Karmin Exploration Inc.

Consolidated Financial Statements
April 30, 2014 and 2013
(expressed in Canadian dollars)

August 22, 2014

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, 2014 and April 30, 2013 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, 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 audit 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.

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

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
Place de la Cité, Tour Cominar, 2640 Laurier Boulevard, Suite 1700, Québec, Quebec, Canada G1V 5C2
T: 1 418 522 7001, F: 1 418 522 5663

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, 2014 and April 30, 2013 and their financial performance and their cash flows for the years then ended 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, 2014 $	As at April 30, 2013 $
Assets		
Current assets		
Cash	109,632	566,184
Accounts receivable (note 6)	90,915	95,028
Prepaid expenses	3,240	3,240
	203,787	664,452
Non-current assets		
Property, plant and equipment (note 7)	72,935	76,994
Mining properties (note 8)	14,699,382	14,524,425
	14,976,104	15,265,871
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	663,496	359,495
Due to shareholders with significant influence (note 10)	2,703,547	2,624,803
	3,367,043	2,984,298
Shareholders' Equity (Deficiency)		
Share capital (notes 11 and 16)	30,612,843	30,612,843
Stock options (note 12)	951,355	781,319
Contributed surplus (note 12)	666,912	666,912
Deficit	(20,622,049)	(19,779,501)
	11,609,061	12,281,573
	14,976,104	15,265,871

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

(signed) David W. Brace, Ceo. Director (signed) Larry M. Ciccarelli, Chairman Director

Karmin Exploration Inc.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

For the years ended April 30, 2014 and 2013

(expressed in Canadian dollars)

	Share capital $	Stock options $	Contributed surplus $	Deficit $	Total $
Balance – May 1, 2013	30,612,843	781,319	666,912	(19,779,501)	12,281,573
Stock-based compensation costs (note 12)	-	170,036	-	-	170,036
Loss and comprehensive loss for the year	-	-	-	(842,548)	(842,548)
Balance – April 30, 2014	**30,612,843**	**951,355**	**666,912**	**(20,622,049)**	**11,609,061**
Balance – May 1, 2012	30,582,036	595,415	666,912	(18,699,538)	13,144,825
Share issues net of expenses (note 11)	30,807	-	-	-	30,807
Stock-based compensation costs (note 12)	-	185,904	-	-	185,904
Loss and comprehensive loss for the year	-	-	-	(1,079,963)	(1,079,963)
Balance – April 30, 2013	**30,612,843**	**781,319**	**666,912**	**(19,779,501)**	**12,281,573**

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, 2014 and 2013

(expressed in Canadian dollars)

	2014 $	2013 $
Expenses		
Exploration and prospecting costs (note 13)	26,077	52,605
Professional fees	88,070	196,782
Management fees (note 10)	40,000	40,000
Stock-based compensation costs (note 12)	170,036	185,904
Regulatory and transfer agent fees	10,751	12,689
Office expenses	447,704	424,091
Finance charges (notes 10 and 14)	55,940	165,820
Depreciation of property, plant and equipment (note 7)	4,059	4,059
	842,637	1,081,950
Interest income	(89)	(1,987)
Loss and comprehensive loss for the year	842,548	1,079,963
Basic and diluted loss per share (note 19)	(0.014)	(0.018)

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

Karmin Exploration Inc.

Consolidated Statements of Cash Flows

For the years ended April 30, 2014 and 2013

(expressed in Canadian dollars)

	2014 $	2013 $
Cash flows from operating activities		
Loss for the year	(842,548)	(1,079,963)
Adjustments		
Depreciation	4,059	4,059
Stock based compensation costs	170,036	185,904
Interest capitalized on due to shareholders with significant influence	78,744	209,638
	(589,709)	(680,362)
Net change in non-cash working capital items:		
Accounts receivable	4,113	(61,121)
Accounts payable and accrued liabilities	304,001	(48,477)
	308,114	(109,598)
	(281,595)	(789,960)
Cash flows from investing activities		
Acquisition of mining properties	(174,957)	(694,055)
Increase (decrease)	(456,552)	(1,484,015)
Cash – beginning of year	566,184	2,050,199
Cash – end of year	109,632	566,184
Non monetary transactions		
Acquisition of mining properties paid through issuance of shares	-	30,807

The accompaning 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, 2014 and for the year then ended, the company reported a loss of $842,548 and a deficit of $20,622,049. The cash position as at April 30, 2014 of $109,632 is not sufficient to complete exploration and evaluation of the mining properties. These conditions cast 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

The consolidated financial statements as at April 30, 2014 and April 30, 2013 and for the years ended April 30, 2014 and 2013 (the "Consolidated Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been authorized for issue by the board of directors on August 22, 2014.

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 Holdings Ltda., a wholly-owned Brazilian holding company, and its wholly-owned subsidiaries, Mineracao Rio Aripuana Ltda., and Karmin Peru SAC, a wholly-owned Peruvian holding company. Inter-company transactions, and balances on transactions between group companies are eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Segment reporting

The company primarily operates in two operating segments, 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.

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

(expressed in Canadian dollars)

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 consist of cash on hand and balances with banks.

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.

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.

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 de-recognition 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.

(expressed in Canadian dollars)

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 re-class 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 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.

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 property

The company records its acquisition of interest in mining properties and areas of geological interest at cost less option payments received and other recoveries. These acquisition costs are recognized as intangible assets. Exploration 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 production, sold or abandoned. These exploration costs are recognized as tangible assets. Management reviews for impairment the carrying amount of mining properties on a regular basis. These costs will be amortized over the estimated useful life of mining properties following commencement of production or written off it the mining property is sold or project is abandoned. General exploration costs not related to a specific mining property are expensed as incurred.

(expressed in Canadian dollars)

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 net of depreciation, 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.

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, 2014 and April 30, 2013.

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 period, plus the effects of dilutive potential participating 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 participating shares of the company at the average market value of the participating shares during the year.

(expressed in Canadian dollars)

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 plan

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. Any consideration received from plan participants upon the exercise of stock options is credited to share capital.

4 New accounting standards and interpretations adopted during the year

The company has adopted the following new and revised standards, along with any consequential amendments, effective May 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10, *Consolidated Financial Statements,* ("IFRS 10")
IFRS 10 replaces the guidance on control and consolidation in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation – Special Purpose Entities*. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The adoption of IFRS 10 did not affect the company's consolidated financial statements.

IFRS 11, *Joint Arrangements,* ("IFRS 11")
IFRS 11 supersedes IAS 31, *Interests in Joint Ventures,* and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28"). We conducted a review of our working interests and determined that the adoption of IFRS 11 did not result in any changes to the accounting treatment of these working interests.

IFRS 12, *Disclosure of Interests in Other Entities,* ("IFRS 12")
IFRS 12 establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosures that address the nature of, and risks associated with, an entity's interests in other entities. The standard includes disclosure requirements for entities covered under IFRS 10 and IFRS 11. The company has incorporated the required disclosures within the consolidated financial statements.

(expressed in Canadian dollars)

IFRS 13, *Fair Value Measurement*, ("IFRS 13")
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. The company adopted IFRS 13 on May 1, 2013 on a prospective basis. The impact of the adoption of this standard did not have a significant impact on the company's consolidated financial statements.

New accounting standards issued but not yet in effect

The IASB issued the following standard which is relevant but have not yet been adopted by the company: IFRS 9, Financial instruments and IFRIC 21- Levies. 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.

IFRIC 21, *Levies* ("IFRIC 21")
In May 2013, the IASB issued International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is to be applied retrospectively. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The company will adopt IFRIC 21 in its consolidated financial statements for the annual period beginning May 1, 2014. The extent of the impact of adoption of IFRIC 21 has not yet been determined.

(expressed in Canadian dollars)

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

(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.

(expressed in Canadian dollars)

6 Accounts receivable

	As at April 30, 2014 $	As at April 30, 2013 $
Commodity taxes receivable	11,276	21,234
Other receivable	9,755	14,758
Value added tax	69,884	59,036
	90,915	95,028

7 Property, plant and equipment

	Office equipment $	Building $	Land $	Total $
Net carrying amount as at May 1, 2012				
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
Depreciation for the period	939	3,120	-	4,059
Balance as at April 30, 2013	3,875	34,319	38,800	76,994
Cost	14,674	78,000	38,800	131,474
Accumulated depreciation	10,799	43,681	-	54,480
	3,875	34,319	38,800	76,994
Net carrying amount as at May 1, 2013				
Cost	14,674	78,000	38,800	131,474
Accumulated depreciation	10,799	43,681	-	54,480
	3,875	34,319	38,800	76,994
Depreciation for the period	939	3,120	-	4,059
Balance as at April 30, 2014	2,936	31,199	38,800	72,935
Cost	14,674	78,000	38,800	131,474
Accumulated depreciation	11,738	46,801	-	58,539
	2,936	31,199	38,800	72,935

(expressed in Canadian dollars)

8 Mining properties

(a) Brazil

	As at April 30, 2014 $	As at April 30, 2013 $
Aripuana property		
Acquisition costs	949,603	949,603
Other exploration and evaluation costs	139,321	139,321
	1,088,924	1,088,924

In 1996, Karmin acquired a 2,000-hectare property located approximately 20 kilometers 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, 2014 $	As at April 30, 2013 $
Cushuro property		
Acquisition costs	12,787,442	12,787,442
Other exploration and evaluation costs	823,016	648,059
	13,610,458	13,435,501

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 exercised the Option on January 15, 2013.

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. Upon exercising the Option, an additional 135,000 common shares (the "Option Shares") of Karmin was 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 kilometer 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)

9 Accounts payable and accrued liabilities

	As at April 30, 2014 $	As at April 30, 2013 $
Trade accounts payable	19,179	41,948
Accrued salaries	441,000	189,000
Accrued former director's fees	40,000	40,000
Payable to a shareholder[1]	133,500	43,500
Accrued – others	29,817	45,047
	663,496	359,495

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

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, 2014 $	2013 $
Shareholders with significant influence		
Capitalized interest on due to a shareholder[1]	41,244	113,516
Capitalized interest on balance payable to a shareholder	37,500	96,122
Management fees	40,000	40,000

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

The amount payable to a company controlled by a shareholder, which is included in accounts payable and accrued liabilities, totaled $133,500 ($43,500 as at April 30, 2013). The basis used to measure the related party transactions was the exchange amount based on the value negotiated between the parties.

(expressed in Canadian dollars)

Due to shareholders with significant influence included:

	As at April 30, 2014 $	As at April 30, 2013 $
Balance payable to a shareholder on the acquisition of mining properties, bearing interest at 3% and repayable on May 1, 2015	1,287,500	1,250,000
Due to a shareholder, bearing interest at 3% and repayable on May 1, 2015[1]	1,416,047	1,374,803
	2,703,547	2,624,803

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

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

	Years ended April 30, 2014 $	2013 $
Short-term employee benefits	252,000	252,000
Share-based payments	165,149	185,904
	417,149	437,904

11 Share capital

Authorized

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

Issued and outstanding

	As at April 30, 2014		As at April 30, 2013	
	Number of shares	Amount $	Number of Shares	Amount $
Balance – Beginning of year	60,051,083	30,612,843	59,916,083	30,582,036
Share issue	-	-	135,000	30,807
Balance – End of year	60,051,083	30,612,843	60,051,083	30,612,843

(expressed in Canadian dollars)

On January 15, 2013, the company exercised an option to acquire Gaby 3 Concession of the Cushuro mining property in Peru, in exchange for 135,000 common shares valued at C$0.2282 per share.

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 five 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, 2014		Year Ended April 30, 2013	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding – Beginning of year	3,035,000	0.39	3,035,000	0.39
Granted	765,000	0.20	-	-
Outstanding – End of year	3,800,000	0.35	3,035,000	0.39

Options outstanding and exercisable as at April 30, 2014

	Number		Weighted average remaining contractual life (years)		Weighted average exercise Price ($)	
Exercise price $	Exercisable	Outstanding	Exercisable	Outstanding	Exercisable	Outstanding
0.20	1,065,000	1,065,000	3.61	3.61	0.20	0.20
0.40	2,535,000	2,535,000	2.36	2.36	0.40	0.40
0.59	200,000	200,000	2.79	2.79	0.59	0.59
	3,800,000	3,800,000	2.73	2.73	0.35	0.35

(expressed in Canadian dollars)

Granting of options

On February 5, 2014, directors of the company were granted 765,000 stock options at an exercise price of $0.20 per share for a period of five years. The stock options vested immediately.

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

The fair value of stock options granted during the year ended April 30, 2014 was $129,043 with the following assumptions :

Share price	0.20$	
Risk free interest rate	1.41%	(a)
Expected volatility	1.25%	(b)
Dividend yield	0%	(c)
Expected life	5 years	(d)

a) Based on Canadian Government Bond interest rate with a term that is consistent with the expected life of the stock options.
b) Based on the historical volatility of the company’s stock price over the most recent period consistent with the expected life of the stock options.
c) The company has not paid dividends nor intends to pay dividends in the foreseeable future.
d) Based upon historical data related to the exercise of 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.

No options were granted in 2013.

13 Exploration and prospecting costs

	Years ended April 30, 2014 $	2013 $
Professional fees	20,925	19,527
Travel costs	5,152	33,079
	26,077	52,605

(expressed in Canadian dollars)

14 Finance charges

	Years ended April 30, 2014 $	2013 $
Interest on due to shareholders with significant influence	78,744	209,638
Bank charges and interest	264	695
Net foreign exchange losses (gains)	(23,068)	(44,513)
	55,940	165,820

15 Segment information

Operating segment

The company has two 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.

16 Capital management

The company considers the items included in shareholders' deficiency 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.

Transactions on capital are described in notes 11 and 12.

The mining property in which the company currently has an interest is in the exploration 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.

(expressed in Canadian dollars)

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 recovery per the financial statements is as follows:

	As at April 30, 2014 $	As at April 30, 2013 $
Loss before income taxes	(842,548)	(1,079,963)
Canadian federal and provincial income tax rates	26.50%	26.50%
Income tax recovery based on above rates	(223,275)	(286,190)
Non-deductible expenditures	41,621	73,692
Change in tax rates	(6,419)	(46,614)
Change in unrecognized deferred tax assets	149,107	242,672
Other impacts of foreign exchange	39,951	22,535
Other	(985)	(6,095)
Income tax expense	0	0

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, 2014 $	As at April 30, 2013 $
Non-capital losses	1,708,983	1,493,196
Share issue expenses	67,259	100,888
Mining properties	1,044,163	1,068,003
Other items	112,846	122,057
Deferred tax assets not recognized	2,933,251	2,784,144

(expressed in Canadian dollars)

As at April 30, 2014, the company has lost, for tax purposes, $184,780 of non-capital losses that were expiring at the end of the current year. The accumulated non-capital losses are totaling $4,662,991 ($4,119,434 in 2013) at the federal and Ontario level. These losses are detailed as follows:

Expire date	**Federal/Ontario**
	$
2015	311,821
2026	255,914
2027	617,921
2028	288,718
2029	270,438
2030	203,484
2031	291,021
2032	769,433
2033	925,904
2034	728,337

The company has available tax losses for Brazilian income tax purposes of $1,167,430 which may be carried forward to reduce income and have no expiry date.

The company has available tax losses for Peruvian income tax purposes of $91,326. Tax losses may be offset according to either of the following systems: a) against net income obtained with the next four fiscal years after the year in which the loss was generated. Any losses that are not offset within such period may not be carried forward to any later years; or b) against 50% of the net income obtained in the following fiscal years after the year in which the loss was generated. Under this system, there is no time limitation for carrying forward the losses.

(expressed in Canadian dollars)

18 Financial instruments

Classification

The classification of financial instruments is summarized as follows:

	As at April 30, 2014			
	At fair value through profit or loss $	Loans and receivables $	Financial liabilities at amortized cost $	Total $
Financial assets				
Cash	-	109,632	-	109,632
Other receivable	-	9,755	-	9,755
Financial liabilities				
Accounts payable and accrued liabilities	-	-	663,496	663,496
Due to shareholders with significant influence	-	-	2,703,547	2,703,547

	As at April 30, 2013			
	At fair value through profit or loss $	Loans and receivables $	Financial liabilities at amortized cost $	Total $
Financial assets				
Cash	-	566,184	-	566,184
Other receivable	-	14,758	-	14,758
Financial liabilities				
Accounts payable and accrued liabilities	-	-	359,495	359,495
Due to shareholders with significant influence	-	-	2,624,803	2,624,803

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.

(expressed in Canadian dollars)

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.

There is no 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.

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 statements 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, 2014, the company had cash of $109,632 ($566,184 in 2013) to settle current liabilities of $663,496 ($359,495 in 2013) (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.

(expressed in Canadian dollars)

As at April 30, 2014 and April 30, 2013 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, 2014 would have an effect of $27,035 ($26,248 as at April 30, 2013) 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. 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 = $C1.0960 (US$1.00 = C$1.0075 for the year ending April 30, 2013)

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, 2014 would be as follows:

	April 30, 2014		**April 30, 2013**	
	Carrying amount US$	**+5% US$**	**Carrying amount US$**	**+ 5% US$**
Cash	22,813	1,086	503,467	23,975

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.

19 Loss per share

For the years ended April 30, 2014 and 2013, 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)

Stock options excluded from the calculation:

	Years ended April 30,	
	2014	**2013**
Basic weighted average number of shares outstanding	60,051,083	59,953,913
Stock options	90,287	296,650
Diluted weighted average number of shares outstanding	60,141,370	60,250,563
Stock options excluded from the calculation of diluted loss per share because the exercise price was greater than the average quoted value of the common shares	2,735,000	200,000