



DIA BRAS EXPLORATION INC.

Management discussion and analysis
For the nine-month period ended December 31, 2005

MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis (“MD&A”) follows rule 51-102A of Canadian Securities Administrator regarding continuous disclosure for reporting issuers. It is a complement and supplement to the audited consolidated financial statements for the nine-month period ended December 31, 2005 and should be read in conjunction with those 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.

1.1 YEAR END AND DATE OF MD&A

The Company changed its year end from March 31 to December 31 to coordinate with the statutory year end of its Mexican subsidiaries. The MD&A for the nine-month period ended December 31, 2005 is as of April 13, 2006.

1.2 FORWARD LOOKING STATEMENTS:

The MD&A contains forward-looking statements that express, as at the date of thereof, the Company’s expectations, estimates and projections regarding its business, the mining industry and the economic environment in which it operates. Forward looking statements are reasonable, but involve a number of risks and uncertainties and there can be no assurance that such statements will prove to be accurate. Therefore, actual outcome and results may differ materially from those expressed in these forward looking statements and readers should not place undue reliance on such statements.

1.3 NATURE OF ACTIVITIES AND OVERALL PERFORMANCE:

Dia Bras Exploration Inc. (the “Company”) is a mining exploration company with rights and options on 18 properties covering 7,646 hectares in the State of Chihuahua in Mexico.

During the nine-month period ended December 31, 2005, all activities of the Company were focused on the Bolivar mine project. The Company continued its pilot-mining program which provides essential data on mining, transport and milling costs, logistics, ore grade, mill recovery performance and metallurgy, as part of the pre-feasibility study undertaken at the Bolivar mine property. The short term objectives of the pilot-mining program is to generate sufficient cash flows from the production of zinc and copper concentrates to finance the development and exploration program at the Bolivar mine and elsewhere in the Bolivar project.

During the period, the Company benefited from the spectacular rise of zinc and copper market prices.

Total combined sales of zinc and copper concentrates amounted to \$5.6 million. The pilot program started generating positive cash-flow in December 2005 as the production exceeded \$1.1 million with direct operating costs amounting to \$780,000.

The Company is not considered to be in commercial production since proven reserves have yet to be confirmed and the economic status of the project has not been established.

The following table presents data per tonne processed in the pilot-mining program for the nine-month period ended December 31, 2005:

	US\$
Net smelter revenue	93.42
Direct operating costs	
Mining	20.06
Transportation of ore	26.77
Milling	21.33
Transportation and handling of concentrates	16.86
Administration	12.19
TOTAL	97.21
Gross margin before amortization	(3.79)

Bolivar mine property

The Bolivar property remained the main exploration target in the Cieneguita region where the Company has spent to date over \$9.4 million in property costs and exploration and development expenses, net of revenue from sales of concentrate.

During the nine-month period ended December 31, 2005, the Company processed 46,828 tonnes of ore averaging 8.15% zinc and 1.88% copper, consisting mainly of lower grade development ore removed in accessing zones of higher grades.

The delay to access these higher grades was longer than first expected which put pressure on the Company's cash position during the period. The ore grades started increasing in the last quarter of 2005 when it averaged 10.97% zinc and 2.36% copper.

The pilot-mining program, initiated in February 2005, experienced typical start-up problems as well as occasional transportation issues which have since been resolved.

At the end of 2005, mining activities started on level 1 of Brecha Linda, a zone of high grade zinc and copper mineralization. Currently, the ore processed at the mill comes from working stopes at the Brecha Linda and also from the Foto zone on level 4. Grades average 13.5% zinc and 2.4% for copper since the beginning of 2006.

Overall the launching of the pilot program was a great success and certainly key to the Company's great progress in 2005.

Acquisition of Malpaso Mill

In September 2005, the Company exercised its option to acquire the Malpaso mill via the acquisition, through an agent, of the shares of Compania Minera Metalurgica Malpaso S. de R.L. de M.I. ("CMMM"), a Mexican company. As at December 31, 2005, the acquisition is yet to be completed. However, the Company controls all levels of operations at the mill. Since the start-up of the pilot program, the mill capacity has been increased from 100 tpd to 300 tpd, its current level of operations. It is expected that the mill will process a monthly average of 7,500 tonnes in 2006. Plans are to increase its capacity to 600 tpd by December 2006.

Promontorio

With the focus on the Bolivar project, management decided to postpone until 2006 its exploration program at Promontorio. The drilling campaign that has just begun is the first part of the exploration program recommended by Roscoe Postle Associates in their February 2005 43-101 Report.

1.4 SELECTED ANNUAL INFORMATION:

	Nine-month period ended December 31,		Year ended March 31	
	2005 \$	2005 \$	2004 \$	2004 \$
Sales of concentrate i)	5,562,402	-	-	-
Write-off of mining assets	557,588	481,706	-	-
Net loss	2,096,165	2,095,804	1,176,702	-
Net loss per share	0.04	0.05	0.05	0.05
Total assets	25,420,216	20,668,572	11,910,623	-
Working capital	4,291,813	3,649,779	8,139,983	-
Cash and cash equivalents	3,541,961	2,954,870	4,707,091	-

- i) In accordance with its accounting policy, revenue from the sales of concentrate produced from the pilot-mining before full-scale commercial production is recorded as a reduction of deferred exploration expenses, and therefore does not appear in the Consolidated Statements of Operations and Deficit.

1.5 RESULTS OF OPERATIONS:

Corporate

During the nine-month period ended December 31, 2005, the Company incurred a net loss of \$2,096,165 (\$0.04 per share) compared to a net loss of \$2,095,804 (\$0.05 per share) for the year ended March 31, 2005. This net loss includes a \$557,588 write-off of the Santa Maria and El Cumbre properties as management decided to abandon these projects at the end of 2005. The loss also includes a stock-based compensation non cash cost of \$249,808 relating to the accounting cost of options vested during the period. The company also recorded a provision for current income taxes of \$45,000 and future income taxes in the amount of \$397,600 payable in Mexico. All other costs remained relatively constant except for business development expenses which were lower compared to last year. In 2004-2005, business development expenses included important costs in relation to the November 2004 financing which had been promoted mainly in London, England.

Total interest income decreased compared to the year ended March 31, 2005 when the Company had a higher level of cash throughout the financial year. This level of cash resulted from two series of financial placements totaling \$21 million completed in 2003 and 2004.

Results of the pilot-mining program at Bolivar

During the nine-month period ended December 31, 2005, the Company mined and milled 46,828 tonnes of ore which produced 5,890 dry metric tonnes (DMT) of zinc concentrate (6,218 since the start of the pilot-mining program) and 2,372 DMT of copper concentrate (2,606 since the start of the pilot-mining program) for total revenues of \$5.6 million. Average recovery rate was 85.82% for zinc and 74.36% for copper.

All concentrates produced were delivered and sold to MRI Trading AG pursuant to a standard concentrate purchase agreement. Sales proceeds are normally received within 48 hours of the billing. Zinc and copper prices increased some 13% and 21% during the period contributing an estimated increased revenue of over \$500,000.

The production of the Malpaso mill reached a monthly high of 6,624 tonnes in September 2005. Because of transportation problems the level of ore through-put decreased in the last quarter. The mill has since been fine tuned and is now in excellent condition and running smoothly. The mill is expected to process 7,500 tonnes per month throughout 2006.

1.6 SUMMARY OF QUARTERLY RESULTS :

Quarter ended	Net loss \$	Net loss per share \$
December 31, 2005	1,287,232	0.02
September 30, 2005	471,501	0.01
June 30, 2005	337,432	0.01
March 31, 2005	496,456	0.01
December 31, 2004	1,201,814	0.02
September 30, 2004	254,940	0.01
June 30, 2004	142,594	0.01
March 31, 2004	491,718	0.02

Following the acquisition of the first properties (Santa Maria and San Jose) in July 2003, the Company benefited from a revival of the industry marked by increasing base and precious metal prices and a better access to capital market. Between September 2003 and December 2004, the Company raised over \$21 million through private placement financings to initiate and then expand the exploration activities in Mexico. With the availability of funds, the Company increased personnel and consulting assistance in management and business development activities.

In 2004, promotion expenses were significantly higher because of a European tour which had been organized to showcase the Company projects and which led to private placement of \$9.0 million in November 2004.

1.7 RESULTS OF THE QUARTER ENDED DECEMBER 31, 2005 :

During the quarter ended December 31, 2005, the Company incurred a loss of \$1,287,232 (\$0.02 per share) compared to a loss of \$1,201,814 (\$0.02 per share) for the same period in 2004. This loss is mainly attributable to a write-off of \$557,588 following the decision to abandon the Santa Maria and El Cumbre properties and the recording of a provision for current and future taxes in Mexico. The remaining portion of the quarterly loss is in accordance with the monthly corporate cost budget.

1.8 LIQUIDITY:

As at December 31, 2005, the Company had working capital of \$4,291,813 including \$3,541,961 in cash and cash equivalent compared to \$3,649,779 as at March 31, 2005, including \$2,954,870 in cash and cash equivalent. This level of working capital is adequate to support daily operations.

In November 2005, the Company completed a series of private placements amounting to \$4,500,000. The Company also received during the period, \$1,320,439 from the exercise of 7,767,292 warrants which contributed to improving its working capital.

As at December 31, 2005, Sales tax and other receivables amount to \$1,037,122 and are mostly comprised of Mexican recoverable input tax credit. The Company is still facing delays in recovering the IVA (local sales tax). The Company is regularly monitoring with local Mexican IRL authorities as the tax credit represents an important amount of unavailable funds.

During the period, in order to help its financial position, the Company negotiated with the buyer of its concentrate a revolving credit facility in the amount of US\$500,000. The credit facility was alternately obtained by instalments of US\$250,000 through the issuance of a holding certificate for 6,000 DMT of zinc/copper ore in the name of the financing bank and reimbursed with the delivery of zinc concentrate. This credit facility was fully repaid in December 2005 as the facility agreement expired. The Company is currently renegotiating the terms and conditions of a US\$1.0 million credit facility in 2006.

Accounts payable and accrued liabilities amount to \$771,264 and include an obligation of \$233,180 (US\$200,000) related to the acquisition of the shares of CMMM. This amount will be paid in monthly installments of US\$25,000 until August 2006.

1.9 CAPITAL RESOURCES, INVESTING AND FINANCING ACTIVITIES:

The availability of funds is highly dependent on the capital markets. The main source of financing of the Company is the issuance of equity shares and the sale of concentrates. In November 2005, the Company completed a series of private placements whereby issuing a total of 22,500,000 common shares at a price of \$0.20 per share for a total consideration of \$4,500,000. The net proceeds were used to upgrade the Malpaso mill - increasing the capacity by about 10% and improving the recovery and the quality of the zinc and copper concentrates produced. Capital will also be expended on mine development, transportation upgrade and to cover operating expenses while concentrate production increases on the pilot-mining program at the Bolivar mine.

The Company expects to self-finance its 2006 exploration and development effort at the Bolivar project with cash flow generated from its pilot-mining program at the Bolivar mine.

The Company is always open to favorable opportunities on the capital markets to finance acquisitions and development of its projects.

1.10 FINANCIAL COMMITMENT:

The Company's financial commitments are as follows:

- A five-year lease signed jointly with two other companies in February 2004, at an annual rent of \$150,000. The rent is prorated between the three companies on the basis of the space used.
- In order to exercise its various options on the properties, the Company will have to make the following payments:

2006	US\$395,000
2007	US\$325,500
2008	US\$450,000
2009	US\$3,062,500

All of the 2005 required payments were made. The Company will use part of its November 2005 financing proceeds to make the required 2006 payments.

1.11 OFF-BALANCE SHEET ARRANGEMENTS:

The Company did not enter into any off balance sheet arrangement.

1.12 RELATED PARTY TRANSACTIONS:

During the period, 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 reflect their actual market value.

Also during the period, certain directors, companies controlled by directors and certain officers of the Company participated in a private placement under the same terms and conditions as non related parties. They acquired 4,432,500 common shares at a price of \$0.20 per common share for a total consideration of \$886,500.

1.13 CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION:

There were no changes in accounting policies.

1.14 CRITICAL ACCOUNTING POLICIES:

Use of estimates:

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Significant areas where management judgment is applied are 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 mining rights and options to acquire interests in mining properties, deferred exploration expenses, exploration building and equipment, supply inventories that will be used for exploration, and deposits on future mining assets. All costs directly related to projects are capitalized. Exploration expenses are deferred until the economic viability of the project has been established, at which time the expenses are added to mining properties, plant and equipment. 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 over a period of three consecutive years or results from exploration work not warranting further investment.

Proceeds from the sale of a mining asset are applied against related carrying costs and any excess is reflected as a gain in the statement of operations. In the case of a partial sale, if carrying costs exceed the proceeds, only the loss is reflected.

Revenue from the sale of concentrate from the pilot-mining program before 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 inventory from pilot-mining is recorded at the lower of cost and net realizable value.

1.15 FINANCIAL INSTRUMENTS AND OTHER:

The Company does not use financial or other instruments.

1.16 RISK AND UNCERTAINTIES:

Business risk:

The exploration 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.

Land title:

The Company has taken reasonable measure 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.

Capital needs:

The exploration, development, mining and processing of the Company's properties will require substantial additional financing. The only current source of future funds available to the Company is the sale of additional equity capital and the borrowings of funds. 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 delaying 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 governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labor 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.

Commodity prices:

The market price of base and precious metals is also a factor of risk that can have a direct impact on the success of the Company operations. The market price of the Company's common shares, its financial results and its exploration, development and mining activities may be significantly adversely affected by declines in the price of precious or base minerals.

Uninsured Risks:

The Company's business is subject to a number of risks and hazards, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Foreign exchange rate risk:

The Company is operating in a foreign country and with foreign currencies and is therefore subject to exchange rate risk. It buys its currencies based on its exploration budget.

Interest rate risk:

The Company's receivable, tax and other receivables and accounts payable and accrued liabilities are non-interest bearing. The cash and cash equivalents bear interest at variable rates. The short term deposit and the obligation related to assets under capital lease bear interest at a fixed rate.

1.17 OUTLOOK :

The Company wants to take advantage of its well established situation in Mexico, mostly in the Chihuahua region, and therefore is keeping well aware of any opportunities which may arise.

Base metal, copper and zinc market prices are carrying on their spectacular rise. Zinc is currently trading approximately US\$1.38/lb and copper at approximately US\$2.80/lb. With current access to high grade ore and with well improved and efficient milling facilities, the Company is in an excellent position to benefit from the current high prices.

The Company has working capital of over US\$4.0 million.

The objectives for 2006 are as follows:

- Bolivar Pilot-mining program
 - Mine and process between 85,000 and 90,000 tonnes of ore averaging 11.0% Zn and 2.5% Cu which should generate, at current forecasted metal prices, US\$17 million in sales of concentrate at a cost of US\$10 million.
- Increase the Malpaso Mill capacity to 600 tpd by the end of 2006.
- Define sufficient resources at Bolivar to commission a feasibility study that will give the Company parameters for eventual full-scale production, including construction of an appropriately sized mill on site.
- Resume the exploration program at the Promontorio property to develop its potential with internal financial and technical resources, or through joint ventures or partnership.
- Evaluate, and if warranted, acquire projects with a history of small-scale production in the Sierra Madre region.

1.18 NATIONAL INSTRUMENT 52-109 ON CERTIFICATION OF ANNUAL FILINGS:

The chief executive officer and the chief financial officer have signed the certification of Annual Filings as required by National Instrument 52-109, thus confirming, based on their evaluation, the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings.

1.19 OTHER REQUIREMENTS IN THE MANAGEMENT DISCUSSION AND ANALYSIS:

(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 cost and deferred exploration expenses*

	Nine-month period ended December 31, 2005 \$	Year ended March 31, 2005 \$
Balance at beginning of period	10,197,775	2,552,001
Property acquisition and related costs	451,263	1,493,588
Sampling	179,671	415,509
Geology consulting and management	660,598	633,696
Geophysical survey	27,927	122,515
Drilling and mining development	1,352,627	2,444,972
Pilot milling	1,570,210	335,393
Supervision and local administrative costs	1,056,287	647,934
Transportation	2,530,748	946,510
Roads	41,725	187,761
Camp costs and food	550,053	133,306
Capitalized amortization of exploration building and equipment	833,442	356,161
Stock compensation costs	205,011	410,135
	9,459,562	8,127,480
Write-off of mining assets	(557,588)	(481,706)
Sale of concentrate	(5,562,402)	-
	3,339,572	7,645,774
Balance at end of the period	13,537,347	10,197,775

* The majority of the above costs other than property costs have been incurred on the Bolivar mine.

(ii) National instrument 51-102 – Section 5.4

Disclosure of Outstanding Securities as at April 13, 2006

Common shares: 81,847,686

Warrants: (each warrant entitles the holder to purchase one common share of the Company at the exercise price indicated until expiry date): 12,002,068

Number of warrants	Exercise price	Expiry date
12,002,068	\$0.90	November 2006

Options outstanding: 7,132,333

Number of options	Exercise price	Expiry date
855,000	\$0.85	October 2008
40,000	\$1.30	January 2009
1,217,000	\$0.75	August 2009
500,000	\$0.75	February 2010
1,695,333	\$0.30	September 2010
125,000	\$0.22	September 2010
2,700,000	\$0.40	February 2011

April 13, 2006

Management Responsibility for Financial Reporting

Management is responsible for the preparation of the consolidated financial statements and other financial information included in the annual report. The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles and necessarily include amounts based on estimates and judgments of management.

Management maintains accounting systems and internal control to produce reliable consolidated financial statements and provide reasonable assurance that assets are properly safeguarded.

Pricewaterhouse Coopers LLP, Chartered Accountants, appointed by shareholders, conducted an audit on the Company's consolidated financial statements. Their report is included.

The board of directors of the company is responsible for ensuring that management fulfills its responsibilities for financial reporting. The board of directors carries out this responsibility through its audit committee, which is composed of three members.

The committee meets twice a year with the external auditors, with and without management being present; to review the financial statements and to discuss audit and internal control related matters.

The audit committee of the board of directors approved the Company's consolidated financial statements.



Réjean Gosselin
President and Chief Executive Officer



Leonard Teoli
Chief Financial Officer

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr. Thomas L. Robyn
Executive Chairman
Dia Bras Exploration Inc.
Denver, United States
Director since August 2005

Dr. James A. Culver
President
TPG Commercial Finance
Ridgewood, United States
Director since February 2005

Réjean Gosselin
President and Chief Executive Officer
Dia Bras Exploration Inc.
Saint-Hilaire, Québec
Director since September 2003

Robert D. Hirsh
Managing Director and Industry Head -
Mining and Energy
Scotia Capital Mexico

Philip Renaud
Managing Director
Church Advisors.
London, England
Director since October 2003

OFFICERS

Thomas L. Robyn, Ph.D.
Executive Chairman

Réjean Gosselin, M. Sc.
President and Chief Executive Officer

André St-Michel, MBA, Ing.
Executive Vice-President and Chief
Operating Officer

Leonard Teoli, C.A.
Chief Financial Officer

Luce L. Saint-Pierre, C.A. and Lawyer
Secretary

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TICKER SYMBOL

TSX Venture Exchange
Symbol : DIB

ANNUAL MEETING

The Annual Meeting of Shareholders of
Dia Bras Exploration Inc. will be held on
May 31, 2006 at 10:00 a.m. at
Fairmont The Queen Elizabeth
900 Rene-Levesque Blvd. West,
Room Peribonka, Level C, Montreal, Quebec.

Website: www.diabras.com

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