



DIOS EXPLORATION

DIOS EXPLORATION INC. INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2007 1200, St-Jacques Street West, suite 2009, Montreal QC Canada H3C 0E9

COMPANY PROFIL AND MISSION

Since the start of the 21st century and its listing on the exchange in 2002, Dios Exploration Inc. (the “Company” or “Dios”) is a leading diamond exploration company with one of the most important position in mining rights of the Otish Mountains area of the province of Quebec, Canada. The recent growth of uranium’s prices offers the opportunity to Dios, as for its pre-existent privileged stand in claim holdings and the expertise of its employees, to diversify its exploration strategy towards diamond and uranium, two commodities highly in demand in the natural resources industry. Dios’strategy is to generate projects and develop them either alone or through farming out agreements, to ensure shareholders added value.

In general, the Company generates most of its exploration projects, from scientific hypothesis to field discovery. The Company’s shares are traded on the TSX Venture under the symbol **DOS** and 33,243,875 shares were issued or to be issued as of July 20, 2007. Additional information may be available by contacting the www.sedar.com web site, under the Company’s section “Sedar filing”.

The Company is still a leading diamond exploration company with over 2,000 sq. kilometres (750,000 acres) of properties in the high diamond potential areas of central Quebec and the Otish Mountains. The Company also closed a unique diamond marketing agreement with Diarough. As per the agreement, rough diamond sales proceeds shall be returned to the Company whereas marketing net profits (on cutting, polishing, manufacturing, etc.) shall be divided half and half between parties.

SUMMARY OF ACTIVITIES DURING THE QUARTER

- Exploration expenses totalling \$401,571 (see “**Summary of exploration activities**”).
- Closing of \$1,874,950 brokered private placement of non-flow through shares on May 2, 2007: 2,678,500 units at \$0.70 per unit.
- Acquisition of a uranium exploration project: Agreement to earn a 50% interest in the Opinaca nord property located in James Bay, Quebec. Field work initiated on this mining property in June 2007.
- The Company started field work for uranium exploration on Hotish property.
- New detailed geophysical survey outlined 24 additional targets on Chibouki property and drilling planned.
- Geophysical survey outlined 66 kimberlite targets on pontax property and exploration work planned this summer.

RESULTS OF OPERATION

Summary of exploration activities

The Company's team works with a systematic approach and is always looking for new developments in mineral exploration. Discovery of new glacial dispersal trains indicating strong potential of poorly explored regions remains one of the Company's strength.

The recent and amazing growth of uranium's prices offered the opportunity to Dios, as for its pre-existent privileged stand in claim holdings and the expertise of its employees, to diversify its exploration strategy towards diamond and uranium, two commodities highly in demand in the natural resources industry. Discovery of new glacial dispersal trains indicating strong mineral potential of poorly explored regions remains one of the Company's strength.

During the second quarter, the Company incurred \$401,571 in exploration expenditures mainly on the 33 Carats, Chibouki, Pontax and Hotish properties.

Exploration expenses analyses

Description	33 carats	Chibouki	Pontax	Hotish	Total
	\$	\$	\$	\$	\$
Geology	-	28 211	-	-	28 211
Sampling and analysis	175 448	31 079	-	-	206 527
Transportation and lodging	276	1 254	-	985	2 515
Office	195	1 163	-	1 426	2 784
Drilling	-	46 176	-	9 737	55 913
Geophysic	-	27 676	77 945	-	105 621
	175 919	135 559	77 945	12 148	401 571

Acquisitions, disposals, write-off and claims renewal analysis

Mining properties	Acquisitions, renewal
	\$
Hotish	15,406
Chibouki	4,700
Opinaca Nord - option	25,000
	45,106

These amounts represent (Hotish and Chibouki properties) either claim staking acquisitions costs or claims renewal costs. The Company always favoured the acquisition of mining properties by staking (map staking).

On May 15, 2007, the Company concluded an agreement to option the 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 a 5 year period with a firm \$250,000 commitment the first year as well as yearly instalments of \$25,000 (in cash or shares).

Geological information presented herein was summarized by Marie-José Girard, M.Sc., Geo (President) and Harold Desbiens, M.Sc., Geo, qualified persons under National Instrument 43-101.

Hotish Property

The Company's Hotish property clearly has uranium potential. The Hotish property is wholly-owned by the Company without any encumbrances. This property is a large mining property covering the western edge unconformity contact of the Otish Sedimentary Basin, as well the northeastern part of another Proterozoic sedimentary basin and its unconformity contact over an Archean age basement, the Papasquasati basin more to the south-west, its northeastern part considered as well interesting for uranium potential.

The area is well-known for its uranium potential. The Otish Mountains were recently the focus of intense activity by mining giant Cameco Corporation, the world's largest uranium producer, whose claims border the Company's Hotish property to the east. The Hotish property is also directly adjacent to the north to the Beaver Lake property where a mineralized uranium occurrence is reported.

It includes a large claim block covering the extent of the unconformity contact, adjacent to the STRATECO MATOUSH Property. They initiated in 2007 a major drilling program for resource calculation where a high grade uranium intercept of 9.5 metres grading 1.54% U₃O₈ was drilled in 2006 in the uranium-bearing structure discovered in 1984 (a 16-metre intercept grading 0.95%U₃O₈ per tonne (19 lbs per ton) at a vertical depth of 220 metres) by Uranerz Exploration and Mining, before uranium prices tumbled in the mid-eighties.

In June 2007, Dios completed a lake sediment geochemical program for uranium totalling 800 samples. Its results should be received early next fall. Also, a short mapping-prospecting program took place on Uranium priority (geochemical and radiometric) targets previously defined by Uranerz.

Chibouki Property

The Company's diamond exploration main objective is to discover diamond bearing kimberlites. Most of the world's diamond mines are located within kimberlites, a rare type of rocks originating from the center of the Earth. The discovery of G10 garnets that reach the diamond window is indicative of the presence of a kimberlite that would be diamondiferous. The main prospecting tool used by the Company in diamond exploration is glacial till sampling in order to locate G10 pyrope garnets, or eclogitic garnets, even rarer to find, but of even more significance as to the diamond potential of the kimberlites that they come from.

The Chibouki project is composed of 1,098 mining cells for 593 sq. km. It is on one part located about 20-60 kilometers northeast and on the other part 40 kilometers north of Chibougamau, Quebec. This project offers very good access and hosts numerous bush roads. The Chibouki project is also located in the southern part of the favourable Mistissini-Lemoyne Structure that hosts several kimberlites and alkaline intrusives several hundreds of kilometers further north, including the Ashton-Soquem Renards diamondiferous cluster.

Processing of till yielded numerous high interest kimberlite indicator minerals (KIMs) including high-chromium & low-calcium G10 pyropes within the diamond field, G9 pyropes, eclogitic garnets, diamond-inclusion and harzburgitic chromites, picro-ilmenites, omphacites, Cr-diopsides, and Mg-olivines. So far, about 500 heavy mineral samples were collected on the various blocks. Elsewhere, background till, fluvio-glacial material as well as up-ice esker samples do not show any indicators.

In May 2007, an helicopter-borne magnetic survey on the eastern extents of the 2006 survey was completed and 24 new kimberlite targets were outlined. So far, a total of 53 kimberlitic geophysical targets were identified by both DIOS geophysical surveys (2006 & 2007) in the Lamentation Lake area. A drilling program testing a minimum of 10 priority targets is undertaken this summer. Prospecting, soil or till sampling is also planned in the same area. A second drilling program is also considered depending of the summer results.

Pontax Property

The Pontax property (1369 claims totalling 719 sq. kilometres) is held in partnership with Sirios Resources Inc. ("Sirios")(TSX V: SOI) and the Company on a 50-50 basis. It is located in the James Bay area, Quebec, 350 kilometres north of the town of Matagami along the paved road going to Radisson. It is also located approximately 75 kilometres southwest of the ELEONORE gold discovery bought by Goldcorp and adjacent to the northeast to an important De Beers property.

The Pontax project is centered on an Archean sedimentary basin (Auclair Formation dominated by biotite and sillimanite paragneisses) intruded by the Kapiwak granodioritic intrusive. The sediment-dominated assemblage also includes the Chambois and the Pontax greenstone belts (mafic volcanics, felsic volcanics and volcanoclastics). Alterations such as silicification, biotitization (10-20%), sericitization, tourmalinitization and pyritization (3-15%) are common. Several N-S Mistassini diabase dykes are present. The eastern portion (along and south of the Pontax River) is dominated by extensive swamps.

The till samples collected in 2006 outlined several gold trains and yielded some quality kimberlite indicator minerals as G10, omphacite, picroilmenite, kosmochlor (CPX) and forsterite(olivine).

A follow-up till program (about 40 samples) was carried out in November 2006 and its results were received. Several kosmochlor grains were identified, as well as omphacite, a mineral of great significance due to its eclogitic origin, thus suggestive of very high diamond potential content. The helicopter-borne geophysical survey totalling 3200 km (in three blocks) was processed for kimberlite targeting by a specialized geophysicist. Sixty-six kimberlite geophysical targets were outlined, of which 26 were classified as first-priority on the base of kimberlite indicator minerals. A follow-up (including prospecting, soil or till sampling) on these targets should be completed this summer.

A 20-holes drilling program totalling 3108 meters along the geophysical extents of the high silver-gold occurrence (821 g/t Ag; 1,31 g/t Au on 4,36 meters) was completed in May 2007. It was followed by systematic mapping-prospecting program on the geophysical conductors as well as an important stripping and track sampling campaign on the silver-zinc bearing zones.

33 Carats Property

The 33 Carats project totals over 1,700 mining cells for 892 sq. km. These are strategically located about 340 kilometres northeast of the town of Chibougamau, Quebec. The project is located along the favourable Mistissini-Lemoyne Structure that hosts several kimberlites and alkaline intrusives, is adjacent to the Ashton-Soquem's property that hosts the Renard diamondiferous cluster and to the Majescor Portage property hosting a diamond-bearing kimberlitic sill. These blocks are easily accessible by float-plane or helicopter (Eastmain River, Fire & Marcia Lakes) due to the moderate tree cover. The Company's Bohier camp is located on the South block, 20 kilometers south of the East block.

The region is located near the southern limit of the Superior craton. The northern portion of the region is composed of Archean Opinaca undifferentiated grey gneisses, Barou River- Cadieux Lake-Misasque River-LaSalle Lake- Antons River granitic intrusives, as well as the Upper Eastmain River and the Trieste Lake volcano-sedimentary belts. The southern portion of the region is underlain by the Archean Epervanche Complex (granitic-tonalitic gneisses) and Proterozoic Otish meta-sedimentary basin. The Eastmain volcano-sedimentary belt is located along the same fold structure. Available glacial striae indicate a late N230 glacial movement for the West-Rivière de Feu area. An earlier (and minor) N330 glacial movement is also known.

A sector of 33 Carats is characterized by relatively low counts typical of the Superior with outstanding G10s associated with Cr-enstatite, ilmenites and olivine in basal till in a complex local glacial environment (hummocky terranes and a NE esker). Another sector of 33 Carats is characterized by one good straight KIMs train (very good G10- Cr-enstatite-ilmenite-forsterite) in simple glacial environment (confirmed by diabase pebbles as marker indicating short transportation), again low counts typical of Superior terranes. Another sector of 33 Carats is characterized by a more lherzolitic component than in the previous two. The glacial context is not simple, due to the presence of a few eskers and their associated outwash.

Eight targets were sampled through the soils and geochemical assaying in another area. These samples are still being processed. A re-evaluation of the 33 carats' geochemical till data bank is as well ongoing as the reprocessing of hundred of samples.

OPINACA NORD Property

The Opinaca Nord property (576 claims totalling 300 sq. km) is owned in partnership with Sirios Resources (TSX: SOI). DIOS may earn a 50% interest by incurring \$1,25 M in exploration expenditures over a 5 year period.

It is located about 400 kilometers north of the town of Matagami, James Bay, Quebec. It is also located about 30 kilometers east of the Eleonore gold discovery owned by Goldcorp and is located north of Sirios/Golden Valley Cheechoo project.

The Opinaca Nord property overlies rocks (mainly paragneisses and pegmatitic granite) of the LaGuiche sedimentary Basin that are cut by numerous east-west structures parallel to the regional Opinaca River structure. The exploration first priority is three pluri-kilometric uranium anomalous lake sediment clusters (40-70ppm, up to 383ppmU) that will be investigated (mapping-prospecting) during the summer of 2007. Rossing-type uranium mineralizations (high tonnage, low grade) is targeted in the paragneisses (metasediments) associated with anatexis-granites.

Other targets included a pluri-kilometric arsenic-gold lake sediment anomaly, as well as the extents of the amphibole-garnet-sulphides unit that host the Everton Manuel showing.

Summary of planned exploration programs for 2007

PROPERTIES	PLANNED WORK	BUDGET \$	FUTURE STEPS
HOTISH	Geological compilation, study of previous data, soil prospection, in lake sediment survey, airborne geophysics, drilling	1-2,000,000	Drilling, additional prospection
CHIBOUKI	Drilling, till-soil, airborne geophysics	375,000	Soil-till survey, prospection, geophysics, additional drilling
33 CARATS	Till-soil analysis, additional till & prospection, airborne geophysics	275,000	Drilling
PONTAX	Airborne geophysics, till-creek sediment survey, soil survey & prospection	350,000	Drilling
OPINACA NORD	Lake sediment survey, mapping and prospecting, airborne geophysics?	250,000	Additional mapping and prospecting, geophysics
ACQUISITIONS	Geological compilation, soil prospection, in lake sediments survey, airborne geophysics, drilling	1-2,000,000	

SUMMARY OF FINANCIAL ACTIVITIES

Net loss for the quarter is \$180,346 (net loss of \$50,022 for the second quarter 2006) caused by an increase in administration expenses.

Description	Quarter ended June 30th		Six-month period ended June 30th	
	2007	2006	2007	2006
	\$	\$	\$	\$
Stock based compensation	98,805	40,500	166,955	40,500
Salaries-management	13,612	-	13,612	-
Publicity and public relations	5,955	5,807	28,849	9,425
Professional fees	39,265	4,676	65,198	28,471
Shareholders information	10,483	4,792	16,942	11,573
Registration fees	11,231	3,361	22,586	5,013
Office and rent	6,078	1,990	7,453	2,667
Insurances, taxes and permits	-	1,165	9,803	11,855
Interest on debenture	5,268	-	10,536	-
Banking fees and interests	288	244	470	406
	190,985	62,535	342,404	109,910

During the the three-month period ended June 30, 2007, one notes mainly:

- Accounting of stock based compensation following the options exercisables to the directors and officers of the Company.
- In Q2, a part of the president's salary has been registered in management salaries
- Increase in the audit fees.
- Increase in the transfer agent fees due to the increase in the trading volume of the listed shares of the Company.
- New administrative office in downtown Montreal: 1200, St-Jacques Street West, suite 2009 H3C 0E9.
- Accounting of accrued interests on convertible debenture.

SUMMARY OF QUARTERLY RESULTS

(\$ 000 except loss/share)	2007		2006				2005	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Income	59	32	6	7	9	4	12	5
Net profit (net loss)	(180)	208	(298)	(23)	(50)	(42)	(332)	(580)
Net profit (net loss) per share(basic and diluted)	(0,006)	0.01	(0.022)	(0.002)	(0.003)	(0.003)	(0.025)	(0.002)

Variations in quarterly loss can be explained by the following:

- 2007-Q2** Accounting for stock based compensation expenses of \$98,805. Increase in interest income due to numerous private placements closed since the beginning of year. Accounting of a unrealized write-down of \$25,659 on listed shares.
- 2007-Q1** Accounting for stock based compensation expenses of \$68,150. Accounting of a recovered future income taxes of \$135,777 following the accounting of a flow-through share renunciations. Participation in the mining shows of Vancouver and Calgary and participation to the Fonds Restor-Action Nunavik.
- 2006-Q4** Write-off of minerals properties for an amount of \$108,730 (Trans Taiga and Minti, Wemindji and Artaud) with their respective deferred exploration expenses (\$199,084).
- 2006-Q3** Accounting of a gain on sale of investment totalling \$19,708
- 2006-Q2** Accounting for stock based compensation expenses of \$40,500. Grant on mining promotions costs of \$6,336 received in April 2006.
- 2006-Q1** No management fees. Stable general and administrative expenses.
- 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.

CASH FLOW SITUATION

The working capital increased by \$1,618,658 as at June 30, 2007 going from \$7,145,429 as at March 31, 2007 to \$8,764,087 as at June 30, 2007. The increase is mainly due to the conclusion of a private placements adding up \$1,874,950 during the quarter.

The cash and term deposits (free cash flow) total \$8,295,596 as at June 30, 2007 compared to \$5,718,659 as at March 31, 2007.

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 June 30, 2007, the Company did not have any debt or any financial commitments in the upcoming quarters except for:

- A sum of 581,443\$ is reserved as at for June 30, 2007 in order to carry out exploration work under the terms of flow-through shares 2006 offering.
- The debenture totalling \$200,000 maturing April 2009. On May 23, 2007, the Company was prevailed of a clause of repayment of the capital and interests before due date. The lender has 60 days to decide to convert the debenture into common shares of the Company or to accept refunding in cash. See "**SUBSEQUENT EVENTS**".

FINANCING SINCE THE BEGINNING OF THE YEAR

On March 15, 2007, the Company closed a brokered private placement for gross proceeds of \$1,599,840 through the sale of 3,555,200 units at a price of \$0.45 per unit. Each unit consists of one common share and half a share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.60 if exercised within the next 12 months or \$0.80 if exercised within the subsequent 12 months. 8% fees of the gross proceeds as well as 355,520 share purchase warrants were paid to brokers as agent commission.

On March 30, 2007, the Company closed a brokered private placement for gross proceeds of \$5 million through the sale of 6,666,666 units at a price of \$0.75 per unit. Each unit consists of one common share and half a share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$1.00 if exercised within the next 12 months or \$1.15 if exercised within the subsequent 12 months. 8% fees of the gross proceeds as well as 666,666 share purchase warrants were paid to brokers as agent commission.

On May 2, 2007, the Company closed a brokered private placement for gross proceeds of \$1,874,950 through the sale of 2,678,500 units at a price of \$0.70 per unit. Each unit consists of one common share and half a share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$1.00 if exercised within the next 12 months or \$1.15 if exercised within the subsequent 12 months. 8% fees of the gross proceeds as well as 267,850 share purchase warrants were paid to brokers as agent commission.

On January 7 and 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 first semester 2007, a total of 1,027,993 common shares were issued following exercised warrants for proceeds of \$380,958.

As at June 30, 2007 :

- 33,243,875 common shares were issued and to be issued.
- 2,685,000 options were granted and can be exercised in the future at prices between \$0.33 to \$0.75 between 2008 to 2012. Each option can be exercised by the holder for one common share of the Company.
- 10,251,313 warrants were issued, entitling their holders to subscribe the same amount of common shares of the company at prices between \$0.29 and \$1.15 with expiration date ranging from October 2007 to May 2009.

Variations in share capital as at July 20, 2007 are the following:

Description	Number of shares	Price \$	Amount \$
As at December 31, 2006	19,194,016		6,866,701
Private placements	12,900,366	0.66	8,474,790
Exercised warrants	1,027,993	0.37	380,958
Exercised options	121,500	0.30	36,450
Fair value of exercised options			18,150
As at June 30 and July 20, 2007	33,243,875		15,777,049

Options

Variations in outstanding options as at July 20, 2007 is the following :

Date	Number of options	Average exercise price \$
As at December 31, 2006	1,655,000	0.34
Issued	1,450,000	0.67
Exercised	(121,500)	0.30
Expired	(298,500)	0.30
As at June 30 and July 20, 2007	2,685,000	0.53

Options granted and exercisable as at July 20, 2007:

Expiry date	Number of options	Exercisable	Price (\$)
February 6, 2008	325,000	325,000	0.36
September 7, 2009	640,000	640,000	0.37
April 7, 2011	270,000	189,000	0.33
January 29, 2012	450,000	112,500	0.50
March 8, 2012	1,000,000	250,000	0.75
	2,685,000	1,516,500	0.53

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.

Warrants

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

Date	Number of warrants	Average exercise price \$
As at December 31, 2006	3,539,087	0.37
Exercised	(1,027,993)	0.37
Issued	7,740,219	0.83
As at June 30 and July 20, 2007	10,251,313	0.73

Warrants characteristics as at July 20, 2007 are the following:

Number	Exercise price \$	Expiry date
571,429	0.45	October 2007
370,000	0.29	November 2007
916,665	0.35	December 2007
30,000	0.30	December 2007
623,000	0.35/0.38	December 2008
1,777,600	0.60/0.80	March 2008/ March 2009
355,520	0.45	March 2009
3,333,333	1.00/1.15	March 2008/ March 2009
666,666	0.75	March 2009
1,339,250	1.00/1.15	May 2008/ May 2009
267,850	0.70	May 2009
10,251,313	0.73	

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 June 30, 2007, the Company had a balance to pay of 44 260\$ to Sirios. Moreover following acquisition of the Opinaca Nord option, the Company owed to Sirios a sum of 25 000\$ in cash or shares.

During the first semester 2007, the Company rented a diamond drill for an amount of \$9,650 from the president of the Company.

In consideration of accounting services and preparation of financial information's, a director received from the Company professional fees totalling \$18,449 for the first semester 2007.

These transactions were concluded in the normal course of operations and was measured at the exchange amount that is the amount established and accepted by the parties.

CHANGE IN ACCOUNTING POLICIES

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 policy 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.

RISK AND UNCERTAINTIES

Financial risks

The Company is an exploration company. The Company will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Mining claims and title risks

Although the Company has taken steps to verify title to mining properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Environmental risks

The Company is subject to various environmental incidents that can occur during exploration work. The Company maintains an environmental management system including operational plans and practices.

SUBSEQUENT EVENTS

On July 20, 2007, the Solidarity Fund QFL decided to receive 634,705 common shares of the Company (deemed value of \$218,115) for the reimbursement of its convertible debenture. This decision follows the request by the Company dated May 23, 2007 to refund the convertible debenture amounting to \$200,000 plus the accrued interests.

OTHER INFORMATION

This discussion and analysis of the financial position and results of operation as at July 20, 2007 should be read in conjunction with the unaudited interim financial statements for the six-month period ended June 30, 2007 and the audited financial statements for the year ended December 31, 2006. The unaudited interim financial statements for the six-month period ended June 30, 2007 were not reviewed by the external auditors. Additional information of the Company can be obtained at the website www.sedar.com under SEDAR filings.

DISCLOSURE CONTROLS AND PROCEDURES

As required by Multilateral Instrument 52-109, the Company evaluated the effectiveness of its disclosure controls and procedures and the internal control over financial reporting as of June 30, 2007 under the supervision and with the participation of the President and the Chief Financial Officer. Based on the results of this evaluation, the President and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were generally effective.

The only issue identified during the process was related to internal control over financial reporting. The issue identified, the concentration of some duties, is one that affects small companies. As a small

organization, the Company's management is composed of a small number of key individuals, resulting in a situation where limitations in segregation of duties have to be compensated by more effective supervision and monitoring by the President and the Chief Financial Officer. Company's officers will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties. Since the increased funding costs of such hiring could threaten the Company's financial viability, the Company's management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when budgets will enable that action.

MANAGEMENT'S RESPONSABILITY FOR FINANCIAL INFORMATION

The Company's financial statements are the responsibility of the Company'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

Montreal, July 20, 2007