



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 25, 2008

This Management's Discussion and Analysis ("MD&A") supplements the unaudited consolidated financial statements and related notes of Dia Bras Exploration Inc. ("Dia Bras" or the "Company") for the three- and nine-month periods ended September 30, 2008 and follows rule 51-102A of the Canadian Securities Administrator regarding continuous disclosure for reporting issuers. Therefore, it should be read in conjunction with those financial statements and related notes as at September 30, 2008. (Additional information relating to Dia Bras is also available on SEDAR at www.sedar.com.) 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.

The consolidated financial statements for the three- and nine-month periods ended September 30, 2008 have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a going concern basis. The going concern basis of presentation assumes the Company will continue in operation for the foreseeable future and will be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. 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 obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due. The Company is seeking near-term financing to fund construction of a mill on site at Bolivar mine that will reduce significantly direct operating cash costs. There is no assurance that sufficient funds can or will be raised. Accordingly, there can be no assurance, once a decision is made with respect to future activities, that the Company will be able to execute on its plans.

FORWARD-LOOKING STATEMENTS

The MD&A contains certain statements that constitute forward-looking statements. 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 mining the 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 with or shortages of labour or interruptions in production; actual rocks mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; the inherent uncertainty of pilot-mining activities and cost estimates and the potential for unexpected costs and expenses, 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, including those described under Risk Factors Relating to the Company's Business in the Company's annual report and in each management's discussion and analysis.

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; that the Company receives regulatory and governmental approvals for its projects and other operations on a timely basis; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment in the countries in which the Company has its mining operations and projects will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

NOTE TO READERS

Until it can be determined that the mining properties contain mineral reserves or resources that can be economically mined, they are classified as mining properties. The Company obtained a favourable preliminary assessment from an independent engineering firm which determined that the Bolivar project could prove economically viable with the construction of the mill on site. The economic viability of the Cusi mining properties has not yet been assessed. The recoverability of costs relating to the mining properties, including deferred exploration expenses, is dependent upon the discovery of economically recoverable reserves and resources, confirmation of the Company's interest in the underlying mineral 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.

It is important to note that Bolivar is not at a commercial production stage. The construction of a mill on site is required to bring the property to a commercial production operation. Recently, the Company initiated early-stage activities for construction on the Bolivar property and extensions.

The results of our operations are 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. Our 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 our 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 prices of zinc, copper and other metals have fluctuated widely in recent weeks. It is difficult to forecast the expected duration of the current down-cycle for metal prices as it is being driven by both slowing economic growth and negative sentiment in the commodity markets. Future price declines may materially reduce our cash flow and the Company may have to consider putting the mines on care and maintenance or ceasing operation at the mines and plant, all of which could reduce our cash flow from operations and may also require the Company to look for alternatives other than cash flow to maintain its liquidity.

CORPORATE OVERVIEW AND BUSINESS

Headquartered in Montréal, Canada, Dia Bras focuses on the exploration and development of copper-zinc, lead-silver and zinc properties throughout its combined 18,071 hectares in the state of Chihuahua, Mexico. The Company's projects, Bolivar and Cusihiuriachic ("Cusi"), are located in the Sierra Madre Occidental mountains of northwestern Mexico and within transportation distance to its Malpaso mill. Dia Bras's Malpaso mill can process a capacity up to 850 tonnes per day ("tpd") with potential for 1,350 tpd.

The Company currently produces zinc, copper and lead-silver concentrates through its Bolivar and Cusi pilot-mining programs.

Dia Bras's goal is to focus on growing its mining operations through the development of existing properties, while maintaining production costs that will sustain the Company through most market conditions.

THIRD QUARTER 2008 HIGHLIGHTS

- » During the third quarter of 2008, zinc and copper production decreased 29.34% and 19.17% respectively compared with the third quarter of 2007. For the nine month period, production of zinc decreased 14.83% and copper production increased 49.10% over the same period in 2007. This reduction was mainly due to unexpected weather conditions in Chihuahua and a major optimization program at the Malpaso mill.
- » Operating cash costs increased 6.53% per metric tonne during the third quarter of 2008 compared with the third quarter of 2007 and decreased 12.11% over the cumulative nine-month period for Bolivar pilot-mining activities. This increase in operating cash costs is related to the lower production during the third quarter.
- » For the nine-month period, the net smelter production value from pilot mining at Bolivar Mine decreased 2.78%, for a total of \$17.5 million compared with \$18.0 million for the same period in 2007. For the three-month period ended September 30, 2008, the net smelter production value amounted to \$3.7 million, a 53.7% decrease compared to the corresponding period in 2007.
- » During the third quarter 2008, the average copper, zinc and lead prices declined by 9%, 16% and 16%, respectively, compared to the second quarter of 2008. Compared to the third quarter of 2007, zinc and lead prices were down 45% and 38%, respectively, while copper prices held steady.

OVERALL PERFORMANCE – THIRD QUARTER 2008

EXPLORATION, PILOT MINING AND MINING DEVELOPMENT ACTIVITIES - THIRD QUARTER 2008

Bolivar Project

The Bolivar project is situated in the Piedras Verdes mining district of Chihuahua, approximately 250 km southwest of the city of Chihuahua, the capital of the state of Chihuahua in northern Mexico and, more specifically, approximately 10 km southwest of Urique. It includes two units of exploration properties: the Bolivar and Mezquital groups, which comprise 12 mineral concessions that cover approximately 6,616 hectares.

Bolivar III and IV

In 2005, a personal action was filed in Mexico against one of the Company's subsidiaries, Dia Bras Mexicana S.A. de C.V., ("DBM"), by an individual claiming the annulment and revocation of the purchase contracts of two mining concessions, Bolivar III and IV, entered into between DBM and Mr. Javier Octavio Bencomo Muñoz and Minera Senda de Plata, S.A. de C.V. Following the notification of said claim against DBM, a defence was filed based on the questionable legal standing of the claimant to file a lawsuit on behalf of the former owner. Although there can be no assurance regarding the outcome of such proceeding, management and its external legal advisors believe that, as the claimant purports the annulment and revocation of the purchase contracts, it will have no significant effects in the financial condition or results of operation of DBM. The remote success of such legal proceedings could result in an impairment of the value of the Bolivar Mine property (refer to note 22 on Contingency in the consolidated financial statements, as at September 30, 2008).

San José

On May 30, 2008, the Company decided to abandon the San José properties. Consequently, all costs and deferred exploration expenses accumulated on the related mining concessions as at that date were written off in the second quarter of 2008. As of the date of this report, El Paso Partners, Ltd/Polo y Ron Minerales S.A. de C.V. has yet to officially accept the Company's option termination letter.

Bolivar Project 2008 Exploration Program

During the third quarter of 2008, Dia Bras drilled 5,596 metres of advance on surface and underground at Bolivar and completed development drilling in the Bolivar Mine and El Gallo areas. Surface core drilling was terminated on completion of the development drilling program. Exploration activities refocused on resource estimation that was concluded effective September 25, 2008 by SGS Geostat International. During the quarter, 3,446 metres were drilled on surface until cessation of development drilling in September. Underground stope exploration and development generated an additional 2,150 metres of drilling advance. For the nine-month period, a total of 20,201 metres of drilling was completed at the Bolivar.

SGS Geostat International completed a NI43-101 compliant resource evaluation effective September 25, 2008. Total undiluted resources from the Bolivar project have increased 26% to a total of 1,188,800 tonnes at 1.26% Cu, 2.35% Zn, 0.28 g/t Au and 30.7 g/t Ag in the Measured and Indicated categories and 55% to 6,290,100 tonnes at 1.18% Cu, 0.99% Zn, 0.30 g/t Au and 26.4g/t Ag in the Inferred Resources category, all at a 2.5% CuEq cut-off for the Upper Skarn and 1% CuEq cut-off for the Lower Skarn and other zones compared with the previous resources of March 2008 (see tables).

Resources of the Bolivar Project

*Calculated by Yann Camus, Eng., SGS Geostat Ltd. Resources situation on the 2008-09-25
Prices used for calculation are Cu: US\$2.00 /lb, Zn: US\$1.00 /lb, Au: US\$500 /oz, Ag: US\$10 /oz*

Table 1. Total Measured resources of the Bolivar Project

Cutoff on the % CuEq	Classification	Tonnes	SG (t/m ³)	% Cu	% Zn	Au (g/t)	Ag (g/t)	% Fe
1.00	Measured	331,100	3.32	1.16	2.09	0.29	28.3	11.4
<i>Metal weight</i>				<i>8,470,000 lbs</i>	<i>15,230,000 lbs</i>	<i>3,130 oz</i>	<i>300,000 oz</i>	
1.25	Measured	265,900	3.33	1.27	2.49	0.30	31.3	11.7
<i>Metal weight</i>				<i>7,450,000 lbs</i>	<i>14,580,000 lbs</i>	<i>2,590 oz</i>	<i>270,000 oz</i>	
1.50	Measured	199,400	3.35	1.37	3.21	0.32	34.4	10.9
<i>Metal weight</i>				<i>6,020,000 lbs</i>	<i>14,090,000 lbs</i>	<i>2,040 oz</i>	<i>220,000 oz</i>	

Table 2. Total Indicated resources of the Bolivar Project

Cutoff on the % CuEq	Classification	Tonnes	SG (t/m ³)	% Cu	% Zn	Au (g/t)	Ag (g/t)	% Fe
1.00	Indicated	857,700	3.33	1.30	2.45	0.27	31.6	11.0
<i>Metal weight</i>				<i>24,540,000 lbs</i>	<i>46,360,000 lbs</i>	<i>7,490 oz</i>	<i>870,000 oz</i>	
1.25	Indicated	673,200	3.35	1.44	3.04	0.29	35.7	11.3
<i>Metal weight</i>				<i>21,340,000 lbs</i>	<i>45,060,000 lbs</i>	<i>6,350 oz</i>	<i>770,000 oz</i>	
1.50	Indicated	539,000	3.37	1.56	3.69	0.32	39.3	11.0
<i>Metal weight</i>				<i>18,510,000 lbs</i>	<i>43,890,000 lbs</i>	<i>5,490 oz</i>	<i>680,000 oz</i>	

Table 3. Total Measured + Indicated resources of the Bolivar Project

Cutoff on the % CuEq	Classification	Tonnes	SG (t/m ³)	% Cu	% Zn	Au (g/t)	Ag (g/t)	% Fe
1.00	Measured + Indicated	1,188,800	3.33	1.26	2.35	0.28	30.7	11.1
<i>Metal weight</i>				<i>33,010,000 lbs</i>	<i>61,590,000 lbs</i>	<i>10,620 oz</i>	<i>1,170,000 oz</i>	
1.25	Measured + Indicated	939,100	3.34	1.39	2.88	0.30	34.5	11.4
<i>Metal weight</i>				<i>28,790,000 lbs</i>	<i>59,640,000 lbs</i>	<i>8,950 oz</i>	<i>1,040,000 oz</i>	
1.50	Measured + Indicated	738,400	3.36	1.51	3.56	0.32	38.0	11.0
<i>Metal weight</i>				<i>24,530,000 lbs</i>	<i>57,990,000 lbs</i>	<i>7,520 oz</i>	<i>900,000 oz</i>	

Table 4. Total Inferred resources of the Bolivar Project

Cutoff on the % CuEq	Classification	Tonnes	SG (t/m ³)	% Cu	% Zn	Au (g/t)	Ag (g/t)	% Fe
1.00	Inferred	6,290,100	3.28	1.18	0.99	0.30	26.4	15.1
<i>Metal weight</i>				<i>163,080,000 lbs</i>	<i>137,090,000 lbs</i>	<i>61,220 oz</i>	<i>5,340,000 oz</i>	
1.25	Inferred	4,506,000	3.29	1.34	1.22	0.33	30.9	15.3
<i>Metal weight</i>				<i>133,470,000 lbs</i>	<i>121,650,000 lbs</i>	<i>48,140 oz</i>	<i>4,470,000 oz</i>	
1.50	Inferred	3,337,600	3.30	1.48	1.52	0.35	35.0	15.2
<i>Metal weight</i>				<i>108,760,000 lbs</i>	<i>112,010,000 lbs</i>	<i>37,590 oz</i>	<i>3,750,000 oz</i>	

Notes:

1. CIM definitions were followed for the resource estimate¹.
2. A minimum width of 2 m was used for a mineralized zone.
3. Densities of mineralized rock are indicated in the tables.

The preliminary economic assessment of November 2007² determined that the project could prove economic at both 500- and 1000-tonne-per-day mill scenarios even in current economic conditions. This new resource is a significant increase over the last resource calculation of March 2008 effective December 31, 2007. Dia Bras believes that this significant increase is sufficient for the construction of a 500-tonne per-day mill on site. Early-stage activities for the construction, including securing surface land for a mill site, environmental permitting and acquisition of water rights, are in progress.

¹ Readers are cautioned that Inferred resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, as part of a preliminary assessment, and for the economic part of this preliminary assessment, inferred resources can be included. Some mining dilution has been added. Mineral resources that are not mineral reserves have not demonstrated economic viability.

² Due to the preliminary nature of the report, there is no certainty that the preliminary assessment will be realized.

Upon completion of resource drilling exploration, the Company initiated low cost "Headframe" activities such as surface mapping and sampling of the north-south extensions of the Rosario-Rodolfo trend, parallel ore runs to the west-northwest strike of Fernandez-Titanic material and surface disseminated copper-silver mineralization in Bolivar Northwest. Eight targets for surface drilling have been generated by these activities

A new mine geology program also began during the third quarter of 2008. Activities include grade control and resource reconciliation, mine mapping and survey control, studying mining reserve concepts, stope planning and development, mine and production planning. Mine exploration developed an ore run and chimney model for the Bolivar district mineralization, drilled ore run and chimney skarn mineralization along the San Angel dike, and the down-plunge extensions of the Fernandez, Brecha Linda, and San Francisco zones. Underground drilling proceeded with two machines, thereby reducing costs and increasing the overall efficiency of target evaluation.

Bolivar Pilot-Mining Program

During the third quarter of 2008, the Company processed 32,727 tonnes of material from the Bolivar Mine property averaging grades of 1.18% Cu and 5.72% Zn, producing 1,172 DMT of copper concentrate and 2,912 DMT of zinc concentrate for a cumulative 99,202 tonnes processed averaging grades of 1.68% Cu and 6.99% Zn, for a year-to-date production of 10,752 DMT of copper concentrate and 5,214 DMT of zinc concentrate. Quarter-to-quarter and nine-month to nine-month comparisons are shown in the table on the following page.

As at September 2008, the Company produced 3,104,715 lbs. of copper and 13,333,843 lbs. of zinc which represent a percentage of the production forecasted for 2008 of 85% and 60% respectively.

The third quarter production value amounted to US\$3.7 million, a 53% decrease over last year's corresponding period of US\$8 million. The production value was negatively impacted by the lower average realized price for zinc compared to the same period in 2007. Third quarter zinc market prices were 45% lower than in the third quarter of last year.

Average grades obtained in the third quarter were well below the Company's internal forecasts of 5.72% for zinc and 1.18% for copper and below average grades for the same period in 2007 of 7.70% for zinc and 1.37% for copper. Mining and overall production was negatively impacted during the early part of the period as extreme heavy rains caused damage and blocked access to Level 6 which contains high-quality grade material. Furthermore, an optimization program developed at the Malpaso mill facilities during the third quarter resulted in lower grade material being processed. This program has been completed and the facilities are ready to process material from Bolivar and Cusi simultaneously.

The Company recognizes that the significant downturn in base metal market prices represents a challenge due to the negative impact in the cash flow generated by operations. Therefore, the Company continues with its cost improvement program in all areas. This program has reduced by 12.11% the direct operating cash cost per tonne over the cumulative nine-month period compared to same period in 2007.

A summary of comparative statistics for 2008 and 2007 is reflected on the following page. Cumulative statistics include adjustments made following reconciliation with final settlement data.

Bolivar Pilot Mining

	Actual Q3-2008	Actual Q3-2007	% Variation 2008 over 2007	Actual Cumulative 2008	Actual Cumulative 2007	% Variation 2008 over 2007
Tonnes processed	32,727	34,841	(6.0)	99,202	93,095	6.56
Daily throughput	374	398	(6.0)	378	355	6.48
Copper grade	1.18%	1.37%	(13.87)	1.68%	1.29%	30.23
Zinc grade	5.72%	7.70%	(25.71)	6.99%	6.66%	4.95
Copper recovery	83.01%	81.71%	1.59	83.80%	80.61%	3.96
Zinc recovery	88.52%	88.55%	(0.03)	86.45%	87.03%	(0.67)
Copper concentrate production DMT	1,172	1,450	(19.17)	5,214	3,497	49.10
Zinc concentrate production DMT	2,912	4,121	(29.34)	10,752	9,363	(14.83)
Total production of copper (pounds)	698,725	861,570	(18.90)	3,104,715	2,141,537	44.98
Total production of zinc (pounds)	3,602,827	5,255,475	(31.45)	13,333,843	11,911,479	11.94
Average price of copper per pound, \$US	\$3.48	\$3.51	(0.85)	\$3.62	\$3.22	12.42
Average price of zinc per pound, \$US	\$0.80	\$1.46	(45.21)	\$0.96	\$1.56	(38.46)
<i>(in US\$ millions)</i>						
Total net smelter production value ^{(1) (2) (3)}	\$3.7 M	\$8.0 M	(53.75)	\$17.5 M	\$18.0 M	(2.78)
Direct operating cash costs (including development) ^{(1) (2) (3)}	\$3.4 M	\$3.7 M	(8.11)	\$10.2 M	\$10.9 M	(6.42)
Direct operating cash margin (FOB Malpaso Mill) ^{(1) (2) (3)}	\$0.3 M	\$4.3 M	(93.02)	\$7.3 M	\$7.1 M	2.82
Operating cash costs/DMT (including development) ^{(1) (2) (3)}	\$113.40	\$106.45	6.53	\$102.76	\$116.92	(12.11)

(1) Non-GAAP measures: The Company reports net smelter production value (net treatment of refining charges), direct operating cash costs (including development), direct operating cash margin (FOB Malpaso mill) and operating cash costs/DMT (including development) even if they are non-GAAP measures to indicate the approximate value of the year's sales, and to isolate the measure of pilot-mining operation cost activities less amortization and depreciation. The Company believes this is useful supplemental information. However, it should not be considered as a substitute for measure of performance prepared in accordance with GAAP.

(2) Net smelter production value is calculated using quarterly average current metal prices which may be different from final prices.

(3) Before amortization

Since the beginning of 2008, the Company finalized negative settlement billings totalling US\$3.4 million which directly affected the Company's cash flow. Those settlements mainly related to 2007 zinc shipments. Since September 2007, zinc market prices dropped by approximately 65% from US\$1.46/lb. to its current price of US\$0.52/lb. Copper market prices were steady for the first half of the year and then in the third quarter, copper had the largest drop among base metals, from US\$3.90/lb on July 1st to its current price of US\$1.67/lb. The Company initiated copper hedging during the third quarter for approximately 1.3 million lbs. at an average price of \$3.65/lb. and zinc hedging for approximately 1.4 million lbs. at an average price of US\$0.80/lb.

It is important to note that Bolivar is not at a commercial production stage. The construction of a mill on site is required to bring the property to a production commercial operation. Recently, the Company has initiated early-stage activities for construction on the Bolivar property and extensions.

Bolivar Outlook

The pilot-mining program initiated by the Company in late 2005 has reached its objectives. The Company has factual information on the metallurgy of the copper and zinc mineralization, recovery rates, per tonne revenues at various commodity prices, mining costs and other factors. Management can now focus its attention on the construction of a mill on site and eliminate the high transportation cost of shipping rock to our Malpaso mill, which was always considered a temporary measure, to obtain this essential information. The on-site mill will have a positive impact on the project economics.

In October, 2008, the Company released a new NI 43-101 compliant resource calculation for its Bolivar Cu-Zn project showing an undiluted total of 1,188,800 tonnes at 2.76% CuEq in the Measured and Indicated categories and 6,290,100 tonnes at 1.97% CuEq in the Inferred Resources category, all at a 2.5% CuEq cut-off for the Upper Skarn and 1% CuEq cut-off for the Lower Skarn and other zones.

This new resource is a significant increase over the last resource calculation of March 2008 effective December 31, 2007. Dia Bras believes that this significant increase is sufficient for the construction of a 500-tonne-per-day mill on site. Early-stage activities for the construction, such as securing surface land for a mill site, environmental permitting and acquisition of water rights, are in progress.

Currently, the Company does not have sufficient funds to complete the development of the Bolivar project. In order to finance the construction of an on-site mill at Bolivar, the Company will have to issue additional equity, borrow sufficient funds from third party lenders or both. There can be no assurance that funding will be available to the Company or available on terms that do not adversely affect the projected economic return from the development of the Bolivar project.

Cusi Project

The history of the Cusi silver district spans three hundred-plus years. The abundance of silver initially attracted fortune hunters to Cusi in the late 1600s, and this centrally located district was an important factor that allowed Mexico to control approximately 33% of the world's silver production. These former mines historically produced high-grade silver but became inactive during plummeting silver prices; most have never been explored at depth and none with modern techniques. The acquired assets include 12 inactive mines, each located on a mineralized structure.

The Cusi project is subject to different purchase and option agreements (refer to quarterly financial statements and annual 2007 management's discussion and analysis: La India and La Marisa, Holguin properties, San Miguel-La Bamba (Pershimco) and Minera Cusi) all entered into in 2006, including the Minera Cusi agreement on which related properties' exploration expenditures were incurred during the second quarter of 2008.

Minera Cusi Agreement

In June 2006, the Company entered into an option agreement to earn a 100% interest in several properties (1,133.5 hectares) with Compañía Minera Cusi ("Minera Cusi"), a private Mexican company, for a total amount of US\$5,000,000 payable over a three-year period.

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 the total outstanding amount of US\$3,060,000 to be paid as follows: US\$500,000 (paid at the date of signing), US\$500,000 in November 2008 and four quarterly instalments of US\$515,000 in March, June, September and December 2009. Those amounts are disclosed as mining concessions payable in the September 30, 2008 unaudited consolidated financial statements. 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 US\$11.00 per ounce or 3% NSR if the price of silver exceeds US\$11.00 per ounce.

Cusi Exploration 2008 Program

During the third quarter of 2008, exploration advanced with 2,195 metres of core drilling at Cusi. Approximately 1,138 metres were drilled from surface to explore the Santa Edwiges, San Antonio, Santa Marina, Santa Eisela, Tascate, Soledad and Milagro veins and to prepare available resources for stope development and pilot-mining activities. For the nine-month period, a total of 16,800 metres of drilling was completed at Bolivar.

With the cessation of surface drilling in August, exploration, as at Bolivar, was refocused on low-cost "Headframe" activities such as surface mapping and sampling and expanding the mine geology program.

Database research produced the realization that disseminated argentite mineralization exists as oxide and sulfide mineralization over both the Santa Edwiges and Promontorio vein systems. Because the bulk of historic production from the Cusi district was mined from the Santa Edwiges and Promontorio mines, detailed geologic mapping and sampling commenced during the quarter to define the surface extent of disseminated silver mineralization.

Cusi mine geological activities included grade control and resource reconciliation, mine mapping and survey control, initiation of a mining reserve, stope planning and development, and mine and production planning. Mine exploration generated wall rock disseminated and stockwork-type argentite mineralization from vein contouring, alteration studies, relogging of drill holes bearing disseminated silver mineralization and splitting intervals that were previously assayed. These activities progressed toward the definition of two disseminated silver mineralized bodies at Cusi and Promontorio.

In addition, disseminated and quartz stockwork argentite mineralization that defines the Santa Rosa "chimney" was relogged for rock mechanics information to determine rock quality in this strongly altered and broken ground as a basis for the selection of mining techniques and ground control. Drilling continued into this broken, quartz stockworked and sulfide veined structural intersection of the Santa-Edwiges and Mexicana-San Nicholas vein systems to define new tonnages of silver base metal mineralization.

Cusi Pilot Mining

During the third quarter, the Company continued processing material from Cusi at its Malpaso mill facilities in order to achieve further metallurgical testing. During this period, the Company processed 2,264 tonnes of material averaging 4.39% Pb, 291 g/t Ag and 2.63% Zn producing 103 DMT of lead/silver concentrate and 18 DMT of zinc concentrate that were sold to MRI Trading for approximately \$196,000. The recovery rate was 63.44% for lead, 66.49% for silver and 39.73% for zinc. During the fourth quarter, the Company intends to process additional Cusi material at a rate of 3,000 tonnes per month.

Cusi Pilot Mining

	Actual
	Q3-2008
Tonnes processed	2,264
Daily throughput	26
Lead grade	4.39%
Zinc grade	2.63%
Silver grade	291
Lead recovery	63.44%
Zinc recovery	39.73%
Silver recovery	66.49%
Lead concentrate production DMT	103
Zinc concentrate production DMT	18
Silver concentrate production (oz)	13,028
Total production of lead (pounds)	128,617
Total production of zinc (pounds)	17,008
Average price of lead per pound, \$US	\$0.87
Average price of zinc per pound, \$US	\$0.80
Average price of silver per ounce, \$US	\$15.03
<i>(in US\$ millions)</i>	
Total net smelter production value ^{(1) (2) (3)}	\$0.24 M
Direct operating cash costs (including development) ^{(1) (2) (3)}	\$0.54 M
Direct operating cash margin (FOB Malpaso Mill) ^{(1) (2) (3)}	(\$0.3 M)
Operating cash costs/DMT (including development) ^{(1) (2) (3)}	\$251.48

- (1) Non-GAAP measures: The Company reports net smelter production value (net treatment of refining charges), direct operating cash costs (including development), direct operating cash margin (FOB Malpaso mill) and operating cash costs/DMT (including development) even if they are non-GAAP measures to indicate the approximate value of the year's sales, and to isolate the measure of pilot-mining operation cost activities less amortization and depreciation. The Company believes this is useful supplemental information. However, it should not be considered as a substitute for measure of performance prepared in accordance with GAAP.
- (2) Net smelter production value is calculated using quarterly average current metal prices which may be different from final prices.
- (3) Before amortization

Pershimco Joint Venture Agreement

In June 2008, the Company entered into a joint venture agreement (the "JVA") with Pershimco Resources Inc. for the San Miguel and La Bamba properties, which cover 36 hectares in the Cusi Silver Mining District. Pursuant to the terms of the JVA, Pershimco must incur US\$1.5 million of expenditures over a period of 18 months on the properties before having the right to acquire an additional 20% interest on the properties at a cost of US\$1.0 million. The JVA provides for Pershimco being the operator for all exploration and development of the properties which will be managed by 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 US\$1,000,000. As at September 30, 2008, the jointly owned Mexican subsidiary has not been constituted.

La Engañoso Property

In February 2008, the Company entered into an option agreement with Arnoldo Castañeda Martínez and Consorcio Minero Latinoamericano, S.A. de C.V. ("Martinez-Consorcio Minero") whereby it could earn a 100% interest in the La Engañoso property by paying a total amount of US\$1,265,000 of which US\$65,000 was paid at the date of signature with the balance of \$1,200,000 to be paid over a three-year period and by incurring minimum exploration expenditures of US\$300,000 per year over the same three-year period.

In August 2008, after the first phase of exploration, management decided not to pursue this option further. Therefore, the Company has abandoned the project, and all costs and deferred exploration expenses in the amount of US\$162,225 were written off during the third quarter of 2008.

RESULTS OF OPERATIONS – THIRD QUARTER 2008 VS 2007

During the three-month period ended September 30, 2008, the Company realized a loss of \$3,525,908 (\$0.032 per share) (cumulative loss of \$4,559,557 (\$0.041 per share) compared with a loss of \$1,885,151 (\$0.017 per share) in 2007 and cumulative loss of \$5,504,772 (\$0.04 per share) for the nine-month period ended September 30, 2007). Included in this quarter loss is the write-off of \$162,225 related to the abandonment of the La Engañoso property and a \$2.6 million loss on commodity market prices.

The period results are explained as follows:

Income

Interest income amounted to \$9,953 during the quarter for a total of \$71,724 for the nine-month period of 2008 compared with \$106,864 and \$438,963 respectively in 2007. This decrease in interest revenue is due to a lower average level of cash on hand in 2008 compared to 2007.

Expenses

Administrative Expenses

Administrative expenses totalled \$445,485 (cumulative expenses of \$1,558,890 for the nine-month period ended September 30, 2008) compared with \$383,605 and cumulative expenses of \$1,357,718 in 2007. This variance is due to management salaries that were capitalized in mining assets during 2007; these salaries are accounted for in administrative expenses in 2008.

Other Expenses

August 2008, the Company decided to abandon the La Engañoso property. Consequently, all costs and deferred exploration expenses accumulated on the related mining concessions as at that date amounting to \$162,225 were written off during the third quarter of 2008.

During the quarter, the Company accounted for noncash stock-based compensation costs in the amount of \$27,944 based on the proportion of options that were vested during the period (cumulative costs of \$115,499 for the nine-month period) including \$7,802 capitalized to mining assets (cumulative capitalized cost of \$21,264 for the nine-month period). The balance of \$94,235 was recorded in the Consolidated Statements of Operations and Deficit. During 2007, those costs amounted to \$112,200 (cumulative costs of \$1,653,244) recorded in the Consolidated Statements of Operations and Deficit (cumulative costs of \$880,346). The balance of \$772,898 was capitalized to mining assets for the nine-month period. Before 2008, all options were fully vested at the date of grant which increased the stock-based compensation cost in the period of grant.

During the quarter, due to the decreased market price of zinc, the Company recorded a loss on the variation of commodity market prices of \$2,597,153 related to final settlement billings and unsettled shipment provision change in value during the quarter (cumulative loss of \$1,826,499 for the nine-month period of 2008) compared with a loss of \$663,807 and a cumulative loss of \$994,459 for the same periods of 2007. As at September 30, 2008, 4.4 million pounds of zinc, 2.2 million pounds of copper and 0.15 million pounds of lead remained open for final settlement.

During the three-month period ended September 30, 2008, the Company recorded a loss on currency exchange of \$237,964 (cumulative \$1,055 of \$64,883 for the nine-month period ended September 30, 2008) compared with a loss of \$389,605 and cumulative loss of \$1,109,915 in 2007). This loss is mainly attributable to the conversion into Canadian currency of the monetary assets and liabilities in Mexico and on final billings and outstanding negative final settlement provision, as both the U.S. dollar and mostly the Mexican peso gained value over the Canadian dollar since the beginning of 2008.

During the period, the Company recorded a noncash loss on the change in value of the temporary investment in Pershimco Resources Inc. of \$29,225 for a cumulative loss of \$87,675 for nine-month period ended September 30, 2008, compared with a noncash loss of \$561,000 and a cumulative loss of \$76,500 in 2007. The Company still owns 835,000 common shares of Pershimco that are stated at fair market value.

SUMMARY OF QUARTERLY RESULTS

<u>Quarter Ended</u>	<u>Profit (Loss)</u>	<u>Basic and Diluted</u>
		<u>Loss Per Share</u>
	\$	\$
September 30, 2008	(3,525,566)	(0.03)
June 30, 2008	(1,814,001)	(0.02)
March 31, 2008	780,010	0.01
December 31, 2007	(3,678,927)	(0.03)
September 30, 2007	(1,885,151)	(0.02)
June 30, 2007	(2,196,390)	(0.02)
March 31, 2007	(1,423,231)	(0.01)
December 31, 2006	(417,065)	(< 0.01)
September 30, 2006	(406,545)	(< 0.01)

LIQUIDITY AND WORKING CAPITAL

The Company's liquidity position is directly related to the level of concentrate production, the cost of this production and the final settlement billing adjustments recorded for zinc, copper, lead and silver in concentrate that is sold. As at September 30, 2008, the Company's working capital amounted to a negative amount of \$3,892,588, including \$1,427,708 in cash and cash equivalents. As at December 31, 2007, the working capital amounted \$6,137,120, including \$6,700,016 in cash and cash equivalents. The Company's cash and working capital position will be materially lower if current zinc, copper and lead market prices continue at this level.

The decrease in cash compared to December 31, 2007 is mainly due to the settlement of negative final billings with MRI Trading in the amount of \$3.5 million and investment in mining assets of \$18.6 million including the exploration program and property payments. Capital expenditures amounted to \$0.2 million.

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

The 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 obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due. The Company is seeking near-term financing to fund construction of a mill on site at Bolivar mine that will reduce significantly direct operating cash costs. There is no assurance that sufficient funds can or will be raised. Accordingly, there can be no assurance once a decision is made with respect to future activities that the Company will be able to execute on its plans.

As at September 30, 2008, sales tax and other receivables amounted to \$1,298,968 (\$1,609,506 as at December 31, 2007) and are mostly comprised of Mexican recoverable Value Added Tax credits "IVA". Income tax receivable in the amount of \$876,854 (\$722,515 as at December 31, 2007) represents 2007 provisional tax instalments receivable from the Mexican tax authorities. The income tax refund that was expected in August 2008 during the second quarter was delayed until October 2008. A further revision has delayed the refund until December 2008. As at September 30, 2008, no allowance was taken with respect to any of the amounts receivable.

As at September 30, 2008, accounts payable and accrued liabilities amounted to \$3,461,078 (\$2,254,123 as at December 31, 2007) which represents mostly current usual business transaction balances and an unpaid provision of approximately \$221,000 and, also included in current and long-term liabilities is the impact of the conversion of the Minera Cusi agreement from an option to a property purchase agreement entered into in the second quarter of 2008 and for which \$2,843,183 is included in mining concessions payable as at September 30, 2008. As at September 30, 2008, current and long-term liabilities also reflect the working capital loan payable to MRI Trading AG for a total amount of \$2,149,331. The Company is taking the necessary steps to restructure such liabilities.

As at September 30, 2008, and included in working capital, the Company had a net payable position of \$1,576,693 with MRI Trading (payable of \$1,368,164 as at December 31, 2007), resulting from a reduction of the prices of copper and zinc in during 2008. This payable is disclosed separately as trade payables. Actual final settlement billings could be higher or lower depending on the future fluctuation of commodity prices. The Company is negotiating the amortization schedule of liabilities.

The increase in payables is due to the longer delay in paying creditors as the Company was dealing with reduced liquidity due to final settlement.

The Company's cash position as at November 24, 2008 stands at \$2.2 million.

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 conducting a pilot-mining program at the Bolivar Mine property and at Cusi, thereby providing a source of income through the sales of concentrates, the Company is not yet considered as being at the commercial production stage. If current zinc and copper price levels continue to decrease, revenues and operating cash flow in the fourth quarter will be lower than in the third quarter of 2008.

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 obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due. The Company continues to seek near-term financing to fund mill construction on site at Bolivar that will reduce significantly direct operating cash costs. There is no assurance that sufficient funds can or will be raised. Accordingly, doubt exists as to whether the Company will be able to continue 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 accessing capital markets.

Decreasing zinc and copper prices continued to affect the Company's financial situation. Negative final settlement in the third quarter and upcoming ones during the fourth quarter are maintaining significant pressure on the Company's liquidity level. Efforts have been deployed in order to reduce costs in different areas in order to help increase cash levels over the remainder of 2008. Capital expenditures will be kept to a minimum, and exploration will be focused around the Bolivar pilot-mining area.

During the third quarter of 2008, the Company did not complete any private placement (nil in 2007). A total of 130,000 stock options were exercised for a total cash consideration of \$44,000 which also represents the cumulative amount for the nine-month period ended September 30, 2008. (During the nine-month period ended September 30, 2007, 574,000 stock options and 996,364 broker warrants were exercised for respective cash consideration of \$367,450 and \$996,364.)

The pilot-mining program at Bolivar and Cusi generated sales of \$4.4 million during the third quarter for cumulative sales of \$17.6 million for the first nine months of 2008, compared with \$7.0 million and cumulative sales of \$17.7 million in 2007. Funds were used for working capital and local operations in Mexico and for the settlement of final billings.

On July 14, 2008, the Company's wholly owned subsidiary Dia Bras Mexicana S.A. de C.V. entered into a US\$ 2,000,000 working capital loan facility with MRI Trading AG ("MRI"). This advance credit facility bears interest at the 3-month LIBOR rate plus 4% payable monthly over an 18-month period starting six months after the reception of the funds. Along with this agreement, the Company has agreed to sell to MRI its full production of zinc, copper and lead-silver concentrates up until mid-2010.

Capital Expenditures, Deferred Exploration Expenses and Property Payments

Since the beginning of 2008, capital expenditures have been maintained at a minimal level. Capital expenditures in the third quarter of 2008 amounted to \$265,763 (cumulative amount of \$0.8 million) and consisted of a major overhaul at the project mill site, compared with capital expenditures for the same period in 2007 of \$0.6 million (cumulative amount of \$5.6 million). Other mining asset expenses, including property payments, amounted to \$3.2 million in the third quarter (cumulative amount of \$17.8 million) compared with \$25 million in the same period of 2007.

Currently, the Company has the necessary equipment to complete its 2008 exploration program and the expected mining and development activities on both the Bolivar and Cusi projects. Other capital expenditures in 2008 will be limited to environmental capital expenditure investment at Malpaso and the purchase of the Malpaso superficial land.

Property payments in the third quarter amounted to approximately \$29,984 (\$1.09 million in 2007), including \$14,974 for the Minera Cusi property and \$14,974 for the Bolivar property.

Long-Term Debt

Subsequent to a new agreement entered into with Minera Cusi in April 2008, the Company has an obligation of US\$2,560,000, including US\$2,060,000 payable in 2009, which is disclosed as mining concessions payable (long-term portion of \$1,091,527) in the consolidated financial statements as at September 30, 2008.

The agreement of the US\$2,000,000 working capital loan facility that the Company entered into with MRI states that this advance credit facility, which bears interest at the 3-month LIBOR rate plus 4%, will be payable monthly over an 18-month period starting six months after the reception of the funds. As at September 30, 2008, the Company disclosed as advance payable the obligation of \$1,051,257 which represents the long-term portion of this agreement.

FINANCIAL COMMITMENTS

At the date of this report, the Company's financial commitments are as follows:

- (a) A five-year lease for office premises at an annual rent of \$60,000 until August 2012;
- (b) A five-year lease signed jointly with two other companies expiring in February 2009, at an annual rent of \$150,000. This office space has been subleased for the remainder of the lease period but remains the responsibility of the Company and related parties until its expiry in February 2009;
- (c) In January 2008, the Company entered into an agreement with the state of Chihuahua to purchase the land at the Malpaso milling facilities for a total amount of approximately \$270,000 (MX 2,874,144). The State congress has just recently approved the transaction, and contracts are now being prepared. Payments will be over a two-year period including 50% at the signature of the sales agreement.
- (e) The Company has elaborated an environmental capital expenditure program estimated at \$350,000 in order to secure an appropriate area for the management of its tailings at the Malpaso mill facilities. Costs related to this program will be capitalized as they are incurred. Therefore, as at September 30, 2008, no provision is recorded in accounts payable and accrued liabilities.
- (f) On July 14, 2008, the Company's wholly owned subsidiary Dia Bras Mexicana S.A. de C.V. entered into a US\$2,000,000 working capital loan facility with MRI Trading AG. This advance credit facility bears interest at the 3-month LIBOR rate plus 4% payable monthly over an 18-month period starting six months after the reception of the funds. Along with this agreement, the Company has agreed to sell to MRI its full production of zinc, copper and lead-silver concentrates up until mid-2010.

To exercise its various options on the mining properties, the Company's option payments and exploration expenses would be as follows:

Year	Option Payments	Exploration Expenses	Total
	\$	\$	\$
2008	28,125	-	28,125
2009	110,000	-	110,000

NOTE: *Those amounts exclude payments due to Minera Cusi totalling US\$2,560,000 payable in quarterly instalments and which are included in mining concessions payable in the Company's consolidated financial statements.*

OFF-BALANCE SHEET ARRANGEMENT

During the period, the Company did not enter into any off-balance sheet arrangement.

SUBSEQUENT EVENTS

- » On October 31, 2008, the Company received an updated resource calculation for the Bolivar Project: undiluted total of 1,188,800 tonnes at 2.76% CuEq in the Measured and Indicated categories for an increase of 26% and 6,290,100 tonnes at 1.97% CuEq in the Inferred Resources category, all at a 2.5% CuEq cut-off for the Upper Skarn and 1% CuEq cut-off for the Lower Skarn and other zones, compared with the previous resource calculation of March 2008 (see press release November 10, 2008).
- » On November 21, 2008, the Company closed a private placement of \$2 million and has issued 25,000,000 units at \$0.08 per unit. Each unit is composed of one common share and one purchase warrant. Each warrant entitles the holder thereof to subscribe to one common share of the Company at a price of \$0.20 for a period of two years. The net proceeds will be used for general corporate purposes (see press release of October 21 and November 21, 2008).

RELATED PARTY TRANSACTIONS

During the third quarter of 2008, the Company paid for services provided by companies controlled by officers of the Company. Those services, relating to project management and corporate activities, are essential to the Company and were recorded at their exchange value which reflected the fair market value.

NEW ACCOUNTING STANDARDS

Effective January 1, 2008, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") handbook sections as follows;

Section 3862, "Financial Instruments – Disclosures"; Section 3863, "Financial Instruments – Presentation"; Section 1535, "Capital disclosures"; Section 1400, "General Standards of Financial Statement Presentation; Section 3031 "Inventories" replaces the existing section 3030.

- (i) Section 3862, "Financial Instruments – Disclosures" describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.
- (ii) Section 3863, "Financial Instruments – Presentation". This section establishes standards for presentation of financial instruments and non-financial derivatives. It details the presentation of standards described in Section 3861, "Financial Instruments – Disclosure and Presentation".
- (iii) Section 1535, "Capital disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital, the quantitative data about what the entity regards as capital, whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.
- (iv) Section 1400, "General Standards of Financial Statement Presentation", was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. These new requirements will not have any impact on the consolidated financial statements as the Company is already assessing its ability to continue as a going concern.
- (v) Section 3031, "Inventories" replaces the existing section 3030. Under the new section, inventories are required to be measured at the "lower of cost and net realizable value", which is different from the existing guidance of the "lower of cost and market". The new section also requires, when applicable, the reversal of any write-downs previously recognized.

- (vi) Section 3064, "Goodwill and intangible assets", effective January 1, 2009, the Company will adopt this section which establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets.

Concurrent with the introduction of this standard, the CICA withdrew EIC 27, "Revenues and expenses during the pre-operating period". As a result of the withdrawal of EIC 27, the Company will no longer be able to defer costs and revenues incurred prior to commercial production at new mine operations.

The Company continues to evaluate the impact of this standard on future transactions.

CRITICAL ACCOUNTING POLICIES

Financial Instruments – Recognition and Measurement

This represents a critical accounting policy since it has an impact on the consolidated financial statements, given the embedded derivative included in the sales agreement for concentrate is recorded at the fair value at each balance sheet date with the corresponding change in fair value recorded in the Consolidated Statements of Operations, Comprehensive Income (Loss) and Deficit.

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 temporary investments, mining asset valuations, contingent liabilities and future income taxes. Actual results could differ from those estimates and such differences could be material.

Mining Assets

Mining assets include the cost to acquire mining concessions and options in mining properties, deferred exploration expenses, land, exploration buildings and equipment, supplies and spare parts inventory that will be used for exploration, and deposits on future mining assets. All costs directly related to exploration projects are capitalized.

Costs and Deferred Exploration Expenses

Costs and exploration expenses are deferred until the economic viability of the project has been established, at which time costs are added to property, plant and equipment. Specific costs are written off when properties are abandoned or when cost recovery is uncertain. Management has defined uncertainty as: 1) no financial resources are available for development in areas of interest for three consecutive years or 2) exploration results do not warrant 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 is reflected as a gain in the Consolidated Statements of Operations, Comprehensive Income (Loss) and Deficit. In the case of a partial sale, if carrying costs exceed the proceeds, only the loss is reflected.

Revenue from the sale of concentrates from the pilot-mining program before commencement of commercial production is recorded as a reduction of the related deferred exploration expenses 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 as a gain or loss in the Consolidated Statement of Operations, Comprehensive Income (Loss) and Deficit.

If the accumulated revenue from sales of concentrates from the pilot-mining program exceeds the related accumulated costs and deferred exploration expenses, then the excess cost recovery is included in long-term liabilities until (i) the situation is reversed, or (ii) commercial production has begun, at which time, it will be netted against construction costs, if any, of the new facilities, or (iii) the property is abandoned.

The Company expects commercial production on the Bolivar project to commence no later than the end of 2009. Commercial production has been defined as being the stage where the Company reaches a production level of 65% of mill capacity for a consecutive period of 90 days within a maximum period of 6 months. The production level will be calculated on the rated capacity of an on-site mill.

This represents a critical accounting policy, as it will impact the presentation of revenues and expenses from mining activities, which are currently recorded as a reduction of the related costs and deferred exploration expenses instead of being included in the determination of net income.

Asset Retirement Obligations

Asset retirement obligations are recognized at fair value in the period 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.

This represents a critical accounting policy, as the Company, based on its review of the status of its operations under the current Mexican environmental legislation, determined it does not carry any asset retirement obligation and, therefore, has not recognized such obligation.

In view of the upcoming feasibility study, the Company will commission an environmental impact study at Bolivar from which asset retirement obligations may arise. A liability stemming from any asset retirement obligation will be recorded in the year in which such obligation arises.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Other than the temporary investments and the guaranty, the Company does not use financial or other instruments. However, management considers that an embedded derivative is included in the Company's concentrate sales agreements.

RISK AND UNCERTAINTIES

Going Concern

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 obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due. The Company is seeking near-term financing to fund construction of a mill on site at Bolivar mine that will reduce significantly direct operating cash costs. There is no assurance that sufficient funds can or will be raised. There can be no assurance once a decision is made with respect to future activities that the Company will be able to execute on its plans. The Interim Consolidated Financial Statements do not include any adjustments related to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

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 Bolivar pilot-mining operations derived from the mine plan prepared in fiscal 2007 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;
- » Encounter of 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 11 and 21 of the nine-month period ended September 30, 2008, unaudited interim consolidated financial statements). As at September 30, 2008, 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 will require substantial additional 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 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.

Metal Price Volatility

Metal prices will continue to be the most significant factor influencing the Company's operation going forward. The results of our operations are significantly affected by the market price of base and precious metals which are cyclical and subject to substantial price fluctuations. Our 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 our control, including levels of supply and demand for a broad range of industrial products, substitution of new or different products in critical applications for our existing products, expectations with respect to the rate of inflation, the relative strength of the U.S. dollar and of certain other currencies, interest rates, global or regional political or economic crises and sales of precious and base metals by holders in response to such factors. The price of zinc, copper and other metals has fluctuated widely in recent weeks. Future price declines may materially reduce our cash flow and could cause us to reduce output at our operations (including, possibly, closing one or more of our pilot-mining activities), all of which could reduce our cash flow from operations and may also require the Company to look for alternatives other than cash flow to maintain its liquidity.

Hedging

The Company is exposed to commodity price risk for variations in concentrate prices, as final prices are determined by quoted market price in a period subsequent to the date of sale. The Company has the ability to address its price-related exposure through the limited use of options, future and forward contracts. At the date of the balance sheet, the Company does not use derivative instruments to mitigate this risk. During the third quarter, the Company initiated a quotational period ("QP") hedging program for a portion of its open copper and zinc positions.

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, as well as certain revenues and expenses, include amounts that are exposed to currency fluctuations.

Credit Risk

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

NEAR-TERM OUTLOOK

- » Falling metal prices challenged management to review operations and exploration activities and reinvent our production and business strategies such as:
 - Engineer the planning and design of new mill facilities on site at Bolivar to dramatically reduce transportation costs and cut-off grades;
 - Mine high quality of material to maximize value and generate a medium grade stockpile from which to commence mill production;
 - Crush and screen Bolivar mineralized rocks on site to pre-concentrate shipping of material, increase metal content, and reduce volumes required for transport.
- » Increase low cost "Headframe" activities such as mapping and sampling, re-evaluate Dia Bras' extensive database and core libraries to :
 - Generate new disseminated copper-silver targets at surface;
 - Identify new geological models for massive high-grade chimney and *ore run* mineralization;
 - Develop the concepts and targets that will yield bulk tonnage low-grade open-pit operations, leachable mineralized rocks or new large tonnage high grade underground targets, and mineralized rocks that produce doré to replace expensive concentrate sales and afford Dia Bras greater control over its metal sales.
- » Anticipate possible lower revenues and operating cash flow from fourth quarter 2008 concentrate sales if current copper and zinc price levels continue;
- » Increase pilot-mining activities at Cusi to 3,000 tonnes per month to generate additional operating cash flow.
- » Negotiated the amortization schedule of liabilities.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and the accompanying Interim Financial Statements and has in place the 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 Interim Financial Statements.

CONTROLS AND PROCEDURES

Disclosure Controls and Internal Controls over Financial Reporting

The Company, under the supervision and with the participation of its management, including the Financial Controller and the Chief Executive Officer, evaluated the effectiveness of the Company's disclosure controls and procedures and assessed the design of its internal control over financial reporting as of September 30, 2008, pursuant to the requirements of Multilateral Instrument 52-109. Based on this evaluation, the Company concluded that the disclosure controls and procedures are effective in making known to them in a timely manner material information relating to the Company and its subsidiaries, and that the design of internal control over financial reporting provides reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of the Company's financial statements for external purposes in accordance with Canadian GAAP.

During the second quarter, the Company encountered a problem with its new spare parts inventory system. A full physical inventory was performed during the second and third quarters, and adjustments were done accordingly. A complete system review was finalized during the third quarter, and the implementation of the improvements will be finalized by November 2008.

Other than the above, there have been no changes in the Company's internal control over financial reporting since the quarter ended September 30, 2008, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OTHER REQUIREMENTS

(a) Additional information is available on SEDAR at www.sedar.com and on the Company's website at www.diabras.com.

(b) (i) NATIONAL INSTRUMENT 51-102 – SECTION 5.3

Analysis of costs and deferred exploration expenses

	Bolivar	Cusi	Engañoso	For the Three-month period ended September 30, 2008 Total	For the Year ended December 31, 2007 Total
	\$	\$	\$	\$	\$
Balance – Beginning of period	3,404,627	18,066,155		21,470,782	11,672,155
Costs and deferred exploration expenses					
Property acquisition and related costs	217,077	3,101,624	68,536	3,387,237	1,446,016
Sampling	272,670	146,086	13,590	432,346	2,174,022
Geology consulting and management	755,002	715,103	33,589	1,503,694	1,343,279
Geophysical survey	-	-	-	-	-
Drilling and mining development	5,291,712	2,714,969	35,771	8,042,452	9,265,331
Pilot milling	3,169,205	137,432	-	3,306,637	5,131,739
Supervision and local administrative costs	1,418,172	575,202	1,235	1,994,609	939,631
Transportation costs	5,823,930	68,911	-	5,892,841	9,999,427
Roads	19,026	13,785	-	32,811	145,722
Camp costs and food	305,372	74,340	-	379,712	2,817,404
Capitalized amortization of exploration buildings and equipment	1,974,445	497,713	9,404	2,481,562	3,526,437
Stock-based compensation costs	16,786	4,378	100	21,264	772,898
	19,263,397	8,049,543	162,225	27,475,165	37,561,906
Write-off of mining assets – Costs and deferred exploration expenses	(751,084)		(162,225)	(913,309)	(1,199,891)
Sales of concentrate	(17,441,721)	(217,024)	-	(17,658,745)	(24,056,537)
	1,070,592	7,832,519	-	8,903,111	12,305,478
Transfer to (from) excess cost recovery – pilot mining	(1,599,208)	-	-	(1,599,208)	(2,506,851)
	(528,616)	7,832,519	-	7,303,903	9,798,627
Balance – End of period	2,876,011	25,898,674	-	28,774,685	21,470,782

(ii) NATIONAL INSTRUMENT 51-102 – SECTION 5.4

Disclosure of Outstanding Securities as at November 25, 2008

Common shares: 136,501,269

Warrant outstanding: 25,000,000

Options outstanding: 10,298,333

Warrants: (each warrant entitles the holder to purchase one common share of the Company at the exercise price indicated until expiry date): 25,000,000

Number of Warrants	Exercise Price	Expiry Date
	\$	
25,000,000	0.20	November 2010

Number of Options	Exercise Price	Expiry Date
	\$	
930,000	0.75	August 2009
400,000	0.75	February 2010
1,253,333	0.30	September 2010
125,000	0.22	September 2010
2,435,000	0.40	February 2011
1,650,000	0.90	September 2011
1,585,000	1.10	April 2012
250,000	1.28	June 2012
150,000	1.25	July 2012
300,000	0.89	October 2012
330,000	0.61	April 2013
300,000	0.45	June 2013
50,000	0.30	August 2013
540,000	0.10	November 2013

Corporate Information

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TSX Venture Exchange
Symbol: DIB

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BOARD OF DIRECTORS

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Daniel Tellechea

David Crevier

Eduardo Gonzalez

Mark Goodman

Robert D. Hirsh

Philip Renaud

OFFICERS

Thomas L. Robyn, Ph.D.
Chairman

Daniel Tellechea
President and Chief Executive Officer

Eugene Schmidt,
Vice-President, Exploration and Geology

Arved Marin
Financial Controller

Luce L. Saint-Pierre, LL.B., C.A.
Corporate Secretary