

**DIOS EXPLORATION INC.
MANAGEMENT INTERIM REPORT
FOR THE NINE-MONTHS PERIOD ENDED SEPTEMBER 30, 2004**

CORPORATE PROFILE AND MISSION

Dios Exploration Inc. (Dios or the company) is a leading diamond exploration company with over 3,000 sq. km. of properties in the high diamond potential areas of central Quebec and the Otish Mountains. Dios generates its projects and develops them either alone or through farming out agreement. De Beers Canada Exploration Inc. (De Beers) can earn a 51% interest in 33 Carats by incurring CA\$5.5 million in exploration. DIOS also closed a unique diamond marketing agreement with Diarough, who will buy rough diamonds from DIOS' share of diamond production with 100% of such sale profits back to DIOS. Marketing net profits (on cutting, polishing, manufacturing, etc.) shall be divided half and half between parties.

OVERALL PERFORMANCE

Activities summary

Dios considerably increased its strategic land position in the Otish area and also elsewhere in Quebec. Work carried out by Dios in relation with diamond exploration is very much focused and systematic and primarily based on the occurrence of kimberlite indicator minerals in the glacial till.

- Exploration expenses of \$ 319 158 incurred on mining properties in Q3 (\$584 448 in Q1, Q2 and Q3) funded 100 % by Dios :

Description/Property :	Hotish \$	Artaud \$	Minti \$	Hotish extension \$	Other \$	Total \$
Geology	90 973	49 408	18 529	22 013	79 295	260 218
Till sampling and geochemistry	24 535	4 992	-	11 727	35 206	76 460
Transportation	60 995	54 048	-	58 782	38 155	211 980
Office	3 837	-	-	5 100	14 622	23 559
Geophysics	12 231	-	-	-	-	12 231
	192 571	108 448	18 529	97 621	167 278	584 448

Geological information was summarized by Marie-José Girard, M.Sc. Geo and Harold Desbiens, M.Sc.Geo., qualified persons under National Instrument 43-101, as is Dominique Doucet, P. Eng.

Exploration strategy

Dios is looking for diamond-bearing kimberlites. Diamond mines are almost always hosted within kimberlites, a rare and intriguing rock type coming from very deep within the earth's interior. Pyrope garnet discovery is indicative of a kimberlitic source only. Pyropes called G10 are indicative of diamond-bearing kimberlites. Canada was once covered by thick glaciers. The main tool of Dios is to sample the basal till, as it is indicative of a proximal source, in comparison to other glacial deposits, to look for kimberlite indicators.

Hotish property

Summer prospecting and till sampling work on DIOS' 100% HOTISH property, Otish Mountains area, QC, has identified a new kimberlite float occurrence some tens of kilometres away up-ice the ice-flow movement from previously identified 1 to 3 HOTISH kimberlites. Follow-up work (prospecting and till sampling) was undertaken to locate the source of this kimberlite float, in an area where the KIM chemistry is definitely better as for diamond potential (with the definite occurrence of G10s, for instance) than the one from the first two 1-2 m thick kimberlite dykes discovered some 40-50 kilometres away. These dykes had a large extent though in strike and at depth and were located several kilometres one from the other. The size and shape of a third distinct kimberlite occurrence discovered some kilometres away from the first two remains to be evaluated. A kind of zoning was delineated on the property as far as diamond potential is concerned. The third kimberlite had revealed a population of chromium diopsides within the diamond stability field. Studies on chromium diopsides did indicate the sampling of the garnet peridotite field, where diamonds are formed. Chromites from the same kimberlite also fell within the garnet peridotitic field, touching the diamond inclusion field. No pyrope garnets were found in Hotish-3, meaning that in such a case, pyropes cannot be used for kimberlite tracing, so other KIM have to be used.

Minti property

On July 28 2004, Dios announced the discovery of kimberlitic indicator minerals within the diamond stability field in association with detailed magnetic anomalies on a completely new project wholly-owned by Dios. The MINTI project is located in the La Grande River area, James Bay, Quebec. The MINTI project was centered on several magnetic anomalies at the junction of the Wemindji-Caniapiscau and the Temiscamie-Corvette structures, well known for their diamond potential. It was also located in the vicinities of mining properties held by De Beers Canada Exploration Inc.

The company carried out a 470 km detailed airborne high resolution low altitude magnetic survey (150 m spaced lines) on various magnetic anomalies and collected 105 glacial till samples. Results from this work indicated the presence of kimberlitic indicator minerals showing Cr-diopside within the diamond stability field. Temperature-pressure calculations on these Cr-diopsides confirm existing conditions for diamond preservation. Following these interesting results, a detailed follow-up survey including further basal till sampling and prospecting took place in July 2004 and sample processing results are expected in the month to come.

Artaud property

Located west of Lake Mistassini, the Artaud project is a new diamond play again with G10 pyrope in the basal till. Dios obtained mining rights over a large diamond exploration land position in a new area in Central Quebec where Dios uncovered quality kimberlite indicator minerals in the basal till such as pyrope garnets classified as G10. The ARTAUD diamond project is located 80 km north of Chibougamau, QC, in the De Maures River area, south of Lac Frotet. The Artaud project consists of a major claim block totalling 460 mining cells for a total area of 61,377 acres or 248.5 sq. kilometers.

Reconnaissance heavy mineral sampling as reported in May 2003 in a press release by independent geologists and prospectors F. Bouchard, M. Leblanc and C. Bouchard uncovered kimberlite indicator minerals: 1 G9 pyrope and 1 picroilmenite. Subsequently, Dios map-designated two mining cell

blocks in the vicinities. Dios completed a reconnaissance heavy mineral sampling program that yielded kimberlite indicator minerals including pyrope garnets (G10, G9), picroilmenite and olivine. During the following months up to the Spring of 2004, new mining cells were map designated for a total of 460 cdc claims now issued. Till samples (85) and 38 fluvioglacial were taken in the summer of 2004. Processing and results are pending.

- Exploration expenses of \$100 504 in the 33 Carats property funded by DeBeers (not included in the interim statement) in Q3 (\$365 584 in Q1, Q2 and Q3) :

	Q3 \$	Q1, Q2 & Q3 \$
Geology	27 809	44 366
Till sampling and geochemistry	29 291	277 814
Transportation, moving and lodging	39 311	39 311
Communication & office	4 093	4 093
	100 504	365 584

33 Carats property (DeBeers joint venture)

Dios completed the interpretation of an exhaustive exploration campaign on the 33 CARATS project, NW of the Otish Mountains, including geophysics and advanced microprobe studies on more than 1,100 systematic, 30 kg basal till samples processed for heavy minerals. This property clearly stands out as one of the best chemical signature in Canada. The program was funded by De Beers, who completed a \$250,000 placement last year and can earn a 51% interest through a further \$5.5 million commitment before December 31, 2008, and an additional 9 % by completing a positive feasibility study. De Beers incurred some 1.4 million dollars and in light of the highly significant results obtained, De Beers approved a diamond drilling program to begin in the fall.

Pyropes 33 CARATS were 47% harzburgitic (typically referred to as G10) and 44% lherzolitic (G9). The high proportion of G10 pyropes is indicative of diamond potential. (R. Girard, P. Geo, IOS Services Géoscientifiques, an independent firm and processing facility).

Pyrope garnets come from kimberlites and the G10\G9 ratio is used to evaluate the diamond potential of an area. Usually, a ratio of 1:10 between G10 and G9 garnets is considered significantly promising. (R. Girard, IOS Services Géoscientifique). The G10\G9 ratio of 1: 1 on 33 Carats is exceptionally high, suggesting diamond potential. This ratio is clearly higher than in Lac de Gras area, NWT, and even higher than in Churchill.

An area called the S or Sirios area returned basal till samples in which all pyropes recovered by Dios were classified as G10. The chemistry is more than outstanding with high-chromium content in the G10s. There is a clear cut-off of the counts of indicators in the basal till up-ice. All kimberlite indicator mineral data show diamond window chemistry. There are also target-like magnetic anomalies in the vicinities and a lake up-ice.

The 33 CARATS is located 170 km north of the lac Albanel provincial road, north of the town of Chibougamau, and 160 km south of the trans-taiga road and LG-4 airport. Exploration costs in Central Quebec are three times less than in the Arctic.

- Acquisition or claim renewal on mining properties totalling \$44 250 on Q3 (\$142 424 on Q1, Q2 and Q3).

Change in mining properties for the period of nine months ending September 30, 2004 :

Description	Claims renewal (correction) \$	New claims \$	Total \$
33 Carats property	(7 985)		(7 985)
Hotish property		1 343	1 343
Artaud property		30 947	30 947
Hotish extension property		70 404	70 404
Other		47 715	47 715
Total	(7 985)	150 409	142 424

HOTISH EXTENSION project

Dios announced the acquisition of the wholly-owned HOTISH EXTENSION project, located along the Eastmain and Fire Rivers NW of the Otish Mountains, QC, covering 503 sq.kilometers or 125,000 acres (846 mining cells). It is hosted within the Mistassini-Lemoyne structure that contains the Renard and Lynx kimberlites as well as (located north of) the Otish kimberlites (Beaver Lake, H-1 to 4, as well as Dios three Hotish and Ashton Tichegami sills) cluster. Ashton-Soquem Foxtrot success, Majescor kimberlite boulder discovery, the presence of the favourable indicators indicating other sources than the Renard-Lynx cluster, as well as one of the best diamond window chemistry in Canada for the same indicators were strong enticements for Dios to acquire additional ground in the Eastmain region. Six areas were selected after extensive regional work and compilation:

The LUCKY 13 block (304 contiguous mining cell claims totalling 158. sq.km) is adjacent to (east of) Ashton- Soquem Renard property that hosts a ten diamond-bearing kimberlite cluster (15 km away). Federal airborne magnetic data outlines an important E-NE diabase dyke that is part of the Preissac dyke swarm. The same survey also shows the same dyke cut by two NNW structures (the same orientation than the one observed at the Renard cluster, located 15 km further west). Fifteen circular magnetic anomalies (possible targets) may be observed from the federal survey.

The RIVIERE DE FEU block (273 contiguous mining cell claims totalling 147 sq. km) is located west of DeBeers- Dios 33 Carats western block.

The NEPTUNE-PIGEON-BOISSEAUX block is composed of 106 mining cell claims totaling 55 sq. km. All claims are located north of Dios Rivière de feu block.

The BOHIER block (177 mining cell claims for 91 sq. km) is adjacent (north-northeast) to DeBeers-Dios 33 Carats southern block.

The AUTRIC block (57 contiguous mining cell claims totalling 30 sq. km) is located up-ice of till samples containing a good G10 pyrope (10% Cr2O3, 3.3 CaO), diamond inclusion chromites (DIC), G9 pyropes, micro-ilmenites, and olivines.

The AZUR-2 block (48 contiguous mining cell claims for 26 sq. km) is located about 20 km southwest of Dios -DeBeers 33 Carats project (southern block). This block is targeting the up-ice of till samples containing G10 pyrope, diopside and olivine (forsterite, FO 92.5). Also covered by the claims is a detailed magnetic survey anomaly located 980 m up-ice of harzburgitic pyrope (G10) within the diamond window field.

An aggressive field campaign completed this summer on HOTISH EXTENSION consisted of 300 basal till samples which are being processed at IOS Géoscientifiques laboratory, Saguenay, QC.

RESULTS OF OPERATIONS

Net loss for the period Q3 amounted to \$ 118,777 (\$ 138,106 in the nine months period 2004) compared to net loss of \$ 9,695 (\$ 85,896 in the nine months period 2003). Administrative expenses for the period Q3 totalled \$ 136,502 (\$ 221,001 in the nine months period 2004) as compared to \$ 25,164 last year (\$ 158,735 in the the nine months period 2004).

Administrative expenses analysis:

	2004		2003	
	Three-months period ended September 30 \$	Nine-months period ended September 30 \$	Three-months period ended September 30 \$	Nine-months period ended September 30 \$
Stock based compensation	121,600	121,600	--	54,275
Public relations	3,148	43,006	8,191	24,545
Professional fees	5,775	16,012	8,019	27,502
Info to shareholders	2,821	19,001	2,200	18,811
Registration fees	1,820	8,239	1,125	12,595
Office	251	3,067	1,961	7,614
Other	1 087	10,076	3,668	13,393
TOTAL	136,502	221,001	25,164	158,735

- Notwithstanding the stock based compensation incurred in Q3 the administrative expenses decreased in Q3 (\$14,902) when compared with Q3-2003 (\$25,164).
- Increase in public relations for the nine months period 2004:
 - 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, Antwerp, Frankfurt and London;
 - Dios took part in June in the 2004 New York Diamond-Gold International Investment Conference

- The item “Other” includes insurance, taxes and permits for the nine months period ended September 30, 2004.
- The company granted during Q3 640 000 five-year stock purchase options to its directors and officers at a exercise price of \$ 0.37. 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 five years for these options, risk free interest rate of 3.5%, forecast volatility of 57 % and no forecast dividend. During the nine-months period ended September 30, 2004, remuneration expense in the amount of \$121 600 has been accounted for.

PLANNING SUMMARY

PROPERTIES	WORK PLANNED IN Q4	BUDGET	NEXT STEPS
ARTAUD	Processing of till samples for heavy minerals and KIM	\$40,000	Processing & indicator mineral interpretation
33 CARATS	Diamond drilling till sampling, ground geophysics	\$380,000	Diamond drilling till sampling, geophysics
HOTISH-HOTISH EXTENSION	Till sampling, processing, data interpretation, prospecting	\$120,750	Geology, sample processing: interpretation, diamond drilling, geophysics
MINTI	Processing of till samples for heavy minerals and KIM	\$8,000	Geophysical & indicator mineral interpretation

SUMMARY OF QUARTELY RESULTS

	2004			2003				2002
(000\$ except loss/share)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	28	30	2	59	3	8	2	4
Net loss	118	3	16	61	9	15	60	74
Net loss per share	0.01	0.001	0.002	0.01	0.002	0.002	0.007	0.01

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

2004-Q3	Stock based compensation registered in the quarter and management fees income of \$22,151 registered in the quarter
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 based compensation registered in the quarter
2002-Q4	Stock based compensation registered in the quarter

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 \$1,104,877 at the end of the third quarter 2004. In Q3 the company completed private placements totaling \$429,000 (see below). Cash available amounted to \$1,346,072 compared to \$165,115 at the end of 2003 (term deposit minus bank overdraft). The company considers the cash on hand sufficient. Dios has no debt. Dios has not financial commitments in coming years.

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. The company considers the cash on hand adequate for the moment and plans to receive next year a substantial credit tax refundable on exploration expenses incurred to date in 2004.

FINANCING

Dios issued during the quarter 941,699 common shares for an amount of cash received of \$429,000.

- Options exercised by a director: 80,000 commons shares at \$ 0.30 per share;
- Private placement with a venture capital fund: 744,680 common shares at \$0.47 per share for an amount of cash received of \$350,000;
- Private placement with directors and officers of the company: 117,021 common shares at \$0.47 per share for an amount of cash received of \$55,000.

At the end of Q3

- 12,869,868 common shares were issued.
- 1,385,000 options were granted and exercisable at the price of \$0.32-\$0.37 before 2007-2009. Each option entitling its holder to subscribe one common share of Dios.
- 1,762,237 warrants were issued, entitling their holders to subscribe the same amount of common shares at the price of \$0.59-\$0.65 per share with an expiry date of February 2005-July 2006.

More information can be found under note 3 of the interim financial statements.

On November 18, 2004 Dios closed a \$190,000 arms's length private placement. Each unit at \$1,000 consists of 500 Common Shares at \$0.50, 1,364 flow-through shares at \$0.55 and 1,864 warrants. One warrant entitles its holder thereof to subscribe for one common share of Dios at the price of \$0.65 for a period of twelve months or at the price of \$0.70 up to 24 months following the closing. Industrielle Alliance Securities inc. will receive a ten percent fee. The new issued shares will have a 4-month hold period.

OFF-BALANCE SHEET TRANSACTIONS

Following an agreement negotiated un April 2003 with DeBeers Canada Exploration Inc. (DeBeers) relative to the 33 carats property, DeBeers has incurred this year to date an amount of \$365,583 in exploration expenses and claims renewal costs. Since April 2003 the cumulative amount funded by DeBeers totalized \$1,375,659. These amounts are not included in the financial statements of the company. DeBeers can acquire a 51% participation in the property by making exploration expenses of \$5,500,000 before Decenber 31, 2008, including \$500,000 and \$1,000,000 before december 31, 2003 and December 31, 2004, respectively. DeBeers can acquire a 60% participation by producing a positive feasibility study.

TRANSACTIONS WITH RELATED PARTIES

In consideration of accounting services and preparation of financial informations, a director received from the company professional fees of \$10,842 for the nine months ending September 30,2004. This work was completed on an hourly rate basis.

Sirios Resources Inc., the company's largest shareholder paid for the company some expenses from time to time and the company completed some disbursements for Ressources Sirios Inc.. As at September 30, 2004, Ressources Sirios Inc. owed the sum of \$23,404 to the company.

CHANGE IN ACCOUNTING POLICIES

During the interim period ending September 30, 2004, no changes or initial adoption have been made in Dios's accounting policies.

FINANCIAL INSTRUMENTS

The fair value of the company's financial instruments approximates the carrying value. The currents bank's accounts, accounts receivable and accounts payable are non-interest bearing. A portion of cash is held in na interest bearing of less than 2% with no restrictions.

OTHER

This discussion and analysis of financial position and operating results as at November 18, 2004 and should be read in conjunction with the unaudited interim financial statements for the nine months ended September 30, 2004 and 2003 and the audited financial statements for the years ended December 31, 2003 and 2002 of Dios where necessary. The unaudited quartely statements have not been reviewed by external auditors. More information can be found at the website www.sedar.com under Dios' section « sedar filing ».

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, November 18, 2004

DIOS EXPLORATION INC.
EARNINGS AND DEFICIT

Unaudited

(the unaudited quarterly statements have not been reviewed by external auditors)

	Three-months period ended September 30		Nine-months period ended September 30	
	2004	2003	2004	2003
	\$	\$	\$	\$
REVENUE				
Other revenue	22 151	-	49 523	4 591
Interest	5 592	3 306	11 117	8 956
	<u>27 743</u>	<u>3 306</u>	<u>60 640</u>	<u>13 547</u>
GENERAL AND ADMINISTRATIVE EXPENSES				
Stock based compensation	121 600	-	121 600	54 275
Public relations	3 148	8 191	43 006	24 545
Professional fees and consulting	5 775	8 019	16 012	27 502
Informations to shareholders	2 821	2 200	19 001	18 811
Registration fees	1 820	1 125	8 239	12 595
Office	251	1 961	3 067	7 614
Communications	243	1 541	381	4 198
Insurance, taxes and permits	681	1 175	9 312	7 398
Internet	-	612	-	1 224
Interest and bank charges	163	340	383	573
	<u>136 502</u>	<u>25 164</u>	<u>221 001</u>	<u>158 735</u>
NET LOSS BEFORE INCOME TAXES	(108 759)	(21 858)	(160 361)	(145 188)
Future income taxes	10 018	(12 163)	(22 255)	(59 292)
NET LOSS	<u>(118 777)</u>	<u>(9 695)</u>	<u>(138 106)</u>	<u>(85 896)</u>
DEFICIT AT BEGINNING	(1 102 924)	(822 567)	(964 093)	(602 220)
SHARE ISSUANCE EXPENSES	(47 862)	(83 713)	(167 364)	(227 859)
DEFICIT AT THE END	<u>(1 269 563)</u>	<u>(915 975)</u>	<u>(1 269 563)</u>	<u>(915 975)</u>
NET LOSS PER SHARE	(0,01) \$	(0,002) \$	(0,01) \$	(0,008) \$

DIOS EXPLORATION INC.**BALANCE SHEETS**

(the unaudited quarterly statements have not been reviewed by external auditors)

	September 30, 2004 (unaudited)	December 31, 2003 (audited)
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	1 346 072	-
Term deposit	-	203 930
Sales tax receivable	53 383	192 514
Receivable from a mining company	23 404	183 180
Government grant receivable	174 131	456 661
	<u>1 596 990</u>	<u>1 036 285</u>
FUNDS HELD FOR EXPLORATION EXPENSES		
	-	132 000
MINING PROPERTIES	961 153	818 729
DEFERRED EXPLORATION EXPENSES (note 2)	2 050 190	1 465 742
	<u>4 608 333</u>	<u>3 452 756</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft	-	38 815
Accounts payable	419 782	347 202
Advance from a mining company	72 331	-
	<u>492 113</u>	<u>386 017</u>
FUTURE INCOME TAXES	274 145	169 768
	<u>766 258</u>	<u>555 755</u>
SHAREHOLDER' EQUITY		
Share capital (note 3)	4 872 763	3 731 789
Stock options	238 875	129 275
Deficit	(1 269 563)	(964 093)
	<u>3 842 075</u>	<u>2 896 971</u>
	<u>4 608 333</u>	<u>3 452 726</u>

DIOS EXPLORATION INC.
CASH FLOWS
(unaudited)

(the unaudited quarterly statements have not been reviewed by external auditors)

	Three-months period ended September 30		Nine-months period ended September 30	
	2004	2003	2004	2003
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(118 777)	(9 695)	(138 106)	(85 896)
Future income taxes	10 018	(12 163)	(22 255)	(59 292)
Exercised options-adjustment	(12 000)	-	(12 000)	-
Stock based compensation	121 600	-	121 600	54 275
Change in non-cash working capital items	80 545	11 802	726 348	137 940
	<u>81 386</u>	<u>(10 056)</u>	<u>675 587</u>	<u>47 027</u>
FINANCING ACTIVITIES				
Share capital issuance	440 999	757 000	1 140 974	1 011 582
Share issuance expenses	(20 894)	(33 693)	(40 732)	(39 557)
	<u>420 105</u>	<u>723 307</u>	<u>1 100 242</u>	<u>972 025</u>
INVESTMENT ACTIVITIES				
Deferred exploration expenses	(319 158)	(755 634)	(584 448)	(1 287 440)
Funds held for exploration expenses	-	11 978	132 000	391 200
Acquisition of mining properties	(44 250)	(59 896)	(142 424)	(88 546)
	<u>(363 408)</u>	<u>(803 552)</u>	<u>(594 872)</u>	<u>(984 786)</u>
CASH VARIATION	138 083	(90 301)	1 180 957	34 266
CASH POSITION, BEGINNING	1 207 989	396 612	165 115	272 045
CASH POSITION, END OF PERIOD	<u>1 346 072</u>	<u>306 311</u>	<u>1 346 072</u>	<u>306 311</u>

DIOS EXPLORATION INC.**NOTES TO FINANCIAL STATEMENTS** for the nine-months ended September 30, 2004 (unaudited)

(the unaudited quarterly statements have not been reviewed by external auditors)

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.

As at September 30, 2004 cash is composed of non-restricted cash and highly liquid bank account bearing interest income. At this date, there is no term deposit in the asset.

2. Deferred exploration expenses

Mining properties	As at December 31,2003	Addition	As at September 30, 2004
	\$	\$	\$
Hotish	1 081 536	192 571	1 274 107
33-carats	128 417	-	128 417
Hotish extension	5 905	97 622	103 527
Artaud	4 262	108 448	112 710
Minti	31 099	18 529	49 628
Other	214 523	167 278	381 801
	1 465 742	584 448	2 050 190

3. Share capital

Authorized

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

	September 30, 2004 (unaudited)	December 31, 2003 (audited)
Shares issued		
12 869 868 common shares	\$ 4 872 763	\$ 3 731 789

During the period 2 283 761 common shares (\$ 1 140 974) were issued.

Changes in the company's common share capital were as follows :

Date	Description	Number	Price per share \$	Amount \$
December 31, 2003	Balance, beginning of the year	10 586 107		3 731 789
April 20, 2004	Exercise of warrants	384 615	0.65	249 974
May 4, 2004	Private placement – venture capital funds	425 532	0.47	200 000
May 12, 2004	Private placement – venture capital funds	531 915	0.47	250 000
July 27, 2004	Private placement – venture capital funds	744 681	0.47	350 000
July 27, 2004	Placement to directors and officers	117 018	0.47	55 000
August 3, 2004	Exercise of options	80 000	0.30	24 000
	Exercise of options- adjustment			12 000
September 30, 2004		12 869 868		4 872 763

DIOS EXPLORATION INC.**NOTES TO FINANCIAL STATEMENTS** for the nine-months ended September 30, 2004 (unaudited)

(the unaudited quarterly statements have not been reviewed by external auditors)

3. Share capital (continued)*Options*

Changes in the company's stock options were as follows :

Date	Number	Weighted average exercise price (\$)
Outstanding, beginning of year	825 000	0.32
Granted – September 7, 2004	640 000	0.37
Exercised - August 3, 2004	(80 000)	0.30
Outstanding, September 30, 2004	1 385 000	0.35

Options granted and exercisable as at September 30 2004

Beneficiaries	Number of shares	Price (\$)	Expiry date
Directors and managers	420 000	0.30	January 10, 2007
Directors and managers	325 000	0.36	February 6, 2008
Directors and managers	640 000	0.37	September 7, 2009

In August 3, 2004, the company issued 80 000 shares at the price of \$0.30 to a director for the exercise of options. In September 7, 2004, the company granted 640 000 five-years stock purchase options to some of its directors and officers at a exercise price of \$ 0.37. 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 five years for these options, risk free interest rate of 3.5%, forecast volatility of 57 % and no forecast dividend. During the nine-months period ended September 30, 2004, remuneration expense in the amount of \$121 600 has been accounted for.

Warrants

Changes in the company's warrants were as follows :

Date	Number	Average exercise price \$
Outstanding, beginning of year	2 664 968	0.61
Issued	933 437	0.65
Exercised	(384 615)	0.65
Expired	(1 451 553)	0.59
Outstanding, September 30, 2004	1 762 237	0.60

DIOS EXPLORATION INC.**NOTES TO FINANCIAL STATEMENTS** for the nine-months ended September 30, 2004 (unaudited)

(the unaudited quarterly statements have not been reviewed by external auditors)

3. Share capital (continued)

As at September 30, 2004, the company had outstanding warrants as follows :

Number	Exercise price	Expiry date
300 000	\$0.65	February 2005
62 800	\$0.70	February 2005
23 864	\$0.53	February 2005
66 000	\$0.70	June 2005
400 000	\$0.65	Juillet 2005
212 766	\$0.55-\$0.65	Mai 2006
265 957	\$0.55-\$0.65	Mai 2006
430 850	\$0.55-\$0.65	Juillet 2006

4. Subsequent events

In November 18, 2004, the company completed a \$190,000 arms's length brokered private placement. Each unit at \$1,000 consists of 500 common shares at \$0.50, 1,364 flow-through shares at \$0.55 and 1,864 warrants. One warrant will entitle its holder thereof to subscribe for one common share of the company at the price of \$0.65 for a period of twelve months or thereafter and at the price of \$0.70 up to 24 months following the closing. Industrielle Alliance Securities inc. will receive a ten percent fee. The new issued shares will have a 4-month hold period.