

Karmin Exploration Inc.

(an exploration company)

Interim Financial Statements

October 31, 2007

(Unaudited – prepared by Management)

The accompanying notes are an integral part to these interim financial statements.

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended October 31, 2007.

NOTICE TO READER OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of Karmin Exploration Inc. and the accompanying interim consolidated balance sheet as at October 31, 2007 and the interim consolidated statements of operations, deficit and cash flows for the six-month period then ended are the responsibility of the Company's management. The independent external auditors of the Company, PricewaterhouseCoopers LLP, Chartered Accountants have not reviewed these consolidated financial statements on behalf of the shareholders. The interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with Canadian generally accepted accounting principles.

Signed

John A. Iannozzi
Chief Financial Officer

December 27, 2007

Signed

William J. Fisher
Chief Executive Officer

December 27, 2007

Karmin Exploration Inc.
 (an exploration company)
Interim Balance Sheet (unaudited)

(expressed in Canadian dollars)

As at	October 31, 2007 (note 1) \$	April 30, 2007 \$
Assets		
Current		
Cash and cash equivalents	68,276	160,637
Accounts receivable	1,447	2,850
Prepaid expenses	6,700	-
Investment in a public company (quoted market value: \$7,500 in 2006, \$22,500 in 2005)	2,500	2,500
	<u>78,923</u>	165,988
Property, plant and equipment (note 4)	99,319	101,349
Mining property (note 5)	884,301	884,301
	<u>1,062,543</u>	1,151,637
Liabilities		
Current		
Accounts payable and accrued liabilities	278,005	276,338
Due to a shareholder, bearing interest at 9% (note 6)	-	-
	<u>278,005</u>	276,338
Shareholders' Equity (deficiency)		
Share capital (note 7)	16,159,295	16,159,295
Stock options	485,221	485,221
Deficit	(15,859,978)	(15,769,218)
	<u>784,538</u>	875,299
	<u>1,062,543</u>	1,151,637

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Karmin Exploration Inc.
(an exploration company)
Interim Consolidated Statements of Operation and Deficit (unaudited)

(expressed in Canadian dollars)

	For the three month period ended October 31, 2007 (note 1) \$	For the three month period ended October 31, 2006 \$	For the six month period ended October 31, 2007 (note 1) \$	For the six month period ended October 31, 2006 \$
Expenses				
Exploration and prospecting costs	18,364	-	20,736	6,048
General and administration	25,696	49,514	70,257	68,098
Finance charges	-	26,655	-	52,541
Depreciation	1,015	1,015	2,030	2,030
	45,075	77,183	93,022	128,716
Interest income	988	101	2,262	246
Loss for the period	(44,087)	(77,082)	(90,760)	(128,469)
Deficit, beginning of period	(15,815,891)	(15,215,464)	(15,769,218)	(15,164,077)
Deficit, end of period	(15,859,978)	(15,292,547)	(15,859,978)	(15,292,547)
Basic and diluted loss per share	(0.0011)	(0.0023)	(0.0024)	(0.0039)

The accompanying notes are an integral part to these interim financial statements.

Karmin Exploration Inc.
(an exploration company)
Interim Consolidated Statements of Cash Flows (unaudited)

(expressed in Canadian dollars)

	For the three month period ended October 31, 2007 (note 1) \$	For the three month period ended October 31, 2006 \$	For the six month period ended October 31, 2007 (note 1) \$	For the six month period ended October 31, 2006 \$
Cash provided by (used in)				
Operating activities				
Loss for the period	(44,087)	(77,082)	(90,760)	(128,469)
Items not affecting cash:				
Depreciation	1,015	1,015	2,030	2,030
Interest capitalized on due to a shareholder	-	26,655	-	52,541
	(43,072)	(49,412)	(88,731)	(73,899)
Net change in non-cash working capital items:				
Accounts receivable	1,172	(341)	1,403	(647)
Prepaid expenses	(6,700)	-	(6,700)	-
Accounts payable and accrued liabilities	7,830	36,967	1,666	29,285
	2,302	36,626	(3,631)	28,638
	(40,770)	(12,786)	(92,362)	(45,261)
Financing activities				
Due to a shareholder	-	272,459	-	306,362
Net change in cash during the period	(40,770)	259,673	(92,362)	261,101
Cash, beginning of period	109,045	12,929	160,637	11,500
Cash, end of period	68,276	272,601	68,276	272,601
Supplemental information				
Income taxes paid	-	-	-	-
Interest paid	-	-	-	-

The accompanying notes are an integral part to these interim financial statements.

Karmin Exploration Inc.
(an exploration company)
Notes to Interim Financial Statements
October 31, 2007 (unaudited)

(expressed in Canadian dollars)

1 Interim financial information

The financial information as at and ending October 31, 2007 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 and use the same accounting policies and methods used in the preparation of the company's most recent annual financial statements except as modified below. However, all disclosures required for annual financial statements have not been included in these financial statements. These interim financial statements should be read in conjunction with the company's most recent annual financial statements.

2 Nature of business and going concern

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 August 15, 1999, the company changed its name from Ambrex Mining Corporation (Ambrex) to Karmin Exploration Inc. (Karmin). Effective September 15, 1999, the company also 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

Management intends to secure new capital from related parties and to reduce expenses by joint venture in order to continue its operations. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Without such funding being available, the company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

Although management has taken steps to verify title to mining properties in which the company has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, and do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenue and expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

Karmin Exploration Inc.
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October 31, 2007 (unaudited)

(expressed in Canadian dollars)

3 Summary of significant accounting policies

Basis of presentation and consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include the accounts of Karmin, and Karmin Holdings Ltda., a wholly owned Brazilian holding company. All significant intercompany accounts and transactions have been eliminated.

The company primarily operates in one operating segment as all its property and equipment are located in Brazil, and may be subject to government regulations relating to mining, currency fluctuations, inflation and other economic and political risks, any of which may result in impairment of the company's net assets. The Company's corporate headquarters in Canada serve administrative functions and are not a reportable segment.

Investment in a public company

The investment in a public company is valued at the lower of cost and market value.

Property, plant and equipment and depreciation

Property, plant and equipment are recorded at cost and depreciated on a straight-line basis over their estimated economic lives mentioned in note 4.

Mining property

Exploration and prospecting costs are expensed as incurred. When a property is determined to have development potential, development and exploration costs related to that property are capitalized. These assets will be amortized on a unit of production basis once the property is brought into production. The company assesses annually whether an impairment condition may exist.

All administrative costs that do not directly relate to and are not necessary for development activity are expensed as incurred.

Foreign currency translation

Foreign subsidiary

As the company considers all of its foreign operations to be fully integrated, all items denominated in foreign currencies have been translated using the temporal method. Under this method, monetary assets and liabilities and non-monetary items carried at market values are translated into Canadian dollars at exchange rates prevailing at the balance sheet dates. Other non-monetary assets and liabilities are translated at historical exchange rates applicable at the transaction date. Revenues and expenses are translated at the average exchange rate for the period.

Foreign currency exchange

Foreign exchange gains and losses on transactions during the period and on the year-end translation of the accounts are reflected in the statement of operations.

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(expressed in Canadian dollars)

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 and expenses included in the financial statements during the reporting period. Actual results could differ from management's estimates.

Stock-based compensation plans

The company maintains a stock option plan. In accordance with Canadian generally accepted accounting principles, the company uses the fair value method to account for options granted to employees. Accordingly, all stock-based compensation awards are expensed in the financial statements. Any consideration received from plan participants upon the exercise of stock options is credited to share capital.

Financial instruments

The company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and amounts due to a related party. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest or currency risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

4 Property, plant and equipment

			October 31, 2007	April 30, 2007
	Depreciation period	Cost \$	Accumulated amortization \$	Net \$
Office equipment	10 years	14,674	5,635	9,039
Building	25 years	78,000	26,520	51,480
Land		38,800	-	38,800
		<u>131,474</u>	<u>32,155</u>	<u>99,319</u>
				<u>101,349</u>

Office equipment is held in Canada. The building and land are held in Brazil.

5 Mining property

	October 31, 2007	April 30, 2007
	\$	\$
Aripuana property	<u>884,301</u>	<u>884,301</u>

The Aripuana property is located approximately 20 kilometers from the town of Aripuana in the State of Mato Grosso, Brazil.

In 1996, Karmin acquired the Aripuana 2000 hectare property. Initially focusing on the gold, the company discovered a large volcanogenic massive sulphide (VMS) showing, called the Valley Deposit.

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In 1999, Karmin formed a joint venture with Anglo American PLC (“Anglo”) to explore Karmin’s property and Anglo’s adjoining ground, where a similar VMS discovery had been made. Anglo was committed to spending US\$3.25 million by December 31, 2003 to earn a 70% interest in the joint venture.

In 2004, Karmin and Anglo amended the agreement to allow a new partner, Votorantim Metais, S.A. (“Votorantim”) to earn into the 70% position of the Aripuana property held by Anglo. Votorantim earned its position by spending US\$1.6 million by December 2005 and Karmin’s 28.5% interest remained unchanged.

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

On March 30, 2007, Karmin paid an amount of \$20,000 to Ste. Genevieve Resources to purchase a 1.5% interest in the Aripuana project, thus increasing ownership of the project from 28.5% to 30%.

6 Related party balances and transactions

The company entered into the following transactions with related parties:

	October 31, 2007 \$	April 30, 2007 \$
Shareholder		
Interest on advance	-	52,541
Company controlled by a shareholder		
Management fees	20,000	40,000
Rent	-	8,300

The amount payable with respect to these and earlier years’ management fees and rent included in accounts payable and accrued liabilities are respectively \$234,800 and \$40,898 (2007 - \$213,600 and \$40,898). The basis used to measure the related party transactions was the exchange amount based on the negotiated value between the parties.

7 Share capital

Authorized

The company’s authorized share capital consists of an unlimited number of common shares.

Issued and outstanding

	Number of shares	Amount \$
Balance – April 30, 2007	38,453,591	16,159,295
Issued during period	-	-
Balance – October 31, 2007	38,453,591	16,159,295

In November 2006, the TSX Venture Exchange accepted the Company’s proposal to issue 5,263,157 common shares to settle outstanding debt for \$1,500,000 that was due to a shareholder.

The weighted average number of common shares in 2007 was 35,497,571.