

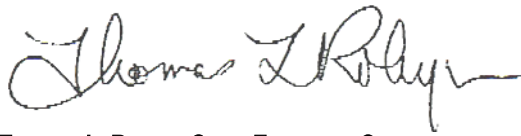


DIA BRAS EXPLORATION INC.

Interim Consolidated Financial Statements
Second Quarter ended September 30, 2005
(UNAUDITED)

NOTICE TO READERS OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS:

The unaudited interim financial statements of Dia Bras Exploration Inc. for the six-month period ended September 30, 2005 have not been reviewed by the Company's external auditors.

A handwritten signature in black ink, appearing to read "Thomas L. Robyn".

THOMAS L. ROBYN, CHIEF EXECUTIVE OFFICER

A handwritten signature in blue ink, appearing to read "Leonard Teoli".

LEONARD TEOLI, CHIEF OF FINANCIAL OPERATIONS

**MONTRÉAL, QUÉBEC
NOVEMBER 28, 2005**

Dia Bras Exploration Inc.
Consolidated Balance Sheets
(unaudited)

	As at September 30, 2005 (unaudited)	As at March 31, 2005 (audited)
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	591,377	2,954,870
Short term deposit, maturing August 31, 2006, bearing interest at 1.5% per annum	15,000	15,000
Sales tax and other receivables	1,363,398	1,011,872
Ore and concentrate inventory	250,600	220,600
Temporary investment (note 5)	23,705	246,667
Prepaid expenses	15,593	8,819
	<u>2,259,673</u>	<u>4,457,828</u>
Property, plant and equipment (note 6)	6,149	14,027
Mining assets (note 7)	19,757,403	15,819,615
Deferred costs – Advance on royalty payment (note 8)	350,000	350,000
Intangible asset – Licence (note 9)	14,604	27,102
	<u>22,387,829</u>	<u>20,668,572</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	694,798	289,749
Short term loan (note 10)	582,618	-
Obligation related to asset under capital lease	383,027	518,300
	<u>1,660,443</u>	<u>808,049</u>
SHAREHOLDERS' EQUITY		
Share capital (note 11)	22,421,601	20,782,703
Warrants (note 12)	5,837,051	6,165,776
Deficit	(9,277,489)	(8,468,556)
Contributed surplus (note 14)	1,746,223	1,380,600
	<u>20,727,386</u>	<u>19,860,523</u>
	<u>22,387,829</u>	<u>20,668,572</u>

Dia Bras Exploration Inc.
Consolidated Statements of Operations and Deficit
(unaudited)

	Three-month period ended September 30,		Six-month period ended September 30,	
	2005	2004	2005	2004
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	\$	\$	\$	\$
INCOME				
Interest income	2,386	13,923	17,198	53,726
Gain on disposal of temporary investment	10,861	-	10,861	-
Unrealized gain on exchange	-	27,221	-	51,427
	<u>13,247</u>	<u>41,144</u>	<u>28,059</u>	<u>105,153</u>
EXPENSES				
Administrative expenses	128,131	96,156	237,817	166,528
Professional and consulting fees	83,344	19,761	86,230	29,254
Information to shareholders and trustee fees	71,439	81,857	109,794	102,217
Promotion expenses	7,653	55,272	30,695	115,829
Stock based compensation costs (note 12)	140,885	29,498	195,359	75,319
Amortization of property, plant and equipment	6,148	3,140	7,878	3,140
Amortization of intangible asset - licence	6,249	10,400	12,498	10,400
Write-down of temporary investment	-	-	18,334	-
Unrealized loss on exchange	40,899	-	138,387	-
	<u>484,748</u>	<u>296,084</u>	<u>836,992</u>	<u>502,687</u>
Net loss for the period	471,501	254,940	808,933	397,534
Deficit - Beginning of the period	8,805,988	5,924,143	8,468,556	5,780,742
Share and warrant issue expenses	-	(807)	-	-
Deficit - End of the period	<u>(9,277,489)</u>	<u>(6,178,276)</u>	<u>(9,277,489)</u>	<u>(6,178,276)</u>
Basic and diluted net loss per share	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>
Basic and diluted weighted average number of outstanding shares	<u>53,656,686</u>	<u>37,639,888</u>	<u>53,656,686</u>	<u>36,984,474</u>

Dia Bras Exploration Inc.
Consolidated Statements of Cash Flows
(unaudited)

	Three-month period ended September 30,		Six-month period ended September 30	
	2005 (unaudited)	2004 (unaudited)	2005 (unaudited)	2004 (unaudited)
	\$	\$	\$	\$
CASH FLOWS FROM				
OPERATING ACTIVITIES				
Net loss for the period	(471,501)	(254,432)	(808,933)	(397,534)
Adjustments for				
Stock based compensation costs	140,885	29,948	195,359	75,319
Write-down of temporary investment	-	-	18,334	-
Gain on disposal of temporary investment	(10,861)	-	(10,861)	-
Amortization of property, plant and equipment	6,148	3,140	7,878	-
Amortization of intangible asset – licence	6,249	10,400	12,498	-
	(329,080)	211,902	(585,725)	(308,675)
Changes in non-cash working capital items (note 16)	54,005	(546,788)	(118,713)	(446,852)
	(275,075)	(758,690)	(704,438)	(755,527)
FINANCING ACTIVITIES				
Share capital issued (note 11)	1,262,189	73,562	1,320,438	523,729
Share and warrant issue expenses	-	807	-	-
Short term loan	582,807	-	582,807	-
	1,844,996	74,369	1,903,245	523,729
INVESTING ACTIVITIES				
Decrease in short-term deposit	-	-	-	3,500,000
Acquisition of property, plant and equipment	(199,422)	(875,426)	(339,656)	(1,340,850)
Purchase of intangible asset – licence	-	-	-	(50,000)
Increase in mining assets	(3,108,510)	(1,808,943)	(5,741,635)	(2,769,491)
Sales of concentrate	1,140,354	-	2,303,502	-
Disposal of temporary investment	215,489	-	215,489	-
Deposit on investment	-	(200,000)	-	(200,000)
	(1,952,089)	(2,884,369)	(3,562,300)	(860,341)
Translation adjustments on cash and cash equivalents	2,294	-	-	-
Increase (decrease) in cash and cash equivalents during the period	(379,874)	(3,568,690)	(2,363,493)	(1,092,139)
Cash and cash equivalents – At beginning of the period	971,251	7,183,642	2,954,870	4,707,091
Cash and cash equivalents – At end of the period	591,377	3,614,952	591,377	3,614,952

Dia Bras Exploration Inc.

Notes to Consolidated Financial Statements

As at September 30, 2005 (unaudited)

1 Nature of operations

The Company was incorporated under the Canada Business Corporations Act on April 11, 1996.

The Company has options to acquire interests in mining properties located in the Chihuahua District of Mexico which are presently at the exploration stage. The economic viability of these mining properties has not yet been assessed. The recoverability of costs relating to the mining properties, including deferred exploration expenses, is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, as well as future profitable production or alternatively, upon disposal of such properties at an amount equal to the Company's investment therein.

At the Bolivar mine property, the Company began a pilot-mining program as part of a prefeasibility study.

The Company has taken 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, among other things, by undetected defects.

2 Basis of presentation and significant accounting principles

Basis of presentation

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and use the same accounting policies and methods used in the preparation of the Company's most recent annual financial statements with the exception of the policy on intangible asset as described below. All disclosure required for annual financial statements have not been included in these financial statements. Therefore these statements should be read in conjunction with the September 30, 2005 audited financial statements.

Basis of consolidation

The consolidated financial statements of the Company include the accounts of the Company and of its wholly owned foreign subsidiaries, Dia Bras Mexicana S de R.L. de C.V., Servicios de Minería de la Sierra S de R.L. de C.V., Nichromex S. de R.L. de C.V. and Asesores Administrativos y Recursos Humanos S. de R.L. de C.V.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates and such differences could be material.

Dia Bras Exploration Inc.
Notes to Consolidated Financial Statements
As at September 30, 2005 (unaudited)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances and short-term liquid investments with original maturities of three months or less.

Temporary investment

The temporary investment is recorded at the lower of cost and quoted market value.

Ore and concentrate inventory

Ore and concentrate inventory is recorded at the lower of cost and net realizable value.

Property, plant and equipment

Office equipment is recorded at cost and depreciated over its estimated useful life using the straight-line method over a three-year period.

Mining assets

Mining assets include mining rights and options to acquire interests in mining properties, deferred exploration expenses, exploration building and equipment, supplies inventory that will be used for exploration, and deposits on future mining assets. All costs directly related to foreign projects are capitalized.

Costs and deferred exploration expenses

Exploration costs are deferred until the economic viability of the project has been established, at which time costs 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 uncertain 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 concentrate inventory sold from pilot mining before commencement of commercial production is shown as a reduction of related deferred exploration expenses.

Dia Bras Exploration Inc.
Notes to Consolidated Financial Statements
As at September 30, 2005 (unaudited)

Exploration building and equipment

The exploration building and equipment are recorded at cost.

Amortization of the exploration building and equipment is capitalized as deferred exploration expenses when related to a specific project. Amortization is computed using the following methods and rates or period:

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

Supplies inventory

Supplies inventory is recorded at the lower of cost and replacement value.

Deferred costs – Advance on royalty payment

Deferred costs in reference to the Nichromet licence are recorded at cost. They will be expensed as royalty payments when mineral production on properties covered by the agreement begins, on the basis of a 1% net smelter return royalty, or written off if the technology covered by the Nichromet licence is lost for non-performance.

Intangible asset – Licence

The licence is accounted for at cost and is amortized using the straight-line method over its finite useful life of two years.

Stock option plan and stock based compensation costs

The Company applied the fair value method to account for options granted to its employees, officers, directors and consultants. Any consideration paid on exercise of stock options is credited to share capital. The stock-based compensation cost is stated as per the periods of option acquisition. The contributed surplus resulting from the stock-based compensation is transferred to the declared share capital when the options are exercised.

Foreign currency translation

Foreign currency

Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Other assets and liabilities as well as items from the consolidated statements of operations are translated at the rates of exchange in effect on each transaction date. Gains and losses on translation are included in income.

Dia Bras Exploration Inc.
Notes to Consolidated Financial Statements
As at September 30, 2005 (unaudited)

Foreign operations

The Company's subsidiaries are considered to be integrated. As a result, the subsidiaries' accounts are remeasured into the functional currency using the temporal method. Under this method, monetary assets and liabilities are remeasured at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are remeasured at historical rates. Revenues and expenses are remeasured at the average rate for the period. Gains and losses resulting from remeasurement are reflected in the consolidated statement of operations.

Income taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between the accounting and tax bases of assets and liabilities using enacted income tax rates expected to be in effect in the fiscal year in which the differences are expected to reverse.

The Company establishes a valuation allowance against future income tax assets when it is more likely than not that some or all of such assets will not be realized.

Share and warrant issue expenses

Share and warrant issue expenses are accounted for in the year in which they are incurred and recorded as an increase in deficit in the year in which the shares are issued.

Loss per share

Loss per share is calculated using the weighted average number of shares outstanding during the year. Diluted loss per share is calculated using the weighted average number of shares outstanding during the year based on the application of the treasury stock method for the calculation of the dilutive effect of stock options and other dilutive securities.

The diluted loss per share is equal to the basic loss per share due to the anti-dilutive effect of the stock options and other dilutive securities.

Asset retirement obligations

Asset retirement obligations are recognized at fair value in the period in which the Company incurs a legal obligation associated to the retirement of an asset. The associated costs are capitalized as part of the carrying value of the related asset and depreciated over its remaining useful life. The liability is accreted using a credit adjusted risk-free interest rate.

Dia Bras Exploration Inc.
Notes to Consolidated Financial Statements
As at September 30, 2005 (unaudited)

3 Financial instruments

Fair value

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

The fair value of cash and cash equivalents, short-term deposit, sales tax and other receivables and accounts payable and accrued liabilities is comparable to their carrying value due to the relatively short period to maturity of the instruments.

Interest rate risk

The Company's sales tax and other receivables and accounts payable and accrued liabilities are non-interest bearing. Cash and cash equivalents bear interest at variable rates. The short term loan financing costs were implemented based on a concentrate treatment charge increase of US\$1.00 per ton.

4 Business acquisition

In June 2004, the Company acquired 100% of the shares of Perforaciones Mineras Ram S.A. for a cash consideration of \$150,000. The transaction was recorded using the purchase method whereby the purchase price was allocated to the machinery and equipment based on their estimated fair value at the date of the transaction. This company is currently inactive and has no asset.

Dia Bras Exploration Inc.
Notes to Consolidated Financial Statements
As at September 30, 2005 (unaudited)

5 Temporary investment

	September 30, 2005 (unaudited)	March 31, 2005 (audited)
	\$	\$
Ecu Silver Mining Inc. ("Ecu Silver")		
95,166 Common shares quoted market value	23,705	246,667

(March 31, 2005; 916,666 common shares –
quoted market value \$246,667)

Acting as sub-licensing agent for Nichromet Extraction Inc. ("Nichromet") in Mexico (note 8), in October 2004 the Company signed an agreement with Ecu Silver for the acquisition by Ecu Silver of the right to use the Nichromet technology for its mining projects in Mexico in consideration for 1,000,000 common shares, of which 500,000 will be issued when production begins, and a 1.5% net smelter royalty ("NSR"). The total consideration is shared equally with Nichromet. As such, only 250,000 common shares have been recorded as income in the amount of \$92,500 in the consolidated statement of operations using the fair market value, at the transaction date, of the common shares received from Ecu Silver.

As part of this transaction, the Company made a private placement of \$200,000 in consideration for 666,666 units of Ecu Silver, each unit comprising one common share and one common share purchase warrant entitling its holder to subscribe to one common share of Ecu Silver at a price of \$0.39 until August 10, 2006. The proceeds of the private placement will be used by Ecu Silver for the installation of a metallurgical laboratory to test samples using the Nichromet technology. Moreover, the Company will have the right to use the metallurgical laboratory, and any pilot plant that may be built subsequently, at cost plus 10%.

6 Property, plant and equipment

	September 30, 2005 (unaudited)		March 31, 2005 (audited)	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Canada				
Office equipment	20,757	14,608	6,149	14,207

Dia Bras Exploration Inc.
Notes to Consolidated Financial Statements
As at September 30, 2005 (unaudited)

7 Mining assets

	September 30, 2005 (unaudited)	March 31, 2005 (audited)
	\$	\$
Costs and deferred exploration expenses (a)	13,840,279	10,197,775
Exploration building and equipment (b)	4,354,063	4,561,913
Supplies inventory	1,160,200	773,960
Deposits on future mining assets	402,861	285,967
	19,757,403	15,819,615

a) Costs and deferred exploration expenses

	Costs		Deferred exploration expenses		Total	
	September 30 2005 (unaudited)	March 31 2005 (audited)	September 30 2005 (unaudited)	March 31 2005 (audited)	September 30 2005 (unaudited)	March 31 2005 (audited)
	\$	\$	\$	\$	\$	\$
Mexico						
(Chihuahua District)						
Bolivar Project (options)						
Bolivar Mine (i))	1,432,222	1,223,855	7,783,506	4,505,523	9,215,728	5,729,378
Piedras Verdes (ii))	226,175	226,175	2,072,362	2,072,362	2,298,537	2,298,537
Santa Maria (iii))	133,495	133,495	269,657	269,657	403,152	403,152
San José (iii))	74,864	74,864	271,504	271,504	346,368	346,368
El Cumbre	43,449	43,449	110,987	110,987	154,436	154,436
Mezquital	23,336	23,336	99,105	99,105	122,441	122,441
La Cascada	8,282	8,282	133,577	133,577	141,859	141,859
Val	2,560	2,560	100,928	100,928	103,348	103,488
Other	23,682	23,682	33,714	33,714	57,396	57,396
Promontorio Project (options)						
Promontorio and Hidalgo (iv))	135,702	61,147	800,881	718,832	936,583	779,979
El Magistral (v))	60,741	60,741	-	-	60,741	60,741
	2,164,508	1,881,586	11,675,771	8,316,189	13,840,729	10,197,775

Dia Bras Exploration Inc.
Notes to Consolidated Financial Statements
As at September 30, 2005 (unaudited)

	Six-month period ended September 30, 2005 (unaudited)	Year-ended March 31, 2005 (audited)
	\$	\$
Costs and deferred exploration expenses		
Balance at beginning of period	10,197,775	2,552,001
Costs and deferred exploration expenses		
Property acquisition and related costs	282,922	1,493,588
Sampling	95,347	415,509
Geology consulting	361,398	633,696
Geophysical survey	27,927	122,515
Drilling and mining development	896,378	2,665,572
Pilot milling	854,295	335,393
Supervision and local administrative costs	746,651	647,934
Transportation costs	1,734,950	946,510
Road	-	187,761
Camp costs	196,908	133,306
Capitalized amortization of exploration building and equipment	547,506	356,161
Stock compensation costs (note 12)	159,999	410,135
	5,946,006	8,348,080
Write-off of mining assets ((vi) and (vii))	-	(481,706)
Concentrate inventory and net sale proceeds	(2,303,502)	(220,600)
	3,642,504	7,645,774
Balance at the end of period	13,840,279	10,197,775

Mexico

- i) Bolivar mine

In August 2004, the Company entered into a commercial agreement with the owners of the Bolivar mine property (Bolivar III and Bolivar IV(iii)). The agreement provides for the acquisition by the Company of 100% of the Bolivar mine property for a consideration of US\$1.2 million payable over a two-year period. The remaining payments are as follows:

	\$US
2006 March	162,500
2006 September	162,500

Dia Bras Exploration Inc.
Notes to Consolidated Financial Statements
As at September 30, 2005 (unaudited)

ii) Piedras Verdes

During the year ended March 31, 2004, the Company entered into an option agreement whereby the Company would acquire a 100% interest in the Piedras Verdes property for a cash consideration of US\$200,000 payable over a two-year period. The remaining payments are as follows:

	\$US
2005 December	65,000
2006 December	20,000

iii) Santa Maria and San José Projects

In July 2003, the Company entered into an option agreement with El Paso Partners, Ltd. ("EPP") whereby the Company can acquire a cumulative interest of up to 100% in certain gold, silver and base metal properties by incurring exploration expenditures of US\$4,000,000 and making additional cumulative payments of up to US\$340,000 as follows:

	Santa Maria \$ US	San José \$ US
2006 January	20,000	20,000
2006 July	37,500	37,500
2007 January	37,500	37,500
2007 July	37,500	37,500
2008 January	37,500	37,500

Starting July 2008, the Company would pay a yearly advance royalty payment of US\$62,500 and US\$75,500 for the Santa Maria and San José properties respectively.

During the year ended March 31, 2005, the Company signed an addendum to the purchase option agreement with EPP. Under the terms of the agreement, a 3% NSR and other additional payments (bonanza clause) were applicable to all properties in a defined area of interest. The addendum provides for the exclusion of the Bolivar, Bolivar III, Bolivar IV, La Charaparrita and Piedras Verdes properties from the defined area of interest. The Company therefore repurchased the 3% NSR and the bonanza clause applicable to the above-mentioned properties in consideration for the issuance of 300,000 common shares to EPP (note 10).

Dia Bras Exploration Inc.
Notes to Consolidated Financial Statements
As at September 30, 2005 (unaudited)

iv) Promontorio and Hidalgo properties

In May 2004, the Company entered into a purchase option agreement whereby it could earn a 100% interest in the Promontorio and Hidalgo properties by paying to the vendors a total of US\$3,000,000. The remaining payments are as follows:

	\$ US
2006 June	100,000
2007 June	150,000
2008 June	150,000
2009 June	2,500,000

v) El Magistral

In November 2004, the Company entered into a purchase option agreement whereby the Company can purchase a 100% interest in the El Magistral property by paying US\$1,000,000, including US\$50,000 at the signing of the agreement.

The property is subject to a 1.5% NSR, up to a maximum of US\$1,500,000.

The remaining payments are as follows:

	\$ US
2005 November	75,000
2006 November	75,000
2007 November	100,000
2008 November	200,000
2009 November	500,000

vi) El Oro and PC 1135 properties

As part of the agreement to acquire the El Oro and PC 1135 properties, the Company was to issue 500,000 common shares to the vendor. Following the initial exploration programs on the properties, the Company tried to renegotiate the terms of agreement but without success. Therefore, these projects have been abandoned and consequently, the 500,000 common shares will not be issued. All costs and deferred exploration expenses allocated to those projects amounting to \$201,128 were written off during the year ended March 31, 2005.

Canada

vii) Wawa

During the year ended March 31, 2005, the Company abandoned its option on the MacKaskill and Magpie properties in the Wawa region where work obligations had not been met. Accordingly, the Company recorded a write-off of mining assets amounting to \$280,578.

Dia Bras Exploration Inc.
Notes to Consolidated Financial Statements
As at September 30, 2005 (unaudited)

b) Exploration building and equipment

			September 30, 2005 (unaudited)	March 31, 2005 (audited)
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Mexico				
Building				
Plant under capital lease	1,140,322	53,325	1,086,997	907,077
Camp	397,346	50,913	346,433	364,573
Machinery and equipment	2,154,392	442,976	1,711,416	1,938,966
Rolling stock	1,298,470	287,478	1,010,992	1,188,241
Computers and office furniture	267,199	68,974	198,225	163,056
	<u>5,257,729</u>	<u>903,666</u>	<u>4,354,063</u>	<u>4,561,913</u>

8 Deferred costs – Advance on royalty payment

On August 26, 2003, the Company acquired from Nichromet the rights of a licence for the use and marketing of a metallurgical extractive technology for Mexico in consideration for a 1% NSR payment on all mineral production using the technology from any of the Company's Mexican properties. As part of the agreement, the Company made a non-refundable royalty advance of \$350,000. If the technology covered by the Nichromet licence is lost for non-performance, the deferred costs will be written off.

In addition, the agreement gives the right to the Company to act as an agent for the purpose of sourcing the licence to third parties in Mexico. Any consideration received will be shared equally with Nichromet.

Dia Bras Exploration Inc.
Notes to Consolidated Financial Statements
As at September 30, 2005 (unaudited)

9 Intangible asset - Licence

	September 30, 2005		March 31,
	(unaudited)		2005
	Accumulated	Net	Net
	amortization	\$	\$
	\$		\$
Licence	50,000	35,396	27,102

In April 2004, the Company entered into a two-year licensing agreement with Diagnos Inc., the owner of a proprietary software (the "Technology") used in the field of data mining and which provides interpretations of databases generated by geophysical surveys, satellite imagery and geochemical analysis. The cost of the licence is \$50,000 for the territory of Mexico. The licence gives the Company access to the Technology in order to apply it to data generated from its Mexican properties.

10 Short term loan

In August 2005, the Company negotiated with the buyer of its concentrate a revolving facility in the amount of US\$500,000. The facility is alternately obtained by tranches 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 from the delivery of zinc concentrate. The loan must be repaid in full in December 2005. Financial costs will be absorbed by a US\$1.00 per ton increase of the concentrate treatment charges for the first 30,000 tonnes of zinc concentrate delivered after implementation of the loan facility.

Dia Bras Exploration Inc.
Notes to Consolidated Financial Statements
As at September 30, 2005 (unaudited)

11 Share capital

Authorized

An unlimited number of common shares without par value

Issued

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

	Six-month period ended September 30, 2005 (unaudited)		Year ended March 31, 2005 (audited)	
	Number of shares	Amount \$	Number of shares	Amount \$
Balance at the beginning of the period	51,457,477	20,782,703	35,714,991	13,546,277
Issued and paid in cash (i)	-	-	12,002,068	9,001,551
Less: Value of warrants (i)	-	-	-	(2,880,496)
Issued following exercise of stock options	-	-	37,084	5,563
Issued following exercise of warrants	7,767,292	1,638,898	3,203,334	860,808
Issued for acquisition of mining assets	-	-	200,000	24,000
Issued to repurchase royalties (note 7(a) (iii))	-	-	300,000	225,000
Balance at the end of period	59,224,769	22,421,601	51,457,477	20,782,703

- i) In November 2004, the Company completed private placements of 12,002,068 units at a price of \$0.75 per unit for total proceeds of \$9,001,551. Each unit comprises one common share and one common share purchase warrant entitling its holder to purchase one common share at a price of \$0.90 until November 2006. Finder's fees totalling \$568,102 were paid in cash.

The fair value of the common share purchase warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: dividend yield - 0%, volatility - 119%, risk-free interest rate - 4.5%, and an expected life of two years. As a result, the fair value was estimated at \$2,880,496.

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12 Warrants

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

	Six-month period ended September 30, 2005 (unaudited)		Year ended March 31, 2005 (audited)	
	Number of warrants	Amount \$	Number of warrants	Amount \$
Balance at the beginning of period	29,125,399	6,165,776	20,326,665	3,433,838
Issued as part of private placement of units (note 11(i))	-	-	12,002,068	2,880,496
Exercised	(7,767,292)	(318,460)	(3,203,334)	(148,558)
Expired	(250,375)	(10,265)	-	-
Balance at the end of period	<u>21,107,732</u>	<u>5,837,051</u>	<u>29,125,399</u>	<u>6,165,776</u>

Outstanding common share purchase warrants, entitling their holders to subscribe to an equivalent number of common shares, were as follows as at September 30, 2005:

Exercise price \$	Number of warrants	Expiry Date
0.84	1,406,250 ⁽¹⁾	October 2005
0.94	2,779,445 ⁽¹⁾	November 2005
2.50	4,919,969	December 2005
0.90	12,002,068	November 2006
	<u>21,107,732</u>	

⁽¹⁾ Those warrants expired at their respective expiry dates.

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13 Stock option plan

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

The options must be exercised within five years of grant. The exercise price may not be lower than the market price of the common shares at the time of grant. The options have a vesting period of 18 months: 25% at the date of grant and 12.5% for the following six quarters.

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

	Six-month period ended September 30, 2005 (unaudited)		Year ended March 31, 2005 (audited)	
	Number of options	Average exercise price \$	Number of options	Average exercise price \$
Beginning of period	3,046,250	0.79	1,283,959	0.81
Granted	1,940,000	0.29	1,870,000	0.76
Exercised	-	-	(37,084)	0.19
Expired or cancelled	-	-	(70,625)	0.41
End of period	<u>4,986,250</u>	<u>0.60</u>	<u>3,046,250</u>	<u>0.79</u>

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Exercise price	Number of options		Expiry date
	Outstanding	Exercisable	
0.15	6,250	6,250	February 2008
0.85	1,180,000	1,180,000	October 2008
1.30	40,000	40,000	January 2009
0.75	1,320,000	990,000	August 2009
0.75	500,000	250,000	February 2010
0.30	1,790,000	447,500	September 2011
0.22	150,000	37,500	September 2011
	<u>4,986,250</u>	<u>2,951,250</u>	

The Company accounted for options granted using the fair value method. Total stock-based compensation costs for the six-month period ended September 30, 2005 amounted to \$355,358, including \$159,999 capitalized to mining assets as part of the Chihuahua project costs on the basis that the options were granted to officers and consultants involved exclusively in the exploration program in Mexico. The balance of \$195,359 was charged to operations.

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

	Six-month period ended September 30, 2005 (unaudited)	Year ended March 31, 2005 (audited)
Average dividend per share	nil	nil
Estimated volatility	102%	105%
Risk-free interest rate	3.5%	3.8%
Expected life of options granted	4 years	4 years
Option price	\$0.29	\$0.75
Weighted average of estimated fair value of each option granted	\$0.21	\$0.53

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14 Contributed surplus

	Six-month period ended September 30, 2005 (unaudited) \$	Year ended March 31, 2005 (audited) \$
Balance at beginning of period	1,380,600	480,675
Stock-based compensation cost (note 13)	355,358	899,925
Warrants expired	10,265	-
	<hr/>	<hr/>
Balance at end of period	1,746,223	1,380,600
	<hr/>	<hr/>

15 Asset retirement obligations

As of September 30, 2005, the Company has not recognized any asset retirement obligation as it does not have sufficient information to determine a realistic obligation maturity schedule. A liability stemming from any asset retirement obligation will be recorded in the period in which there is sufficient information to establish an obligation maturity schedule.

16 Statements of cash flows

The changes in non-cash working capital items are as follows:

	Six-month period ended September 30, 2005 (unaudited) \$	Year-ended March 31, 2005 (audited) \$
Sales tax and other receivables	(351,526)	(906,014)
Concentrate inventory	(30,000)	(220,600)
Prepaid expenses	(6,774)	18,068
Short term liabilities	269,587	84,801
	<hr/>	<hr/>
	(118,713)	(1,023,745)
	<hr/>	<hr/>

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17 Related party transactions

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.

During the six-month period ended September 30, 2005, companies controlled by officers of the Company charged consulting fees amounting to \$214,534 (\$156,875 for the corresponding period in 2004), including \$140,340 capitalized to deferred exploration costs (2004 - \$136,168).

During the six-month period ended September 30, 2004, a company controlled by a director charged sampling and analysis costs amounting to \$11,431 which were capitalized to mining assets (2005 -\$nil).

18 Commitment

In February 2004, the Company and two other companies jointly signed a five-year lease for office premises. The annual rent of approximately \$150,000 is divided equally among the three companies.

19 Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.

20 Subsequent event

In November 2005, the Company completed private placements of common shares whereby the company issued 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 of this private placement will be used to improve the Malpaso mill - increasing the capacity by about 10% and improving the recovery and the quality of the copper and zinc concentrates currently being produced. Capital will also be expended on mine development, transportation upgrades and to cover operating expenses while concentrate production increases on the pilot-mining program at the Bolivar mine.