Karmin Exploration Inc.
(an exploration company)

Consolidated Financial Statements
April 30, 2009 and 2008
(expressed in Canadian dollars)

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Auditors' Report

To the Shareholders of
Karmin Exploration Inc.

We have audited the consolidated balance sheets of **Karmin Exploration Inc.** (an exploration company) as at April 30, 2009 and 2008 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at April 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers s.r.l./s.e.n.c.r.l.[1]

Québec, Quebec, Canada
July 31, 2009

[1] Chartered accountant auditor permit No. 7451

Karmin Exploration Inc.

(an exploration company)
Consolidated Balance Sheets
As at April 30, 2009

(expressed in Canadian dollars)

	2009 $	2008 $
Assets		
Current		
Cash and cash equivalents	43,717	101,358
Accounts receivable	800	2,892
Investment in a public company (note 4)	3,441	3,441
	47,958	107,691
Property, plant and equipment (note 5)	93,230	97,290
Mining property (note 6)	884,301	884,301
	1,025,489	1,089,282
Liabilities		
Current		
Accounts payable and accrued liabilities (note 7)	462,190	337,421
Due to a shareholder, non-interest bearing	-	100,000
	462,190	437,421
Due to a shareholder, bearing interest at 9%, total principal and interest due on May 1, 2010	205,373	-
	667,563	437,421
Shareholders' Equity		
Share capital (note 8)	16,159,295	16,159,295
Stock options (note 9)	485,222	547,215
Contributed surplus (note 9)	61,993	-
Deficit	(16,348,584)	(16,054,649)
	357,926	651,861
	1,025,489	1,089,282

Nature of business and going concern (note 1)

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

____________________________ Director   ____________________________ Director

Karmin Exploration Inc.

(an exploration company)

Consolidated Statements of Operations, Comprehensive Loss and Deficit

For the years ended April 30, 2009 and 2008

(expressed in Canadian dollars)

	2009 $	2008 $
Expenses		
Exploration and prospecting costs	31,959	58,262
General and administrative (note 9)	246,573	227,184
Finance charges (note 7)	11,813	-
Depreciation of property, plant and equipment	4,060	4,059
Unrealized loss on investment held for trading	-	6,559
	294,405	296,064
Interest income	(470)	(3,133)
Loss and comprehensive loss for the year	293,935	292,931
Deficit – Beginning of year	16,054,649	15,769,218
Adjustment to opening balance (note 2)	-	(7,500)
Deficit – End of year	16,348,584	16,054,649
Basic and diluted loss per share (note 13)	0.0076	0.0076

Going concern (note 1)

The accompanying notes are an integral part of these consolidated financial statements.

Karmin Exploration Inc.

(an exploration company)

Consolidated Statements of Cash Flows

For the years ended April 30, 2009 and 2008

(expressed in Canadian dollars)

	2009 $ (note 1)	2008 $
Cash flows from operating activities		
Loss for the year	(293,935)	(292,931)
Items not affecting cash and cash equivalents		
Depreciation of property, plant and equipment	4,060	4,059
Stock-based compensation costs	-	61,993
Interest capitalized on due to a shareholder	11,813	-
Unrealized loss on investment held for trading	-	6,559
	(278,062)	(220,320)
Net change in non-cash working capital items		
Accounts receivable	2,092	(42)
Accounts payable and accrued liabilities	124,769	61,083
	126,861	61,041
	(151,201)	(159,279)
Cash flows from financing activities		
Increase in due to a shareholder	93,560	100,000
Decrease in cash and cash equivalents	(57,641)	(59,279)
Cash and cash equivalents – Beginning of year	101,358	160,637
Cash and cash equivalents – End of year	43,717	101,358

The accompanying notes are an integral part of these consolidated financial statements.

(expressed in Canadian dollars)

1 Nature of business and going concern

The company was incorporated on February 3, 1995 under the Business Corporations 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. As at April 30, 2009 and for the year then ended, the company reported a loss of $293,935 and an accumulated deficit of $16,348,584. The cash position as at April 30, 2009 of $43,717 is not sufficient to continue exploration of the mining property. This condition casts significant doubt as to the ability of the company to continue as a going concern and meet its obligations as they come due.

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-compliant with regulatory requirements.

These consolidated 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 value 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.

(expressed in Canadian dollars)

2 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, Karmin Holdings Ltda., a wholly-owned Brazilian holding company, and its 95%-owned subsidiary, Mineracao Rio Aripuana Ltda. 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.

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 year.

Foreign currency exchange

Foreign exchange gains and losses on transactions during the year and on the year-end translation of the accounts are reflected in the 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 financial statement values and tax values of assets and liabilities using enacted or substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse.

The company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

(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 amounts of assets and liabilities reported in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates include the value of the mining property and accrued liabilities. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and all highly liquid short-term investments with original maturities of three months or less at the acquisition date.

Investment in a public company

The investment in a public company is presented at fair value on a reported bid price basis.

Financial instruments

The standards require that financial assets and financial liabilities, including derivative financial instruments, be initially measured at fair value. Subsequent to initial recognition, financial assets and financial liabilities are measured based on their classification : held for trading, available for sale, loans and receivables or other than held-for-trading liabilities.

- **Held for trading** – Financial assets and financial liabilities required to be classified or designated as held for trading are measured at fair value, with gains, losses and transaction costs recorded in net earnings for the period in which they arise. Section 3855 allows an entity to designate any financial instrument as held for trading on initial recognition or adoption of the accounting standard if reliable fair values are available, even if that instrument would not otherwise satisfy the definition of a security held for trading. Transaction costs are recorded immediately in net earnings.

- **Available for sale** – Financial assets classified as available for sale are measured at fair value. Unrealized gains and losses are recognized directly in other comprehensive loss, except for other than temporary impairment losses, which are recognized in net earnings. Upon derecognition of the financial asset, the accumulated gains or losses previously recognized in accumulated other comprehensive loss are reclassified to net earnings. Transaction costs are added to the carrying amount of the financial instrument.

(expressed in Canadian dollars)

Available-for-sale securities are reviewed on a regular basis to determine whether there has been a decline in value that is other than temporary. For the purpose of measuring any decline in value, the company takes into account many facts proper to each investment as well as all the factors that encompass, without being inclusive, a significant or prolonged decline in fair value, important financial distress of the issuer, a breach of contract, an increasing risk of issuer's bankruptcy or restructuration, and disappearance of an active market for the financial asset concerned.

- **Loans and receivables** – Financial assets classified as loans and receivable are measured at amortized cost using the effective interest method, which corresponds to par value due to their short-term maturity.

- **Other than held-for-trading liabilities** – Financial liabilities classified as other than held for trading are measured at amortized cost using the effective interest method.

Transitional adjustment

As at May 1, 2007, the implementation of the new accounting standards on financial instruments resulted in an adjustment of $7,500 to the 2008 opening balance of deficit related to the increase in the investment in a public company following its revaluation from cost to fair value using reported bid price.

Property, plant and equipment and depreciation

Property, plant and equipment are recorded at cost and are depreciated on a straight-line basis over their estimated economic lives mentioned in note 5.

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 are expensed as incurred.

(expressed in Canadian dollars)

Basic and diluted earnings per share

Basic earnings per share are determined using the weighted average number of participating shares outstanding during the year.

Diluted earnings per share are determined using the weighted average number of participating shares outstanding during the year, plus the effects of dilutive potential participating shares outstanding during the year. The calculation of diluted earnings per share is made using the treasury stock method, as if all dilutive potential shares had been exercised at the later of the beginning of the year or the date of issuance, as the case may be, and that the funds obtained thereby be used to purchase participating shares of the company at the average market value of the participating shares during the year.

Share capital

Share capital issued for non-monetary consideration is generally recorded at the quoted market price. Share issue expenses are applied against share capital.

Stock-based compensation plans

The company maintains a stock option plan, which is described in note 9. 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.

3 Changes in accounting policies and new accounting pronouncements

New accounting standards

Section 1400, General Standards of Financial Statement Presentation

On May 1, 2008, the company adopted Section 1400, *"General Standards of Financial Statement Presentation"*. This Section has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern (going concern assumption). The adoption of this Section had no impact on the consolidated financial statements of the company.

(expressed in Canadian dollars)

Section 1535, Capital Disclosures

On May 1, 2008, the company adopted Section 1535, *"Capital Disclosures".* This Section establishes standards for disclosing information about an entity's capital. The information will enable users of its financial statements to evaluate its objectives, policies and processes for managing capital. An entity will also disclose whether it complies with capital requirements to which it is subject and if not, the consequences of such non-compliance. The required disclosures are contained in note 12.

Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation

On May 1, 2008, the company adopted Section 3862, "Financial Instruments – Disclosures", and Section 3863, "Financial Instruments – Presentation", which replace Section 3861, "Financial Instruments – Disclosures and Presentation". These new sections require enhanced disclosures on financial asset and liability categories as well as a detailed analysis of the risks associated with the company's financial instruments and how the entity manages those risks. Presentation requirements remain unchanged. The required disclosures are contained in note 4.

Effective July 1, 2008, the Canadian Accounting Standards Board approved amendments to Section 3855, *"Financial Instruments– Recognition and Measurement"*, and Section 3862, *"Financial Instruments – Disclosures"*, from the CICA Handbook. These amendments focus on the ability to reclassify, under rare circumstances, financial assets out of the held-for-trading category. The company has not reclassified any of its financial instruments.

EIC-173, Credit Risk and Fair Value of Financial Assets and Financial Liabilities

On January 20, 2009, the Emerging Issues Committee issued EIC- 173, *"Credit Risk and the Fair Value of Financial Assets and Financial Liabilities"*, which provides further information on determining the fair value of financial assets and financial liabilities under Section 3855, *"Financial Instruments – Recognition and Measurement"*. This Abstract states that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. This recommendation applies retrospectively without restatement of prior period financial statements to all financial assets and financial liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009, the date of issuance of the Abstract. The adoption of this Abstract had no impact on the consolidated financial statements of the company.

EIC-174, Mining Exploration Costs

On March 27, 2009, the Emerging Issues Committee issued EIC-174, *"Mining Exploration Costs"*, to provide additional guidance for mining exploration enterprises on when an impairment test is required. This Abstract should be applied to financial statements issued after March 27, 2009. The adoption of this Abstract had no impact on the consolidated financial statements of the company.

(expressed in Canadian dollars)

Impact of new accounting standard not yet adopted

The CICA issued new Section 3064 *"Goodwill and Intangible Assets"*, which replaces Section 3062, *"Goodwill and Other Intangible Assets"*, and Section 3450, *"Research and Development Costs"*, which applies to the company's interim and annual financial statements for the fiscal year beginning on May 1, 2009. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The company has not yet completed its assessment of the impact of the adoption of this new standard on its consolidated financial statements.

(expressed in Canadian dollars)

4 Financial instruments

Classification

The classification of financial instruments as at April 30, 2009 and 2008 is summarized as follows:

As at April 30, 2009

	Held for trading $	Available for sale $	Loans and receivables $	Other than held-for-trading liabilities $	Carrying value Total $	Fair value Total $
Financial assets						
Cash and cash equivalents	43,717	-	-	-	43,717	43,717
Accounts receivable	-		800	-	800	800
Investment in a public company	3,441	-	-	-	3,441	3,441
	47,158	-	800	-	47,958	47,958
Financial liabilities						
Accounts payable and accrued liabilities	-	-	-	462,190	462,190	434,978
Due to a shareholder	-	-	-	205,373	205,373	205,373
	-	-	-	667,563	667,563	640,351

As at April 30, 2008

	Held for trading $	Available for sale $	Loans and receivables $	Other than held-for-trading liabilities $	Carrying value Total $	Fair value Total $
Financial assets						
Cash and cash equivalents	101,358	-	-	-	101,358	101,358
Accounts receivable	-	-	2,892	-	2,892	2,892
Investment in a public company	3,441	-	-	-	3,441	3,441
	104,799	-	2,892	-	107,691	107,691
Financial liabilities						
Accounts payable and accrued liabilities	-	-	-	337,421	337,421	337,421
Due to a shareholder	-	-	-	100,000	100,000	100,000
	-	-	-	437,421	437,421	437,421

(expressed in Canadian dollars)

Accounts receivable, accounts payable and accrued liabilities, and due to a shareholder are financial instruments whose carrying value approximates their fair value due to their short-term maturity. Cash and cash equivalents are valued at fair value.

The fair value of the held-for-trading investment in a public company is established using the bid price on the most beneficial active market for this instrument that is readily available to the company. When a bid price is not available, the company uses the closing price of the most recent transaction on such instrument.

Financial risks

The company has exposure to various financial risks, such as credit risk, liquidity risk and market risk from its use of financial instruments.

Credit risk

The company ensures to achieve a good diversification of its banking investments. In addition, it attempts to minimize its risks by entering into agreements only with Canadian institutions and their subsidiaries.

Liquidity risk

Liquidity risk is the risk that the company may be unable to fulfill its financial obligations related to financial liabilities. The company's approach to managing liquidity risk is to ensure that it will have sufficient liquidities to meet liabilities when due. As at April 30, 2009, the company had cash and cash equivalents of $43,717 ($101,358 as at April 30, 2008) to settle liabilities of $667,563 ($437,421 as at April 30, 2008).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk, currency risk and other price risks.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuate due to changes to market interest rates.

(expressed in Canadian dollars)

As at April 30, 2009 and 2008, the company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Variable interest rate
Accounts receivable	Non-interest bearing
Investment in a public company	Variable yield
Accounts payable and accrued liabilities	Non-interest bearing
Due to a shareholder	Non-interest bearing and bearing interest at 9%

The sensivity to a ± 1% change in bank balance rates as at April 30, 2009 would have no material effect on the statement of operations.

Currency risk

The company is subject to a variety of currency risks, including the risks that currencies will not be convertible at satisfactory rates, that the official conversion rates between the different currencies in which the company operates may not accurately reflect the relative value of goods and services available or required in the foreign jurisdictions in which the company operates and that inflation will lead to the devaluation of the currencies in the foreign countries in which the company has operations.

5 Property, plant and equipment

				2009	2008
	Depreciation period	**Cost $**	**Accumulated depreciation $**	**Net $**	**Net $**
Office equipment	10 years	14,674	7,043	7,631	8,570
Building	25 years	78,000	31,201	46,799	49,920
Land	-	38,800	-	38,800	38,800
		131,474	38,244	93,230	97,290

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

6 Mining property

	2009 $	2008 $
Aripuana property	884,301	884,301

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

(expressed in Canadian dollars)

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

In 1999, the company formed a joint venture with UK-based mining company Anglo American PLC ("Anglo") and an unrelated third party to explore the company'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, the company and Anglo amended the agreement to allow a new partner, Votorantim S.A., 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 the company's 28.5% interest remained unchanged.

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

On March 30, 2007, the company paid an amount of $20,000 to Ste-Geneviève Resources to purchase a 1.5% interest in the Aripuana project, thus increasing its direct ownership of the project from 28.5% to 30%.

7 Related party balances and transactions

The company entered into the following transactions with related parties:

	2009	**2008**
	$	**$**
Shareholder		
Interest on advance	11,813	-
Company controlled by a shareholder		
Management fees	42,000	42,200

The amount payable with respect to these and earlier years' management fees and rent included in accounts payable and accrued liabilities are respectively $297,800 and $40,898 ($255,800 and $40,898 in 2008). The basis used to measure the related party transactions was the exchange amount based on the negotiated value between the parties.

(expressed in Canadian dollars)

8 Share capital

Authorized

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

Issued and outstanding

	2009		2008	
	Number of shares	**Amount $**	**Number of shares**	**Amount $**
Balance – Beginning and End of year	38,453,591	16,159,295	38,453,591	16,159,295

The weighted average number of common shares in 2009 and 2008 was 38,453,591.

9 Stock options

The company established a stock option plan under which key employees, officers, directors and consultants of the company and its subsidiaries may be granted stock options for shares of the company. A maximum of 3,800,000 shares (3,800,000 in 2008) may be granted (maximum of 5% in favour of one person).

Options granted under the plan expire after the maximum period of ten years following the date of grant and vest over variable periods determined by the Board of Directors upon granting.

The following tables present the stock option activity and summarize information about fixed stock options outstanding and exercisable as at April 30, 2009 and 2008:

	2009		2008	
	Number	**Weighted average exercise price $**	**Number**	**Weighted average exercise price $**
Outstanding – Beginning of year	3,225,000	0.33	3,000,000	0.35
Granted	-	-	225,000	0.85
Matured *	(225,000)	0.85	-	-
Outstanding and exercisable – End of year	3,000,000	0.35	3,225,000	0.33

* Matured stock options have been reflected in the contributed surplus.

(expressed in Canadian dollars)

The following table summarizes information about stock options outstanding and exercisable as at April 30, 2009:

	Options outstanding and exercisable		
Exercise price $	**Number**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price $**
0.20	1,800,000	1.162	0.12
0.56	1,200,000	0.35	0.23
	-	1.152	0.35

Accounting for the stock-based compensation plan

The fair value of options granted for the year ended April 30, 2008 was estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	2.96%
Expected volatility	80%
Dividend yield	Nil
Weighted average expected life	5 years
Weighted average fair value of options granted	$0.276

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the stock options granted to officers and directors have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide an accurate single measure of the fair value of stock options granted to officers and directors.

The company recognizes, as a compensation cost arising from awards to officers and directors, the fair value of stock options at the date of grant. No stock options were granted during the year ended April 30, 2009. The fair value of stock options granted during the year ended April 30, 2008 was $61,993. This amount has been included in the statement of operations under "General and administrative" and in Shareholders' Equity under "Stock options".

(expressed in Canadian dollars)

10 Income taxes

As at April 30, 2009, the company has available tax losses for Canadian income tax purposes, which may be carried forward to reduce future years' taxable income. A summary of these losses is provided below:

	$
2010	200,219
2014	184,780
2015	311,821
2026	255,914
2027	617,921
2028	226,785
2029	289,875

A full valuation allowance has been recorded against the potential tax benefits resulting from these non-capital losses.

11 Segment disclosures

Operating segment

The company has one reportable operating segment, being exploration of mineral properties in Brazil as described in note 1.

Geographical information

The building, land and mining property are located in Brazil and the office equipment is held in Canada, as disclosed in notes 5 and 6.

12 Capital management

The company considers the items included in shareholders' equity as capital components.

The company manages its capital structure and makes adjustments to it, based on the funds available to the company, in order to support the acquisition and exploration of mining properties. Since the company is in the mineral exploration business, the Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the company's management to sustain future development of the business.

(expressed in Canadian dollars)

The mining property in which the company currently has an interest is in the exploration stage. Since the company does not have sufficient cash and cash equivalents on hand to fund its activities, it is dependent on external financing to continue its operations. Consequently, the company must rely on its partnership agreements.

The company is not subject to any externally imposed capital requirements or other external requirements.

13 Loss per share

	2009 **$**	**2008** **$**
Basic and diluted weighted average number of shares outstanding	38,453,591	38,453,591

For the years ended April 30, 2009 and 2008, the diluted loss per share was the same as the basic loss per share since the dilutive effect of stock options was not included in the calculation; otherwise, the effect would have been anti-dilutive. Accordingly, the diluted loss per share for those years was calculated using the basic weighted average number of shares outstanding.

However, should the company's basic loss per share have been positive, the stock options exercisable at exercise prices lower than $0.35 for 2009 and $0.33 for 2008 would have been dilutive and would have resulted in the addition respectively of 3,191,712 and 3,033,288 shares for the years ended April 30, 2009 and 2008.

PRICEWATERHOUSECOOPERS

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Confidential
July 31, 2009

Mr. John Iannozzi, B. Comm., CA
Chief Financial Officer
Karmin Exploration Inc.
133 Kendall Street
Point Edward (Ontario) N7V 4G6

Dear Sir:

We enclose four copies, two of which are without covers, of the consolidated financial statements of Karmin Exploration Inc. for the years ended April 30, 2009.

Yours very truly,

Laurent Després, FCA, FCBV, CFE
Partner
Audit and Assurance Group

LD/vc

Enclosures