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MANAGEMENT'S DISCUSSION and ANALYSIS

For the year ended April 30, 2007 (compared April 30, 2006)

This Management's Discussion and Analysis ("MD&A") provides an analysis of the financial results of the Company for 2007 as compared to the prior year and has been prepared as of August 27, 2007. This MD&A should be read in conjunction with the annual audited consolidated financial statements and notes thereto for the fiscal year ended April 30, 2007 as well as the annual audited consolidated financial statements and notes thereto for the fiscal year ended April 30, 2006 ("Annual Statements"), which are available at the SEDAR website, www.sedar.com.

These audited annual financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The same and consistent accounting policies and methods are used in the preparation of the audited financial statements as at April 30, 2007 and for the fiscal year ended April 30, 2006.

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

Description of Business

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

Effective June 14, 1999 the Company was continued under the Business Corporations Act of Alberta. Effective September15, 1999, the Company changed its name from Ambrex Mining Corporation (Ambrex) to Karmin Exploration Inc. (Karmin) and consolidated its common shares on the basis of one new share for every three common shares previously issued and outstanding. Karmin's common shares trade publicly on the TSX Venture exchange under the symbol "KAR" (formerly YKA).

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

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

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

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

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

Selected Financial Information, For Years Ending April 30 (Cdn$)

	2007	2006	2005
Revenues – interest only	$ 3,375	$ 510	$ 395
Loss for the year	$ 619,626	$ 255,937	$ 332,168
Loss per share for the year	$ 0.018	$ 0.008	$ 0.010
Total Assets	$ 1,151,637	$ 980,286	$ 1,027,547
Working Capital (Deficiency)	$ (110,351)	$ (1,356,467)	$ (1,115,184)
Shares Outstanding	38,453,591	33,190,434	33,190,434
Long Term Debt	nil	nil	nil
Dividends	nil	nil	nil

Results of Operations

Revenues and Expenses

Revenues earned by the Company have been insignificant to date as the Company is still in the exploration stage and does not have any producing properties. Revenues were derived from interest income on cash balances and for the year ended April 30, 2007 amounted to $3,375 and increased as compared to $510 in the prior year.

Expenses for the year ending April 30, 2007 totaling $623,001 were increased compared with total expenses of $256,447 for fiscal 2006. This is due mainly to the fair value of stock options granted during the year in the amount of $386,966, compared with $14,485 in 2006. The increase is offset by the decrease in finance charges totaling $52,541 for the 2007 fiscal year, compared with $91,097 for fiscal 2006. This decrease in finance charges is due to the settlement of a long term debt as a result of a debt conversion in fiscal 2007.

The net result is that the Company recorded a consolidated loss for the year ending April 30, 2007 of $619,626 ($0.018 per share) as compared with a loss of $255,937 (or $0.008 per share) for the previous year 2006. The result in both years reflects the fact that the Company is incurring expenditures but not earning any revenues from operations, other than minimal interest income. This is a common result for mineral exploration companies in general and it is expected that this trend to continue until the Company is able to generate meaningful operating revenues.

Summary of Quarterly Results

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

	Three Months Ended			
	Apr 30/07	Jan 31/07	Oct 31/06	Jul 31/06
Earnings Information				
Revenues	$ 1,642	$ 1,487	$ 101	$ 146
Expenses	$ 440,565	$ 53,721	$ 77,183	$ 51,533
Net loss for the period	$ 438,923	$ 52,234	$ 77,082	$ 51,387
Loss per share – basic	$ 0.013	$ 0.001	$ 0.002	$ 0.002
Loss per share – diluted	$ 0.013	$ 0.001	$ 0.002	$ 0.002
Balance Sheet Information				
Total assets	$ 1,151,637	$ 1,190,260	$ 1,240,004	$ 981,006

	Three Months Ended			
	Apr 30/06	Jan 31/06	Oct 31/05	Jul 31/05
Earnings Information				
Revenues	$ 130	$ 109	$ 113	$ 158
Expenses	$ 93,714	$ 60,866	$ 57,077	$ 44,790
Net loss for the period	$ 93,584	$ 60,757	$ 56,964	$ 44,632
Loss per share – basic	$ 0.003	$ 0.002	$ 0.002	$ 0.001
Loss per share – diluted	$ 0.003	$ 0.002	$ 0.002	$ 0.001
Balance Sheet Information				
Total assets	$ 980,286	$ 1,001,753	$982,112	$ 999,371

	Three Months Ended			
	Apr 30/05	Jan 31/05	Oct 31/04	July 31/04
Earnings Information				
Revenues	$ 97	$ 65	$ 116	$ 117
Expenses	$ 179,819	$ 43,540	$ 62,699	$ 46,505
Net loss for the period	$ 179,722	$ 43,474	$ 62,584	$ 46,388
Loss per share – basic	$ 0.005	$ 0.001	$ 0.002	$ 0.001
Loss per share – diluted	$ 0.005	$ 0.001	$ 0.002	$ 0.001
Balance Sheet Information				
Total assets	$ 1,027,547	$ 998,519	$ 992,916	$ 1,036,228

Fluctuations in quarterly results for revenues are primarily affected by factors such as interest earned per quarter based on the cash and equivalent balances held by the company during the quarter and interest rates paid by the bank to the company on these cash and equivalent balances.
Interest rates paid by banks have risen just slightly in the 2007 year over the 2006 year.

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

Related party transactions

The Company entered into the following related party transactions:

Interest on advance of $52,541 (2006 - $91,097) were incurred and payable to a shareholder during the 2007 year.

Management fees of $40,000 (2006 - $40,000) and office rent of $8,300 (2006 $10,000) were incurred and payable to a company controlled by a shareholder during the 2007 fiscal year.

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

Resource Expenditures

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

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

Under terms of the joint venture, Karmin's 30% interest in the Aripuana properties is carried by and paid for by a the joint venture partners Anglo American and Votorantim. Accordingly, Karmin incurred $nil expenditures on the addition of mining properties during the fiscal year ended April 30, 2006 and $nil for the prior year.

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

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

Exploration

The company has single property in Brazil at Aripuana in the state of Mato Grosso. Karmin holds a 30% free carry until the completion of a bankable feasibility study for the unweathered, sulphide portion of the deposit, and holds 100% of the overlying oxide portion.

Karmin's 100% owned oxide resources at Aripuana

The oxide portion did not receive any exploration expenditures in 2006. In 2004, a report written by the then operator, Anglo American, outlined a non-compliant mineral resource of gold mineralization. Karmin is planning to carry out further work on the oxide portion of the deposit. It is located between 0 and 50 metres from surface, so is easily accessible. Past exploration suggests that gold and possibly silver have been concentrated in this weathered layer, while base metals have been depleted. This would lead to potentially a different extraction method if a processing facility were to be located at Aripuana. Karmin is planning to more clearly define any gold/silver bearing oxide resource if Votorantim, the sulphide operator, embarks on an advanced study towards eventual sulphide production. This would allow any development of oxide ores to take advantage of an infrastructure developed for the sulphide processing facilities.

Karmin's 30% owned sulphide resources at Aripuana

Votorantim is the operator for the sulphides where larger resources have been discovered below the oxidized layer. The main deposits are Ambrex and Arex where in 2004 Anglo American (the then operators), issued a non compliant resource for each ore body. In fiscal 2007, Votorantim drilled 25 holes totaling 12,073.80 metres of which 09 holes (3,206.90

metres) were at Ambrex and 16 holes (8,866.90 metres) were in other targets. In addition Votorantim reported that they had carried out 380,615 metres of mapping and sampling and 15 loops of EM ground geophysics.

While “infill” drilling at Ambrex and Arex returned the economic intersections expected in defined mineralized bodies drilling elsewhere at Cafundó, Arpa, Vale dos Sonhos and Massaranduba did not intersect significant new mineralization.

The drilling at Ambrex and Arex was designed to be part of a scoping study, which would give clarity about the viability of developing a mine at Aripuana. In December 2006, the engineering consulting firm AMEC of Santiago, Chile was commissioned to carry out a scoping study to investigate the economic potential of the Aripuana project. The report was not delivered to Karmin by July 2007, but is expected in the near future. The study will be used as the basis for a decision by Votorantim to advance the project to pre-feasibility study and feasibility study if warranted. Key drivers to the economic potential include preliminary metallurgical testing, logistical studies and open pit/ underground mining scenarios. Logistically, Electro-Norte, a Brazilian para-statal company have announced that in July 2007 they will commence construction of a 261 megawatt (MW) Hydro-electric power station at the Dardanelos Falls, located merely 12 kilometres from the potential mine site. In addition the existing gravel road to the state capital Cuiaba has been replaced by an asphalt road to within 100 kilometres of Aripuana, and the full connection is planned to be completed in the near future. Both the road and Hydro electric plant are considered positive attributes to the potential for mine development.

Liquidity and Capital Resources

Working Capital

Karmin had a net working capital deficiency of $110,351 at April 30, 2007 (compared to a net working capital deficiency of $1,356,467 at the year ended April 30, 2006) consisting primarily of cash and receivables less accounts payable and accrued liabilities and less due to a shareholder. The changes in working capital are directly attributable to the advances from a related party shareholder to cover operating loss and company expenditures as noted in the preceding sections.

The Company finances its operations and investments primarily through the issuance of share capital and advances from shareholders. There can be no assurance that additional funds will be available at any given time in the future.

The Company had no long-term liabilities at April 30, 2007, compared to a $1,141,097 balance as at the year ended April 30, 2006, consisting entirely of related party shareholder advances. The company issued common shares to settle the outstanding debt.

Operating Activities

Cash flows used in operating activities during the year ending April 30, 2007 were $131,942 compared to cash flows used of $89,435 for corresponding in fiscal 2006.

For the fiscal year 2007, cash flows used by operating activities were primarily due to the use of cash from the loss recorded for the period of $619,626 and by items not affecting cash of $176,060, offset by non-cash working capital items of $44,118.

For the corresponding year 2006, cash flows used by operating activities were primarily due to the use of cash from the loss recorded for the period of $255,937 offset by items not affecting cash of $150,186 and non-cash working capital items of $60,750.

Financing Activities

Cash flows provided from financing activities during the year ending April 30, 2007 were $306,362, resulting from the issuance of share capital from a long-term debt conversion. In the prior year 2006, cash flows provided from financing activities were $50,000 (which was solely borrowings from shareholders advances).

Investing Activities

Cash flows used in investing activities were $25,283 for the year ended April 30, 2007. This is a result of additions to property, plant and equipment, as well as an acquisition of property. For the year ended April 30, 2006, cash flows used in investing activities of $2,500, due to a reclassification of an investment in a public company.

Capitalization

The Company had 38,453,591 common shares outstanding at the year ended April 30, 2007, as compared to the amount outstanding at the year end of April 30, 2006 of 33,190,434 common shares. The increase of 5,263,157 shares is the result of common share issuance to settle outstanding debt that was due to a shareholder.

As at April 30, 2007 the Company's fully diluted share capital were 41,453,591 (which compares to a fully diluted amount outstanding at April 30, 2006 of 35,090,434 common shares). The potential dilution comes from the 3,000,000 stock options (1,900,000 stock options at April 30, 2006) issued to officers and directors at exercise prices of $0.21 to $0.56 per share ($0.21 per share at April 30, 2006).

Changes in Accounting Policies

The changes (CICA, Chapters 1100, 1400 and 3063) in accounting policies since the Company's most recent audited year ended April 30, 2006 have no impact on the consolidated financial statements and the impact of the future accounting policies to be adopted (CICA, Chapters 3855, 3865, 1530 and 3251) have not yet been determined. Such changes consist in adopting new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

Critical Accounting Estimates

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

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

There is $386,966 expensed for stock-based compensation during the year ending April 30, 2007 (as compared to $14,485 in the 2006 fiscal year).
While the estimate of stock-based compensation can have a material impact on the operating results reported by the Company, they are a non-cash charge and as such have no impact on the Company’s financial condition.

Financial Instruments

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

Risk and Uncertainties

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

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

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

Contingency

The company has no contingent liabilities outstanding as at April 30, 2007.

Management’s Responsibility for Financial Statements

The information in this annual financial report is the responsibility of management. The consolidated financial statements have been prepared by management in accordance with

Canadian general accepted accounting principles (GAAP) and in accordance with the accounting policies set out in notes to the consolidated financial statements.

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

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

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

The company's external auditors, PricewaterhouseCoopers LLP, have audited the financial statements for the year ended April 30, 2007 and 2006 and have expressed an opinion thereon.

Forward-Looking Statements

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

Additional Information

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

August 27, 2007

(Signed) William J. Fisher
William J. Fisher
Chief Executive Officer

(Signed) John A. Iannozzi
John A. Iannozzi, CA
Chief Financial Officer