Karmin Exploration Inc.

Consolidated Financial Statements
April 30, 2017 and 2016
(expressed in Canadian dollars)

August 25, 2017

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, 2017 and April 30, 2016 and the consolidated statements of changes in shareholders' equity, comprehensive loss 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.

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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, 2017 and April 30, 2016 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 to the consolidated financial statements which describes matters that indicate the existence of 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
As At April 30, 2017 and 2016
(expressed in Canadian dollars)

	2017 $	2016 $
Assets		
Current assets		
Cash	119,621	7,917
Accounts receivable (note 6)	59,559	48,361
Prepaid expenses	2,850	2,850
	182,030	59,128
Non-current assets		
Property, plant and equipment (note 7)	60,758	64,817
Mining properties (note 8)	15,026,307	14,850,098
	15,269,095	14,974,043
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	1,127,723	1,008,589
Due to shareholders with significant influence (note 10)	260,692	3,488,913
	1,388,415	4,497,502
Shareholders' Equity		
Share capital (notes 11 and 17)	33,868,686	30,787,743
Warrants (note 12)	904,400	-
Stock options (note 13)	916,481	911,455
Contributed surplus	1,449,231	666,912
Deficit	(23,258,118)	(21,889,569)
	13,880,680	10,476,541
	15,269,095	14,974,043

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

David Brace (signed) Director Richard Faucher (signed) Director

Karmin Exploration Inc.

Consolidated Statements of Changes in Shareholders' Equity
For the years ended April 30, 2017 and 2016
(expressed in Canadian dollars)

	Share capital $	Warrants $	Stock options $	Contributed surplus $	Deficit $	Total $
Balance – May 1, 2016	30,787,743	-	911,455	666,912	(21,889,569)	10,476,541
Share and warrant issue net of expenses (note 11 and 12)	3,076,020	904,400	-	-	-	3,980,420
Stock-based compensation costs (note 13)	-	-	789,600	-	-	789,600
Stock options expired (note 13)	-	-	(782,319)	782,319	-	-
Stock options exercised (note 13)	4,923	-	(2,255)	-	-	2,668
Loss and comprehensive loss for the year	-	-	-	-	(1,368,549)	(1,368,549)
Balance – April 30, 2017	**33,868,686**	**904,400**	**916,481**	**1,449,231**	**(23,258,118)**	**13,880,680**
Balance – May 1, 2015	30,712,743	-	911,455	666,912	(21,221,018)	11,070,092
Share issue	75,000	-	-	-	-	75,000
Stock-based compensation costs	-	-	-	-	-	-
Loss and comprehensive loss for the year	-	-	-	-	(668,551)	(668,551)
Balance – April 30, 2016	**30,787,743**	-	**911,455**	**666,912**	**(21,889,569)**	**10,476,541**

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, 2017 and 2016
(expressed in Canadian dollars)

	2017	2016
	$	**$**
Expenses		
Exploration and prospecting costs (note 14)	56,613	70,693
Professional fees	62,331	62,826
Management fees (note 10)	40,000	36,750
Stock-based compensation costs (note 13)	789,600	-
Regulatory and transfer agent fees	5,148	4,766
Office expenses	346,918	402,701
Finance charges (notes 10 and 15)	63,880	86,756
Depreciation of property, plant and equipment (note 7)	4,059	4,059
Loss and comprehensive loss for the year	1,368,549	668,551
Basic and diluted loss per share (note 20)	(0.0214)	(0.0111)

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, 2017 and 2016
(expressed in Canadian dollars)

	2017 $	2016 $
Cash flows from operating activities		
Loss for the year	(1,368,549)	(668,551)
Adjustments		
Depreciation of property, plant and equipment	4,059	4,059
Stock-based compensation costs	789,600	-
Interest capitalized on due to shareholders with significant influence	64,378	92,406
	(510,512)	(572,086)
Net changes in non-cash working capital items:		
Accounts receivable	(11,198)	36,068
Accounts payable and accrued liabilities	297,605	366,138
Prepaid expenses	-	390
	(224,105)	(169,490)
Cash flows from investing activities		
Acquisition of mining properties	(176,209)	(127,474)
Cash flows from financing activities		
Change in due to shareholders with significant influence	(3,257,070)	265,820
Issuance of shares and warrants net of issue costs	3,769,088	-
	512,018	265,820
Change in cash	111,704	(31,144)
Cash – Beginning of year	7,917	39,061
Cash – End of year	119,621	7,917
Non-monetary transactions		
Accounts payable and accrued liabilities capitalized on due to shareholders with significant influence	-	245,716
Shares issued in lieu of directors' fees payable	214,000	75,000
Due to shareholders with significant influence transferred to accounts payable and accrued liabilities	35,529	-

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

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 133 Kendall Street, Point Edward, Ontario, N7V 4G6.

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, 2017 and for the year then ended, the company reported a loss of $1,368,549 and a deficit of $23,258,118. The cash position as at April 30, 2017 of $119,621 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 consolidated 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.

2 Basis of presentation

The consolidated financial statements as at April 30, 2017 and April 30, 2016 and for the years then ended (the "Consolidated Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Certain comparative figures have been reclassified to conform with the presentation of the financial statements for the current year. These reclassifications had no impact on the company's comprehensive loss or total equity.

These consolidated financial statements have been authorized for issue by the Board of Directors on August 28, 2017.

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 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 substantively 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.

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 consolidated statement of comprehensive loss 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 consolidated statement of comprehensive loss 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 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 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.

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 year-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 if the mining property is sold or project is abandoned. 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 the 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, 2017 and April 30, 2016.

Basic and diluted earnings per share

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

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

Share capital

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

Stock-based compensation plan

The company maintains a stock option plan, which is described in note 13. 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 consolidated financial statements. Any consideration received from plan participants upon the exercise of stock options is credited to share capital.

Warrants

Warrants are classified as equity. Incremental costs directly attributable to the issuance of warrants are recognized as a deduction from the proceeds in equity in the period where the transaction occurs. Warrants are described in note 12.

4 New accounting standards

(a) New accounting standards and interpretations adopted during the year

The company has not yet adopted certain standards and amendments which have been issued but have an effective date of later than April 30, 2017.

(b) 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: IAS 7, *"Statement of Cash Flows"*, IFRS 9, "*Financial Instruments*", IFRS 15, "*Revenue from Contracts with Customers*", IFRS 16, *"Leases"* and IFRIC 22, *"Foreign Currency Transactions and Advance Consideration"*. The company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the requirements.

The following is a brief summary of the new standards:

IAS 7, *Statement of Cash Flows*
In January 2016, the IASB issued amendments to IAS 7. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financial activities. They are effective for annual periods beginning on or after January 1, 2017, with early application being permitted. As a result of these amendments, the company will be required to provide additional disclosure related to financial activities, including a reconciliation between the beginning and closing balances of financial liabilities arising from financial activities. The company has not yet assessed the impact that the new standard will have on its consolidated financial statements or whether or not to early adopt the new standard.

IFRS 9, *Financial Instruments*
In July 2014, the IASB issued the final version of IFRS 9, *"Financial Instruments"*, which will replace IAS 39, *"Financial Instruments: Recognition and Measurement"*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Requirements relating to hedge accounting representing a new hedge accounting model have also been added to IFRS 9. The new standard is effective for annual periods beginning on or after January 1, 2018, and must be applied retrospectively. The company has not yet assessed the impact that the new standard will have on its consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers*
In May 2014, the IASB issued IFRS 15, "*Revenue from Contracts with Customers*". The objective of this new standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability. This new standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This new standard is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The company has not yet assessed the impact that the new standard will have on its consolidated financial statements or whether or not to early adopt the new standard.

IFRS 16, *Leases*
In January 2016, the IASB issued IFRS 16, *"Leases"*. Whereas, under the previous guidance in IAS 17, *Leases*, a lessee had to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet), the new model requires the lessee to recognize almost all lease contracts on the balance sheet; the only optional exemptions are for certain short-term leases and leases of low-value assets. This new standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted. The company has not yet assessed the impact that the new standard will have on its consolidated financial statements or whether or not to early adopt the new standard.

IFRIC 22, *Foreign Currency Transactions and Advance Consideration*
In December 2016, the IASB issued IFRIC 22, which addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency; the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepayment asset or deferred income liability is non-monetary. The Interpretations Committee came to the conclusion that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. IFRIC 22 is effective for annual reporting periods beginning on or after January 1, 2018, and earlier application is permitted. The company has not yet assessed the impact that the new standard will have on its consolidated financial statements or whether or not to early adopt the new standard.

5 Significant accounting judgments and estimates

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

	2017 $	2016 $
Commodity taxes receivable	13,035	3,961
Other receivable	7,608	7,539
Value added tax	38,916	36,861
	59,559	48,361

7 Property, plant and equipment

	Office equipment $	Building $	Land $	Total $
Net carrying amount as at May 1, 2015				
Cost	14,674	78,000	38,800	131,474
Accumulated depreciation	12,677	49,921	-	62,598
	1,997	28,079	38,800	68,876
Depreciation for the year	939	3,120	-	4,059
Balance as at April 30, 2016	1,058	24,959	38,800	64,817
Cost	14,674	78,000	38,800	131,474
Accumulated depreciation	13,616	53,041	-	66,657
	1,058	24,959	38,800	64,817
Net carrying amount as at May 1, 2016				
Cost	14,674	78,000	38,800	131,474
Accumulated depreciation	13,616	53,041	-	66,657
	1,058	24,959	38,800	64,817
Depreciation for the year	939	3,120	-	4,059
Balance as at April 30, 2017	119	21,839	38,800	60,758
Cost	14,674	78,000	38,800	131,474
Accumulated depreciation	14,555	56,161	-	70,716
	119	21,839	38,800	60,758

(expressed in Canadian dollars)

8 Mining properties

	2017 $	2016 $
Balance – Beginning of year	14,850,098	14,722,624
Additions	176,209	127,474
Balance – End of year	15,026,307	14,850,098

(a) Brazil

	2017 $	2016 $
Aripuana property		
Acquisition costs	1,080,106	992,066
Other exploration and evaluation costs	139,321	139,321
	1,219,427	1,131,387

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

	2017 $	2016 $
Cushuro property		
Acquisition costs	12,787,442	12,787,442
Other exploration and evaluation costs	1,019,438	931,269
	13,806,880	13,718,711

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

	2017 $	2016 $
Trade accounts payable	9,663	52,918
Accrued management and audit fees	91,130	45,671
Accrued salaries	948,000	870,000
Accrued former director's fees	-	40,000
Payable to a shareholder[1]	78,930	-
	1,127,723	1,008,589

[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 company entered into the following transactions with related parties:

	2017 $	2016 $
Shareholders with significant influence		
Capitalized interest on due to a shareholder[1]	43,193	51,466
Capitalized interest on due to a shareholder	21,185	40,940
Management fees	40,000	36,750

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

Due to shareholders with significant influence included:

	2017 $	2016 $
Due to a shareholder on the acquisition of mining properties, bearing interest at 3%	-	1,407,885
Due to a shareholder, bearing interest at 7% (2016 – 3%) [1]	260,692	2,081,028
	260,692	3,488,913

[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 key management personnel:

	2017 $	2016 $
Short-term employee benefits	252,000	252,000

11 Share capital

Authorized

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

Issued and outstanding

	2017		2016	
	Number of shares	Amount $	Number of shares	Amount $
Balance – Beginning of year	60,651,083	30,787,743	60,351,083	30,712,743
Share issue	15,942,857	3,076,020	300,000	75,000
Share issue costs	-	(33,580)	-	-
Stock options exercised	13,343	4,923		
Balance – End of year	76,607,283	33,868,686	60,651,083	30,787,743

On December 7, 2015, 300,000 common shares valued at $0.25 per share were issued to directors of the company.

In December 2016, 442,857 common shares valued at $0.28 per share were issued to directors of the company.

In January 2017, 300,000 common shares valued at $0.30 per share were issued to directors of the company.

On February 13, 2017, the Company announced a non-brokered private placement financing of 15,200,000 units of Karmin for aggregate gross proceeds of $3,800,000. Each unit was sold at a price of $0.25 and consists of one Karmin common share and one-half of one common share purchase warrant.

In March 2017, a director of the company exercised options for 13,343 common shares valued at $0.20 per share.

(expressed in Canadian dollars)

12 Warrants

Outstanding warrants granted entitle their holders to subscribe to an equivalent number of common shares, as follows:

	2017		2016	
	Number	**Weighted average exercise price $**	**Number**	**Weighted average exercise price $**
Outstanding – Beginning of year	-	-	-	-
Granted	7,600,000	0.35	-	-
Outstanding – End of year	7,600,000	0.35	-	-

	2017		2016	
Expiration date	**Number**	**Exercise price $**	**Number**	**Exercise price $**
February 13, 2020	7,600,000	0.35	-	-
	7,600,000	0.35	-	-

On February 13, 2017, the company issued 7,600,000 warrants, as part of the non-brokered private placement financing of 15,200,000 units of Karmin for aggregate gross proceeds of $3,800,000. Each warrant is exercisable to acquire one common share at a price of $0.35 per common share for a period of three years from closing.

The company determined the fair value of the warrants allocated pro rata to the fair value of the shares at the previous day's price, the fair value of the warrants using the Black-Scholes valuation method and the cash consideration obtained on the issue. The assumptions used to value the warrants are as follows:

Share price	$0.35
Exercise price	$0.35
Risk-free interest rate	0.93%
Expected volatility	101.6%
Dividend yield	-
Expected life	3 years

(expressed in Canadian dollars)

13 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 6,005,108 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:

	2017		2016	
	Number	**Weighted average exercise price $**	**Number**	**Weighted average exercise price $**
Outstanding – Beginning of year	3,500,000	0.37	3,500,000	0.37
Granted	4,200,000	0.25	-	-
Exercised	(13,343)	0.20	-	-
Expired	(2,735,000)	0.41	-	-
Outstanding – End of year	4,951,657	0.24	3,500,000	0.37

	2017	
Exercise Price $	**Number**	**Weighted average remaining contractual life (years)**
0.20	751,657	1.79
0.25	4,200,000	4.70
	4,951,657	4.26

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

(expressed in Canadian dollars)

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.

On September 9, 2016 and February 15, 2017, 2,535,000 and 200,000 options expired respectively. On March 22, 2017, a director exercised options at $0.20/share for 13,343 common shares. On January 10, 2017, 4,200,000 incentive stock options were granted to directors and consultants of the company at an exercise price of $0.25, expiring in 5 years, which were fully vested at granting.

The fair value of stock options granted during the year ended April 30, 2017 was $789,600 with the following assumptions:

Share price	$0.25
Risk-free interest rate	1.09%
Expected volatility	102%
Dividend yield	-
Weighted average expected life	5 years
Weighted average fair value of options granted	$0.188

14 Exploration and prospecting costs

	2017 $	2016 $
Professional fees	50,328	63,831
Travel costs	6,285	6,862
	56,613	70,693

15 Finance charges

	2017 $	2016 $
Interest on due to shareholders with significant influence	64,378	92,406
Bank charges and interest	435	359
Interest income from bank	(81)	(1)
Net foreign exchange gains	(852)	(6,008)
	63,880	86,756

16 Segment information

Operating segment

The company has two reportable operating segments, being the exploration of mining properties in Brazil and Peru, as described in note 8.

Geographical information

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

17 Capital management

The company considers the items included in shareholders' equity as capital components for an amount of $13,880,680 ($10,476,541 in 2016).

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, 12 and 13.

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)

18 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 consolidated financial statements is as follows:

	2017 $	2016 $
Loss before income taxes	(1,368,549)	(668,551)
Canadian federal and provincial income taxes	26.50%	26.50%
Income tax recovery based on above rates	(362,665)	(177,166)
Non-deductible expenditures	209,350	-
Change in tax rates	(7,130)	(773)
Change in unrecognized deferred tax assets	718,069	(39,156)
Expired tax losses	-	82,633
Other impacts of foreign exchange	(556,631)	156,617
Other	(993)	(22,155)
Income tax expense	-	-

Deferred income tax assets are recognized to the extent that the realization of tax benefits 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 consolidated statement of financial position. The company did not recognize any deferred tax assets with respect to the following items:

	2017 $	2016 $
Non-capital losses	1,972,052	1,782,917
Share issue expenses	7,119	-
Mining properties	1,273,789	772,644
Other items	166,593	145,923
Deferred tax assets not recognized	3,419,553	2,701,484

(expressed in Canadian dollars)

As at April 30, 2017, the company has accumulated, for tax purposes, non-capital losses totaling $6,071,528 ($5,580,532 in 2016) at the federal and Ontario level. These losses are detailed as follows:

Expiry date	Federal/Ontario $
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
2035	671,888
2036	557,474
2037	490,996

The company has available tax losses for Brazilian income tax purposes of $1,067,932 which may be carried forward to reduce income and have no expiry date.

19 Financial instruments

Classification

The classification of financial instruments is summarized as follows:

	2017		
	Loans and receivables $	Financial liabilities at amortized cost $	Total $
Financial assets			
Cash	119,621	-	119,621
Accounts receivable	7,608	-	7,608
Financial liabilities			
Accounts payable and accrued liabilities	-	1,127,723	1,127,723
Due to shareholders with significant influence	-	260,692	260,692

	2016		
	Loans and receivables $	**Financial liabilities at amortized cost $**	**Total $**
Financial assets			
Cash	7,917	-	7,917
Accounts receivable	7,539	-	7,539
Financial liabilities			
Accounts payable and accrued liabilities	-	1,008,589	1,008,589
Due to shareholders with significant influence	-	3,488,913	3,488,913

Fair value measurements

The company classifies its financial assets and financial 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.

There are no financial instruments measured at fair value.

Cash, accounts 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 banks. 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 consolidated statements of financial position.

(expressed in Canadian dollars)

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, 2017, the company had cash of $119,621 ($7,917 in 2016) to settle current liabilities of $1,127,723 ($1,008,589 in 2016) (see note 1).

Market risk

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

Interest rate risk

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

As at April 30, 2017 and April 30, 2016 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, 2017 would have an effect of $2,607 ($34,889 as at April 30, 2016) on the consolidated statement of comprehensive loss.

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 CA$, from a period-end rate of US$1.00 = CA$1.3440 (US$1.00 = CA$1.2549 for the year ending April 30, 2016)

(expressed in Canadian dollars)

If these variations were to occur, the impact on the company's consolidated net loss for each category of financial instrument held at April 30, 2017 would be as follows:

	2017		2016	
	Carrying amount US$	+5% US$	Carrying amount US$	+ 5% US$
Cash	9,473	474	1,340	64

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.

20 Loss per share

For the years ended April 30, 2017 and 2016, 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.

Stock options excluded from the calculation:

	2017 $	2016 $
Basic weighted average number of shares outstanding	63,807,482	60,462,347
Net loss for the year	1,368,549	668,551
Basic and diluted loss per share	0.0214	0.0111