

**DIOS EXPLORATION INC.
MANAGEMENT INTERIM REPORT
FOR THE SIX-MONTHS PERIOD ENDED JUNE 30 2004**

CORPORATE PROFILE AND MISSION

Dios Exploration Inc. (Dios) is exploring to discover diamond-bearing kimberlites in the Superior Craton. 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 one million acres of strong potential prospects in very strategic areas. Furthermore Dios is privileged to be in partnership with DeBeers Canada Exploration Inc. on the 33 Carats property and with the Diarough Group relatively to a unique diamond marketing rights agreement.

ACTIVITIES SUMMARY

- Exploration expenses of \$184 283 incurred on mining properties in Q2 (\$265,290 in Q1 and Q2);
- Exploration expenses of \$226,610\$ in the 33 Carats property funded by DeBeers (not included in the interim statement)in Q2 (\$265,079 in Q1 and Q2);

33 Carats-funded by De Beers	Sampling analysis & processing
Artaud	Systematic sample collection
Other	Systematic sample collection
Minti	Detailed airborne high resolution

- Acquisition or claim renewal on mining properties totalling \$29,825

Work carried out by Dios in relation with diamond exploration is very much focused and systematic and primarily based on the occurrence of diamond indicator minerals in the glacial till.

RESULTS OF OPERATIONS

Net loss for the period amounted to \$ 3,070 (\$ 19,329 in the first half 2004) compared to net loss of \$ 15,354 (\$ 21,926 in the first half 2003 - without the Stock based compensation expense of \$ 54,275, a non cash item). Administrative expenses for the period totalled \$ 45,731 (\$ 84,500 in the first half 2004) as compared to \$ 37,900 last year (\$ 79,296 in the first half 2003 without the Stock based compensation expense of \$ 54,275, a non cash item).

Administrative expenses analysis (cash items):

	2004		2003	
	Three-months period ended June 30 \$	Six-months period ended June 30 \$	Three-months period ended June 30 \$	Six-months period ended June 30 \$
Public relations	25,444	39,859	7,428	16,354
Professional fees	(4,997)	10,237	6,805	19,484
Info to shareholders	12,164	16,180	13,601	16,611
Registration fees	3,517	6,419	3,847	11,470
Office	1,471	2,954	3,576	8,309
Others	8,132	8,851	2,643	7,068

TOTAL	45,731	84,500	37,900	79,296
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- Public relations :
 - Twelve diamond exploration companies and representatives of the TSX-Venture and Natural Resources Canada including Dios participated in a European mission in mid-June. The event, which was organized by the Canadian Embassy in Brussels and partnered by the PDAC, included presentations to investors in Paris, Brussels, Frankfurt, Antwerp, and London;
 - Dios participated in June at the 2004 Diamond-Gold International Investment Conference in New-York.
- Professional fees : audit 2003 year end overstated in 2004-Q1

SUMMARY OF QUARTELY RESULTS

(000\$ except loss/share)	2004		2003				2002	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	30	2	59	3	8	2	4	3
Net loss	3	16	61	9	15	60	74	28
Net loss per share	0.001	0.002	0.007	0.002	0.002	0.007	0.01	0.004

The Dios's revenues have come from short term investment income and management fees earned on 33 Carats property (DeBeers agreement) in 2004-Q2, 2003-Q2 and Q4. On a quarterly basis, administrative expenses has been relatively stable. We can explain variation on net losses as follows :

- 2004-Q2 Management fee income of \$ 26,772 registered in the quarter
- 2003-Q4 Write-off of mining properties and deferred exploration expenses
- 2003-Q1 Stock base compensation registered as a non cash expense
- 2002-Q4 Stock base compensation registered as a non cash expense

The quarterly financial statements have not been audited.

WORKING CAPITAL AND CASH FLOW

The working capital increased from \$650,268 at the end of 2003 to \$755,870 at the end of the second quarter 2004. Accounts receivable as at 2004-Q1 were received during Q2 (sales taxes and DeBeers receivable). Cash available amounted to \$1,207,989 compared to \$165,115 at the end of 2003. During Q2 Dios issued common shares for a value received of \$699,975 (see below). Dios has no debt.

FINANCING AND LIQUIDITY NEEDS FOR THE NEXT PERIOD

Dios issued during the quarter 1,342,062 common shares for an amount of cash received of \$699,975.

- Warrants exercised by Diarough : 384, 615 commons shares at \$ 0.65 per share;
- Private placement by SDBJ (Société de Développement de la Baie James) : 425,532 common shares for an amount of cash received of \$200,000;
- Private placement by SIDEX (Société de d'Investissement dans la diversification de l'Exploration) : 531,915 common shares for an amount of cash received of \$250,000.

At the end of June 30, 2004, 11,928,169 common shares were issued (at the end of 2003, 10,586,107 common shares issued).

As at June 30, 2004, Dios is a well financed exploration company with the necessary funds to ensure the viability of its projects (notwithstanding the private placements completed in July 2004 – see below). The 33 Carats project is funded by farming in partner De Beers Canada Exploration.

In July 2004, Dios completed private placements totalling \$ 405,000, including \$ 350,000 with venture capital funds and \$ 55,000 with officers and directors for a total of 861,702 units at a price of \$ 0.47 per unit. Each unit consists of one common share of Dios and one half-warrant, which warrant will entitle its holder thereof to subscribe one common share of Dios at the price of \$ 0.55 for a period of twelve months or thereafter at the price of \$ 0.65 up to 24 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 RESPONSIBILITY FOR FINANCIAL INFORMATION

Dios's financial statements are the responsibility of 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 estimates 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

Montreal, August 12, 2004