

MESSAGE TO SHAREHOLDERS



On behalf of the Board of Directors, we are pleased to present the annual report of Dia Bras Exploration Inc. and share our past progress and future plans. In the nine-month period ended December 31, 2005, the Company strengthened its status as an emerging zinc-copper producer and a leading exploration company in northern Mexico's Sierra Madre mineral belt.

A pilot-mining program at the cornerstone Bolivar Mine was launched in February of 2005 as part of a scoping study to confirm tonnage, grade and recoveries, and to assess mining, milling and transportation costs. Ore is processed at the Company's newly refurbished Malpaso mill, 145 kilometres over line distance from the mine-site.

An important goal of the pilot-mining program is to generate positive cash flow that will help fund ongoing exploration to define sufficient resources and develop the project to support a larger mining operation on site. The revenue will also cover costs of operations, as well as administrative and capital costs. This strategy provides financial stability and reduces dilution risks.

Pilot-mining activities in 2005 produced 6,218 dry metric tonnes of zinc concentrate and 2,608 dry metric tonnes of copper concentrate from 50,371 tonnes, slightly below initial

projections, because of mine-equipment-related delays and start-up problems that have since been resolved. Production improved steadily as the year progressed, reaching \$1.1 million in December alone. The sale of concentrates generated \$5.6 million.

Currently, for 2006, we have budgeted production from the Bolivar pilot-mining program at 16,200 dry metric tonnes of zinc concentrate and 5,800 dry metric tonnes of copper concentrate.

In conjunction with the pilot-mining program, Dia Bras will conduct drilling programs to expand high-grade resources and test skarn-hosted targets elsewhere on the property. Bolivar is a district-scale property with a rich potential for new discoveries, as confirmed by recent technical and field-visit reports by Professor Lawrence D. Meinert, a world recognized expert on skarn deposits.

The Promontorio copper-gold project also offers potential for near-term pilot-mining production and will be actively explored and evaluated in 2006. The property hosts high-sulphidation, epithermal mineralization and is considered prospective for discoveries beyond existing resources. A drilling program is in progress to further advance the project.





During the period, the Company successfully completed a private placement of \$4.5 million in order to advance Bolivar pre-feasibility study. An additional \$1.3 million was also raised from the exercise of warrants.

An important development in 2005 was the appointment as Executive Chairman of Dr. Thomas L. Robyn, a geologist with international expertise and extensive experience gained with major mining companies.

With an expanded technical team and increased financial strength from pilot-mining activities, Dia Bras is positioned for an exciting period of growth. We hope to achieve and fund this growth internally, through existing projects, but will consider acquisitions of nearby properties with a history of small-scale production. We believe Mexico offers many advantages, including highly prospective and under-explored districts with a potential for major discoveries, political and social stability, a favorable investment climate, and an enduring mining heritage.

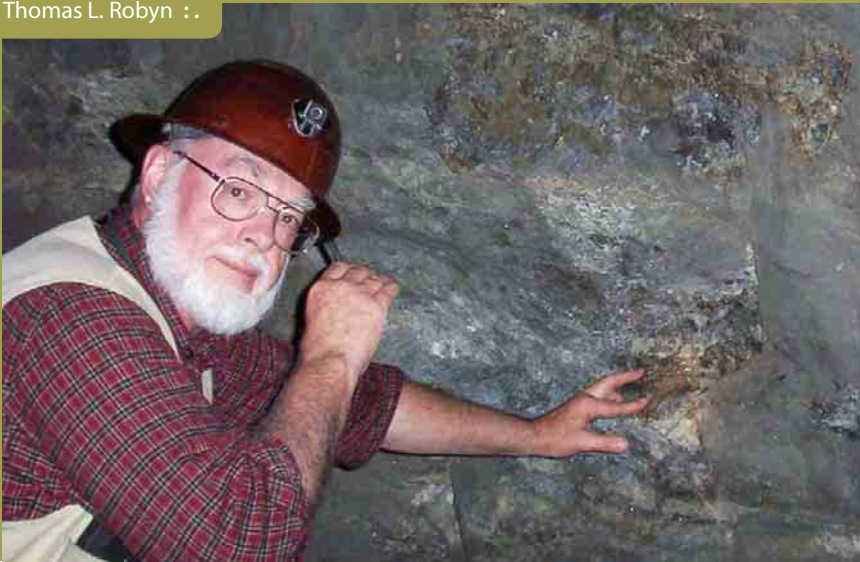
We greatly appreciate the support of shareholders and dedicated employees in Canada and in Mexico, and look forward to continued progress and an exciting phase of growth for the Company in the year ahead.

On behalf of the Board of Directors,

Thomas L. Robyn
Executive Chairman

Réjean Gosselin
President & Chief Executive Officer

Thomas L. Robyn : .



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