Karmin Exploration Inc.

Consolidated Financial Statements
April 30, 2012 and 2011
(expressed in Canadian dollars)

August 27, 2012

Independent Auditor's Report

To the Shareholders of
Karmin Exploration Inc.

We have audited the accompanying consolidated financial statements of Karmin Exploration Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at April 30, 2012, April 30, 2011 and May 1, 2010 and the consolidated statements of changes in equity, comprehensive loss and cash flows for the years ended April 30, 2012 and April 30, 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
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 comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Karmin Exploration Inc. and its subsidiaries as at April 30, 2012, April 30, 2011 and May 1, 2010 and their financial performance and their cash flows for the years ended April 30, 2012 and April 30, 2011 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which describes matters that indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, public accountancy permit No. A121191

Karmin Exploration Inc.

Consolidated Statements of Financial Position

(expressed in Canadian dollars)

	As at April 30, 2012 $	As at April 30, 2011 $	As at May 1, 2010 $
Assets			
Current Assets			
Cash	2,050,199	8,662	21,113
Accounts receivable (note 6)	33,907	4,042	21,057
Prepaid expenses	3,240	-	-
Investment in a public company	-	3,441	3,441
	2,087,346	16,145	45,611
Non-current assets			
Property, plant and equipment (note 8)	81,053	85,112	89,171
Mining properties (note 9)	13,798,800	884,301	884,301
	15,967,199	985,558	1,019,083
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	407,209	496,071	971,486
Due to shareholders with significant influence (note 10)	2,415,165	1,157,144	413,066
	2,822,374	1,653,215	1,384,552
Shareholders' Equity (Deficiency)			
Share capital (notes 11 and 20)	30,582,036	16,159,295	16,159,295
Stock options (note 12)	595,415	584,057	502,795
Contributed surplus (note 12)	666,912	160,252	160,252
Deficit	(18,699,538)	(17,571,261)	(17,187,811)
	13,144,825	(667,657)	(365,469)
	15,967,199	985,558	1,019,083

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.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

For the years ended April 30, 2012 and 2011

(expressed in Canadian dollars)

	Share capital $	Stock options $	Contributed surplus $	Deficit $	Total $
Balance – May 1, 2011	16,159,295	584,057	160,252	(17,571,261)	(667,657)
Share issues net of expenses (note 11)	14,422,741	-	-	-	14,422,741
Stock-based compensation costs (note 12)	-	518,018	-	-	518,018
Stock options cancelled (note 12)	-	(442,166)	442,166	-	-
Stock options expired (note 12)	-	(64,494)	64,494	-	-
Loss and comprehensive loss for the year	-	-	-	(1,128,277)	(1,128,277)
Balance – April 30, 2012	30,582,036	595,415	666,912	(18,699,538)	13,144,825
Balance – May 1, 2010	16,159,295	502,795	160,252	(17,187,811)	(365,469)
Stock-based compensation costs	-	81,262	-	-	81,262
Loss and comprehensive loss for the year	-	-	-	(383,450)	(383,450)
Balance – April 30, 2011	16,159,295	584,057	160,252	(17,571,261)	(667,657)

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

Karmin Exploration Inc.

Consolidated Statements of Comprehensive Loss

For the years ended April 30, 2012 and 2011

(expressed in Canadian dollars)

	2012 $	2011 $
Expenses		
Exploration and prospecting costs (note 13)	57,041	4,313
Professional fees	277,109	98,746
Reimbursement of professional fees (note 20)	(100,000)	-
Management fees (note 10)	40,000	40,000
Stock-based compensation costs (note 12)	518,018	81,262
Regulatory and transfer agent fees	14,553	25,265
Office expenses	204,200	58,478
Finance charges (notes 10 and 14)	113,325	71,355
Depreciation of property, plant and equipment	4,059	4,059
	1,128,305	383,478
Interest income	(28)	(28)
Loss and comprehensive loss for the year	1,128,277	383,450
Basic and diluted loss per share (note 18)	0.0267	0.0100

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

Karmin Exploration Inc.

Consolidated Statements of Cash Flows

For the years ended April 30, 2012 and 2011

(expressed in Canadian dollars)

	2012 $	2011 $
Cash flows from operating activities		
Loss for the year	(1,128,277)	(383,450)
Adjustments		
Depreciation	4,059	4,059
Stock based compensation costs	518,018	81,262
Change in fair value of an investment in a public company	3,441	-
Interest capitalized on due to shareholders with significant influence	111,232	71,078
	(491,527)	(227,051)
Net change in non-cash working capital items:		
Accounts receivable	(29,865)	17,015
Prepaid expenses	(3,240)	-
Accounts payable and accrued liabilities	(88,862)	(475,415)
	(121,967)	(458,400)
	(613,494)	(685,451)
Cash flows from investing activities		
Acquisition of mining properties	(1,510,860)	-
Cash flows from financing activities		
Increase in due to a shareholder with significant influence	-	673,000
Increase in share capital, net of expenses	4,165,891	-
	4,165,891	673,000
Increase (decrease)	2,041,537	(12,451)
Cash – Beginning of year	8,662	21,113
Cash – End of year	2,050,199	8,662
Non monetary transactions		
Acquisition of mining properties included in due to shareholders with significant influence	1,146,789	-
Acquisition of mining properties paid through issuance of shares	10,256,850	-

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 through Karmin Holding Ltda., its wholly-owned subsidiary.

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 or the company). 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 and on the Bolsa de Valores de Lima under the symbol "KAR". The address of its registered office is 100 King Street West, Suite 5700, Toronto, Ontario, M5X 1C7.

On December 16, 2011, the company created its wholly-owned subsidiary Karmin Peru S.A.C. to engage in mineral exploration and development of base metals and gold opportunities in Peru. Thereafter, in April 2012, it acquired mining properties in Peru.

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 evaluation 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, 2012 and for the year then ended, the company reported a loss of $1,128,277 and an accumulated deficit of $18,699,538. The cash position as at April 30, 2012 of $2,050,199 is not sufficient to complete exploration and evaluation 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 capital markets 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 consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, and do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and the classifications of financial position items that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

(expressed in Canadian dollars)

2 Basis of presentation and adoption of IFRS

The company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in Part I of the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the company has commenced reporting on this basis in these consolidated financial statements. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These consolidated financial statements have been prepared in accordance with IFRS, including IFRS 1 "First-time Adoption of International Financial Reporting Standards". The company has consistently applied the same accounting policies in its opening IFRS statement of financial position at May 1, 2010 and throughout all periods presented, as if these policies had always been in effect. As disclosed in note 19, there is no impact of transition to IFRS on the company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the company's financial statements for the year ended April 30, 2011.

These consolidated financial statements have been authorized for issue by the board of directors on August 27, 2012.

3 Significant accounting policies

Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the accounts of Karmin, Karmin Peru S.A.C., a wholly-owned Peruvian company, Karmin Holdings Ltda., a wholly-owned Brazilian holding company, and its wholly-owned subsidiary, Mineracao Rio Aripuana Ltda. All significant intercompany accounts and transactions have been eliminated.

Segment reporting

The company primarily operates in one operating segment as all its property and equipment for their use in the exploration are located in Brazil and Peru, 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.

(expressed in Canadian dollars)

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the consolidated entities of Karmin are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Canadian dollars, which is the functional currency of Karmin and of its subsidiaries.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in profit or loss.

Income taxes

The company provides for income taxes using the liability method of tax allocation. Under this method, deferred 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 substantially enacted income tax rates expected to apply for the year in which the differences are expected to settle.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Cash

Cash consists of cash on hand and balances with banks.

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: at fair value through profit or loss, available-for-sale investments, loans and receivables or financial liabilities at amortized cost.

(expressed in Canadian dollars)

At fair value through profit or loss – Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Assets in this category principally include embedded derivatives and derivatives which do not qualify for hedge accounting.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in net earnings. Gains and losses arising from changes in fair value are presented in the statement of earnings in the period in which they arise.

The company's financial assets at fair value through profit or loss comprise an investment in a public company.

Available for sale – Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Financial assets classified as available for sale are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Unrealized gains and losses are recognized directly in other comprehensive income (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 income are reclassified to net earnings. Interest on available-for-sale investments, calculated using the effective interest method, is recognized in net earnings as part of interest income. Dividends on available-for-sale equity instruments are recognized in the statement of earnings as part of dividends when the company's right to receive the payment is established.

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. For available-for-sale securities, 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, material 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. Impairment losses on available-for-sale equity instruments are not reversed.

Loans and receivables – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables are recognized initially at the amount expected to be received less, when material, a discount to reclass the loans and receivables to fair value. Subsequently, they are measured at amortized cost using the effective interest method less a provision for impairment.

The company's loans and receivables include cash and accounts receivable.

Financial liabilities at amortized cost – Financial liabilities include accounts payable and accrued liabilities and due to shareholders with significant influence and are initially recognized at the amount required to be paid less, when material, a discount to reduce the payable to fair value. Subsequently, they are measured at amortized cost using the effective interest method, which corresponds to par value due to their short-term maturity.

(expressed in Canadian dollars)

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:

Office equipment	10 years
Building	25 years

Residual values, method of amortization and useful lives of the assets are reviewed at the period end and adjusted if appropriate.

Mining properties

Exploration and evaluation costs included in mining properties consist, among others, of acquisition of interest including the permits and claims in mining properties and areas of geological interest at cost less option payments received and other recoveries. Other exploration and evaluation costs related to these interests and projects are capitalized on the basis of specific claim blocks or areas of geological interest until the mining properties to which they relate are placed into development, sold or abandoned. These acquisition costs are classified as intangible assets. General exploration costs not related to a specific mining property are expensed as incurred.

Although management has taken actions to verify the ownership rights for mining properties in which the company owns an interest in accordance with industry standards for the current exploration phase of these properties, these procedures give no assurance to the company as to title. The title to property may be subject to unrecognized prior agreements and not compliant with regulatory equipments.

Mining properties are reviewed for impairment at each reporting date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the mining property exceeds its recoverable amount. The recoverable amount is the higher of the mining property's fair value less costs to sell and value in use. Value in use is determined using discounted estimated future cash flows. Impairment losses are recognized in profit or loss under caption Costs of mining properties abandoned or written off. For the purpose of assessing impairment, mining properties are grouped at the lowest level, for which there are separately identifiable cash flows (cash-generating units). Impairments are reviewed for potential reversals at each reporting date. Impairment can be reversed but is limited to the carrying amount that would have been determined as if no impairment to the carrying amount would have been recognized.

Provisions

Provisions for environmental restoration, restructuring costs and legal claims, where applicable, are recognized when: (i) the company has a present legal or constructive obligation as a result of past events; (ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

(expressed in Canadian dollars)

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The increase in the provision due to passage of time is recognized as interest expense. Changes in assumptions or estimates are reflected in the period in which they occur.

The provision for environmental restorations represents the legal and constructive obligations associated with the eventual closure of the company's property, plant and equipment. These obligations relate to costs associated with reclamation and monitoring of activities and to the removal of tangible assets. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted.

The company had no provisions as at April 30, 2012, April 30, 2011 and May 1, 2010.

Basic and diluted earnings per share

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

Diluted earnings per share are determined using the weighted average number of common shares outstanding during the period, plus the effects of dilutive potential common shares outstanding during the period. 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 period or the date of issuance, as the case may be, and that the funds obtained thereby be used to purchase common shares of the company at the average market value of the common shares during the period.

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

The company maintains a stock option plan, which is described in note 12. In accordance with IFRS, 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 over the vesting period. Any consideration received from plan participants upon the exercise of stock options is credited to share capital.

(expressed in Canadian dollars)

4 New accounting standards issued but not yet in effect

The IASB issued the following standards which are relevant but have not yet been adopted by the company: IFRS 9, Financial instruments, IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities and IFRS 13, Fair Value Measurement. Unless otherwise noted, each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the requirements.

The following is a brief summary of the new standards:

IFRS 9 – Financial instruments – classification and measurement

IFRS 9, Financial Instruments, was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement, for debt instruments with a new mixed measurement model with only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are recognized at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, being recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010. They largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit or loss would generally be recorded in other comprehensive income.

The application of IFRS 9 is required for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted.

IFRS 10 – Consolidated financial statements

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation – Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 – Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

(expressed in Canadian dollars)

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interest in other entities.

IFRS 13 – Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an assets, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

5 Significant accounting judgments and estimates

The preparation of the company's financial statements in conformity with IFRS requires management to make judgments as to whether amounts are recognized appropriately in the financial statements. Those judgments also affect the disclosure of contingencies at the date of the financial statements.

(a) Impairment of mining properties

Pursuant to the company's significant accounting policies, after the legal right to undertake exploration and evaluation activities on a project is acquired, the cost of acquiring mining rights, expenditures, directly related to the exploration and evaluation of mining properties are capitalized to exploration and evaluation assets. After capitalization, exploration and evaluation assets are reviewed for impairment annually and if there is any indication that the carrying amount may not be recoverable.

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases. Determining whether to test exploration and evaluation assets for impairment requires management’s judgment, among others, regarding the following:

(i) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

(ii) substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned;

(iii) exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or

(expressed in Canadian dollars)

(iv) sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Additional external factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trend and significant drop in ore prices.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs must be determined. Identifying the cash generating units requires considerable management judgment. In testing an individual asset or cash generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available.

No impairment charge or reversal of impairment losses has been recognized for the reporting periods.

6 Accounts receivable

	As at April 30, 2012 $	As at April 30, 2011 $	As at May 1, 2010 $
Commodity taxes receivable	28,583	3,076	21,057
Other receivable	5,324	966	-
	33,907	4,042	21,057

(expressed in Canadian dollars)

7 Financial instruments

Classification

The classification of financial instruments is summarized as follows:

	As at April 30, 2012			
	At fair value through profit or loss $	Loans and receivables $	Financial liabilities at amortized cost $	Total $
Financial assets				
Cash	-	2,050,199	-	2,050,199
Other receivable	-	5,324	-	5,324
Financial liabilities				
Accounts payable and accrued liabilities	-	-	407,209	407,209
Due to shareholders with significant influence	-	-	2,415,165	2,415,165

	As at April 30, 2011			
	At fair value through profit or loss $	Loans and receivables $	Financial liabilities at amortized cost $	Total $
Financial assets				
Cash	-	8,662	-	8,662
Accounts receivable	-	966	-	966
Investment in a public company	3,441	-	-	3,441
Financial liabilities				
Accounts payable and accrued liabilities	-	-	496,071	496,071
Due to shareholders with significant influence	-	-	1,157,144	1,157,144

(expressed in Canadian dollars)

	As at May 1, 2010			
	At fair value through profit or loss **$**	**Loans and receivables** **$**	**Financial liabilities at amortized cost** **$**	**Total** **$**
Financial assets				
Cash	-	21,113	-	21,113
Investment in a public company	3,441	-	-	3,441
Financial liabilities				
Accounts payable and accrued liabilities	-	-	971,486	971,486
Due to shareholders with significant influence	-	-	413,066	413,066

Fair value measurements

The company classifies its financial assets and liabilities measured at fair value into three levels according to the observability of the inputs used in their measurement.

Level 1: This level includes assets and liabilities measured at fair value based on adjusted quoted prices for identical assets and liabilities in active markets that the company can access on the measurement date.

Level 2: This level includes measurements based on directly or indirectly observable inputs other than quoted prices included in Level 1. Financial instruments in this category are measured using valuation models or other standard valuation techniques that rely on observable market inputs.

Level 3: The measurements used in this level rest on inputs that are unobservable, unavailable, or whose observable inputs do not justify the largest part of the fair value of instruments.

The investment in a public company is a Level 1 instrument. There is no other financial instruments measured at fair value.

Cash, other receivable, accounts payable and accrued liabilities and due to shareholders with significant influence are financial instruments whose carrying amount approximates their fair value due to their short-term maturity or their interest rate.

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.

(expressed in Canadian dollars)

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

Credit risk is managed on a consolidated basis and arises from deposits with bank. The company attempts to minimize its credit risk by entering into agreements only with high-credit quality financial institutions. The maximum exposure to credit risk for deposits approximates the amount recognized in the statement of financial position.

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, 2012, the company had cash of $2,050,199 ($8,662 in 2011) to settle current liabilities of $2,822,374 ($1,653,215 in 2011) (see note 1).

Market risk

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

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.

As at April 30, 2012, April 30, 2011 and May 1, 2010, the company's exposure to interest rate risk is summarized as follows:

Cash	Variable interest rate
Accounts receivable	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing
Due to shareholders with significant influence	As described in note 10

The sensitivity to a ± 1% change in interest rates as at April 30, 2012 would have no material effect on the statement of operations.

(expressed in Canadian dollars)

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. The following variations are reasonably possible over a 12-month period:

- Foreign exchange rate variation of -5% (depreciation of the US$) and +5% (appreciation of the US$) against the $C, from a period-end rate of US$1.00 = $C0.9884.

If these variations were to occur, the impact on the company's consolidated net loss for each category of financial instruments held at April 30, 2012 would be as follows:

	Carrying amount US$	+ 5% US$
Cash	2,028,785	101,439
Amounts receivable	14,397	720
Accounts payable and accrued liabilities	(12,093)	(605)
Total impact on net loss – decrease/(increase)	2,031,089	101,554

An assumed 5% weakening of the US dollar would have had an equal but opposite effect on the above currencies to the amounts shown above, assuming that all other variables remain constant.

Balances in Brazilian real and Peruvian sol are immaterial.

(expressed in Canadian dollars)

8 Property, plant and equipment

	Office equipment $	Building $	Land $	Total $
Net carrying amount as at May 1, 2010				
Cost	14,674	78,000	38,800	131,474
Accumulated depreciation	7,982	34,321	-	42,303
	6,692	43,679	38,800	89,171
Depreciation for the year	939	3,120	-	4,059
Balance as at April 30, 2011	5,753	40,559	38,800	85,112
Cost	14,674	78,000	38,800	131,474
Accumulated depreciation	8,921	37,441	-	46,362
	5,753	40,559	38,800	85,112
Net carrying amount as at May 1, 2011				
Cost	14,674	78,000	38,800	131,474
Accumulated depreciation	8,921	37,441	-	46,362
	5,753	40,559	38,800	85,112
Depreciation for the year	939	3,120	-	4,059
Balance as at April 30, 2012	4,814	37,439	38,800	81,053
Cost	14,674	78,000	38,800	131,474
Accumulated depreciation	9,860	40,561	-	50,421
	4,814	37,439	38,800	81,053

(expressed in Canadian dollars)

9 Mining properties

(a) Brazil

	As at April 30, 2012 $	As at April 30, 2011 $	As at May 1, 2010 $
Aripuana property – acquisition costs	949,603	884,301	884,301

In 1996, Karmin acquired a 2,000-hectare property located approximately 20 kilometres from the town of Aripuana in the State of Mato Grosso, Brazil.

Initially focusing on gold, the company discovered a large volcanogenic massive sulphide (VMS) showing, called the Valley Deposit.

In 1999, Karmin formed a joint venture with Anglo American PLC ("Anglo"), a UK-based company, and an unrelated third party (Ste-Genevieve Resources) 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 S.A., to earn into the 70% position of the Aripuana property held by Anglo. Votorantim earned its position by spending over US$1.6 million by December 2005 and Karmin's 28.5% interest remained unchanged.

In 2006 and 2007, Votorantim spent over US$3.5 million per year for drilling operations and the 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%.

On April 30, 2012, Karmin's projects relate to a 30% interest in the Aripuana Zinc Project and a 100% interest in the Aripuana Gold Project.

Until after a bankable feasibility study is completed, Votorantim is assuming all costs other than those directly attributable to Karmin.

(expressed in Canadian dollars)

(b) Peru

	As at April 30, 2012 $	As at April 30, 2011 $	As at May 1, 2010 $
Cushuro property			
Acquisition costs	12,756,635	-	-
Other exploration and evaluation costs	92,562	-	-
	12,849,197	-	-

On February 15, 2012 the company acquired 100% of the right, title and beneficial interest held by Alberto Aurelio Arias Davila (the "Vendor"), a Peruvian mining entrepreneur and an arm's length party, in two mining concessions (the "Purchased Mining Concessions") forming a portion of the Cushuro Gold Project Property located in the department of La Libertad in the Republic of Peru (the "Acquisition"). The Acquisition closed following receipt of final approval from the TSX Venture Exchange (the "Exchange") of the Cushuro Acquisition (as defined below), further to its original announcement dated November 22, 2011.

In addition to the Acquisition, Karmin also announced that it has entered into a separate lease agreement (the "Lease") on additional mining concession from the Vendor (the "Option Mining Concession", and together with the Purchased Mining Concessions, the "Cushuro Mining Concessions"), also forming a portion of the Cushuro Gold Property Project, providing Karmin with access to the Option Mining Concession during the Option Term (as defined below).

Pursuant to an option agreement (the "Option Agreement") with the Vendor, Karmin was granted an irrevocable and exclusive option (the "Option") to purchase from the Vendor 100% (and not less than 100%) of the right, title and beneficial interest in the Option Mining Concession (the "Option Acquisition", and together with the Acquisition, the "Cushuro Acquisition"), exercisable at its sole discretion, at any time on or after January 16, 2012 and for a period of one year following such date (the "Option Term"). Karmin has not decided yet if and when it elects to exercise the Option.

In connection with the closing of the Acquisition and the entering into of the Lease, Karmin issued an aggregate of 14,865,000 common shares of Karmin to the Vendor, representing approximately 27.55% of the total issued and outstanding common shares of Karmin at the time of issuance, which resulted in the Vendor obtaining significant influence over the company. In the event that the Option is exercised, an additional 135,000 common shares (the "Option Shares") of Karmin will be issued to the Vendor on closing of the Option Acquisition.

The Cushuro Mining Concessions are located in the Huamachuco Gold-Mining District in the sierras of north-western Peru. The concessions include a gold-mineralized zone (the "Zona Cushuro") that is similar to other operating mines in the district, including Lagunas Norte, La Virgen, La Arena, El Toro and Santa Rosa. The concessions cover a 25 square kilometre area, span an elevation range of 3,900 to 4,200 meters, and can be reached in four to five hours via well-maintained roads from the coastal city of Trujillo. The area is crossed by a power transmission line.

(expressed in Canadian dollars)

10 Related party balances and transactions

The related parties of the Company include shareholders with significant influence and key management personnel. The key management personnel includes the directors, the CEO and the CFO. The short-term employee benefits include salaries for the key management personnel and fees for directors. The share-based payments are grants of stock options of the Company.

The company entered into the following transactions with related parties:

	Years ended April 30,	
	2012 **$**	**2011** **$**
Shareholders with significant influence		
Capitalized interest on due to a shareholder [1]	104,143	71,078
Accreted interest on balance payable to a shareholder	7,089	-
Management fees [1]	40,000	40,000

Accounts payable and accrued liabilities included $251,298 payable to a shareholder with significant influence [1] ($380,098 as at April 30, 2011 and $338,798 as at May 1, 2010). The basis used to measure the related party transactions was the exchange amount based on the value negotiated between the parties.

Due to shareholders with significant influence included:

	As at April 30, 2012 $	**As at April 30, 2011 $**	**As at May 1, 2010 $**
Balance payable to a shareholder on the acquisition of mining properties, bearing no interest and repayable in April 2013, discounted at 9% (note 9b)	1,153,878	-	-
Due to a shareholder, bearing interest at 9% [1]	1,261,287	1,157,144	413,066
	2,415,165	1,157,144	413,066

[1] This shareholder with significant influence is controlled by some key management personnel.

(expressed in Canadian dollars)

The company entered into the following transactions with the key management personnel:

	Years ended April 30,	
	2012 **$**	**2011** **$**
Short-term employee benefits	126,000	126,000
Share-based payments	518,018	81,262
	644,018	207,262

11 Share capital

Authorized

The company's authorized share capital consists of an unlimited number of common shares, voting and participating, without par value

Issued and outstanding

	As at April 30, 2012		As at April 30, 2011	
	Number of shares	**Amount $**	**Number of shares**	**Amount $**
Balance – Beginning of year	38,453,591	16,159,295	38,453,591	16,159,295
Share issues	21,462,492	15,057,260	-	-
Share issue expenses	-	(634,519)	-	-
Balance – End of year	59,916,083	30,582,036	38,453,591	16,159,295

Detail of the issuance of shares:

(a) On September 22, 2011, the company completed a private placement with directors of 637,500 common shares at a price of $0.40 per share for gross proceeds of $255,000.

(b) On April 5, 2012, the company completed a private placement in South America of 5,959,992 common shares at a price of $0.763 per share for gross proceeds of $4,545,410. Issue expenses of $480,194 related to this placement were incurred.

(c) On February 15, 2012, the company issued 14,865,000 common shares at a price of $0.69 per share for the acquisition and lease of mining property in Peru as described in note 9. Issue expenses of $154,325 related to this placement were incurred.

(expressed in Canadian dollars)

12 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 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 table presents the stock option activity:

	Year ended April 30, 2012		Year ended April 30, 2011	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding – Beginning of year	2,850,000	0.35	2,850,000	0.35
Granted	2,735,000	0.41	-	-
Canceled [1]	(2,350,000)	0.35	-	-
Expired	(200,000)	0.56	-	-
Outstanding – End of year	3,035,000	0.39	2,850,000	0.35

1 These options were canceled due to the resignation of directors.

Granting of Options

On September 9, 2011, directors of the company were granted 2,535,000 stock options at an exercise price of $0.40 per share for a period of ten years. Half of the stock options vest immediately with the remainder vesting in equal parts on the first and second anniversary of the issuance of the stock options. These options were valued at $656,916 and will be amortized over their vesting period.

On February 15, 2012, a director of the company was granted 200,000 stock options at an exercise price of $0.59 per share for a period of five years. Half of the stock options vest immediately with the remainder vesting in equal parts on the first and second anniversary of the issuance of the stock options. These options were valued at $125,500 and will be amortized over their vesting period.

(expressed in Canadian dollars)

	Options outstanding and exercisable as at April 30, 2012					
	Number		Weighted average remaining contractual life (years)		Weighted average exercise price	
	Exercisable	Outstanding	Exercisable	Outstanding	Exercisable	Outstanding
Exercise price $						
0.20	300,000	300,000	2.61	2.61	0.20	0.20
0.40	1,317,500	2,535,000	4.36	4.36	0.40	0.40
0.59	100,000	200,000	4.79	4.79	0.59	0.59
	1,717,500	3,035,000	4.08	4.21	0.38	0.39

Accounting for the stock-based compensation

The fair value of options granted is estimated using the Black & Scholes option pricing model.

The fair value of stock options granted during the year ended April 30, 2012 was $782,416 with the following weighted average assumptions:

Share price	$0.382
Risk-free interest rate	1.41%
Expected volatility	102%
Dividend yield	0%
Weighted average expected life	5 years
Weighted average fair value of options granted	$0.286

The stock options granted will vest gradually over a period not exceeding two years. During the year ended April 30, 2012, 2,735,000 stock options were granted. An amount of $518,018 ($81,262 in 2011) is included in the statement of loss and comprehensive loss under "Stock-based compensation costs" and in Shareholders' Deficiency under "Stock options".

The Black & Scholes option valuation method 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.

(expressed in Canadian dollars)

13 Exploration and prospecting costs

	Years ended April 30,	
	2012 **$**	**2011** **$**
Professional fees	34,483	2,000
Travel costs	20,732	2,313
Other	1,826	-
	57,041	4,313

14 Finance charges

	Years ended April 30,	
	2012 **$**	**2011** **$**
Interest on due to shareholders with significant influence	111,232	71,078
Bank charges and interest	650	-
Change in fair value of an investment in a public company	3,441	-
Net foreign exchange losses (gains)	(1,998)	277
	113,325	71,355

15 Segment information

Operating segment

The company has one reportable operating segment, being the exploration of mining properties in Brazil and Peru, as described in note 3.

Geographical information

The property, plant and equipment and the Aripuana property are located in Brazil. The Cushuro property is located in Peru.

(expressed in Canadian dollars)

16 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 and evaluation 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.

Transactions on capital are described in notes 11 and 12.

The mining properties in which the company currently has an interest are in the exploration and evaluation stage. Since the company does not have sufficient cash on hand to fund its activities, it is dependent on external financing to continue its operations.

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

17 Income taxes

Reconciliation of the income tax expense

The reconciliation of the income tax expense, calculated using the statutory income tax rates of the federal government and province concerned (Canada), to the income tax expense per the financial statements is as follows:

	2012 $	2011 $
Loss before income taxes	(1,128,277)	(383,450)
Canadian federal and provincial income tax rates	27.58%	29.83%
Income tax recovery based on above rates	(311,179)	(114,383)
Non-deductible expenditures	140,481	24,240
Change in tax rates	(798,445)	16,679
Change in unrecognized deferred tax assets	860,402	100,162
Other impacts of foreign exchange	104,883	(24,754)
Other	3,858	(1,944)
Income tax expense	-	-

(expressed in Canadian dollars)

Deferred income tax assets are recognized to the extent that the realization tax benefit through future taxable profits is probable. Given the company's past losses, management does not believe that it is more probable than not that the Company can realize the deferred tax assets and therefore it has not recognized any amount in the statement of financial position. The entity did not recognize any deferred tax assets with respect to the following items:

	As at April 30, 2012 $	As at April 30, 2011 $	As at May 1, 2010 $
Non-capital losses	1,193,687	805,177	723,340
Share issue expenses	126,903	-	-
Mining properties	1,096,006	560,123	541,798
Other items	124,876	140,770	140,770
Deferred tax assets not recognized	2,541,472	1,506,070	1,405,908

As at April 30, 2012, the Company has accumulated, for tax purposes, non-capital losses totaling $3,197,973 ($2,424,097 in 2011) at the federal and Ontario level. These losses are detailed as follows:

Expiry date	**Federal/Ontario $**
2014	184,780
2015	311,821
2026	255,914
2027	617,921
2028	288,718
2029	270,438
2030	203,484
2031	291,021
2032	773,876

The company has available tax losses for Brazilian income tax purposes of $1,159,393 which may be carried forward to reduce taxable income and have no expiry dates.

18 Loss per share

For the years ended April 30, 2012 and 2011, there was no difference between the basic and diluted loss per share since the stock options were anti-dilutive. Accordingly, the diluted loss per share for these years was calculated using the basic weighted average number of shares outstanding.

(expressed in Canadian dollars)

Items excluded from the calculation:

	Years ended April 30,	
	2012	**2011**
Basic weighted average number of shares outstanding	42,324,960	38,453,591
Stock options	787,312	-
Diluted weighted average number of shares outstanding	43,112,272	38,453,591
Items excluded from the calculation of diluted loss per share because the exercise price was greater than the average quoted value of the common shares		
Stock options	200,000	2,850,000

19 Transition to IFRS

The company's transition date to IFRS is May 1, 2010, ("transition date"). The Company prepared its opening IFRS statement of financial position at that date.

As at May 1, 2010, April 30, 2011 and for the year ended April 30, 2011 there is no effect on equity or on the statement of loss and comprehensive loss and on cash flows arising from the transition to IFRS.

20 Proposed reverse takeover transaction with Ignite

In March 2010, the company announced that it entered into an agreement for the acquisition of all the outstanding ordinary shares of Ignite Energy Resources Pty Ltd (Ignite), an Australian company which holds certain exploration rights to a lignite (brown coal) deposit in Gippsland in Eastern Victoria, Australia as well as certain proprietary technology for a catalytic hydrothermal reactor (Cat-HTR) that transforms low grade lignite into high grade oils and higher grade coal products.

During the first quarter, the company reached an agreement with Ignite and received $100,000 from Ignite for professional fees incurred during fiscal year 2011 relating to this proposed reverse takeover transaction which was terminated.