MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis follows rule 51-102A of Canadian Securities Administrator regarding continuous disclosure for reporting issuers. It is a complement and supplement to the interim financial statements 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 this MD&A are expressed in Canadian dollars.

This MD&A contains forward-looking statements that express, as at the date of this report, 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.

1.1 DATE:

This Management discussion and analysis for the period ended June 30, 2005 is as of August 26, 2005.

1.2 OVERALL PERFORMANCE:

Dia Bras Exploration Inc. (the "Company") is a mining exploration company with rights and options on 20 properties covering 11,857 hectares in the State of Chihuahua in Mexico.

During the period ended June 30, 2005, all activities of the Company focused on the Bolivar mine project. The Company continued its pilot mining program which generated cash flows from the sale of copper and zinc concentrates from this property. As at June 30th, 2005 total sales of concentrate amounted to CDN$1,6M.

The Company is not considered to be in commercial production since there are no reserves and the economic status of the project has not been established.

Bolivar property:

As mentioned, the Bolivar property remains the main exploration target in the Cieneguita region where the Company has spent to date over $6 million in exploration and development costs, net of sales of concentrate.

The Company continued work to increase the Mal Paso mill capacity, which was brought from 100 to 200 tpd and is now almost at the level expected to be reached by September 2005, 300 tpd. During the last few days, the mill processed an average of 270 tonnes of ore.

This pilot program will provide important production cost data which will be useful at the pre-feasibility study stage. The ore grades during July and August to date have been lower than anticipated at respectively 1.4% and 1.6% for copper and 6.6% and 4.8% for zinc, which had a negative impact on the Company's cash position. The Company intends to finance the development and exploration program at the Bolivar mine and in the Bolivar area with the short term cash flows resulting from the production of copper and zinc concentrate. However, in order to generate sufficient funds to achieve that goal, the Company needs to access, mine and process high grade ore over a few month period before the end of 2005.

Promontorio:

With the actual focus on the Bolivar project, and in order to manage its financial resources, management has decided to stop, on a temporary basis, its exploration effort at Promontorio. However, management still has high expectations concerning the exploration on Promontorio and is looking at strategies to develop this potential as soon as possible.

Outlook :

Base metal, copper and zinc market prices are carrying on their spectacular rise. Copper is currently trading over US$1.70/lb and zinc at around US$0.60/lb. The Company is in an excellent position to benefit from the current high prices.

Management is currently analyzing the results from its pilot mining operation to find the reasons for and solutions to current ore grades and re-target its overall exploration strategy.

The objectives for 2005-2006 remains as follows:

- Increase the Mal Paso mill capacity to 300 tonnes per day by September 2005. (This goal is about to be achieved).
- Mine high grade ore at the Bolivar mine property to generate short term cash flow to finance the exploration and development activities. (The last month of pilot mining has not produced the anticipated higher grades).
- Continue exploration on Bolivar in order to complete the pre-feasibility study.
- Develop a strategy to resume as soon as possible an aggressive exploration program at Promontorio.

1.3 SELECTED ANNUAL INFORMATION:

			Year ended March 31 (Audited)
	2005 **$**	**2004** **$**	**2003** **$**
Sales	-	-	-
Write-off of mining assets	481,706	-	-
Net loss	2,095,804	1,176,702	685,484
Net loss per share	0.05	0.05	0.07
Total assets	20,668,572	11,910,623	163,164
Working capital	3,649,779	8,139,983	32,241
Cash and cash equivalents	2,954,870	4,707,091	96,747

1.4 RESULTS OF OPERATIONS:

As at June 30, 2005, 15,612 tonnes of ore had been processed at the Mal Paso mill for a total production of 2,601 tonnes of concentrate of copper and zinc. The net sale proceeds amounting to CDN $1.6 M represent 90% of the estimated value of the delivered concentrates. The remaining 10% is invoiced when the final terms of the transaction are confirmed.

As at June 30, 2005, the Company had ore and concentrate inventories evaluated at $256,975. During pre-commercial production phase, all income from the pilot-mining program is accounted for as a deduction against deferred exploration expenses on the balance sheet.

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1.5 SUMMARY OF QUARTERLY RESULTS:

Quarter ended	Net loss	Net loss per share
	$	$
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	521,083	0.02
December 31,2003	540,914	0.03
September 30, 2003	124,270	0.01

Until the quarter ended September 30, 2003, the Company had very limited activities. Corporate costs were maintained at their minimal level. The last exploration program had been performed during 2002 on the diamondiferous Wawa properties.

In that quarter, the Company began to evaluate the exploration potential of certain available Mexican properties. 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 and December of 2003, the Company raised over $12 million through private placement financings to initiate the first exploration program in Mexico. With the availability of funds, the Company could increase personnel and consulting assistance in management and promotional activities.

Beginning in fiscal 2003-2004, the results include the cost attributed to options granted and vested which represent an important non monetary item on the Consolidated Statement of Operations.

During the period ended June 30, 2005, the Company incurred a loss of $337,432 ($0,01 per share) compared to a loss of $142,594 ($0.01 per share) in 2004. This loss includes a stock-based compensation non cash cost of $54,474 and a unrealized loss on currency exchange of $97,488 on monetary items in Mexico. All other costs are corporate related expenses.

The increase in administrative expenses is due to the increase in personnel. The Company also increased its promotion and investor relation activities. During the quarter the Company completed a Canadian financial tour to promote the Company's activities and projects.

1.6 LIQUIDITY:

As at June 30, 2005, the Company has a working capital of $1,822,837 including $971,251 in cash and cash equivalent compared to $ 3,649,779 as at March 31, 2005, including $2,954,870 in cash and cash equivalent.

During the quarter, the Company raised $58,250 following the exercise of 342,647 warrants.

As at June 30, 2005, sales tax and other receivables amount to $1,268,157 and are mostly comprised of Mexican recoverable input tax credit. The Company expects total recovery of the tax credit shortly. The Company is regularly monitoring with local Mexican IRL authorities as the tax credit represents an important source of funds.

In order to help its financial position, the Company negotiated with the buyer of its concentrate a revolving facility in the amount of US$500,000. The facility will be revolved up to 3-4 times (August/September/October/November) and full amount must be repaid in December 2005. A holding certificate for 6,000 dry metric tonnes of zinc/copper ores was issued in the name of the financing bank. Reimbursement is made in form of copper and zinc concentrates starting in September 2005. Financial costs will be absorbed by a US$1.00 per ton increase of treatment charges of the next 30,000 tonnes of zinc concentrate delivered.

Current liabilities include the obligation related to the plant under capital lease which is paid at the rate of US$5.00 per tonne of ore processed.

1.7 CAPITAL RESOURCES:

The availability of funds depends on the capital markets. The main source of financing of the Company is the issuance of equity shares. The Company is confident that, by continuing to demonstrate the quality of its properties, it will continue to be able to finance the development of its projects.

As at June 30, 2005, there were 28,782,752 warrants outstanding expiring between September 2005 and November 2006 at an average exercise price of $0.97, which represent a potential source of financing of approximately $27.9 million. The Company expects to receive $1.2 million from the exercise of all the remaining $0.17 warrants before the end of September 2005. Since June 30, 2005, 407,600 warrants have been exercised at a price of $0,17 for an aggregate amount of $69,292.

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

Financial commitment:

The Company's financial commitments are as follow:

- A five-year lease signed jointly with two other companies in February 2004, at an annual rent of $150,000. The rent is equally divided among the three companies.

- Capital lease agreement for the use of a crushing plant and treatment mill at a cost of US$5.00 per tonne (minimum of 2,500 tonnes per month).

In order to exercise its various options on the properties, the Company will have to make the following payments:

2005-2006	$US565,000
2006-2007	$US507,500
2007-2008	$US400,000
2008-2009	$US350,000
2009-2010	$US3,000,000

1.8 Off-balance:

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

1.9 Related party transactions:

During the period ended June 30, 2005, companies controlled by officers of the Company charged consulting fees amounting to $110,193 (2004 - $68,200), including $102,000 capitalized to deferred exploration expenses (2004 - $65,140). There is no balance owing to these companies as at June 30, 2005.

During the three-month period ended June 30, 2004 a company controlled by a director of the Company charged $2,235 for sample analysis (nil in 2005).

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

1.10 Proposed transactions:

The Board of directors has approved the increase of the maximum number of shares reserved for issuance under the Stock Option Plan to 5,100,000, representing approximately 10% of the issued and outstanding shares. This increase will be submitted to the approval of the shareholders at the annual meeting on August 30, 2005.

The Company is in the process of changing its financial year end to December 31 to coordinate accounting and reporting with its Mexican subsidiaries which have a statutory December year end.

1.11 Changes in accounting policies including initial adoption:

There were no changes in accounting policies

1.12 Instruments financiers et autres:

The Company does not use financial or other instruments.

1.13 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

	Three month period ended June 30, 2005 (unaudited) $	**Three month period ended June 30, 2004** (unaudited) $
Balance at beginning of period	10,197,775	2,552,001
Property acquisition and related costs	74,555	9,619
Sampling	34,129	35,784
Geology consulting	72,346	140,904
Geophysical survey	24,738	68,905
Drilling and development	602,412	321,178
Pilot-mining	377,938	-
Supervision and local administrative costs	471,069	149,487
Transportation	797,105	133,436
Roads	18,617	101,235
Camp costs	103,167	-
Capitalized amortization of exploration building and equipment	245,588	29,518
Stock compensation costs	38,392	29,295
	2,860,056	1,019,361
Inventory and concentrate net sale proceeds	(1,199,523)	-
	1,660,533	1,019,361
Balance at end of the period	11,858,308	3,571,362

(ii) National instrument 51-102 – Section 5.4

Disclosure of Outstanding Securities as at August 26, 2005

Common shares: **52,208,124**

Warrants (each warrant entitles the holder to purchase one common share of the Company at the exercise price indicated until expiry date): **28,375,152**

Number of warrants	Exercise price	Expiry date
7,267,420	$0.17	2005 September
1,406,250	$0.84	2005 October
2,779,445	$0.94	2005 November
4,919,969	$2.50	2005 December
12,002,068	$0.90	2006 November

Options outstanding: **3,046,250**

Number of options	Exercise price	Expiry date
6,250	$0.15	2008 February
1,180,000	$0.85	2008 October
40,000	$1.30	2009 January
1,320,000	$0.75	2009 August
500,000	$0.75	2010 February

1.14 RISK AND UNCERTAINTIES:

Business risk:

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 the Company's mining properties are in 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.

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.

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.

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 tax and other receivables and accounts payable and accrued liabilities are non-interest bearing. The cash and cash equivalents bear interest at variable rates.