



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 25, 2010

This Management Discussion and Analysis ("MD&A") of Dia Bras Explorations Inc and its subsidiaries (collectively the "Company") provides an analysis of the Company's consolidated performance and financial condition for the three months ended March 31, 2010 as compared to the three months ended March 31, 2009, as well as an analysis of future prospects. This MD&A should be read in conjunction with the Company's March 31, 2010 unaudited interim consolidated financial statements and related notes and the Company's December 31, 2009 audited consolidated financial statements and related notes, which are prepared in accordance with generally accepted accounting principles in Canada (Canadian GAAP). The accounting policies have been consistently followed in the preparation of these financial statements. It represents the view of Management on the Company's current activities and its past and current financial results, as well as an outlook of the coming months. Unless otherwise specified, all dollar amounts in the MD&A are expressed in Canadian dollars. All conversions of obligations or estimated amounts in US dollars or in Mexican pesos to Canadian dollars are made at the exchange rates at March 31, 2010, unless otherwise noted.

The Company's MD&A's, financial statements along with Certifications of Annual and Interim Filings, additional information and press releases have been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and are available online at www.sedar.com.

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Forward-Looking Statements

This MD&A contains certain statements that constitute forward-looking statements. Forward-looking information includes, but is not limited to, information concerning Dia Bras Exploration Inc.'s ("Dia Bras" or the "Company") 2010 guidance respecting pilot-mining production, and potential plans for Bolívar and Cusi projects, as well as any projected outcomes from the acquisition of EXMIN Resources Inc. Forward-looking statements are subject to a variety of risks and uncertainties, which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in the mining industry including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; risks associated with the estimation of mineral resources and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties or shortages of labour or interruptions in production; actual material mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; the inherent uncertainty of pilot-mining activities and cost estimates – including the potential for unexpected costs/expenses and commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties. Refer to "Risk and Uncertainties".

Forward-looking information is, in addition, based on various assumptions including, without limitation, the expectations and beliefs of Management, the assumed long-term price of zinc, copper, lead and silver; the regulatory and governmental approvals for the Company's projects and other operations on a timely basis; access to financing, appropriate equipment and sufficient labour. Should one or more of these risk conditions or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what Management believes to be reasonable assumptions, the Company cannot guarantee that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A, and the Company does not assume any obligation to update or revise them to reflect new events or circumstances, except as required under applicable securities regulations.

Notice to Readers

The unaudited interim consolidated financial statements and these MD&A are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Examples of some of the specific risks associated with the operations of the Company are set out below under "Risk and Uncertainties". Actual outcomes and results may differ materially from those expressed in these forward-looking statements and readers should not place undue reliance on such statements. These statements are prepared on a going concern basis, which ultimately will depend on the long-term profitable operation of the plant at Bolívar and successful exploration efforts, among other factors.

As of March 31, 2010 and December 31, 2009, the Company had working capital of \$4,871,000 and \$2,847,000 and accumulated deficits of (\$56,060,000) and (\$57,212,000) respectively, had generated a net income(loss) of \$1,152,000 (\$1,133,000) for the quarters ended March 31, 2010 and 2009, and thereafter augmented its working capital with the closing of the \$16,341,000 Rights Offering on May 13, 2010 (see discussion in Subsequent Events below) , which funds are to be used to fund the construction of a mill on site at the Bolívar project (that will significantly reduce operating costs and optimize the life of the mine) and to continue its activities as a going concern.

In addition to ongoing working capital requirements, the Company must generate cash flow or secure sufficient funding to meet its existing commitments for exploration and development programs, property payments and for general and administrative expenses. 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 completing its construction and development plans or 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.

Until it can be determined that the Company's mining properties contain mineral reserves or resources that can be economically mined, they are classified as mining properties. The recoverability of costs relating to the mining properties is dependent upon the assessment of economically recoverable reserves and resources, continued discovery of mineralization, ongoing maintenance of the Company's interest in the underlying mining concessions, receipt of necessary permits, the ability of the Company to obtain the necessary financing to complete the development and construction of processing facilities, as well as future profitable production or, alternatively, upon disposal of such properties at an amount equal to the Company's investment therein.

The Bolívar Property has not yet reached the commercial production stage. Although the construction of a mill at Bolívar is required to bring the property to a commercial operation, nothing guarantees that the Company will reach the commercial production stage at Bolívar. However, it should be noted that in the fourth quarter of 2009 and the first quarter of 2010, the Company initiated the first phases of construction of a mill on the Bolívar Property, including pre-engineering, environmental studies, equipment inspection, terrain preparation and site acquisitions. Finally, the economic viability of the Cusi mining properties has not yet been assessed.

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, and the Company is investing in 2010 to have a lower cost structure for enhanced sustainability. As was listed above, the Company's revenues are 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 during the last two years. Although they have traded in a more narrow range in the last part of 2009 and early 2010, it is difficult to forecast the expected duration of the current cycle for metals prices as it is being driven by many factors in the commodity markets. Future price declines may materially reduce the Company's cash flow.

Responsibility of Management and the Board of Directors

Management is responsible for the information disclosed in this MD&A and the accompanying unaudited interim consolidated financial statements and has in place appropriate information systems, procedures and controls to ensure that information used internally by Management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Company and has reviewed and approved this MD&A and the accompanying unaudited interim consolidated financial statements.

NI 43-101 Compliance

Unless otherwise indicated, the technical information in this MD&A ("Technical Information") is based on information contained in the technical reports and news releases (the "Disclosure Documents") available under the Company's profile (as indicated) on SEDAR at www.sedar.com. Each Disclosure Document was prepared by or under the supervision of a qualified person (a "Qualified Person") as defined in National Instrument 43-101 standards ("NI 43-101"). Readers are encouraged to review the full text of the Disclosure Documents which qualify the Technical Information. Readers are advised that mineral resources that are not mineral reserves do not as yet have demonstrated economic viability under the standards of NI 43-101. The Disclosure Documents are each intended to be read as a whole, and sections

should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

The Technical Information contained in this MD&A was reviewed by Thomas L. Robyn, Ph.D., CPG, RPG, Head of Exploration, Director of the Company, Qualified Person of Dia Bras Exploration Inc.

Q1 2010 Highlights

- » During the quarter ended March 31, 2010, the Company recorded net income of \$1,152,411 compared with a loss of (\$1,928,473) in 2009. Additionally, the Adjusted EBITDA⁽¹⁾ was \$1.736 million for the three months ended March 31, 2010 and (\$1.187) million for the three months ended March 31, 2009.
- » The Company shows positive net working capital, including cash, of \$4.9 million at March 31, 2010 and \$2.8 million at December 31, 2009, compared with a negative net working capital of \$5.6 at March 31, 2009, showing a positive change of \$10.5 million for the twelve months ended March 31, 2010.
- » Operating cash costs⁽²⁾ were US\$83.92 per metric tonne milled in the first quarter of 2010 as compared to US\$66.85 for the first quarter of 2009 and US\$91.10 during the year ended December 31, 2009 for the Bolívar pilot-mining activities, amounting to a 25.5% increase from the first quarter of 2009. This increase in operating cash costs from the first quarter of 2009 is mostly due to the change in the exchange rate for the Mexican peso to US dollar (11.0%) and to the general inflation from 2009 to 2010 (4.9%), as the tonnage milled in each of these two quarters was very similar.
- » Bolívar Pilot-mine sales were \$5,956,000 for the first quarter of 2010, up 2.4% compared with \$5,813,000 in the fourth quarter of 2009, and compared with net sales of \$17,037,000 for the year ended December 31, 2009. The decrease from the fourth quarter of 2009 is primarily due to a 14% lower copper grade and a build up of unsold concentrate inventory at the end of the quarter.
- » During the three months ended March 31, 2010, copper production decreased 5.4% compared to 2009. This decrease was mainly due to lower head grades. In the first quarter of 2010, zinc production increased by 4.3% over the same period of 2009 mainly due to an increase in head grades to the mill.
- » By the end of the first quarter of 2010, the Company had installed a new electric line to the plant site, commenced site clearing for the plant, started the search for process equipment to be purchased, completed engineering studies for the new facilities to be constructed and initiated the work for the eventual water supply for the Bolivar Mill.
- » ⁽¹⁾ "Adjusted EBITDA" is a non-GAAP measure in which standard EBITDA (earnings before interest expense, taxes, and depreciation and amortization) is adjusted for stock-based compensation expense and nonrecurring items.
- » ⁽²⁾ "Operating Cash Costs" is a non-GAAP measure defined as the costs of mining, transport to the mill and milling divided by the tonnes milled.

Corporate Overview and Business

Headquartered in Montreal, Canada, Dia Bras Exploration Inc. is an exploration-stage mining company with rights and options on approximately 70 concessions covering 18,430 hectares in the State of Chihuahua, in northern Mexico, before considering the concessions acquired from EXMIN. Through the Company's merger with EXMIN Resources Inc., on September 30, 2009, Dia Bras' wholly owned subsidiary, EXMIN S.A. de C.V., has rights or options on 61 properties covering 259,410 hectares in the Sierra Madre Occidental and elsewhere in Mexico. Dia Bras is an exploration mining company focused on precious and base metals and is committed to developing and adding value to its assets – the Bolívar copper-zinc project, the Cusi silver project and its regional exploration packages.

The Company operated 2 pilot-mining programs to generate cash flow in order to provide metallurgical information and to finance exploration and development activities. The pilot-mining programs produce zinc, copper and silver-lead concentrates from development rock.

Dia Bras's goal is to become a low-cost and mid-tier producer of copper, zinc, silver and lead and to develop both precious metals and base metals divisions through exploration and development of its other projects.

The Company's common shares are listed on the TSX Venture Exchange under the symbol "DIB".

Operational Performance – 2010

EXPLORATION, PILOT-MINING AND MINING DEVELOPMENT ACTIVITIES

Bolívar Project

Bolívar is the Company's most advanced project. It comprises twelve mining concessions covering approximately 6,616 hectares within the municipality of Urique in the Piedras Verdes mining district of Chihuahua, Mexico.

Dia Bras purchased the Bolívar Project in 2004. The surface rights form an "ejido" (land communally held) and cover all of the current mining and related infrastructures at the Bolívar Mine, which comprises the Bolívar, Bolívar III and Bolívar IV concessions.

The Bolívar Cu-Zn skarn deposit is one of many copper, base and precious metal deposits in the north-northwest trending Sierra Madre Occidental mineral belt. The Bolívar Cu-Zn deposit is located within the 63.5-hectare Bolívar mining concession that expires in 2030, that is renewable for 50 years. Production from the Bolívar Mine, an old copper-zinc producer, is not subject to any royalties. The Company continues to advance the Exploration phase of the project by underground and surface methods and by pilot-mining for metallurgical and cost definition. At the end of 2009, the Company commenced the development of a processing plant of up to 1,000 tonnes per day in order to complete pilot-mining and support commercial operations.

Bolívar III and IV

In August 2004, the Company entered into a commercial agreement with the owners of the Bolívar III and Bolívar IV ("Bolívar 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 (see note 18 in the unaudited interim consolidated financial statements for the year ended December 31, 2009).

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 December 31, 2009, an amount of \$29,436 (US\$28,125) remains to be paid and is included in mining concessions payable.

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), all of which has been paid.

Surface Land to Accommodate the Bolívar Mill

In March, 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 Bolívar Mill and a new tailings dam adjacent to the Bolívar Mill to be located approximately 5 kilometres from the Bolívar Pilot-mine. The Lease covers 50 hectares and provides for annual payments of \$15,760 (MX\$192,042 – as adjusted in the future for inflation) over a 30-year term renewable with approval of the lessor for another 30 years.

Bolívar Pilot-mining / Summary

During the first quarter of 2010, the Company processed 27,827 tonnes of material from the Bolívar Pilot-mine averaging grades of 1.54% Cu and 9.99% Zn, producing 794,000 lbs. of copper and 5,442,100 lbs. of zinc which, as shown in Table 1 below, produced approximately 5% less copper and 4% more zinc than the first quarter of 2009 on approximately the same tonnage processed.

Due to the strength of the metals prices for the Company's concentrate products, it continued to enjoy positive results from its pilot-mining activities in Bolívar, and looks to continue production while carefully managing its costs and constructing the plant near the Bolivar Pilot-mine.

Table 1 - Bolívar Pilot-mining Program
Summary of the Comparative Statistics for the first quarter of 2010 and 2009

	Q1-2010	Q1-2009	% Variation 2010 Over 2009
Tonnes processed	27,827	27,987	(0.57)
Daily throughput	318	320	
Copper grade	1.54%	1.66%	(7.23)
Zinc grade	9.99%	9.64%	3.63
Copper recovery	84.25%	82.21%	2.48
Zinc recovery	88.80%	87.67%	1.29
Total production of copper (pounds)	794,000	839,600	(5.43)
Total production of zinc (pounds)	5,442,100	5,217,200	4.31
Average price of copper per pound, \$US	\$3.28	\$1.55	111.61
Average price of zinc per pound, \$US	\$1.04	\$0.53	96.23
Operating cash costs US\$/DMT (including development)	\$83.92	\$66.85	25.53
Foreign exchange rate, average Mexican Peso : US Dollar	12.801	14.382	(10.99)

Table 2 - Bolívar Pilot-mining Program - Highlights

	Q1 2010	Q4 2009	Q3 2009	Q2 2009
Average realized prices				
Copper (US\$ per pound)	\$3.28	\$3.02	\$2.66	\$2.11
Zinc (US\$ per pound)	\$1.04	\$1.00	\$0.80	\$0.67
Production volume highlights				
Copper (DMT)	1,341	1,255	1,490	904
Copper produced (pounds)	794,000	758,400	934,300	548,100
Zinc (DMT)	4,211	3,399	3,980	2,243
Zinc (pounds)	5,442,100	4,225,600	5,130,200	2,834,600
	Q1 2009	Q4 2008	Q3 2008	Q2 2008
Average realized prices				
Copper (US\$ per pound)	\$1.55	\$1.77	\$3.48	\$3.83
Zinc (US\$ per pound)	\$0.53	\$0.54	\$0.80	\$0.96
Production volume highlights				
Copper (DMT)	1,420	1,240	1,172	1,676
Copper (pounds)	839,600	750,000	698,700	997,600
Zinc (DMT)	4,074	4,603	2,912	4,580
Zinc (pounds)	5,217,200	5,743,800	3,602,800	5,684,700

Bolívar 2009 and 2010 Exploration Program

The main focus of the Company's exploration program at the Bolívar Project will be to provide a continued source of feed for the Malpaso mill, in the short term, and the Bolívar Mill once constructed. Exploration to expand underground resources in the areas of Guadalupe, San Angel, Fernandez, Selena, Rebeca, La Increible, El Gallo and others has been carried out and will continue.

Favorable exploration results in areas of disseminated copper-zinc mineralization prompted the exploration team to increase exploration efforts on the Bolívar NW, Bismarck, San Francisco and El Gallo Areas where each of these areas could host individual open-pittable deposits of moderate tonnage.

An on-going exploration drilling program during 2009 focused on locating high-grade copper-zinc mineralization. As of end of the year, 39 surface holes totaling 5,546 m plus 33 underground holes totaling 2,918 m had been reported, for a total of 72 holes totaling 8,464 m. For 2009, Dia Bras completed 3,627 m of drilling at the Bolívar project that was focused on expanding the resource previously identified at the Guadalupe zone.

During the first quarter of 2010, the Company completed 90.5% of its target for drilling at Bolívar, drilling 927 metres from surface in the Bolívar Norte zone, 942 metres from surface in the Guadalupe zone, 66 metres underground in the Guadalupe zone, 401 metres underground in the Rebeca zone and 378 metres underground in the San Angel zone. The Company continues to encounter significant intervals of high-grade material in its ongoing drilling and underground sampling program in the area. The Guadalupe and San Angel zones remain open in all directions and will continue to be explored.

A total of 15,000 metres of drilling at Bolívar is planned in 2010 to increase and upgrade the inferred resources of the copper-zinc mineralization to indicated and measured categories, with 4,200 metres planned for the Guadalupe area. In the first quarter of 2010, an aggregate 2,714 metres were drilled, with 1,008 completed in the Guadalupe area.

Construction of a Mill near the Bolívar Pilot-mine

During 2009, the Company announced its intention to construct a new mill at the Bolívar Pilot-mine, with a view to significantly reducing its operating cash costs and extending the life of operations. Management of the Company has produced its own estimate for the construction of this mill, which has not been independently validated. The internal cost estimate produced includes used equipment, as well as local manpower. The Company estimates the overall cost in this scenario to be approximately \$12.7 million⁽¹⁾ (US\$12 million), including \$1.59 million⁽¹⁾ (US\$1.5 million) for preliminary studies and initial works such as engineering, permitting, site preparation, tailings dams and water and energy facilities. Following the preliminary studies, the Company could revise its cost estimate for some of the elements, if necessary.

⁽¹⁾ – at the exchange rate of the US dollar to the Canadian dollar at the date of this MD&A.

During 2009 and the first quarter of 2010, the Company commenced works for the construction of the Bolívar Mill, such as permitting, water supply analysis, energy supply review, and environmental studies. The work associated with the detailed engineering of the mill is complete with Ingenieria VICA of Mexico. Site preparation for the new mill and tailings sites continues. A new power line to the mill site has been completed. A source of water has been identified, and negotiations for construction of water storage facilities are in progress. From November 1, 2009 to the date of this MD&A, the Company has raised \$23,487,000 for these and other projects and for general corporate purposes through the exercise of warrants and a Rights Offering closed in May, 2010.

The Company cautions that although economic viability of the mineral resources at the Bolívar Project has not been determined, the Company and its Management intend to move forward with the construction of an up to 1000-tpd mill near the Bolívar Pilot-mine. Until the economic viability of the Bolívar project has been determined and mineral resources have been converted to mineral reserves (by a least a preliminary feasibility study and confirmed in a technical report, as required by NI 43-101), there can be no assurance that the new mill will be economically viable.

Cusi Project

The history of the Cusihiuriachic (“Cusi”) silver district spans more than three hundred years. Historical records report cumulative production from the 1600’s to present times of in excess of 100,000,000 oz silver. The abundance of silver initially attracted Spanish explorers to Cusi in the late 1600s. The Cusi district’s central location and silver production was important to silver mining in the northern Mexican silver province during the subsequent 300 years and to the overall economic development of Chihuahua. These former mines historically produced high-grade silver but became inactive during plummeting silver prices; most have not been extensively explored for disseminated open-pit table resources, which crop out on the property, and none with modern techniques. The acquired assets include 12 inactive mines, each located on a mineralized structure and within 40 kilometres of the Malpaso mill.

The Cusi project is subject to different purchase and option agreements all entered into in 2006.

Due to the size of the property and the high number of potential targets, the Company decided to concentrate its efforts on four interconnecting former mines out of twelve situated in the northwestern area of the property. Most of the drilling has been aimed at discovering and defining mineralized structural trends and veins within two major sectors of the Cusi Project, Santa Eduwiges and Promontorio, both historical producers.

Since the acquisition of the Cusi silver district, the Company has conducted detailed geologic mapping, detailed core drilling (both surface and underground), metallurgical testing and pilot-mining in the old mine workings. The Company staked ground at Cusi and acquired the two following properties in May and June, 2006.

La India and La Marisa

La India and La Marisa properties are subject to a 1.5% NSR of up to a maximum of \$1,528,800 (US\$1,500,000) with a \$1,019,200 (US\$1,000,000) buy-back option.

The Holguin properties

The Holguin properties, including the San Juan property, are subject to a 1.5% NSR of up to a maximum of \$1,528,800 (US\$1,500,000). The NSR can be purchased for \$1,019,200 (US\$1,000,000). As at December 31, 2009, an amount of \$12,740 (US\$12,500) remains to be paid. 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.

Minera Cusi Agreement

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 \$5,096,000 (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 \$3,215,642 (US\$3,060,000) to be paid as follows: \$506,940⁽¹⁾ (US\$500,000) (paid at the date of signing), \$609,150⁽¹⁾ (US\$500,000) in November 2008 (paid on December 11, 2008) and four quarterly instalments of \$524,888 (US\$515,000) in March, June, September and December 2009.

⁽¹⁾ Converted at the rate of exchange on the date of payment.

In January 2009, the Company negotiated new terms with Minera Cusi in order to redefine the remaining schedule of payments as follows: \$101,920 (US\$100,000) (paid on the date of signature of the new terms), 19 monthly payments of \$101,920 (US\$100,000) and a final payment of \$61,152 (US\$60,000) for a renegotiation of the remaining \$2,099,552 (US\$2,060,000) to be paid under the original contract. As at March 31, 2010, an amount of \$672,672 (US\$660,000) remains to be paid and is accounted for in mining concessions payable.

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 \$11.21 (US\$11.00) per ounce or 3% NSR if the price of silver exceeds \$11.21 (US\$11.00) per ounce.

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

Cusi Pilot-mining / Summary

During the first quarter of 2010, the Company continued its development of the Cusi district and its shipments of mined material from its pilot scale operations at Santa Eduwiges, processing 5,403 tonnes and producing a total of 41,604 oz of silver from milling and leaching processes. Pilot-mining was not operational in the first quarter of 2009. The results are summarized in Table 3 below.

Table 3 - Cusi Pilot-mining Program
Summary of the Comparative Statistics for the first quarter of 2010 and 2009

	Actual Q1-2010	Actual Q4-2009	% Variation Q1-2010 Over Q4-2009	Actual Q1-2009	% Variation Q1-2010 Over Q1-2009
Tonnes processed	5,403	3,945	36.96	-	-
Daily throughput	62	45		-	-
Lead grade	0.57%	0.62%	(8.06)	-	-
Zinc grade	0.94%	1.57%	(40.13)	-	-
Silver grade in grams per tonne (g/t)	313	284	10.21	-	-
Lead recovery	36.53%	50.80%	(28.09)	-	-
Zinc recovery	0.00%	40.74%	(100)	-	-
Silver recovery	70.69%	65.78%	7.46	-	-
Total production of Lead (pounds)	25,000	27,325	(8.51)	-	-
Total production of Zinc (pounds)	0	55,769	(100)	-	-
Total production of Silver (oz)	38,410	23,481	63.58	-	-
Total production of Silver in doré (oz)	3,200	181	1668	-	-
Average price of Lead per pound, \$US	\$1.01	\$1.04	(2.88)	-	-
Average price of Silver per ounce, \$US	\$16.92	\$17.57	(3.70)	-	-

Cusi Exploration – 2009 and 2010

During the first half of 2009, the Company conducted a compilation and interpretation of previous work and historical data, as well as mapping and some drilling. New targets and ore shoots of high-grade mineralization in the veins systems of the Santa Eduwiges and Promontorio mines have been identified as well as other nearby areas (refer to the news release of July 23, 2009).

The objectives of 2009 were twofold: 1) Define and expand the resources along i) the Santa Marina and San Antonio veins, ii) along the vein intersections of Santa Marina and Rosario, Santa Marina and San Bartolo, and iii) along the Tascates and Mexicana veins; and, 2) Evaluate and test the Promontorio vein intersections and the Santa Rosa Chimney with the objective of defining and expanding resources in this area. Drilling in the Santa Eduwiges and Promontorio mine areas resulted in intercepts that extended the mineralized portions of the veins laterally and to depth and guided mine exploration development (please see Dia Bras' News Releases of February 18, July 23, September 28, and December 8 and 16, 2009).

During 2009, the Company continued drifting in the Santa Eduwiges mine in order to access new blocks of mineralized rock. The ramp, which is now at 1970 m elevation, is being extended to provide access to the San Antonio, San Antonio A, Santa Marina and Santa Marina Alto veins at the 1930 m elevation.

The Company plans to develop 4,390 metres of drift in the Cusi area during 2010. Of this total, 1,098 was planned to be developed in the first quarter of 2010, with only 328 metres (30%) actually being completed due to excess water encountered underground. The Company has recently solved the water challenges and expects to have much greater advance in the second and third quarters.

Santa Eduwiges

In the Santa Eduwiges mine area, a minimum of 8 structures occur that average 1.0 to 1.5 m wide and yield intercepts of over 300 g/t Ag. Several of these structures converge in a zone located in the hanging wall block of the Green Fault and result in a mineralized zone called the Santa Rosa Chimney. The Santa Rosa Chimney consists of a potentially open-pittable area that measures roughly 180 by 50 m with oxidized silver mineralization contained in the wall rocks of the veins. The samples from the oxidized portion of the chimney (San Antonio pit) average 60-65 g/t Ag and represent a potential deposit of 900,000-1,100,000 tonnes containing an estimated 2 million ounces of silver.¹ Preliminary bottle roll tests have yielded results of 50 to 70% recovery and further tests will be done.

In the Santa Eduwiges mine area, another two mineralized shoots were identified in 2009 in the Tascates and La Mexicana veins, which are currently being defined by drilling. In 2010, the Company also initiated drilling in the areas of El Gallo and Promontorio (both in the Promontorio zone – see also the discussion below) and in the areas of San Antonio and Santa Marina (both in the Santa Eduwiges zone) from surface, completing 2,504 metres or 119% of plan. In addition, the Company completed underground drilling in the Santa Eduwiges zone, completing 75 metres or 8% of target. Results from this phase will be used to define resources in the Santa Eduwiges and Promontorio bodies to both guide pilot-mining and reserves definition.

Promontorio

Several potential targets have been identified in the Promontorio area, the most important of which appears to be the convergence of nearly all of these targets with the Promontorio vein in an area located immediately below level 11 of the Promontorio mine. The potential for high-grade and bulk tonnage mineralization is significant. In addition, the intersections between those structures and the “Veta del Contacto” that runs semi-perpendicular to those veins represent excellent targets that have not been tested.

The Veta del Contacto is a structure that runs more or less parallel to the Cusi Fault. Information obtained from historical reports, maps and sections indicates that the Veta del Contacto structure has several mineralized shoots, with values that range from 30 to 120 ounces (about 900 to 3,600 g/t Ag) of silver per ton. Most of these mineralized shoots are defined by the intersection of the veins mentioned above with this structure. Drilling in this area is in a very early stage and only three holes have been drilled to date. Drilling in the area continues and assays are pending.

San Juan and Los Tajos

Two additional areas, the San Juan and Los Tajos areas, show good prospects for economic mineralization. The San Juan vein is a structure 0.80 to 1.2 m wide striking about 60° NE that occurs 1.8 km northwest of the Santa Eduwiges mine portal and can be followed for 0.5 km. Examination of old maps and sections indicates that this structure could host mineralization with high-grade silver because grades over 800 g/t Ag are reported. This area is poorly known, and preliminary mapping and sampling were completed over the area in order to identify drilling targets. The second area, which is called Los Tajos, is located 1.3 km SW of the Santa Eduwiges mine portal and corresponds to the SW projection of the Santa Eduwiges vein. The vein is intersected in this area by the La Gloria vein that strikes 28-30° NE. In addition, a total of 8 samples taken in the wall rock over an area of 120 by 15 m yielded an average grade of 65 Ag g/t. Historical surface sampling carried out by a previous owner yielded an average of 358 Ag g/t and 0.22 to 1.20 Au g/t along a distance of more than 500 m in veins that range in width from 0.80 m to 1.20 m. Depending on time and availability, more work will be done in the areas of San Juan and Los Tajos.

¹ The potential quantity and grade is conceptual in nature. There has been insufficient exploration to define a mineral resource, and it is uncertain if further exploration will result in the targets being delineated as a mineral resource.

Cusi Metallurgical Testing

In June, 2009, Dia Bras reported the results of metallurgical tests completed on silver-mineralized rock from the Cusi project. The tests were conducted to evaluate the potential for increasing the recovery of silver. The tests were completed under the direction of an independent engineer, M. Pedro Castillo C., Centro de Investigación de Materiales Avanzados (MIMAV) located in the city of Chihuahua, State of Chihuahua.

A representative sample was collected under the supervision of Mr. Castillo from 1,500 tonnes of rock (mined from the Santa Eduwiges and Santa Marina veins) stockpiled at the Company's Malpaso Mill. The sample was reduced to 5 kg mass and processed using a combination of flotation and cyanidation methods. Results yielded silver recoveries of about 85% using a combination of flotation and tailings cyanidation.

Cusi Outlook

The objective of pilot-mining of the Cusi deposit is to obtain factual information on the metallurgy of silver, lead and zinc mineralization, recovery rates, per tonne revenues at various commodity prices, mining costs, extent of mineralization and other factors. This information is essential for evaluation of the property's economic potential. During 2009, as part of the Company's strategy to increase silver recovery to 80-85%, a cyanidation plant was added to the Malpaso Mill to process mill tailings discharged from the mill's flotation circuits. During the fourth quarter of 2009, 3,945 tonnes of rock from the Santa Eduwiges mine were milled at the Company's Malpaso Mill, with an average grade of 284 g/t silver and 0.62% lead. Recovery of silver by flotation method averaged 65.78%. During the first quarter of 2010, 5,403 tonnes of rock were milled, with an average grade of 313 g/t silver and 0.57% lead. Recovery of silver by flotation method averaged 70.69%.

The mill tailings in the fourth quarter of 2009 and the first quarter of 2010 were fed to the mill's new vat leach circuits for further processing. Metallurgical testing indicates an additional 15-20% recovery of silver can be obtained (please see Dia Bras' News Release of June 10, 2009). Ten doré bars have been produced from December, 2009 through March, 2010.

Pershimco Joint Venture Agreement

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 \$1,569,900 (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 \$1,046,600 (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 \$1,046,600 (US\$1,000,000). As at March 31, 2010, the jointly owned Mexican subsidiary has not been constituted.

As at March 31, 2010, 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.

Acquisition of EXMIN Resources Inc. - Description of Business

EXMIN Merger with Dia Bras

EXMIN's Shareholders approved the Arrangement Agreement to merge with Dia Bras at the annual and special meeting held on September 24, 2009 ("the Meeting"). The complete disclosure for this transaction is available with the EXMIN Information Circular dated August 24, 2009, the Dia Bras news release of September 30, 2009, and subsequent closing documents, all available on www.sedar.com.

The Exchange Ratio was 0.2040 shares of EXMIN for each share of Dia Bras common shares. On completion of the Arrangement, EXMIN's shareholders held a maximum of 6.5% of the total issued and outstanding Dia Bras shares and EXMIN became a wholly owned subsidiary of Dia Bras. All current EXMIN stock options, share purchase warrants and agents' options were exchanged by equivalent Dia Bras securities using the same exchange ratio.

Background

EXMIN Resources Inc. (EXMIN) was considered to be an exploration-stage company focused on the acquisition, exploration and development of mineral resource properties, with historic production in the gold belt of the States of Sonora, Durango, Jalisco, Zacatecas and Chihuahua, Mexico. Substantially all of EXMIN's efforts were devoted to financing and developing these properties.

On September 30, 2009, Dia Bras acquired all of the outstanding common shares in the capital of EXMIN pursuant to a plan of arrangement. Please refer to the EXMIN Merger Acquisition, for the details.

EXMIN Mineral Properties

EXMIN was focused on the acquisition, exploration and development of large properties with historic production in the Sierra Madre gold belt in Northwest Mexico and other prolific mineral belts in Mexico. Its remaining land position currently comprises 61 mining concessions covering approximately 259,410 hectares.

At the time of the acquisition, EXMIN's principal projects were: Reyna de Oro Project, and Maguarichic Project, both located in the Sierra Madre Occidental province of Southwestern Chihuahua state; the Horcon Project, in the Guanajuato region of central Mexico; and the Melchor Ocampo project, located in the Concepcion del Oro region of northeastern Zacatecas state. The Sierra Madre region includes other exploration, development properties and mines such as El Sauzal, Ocampo, Dolores, Mulatos, Monterde, Palmarejo, and Bahuerachi. EXMIN obtained a report on the Reyna de Oro property prepared in accordance with National Instrument 43-101 dated January 21, 2005, which report is available on the SEDAR website at www.sedar.com.

The Company has embarked on a program of rationalization of the package of projects it has acquired through the EXMIN acquisition, which program will continue. A decision was made in the first quarter to reduce its costs associated with holding properties, and in March and April of 2010 the Horcon project was dropped.

At the time of the acquisition, EXMIN had two partnerships or joint venture agreements on its 100% owned properties - a small portion of Batopilas, with Canarc Resource Corp. ("Canarc"), and East Durango (Tecolote), with Quaterra Resources ("Quaterra").

The joint venture with Canarc Resource Corp was restructured and terminated. The portion of the Batopilas concession which was subject to the joint venture was transferred to a subsidiary of Canarc in exchange for a 1% NSR, capped at US\$500,000, and 400,000 shares of Caza Gold, a subsidiary of Canarc.

The joint venture with Quaterra involves the Tecolote concession and was entered into by EXMIN and Quaterra on September 15, 2008. Quaterra may earn up to 75% interest in the concession by paying U\$100,000 over four years (U\$40,000 was paid to EXMIN through September 15, 2009) and by spending U\$500,000 in exploration and development work on the property by September 15, 2012. Quaterra must also maintain the property in good standing by completing the semi-annual tax payments and minimum required annual work expenditures.

Table 4 –summarizes EXMIN’s Mexican land holdings by project at May 25, 2010

Project/concession	Area (Hectares) ¹	# of Concessions
<u>Chihuahua State</u>		
Reyna de Oro Project	14,936	8
Maguarichic Project	12,933	5
Moris Project	66	8
Arechuyvo Project	36,304	4
Oribo Project	11,649	9
Corpos Project	10,000	1
San Juan Project	14,705	2
Batopilas	45,319	8
Cascarrichi	100	1
Guadalupe y Calvo	1,980	1
<u>Sonora state</u>		
Bacerac	48,510	2
<u>Zacatecas state</u>		
Melchor Ocampo Project	39,029	7
Cerro Gordo Project	7,767	1
<u>Durango State</u>		
East Durango (Tecolote) Project	11,181	1
Pino Project	4,931	3
Grand Total	259,410	61

^{1.} Totals include concessions that have been staked but have not been titled; the final surveyed size may change.

^{2.} Either wholly-owned, or with an option to acquire 100% title rights

(a) Reyna de Oro Project

The Company, through EXMIN, has a 25% interest in two concessions 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 by the end of 2009 and of which US\$105,000 is owed in 2010 should the Company elect to continue the acquisition. This project also includes certain concessions owned 100% by the Company, including the Luz de Oro concession.

The 14,936 hectare Reyna de Oro Project was EXMIN's first and is adjacent to Dia Bras' Bolívar Project. This 100% owned project is located in a very well mineralized region with several current mining and exploration projects underway, including Goldcorp's El Sauzal mine.

The project includes the Reyna de Oro Mine, where drilling demonstrated the potential for a bulk mineable discovery. The project also hosts several other targets, including Balojaque, which consists of several quartz veins with as much as 105 g/t gold.

At the Reyna de Oro Mine, EXMIN completed 2,200 metres of drilling at the project, and has delineated a nearly flat lying tabular body averaging about 20 to 30 metres in thickness with 2-4 g/t gold and locally significant copper. The body is open along strike and down dip and locally contains significantly higher grades, including 18 m of 6 g/t gold and 11 m of 7 g/t gold.

Exploration around the Reyna de Oro mine, on the combined concessions of EXMIN and Dia Bras, indicates that mineralization may be related to a large intrusion located 2 km east of the mine. Also, several factors indicate that there is potential for the discovery of blind skarn mineralization similar to that encountered in the surrounding region.

(b) 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 its Maguarichic Project. In order to earn up to a 65% interest, Peñoles was required to make staged payments to EXMIN 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. The Company currently plans to initiate exploration in the second quarter of 2010.

(c) Moris Exploration Project

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

On September 24, 2009, EXMIN agreed to sell part of its Moris Exploration project, along with a small area of its Batopilas land package, to Caza Gold, a private company spun off from Canarc Resource Corp., for a payment of 400,000 shares of Caza, and EXMIN retained a 1.0% NSR on Moris exploration, capped at US\$1,000,000.

In 2009, EXMIN sold its 30% interest in Minas Santa Maria de Moris, the owner of the Moris gold mine, for US\$1.5 million.

The remaining portion of 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, EXMIN has to pay a total of US\$400,000 over a three-year term from April 2010, to April 2012, of which US\$175,000 has been paid by the the date of this MD&A and of which US\$25,000 is owed in 2010 should the Company elect to continue the acquisition.

(d) Arechuyvo Exploration Project

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

Under the agreement, the Company, through EXMIN, has no further obligations for option or acquisition payments nor for work commitments. However, the Company does plan to explore this project during its 2010 field season. Exploration work has commenced with stream sediment sampling and will continue into the second quarter with the objective of identifying drill targets.

(e) 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, EXMIN had 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 by the end of 2009 and of which US\$30,000 is owed in 2010 should the Company elect to continue the acquisition. Initial stages of exploration are planned to start in the second quarter of 2010.

(f) Batopilas project

EXMIN acquired certain concessions by staking in the Batopilas region of Chihuahua State, Mexico, and 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, EXMIN was to pay US \$540,000 over four years, of which US\$130,000 has been paid by the date of this MD&A and of which US\$25,000 is owed in 2010 should the Company elect to continue the acquisition. Exploration crews commenced stream sediment sampling and rock sampling in prospective areas, completing approximately 75% of the estimated work scope, with the objective of generating drill targets for later in 2010.

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 subsidiary of Canarc) a 100% interest in the 800 hectare area that had been subject to the Canarc option agreement, for 400,000 common shares of Caza and a 1% NSR, capped at US\$500,000.

(g) Melchor Ocampo

EXMIN acquired certain concessions by staking in the Melchor Ocampo district of Zacatecas, Mexico, and entered into an additional option agreement to acquire 100% of the rights of 4 concessions there. Under the terms of the agreement EXMIN was to pay US\$1,000,000 over five years, of which US\$100,000 has been paid by the date of this MD&A and of which US\$60,000 is owed in 2010 should the Company elect to continue the acquisition. At this time, exploration is envisioned for the summer field season.

(h) Horcon Project

EXMIN 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, EXMIN pay US\$1,500,000 over three years, of which US\$220,000 had been paid by the date of this MD&A and of which US\$80,000 would be owed in 2010 had the Company elect to continue the acquisition. The properties are subject to a 1.5% NSR which is capped at US\$500,000. In April 2010 these concessions were dropped.

Also, EXMIN 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\$115,000 had been paid by the date of this MD&A and of which US\$5,000 is owed in 2010. Upon the payment of the US\$15,000 the concessions have been dropped in March 2010, with the final US\$5,000 remaining to be paid.

(i) Cerro Gordo

EXMIN 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.

(j) El Pino project

EXMIN 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, EXMIN was to pay US\$400,000 over two years, of which US\$105,000 has been paid by the date of this MD&A and of which US\$95,000 was owed in 2010 should the Company elect to continue the acquisition. Some of the concessions were dropped in 2010 with no further obligation to the Company.

Reasons for the Arrangement

The Arrangement creates a strong company in the Mexican minerals industry based on a number of factors including, among others, the following:

Combined Strength of Dia Bras and EXMIN. With the Arrangement completed, the combined company is a well-managed exploration company advancing toward production. A strong board of directors with expertise in capital markets and project advancement, and an enhanced team skilled in leveraging exploration via strategic partnerships will exist after the Arrangement. Selected Management of EXMIN continue to hold positions within Dia Bras.

Land Package of Dia Bras and EXMIN. The combined land package of Dia Bras and EXMIN is the largest area of mining concessions in the state of Chihuahua, in historic and currently producing areas of the Sierra Madre Occidental.

Production. The pilot-mining operations of Dia Bras provide a cash flow and a set of assets for metallurgical and operational testing of exploration projects, as well as a platform for rapid transition into commercial operation.

Exploration. The combined projects have excellent exploration potential in both precious metals and base metals, which have largely not been subject to modern exploration techniques. The Company can focus on just the lands it has to be able to generate significant upside potential.

Selected Quarterly Information

The following table sets forth selected quarterly financial information for each of the eight most recently completed quarters:

Table 5 – Selected Quarterly information

	2010 Q1 \$	2009 Q4 \$	2009 Q3 \$	2009 Q2 \$
Sales of concentrate	5,953,764	5,812,661	4,6302,760	3,717,517
Net income (loss)	1,152,411	1,914,942	(598,009)	(521,226)
Earnings (loss) per share (basic and diluted)	0.00	0.01	(0.00)	(0.00)
Total assets	32,467,426	31,175,561	27,636,996	20,081,205
Long-term liabilities	101,756	104,660	19,275	426,568

	2009 Q1 \$	2008 Q4 \$	2008 Q3 \$	2008 Q2 \$
Sales of concentrate	2,876,064	3,580,538	4,452,750	6,616,659
Net income (loss)	(1,928,493)	(12,189,829)	(7,517,228)	(3,081,382)
Loss per share (basic and diluted)	(0.01)	(0.10)	(0.07)	(0.03)
Total assets	21,568,404	21,526,867	28,282,800	31,894,126
Long-term liabilities	901,785	1,157,307	2,142,784	1,049,060

Results of Operations

During the quarter ended March 31, 2010, the Company recorded net income of \$1,152,411 compared with a loss of (\$1,928,493) in 2009 – earnings of \$0.00 per share and (\$0.01) per share respectively. This has been achieved by the strong copper and zinc prices, a focus on higher grade material and a continued process of cost control.

The period results are explained as follows:

Sales

During the three months ended 2010, revenues increased to \$5,953,764 compared with \$2,876,064 in the same period in 2009. The increase is primarily price driven since the tonnage processed was approximately the same in the two quarters and the grades were comparable. The average prices of copper and zinc for the first quarter of 2010 were 112% and 96% higher, respectively, than in the first quarter of 2009. The Company's concentrates are sold under pricing arrangements whereby final settlement prices are determined by quoted market prices in a period subsequent to the date of sale. Concentrates are provisionally priced at the time of shipment using forward prices for the expected month of final settlement, and then soon thereafter a fixed price for 90% of the metal sold in concentrate is contracted. Subsequent variations of the price and final quantities credited to the Company are recorded in the Consolidated Statement of Operations.

Expenses

During the first quarter of 2010, cost of sales were approximately the same at \$2.387 million compared with \$2.335 million in the first quarter of 2009. The stability in costs of sales is primarily attributable to the cost improvement plan implemented by the Company starting in 2008 in all areas, under which employment levels were reduced, transportation services were reconfigured and administrative costs were rationalized. These achievements offset the fact that inflation rose by 4.9% and the exchange rate changed unfavourably by 5.9% in the twelve months from the first quarter of 2009 until the first quarter of 2010. The variances in selected expenses are as follows, in thousands of dollars:

Table 6 – Variances of significant expenses

Expenses	Three months ended March 31, 2010 (000's)	Three months ended March 31, 2009 (000's)	Variance	Explanation of Variances
Cost of Production	2,543	2,335	208	Costs were negatively impacted by approx 14% due to the difference in exchange rates between the Mexican peso and the Canadian dollar, while raw costs were decreased in mining partially offsetting
Variation of commodity market prices	158	(519)	(677)	Prices dropped moderately in Q1 2010 whereas they rose in Q1 2009; more concentrate was subject to adjustment in Q1 2009
Transportation of concentrate	456	351	105	Amount of shipped concentrate increased along with freight rates
Exploration expenditures	244	791	(547)	Change in treatment of costs, most now capitalized
Gain/(loss) on foreign exchange	(88)	269	(357)	The Mexican peso/Canadian dollar exchange rate was negative for the Company during the first quarter of 2010 and positive for the Company in the first quarter of 2009

Cost of Production – General inflationary pressure added an average 4.9% to the costs of production, with the following specific cost changes – a) mining and indirect costs at Bolivar fell by approximately 14.3% before inflationary effects, b) transportation costs for deliveries of Bolivar ores to the Malpaso Mill rose by 28% due to fuel increases, rail charge increases and repair charges for damage done to the rail cars, and c) milling costs were up by 8.7% due to inflation and increased underlying processing costs.

Variation of commodity market prices – Prices adjusted downward by around 10% during the quarter and recovered toward the end, causing contracts to be revalued at lower levels than originally recorded; additionally, the forward prices the company entered into once its trading partner indicated the close of the quotational period were at lower levels than the original spot price at the date of the provisional sale.

Transportation of concentrate – Costs rose as compared to the first quarter of 2009 since the amount of concentrate shipped in the first quarter of 2010 was 27% greater, there was a general 10% increase in freight rates and there was a 5% increase in related costs in the port,

Exploration expenditures – From the fourth quarter of 2009 the Company has determined that the Bolívar project has exited the exploration stage and therefore drilling and related costs are capitalized.

Gain/(loss) on foreign exchange – The foreign exchange rate from the first quarter of 2010 to the first quarter of 2009 changed from 11.576 pesos to the Canadian dollar to 12.299, which was to the Company's favour. For the costs of the first quarter of 2009, the exchange rate had changed to the Company's detriment.

As of December 31, 2009, the Company reviewed the carrying value of its mining assets concluding that no impairment of value had been incurred in 2009.

The effect of the global recession on market prices for base metals impacted financial results in the past two years. Realized prices for zinc and copper have recovered in the second half of 2009, which has carried into the first quarter of 2010.

- » In the first quarter of 2010, the average realized copper price was US\$3.28/lb. compared with US\$1.55/lb. in the first quarter of 2009.
- » The average realized zinc price was US\$1.04/lb. in the first quarter of 2010 compared with US\$0.53/lb. in the first quarter of 2009.

Other

During the three months ended March 31, 2010, the Company recorded a noncash gain on the change in value of the investment in exploration companies of \$31,725 (\$16,700 for the three-month period ended March 31, 2009) The Company still owns 835,000 common shares of Pershimco and 500,000 common shares of Yale Resources Ltd. that are stated at fair market value.

Liquidity and Working Capital

The Company's liquidity position is directly related to the amount of financing procured for its continued development as a mining enterprise, the level of concentrate production, the cost of this production, the final settlement billing adjustments recorded for zinc, copper, lead and silver in concentrate that is sold and the amount of Exploration expenditures incurred each year, among other factors. As at March 31, 2010, the Company's working capital amounted to a positive \$4.9 million, including \$1.7 million in cash and cash equivalents compared with a negative (\$5.6 million) as at March 31, 2009, including \$983,000 in cash and cash equivalents.

As at March 31, 2010, sales tax and other receivables amounted to \$3.0 million (\$1.7 million as at March 31, 2009) and are mostly comprised of Mexican recoverable Value Added Tax credits ("IVA").

As at March 31, 2010, accounts payable and accrued liabilities amounted to \$3,532,102 (\$4.489 million as at March 31, 2009) which represents balances of normal business transaction.

Included in current and long-term liabilities is the Minera Cusi agreement for which \$824,000 is included in mining concessions payable as at March 31, 2010 compared to \$2.667 million as at March 31, 2009. In January 2009, the Company negotiated new terms with Minera Cusi in order to redefine the schedule of payments as follows: \$101,920⁽¹⁾ (US\$100,000) (paid on the date of signature of the new terms), 19 additional monthly payments of \$101,920⁽¹⁾ (US\$100,000) and a final payment of \$61,152⁽¹⁾ (US\$60,000) associated with the remaining \$2,099,552⁽¹⁾ (US\$2,060,000) to be paid under the original contract.

⁽¹⁾ – determined at the foreign exchange rate at March 31, 2010 of 1.01920, which was significantly higher on March 31, 2009.

As at March 31, 2010, the Company had a trade receivable of \$1.890 and trade payable of \$763,000 with MRI Trading AG ("MRI") (receivable of \$0 and payable of \$2.895 million as at March 31, 2009). The trade payable was the result of a decrease of market prices of copper and zinc during 2008 and is included in working capital. The decrease in the balance of trade payables during the twelve months ended March 31, 2010 of \$2.132 million is due to the payments discounted from the provisional invoices during the twelve months ended March 31, 2010 and the gain in commodity market prices. Actual final settlement billings will not differ significantly from the current provision due to the fact that the Company has fixed the prices for most of its unsettled lots.

In July 2009, the Company signed a new agreement with MRI to limit the payments of the outstanding short-term debt (explained below) and trade payable. Consequently, the remaining 2009 payments were significantly reduced from a monthly average of \$345,378 (US\$330,000) to \$117,219 (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 Bolívar Project to MRI, on an exclusive basis, up to the end of December 2014. The agreement was revised in the first quarter of 2010 so that the Company will repay each month, until all amounts owing hereunder are repaid: \$117,219 (US\$112,000) from the first sale and \$104,660 (US\$100,000) from the second sale during said month. During the twelve months ended March 31, 2010, the Company paid a total amount of \$3.904 million to MRI for both trade payables and for advance payable (explained below) under the new schedule of payments.

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, 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 \$117,219 (US\$112,000) and a final instalment of \$100,473 (US\$96,000), which debt is part of the rescheduled payments explained above.

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 up to 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.

Capital Resources, Investing and Financing Activities

The mineral properties of the Company are at the exploration stage. The exploration and development of the Company's properties depend on the Company having sufficient funds to carry out its plans. Although it is providing a source of income through the sales of concentrates through its pilot-mining program at the Bolívar Pilot-mine property, the Company is not yet considered as being at the commercial production stage.

The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to invest its working capital and to complete its development plans to meet its objectives and to meet its obligations and repay its liabilities arising from normal business operations when they become due.

As of March 31, 2010, the Company had working capital of \$4,871,000, had generated a net income of \$1,152,000 for the quarter ended March 31, 2010, and thereafter augmented its working capital with the closing of the \$16,341,000 Rights Offering on May 13, 2010 (see discussion in Subsequent Events below) , which funds are to be used to fund the construction of a mill on site at the Bolívar project (that will significantly reduce operating costs) and to continue its activities as a going concern.

Furthermore, the Company will continue to periodically reassess the amount and timing of its currently planned expenditures to increase operating efficiencies. At the same time, Management will continually assess its capital requirements that may require additional issuance of equity or debt.

During January through April, 2010, warrants were exercised at an average price of \$0.136 per share, for a total cash consideration of \$4,021,592. The warrants were exercised by directors and other shareholders of the Company. Consequently, the Company issued 29,485,545 common shares.

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.

From February to July 2009, the Company closed five private placements for a total amount of \$9,293,005 and issued 168,866,091 units, each unit being comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to subscribe, during periods from twelve to eighteen months, to one common share at an average price of \$0.111 per share. During 2008, the Company closed a private placement for a total amount of \$2,000,000 and issued 25,000,000 units, each unit being comprised of one common share and one common share purchase warrant exercisable over the following twenty-four months to purchase one common share at a price of \$0.20 per share.

The Company incurred share issuance expenses totalling \$142,695 related to private placements closed during 2009.

No stock options have been exercised from January 1, 2009 through March 31, 2010.

Capital Expenditures, Deferred Exploration Expenses and Property Payments

Capital expenditures during the three months ended March 31, 2010 amounted to \$1.745 million (three months ended March 31, 2009 -\$0.779 million) and consisted of mine development projects, cyanidation vats at the Malpaso Mill facilities and the preliminary work for the construction of the plant at the Bolívar Pilot-mine.

The following is a detailed listing of the funds raised in the three months ended March 31, 2010 and 2009, and their application to the strategic objectives of the Company:

	<u>2010</u>	<u>2009</u>
	\$	\$
Funds raised:		
Issuance of share capital	2,072,000	3,809,000
	<u>2,072,000</u>	<u>3,809,000</u>
Funds used for:		
Share issue expenses	75,000	38,000
Increase in mining assets	1,745,000	493,000
Exploration expenditures	244,000	791,000
Repayment of advance payable	8,000*	404,000
Payments of mining concessions payable	-	286,000
Reduction in accounts payable and accrued liabilities	-	235,000
Reduction in trade payables from prior years	-	675,000
Increase in sales taxes recoverable	-	233,000
Increase in inventories from pilot-mining program	-	85,000
Application to net loss	-	569,000*
	<u>2,072,000</u>	<u>3,809,000</u>

* - Applicable portion of expenditure during the period.

Financial Commitments

- (a) The Company is obligated under premises leases to pay rents on offices and houses in its operating areas.

For the year ended	Leases^{(i)s}	Purchase Commitments⁽ⁱⁱ⁾
December 31, 2010	51,072	8,060
December 31, 2011	68,096	-
December 31, 2012	34,048	-
Thereafter	-	-

⁽ⁱ⁾ – combination of Canadian and Mexican denominated operating leases.

⁽ⁱⁱ⁾ –Mexican denominated purchase commitments for supplies and services.

- (b) 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 Bolívar Mill and a new tailings dam adjacent to the Bolívar Mill to be located approximately 5 kilometres from the Bolívar Pilot-mine. The Lease covers 50 hectares and provides for annual payments of \$15,760 (MX\$192,042 – as adjusted in the future for inflation) over a 30-year term renewable with approval by the lessor for another 30 years. The payments under this agreement are not included above, as there are no minimum lease commitments under the lease agreement.
- (c) On December 14, 2004, 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 associated with the Bolívar Pilot-mine and ancillary facilities. The Lease covers 350 hectares and provides for annual payments of \$30,610 (MX\$373,000 – as adjusted in the future for inflation) over a 30-year term renewable with approval by the lessor for another 30 years. The payments under this agreement are not included above, as there are no minimum lease commitments under the lease agreement.

Off-Balance

The Company did not enter into any off-balance sheet arrangements.

Subsequent Events

Subsequent to quarter end, 13,000,000 warrants were exercised at an average exercise price of \$0.15, for a total cash consideration of \$1,950,000. All of the exercised warrants had expiry dates in July or August of 2010. The warrants were exercised by a shareholder of the Company. Consequently, the Company issued 13,000,000 common shares. No options were exercised subsequent to quarter end.

In April 2010, the Board of Directors approved the grant of 1,721,000 options to purchase the Company's common stock to various employees and a consultant of the Company. One-third of the options vest upon the date of grant with an exercise price of \$0.20/share, one-third vest on the first anniversary with an exercise price of \$0.25/share and the rest vest on the second anniversary with an exercise price of \$0.30/share. On the date of grant, the Company's common stock price was \$0.185/share. All options expire five years from the date of grant.

In May 2010, the Company closed a Rights Offering under which shareholders of record on April 10, 2010 had the rights to purchase one share, at \$0.17 per share, for each 4 shares of the Company's common stock owned. As a result of the offering, the Company raised \$16,340,903 and issued 96,122,956 common shares.

Related Party Transactions

During the three month period ended March 31, 2010 the Company paid consulting fees of \$46,824 to a company controlled by one of its directors (2009 - \$29,013). As at March 31, 2010, there is no outstanding balance due to this company (2009 - \$8,520).

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.

Significant accounting policies, new accounting pronouncements and accounting pronouncements not yet adopted

a) Significant accounting policies

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas where management judgment is applied are allowance for doubtful accounts, valuation of embedded derivatives, fair value of investment in exploration companies, mining asset valuations, contingent liabilities, future income taxes, valuation of warrants and stock-based compensation costs. Actual results could differ from those estimates, and such differences could be material.

Mining assets

These assets related to mineral projects, include the cost to acquire mining concessions and options in mining properties, and property, plant and equipment used in mining operations. Until it is determined that the properties contain mineral reserves or resources that can be economically mined, they are classified as mining assets.

(a) Mining concessions

Costs are deferred until the economic viability of the project has been established, at which time a portion of the costs are separately aggregated into property, plant and equipment used in mining operations. Specific costs are written off when properties are abandoned or when cost recovery is uncertain. Management has defined uncertainty as either there being no financial resources available for development in an area of interest over a period of three consecutive years or results from exploration work not warranting further investment. Areas of interest are defined by project.

Proceeds from the sale of a mining asset are applied against related carrying costs, and any excess proceed is reflected as a gain and any excess carrying costs are reflected as a loss in the Consolidated Statement of Operations.

(b) Property, plant and equipment used in mining operations

Property, plant and equipment used in mining operations are recorded at cost.

Amortization is computed using the following methods and rates or period:

	Method	Rate/Period
Buildings	Declining balance	10%
Equipment and rolling stock	Declining balance	30%
Computers and office furniture	Straight-line	3 years

Exploration expenditures

Exploration and mine development expenditures include engineering and metallurgical studies, drilling and other related costs to delineate an ore body, and the building of access ways, shafts, lateral access, drifts, ramps and other infrastructures at underground mines. Costs incurred before a development decision is made are expensed and classified as Exploration expenditures in the Consolidated Statement of Operations. Capitalization of exploration and mine development expenditures that meet the definition of an asset begins once a development decision is made. Drilling and related costs are capitalized for an ore body where proven and probable reserves exist or a development decision for a discrete mining area has been made and the activities are directed at obtaining additional information on the ore body or converting non-reserve mineralization to proven and probable reserves and the benefit is expected to be realized over a period beyond one year. All other drilling and related costs are expensed as incurred.

Revenue recognition

Revenue from the sale of concentrates is recorded in the Consolidated Statement of Operations as sales and is recognized when the following conditions are met:

- persuasive evidence of an arrangement exists;
- delivery has occurred under the terms of the arrangement;
- the price is fixed or determinable; and
- collection is reasonably assured.

The Company's concentrates are sold under pricing arrangements whereby final settlement prices are determined by quoted market prices in a period subsequent to the date of sale. The concentrates are provisionally priced at the time of shipment using forward prices for the expected month of final settlement. Subsequent variations of the price are recorded in the Consolidated Statement of Operations.

Stock option plan and stock-based compensation costs

The Company applies the fair value method to account for options granted to its employees, officers, directors and consultants. Under this method, compensation expense is measured on the date of grant using the Black-Scholes option pricing model. Any consideration paid on exercise of stock options is credited to share capital. The stock-based compensation cost is charged to the Statement of Operations over the vesting period. The contributed surplus resulting from the stock-based compensation is transferred to share capital when the options are exercised.

Asset retirement obligations

As the Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment, asset retirement obligations are recognized at fair value in the year in which the Company incurs a legal obligation associated with the retirement of an asset. The associated costs are capitalized as part of the carrying value of the related asset and amortized over its remaining useful life. The liability is accreted using a credit-adjusted, risk-free interest rate with the offsetting amount charged to earnings and is adjusted for any change in the amount or timing of the underlying cash flows with the offsetting amount recorded as an adjustment to mining assets. The asset retirement cost is depreciated over the remaining life of the assets.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment at least annually or when changes in circumstances suggest their carrying value has become impaired. Where conditions suggest impairment, management assesses whether carrying value can be recovered by determining fair value without first performing a test for recoverability given that the Company has insufficient information about its mineral properties to estimate future cash flows. When it is determined that a long-lived asset is impaired, it is written down to its estimated fair value.

Deferred tenant allowance

Deferred tenant allowance, a long term credit against lease commitments for making some tenant improvements, is initially recorded at fair value and is amortized using the straight-line method over the term of the lease.

b) Accounting pronouncements 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 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.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canadian GAAP. The effective date is for the Company's interim and annual financial statements for the year beginning January 1, 2011. The transition date will require the restatement for comparative purposes of amounts reported by the Company for the prior year.

The Company has finalized its IFRS conversion plan, with detailed assessment ongoing. The Company has identified presentation and disclosure, mineral property, plant and equipment, future income taxes, asset retirement obligations and financial instruments as areas where the adoption of IFRS may have a significant effect on the Company's financial reporting, processes and controls. The Company is also assessing the available elections under IFRS to determine the effect of each election to the Company. This detailed assessment is expected to be completed in the second quarter of 2010.

External advisors have been engaged and a team has been identified within the finance group to coordinate the implementation among the various departments of the organization. The Company has obtained preliminary training on IFRS for its internal implementation team and will participate in ongoing training to develop a thorough understanding of IFRS in order to finalize the assessment of accounting policies and be prepared for the 2011 changeover.

The preliminary conversion plan consists of four stages:

Stage 1: Scoping and Planning

- Determine the scope and complexity of the conversion and prepare a plan to outline the nature and timing of the conversion activities.

This stage was complete as of December 31, 2009.

Stage 2: IFRS Diagnostic Assessment

- Review current accounting policies and compare to IFRS to identify potential differences.
- Analyze the potential impact on processes and systems, including the accounting, reporting and reconciliation processes.

This task has determined that differences exist in the areas of stock-based compensation and future income taxes. The adjustments necessary to processes and systems, including the accounting, reporting and reconciliation processes, are being developed and management anticipates completing this task by the end of the second quarter of 2010.

Stage 3: Evaluation

- Evaluate accounting policy and disclosure choices available under IFRS, including their impacts on the Company.
- Resolve first-time application issues, by reviewing the requirements of IFRS 1 regarding the initial adoption of IFRS and deciding which of the available elections should be selected and whether new accounting policies should be adopted on either a retrospective or prospective basis (where choice exists).
- Identify and manage any required system impacts as a result of the above analyses.
- Provide ongoing training to project team members.

The evaluation of accounting policy choices is ongoing as is the training provided to project team members. Management has examined the available elections for initial adoption of IFRS and has determined that the majority of them are not applicable to the Company. The remaining exemptions are being analyzed. The target date for this stage is the end of the second quarter of 2010.

Stage 4: Implementation

- Develop a complete set of IFRS accounting policies for Dia Bras Exploration Inc and subsidiaries.
- Prepare draft financial statements, including notes, with preliminary figures and/or opening balance sheets under IFRS in advance of the transition date to become comfortable with financial results and their presentation.
- Continually monitor changes in IFRS standards.
- Provide end-user training as needed.
- Finalize revised internal control policies and procedures.
- Prepare final IFRS-compliant financial statements.

The target date for this stage has been revised to the end of the third quarter of 2010.

Financial Instruments and Risk Management

For all its financial instruments except for its investment in exploration companies which are quoted on open markets, the Company has determined the estimated fair value or carrying amounts 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 Company's cash and cash equivalents, and its investment in exploration companies, are measured at fair value.

The Company's trade receivables, tax receivables and other receivables are measured at amortized cost.

The Company's accounts payable and accrued liabilities, trade payable, advance payable and employment related obligations are measured at amortized cost using the effective interest rate method which is comparable to the carrying value due to the relatively short period to maturity of the instruments.

The amortized cost of mining concessions payable was originally measured at fair value at the initial recognition using prevailing market interest rates for a similar instrument with a similar credit rating.

The Company's financial position and results are sensitive to changes in commodity prices, foreign exchange risk, credit risk, liquidity risk 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.

A 1% annual percentage rate decrease in interest rates would have an impact on the loss for the year ended March 31, 2010, as follows based on the balances as at March 31, 2010:

	As at December 31, 2009	Decrease of loss (increase)
	\$	\$
Advance payable	324,992	3,250
Short-term deposits	25,638	(256)

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. As previously noted, the company does not mitigate these risks with hedging transactions.

The Company has exposure to monetary assets and liabilities denominated in Mexican pesos and U.S. dollar. Cash balances, trade receivables and payables, sales tax receivables, accounts payable, mining

concessions payable or advance payable denominated in Mexican pesos and U.S. dollar could expose the Company to a foreign exchange gain or loss. A decrease of 1% in the U.S. dollar exchange rate based on the balances as of March 31, 2010, would generate an increase of \$1,616 in the net income for the three-month period ended March 31, 2010. A decrease of 1% in the Mexican peso exchange rate based on the balances as of March 31, 2010, would generate an increase of \$6,523 in the net income for the three-month period ended March 31, 2010.

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 sales and income taxes receivable are with the Governments of Mexico and Canada, and, as such, management believes they also represent normal credit risk.

As at March 31, 2010, management considers none of the accounts receivable doubtful and therefore no allowance has been recorded.

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 which the company hedges by entering into a forward price contract for each sale at the time of delivery. This component of the contract is an embedded derivative, which is short-term (less than four months) and recorded at fair value with changes in fair value recorded in net earnings.

The Company produces copper, zinc, silver and lead, in various forms, which exposes it to commodity price risk. Metals prices are affected by many factors, including global and regional supply and demand, the relative exchange rate of the United States dollar with other major currencies, political and economic conditions, central bank sales, producer hedging activities, global and regional demand and political and speculative hedging and investments. Many of these factors combine to produce high levels of short-term volatility. The Company may enter into derivative financial instruments to manage the Company's exposure to commodity price risk. However, at this time, the Company has elected not to engage in any hedging to reduce its exposure to commodity price risk.

In 2010, with other variables unchanged, a 1% change in the average prices of its commodities would have increased or decreased the Company's net earnings for the three-month period ended March 31, 2010 by \$75,000.

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. 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 during the last two years. Although they have traded in a more narrow range in the last part of 2009 and in the first quarter of 2010, it is difficult to forecast the expected duration of the current cycle for metal prices as it is being driven by many, and sometimes conflicting, factors in the commodity markets. Future price declines may materially reduce the Company's cash flow.

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. With the closing of the Rights Offering in May, 2010 (see Subsequent Events above), the Company believes it has sufficient liquidity to meet these obligations and fund its projects in the next the next twelve months, the period during which the Bolívar Mill is expected to be constructed.

Risk and Uncertainties

Going Concern

These statements are prepared on a going concern basis, which ultimately will depend on the long-term profitable operation of the plant at Bolívar and successful exploration efforts, among other factors.

As of March 31, 2010, the Company had working capital of \$4,871,000, and thereafter augmented its working capital with the closing of the \$16,341,000 Rights Offering on May 13, 2010 (see discussion in Subsequent Events above), which funds are to be used to fund the construction of a mill on site at the Bolívar project (that are expected to significantly reduce operating costs) and to continue its activities as a going concern. The Company now considers itself fully funded for its projects and commitments for the next twelve months, the period during which the Bolívar Mill is expected to be constructed.

In addition to ongoing working capital requirements, the Company must generate cash flow or secure sufficient funding to meet its existing commitments for exploration and development programs, property payments and for general and administrative expenses. 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 completing its construction and development plans or 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.

Business Risks

The exploration for, and development of, mineral deposits involve significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. All of the Company's mining properties are at the exploration stage. There is no assurance that the Company's exploration programs will result in any discoveries of commercial ore bodies.

The Company has numerous competitors with greater financial, technical and other resources.

Estimates of future production from the Bolívar pilot-mining operations are derived from the mine plan prepared in fiscal 2009 and subsequently reviewed and/or revised by Management. These estimates are subject to change. The Company cannot give any assurance that it will achieve its production estimates. Failure to achieve the anticipated production estimates could have a material and adverse effect on any or all of the Company's future cash flows, results of the pilot-mining operations and financial condition.

Actual production may vary from estimates for a variety of reasons, including risks and hazards of the types discussed above and as set out below:

- » Actual mineralized rocks mined varying from estimates in grade, tonnage and metallurgical and other characteristics;
- » Mining dilution;
- » Ramp wall failures or cave-ins;
- » Ventilation and adverse temperature levels underground;
- » Industrial accidents;
- » Equipment failures;

- » Natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes;
- » Encountering unusual or unexpected geological conditions;
- » Changes in power costs and potential power shortages;
- » Shortages of principal supplies needed for operation, including explosives, fuel, chemical reagents, water, equipment parts and lubricants; and
- » Restrictions imposed by government agencies.

Land Title

The Company is taking reasonable measures, in accordance with industry standards, for properties at that stage of exploration, 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, amongst other things, by undetected defects (refer to notes 10 and 18 of the unaudited interim consolidated financial statements ended March 31, 2010). As at March 31, 2010, some of the Company's property titles are in the process of being registered in the name of the Company's Mexican subsidiary at the Mexico Mining registry office.

Capital Needs

The exploration, development, mining and processing of the Company's properties or the acquisitions and expansion opportunities could require substantial additional future financing. The only current sources of future funds available to the Company are the sale of additional equity capital, the borrowing of funds and sales of concentrates through its pilot-mining activities. There is no assurance that such funding will be available to the Company or that it will then be obtained on terms favourable to the Company or will provide the Company with sufficient funds to meet its objectives, which may adversely affect the Company's business and financial position. Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of property interest.

Regulation and Environmental Requirements

The activities of the Company require permits from various governmental authorities and are subject to bylaws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, environmental protection and other matters. Increased costs and delays may result from the need to comply with applicable laws and regulations. If the Company is unable to obtain or renew licenses, approvals and permits, it may be curtailed or prohibited from proceeding with exploration or development activities.

2010 Priorities

Dia Bras's biggest current challenge is the financing and construction of the Bolívar Mill near the Bolívar Pilot-mine. In parallel, the Company's plans for 2010 include processing higher-grade material with the goal of producing positive cash flow at forecasted metal prices.

Dia Bras will focus on key priorities for the foreseeable future:

- » Building a mill at Bolívar to reduce operating costs and cut-off grade,
- » Increase the amount of resources at Bolívar which can be converted into reserves,
- » Maximizing cash flow in this uncertain economic environment;
- » Reducing direct operating costs;
- » Exploration program to expand and upgrade resources at Bolívar and Cusi projects;
- » Exploration of the EXMIN projects;

» Positioning the Company for the economic recovery.

The following is a detailed plan for raising funds in 2010, and the application of funds to the strategic objectives of the Company:

	<u>2010</u>
	\$
Funds raised:	
Issuance of share capital	20,000,000
Debt financing	2,500,000
	<u>22,500,000</u>
Funds used for:	
Bolívar plant and related construction*	12,700,000
Exploration at the Bolívar concessions	1,300,000
Development of Bolívar resources	2,000,000
Regional exploration near Bolívar	700,000
Development and ancillary equipment for Cusi	3,500,000
Exploration at the Cusi concessions	1,500,000
Exploration and concession payments, EXMIN properties	800,000
	<u>22,500,000</u>

*- figured using the latest estimate of US\$12,000,000 at the exchange rate of the US dollar to the Canadian dollar as of the date of this MD&A.

(ii) NATIONAL INSTRUMENT 51-102 – SECTION 5.4

Disclosure of Outstanding Securities as at May 25, 2010

Common shares: 480,614,780

Warrants outstanding: 136,314,017

Options outstanding: 13,345,640

Warrants: (each warrant entitles the holder to purchase one common share of the Company at the exercise price indicated until expiry date):

Number of Warrants	Exercise Price	Expiry Date
	\$	
10,750,000	0.15	July 2010
163,200	0.49	October 2010*
25,000,000	0.20	November 2010
86,816	0.49	November 2010
92,546	0.49	December 2010
70,545,455	0.10	January 2011
29,676,000	0.10	December 2011
<hr/>		
136,314,017		

* - Replacement warrants issued to EXMIN shareholders in the merger completed September 30, 2009.

Number of Options	Exercise Price	Expiry Date
	\$	
920,000	0.30	September 2010
1,575,000	0.40	February 2011
700,000	0.90	September 2011
865,000	1.10	April 2012
100,000	1.28	June 2012
150,000	1.25	July 2012
300,000	0.89	October 2012
230,000	0.61	April 2013
225,000	0.45	June 2013
420,000	0.10	November 2013
1,000,000	0.15-0.20-0.25	March 2014
2,070,000	0.10	June 2014
20,000	0.18	August 2014
450,840	1.27	April 2011*
548,760	1.57	September 2016*
308,040	1.89	August 2017*
102,000	2.45	October 2010*
600,000	0.15-0.20-0.25	September 2014
500,000	0.23-0.28-0.33	November 2014
540,000	0.215	December 2014
1,721,000	0.20-0.25-0.30	April 2015
<hr/>		
13,345,640		

* - Replacement options issued to EXMIN option holders in the merger completed September 30, 2009.

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BOARD OF DIRECTORS

Philip Renaud
Chairman
Daniel Tellechea
J. Alberto Arias
Douglas F. Cater
David Crevier
Eduardo Gonzalez
Robert D. Hirsh

OFFICERS

Philip Renaud
Chairman
Daniel Tellechea
President and Chief Executive Officer
Mark Shonnard
Chief Financial Officer
Arved Marin
Financial Controller
Luce L. Saint-Pierre
Corporate Secretary