Karmin Exploration Inc.

Condensed Interim Consolidated Financial Statements
July 31, 2017 and 2016
(expressed in Canadian dollars)

Karmin Exploration Inc.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited)
(expressed in Canadian dollars)

	As at July 31, 2017 $	As at April 30, 2017 $
Assets		
Current assets		
Cash	48,622	119,621
Accounts receivable (note 3)	57,738	59,559
Prepaid expenses	-	2,850
	106,360	182,030
Non-current assets		
Property, plant and equipment (note 4)	59,859	60,758
Mining properties (note 5)	15,101,842	15,026,307
	15,268,061	15,269,095
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	1,034,877	1,127,723
Due to shareholders with significant influence (note 7)	395,682	260,692
	1,430,559	1,388,415
Shareholders' Equity		
Share capital (note8)	33,894,516	33,868,686
Warrants (note 9)	904,400	904,400
Stock options (note 10)	904,651	916,481
Contributed surplus	1,449,231	1,449,231
Deficit	(23,315,296)	(23,258,118)
	13,837,502	13,880,680
	15,268,061	15,269,095

Nature of business and going concern (note 1)

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

Approved by the Board of Directors

_______________________________Director _______________________________ Director

Karmin Exploration Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

For the three-month periods ended July 31, 2017 and 2016

(expressed in Canadian dollars)

	Share capital $	Warrants $	Stock options $	Contributed surplus $	Deficit $	Total $
Balance – May 1, 2017	33,868,686	904,400	916,481	1,449,231	(23,258,118)	13,880,680
Share issue (note 8)	14,000	-	-	-	-	14,000
Stock options exercised (note 10)	11,830	-	(11,830)	-	-	-
Loss and comprehensive loss for the period	-	-	-	-	(57,178)	(57,178)
Balance – July 31, 2017	**33,894,516**	**904,400**	**904,651**	**1,449,231**	**(23,315,296)**	**13,837,502**
Balance – May 1, 2016	30,787,743	-	911,455	666,912	(21,889,569)	10,476,541
Share issue	-	-	-	-	-	-
Stock options exercised	-	-	-	-	-	-
Loss and comprehensive loss for the year	-	-	-	-	(70,067)	(70,066)
Balance – July 31, 2016	**30,787,743**	**-**	**911,455**	**666,912**	**(21,959,636)**	**10,406,474**

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

Karmin Exploration Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss
(Unaudited)
For the three-month periods ended July 31, 2017 and 2016
(expressed in Canadian dollars)

	2017 $	2016 $
Expenses		
Exploration and prospecting costs (note 11)	17,434	10,658
Professional fees	2,127	-
Management fees (note 7)	10,000	10,000
Regulatory and transfer agent fees	1,261	737
Office expenses	19,311	19,234
Finance charges (note 12)	6,146	28,423
Depreciation of property, plant and equipment (note 4)	899	1,015
Loss and comprehensive loss for the period	57,178	70,067
Basic and diluted loss per share (note 13)	(0.0009)	(0.0012)

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

Karmin Exploration Inc.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)
For the three-month periods ended July 31, 2017 and 2016
(expressed in Canadian dollars)

	2017 $	2016 $
Cash flows from operating activities		
Loss for the period	(57,178)	(70,067)
Adjustments		
Depreciation of property, plant and equipment	899	1,015
Interest capitalized on due to shareholders with significant influence	6,060	27,059
	(50,219)	(41,993)
Net changes in non-cash working capital items:		
Accounts receivable	1,820	(630)
Accounts payable and accrued liabilities	(13,916)	17,044
Prepaid expenses	2,850	2,850
	(59,465)	(22,729)
Cash flows from investing activities		
Acquisition of mining properties	(75,534)	(96,870)
Cash flows from financing activities		
Change in due to a shareholder with significant influence	-	207,930
Change in due to shareholders	50,000	-
Issuance of shares and warrants net of issue costs	14,000	-
	64,000	207,930
Change in cash	(70,999)	88,331
Cash – Beginning of period	119,621	7,917
Cash – End of period	48,622	96,248

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

1 Nature of business and going concern

The company was incorporated in 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.

During 1999, the company was continued under the Business Corporations Act of Alberta, changed its name from Ambrex Mining Corporation (Ambrex) to Karmin Exploration Inc. (Karmin or the company) 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 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.

In 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 and in 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 July 31, 2017 and for the three-month period then ended, the company reported a loss of $57,178 and a deficit of $23,315,296. The cash position as at July 31, 2017 of $48,622 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 condensed interim 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 unaudited condensed interim 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)

The condensed interim consolidated financial statements of Karmin Exploration Inc. for the first quarter ended July 31, 2017, as well as the corresponding comparative data, have not been subject to review by the company's independent auditors.

2 Summary of Significant accounting policies

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Accounting Standards (IFRS), as published by the International Accounting Standards Board (IASB), including IAS 34 "Interim Financial Reporting". Accordingly, these are condensed consolidated financial statements since they do not include all the information required under IFRS for annual consolidated financial statements. These condensed interim consolidated financial statements should be read in conjunction with the April 30, 2017 audited annual consolidated financial statements.

The accounting policies are in accordance with those used in the preparation of the April 30, 2017 annual consolidated financial statements.

The results for the interim periods are not necessarily indicative of the results for the full fiscal year.

The condensed interim consolidated financial statements were approved by the Board of Directors on September 26, 2017.

3 Accounts receivable

	As at July 31, 2017 $	As at April 30, 2017 $
Commodity taxes receivable	9,227	13,035
Other receivable	7,518	7,609
Value added tax	40,993	38,915
	57,738	59,559

(expressed in Canadian dollars)

4 Property, plant and equipment

	Office equipment $	Building $	Land $	Total $
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 period	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
Net carrying amount as at May 1, 2017				
Cost	14,674	78,000	38,800	131,474
Accumulated depreciation	14,555	56,161	-	70,716
	119	21,839	38,800	60,758
Depreciation for the period	119	780	-	899
Balance as at July 31, 2017	-	21,059	38,800	59,859
Cost	14,674	78,000	38,800	131,474
Accumulated depreciation	14,674	56,941	-	71,615
	-	21,059	38,800	59,859

(expressed in Canadian dollars)

5 Mining properties

	As at July 31, 2017 $	As at April 30, 2017 $
Balance – Beginning of period	15,026,307	14,850,098
Additions	75,534	176,210
Balance – End of period	15,101,842	15,026,307

(a) Brazil

	As at July 31, 2017 $	As at April 30, 2017 $
Aripuanã property		
Acquisition costs	1,080,106	1,080,106
Other exploration and evaluation costs	139,321	139,321
	1,219,427	1,219,427

(b) Peru

	As at July 31, 2017 $	As at April 30, 2017 $
Cushuro property		
Acquisition costs	12,787,442	12,787,442
Other exploration and evaluation costs	1,094,973	1,019,438
	13,882,415	13,806,880

(expressed in Canadian dollars)

6 Accounts payable and accrued liabilities

	As at July 31, 2017 $	As at April 30, 2017 $
Trade accounts payable	36,247	9,663
Accrued management and audit fees	50,630	91,130
Accrued salaries	948,000	948,000
Payable to a shareholder[1]	-	78,930
	1,034,877	1,127,723

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

7 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:

	Three-month period ended July 31, 2017 $	2016 $
Shareholders with significant influence		
Capitalized interest on due to a shareholder[1]	4,600	16,297
Capitalized interest on due to shareholders	1,460	10,762
Management fees	10,000	10,000

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

Due to shareholders with significant influence included:

	As at July 31, 2017 $	As at April 30, 2017 $
Due to a shareholder, bearing interest at 7% [1]	265,292	260,692
Due to shareholders, bearing interest at 7%	130,390	-
	395,682	260,692

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

(expressed in Canadian dollars)

8 Share capital

Authorized

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

Issued and outstanding

	Three-month period ended July 31, 2017		Twelve-month period ended April 30, 2017	
	Number of shares	**Amount $**	**Number of shares**	**Amount $**
Balance – Beginning of period	76,607,283	33,868,686	60,651,083	30,787,743
Share issue	-	-	15,942,857	3,076,020
Share issue costs	-	-	-	(33,580)
Stock options exercised	70,000	25,830	13,343	4,923
Balance – End of period	76,677,283	33,894,516	76,607,283	33,868,686

In December 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.

In June 2017, a director of the company exercised options for 70,000 common shares valued at $0.20 per share.

(expressed in Canadian dollars)

9 Warrants

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

	Three-month period ended July 31, 2017		Twelve-month period ended April 30, 2017	
	Number	**Weighted average exercise price $**	**Number**	**Weighted average exercise price $**
Outstanding – Beginning of period	7,600,000	0.35	-	-
Granted	-	-	7,600,000	0.35
Outstanding – End of period	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.

(expressed in Canadian dollars)

10 Stock options

The following table presents the stock option activity:

	Three-month period ended July 31, 2017		Twelve-month period ended April 30, 2017	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding – Beginning of year	4,951,657	0.24	3,500,000	0.37
Granted	-	-	4,200,000	0.25
Exercised	(70,000)	0.20	(13,343)	0.20
Expired	-	-	(2,735,000)	0.41
Outstanding – End of year	4,881,657	0.24	4,951,657	0.24

Exercise Price $	Number	Weighted average remaining contractual life (years)
0.20	681,657	1.79
0.25	4,200,000	4.70
	4,881,657	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 June 5, 2017, a director exercised options at $0.20/share for 70,000 common shares.

11 Exploration and prospecting costs

	Three-month period ended July 31, 2017 $	2016 $
Professional fees	16,994	10,503
Travel costs	440	155
	17,434	10,658

12 Finance charges

	Three-month period ended July 31, 2017 $	2016 $
Interest on due to a shareholder with significant influence	4,600	27,059
Interest on due to shareholders	1,460	-
Bank charges and interest	83	38
Interest income from bank	(12)	-
Net foreign exchange gains	15	1,327
	6,146	28,423

(expressed in Canadian dollars)

13 Loss per share

For the periods ended July 31, 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	60,655,384
Net loss for the year	57,178	70,066
Basic and diluted loss per share	0.0009	0.0012