



DIA BRAS EXPLORATION INC.
(AN EXPLORATION-STAGE COMPANY)

Interim Consolidated Financial Statements
Three- and nine-month periods ended September 30, 2009

(UNAUDITED)



NOTICE TO READERS OF THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS:

The unaudited interim consolidated financial statements of Dia Bras Exploration Inc. for the three- and nine-month periods ended September 30, 2009 have not been reviewed by the Company's external auditors.

(s) Eduardo Gonzalez

EDUARDO GONZALEZ, Director

(s) Arved Marin

ARVED MARIN, Financial Controller

Montréal, Québec
November 26, 2009

Dia Bras Exploration Inc.

(an exploration-stage company)

Consolidated Balance Sheets

	As at September 30, 2009	As at December 31, 2008
	\$ (unaudited)	\$ (audited)
Assets		
Current assets		
Cash and cash equivalents	1,677,668	1,097,569
Sales tax and other receivables	1,742,455	1,493,918
Income tax receivable	157,761	70,664
Inventories (note 7)	2,172,671	2,210,605
Temporary investment (note 8)	117,625	58,450
Prepaid expenses	249,659	401,871
	<u>6,117,839</u>	<u>5,333,077</u>
Property, plant and equipment (note 9)	102,813	159,933
Mining assets (note 11)	<u>21,416,344</u>	<u>16,033,857</u>
	<u>27,636,996</u>	<u>21,526,867</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	5,580,039	4,608,826
Trade payables (note 6)	496,084	3,948,891
Advance payable (note 10)	1,063,623	2,438,790
Mining concessions payable (note 11 (b))	1,550,697	1,796,727
Deferred tenant allowance	19,188	19,188
	<u>8,709,631</u>	<u>12,812,422</u>
Long-term liabilities		
Mining concessions payable (note 11 (b))	19,275	1,157,307
Deferred tenant allowance	35,177	49,568
	<u>8,764,083</u>	<u>14,019,297</u>
Shareholders' Equity		
Share capital (note 12)	67,323,280	54,966,786
Warrants and compensation options (note 13)	2,266,751	325,000
Contributed surplus (note 15)	8,547,598	8,295,044
Deficit	<u>(59,264,716)</u>	<u>(56,079,260)</u>
	<u>18,872,913</u>	<u>7,507,570</u>
	<u>27,636,996</u>	<u>21,526,867</u>
Going concern assumption (note 1)		
Commitments and Contingency (notes 21 and 23)		
Subsequent Events (note 25)		

Dia Bras Exploration Inc.

(an exploration-stage company)

Consolidated Statements of Operations and Comprehensive Loss

	For the three-month period ended September 30, 2009		For the nine-month period ended September 30, 2009	
	\$ (unaudited)	\$ (unaudited) Restated (note 3)	\$ (unaudited)	\$ (unaudited) Restated (note 3)
Sales	4,630,760	4,452,750	11,224,341	17,726,250
Cost of sales (excluding amortization)	2,672,902	4,609,183	7,230,748	12,996,404
Amortization of property, plant and equipment	752,960	884,766	1,978,366	2,570,094
Selling, general and administrative expenses	1,472,524	1,832,079	4,078,479	5,644,180
Exploration and mine development expenditures	618,955	1,473,639	2,056,000	4,024,439
Write-off of mining assets	-	68,536	-	313,612
Stock-based compensation cost (note 14)	71,620	27,944	167,413	115,499
(Gain) loss on disposal of property, plant and equipment used in mining operations	9,842	-	3,797	5,339
Restructuring cost (note 16)	-	115,288	-	487,395
Interest expenses	72,233	104,496	170,594	157,841
Interest income	(518)	(9,953)	(1,964)	(71,724)
Net (gain) loss on variation of commodity market prices	(121,351)	2,597,153	(767,324)	1,826,499
(Gain) loss on change in value of temporary investment	8,350	29,225	(4,175)	87,675
(Gain) loss on currency exchange	(337,763)	237,964	(686,043)	64,846
(Loss) profit before income taxes	(588,994)	(7,517,570)	(3,001,500)	(10,495,849)
Income tax provision (note 18)				
Current	9,015	(342)	46,178	55,502
Loss and comprehensive loss	(598,009)	(7,517,228)	(3,047,728)	(10,551,351)
Basic and diluted loss per share	0.00	(0.07)	(0.01)	(0.09)
Basic and diluted weighted average number of outstanding shares	278,813,677	111,373,027	222,726,309	111,373,027
Going concern assumption (note 1)				
Commitments and Contingency (notes 22 and 23)				
Subsequent events (note 25)				

Dia Bras Exploration Inc.

(an exploration-stage company)

Consolidated Statement of Deficit

	For the three-month period ended September 30		For the nine-month period ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
		Restated		Restated
		(note 4)		(note 4)
Deficit – Beginning of the period				
As previously reported	(58,644,262)	(36,372,203)	(56,079,260)	(22,511,622)
Changes in accounting policies (note 4)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,826,458)</u>
As restated	(58,644,262)	(36,372,203)	(56,079,260)	(33,338,080)
Share issue expenses	(22,445)	-	(137,728)	-
Loss for the period	<u>(598,009)</u>	<u>(7,517,228)</u>	<u>(3,047,728)</u>	<u>(10,551,351)</u>
Deficit – End of the period	<u>(59,264,716)</u>	<u>(43,889,431)</u>	<u>(59,264,716)</u>	<u>(43,889,431)</u>

Dia Bras Exploration Inc.

(an exploration-stage company)

Consolidated Statements of Cash Flows

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2009 \$ (unaudited)	2008 \$ (unaudited) Restated (note •)	2009 \$ (unaudited)	2008 \$ (unaudited) Restated (note •)
Cash flows from				
Operating activities				
Loss for the period	(598,009)	(7,517,228)	(3,047,728)	(10,551,351)
Adjustments for				
Stock-based compensation costs (note 14)	71,620	27,944	167,413	115,499
Amortization of property, plant and equipment	752,960	884,766	1,978,366	2,570,094
Amortization of deferred tenant allowance	(4,797)	(4,797)	(14,391)	(14,391)
(Gain) loss on disposal of plant and equipment used in mining operations	9,842	-	3,797	5,339
Write-off of mining assets		68,536		313,612
Unrealized (gain) loss on variation of commodity market prices	483,233	(713,502)	(28,688)	(830,022)
(Gain) loss on change in value of temporary investment	8,350	29,225	(4,175)	87,675
Unrealized loss on currency exchange	(80,058)	129,024	(168,902)	129,024
Interest expense on mining concessions payable	37,006	68,041	97,271	113,402
	680,147	(7,027,991)	(1,017,037)	(8,061,119)
Changes in noncash working capital items (note 20)	(1,684,648)	4,283,933	(3,775,684)	2,005,802
	(1,004,501)	(2,744,058)	(4,792,721)	(6,055,317)
Financing activities				
Advance payable (note 10)	(400,119)	2,149,331	(1,206,265)	2,149,331
Issuance of share capital	3,999,999	-	9,293,003	44,000
Share issue expenses	(22,445)	-	(137,728)	-
	3,577,435	2,149,331	7,949,010	2,193,331
Investing activities				
Increase in mining assets (excluding property, plant and equipment used in mining operations)	(987,684)	(268,381)	(2,029,600)	(629,568)
Increase in property, plant and equipment used in mining operations	(344,098)	(110,768)	(720,613)	(802,028)
Disposal of property, plant and equipment in mining operations	9,038	-	44,114	24,189
Cash acquired on acquisition	129,909	-	129,909	-
Acquisition of property, plant and equipment	-	-	-	(2,915)
	(1,192,835)	(379,149)	(2,576,190)	(1,410,322)
Decrease in cash and cash equivalents during the period	1,380,099	(973,876)	580,099	(5,272,308)
Cash and cash equivalents – Beginning of the period	297,569	2,401,504	1,097,569	6,700,016
Cash and cash equivalents – End of the period (note 20)	1,677,668	1,427,708	1,677,668	1,427,708
Going concern assumption (note 1)				
Additional cash flow information (note 20)				
Commitments and Contingency (notes 22 and 23)				
Subsequent events (note 25)				

Dia Bras Exploration Inc.

(an exploration-stage company)

Notes to the Interim Consolidated Financial Statements (unaudited)

For the three- and nine-month periods ended September 30, 2009 and 2008

1 Nature of operations and going concern assumption

Dia Bras Exploration Inc. (the “Company”), an exploration-stage company, incorporated under the *Canada Business Corporations Act* on April 11, 1996, is principally in the business of acquisition, exploration and development of mineral properties.

The Company owns or controls several mining concessions located in the State of Chihuahua, Sonora, Jalisco, Zacatecas and Durango in Mexico, which are presently at the exploration stage. The economic viability of these mining properties has not yet been assessed. The recoverability of costs relating to the mining properties is dependent upon the discovery of economically recoverable reserves and resources, confirmation of the Company’s interest in the underlying mineral concessions, receipt of necessary permits and the ability of the Company to obtain the necessary financing to complete the development and construction of processing facilities, on-site where applicable, as well as future profitable production or, alternatively, upon disposal of such properties at an amount equal to the Company’s investment therein.

During 2009, the Company continued its pilot-mining program, initiated in 2005, at the Bolivar Mine property in order to gather information and data in view of a pre-feasibility study. However, the Company has not yet reached the commercial production stage.

In accordance with industry standards for properties at that stage of exploration, the Company is taking reasonable measures to ensure proper title to its properties. However, there is no guarantee that title to any of its properties will not be challenged or impugned. The Company’s properties may be subject to prior unregistered agreements or transfers, and title may be affected, among other things, by undetected defects (notes 10 and 22).

Although these interim consolidated financial statements have been prepared on a going concern basis in accordance with generally accepted accounting principles (“GAAP”), there is significant doubt as to the reasonableness of this assumption.

As of September 30, 2009, the Company has negative working capital of \$2,591,792 and an accumulated deficit of \$59,264,716 and has incurred a net loss of \$ 3,047,728 for the nine-month period ended September 30, 2009. In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its existing commitments for exploration and development programs, property payments and for general and administrative expenses.

As metal prices remained low during the first quarter of 2009, the Company was unable to meet its obligation with the providers of transportation services during the month of May. Therefore, the transportation of mineralized rock from the Bolivar Mine to the Malpaso mill was suspended for a period of 25 days during the second quarter. Pilot-mining activities, such as mining, development and exploration continued. The transportation services resumed during the second week of June 2009. Consequently, management revised its production forecast for Bolivar pilot-mining production to approximately 87,000 tonnes at average grades of 1.53% Cu and 10.07% Zn for 2009.

The Company is pursuing financing alternatives to fund its operations and to continue its activities as a going concern. Although there is no assurance that the Company will be successful in these actions, management is confident that it will be able to secure the necessary financing through the issuance of new equity and/or debts. The Company also plans to use part of the proceeds of the financing to fund the construction of a mill on site at Bolivar Mine that will reduce significantly direct operating cash costs.

Due to the current negative working capital and the accumulated deficit, there can be no assurance that the Company will be able to execute on its plans and there are no guarantees that measures taken by management will be successful. Without new funding being available, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these interim consolidated financial statements.

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(an exploration-stage company)

Notes to the Interim Consolidated Financial Statements (unaudited)

For the three- and nine-month periods ended September 30, 2009 and 2008

These interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of revenues and expenses and the classification of balance sheet items, were the going concern assumption inappropriate, and these adjustments could be material.

2 Acquisition of EXMIN Resources Inc.

On September 28, 2009, the Company announced that they had entered into a definitive agreement pursuant to which the Company would acquire, by way of a plan of arrangement, all of the outstanding common shares of EXMIN Resources Inc. (EXMIN) in an all-equity transaction.

Effective September 30, 2009, the Company acquired 100 percent of the outstanding common shares of EXMIN in an all-equity transaction. The results of EXMIN's operations have been included in these consolidated financial statements since the date of acquisition.

Pursuant to the acquisition agreement, EXMIN shareholders received 0.204 common shares of the Company for each common share of EXMIN. The Company issued 21.2 million common shares on closing at a price of \$0.235 per share based on the closing stock price of the Company's common shares at the date of the transaction.

In addition, all of EXMIN's outstanding stock options and warrants as at the date of acquisition were exchanged for equivalent instruments in the Company. Approximately 1.4 million stock options and 1.6 million warrants were issued by the Company in the exchange

The following table summarizes the estimated preliminary fair value of the assets acquired and liabilities assumed as at the date of acquisition:

TOTAL PURCHASED ASSETS

Current Assets

Cash and cash equivalents	129,909
Sales tax and other receivables	130,427
Temporary investments	55,000
Prepaid expenses	50,086
Property, plant and equipment	57,200
Mining interests	6,556,625
Total purchased assets	<u>6,979,247</u>

TOTAL PURCHASE CONSIDERATION

Current Liabilities

Accounts payable and accrued liabilities	1,439,712
Common share capital	4,989,010
Stock options	85,141
Purchase warrants	16,230
Transaction costs	449,154
Total purchase consideration	<u>6,979,247</u>

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Notes to the Interim Consolidated Financial Statements (unaudited)

For the three- and nine-month periods ended September 30, 2009 and 2008

3 Significant accounting policies, new accounting standards and accounting standards issued but not yet adopted

(a) Significant accounting policies

Basis of consolidation

These interim consolidated financial statements include the accounts of the Company and its wholly owned foreign subsidiaries, Dia Bras Mexicana S.A. de C.V., Servicios de Minería de la Sierra S. de R.L. de C.V., Bolivar Administradores S.A. de C.V., Dia Bras EXMIN Resources Inc., EXMIN Inc. and EXMIN S.A. de C.V.

Asesores Administrativos y Recursos Humanos S. de R.L. de C.V. is consolidated in the accounts of the Company as it is a variable interest entity (“VIE”) and the Company is the primary beneficiary of this entity.

The interim consolidated financial statements of the Company have been prepared following the same accounting policies and methods of computation as the annual audited consolidated financial statements of the Company as at December 31, 2008. These interim consolidated financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual audited consolidated financial statements and should be used in conjunction with the Company’s annual audited consolidated financial statements and notes thereto for the year ended December 31, 2008.

In January 2009, the CICA issued Emerging Issues Committee (“EIC”) Abstract 173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities (“EIC-173”). EIC-173 provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 is applicable for the Company’s interim and annual consolidated financial statements for its fiscal year ending December 31, 2009, with retrospective application. The adoption of EIC-173 did not result in a material impact on the Company’s consolidated financial statements.

In March 2009, the CICA issued EIC Abstract 174 - Mining Exploration Costs (“EIC-174”) which supersedes EIC Abstract 126 -Accounting by Mining Enterprises for Exploration Costs (“EIC-126”), to provide additional guidance for mining exploration enterprises on the accounting for capitalization of exploration costs and when an impairment test of these costs is required. EIC 174 is applicable for the Company’s interim and annual consolidated financial statements for its fiscal year ending December 31, 2009, with retrospective application. The adoption of EIC – 174 did not result in a material impact on the Company’s consolidated financial statements.

(b) Accounting standards issued but not yet adopted

Section 1582, “Business Combinations”

In January 2009, the CICA issued Section 1582, “Business Combinations”, which replaces Section 1581, “Business Combinations”. The Section establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), “Business Combinations”. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted.

Section 1601, “Consolidated Financial Statements” and Section 1602, “Non-controlling Interests”

In January 2009, the CICA issued Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-controlling Interests”, which together replace Section 1600, “Consolidated Financial Statements”. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602

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Notes to the Interim Consolidated Financial Statements (unaudited)

For the three- and nine-month periods ended September 30, 2009 and 2008

establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), "Consolidated and Separate Financial Statements". The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these new sections on the consolidated financial statements.

4 Changes in accounting policies

Revenues and expenditures during the pre-operating period

CICA Handbook Section 3064, "Goodwill and Intangible Assets", establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard requires expenditures incurred to provide future economic benefits to an entity in order to be capitalized as an intangible asset. On adoption of this new standard, EIC 27, "Revenues and Expenditures during the Pre-operating Period", is withdrawn. As a result, start-up costs that were previously capitalized are required to be expensed as incurred unless these expenditures are included in the cost of an item of property, plant and equipment in accordance with Section 3061, "Property, Plant and Equipment". The new standard applies to fiscal years beginning on or after October 1, 2008, and early adoption is encouraged.

In December 2008, the Company adopted this new standard with retrospective application. Accordingly, revenues and expenditures before commencement of commercial production at the Bolivar Mine that were previously capitalized to mining assets have been expensed as incurred. This change in accounting policy has been applied retroactively, and the financial statements as of January 1, 2008 have been restated. The effect of this change decreases the deficit at the beginning of the year ended December 31, 2008 by \$14,831,711.

Exploration and mine development expenditures

During the year ended December 31, 2008, the Company retrospectively changed its accounting policy regarding exploration and mine development expenditures to more appropriately align itself with policies applied by other comparable companies at a similar stage in the mining industry. Prior to the year ended December 31, 2008, the Company capitalized such costs to mining assets and only wrote down capitalized costs when the property was abandoned or if the capitalized costs were not considered to be economically recoverable. Exploration and mine development expenditures are now charged to earnings as incurred until the exploration and mine development expenditures meet the definition of an asset, which is when the mineral property has mineralization identified as proven and probable reserves. Significant costs related to property acquisitions are capitalized until the viability of the mineral interest is determined. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized. Management judges that this policy provides reliable and more relevant information because it results in a more transparent treatment of exploration and mine development expenditures and is consistent with the industry practice for companies at a similar stage, making the Company's consolidated financial statements more comparable. The effect of this change increases the deficit at the beginning of the year ended December 31, 2008, by \$25,658,169.

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The impact of these changes on the previously reported September 30, 2008, consolidated financial statements are as follows:

Effect on Consolidated Statement of Operations and Comprehensive Loss:

	As previously reported	Restatement	For the nine-month period ended September 30, 2008
	<u>\$</u>	<u>\$</u>	<u>As restated</u>
			<u>\$</u>
Sales	76,430	17,649,820	17,726,250
Cost of sales (excluding amortization)	-	12,996,404	12,996,404
Amortization of property, plant and equipment	56,940	2,513,154	2,570,094
Sales, general and administrative expenses	1,558,890	4,085,290	5,644,180
Exploration and mine development expenditures	-	4,024,439	4,024,439
Write-off of mining assets	913,309	(599,697)	313,612
Stock-based compensation costs	94,235	21,264	115,499
Interest expenses	44,439	113,402	157,841
Restructuring cost	-	487,395	487,395
(Gain) loss on currency exchange	64,883	(37)	64,846
Loss	(4,559,557)	(5,991,794)	(10,551,351)
Basic and diluted loss per share	(0.01)	(0.08)	(0.09)

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Notes to the Interim Consolidated Financial Statements (unaudited)

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Effect on Consolidated Statement of Cash flows:

	<u>As previously reported</u>	<u>Restatement</u>	<u>As restated</u>
	\$	\$	\$
Operating activities			
Loss	(4,559,557)	(5,991,794)	(10,551,351)
Adjustments for			
Stock-based compensation costs	94,235	21,264	115,499
Amortization of property, plant and equipment	56,940	2,513,154	2,570,094
Write-off of mining assets	913,309	(599,697)	313,612
Interest expense on mining concessions payable	-	113,402	113,402
Changes in noncash working capital items	(964,448)	2,970,250	2,005,802
Cash flows from operating activities	(5,210,920)	(844,397)	(6,055,317)
Investing activities			
Increase in costs and deferred exploration expenses	(17,876,480)	17,246,912	(629,568)
Proceeds from sales of concentrates	16,419,826	(16,419,826)	-
Increase in land, exploration buildings and equipment	(819,339)	17,311	(802,028)
Cash flows from investing activities	(2,254,719)	844,397	(1,410,322)

5 Financial instruments and risk management

(a) Fair value

The Company has determined the estimated fair value of its financial instruments based on estimates and assumptions. Actual results may differ from those estimates, and the use of different assumptions or methodologies may have material effects on the estimated fair value amounts.

The fair value of cash and cash equivalents, receivable from pilot mining, accounts payable, advance payable and accrued liabilities is comparable to their carrying value due to the relative short period to maturity of the instruments.

The temporary investment and provision for final settlement are measured at their fair market value.

The fair value of mining concessions payable was measured at fair value at the initial recognition using prevailing market interest rates for a similar instrument with a similar credit rating as described in

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note 10 (b). The fair value is comparable to its carrying value due to the absence of significant change in the market interest rates for similar instruments.

(b) Risk management policies and hedging activities

The Company is sensitive to changes in commodity prices, foreign exchange and interest rates. The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Although the Company has the ability to address its price-related exposures through the use of options, future and forward contracts, it does not generally enter into such arrangements. Similarly, derivative financial instruments are not used to reduce these financial risks.

Interest rate risk

The Company's trade receivables (payables), accounts payable and accrued liabilities and mining concessions payable are non-interest bearing. The advance payable bears interest at the 3-month LIBOR rate plus 4%. Cash and cash equivalents bear interest at variable and fixed rates as mentioned in note 20.

A 1% annual percentage rate decrease in interest rates would have an impact on the loss for the nine-month period ended September 30, 2009, as follows based on the balances as at September 30, 2009:

	As at September 30, 2009	Decrease of loss
	<u>\$</u>	<u>\$</u>
Advance payable	1,063,623	7,977
Short-term deposits	<u>30,803</u>	<u>231</u>

Foreign exchange risk

The Company's sales of concentrates and part of its purchases are denominated in foreign currencies, primarily in U.S. dollars and Mexican pesos. Consequently, certain assets and liabilities namely cash and cash equivalents, trade receivables and payables, sales tax and other receivables, income tax receivable and payable, accounts payable and accrued liabilities, advance payable, mining concessions payable, as well as revenues and certain expenses, include amounts that are exposed to currency fluctuations.

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Notes to the Interim Consolidated Financial Statements (unaudited)

For the three- and nine-month periods ended September 30, 2009 and 2008

As at September 30, 2009, the following balance sheet items included amounts in foreign currencies as follows:

	As at September 30, 2009	
	US\$	MX\$
Cash and cash equivalents	(1,594)	1,204,045
Sales tax and other receivables		17,523,882
Accounts payable and accrued liabilities and income tax receivable and payable	(135,503)	(39,347,431)
Trade payables	(462,679)	
Mining concessions payable	(1,464,252)	
Advance payable	(992,000)	
Net balance	<u>(3,056,028)</u>	<u>(20,619,504)</u>
Equivalent in Canadian dollars	<u>(3,276,673)</u>	<u>(1,639,865)</u>
		As at December 31, 2008
	US\$	MX\$
Cash and cash equivalents	297,053	2,100,475
Sales tax and other receivables	-	16,874,700
Accounts payable and accrued liabilities and income tax receivable and payable	(64,133)	(43,586,113)
Mining concessions payable	(2,412,244)	-
Advance payable	(2,000,000)	-
Trade payables	(3,224,637)	-
Net balance	<u>(7,403,961)</u>	<u>(24,610,938)</u>
Equivalent in Canadian dollars	<u>(9,066,890)</u>	<u>(2,178,808)</u>

Assuming that all the other variables are constant, a decrease of 10% in the U.S. dollar exchange rate based on the balances as of September 30, 2009, would generate a decrease of \$327,667 on the loss for the nine-month period ended September 30, 2009. A decrease of 10% in the Mexican peso exchange rate based on the balances as of September 30, 2009, would generate a decrease of \$163,986 on the loss for the nine-month period ended September 30, 2009.

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Credit risk

The Company is subject to concentrations of credit risk through cash and cash equivalents, trade receivables (payables), and other receivables. The Company maintains substantially all of its cash and cash equivalents with major financial institutions in Canada and in Mexico. Therefore, according to management, credit risk of counterparty non-performance is remote. The totality of the Company's trade receivables (payables) is with a sole client and is subject to normal credit risks. The totality of sales tax receivable is with the Government of Mexico, and, as such, management believes it also represents a normal credit risk.

As at September 30, 2009, management considers none of the accounts receivable doubtful and therefore no allowance has been registered.

Commodity price risk

The Company is exposed to commodity price risk for variations in concentrate prices for sales for which the prices are not fixed, as final prices are determined by quoted market price in a period subsequent to the date of sale. As a result, the values of the unsettled sales of concentrate change as the underlying commodity market prices vary. This component of the contract is an embedded derivative, which is recorded at fair value with changes in fair value recorded in net earnings. The Company has the ability to address its price-related exposure through the limited use of options, future and forward contracts. At the date of the balance sheet, the Company does not use derivative instruments to mitigate this risk.

The following table represents the effect on the loss of a 10% increase to commodity prices for the nine-month period ended September 30, 2009, based only on the open positions balances for which prices are not fixed and on the weighted average forward prices on shipments that had not reached the final settlement stage as at September 30, 2009:

	Open positions (tonnes)	Expected settlement periods	Weighted average forward price on September 30, 2009 US\$	Decrease of loss for the nine-month period ended September 30, 2009 CA\$
Copper	<u>278</u>	<u>November 2009</u>	<u>2.79</u>	<u>48,458</u>

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. The Company does not believe it has sufficient liquidity to meet these obligations and will consider securing additional funds through equity or debt transactions. The Company is seeking financing in the near future to fund the construction of a mill on site at Bolivar Mine that will reduce significantly direct operating costs.

The Company's results were significantly affected by the market price of base and precious metals which are cyclical and subject to substantial price fluctuations. Metal prices will continue to be the most significant factor influencing the Company's operation going forward. The Company's revenues are

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particularly sensitive to the change in the market prices of zinc, copper, lead and silver. Market prices can be affected by numerous factors beyond the Company's control, including levels of supply and demand for a broad range of industrial products, expectations with respect to the rate of inflation, the relative strength of the U.S. dollar and of certain other currencies, interest rates, global or regional political or economic crises and sales of precious and base metals by holders in response to such factors. The price of zinc, copper and other metals has fluctuated widely in recent months. It is difficult to forecast the expected duration of the current down-cycle for metal prices as it is being driven by both slowing economic growth and negative sentiment in the commodity markets. Future price declines may materially reduce the Company's cash flow.

The contractual commitments for financial liabilities as at September 30, 2009, are as follows:

	Total	Less than 6 months	Between 6 and 12 months	More than 1 year
	\$	\$	\$	\$
Accounts payable and accrued liabilities	5,454,721	5,454,721	-	-
Advance payable including interest	1,194,429	1,194,429	-	-
Mining concessions payable	1,967,085	783,376	739,818	443,891
Trade payables	496,084	496,084	-	-
	<u>9,112,319</u>	<u>7,928,610</u>	<u>739,818</u>	<u>443,891</u>

6 Trade receivables (payables)

The Company's trade receivables (payables) are detailed as follows:

	As at September 30, 2009	As at December 31, 2008
	\$	\$
Final settlement payable	767,338	(785,002)
Provision for final settlement*	<u>(1,263,422)</u>	<u>(3,163,889)</u>
	<u>(496,084)</u>	<u>(3,948,891)</u>

*The provision for final settlement represents the estimated amount that would be recovered or paid back as at September 30, 2009, on shipments of concentrates for which the Company received provisional payments of approximately 90% of the shipment value at the date of shipment. As at September 30, 2009, shipments that had not reached the final settlement stage comprised approximately 3,124 tonnes of zinc concentrate (3,997,951 lbs. payable), 1,089 tonnes of copper concentrate (659,345 lbs. payable). As at December 31, 2008, shipments that had not reached the final settlement stage comprised approximately 9,169 tonnes of zinc (11,613,145 lbs. payable), 3,717 tonnes of copper (2,316,141 lbs. payable) and 276 tonnes of lead (261,448 lbs. payable). Final settlement value will be determined at the end of the quotational period under the terms of the arrangement and may vary from the current provisional amount.

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7 Inventories

	As at September 30, 2009	As at December 31, 2008
	\$	\$
Broken material	103,983	225,564
Concentrates	379,623	625,527
Supplies and spare parts	1,689,065	1,359,514
	<u>2,172,671</u>	<u>2,210,605</u>

The sum of the cost of sales and of the quasi totality of amortization of property, plant and equipment used in mining operations as presented in the consolidated statement of operations represents the cost of inventories recognized as expenses.

For the period ended September 30, 2009, the amortization of property, plant and equipment used in mining operations charged to inventories amounts to \$ 81,908 (\$17, 312 in 2008).

During the nine-month period ended September 30, 2009, the Company recorded an inventory to the net realizable value of the inventories in the amount of \$508,843 (nil in 2008) mainly due to the decrease of lead prices.

8 Temporary investment

	As at September 30, 2009	As at December 31, 2008
	\$	\$
Pershimco Resources Inc. ("Pershimco")		
835,000 common shares – at quoted market value (September 30, 2009 – 835,000 common shares at quoted market value)	62,625	58,450
Yale Resources Ltd. ("Yale")		
500,000 common shares – at quoted market value (September 30, 2009)	55,000	-
	<u>117,625</u>	<u>58,450</u>

The change in the temporary investment value during the nine-month period ended September 30, 2009, was due to an increase in the fair value of the common shares for a total amount of \$59,175.

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9 Property, plant and equipment

	As at September 30, 2009		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Computer equipment	87,037	75,272	11,765
Office equipment	71,133	64,288	6,845
Leasehold improvements	160,976	76,773	84,203
	<u>319,146</u>	<u>216,333</u>	<u>102,813</u>

	As at December 31, 2008		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Computer equipment	87,037	58,225	28,812
Office equipment	71,133	46,504	24,629
Leasehold improvements	160,976	54,484	106,492
	<u>319,146</u>	<u>159,213</u>	<u>159,933</u>

10 Advance payable

On July 14, 2008, the Company's wholly owned subsidiary Dia Bras Mexicana S.A. de C.V. entered into a \$2,012,200 (US\$ 2,000,000) working capital loan facility with MRI Trading AG ("MRI"), which is also the sole client of the Company. This advance credit facility bears interest at the 3-month LIBOR rate plus 4% payable monthly over an 18-month period starting 6 months after the reception of the funds. Such reimbursement shall be made of 17 monthly instalments of \$120,086 (US\$112,000) and a final instalment of \$102,931 (US\$96,000).

To secure the repayment of advances made under this advance credit facility, the Company signed a letter of credit as a guarantee in favour of Credit Agricole (Suisse) S.A. (the "Bank"). The letter is governed by Swiss law and gives the right to the Bank to take legal action against the Company before any other competent court or jurisdiction. In addition, the Company made a commitment to sell exclusively to MRI its future production of zinc, copper and lead concentrates until mid-2010. Along with this agreement, the Company agreed to deliver to MRI monthly lots estimated at approximately 1,500 - 1,750 metric tonnes of zinc, 500 - 700 metric tonnes of copper and 150 - 200 metric tonnes of lead-silver concentrates. If MRI terms and conditions cannot be met, Dia Bras may have to reimburse the loan facility in its entirety or in part, upon first demand.

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In July 2009, the Company signed a new agreement with MRI to limit the payments of the outstanding short-term debt. Consequently, the balance of 2009 payments will be significantly reduced from a monthly average of \$353,826 (US\$330,000) to \$128,363 (US\$112,000) per month. Under this new agreement, the Company has made a commitment to sell its future production of zinc and copper concentrates from its Bolivar properties to MRI, on an exclusive basis, up to the end of December 2014. The agreement will be revised in January 2010, with a view to resuming the previous level of monthly repayments.

As of September 30, 2009, the Company was in default of delivering such quantities of concentrate to MRI and could therefore be required to repay the loan facility in its entirety or in part, upon first demand. Therefore, the advance payable of \$1,063,623 is shown under current liabilities.

11 Mining assets

	As at September 30, 2009	As at December 31, 2008
	<u>\$</u>	<u>\$</u>
Mining concessions (a)	14,096,806	7,441,067
Property, plant and equipment used in mining operations (c)	<u>7,319,538</u>	<u>8,592,790</u>
	<u>21,416,344</u>	<u>16,033,857</u>

The ongoing challenging conditions in financial and commodity markets and the related uncertainty prompted management to write down its mining assets in December 2008, by \$4,049,541 to reflect the results of its impairment analysis. The Company reviewed the capitalized costs on its mining assets and recognized impairment in value based upon significant adverse changes in the business climate and a significant decrease in the Company's market capitalization compared to the carrying value of its net assets. The Company determined the fair value of the mining assets as at December 31, 2008, using the market approach and the market capitalization method. The impairment amount was applied to mining assets and allocated to various properties on the basis of their importance and the Company's plan for their development in the near future.

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(a) Mining concessions

	As at September 30, 2009	As at December 31, 2008
	<u>Costs</u>	<u>Costs</u>
	\$	\$
Mexico (State of Chihuahua)		
Bolivar projects		
Bolivar III and IV (Bolivar Mine property) ((iv) and note 22)	1,520,389	1,463,591
La Chaparrita (ii)	69,354	69,297
Bolivar (iii)	70,408	69,211
Piedras Verdes	306,386	306,140
Other	93,764	82,661
Cusi projects (vi)		
India and Marisa (a)	189,837	188,937
Holguin and San Juan (b)	1,110,758	1,110,046
San Miguel – La Bamba (c) (option)	174,981	173,990
Minera Cusi – Santa Eduwiges/San Nicolas (d) (option)	3,968,435	3,951,568
Other	35,870	25,626
EXMIN projects		
Reyna de Oro	4,147,697	-
Maguarichic	25,494	-
Moris	783,604	-
Arechuyvo	171,855	-
Oribo	610,176	-
Batopilas	36,894	-
Melchor Ocampo	23,923	-
Horcon	415,929	-
Cerro Gordo	221,444	-
El Pino	119,611	-
	<u>14,096,806</u>	<u>7,441,067</u>

(i) La Engañososa

In February 2008, the Company entered into an option agreement with Arnoldo Castañeda Martínez and Consorcio Minero Latinoamericano, S.A. de C.V. (“Martinez-Consorcio Minero”) whereby it could earn a 100% interest in the La Engañososa property by paying a total amount of \$1,356,333 (US\$1,265,000) over a three-year period including \$66,814 (US\$65,000) paid at the date of signing and by incurring minimum exploration expenditures of \$321,660⁽¹⁾ (US\$300,000) per year over the same three-year period.

In August 2008, after the first phase of exploration, management decided not to pursue this option further. Therefore, the Company abandoned the project, and all costs in the amount of \$68,536 were written off during the third quarter of 2008.

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(ii) La Chaparrita

In January 2008, the Company entered into a purchase agreement with Minera Senda de Plata regarding the La Chaparrita property for a total amount of \$87,372 (US\$85,000)

(iii) Bolivar

In January 2008, the Company entered into a purchase agreement with the Fernandez Group regarding the Bolivar property for a total amount of \$87,372 (US\$85,000).

(iv) Bolivar III and IV (the "Bolivar Mine property")

In August 2004, the Company entered into a commercial agreement with the owners of the Bolivar III and Bolivar IV ("Bolivar Mine property"). The agreement provides for the acquisition by the Company of 100% of these two concessions for a consideration of US\$1,200,000 payable over a two-year period. The last payment scheduled in 2006, was delayed due to legal issues (note 23).

In October 2007, the Company entered into a termination and transfer of rights agreement in reference to the commercial agreement and, upon signature, made a payment of \$164,272 (US\$166,250). As at September 30, 2009, an amount of \$30,156⁽¹⁾ (US\$28,125) remains to be paid and is included in mining concessions payable.

(v) San José properties

In July 2003, the Company entered into an option agreement with El Paso Partners, Ltd. ("EPP") and its wholly owned subsidiary Polo y Ron Minerales S.A. de C.V. to acquire a cumulative interest of up to 100% in the San José silver and base metal properties, in the State of Chihuahua, Mexico, for a total consideration of US\$349,500 and exploration expenditures of US\$1,638,000 until July 2009. The remaining payment of \$38,546 (US\$37,500) for the San José properties was made in February 2008.

On May 30, 2008, the Company decided to abandon the San José properties. Consequently, all costs accumulated on the related mining concessions as at that date, amounting to \$245,076, were written off in the second quarter of 2008. EPP has yet to officially accept the Company's option termination letter.

(vi) Cusi Project

In May and June 2006, the Company staked ground and entered into different agreements in order to earn interest in contiguous mining concessions (the "Cusi Properties") in the Cusihiuriachic ("Cusi") silver district in Chihuahua State, Mexico, located within 40 kilometres of the Company's Malpaso mill, as follows:

(a) La India and La Marisa properties are subject to a 1.5% NSR of up to a maximum of \$1,608,300⁽¹⁾ (US\$1,500,000) with a \$1,072,200⁽¹⁾ (US\$1,000,000) buy-back option.

(b) The Holguin properties, including the San Juan property, are subject to a 1.5% NSR of up to a maximum of \$1,608,300⁽¹⁾ (US\$1,500,000). The NSR can be purchased for \$1,072,200⁽¹⁾ (US\$1,000,000). As at September 30, 2009, an amount of \$13,403⁽¹⁾ (US\$12,500) remains to be paid. This amount is included in mining concessions payable. The majority of the property titles have been transferred to the Company and only 50% of one of the property titles remains to be transferred.

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- (c) On May 31, 2006, the Company entered into an option agreement with Pershimco Resources Inc. ("Pershimco") to earn a 50% interest in the San Miguel-La Bamba properties.

In June 2008, the Company and Pershimco Resources Inc. entered into a joint venture agreement ("JVA") for the San Miguel and La Bamba properties. Pursuant to the terms of the JVA, Pershimco must incur \$1,608,300⁽¹⁾ (US\$1,500,000) of expenditures on the properties before having the right to acquire an additional 20% interest on the properties at a cost of \$1,072,200⁽¹⁾ (US\$1,000,000). The JVA provides for Pershimco being the operator for all exploration and development of the properties which will be managed through a jointly owned Mexican subsidiary. Pershimco and Dia Bras each hold a 50% interest in the properties. The properties are subject to a 2% NSR of which 1% may be bought back for \$1,072,200⁽¹⁾ (US\$1,000,000). As at September 30, 2009, the jointly owned Mexican subsidiary has not been constituted.

As at September 30, 2009, the transfer of 50% of the property title of San Miguel had not been completed due to a legal issue that Pershimco has on the ownership of the property.

- (d) On June 14, 2006, the Company signed a letter of intent to enter into an option agreement to earn a 100% interest in several mining concessions with Compañía Minera Cusi ("Minera Cusi"), a private Mexican company, for \$5,561,000 (US\$5,000,000) payable over three years.

In April 2008, the Company negotiated new terms of agreement with Minera Cusi in order to redefine the schedule of payments. The new agreement represents a purchase agreement for a total amount of \$3,102,473 (US\$3,060,000) to be paid as follows: \$506,940 (US\$500,000) (paid at the date of signing), \$609,150 (US\$500,000) in November 2008 (paid on December 11, 2008) and four quarterly instalments of \$552,183⁽¹⁾ (US\$515,000) in March, June, September and December 2009. As at September 30, 2009, an amount of \$1,350,972⁽¹⁾ (US\$1,260,000) is included in mining concessions payable.

In January 2009, the Company negotiated new terms with Minera Cusi in order to redefine the schedule of payments as follows: \$107,220⁽¹⁾ (US\$100,000) (paid on the date of signature of the new terms), 19 monthly payments of \$107,220⁽¹⁾ (US\$100,000) and a final payment of \$64,332⁽¹⁾ (US\$60,000) for a total purchase price of \$2,208,732⁽¹⁾ (US\$2,060,000).

The properties are subject to a sliding scale royalty in favour of Minera Cusi as follows: 2% NSR if the price of silver is equal to a maximum of \$11.79⁽¹⁾ (US\$11.00) per ounce or 3% NSR if the price of silver exceeds \$11.79⁽¹⁾ (US\$11.00) per ounce.

The Company is in the process of completing the transfer of four property titles following the signature of the purchase agreement.

- (vii) Reyna de Oro project

The Company has a 25% interest in two concessions covering 20 hectares of the Reyna de Oro project. The Company can acquire the remaining 75% interest by making staged payments to the owners of the concessions totalling US\$2,084,000 over three years, of which US\$1,059,000 has been paid. This project also includes certain concessions owned 100% by the Company, including the Luz de Oro concession.

- (viii) Maguarichic project

In February, 2006, EXMIN granted an option to Industrias Peñoles S.A. de C.V. ("Peñoles") to earn up to a 75% interest in the Company's Maguarichic Project. In order to earn up to a 65% interest, Peñoles was

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required to make staged payments to the Company of US\$600,000, drill a minimum of 2,000 metres and incur exploration expenditures of US\$3,500,000 by February, 2011. Peñoles earned 30% of this project to December 31, 2008, but decided not to continue with the earn-in. Under the terms of the agreement, Peñoles keeps its 30% stake in this project.

(ix) Moris project and Arechuyvo projects

The Company acquired certain concessions in the Moris and Arechuyvo districts of western Chihuahua State, Mexico, for a cash payment of US\$100,000. The Company holds 100% title ownership of these concessions.

During March, 2009, in conjunction with its offer to purchase the EXMIN's stake in Mina Santa Maria Moris, S.A. de C.V. ("MSMM"), Caza Gold Corp. (Caza), a private subsidiary of Canarc Resource Corp. (Canarc), presented a proposal to purchase the Moris exploration project for a consideration of 400,000 shares of Caza. In addition, the Company would receive a 1% net smelter return capped at US \$1,000,000 for the Moris properties and capped at US \$1,000,000 on all other transferred properties that do not have existing NSRs owing to third parties. The transaction costs would be shared equally by both parties. The definitive agreement was executed on September 24, 2009.

The Moris project integrates an option agreement to acquire 4 concessions in the Moris area of Western Chihuahua, Mexico. Under the terms of the option agreement, the Company has to pay a total of US\$400,000 over a three-year term from April, 2010, to April 2012, of which US\$135,000 has been paid.

(x) Oribo project

The Oribo project represents an option agreement to acquire 8 concessions in the San Rafael de Oribo area of Western Chihuahua, Mexico. Under the terms of the option agreement, the Company has to pay a total of US\$1,000,000 over a five-year term from July, 2009, to July 2014, of which US\$30,000 has been paid.

(xi) Batopilas project

The Company acquired certain concessions by staking in the Batopilas region of Chihuahua State, Mexico. The Company also entered into an option agreement to acquire 100% of the rights of two concessions in the Batopilas region. Under the terms of the agreement, the Company will pay US \$560,000 over four years, of which US\$80,000 has been paid.

In September, 2007, EXMIN entered into an option with Canarc Resource Corp. ("Canarc") whereby Canarc can acquire up to a 75% interest in an approximately 800 hectare portion of the concession by issuing 15,000 common shares and paying US\$25,000 on the first anniversary of the agreement (which has been paid) and spending US\$1 million on exploration on the project over 5 years. On September 24, 2009, in conjunction with the Moris Agreement mentioned above, Canarc retired from the option agreement, and EXMIN subsequently sold to Caza a 100% interest in the 800 hectare area that had been subject to the Canarc option agreement, keeping a 1% NSR.

(xii) Melchor Ocampo

The Company acquired certain concessions by staking in the Melchor Ocampo district of Zacatecas, Mexico. There is an additional option agreement to acquire 100% of the rights of four concessions in the Melchor Ocampo district of Zacatecas, Mexico. Under the terms of the agreement the Company will pay US\$1,000,000 over five years, of which US\$60,000 has been paid.

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(xiii) Horcon Project

The Company entered into an agreement to acquire 100% of the rights of eighteen concessions in the northern extension of the Guanajuato district of central Mexico. Under the terms of the option agreement, the Company will pay US\$1,500,000 over three years, of which US\$200,000 has been paid. The properties are subject to a 1.5% NSR which is capped at US\$500,000.

Also, the Company entered into a second option agreement to acquire 100% of the rights to seven concessions by paying US\$1,500,000 over three years, of which US\$100,000 has been paid. The concessions are subject to a 1.5% net smelter return royalty capped at US\$400,000; 1% of the NSR can be purchased for US\$250,000 at any time.

(xiv) Cerro Gordo

The Company entered into a letter of agreement with AmMex Gold Mining Corp (“AmMex”), and a joint venture agreement dated April, 2008, to explore one concession in the Melchor Ocampo district called Cerro Gordo. Under the terms of this agreement, AmMex would fund exploration drilling up to US\$150,000 to earn a 70% project interest, while the Company would earn a 30% project interest for staking the concession and being the project operator for the initial phase of exploration. All additional expenditures would be shared on a 70/30 basis. AmMex could not complete payment of its committed participation expenses in the project, and on September 1, 2009, AmMex formally returned its 70% interest in the concession to EXMIN.

(xv) El Pino project

The Company entered into an option agreement to acquire 100% of the rights of two concessions in the state of Durango, Mexico. Under the terms of the agreement, the Company will pay US\$400,000 over two years, of which US\$105,000 has been paid. The concessions are subject to a 2% NSR.

⁽¹⁾ Converted at the rate of exchange in effect as at September 30, 2009.

(b) *Mining concessions payable*

The total mining concessions payable are included in the financial statements as follows:

	As at September 30, 2009	As at December 31, 2008	As at September 30, 2009	As at December 31, 2008
	US\$	US\$	\$	\$
Mining concessions	1,464,252	2,412,244	1,569,972	2,954,034
Less: short-term portion	1,446,276	1,467,195	1,550,697	1,796,727
Long-term portion	<u>17,976</u>	<u>945,049</u>	<u>19,275</u>	<u>1,157,307</u>

Since mining concessions payable are non-interest bearing, the mining concession (note 11 (a) (vi) (d)) and the financial liability have been measured at fair value at the initial recognition based on an estimate of the present value of all future cash outflows discounted using prevailing market rates as interest for a similar instrument with a similar credit rating representing an effective interest rate of 8.31%.

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(c) *Property, plant and equipment used in mining operations*

	As at September 30, 2009		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land	459,332		459,332
Buildings			
Plant	2,122,620	(929,809)	1,192,811
Camp	420,520	(293,422)	127,098
Machinery and equipment	13,535,750	(9,291,752)	4,243,998
Computers and office furniture	1,170,642	(978,067)	192,575
Rolling stock	3,259,167	(2501,624)	757,543
Work in progress – Bolivar plant	346,181		346,181
	<u>21,314,212</u>	<u>(13,994,674)</u>	<u>7,319,538</u>

	As at December 31, 2008			
	Cost	Accumulated amortization	Impairment	Net
	\$	\$	\$	\$
Land	273,813	-	59,516	214,297
Buildings				
Plant	2,122,620	578,924	261,166	1,282,530
Camp	420,520	200,134	47,903	172,483
Machinery and equipment	13,380,289	6,641,207	1,248,134	5,490,948
Computers and office furniture	1,090,541	636,640	108,251	345,650
Rolling stock	3,326,519	2,015,614	224,023	1,086,882
	<u>20,614,302</u>	<u>10,072,519</u>	<u>1,948,993</u>	<u>8,592,790</u>

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12 Share capital

Authorized

An unlimited number of common shares without par value

Issued

Changes in the Company's share capital were as follows:

	For the nine-month period ended September 30, 2009		For the year ended December 31, 2008	
	Number of shares	Amount \$	Number of shares	Amount \$
Balance – Beginning of the period	136,501,269	54,966,786	111,371,269	53,218,198
Issued and paid in cash ^{(i) (ii) (iii)}	168,866,091	9,293,005	25,000,000	2,000,000
Less: value of warrants ^{(i) (ii) (iii)}		(1,925,521)	-	(325,000)
Issued pursuant to acquisition of EXMIN Resources Inc.(note 2)	21,229,828	4,989,010	-	-
Issued following exercise of stock options (notes 14 and 15)	-	-	130,000	73,588
Balance – End of the period	<u>326,597,188</u>	<u>67,323,280</u>	<u>136,501,269</u>	<u>54,966,786</u>

(i) On July 9, 2009, the Company closed private placements of \$4,000,000 and issued 72,727,273 units at a price of \$0.055 per unit. Each unit being comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to subscribe to one common share at a price of \$0.10 for an eighteen months period expiring on January 9, 2011. The net proceeds will be used for mine development activities at the Cusi silver project in view to commence the pilot mining activities; to build the cyanidation vats at the Malpaso facilities and the balance will be used for working capital purposes.

The fair value of the common share purchase warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield – 0%, volatility – 110%, risk-free interest rate – 1.16%, expected life – 18 months. As a result, the fair value was estimated at \$945,455 (note 12).

(ii) On June 3, 2009, the Company closed private placements of \$925,520 and issued 18,510,400 units at a price of \$0.05 per unit. Each unit being comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to subscribe to one common share at a price of \$0.10 for a one year period expiring on December 3, 2011. The net proceeds will be used to finance the operations of the Company.

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The fair value of the common share purchase warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield – 0%, volatility – 92.58%, risk-free interest rate – 2.02%, expected life – 30 months. As a result, the fair value was estimated at \$222,125 (note 12).

- (iii) On June 18, 2009, the Company closed private placements of \$558,280 and issued 11,165,600 units at a price of \$0.05 per unit. Each unit being comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to subscribe to one common share at a price of \$0.10 for a one year period expiring on December 9, 2011. The net proceeds will be used to finance the operations of the Company.

The fair value of the common share purchase warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield – 0%, volatility – 92.58%, risk-free interest rate – 2.02%, expected life – 30 months. As a result, the fair value was estimated at \$133,987 (note 12).

- (iv) On March 25, 2009, the Company closed a private placement of \$1.96 million and issued 35,712,818 units at \$0.055 per unit. Each unit is composed of one common share and one purchase warrant. Each warrant entitles the holder thereof to subscribe to one common share of the Company at a price of \$0.11 for a period of twelve months expiring on March 25, 2010. The net proceeds are used for general corporate purposes.

The fair value of the common share purchase warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield – 0%, volatility – 100%, risk-free interest rate – 1.10%, expected life – 1 year. As a result, the fair value was estimated at \$285,703 (note 12).

- (v) On February 17, 2009, the Company closed a private placement of \$1.845 million and issued 30,750,000 units at \$0.06 per unit. Each unit is composed of one common share and one purchase warrant. Each warrant entitles the holder thereof to subscribe to one common share of the Company at a price of \$0.15 for a period of 18 months. The proceeds are used for the engineering study for the construction of the Bolivar mill and for general corporate and working capital purposes. The private placement resulted in the creation of a new control person, which was approved by a majority of the disinterested shareholders at a special meeting held on February 16, 2009.

The fair value of the common share purchase warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield – 0%, volatility – 105.96%, risk-free interest rate – 1.39%, expected life – 18 months. As a result, the fair value was estimated at \$338,250 (note 12).

- (vi) On November 20, 2008, the Company closed a private placement of \$2 million and issued 25,000,000 units at \$0.08 per unit. Each unit is composed of one common share and one purchase warrant. Each warrant entitles the holder thereof to subscribe to one common share of the Company at a price of \$0.20 for a period of two years. The net proceeds will be used for general corporate purposes.

The fair value of the common share purchase warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield – 0%, volatility – 85.22%, risk-free interest rate – 2.03 %, expected life – 2 years. As a result, the fair value was estimated at \$325,000 (note 12).

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13 Warrants and compensation options

Changes in the Company's outstanding common share purchase warrants and compensation options were as follows:

	For the nine-month period ended September 30, 2009		For the year ended December 31, 2008	
	Number of warrants	Amount \$	Number of compensation options	Amount \$
Balance – Beginning of the period	25,000,000	325,000	-	-
Issued (note 11)	168,866,091	1,925,521	25,000,000	325,000
Issued pursuant to acquisition of EXMIN Resources Inc.(note 2)	1,636,262	16,230	-	-
Balance – End of the period	<u>195,502,353</u>	<u>2,266,751</u>	<u>25,000,000</u>	<u>325,000</u>

A summary of outstanding warrants, entitling their holders to subscribe for an equivalent number of common shares, as at September 30, 2009, is as follows:

Exercise price \$	Number of warrants	Expiry date
0.20	25,000,000	November 2010
0.15	30,750,000	August 2010
0.11	35,712,818	March 2010
0.10	29,676,000	December 2011
0.10	72,727,273	January 2011
3.68	816,000	April 2010
2.45	382,500	November 2009
2.45	34,000	March 2010
0.49	163,200	October 2010
0.49	86,816	November 2010
0.49	92,546	December 2010
1.96	49,474	October 2009
1.96	11,726	November 2009

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14 Stock option plan

The Company maintains a stock option plan (the "Plan") whereby the Board of Directors may, from time to time, grant to employees, officers, directors or consultants options to acquire common shares of the Company on such terms and at such exercise prices as may be determined by the Board. As at September 30, 2009, the Plan provides that: i) the maximum number of common shares in the capital of the Company that may be reserved for issuance under the Plan shall be equal to 13,600,000 (as of December 31, 2008 – 10,900,000) common shares, and ii) that the maximum number of common shares that may be reserved for issuance to any one optionee pursuant to a share option may not exceed 5% of the common shares outstanding at the time of grant.

The options must be exercised within five years of grant. The exercise price may not be lower than the market price of the common shares at the time of grant. Beginning September 2006, until November 2007, options granted were entirely vested at the date of grant. All options granted after November 2007, have a vesting period of two years as follows: 33 1/3% on the grant of the options, 33 1/3% one year after the grant and 33 1/3% two years after the grant of the options.

On September 30, 2009, the Board granted a total of 600,000 options to purchase common shares of the Company to its new consultants. The options are exercisable until September 30, 2010, at a price of \$0.15, from September 30, 2010, to September 30, 2011, at a price of \$0.20 and from September 30, 2011, until the expiry date on September 30, 2014, at a price of \$0.25.

On August 18, 2009, the Board granted a total of 20,000 options to purchase common shares of the Company to an employee. The options are exercisable at a price of \$0.18 until August 18, 2014.

On June 23, 2009, the Board granted a total of 2,090,000 options to purchase common shares of the Company to its directors, officers and employees. The options are exercisable at a price of \$0.10 until June 14, 2014.

On March 25, 2009, the Board granted a total of 1,000,000 options to purchase common shares of the Company to its Chief Executive Officer. The options are exercisable until March 25, 2010, at a price of \$0.15, from March 26, 2010, to March 25, 2011, at a price of \$0.20 and from March 26, 2011, until the expiry date on March 25, 2014, at a price of \$0.25.

On November 25, 2008, the Board granted a total of 540,000 options to purchase common shares of the Company to its officers and employees. The options are exercisable at a price of \$0.10 until November 2013.

On June 11, 2008, the Board granted a total of 300,000 options to purchase common shares of the Company to its new directors and a consultant. The options are exercisable at a price of \$0.45 until June 2013.

On April 14, 2008, the Board granted a total of 330,000 options to purchase common shares of the Company to a director and officer, an officer and an employee. The options are exercisable at a price of \$0.61 until April 2013.

A summary of changes in the Company's stock options outstanding is presented below:

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	For the nine-month period ended September 30, 2009		For the year ended December 31, 2008	
	Number of options	Average exercise price \$	Number of options	Average exercise price \$
Beginning of the period	9,568,333	0.64	10,318,333	0.72
Granted	3,710,000	0.14	1,220,000	0.33
Issued pursuant to acquisition of EXMIN Resources Inc.	1,413,720	1.61	-	-
Exercised (note 15)	-	-	(130,000)	0.34
Cancelled	(3,143,333)	0.66	(600,000)	0.85
Expired	(500,000)	0.75	(1,240,000)	0.93
End of the period	<u>11,048,720</u>	<u>0.58</u>	<u>9,568,333</u>	<u>0.64</u>

A summary of options outstanding and exercisable as at June, 2009 is presented below:

Exercise price \$	Number of options		Expiry date
	Outstanding	Exercisable	
0.75	250,000	250,000	February 2010
0.30	920,000	920,000	September 2010
0.22	100,000	100,000	September 2010
0.40	1,575,000	1,575,000	February 2011
0.90	735,000	735,000	September 2011
1.10	900,000	900,000	April 2012
1.28	100,000	100,000	June 2012
1.25	150,000	150,000	July 2012
0.89	300,000	300,000	October 2012
0.61	230,000	153,333	April 2013
0.45	225,000	150,000	June 2013
0.10	440,000	146,667	November 2013
0.15-0.20-0.25	1,000,000	333,333	March 2014
0.10	2,090,000	696,667	June 2014
0.18	20,000	6,667	August 2014
1.27	450,840	135,252	April 2011
1.57	548,760	548,760	September 2016
1.89	308,040	308,040	August 2017
1.89	4,080	4,080	October 2009
2.45	102,000	25,5000	October 2010
0.15-0.20-0.25	600,000	200,000	September 2014

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For the nine-month period ended September 30, 2009, stock-based compensation costs amounted to \$167,413 compared with \$ 115,499 for the nine-month period ended September 30, 2008.

The weighted average of estimated fair value of each option granted was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions:

	For the nine-month period ended September 30, 2009	For the nine-month period ended September 30, 2008
Average dividend per share	Nil	Nil
Estimated volatility	95.09%	74.87%
Risk-free interest rate	2.25%	2.89%
Expected life of options granted	4 years	4 years
4,503,720 options granted in 2009 (50,000 – 2008) which exercise price exceeds the market price of the stock on the grant date:		
Estimated fair value of option	0.05	0.18
Exercise price	0.60	0.30
Stock price at date of grant	0.12	0.33
620,000 options granted in 2009 (630,000 – 2008) which exercise price equals the market price of the stock on the grant date:		
Estimated fair value of option	0.16	0.30
Exercise price	0.23	0.33

15 Contributed surplus

	For the nine-month period ended September 30, 2009	For the year ended December 31, 2008
	\$	\$
Balance – Beginning of the period	8,295,044	8,169,052
Stock-based compensation costs (note 14)	252,554	155,580
Exercise of options (note 14)	-	(29,588)
Balance – End of the period	<u>8,547,598</u>	<u>8,295,044</u>

16 Restructuring cost

As a result of the impact current economic conditions had on commodity market prices, the Company started a cost improvement program during 2008, that affected all areas. The amount charged to the loss for the nine-month period ended September 30, 2008, of \$ 487,395 is related to termination costs mainly in Mexico. As of September 30, 2009, an amount of \$ 38,416 remains to be paid.

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17 Capital disclosure

In the definition of capital the Company includes: shareholders' equity and advance payable, net of temporary investment and cash and cash equivalents.

The Company's objectives when managing capital are as follows:

- (a) To safeguard its ability to continue as a going concern, and
- (b) To secure sufficient capital to be able to develop its mining projects and to potentially bring them to the commercial production stage.

The Company monitors capital on an ongoing process by keeping close control over expenditures and adjusting when necessary its exploration and development program as it progresses.

As at September 30, 2009, the Company was not subject to any externally imposed capital requirements other than the advance payable as described in note 9.

	As at September 30, 2009	As at December 31, 2008
	\$	\$
Advance payable	1,063,623	2,438,790
Less:		
Cash and cash equivalents	(1,677,668)	(1,097,569)
Temporary investment	(117,625)	(58,450)
	(731,670)	1,282,771
Shareholders' equity	18,872,913	7,507,570
	<u>18,141,243</u>	<u>8,790,341</u>

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18 Income taxes

The provision for income taxes is different from what would have resulted from applying the combined Canadian statutory tax rate as a result of the following:

	For the nine-month period ended September 30, 2009	For the nine-month period ended September 30, 2008
	\$	\$ Restated
Loss before income taxes	(3,001,550)	(10,495,849)
Combined federal and provincial income tax (benefit) expense at 30.9% (31.9 % in 2008)	(927,479)	(3,348,176)
Income tax rate differential in Mexico	46,254	353,477
Expired tax losses	37,624	64,757
Stock-based compensation costs	51,731	36,844
Impact on decrease in income tax rate on future income tax balance	53,023	23,442
Increase in the valuation allowance	180,094	2,169,536
Write-off of mining properties	-	87,811
Foreign exchange loss deductible in Mexico	(636,351)	117,622
Exchange re-evaluation of future income tax assets	1,028,142	384,535
Inflation taxable on losses and net financial liabilities in Mexico	168,741	102,412
Non-deductible (non-taxable) items in Mexico	37,146	59,900
Other	7,253	3,342
	<u>46,178</u>	<u>55,502</u>

19 Asset retirement obligations

As at September 30, 2009, based on its review of the status of its operations under the current Mexican environmental legislation, the Company determined it does not carry any asset retirement obligation and, therefore, has not recognised such an obligation.

The Company will commission an environmental impact study at the Bolivar project from which asset retirement obligations may arise.

A liability stemming from any asset retirement obligation will be recorded in the year in which such obligation arises.

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20 Statements of cash flows

	For the nine-month period ended September 30, 2009	For the nine-month period ended September 30, 2008
	\$	\$ Restated
(a) The changes in noncash working capital items are as follows:		
Trade payables	(3,424,119)	1,038,551
Sales tax and other receivables	(118,110)	310,538
Inventories	119,842	27,048
Prepaid expenses	202,298	(380,785)
Accounts payable and accrued liabilities	(468,498)	1,206,955
Income tax receivable/payable	(87,097)	(196,505)
	<u>3,775,684</u>	<u>2,005,802</u>
	\$	\$
(b) Additional information – noncash transactions		
Amortization of property, plant and equipment used in mining operations charged to inventories	81,908	3,535
Sales tax receivable for the acquisition of mining concessions	202,646	407,002
	\$	\$
(c) Interest and income taxes		
Interest paid	71,788	44,439
Income taxes paid	(90,745)	85,889
	\$	\$
(d) Cash and cash equivalents		
Cash	1,646,865	981,268
Short-term deposits (interest rates 1.75% - 3.75%)	30,803	446,440
	<u>1,677,668</u>	<u>1,427,708</u>

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21 Related party transactions

Some officers of the Company provide their services as officers through companies they control. During the nine-month period ended September 30, 2009, companies controlled by officers of the Company charged consulting fees amounting to \$174,599 (for the nine-month period ended September 30, 2008 – \$275,354). As at September 30, 2009, the balance due these companies amounted to \$13,613 (as at September 30, 2008 – \$1,558).

Related party transactions occurred in the normal course of business and were recorded at the exchange value, which is the consideration determined and agreed to by the related parties.

22 Commitments

- (a) The Company has elaborated an environmental capital expenditure program estimated at \$350,000 in order to secure an appropriate area for the management of its tailings at the Malpaso mill facility. The costs related to this program will be capitalized as they are incurred. Therefore, as at September 30, 2009, no provision is recorded in accounts payable and accrued liabilities.
- (b) In December 2006, the Company signed a five-year lease for office premises. The annual rent is approximately \$60,000.
- (c) On March 16, 2009, the Company's wholly owned subsidiary Dia Bras Mexicana S.A. de C.V. entered into a lease agreement (the "Lease") with the owners of the surface rights (ejido) for a long-term lease of the surface land that will be used to accommodate the Bolivar mill and a new tailings dam adjacent to the Bolivar mill to be located approximately 5 kilometres from the Bolivar Mine. The Lease covers 50 hectares and provides for annual payments of \$16,591 (MX\$188,000) over a 30-year term renewable without approval of the lessor for another 30 years.

23 Contingency

In 2005, a personal action was filed in Mexico against one of the Company's subsidiaries, Dia Bras Mexicana, S.A. de C.V. ("DBM"), by an individual claiming the annulment and revocation of the purchase contracts of two mining concessions, Bolivar III and IV (see note 10 (a) (iv)), entered into between DBM and Mr. Javier Octavio Bencomo Muñoz and Minera Senda de Plata, S.A. de C.V. Following the notification of said claim against DBM, a defense was filed based on the questionable legal standing of the claimant to file a lawsuit on behalf of the former owner.

On July 1st, 2009, the Eighth Court of Appeal of the Supreme State Court of Chihuahua, Mexico, has confirmed the favorable ruling issued by the Sixth Civil Court regarding the legal dispute involving the Bolivar III and Bolivar IV mining concessions.

The confirmation of the decision rendered on January 22, 2009, in which the Sixth Civil Court determined the claim unfounded now stands in full legal force and effect.

The claimant did not file a constitutional trial against the Court of Appeal who confirmed the final resolution in favour of DBM. The claim is no longer in effect and the final resolution stands as issued by the Sixth Civil Court.

24 Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted the previous year due to the change in accounting policy.

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25 Subsequent events

- (a) On October 26, 2009, an action was filed in Mexico against the Company and one of the Company's subsidiaries, Dia Bras Mexicana, S.A. de C.V. ("DBM), by Polo y Ron Minerales S.A. de C.V. claiming a penalty for the cancelation of the option agreement of the San Jose properties in the State of Chihuahua, Mexico and the cancelation of seventeen mining concession sale agreements that are already completed and paid. The amount of the claiming is estimated in \$503,720 (US\$469,800).
- (b) During November, 2009, 28,409,090 warrants were exercised at the price of \$0.11, for a total cash consideration of \$3,125,000. The warrants were exercised by directors of the Company. Consequently, the Company issued 28,409,090 common shares