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MANAGEMENT’S DISCUSSION and ANALYSIS

For the quarter ended October 31, 2007 (compared October 31, 2006)

This Management’s Discussion and Analysis (“MD&A”) provides an analysis of the financial results of the Company for the second quarter ended October 31, 2007 as compared to the second quarter ended October 31, 2006 and has been prepared as of December 27, 2007. This MD&A of the Company should be read in conjunction with the interim unaudited consolidated financial statements and notes thereto for the fiscal quarter ended October 31, 2007 (“Interim Statements”) as well as the annual audited consolidated financial statements and notes thereto for the fiscal years ended April 30, 2007 and 2006 (“Annual Statements”).

The financial information as at October 31, 2007 and for the six-month period ended October 31, 2007 and 2006 is unaudited; however, in the opinion of management, all adjustments necessary to present fairly the results of these periods have been included. The adjustments made were of a normal recurring nature. Interim results may not necessarily be indicative of results anticipated for the year.

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and use the same accounting policies and methods used in the preparation of the company’s most recent annual consolidated financial statements. However, all disclosures required for annual financial statements have not been included in these financial statements.

The reporting currency is in Canadian dollars, unless specified as US\$.

Description of Business

Karmin Exploration Inc. (“Karmin” or the “Company”) was incorporated on February 3, 1995 under the Business Corporation Act of Ontario to engage in mineral exploration and development of base metals and gold opportunities in Brazil.

Effective June 14, 1999 the Company was continued under the Business Corporations Act of Alberta. Effective September 15, 1999, the Company changed its name from Ambrex Mining Corporation (Ambrex) to Karmin Exploration Inc. (Karmin) and consolidated its common shares on the basis of one new share for every three common shares previously issued and outstanding. Karmin’s common shares trade publicly on the TSX Venture exchange under the symbol “KAR” (formerly YKA).

Karmin directly and through an agreement as described below, is in the process of exploring its mining properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of costs incurred on exploration and development is dependent upon the discovery of economically recoverable reserves, the securing and maintenance of the interests in the properties, future production or proceeds from the disposition thereof, and the ability of the company to obtain the necessary financing to continue these operations.

Exploration for mineral properties is inherently risky and the success of these strategies is subject to numerous risks. Management cannot guarantee that its strategy will find mineral deposits, or if discovered, that these deposits will be commercially viable. The stock market in general, and the market for mineral exploration companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating results or asset values of those companies. These broad market and industry factors may seriously impact the market price and trading volumes of Karmin's shares, regardless of the actual operating performance.

While the financial statements of the company have been prepared on the basis that the company will continue as a going concern, it is uncertain that the company will be able to realize its assets and discharge its liabilities in the normal course of business. Should it be determined that the company is no longer a going concern, the financial statements will need to include material adjustments that reflect a liquidation basis of preparation.

During the 2000 year, the company signed a contract of association with a Brazilian subsidiary of a major mining company, Anglo American PLC ("Anglo American"). The agreement required the subsidiary of the major mining company to expend US\$3.25 million on exploration on or before December 31, 2003.

During the 2004 fiscal year, the contract of association was amended to allow for a major Brazilian mining company, Votorantim Metais S/A ("Votorantim Metais S/A") to earn into the property and project by expending US\$1.6 million on exploration on or before December 31, 2005.

In 2006 and 2007, Votorantim is spending US \$3.5 million per year for drilling and completion of an independent scoping study.

Results of Operations

Revenues and Expenses

Revenues earned by the Company have been insignificant to date as the Company is still in the exploration stage and does not have any producing properties. Revenues were derived from interest income on cash balances and for the fiscal quarter ended October 31, 2007 amounted to \$988 as compared to \$101 in the corresponding quarter of the prior year.

Expenses for the quarter ended October 31, 2007 totaling \$45,075 were decreased compared with total expenses of \$77,183 for the second quarter of the prior year. This is mainly due to the decrease in finance charges due to elimination of long term debt.

The net result is that the Company recorded a consolidated loss for the quarter ended October 31, 2007 of \$44,087 (\$0.001 per share) as compared with a loss of \$77,082 (or \$0.002 per share) for the prior year quarter ended October 31, 2006. The result in both years reflects the fact that the Company is incurring expenditures but not earning any revenues from operations, other than interest income. This is a common result for mineral exploration companies in general and we expect this trend to continue until the company is able to generate meaningful operating revenues.

Summary of Quarterly Results

The following table sets forth unaudited financial information prepared by management of the Company.

	Three Months Ended			
	Oct 31/07	July 31/07	Apr 30/07	Jan 31/07
<u>Earnings Information</u>				
Revenues	\$ 988	\$ 1,273	\$ 1,642	\$ 1,487
Expenses	\$ 45,075	\$ 47,947	\$ 440,565	\$ 53,721
Net loss for the period	\$ 44,087	\$ 46,674	\$ 438,923	\$ 52,234
Loss per share – basic	\$ 0.001	\$ 0.001	\$ 0.011	\$ 0.001
Loss per share – diluted	\$ 0.001	\$ 0.001	\$ 0.011	\$ 0.001
<u>Balance Sheet Information</u>				
Total assets	\$1,062,543	\$1,098,799	\$1,151,637	\$1,190,260

	Three Months Ended			
	Oct 31/06	Jul 31/06	Apr 30/06	Jan 31/06
<u>Earnings Information</u>				
Revenues	\$ 101	\$ 146	\$ 130	\$ 109
Expenses	\$ 77,183	\$ 51,533	\$ 93,714	\$ 60,866
Net loss for the period	\$ 77,082	\$ 51,387	\$ 93,584	\$ 60,757
Loss per share – basic	\$ 0.002	\$ 0.002	\$ 0.003	\$ 0.002
Loss per share – diluted	\$ 0.002	\$ 0.002	\$ 0.003	\$ 0.002
<u>Balance Sheet Information</u>				
Total assets	\$1,240,004	\$ 981,006	\$ 980,286	\$ 1,001,753

	Three Months Ended			
	Oct 31/05	Jul 31/05	Apr 30/05	Jan 31/05
<u>Earnings Information</u>				
Revenues	\$ 113	\$ 158	\$ 97	\$ 65
Expenses	\$ 57,077	\$ 44,790	\$ 179,819	\$ 43,540
Net loss for the period	\$ 56,964	\$ 44,632	\$ 179,722	\$ 43,474
Loss per share – basic	\$ 0.002	\$ 0.001	\$ 0.005	\$ 0.001
Loss per share – diluted	\$ 0.002	\$ 0.001	\$ 0.005	\$ 0.001
<u>Balance Sheet Information</u>				
Total assets	\$ 982,112	\$ 999,371	\$ 1,027,547	\$ 998,519

Fluctuations in quarterly results for revenues are primarily affected by factors such as interest earned per quarter based on the cash and equivalent balances held by the company during the quarter and interest rates paid by the bank to the company on these cash and equivalent balances.

Expense fluctuations in quarterly results are due primarily to factors such as finance charges and exploration and prospecting costs.

Related party transactions

The Company entered into the following related party transactions:

Management fees of \$10,000 (2006 - \$10,000) were incurred and payable to a company controlled by a shareholder during the second quarter in 2007.

The basis used to measure the related party transactions was the exchange amount based on the negotiated value between the parties.

Resource Expenditures

Karmin is engaged in the discovery, exploration and development of mining properties for mineral resource deposits in Brazil. The Company has not yet determined whether its properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mining properties is dependent upon the existence of economically recoverable reserves, the ability of the company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

Management reviews the carrying values of mining properties on a regular basis to determine whether any write-downs are necessary. These costs will be amortized over the estimated useful life of the mining properties following commencement of production or written off if the mining properties or projects are sold or allowed to lapse. General exploration expenditures not related to specific mining properties are expensed as incurred.

Under terms of the joint venture, Karmin's 30% interest in the Aripuana properties is carried by and paid for by a Brazilian subsidiary of Anglo American PLC. Accordingly, Karmin incurred \$nil expenditures on the addition of mining properties during the second fiscal quarter ended October 31, 2007 and \$nil for the prior year second quarter.

The Company's properties are in the exploration stage and there can be no assurance that any of them will reach the stage of production.

The company has expensed all exploration costs to date on this property.

Exploration

Exploration for the second quarters ended October 31, 2007 and 2006, on the mining properties were carried on by the Company's joint venture partner on the Aripuana deposit property in the state of Mato Grosso, Brazil. The company has single property in Brazil at Aripuana in the state of Mato Grosso. Karmin holds a 30% free carried interest until the

completion of a bankable feasibility study for the unweathered, sulphide portion of the deposit, and holds 100% of the overlying oxide portion. .

Karmin's 100% owned oxide resources at Aripuana

The oxide portion did not receive any exploration expenditures in 2007. In 2004, a report written by the then operator, Anglo American, outlined a non-compliant mineral resource of gold mineralization. Karmin is planning to carry out further work in the future on the oxide portion of the deposit. Since it is located between 0 and 50 metres from surface, it is easily accessible. Past exploration suggests that gold and possibly silver have been concentrated in this weathered layer, while base metals have been depleted. This would lead to potentially a different extraction method if a processing facility were to be located at Aripuana. Karmin is planning to more clearly define any gold/silver bearing oxide resource if Votorantim, the sulphide operator, embarks on an advanced study towards eventual sulphide production. This would allow any development of oxide ores to take advantage of an infrastructure developed for the sulphide processing facilities.

Karmin's 30% owned sulphide resources at Aripuana

Votorantim is the operator for the sulphides where larger resources have been discovered below the oxidized layer and the main deposits are Ambrex and Arex.

In October, 2007 Karmin received and filed on SEDAR, an independent National Instrument ("NI") 43-101 compliant technical report ("Technical Report") stating the mineral resource estimates for the Aripuanã massive sulphide district in Mato Grosso State, Brazil.

Highlights of the Technical Report

The Technical Report was prepared for the Company by independent engineers AMEC International (Chile) S.A. (AMEC), a division of AMEC Americas Limited. Highlights include:

- **Total indicated resource for Ambrex and Arex of 27.7 Mt grading 6.44% Zn Eq.**
- **Open pit indicated resource at Arex of 9.4 Mt. grading 6.06% Zn Eq.**
- **Underground indicated resource at Ambrex of 18.3 Mt. grading 6.63% Zn Eq.**
- **Combined inferred resources from Arex and Ambrex of 5.8 Mt. grading 6.52% Zn Eq.**
- **Contained metal in the indicated resource of 2.153 billion pounds of zinc, 820 million pounds lb. of lead, 156 million pounds of copper, 241,000 ounces of gold and 31,389,000 ounces of silver.**

Tonnage is reported in millions of tonnes (Mt). For calculation of Zinc Equivalent (Zn Eq.) end-of-Q3 2007 prices have been used namely Zinc \$1.388/lb, Lead \$1.565/lb, Copper \$3.704/lb, Gold \$743/oz and Silver \$13.65/oz.

Project Summary

Aripuanã is a Noranda type Volcanogenic Massive Sulphide district located in Mato Grosso state in Brazil. Two main elongate basin shaped mineralized zones have been described and named "Arex" and "Ambrex" (the latter previously named the "Valley" deposit). Three mineralized styles have been identified, a basal copper/gold stringer zone, an upper banded, massive and disseminated zinc, lead and silver zone, with gold, and sulphides in quartz veins

developed in a late shearing event. Up to five continuous mineralized horizons occur in the east and three in the west, with these mineralized horizons extending over a 9 kilometre total length and up to 1 kilometre in width. Zinc is considered the most important economic mineral (54% by value), followed by lead (24%), copper (11%) silver (8%) and gold (4%), using end Q3 2007 comparative pricing.

Technical Report

AMEC was retained by Karmin to review, audit and provide accreditation for a mineral resource estimate for the Aripuanã Project. A report was issued by AMEC to the project operator, Votorantim, in July 2007 in a format non-compliant with Karmin's Canadian disclosure obligations under NI 43-101. Consequently, Karmin retained AMEC to update the report in accordance with the NI 43-101 Technical Report standard. The "Qualified Persons" responsible for the report, are Messrs. Rodrigo Marinho, P Geo., Dr. Armando Simon R.P.Geo., and Pierre Lacombe P Eng., all of AMEC. Mr. Marinho was responsible for review of drill core and geological modeling and resource estimation, Dr. Simon for Data review, implementation of the QA/QC program and geological reinterpretation, and Mr. Lacombe for the metallurgical review.

Estimated Mineral Resources

Table 1. Aripuanã Mineral Resources

Sulphide Mineral Resource - Tonnes and Grade						
	Tonnes	Zinc (%)	Lead (%)	Copper (%)	Gold (g/t)	Silver(g/t)
Ambrex (Indicated)	18,322,000	4.03	1.52	0.09	0.18	35.55
Arex (Indicated)	9,380,000	2.54	1	0.58	0.45	34.65
Total Indicated	27,702,000	3.53	1.34	0.26	0.27	35.25
Inferred	5,773,000	3.61	1.32	0.24	0.39	33.52
Sulphide Resource uses cut-off of \$20/t for Ambrex and 1.8% Zn Eq. for Arex						
Sulphide Mineral Resource - Contained Metal						
	Zinc (%)	Lead (%)	Copper (%)	Gold (g/t)	Silver(g/t)	
Ambrex (Indicated)	1,628,120,403	614,080,152	36,360,009	106,027	20,940,270	
Arex (Indicated)	525,345,660	206,829,000	119,960,820	135,702	10,449,027	
Total Indicated	2,153,466,063	820,909,152	156,320,829	241,728	31,389,298	
Inferred	459,465,111	167,958,819	30,691,616	71,661	6,221,462	

Mining Methods Considered for Cut-off Calculations

Mineral resources reported by AMEC are considered to have a reasonable prospect of economic extraction potential to be mined, by open pit in the case of Arex and by underground methods for Ambrex. AMEC also observed that their interpretation leaves significant amounts of mineralized material outside of the interpreted deposits which might in the future become resources.

AMEC considered Net Smelter Return (“NSR”) calculations to value the blocks, run pit optimizations using Whittle® software and define underground stopes.

To establish a meaningful cut-off grade mining, processing, transport, off-site treatment and administration costs were considered. Significant work was done in terms of defining the parameters used for pit optimization and underground stope design. Allowance for mining recovery and waste dilution is included in the resource estimation procedure.

For the **Ambrex underground study** the following mining methods were considered to arrive at a cut-off cost in dollars:

- Mineralized zone width > 15 m – Transverse Longhole Stopping (Paste Fill)
- Mineralized zone width 5 to 15 m – Longitudinal Longhole Stopping (Paste Fill)
- Mineralized zone width < 5 m – Cut and Fill Stopping (Paste Fill)

For the **Arex open pit study**, base costs of \$1.224/t mining cost and 6.44/t processing costs were used, and a 42 degree pit slope was assumed.

Metallurgical Recoveries

There has been only preliminary metallurgical testwork done on Aripuanã concentrates, and it is cautioned that the assumptions in this study are based on what might be considered reasonable for this project, rather than based on demonstrated locked cycle metallurgical tests. The mineralogy is comparatively coarse grained; zinc will be recovered from sphalerite, copper from chalcopyrite and lead from galena. No deleterious minerals have been identified to date, so no penalties have been used in the cut-off calculations. The preliminary 1.2 million tonne per year plant design, representing over 20 years of mine life, is a conventional crushing, grinding and flotation milling circuits producing zinc, lead and copper concentrates to be sold to smelters for further smelting and refining. No gold or silver production has been considered unless as a credit in the concentrates.

Applying scoping level mining and plant design costing, conservative metal prices, reasonable plant recoveries and smelter charges, AMEC have calculated the potential NSR cut-off as \$20/t in the Ambrex deposit and 1.8% Zinc Equivalent in the Arex deposit.

Further potential at Aripuanã

The Aripuanã project is an emerging massive sulphide district. A number of massive sulphide bodies having been discovered by Karmin and its partners since the early 1990s. Mineralization remains open between the indicated and inferred resources reported today at Arex and Ambrex and both deposits are open at depth. Other massive sulphide targets at Babaçú, Massaranduba, Mocoto and Boroca present potential to add mineral resources in the future.

Karmin owns 100% of the oxide concessions of the complete Aripuanã District. These consist of a weathered oxidized zone from surface up to 40 metres thick covering the complete concession. Mineralization in the oxide zone is of three styles: firstly weathered massive sulphides, known as gossans, as found at “Expedito’s Pit” overlying the Ambrex deposit, secondly gold in quartz veins developed in a late shearing event, as found at Cabeça Branca and Arex, and thirdly alluvial deposits which were exploited by artisanal miners up to the early 1990s. According to a report by Anglo American Corporation, a major mining

corporation, who drilled for gold in the 1990s, the best grades to date have been **8 metres grading 9.55 g/t gold** and **14 metres grading 4.73 g/t gold** at the Cabeça Branca area, near Mocoto, and adjacent to the Arex resource where **25 metres grading 5.2 g/t gold** was found.

Logistically, Electro-Norte, a Brazilian para-statal company have announced that in July 2007 they will commence construction of a 261 megawatt (MW) Hydro-electric power station at the Dardanelos Falls, located 12 kilometres from the potential mine site. In addition the existing gravel road to the state capital Cuiaba has been replaced by an asphalt road to within 100 kilometres of Aripuana, and the full connection is planned to be completed in the near future. Both the road and Hydro electric plant are considered positive attributes to the potential for mine development.

Mining Properties

<u>Property</u>	<u>Capitalized Expenditures During 2007 year</u>	<u>Total Costs Capitalized at April 30, 2007</u>	<u>Type</u>	<u>%Owned</u>
<u>Brazil:</u>				
Aripuana	nil	\$884,301	Zinc/Gold	30%

Liquidity and Capital Resources

Working Capital

Karmin had working capital deficiency of \$199,082 at October 31, 2007 (compared to \$1,482,907 at October 31, 2006) consisting primarily of cash and cash equivalents and accounts receivable. The increase in working capital is mainly attributable to the settlement of an amount due to a shareholder. The Company finances its operations and investments primarily through the issuance of share capital and advances from shareholders. There can be no assurance that additional funds will be available at any given time in the future.

Operating Activities

Cash flows used in operating activities during the second quarter ended October 31, 2007 were \$40,770 compared to cash flows used of \$12,786 for the corresponding quarter in 2006.

For the second fiscal quarter ended October 31, 2007, cash flows used in operating activities were primarily due to the loss resulting from items not affecting cash and equivalents of \$43,072 offset by the net change in non-cash working capital items of \$2,302.

For the second fiscal quarter 2006, cash flows used by operating activities were primarily due to the loss resulting from items not affecting cash and equivalents of \$49,412, offset by the net change in non-cash working capital items of \$36,626.

Financing Activities

Cash flows from financing activities during the fiscal quarter ended October 31, 2007 were nil, compared to cash flows for the prior year second quarter of \$272,459.

For the second quarter ended October 31, 2007, there was no cash financing activity.

For the second quarter ended October 31, 2006, cash flows from financing activities were due to an advance from a shareholder.

Investing Activities

Cash flows used in investing activities were \$nil for the second quarters ended October 31, 2007 and 2006, as there was no addition of capital assets.

Balance Sheet

Assets

The Company had consolidated assets totaling \$1,062,543 at October 31, 2007 as compared to \$1,151,637 at the prior year ending April 30, 2007.

The majority of the assets of the Company of \$884,301 were capitalized in Mining Properties (as compared to \$884,301 at the prior year ending April 30, 2007).

These properties were listed above by name, cost, type and location.

Long term liabilities

The Company had no long-term liabilities at October 31, 2007, and for the year ended April 30, 2007.

Capitalization

The Company had 38,453,591 common shares outstanding at the quarter ended October 31, 2007 (compared to 38,453,591 common shares outstanding as at the year ended April 30, 2007).

Changes in Accounting Policies

The changes (CICA, Chapters 1100, 1400 and 3063) in accounting policies since the Company's most recent audited year ended April 30, 2007 have no impact on the consolidated financial statements and the impact of the future accounting policies to be adopted (CICA, Chapters 3855, 3865, 1530 and 3251) have not yet been determined. Such changes consist in adopting new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

Critical Accounting Estimates

Critical accounting estimates used in the preparation of the financial statements in conformity with Canadian generally accepted accounting principles include the Company's estimate of the recoverable value of its resource properties as well as the value of stock-based compensation. Management makes estimates that affect the amounts of assets and liabilities reported in the financial statements. Those estimates also affect the disclosure of contingencies at the date of the financials and the reported amount of revenues and expenses during the year. Those estimates could be significantly affected by factors that are out of the Company's control and actual results could differ from those estimates.

Mineral property and equipment are all recorded at cost. All mineral property acquisition costs are recorded as an asset on the balance sheet under the heading "Property, plant and Equipment". These expenditures will be depleted over the estimated life of the properties if and when they reach production or will be written down by management when it is determined that the net carrying amount will not be recovered.

Financial Instruments

The Company has not entered into any specialized financial agreements to minimize its investment, currency or commodity risks. There are no off-balance sheet arrangements. The principal financial instruments used by the Company are short-term cash deposits, which are acquired to enhance the return on the Company's cash position. The Company considers these instruments to be very low risk in nature. The fair value of these instruments approximates their carrying costs, unless otherwise noted on the financial statements.

Risk and Uncertainties

The mining industry is competitive and, in addition, the company is exposed to other risks including the following:

- Exploration risks that commercially viable minerals be discovered;
- Commodity risks of mineral prices in the world;
- Financing risks of future capital generation that may be required; and,
- Political and currency risks of the company doing business outside of Canada and in Brazil.

Mineral exploration involves a high degree of risk. Few properties that are explored are ultimately developed into production. None of the Company's properties has a known body of commercial ore. Other risks facing the Company include: political stability in the Brazil; changes in legislation in Brazil that could affect exploration and mining rights as well as taxation and royalties; fluctuations in mineral prices; ability to attract and retain qualified personnel; availability of additional capital; costs and availability of materials and services relevant to the mining industry; title risks; and integrity of exploration results.

Contingency

The company has no contingent liabilities outstanding as at October 31, 2007.

Management's Responsibility for Financial Statements

The information in this interim financial report is the responsibility of management. The consolidated financial statements have been prepared by management in accordance with Canadian general accepted accounting principles (GAAP) and in accordance with the accounting policies set out in notes to the consolidated financial statements.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that reasonable care and judgment are applied in making such estimates and assumptions.

Management maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded and reported properly, principally by submission of the financial statements, before and after their consolidation, to the Board of Directors for approval.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through ongoing discussion with management, who reviews the consolidated financial statements with independent auditors, PricewaterhouseCoopers LLP, prior to submission to the Board for approval.

The company's external auditors, PricewaterhouseCoopers LLP, have audited the financial statements for the year ended April 30, 2007 and have expressed an opinion thereon. There is no opinion expressed by the auditors on the interim consolidated financial statements for the fiscal quarter ended October 31, 2007 and such interim consolidated financial statements have not been subject to a review engagement.

Forward-Looking Statements

Certain statements contained or incorporated in this management analysis and discussion of financial condition and results of operations constitute forward-looking statements. Such forward-looking statements are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in our forward-looking statements. Shareholders and prospective investors should not place undue reliance on forward-looking information and should bear in mind the risks and uncertainties outlined above under "Risks and Uncertainties".

Additional Information

Additional information relating to Karmin can be found elsewhere in the Annual Financial Statements, the Interim Statements and other public filings, all of which are available for viewing on SEDAR at www.sedar.com.

December 27, 2007

(Signed) William J. Fisher

William J. Fisher

Chief Executive Officer

(Signed) John A. Iannozzi

John A. Iannozzi, CA

Chief Financial Officer