<b>277 528</b>
<b>33 Carats Extension</b>	311 282	<b>600</b>	-	<b>311 882</b>
<b>Chibouki</b>	242 264	<b>87 862</b>	-	<b>330 126</b>
<b>Artaud</b>	138 596		-	<b>138 596</b>
<b>Minti</b>	53 529		-	<b>53 529</b>
<b>Pontax</b>	25 912		-	<b>25 912</b>
<b>Autres</b>	13 082		-	<b>13 082</b>
	<u>2 352 565</u>	<u><b>89 361</b></u>	<u>-</u>	<u><b>2 441 926</b></u>

**7. SHARE CAPITAL**

Authorised

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

	As at March 31st 2006 (unaudited)	As at December 31st 2005 (audited)
Issued and paid		
14 160 907 common shares	<u><b>5 367 264 \$</b></u>	<u>5 367 264 \$</u>

No change in share-capital during the quarter ended March 31st, 2006

**Options**

Options granted and exercisable as at March 31, 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

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>	-	-
<b>Exercised</b>	-	-
<b>Expired</b>	-	-
<b>As at March 31, 2006</b>	1 858 212	0.61

Warrants characteristics as at March 31, 2006 are the following:

<b>Number</b>	<b>Exercise price \$</b>	<b>Expiry date</b>
478 723	0.65	May 2006
430 850	0.65	July 2006
606 239	0.70	December 2006
342 400	0.25-0.30	December 2007
<u>1 858 212</u>		

**8. SUBSEQUENT EVENT**

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 threof to subscribe for one common share at \$0,40 per share until April 4, 2007 and at \$0.45 during the next 12 months.

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.

**9. COMPARATIVE FIGURES**

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

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

**General and Administrative expenses**

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	Three months ended	
	March 31	
	2006	2005
	\$	\$
Publicity and public relations	3 617	28 691
Professional fees	23 795	2 896
Shareholders information	6 782	3 050
Registration fees	1 652	1 524
Office expenses	677	242
Insurances, taxes and permits	10 690	9 691
Bank fees and interests	162	140
	<hr/>	<hr/>
	47 375	46 234

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