KARMIN EXPLORATION INC.

Management's Discussion and Analysis

For the period ended July 31, 2018 (compared July 31, 2017)

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This Management's Discussion and Analysis ("MD&A") provides an analysis of the financial results of the Company for the first quarter ended July 31, 2018 as compared to the first quarter ended July 31, 2017 and has been prepared as of September 27, 2018. This MD&A of the Company should be read in conjunction with the condensed interim unaudited consolidated financial statements and notes thereto for the fiscal quarter ended July 31, 2018 ("Interim Statements") as well as the annual audited consolidated financial statements and notes thereto for the fiscal years ended April 30, 2018 and 2017 ("Annual Statements").

Certain information and discussion included in this MD&A constitutes forward-looking information. Readers are encouraged to refer to cautionary no less contained in the section of "Forward-Looking Statements" at the end of this MD&A.

The financial information as at July 31, 2018 and for the three-month periods ended July 31, 2018 and 2017 is unaudited, however in the opinion of management, all adjustments necessary to present fairly the results of these periods have been included. The adjustments made were of a normal recurring nature. Interim results may not necessarily be indicative of results anticipated for the year.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including IAS 34 "Interim Financial Reporting", and use the same accounting policies and methods used in the preparation of the company's most recent annual consolidated financial statements. However, all disclosures required for annual financial statements have not been included in these financial statements.

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

Description of Business

Karmin Exploration Inc. ("Karmin" or the "company") was incorporated in February 1995 under the Business Corporation Act of Ontario to engage in mineral exploration and development of base metals and gold opportunities in Brazil, through Karmin Holdings Ltda., its wholly-owned subsidiary.

Effective June 1999 the company was continued under the Business Corporations Act of Alberta and in September 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 and on the Bolsa de Valores de Lima under the symbol "KAR".

Karmin directly and through an agreement as described below, is in the process of exploring its mining properties and has not yet determined whether the 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 2004, the contract of association was amended to allow for a major Brazilian mining company, Votorantim Metais S.A. ("Votorantim") to earn into the property and project by expending US$1.6 million on exploration on or before December 31, 2005.

In November 2017, Votorantim began to trade publicly on NYSE and TSX as Nexa Resources S.A. (Nexa).
Nexa is the project Operator and controls 70% of the Aripuana J.V. and Karmin has the remaining 30% of the J.V.

Nexa (formerly Votorantim) has reported to the company that they had spent the following sums on the Aripuana project to date:

	Brazilian Real (millions)	Cdn$ (millions)
2004	3.38	1.7
2005	6.58	3.4
2006	7.73	4.3
2007	16.77	9.3
2008	21.76	15.0
2009	1.76	1.2
2010	1.24	0.8
2011	0.41	0.6
2012	3.60	2.3
2013	6.36	3.7
2014	4.17	2.1
2015	12.11	5.3
2016	13.15	5.2
2017	39.00	15.9

In December 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.

In February 2012, the company acquired 100% of the right, title and beneficial interest held by Alberto Aurelio Arias Davila, a Peruvian mining entrepreneur and an arm's length party, in two mining concessions forming a portion of the Cushuro Gold Project Property located in the department of La Libertad in the Republic of Peru. An option to purchase a third mining concession was exercised in January 2013.

Outlook

The company's primary objectives for the balance of 2018 and 2019 include the following:

- review, monitor and report on the results of Karmin's J.V. with Nexa which is the 70% owner and the operator of Aripuanã, Brazil project as Nexa is currently completing a feasibility study on the planned development of the Aripuanã, Brazil project with construction anticipated to be commencing in 2019

- as was announced in April 2018, to continue to review, monitor and report on the undertaking of the review of strategic alternatives with respect to its 30% carried interest in the Aripuanã Zinc Lead Copper Silver Project. The range of strategic alternatives under consideration include financing alternatives for its participation in the development of Aripuanã or such other value enhancing alternatives as a corporate sale or the sale of all or a material portion of Karmin's assets. In connection with its strategic review the Company has engaged CIBC World Markets Inc. ("CIBC") to act as its exclusive financial advisor.

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. There were no revenues reported for the quarters ending July 31, 2018 and 2017.

Expenses for the quarter ending July 31, 2018 totaling $73,548 increased as compared with total expenses of $57,178 for the previous year. This increase is primarily the result of the higher exploration and finance costs.

The net result is that the company recorded a consolidated loss for the quarter ending July 31, 2018 of $73,548 ($0.0010 per share) as compared with a loss of $57,178 (or $0.0009 per share) for the same quarter in the previous year. The result in both periods 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 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			
	Jul 31/18	Apr 30/18	Jan 31/18	Oct 31/17
Earnings Information				
Expenses	$73,548	$803,629	$150,346	$391,733
Net loss for the period	$73,548	$803,629	$150,346	$391,733
Loss per share – basic and diluted	$0.0010	$0.013	$0.0020	$0.0051
Balance Sheet Information				
Total assets	$15,400,141	$15,383,667	$15,280,143	$15,248,824

	Three Months Ended			
	July 31/17	Apr 30/17	Jan 31/17	Oct 31/16
Earnings Information				
Expenses	$57,178	$1,174,160	$51,202	$73,120
Net loss for the period	$57,178	$1,174,160	$51,202	$73,120
Loss per share – basic and diluted	$0.0009	$0.018	$0.0008	$0.0012
Balance Sheet Information				
Total assets	15,268,061	15,269,095	$15,135,997	$15,151,707

	Three Months Ended			
	Jul 31/16	Apr 30/16	Jan 31/16	Oct 31/15
Earnings Information				
Expenses	$70,067	$428,813	$69,506	$92,966
Net loss for the period	$70,067	$428,813	$69,506	$92,966
Loss per share – basic and diluted	$0.0012	0.0072	$0.0011	$0.0015
Balance Sheet Information				
Total assets	$15,156,009	$14,974,043	$15,000,708	$14,999,640

Expense fluctuations in quarterly results are due primarily to factors such as administrative expenses, finance charges, exploration and prospecting costs and to the stock-based compensation costs.

Related party transactions

The company entered into the following related party transactions:

Management fees of $10,000 (2017 - $10,000) was incurred and payable to a company controlled by a shareholder during the first quarter ended July 31, 2018.

Interest on due to a shareholder with significant influence controlled by some key personnel of $4,921 (2017 - $4,600) was incurred and payable to a shareholder during the three-month period ended July 31, 2018.

Interest on balances payable to shareholders of $3,979 (2017 - $1,460) was incurred and payable to shareholders during the first quarter ended July 31, 2018.

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

The company did not enter into transactions with the key management personnel during the first quarters ended July 31, 2018 and 2017.

Resource Expenditures in Brazil

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 property contains 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 the mining property 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 property following commencement of production or written off if the mining property or projects are sold or allowed to lapse. General exploration expenditures not related to the mining property are expensed as incurred.

Under the terms of the joint venture, Karmin's 30% interest in the property is carried by and paid for by a subsidiary of Nexa. Accordingly, Karmin incurred no expenditures on the addition of mining properties during the year ended April 30, 2018 and no additional expenditures during the first quarter ended July 31, 2018.

The company's property is in the exploration stage and there can be no assurance that any of them will reach the stage of production.

Exploration

The company has a property in Brazil at Aripuana in the state of Mato Grosso, Brazil. Exploration during the current year and for the years ended April 30, 2018 and 2017, on the mining property was carried out by the company's joint venture partner on the Aripuana property. Karmin holds a 30% free carried interest until the completion of a bankable feasibility study for the un-weathered, sulphide portion of the deposit, and holds 100% of the overlying oxide portion. The project operator, Nexa , has reported that it has commenced a feasibility study on the sulphide part of the property.

Karmin's 100% owned Oxide Resources at Aripuanã

Karmin owns 100% of the oxide resources overlying the Aripuanã sulphide resource. These oxide resources did not receive any exploration expenditures in 2017. In 2004, a report written by the then operator, Anglo American, outlined a non-compliant mineral resource of gold mineralization. Karmin is considering carrying out further work in the future on the oxide portion of the deposit. Since it is located between 0 and 50 metres from surface, it 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 once Nexa, the sulphide operator, issues the results to the company of an advanced study outlining eventual sulphide production, and the company will plan a phased program of exploration on the oxides based on the relevant elements of the advanced study. 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 Aripuanã

The Aripuanã sulphide resources are owned by Mineração Dardanelos Ltda., a joint venture between Nexa (which holds a 63.3% interest), Milpo (which holds a 7.7% interest and is controlled by Nexa) and Mineração Rio Aripuanã Ltda., a subsidiary of Karmin Exploration Inc. (which holds the remaining 30%).

Nexa is the operator for the development of the sulphide resource and is a company controlled by Votorantim S.A. Nexa has filed a registration statement on Form F-1 in the United States and a preliminary long form prospectus in Canada in connection with an initial public offering and the listing of Nexa's shares on the New York Stock Exchange and the Toronto Stock Exchange.

Sulphide Project Summary

RPA has prepared a Preliminary Economic Assessment (the "Report"), dated October 19, 2017, in accordance with Canadian National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI 43-101") on Aripuanã, 30% owned by Karmin. The Report was prepared by RPA Inc. ("RPA") and is available on SEDAR under Karmin's profile or http://www.karmin.com/wp-content/uploads/2017/10/RPA-Karmin-VMH-Aripuana-Zinc-NI-43-101-Report-Oct-16-2017.pdf.

- **The Report outlines;**
  - the initiation of mining at Aripuanã in 2020 with a mine life of 24 years.
  - production of 1.8 million tonnes per year (5,000 tonnes per day) will process 37 million tonnes from the measured and indicated resources of 21.8 million tonnes and the inferred resources of 24.6 million tonnes.
  - pre-production capital costs totaling US$354 million.
  - using life of mine metal prices of US$1.06/lb. Zn, US$0.88/lb. Pb, US$2.74/lb. Cu, US$18.95/oz. Ag, and US$1,278/oz. Au, Aripuanã's economics are:
    - pre-tax IRR of 19%,
    - US$461 million pre-tax NPV at 7% discounting**,**
    - after-tax IRR of 17% using a 34% tax rate which does not include any tax advantages normally available in Aripuanã's locale, and
    - US$321 million after-tax NPV at 7% discounting.
  - Project Sensitivity; a 10% increase in the metal prices or head grades increases the NPV by approximately 75%. The current market prices for zinc, lead and copper are significantly higher than the prices used in the PEA.

The Report is based upon a mineral resource dated December 23, 2016 but Nexa Resources S.A. (**"Nexa*"**) has identified incremental resource expansion which will be executed with an additional 26,000 meter drill program in 2017. The current resources are based on the results from 533 drill holes totaling 142,080 meters.

Resource Estimate

The summary of the resource estimate at Aripuanã is outlined in Table 1. This summary is detailed in the Report prepared by RPA which conforms to NI 43-101 Standards of Disclosure for Mineral Projects and is dated October 19, 2017. To the best of the Karmin's knowledge, information, and belief, there is no new material scientific or technical information that would make the results of the Report inaccurate or misleading. The Report is preliminary in nature and includes Inferred Mineral Resources that are too speculative geologically to have economic considerations applied to them that would enable them to be categorized as Mineral Reserves. There is no certainty that Report results will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

TABLE 1 SUMMARY OF MINERAL RESOURCES – ARIPUANÃ

December 23, 2016

		Grade					Contained Metal				
	Tonnage Mt	**Zn %**	**Pb %**	**Cu %**	**Au g/t**	**Ag g/t**	**Zn M lb**	**Pb M lb**	**Cu M lb**	**Au K Oz**	**Ag M Oz**
Stratabound											
Measured	8.6	5.88	2.16	0.19	0.23	52.65	1,109.0	407.1	36.0	64.2	14.5
Indicated	9.8	5.38	2.03	0.09	0.25	47.83	1,160.8	437.2	18.7	79.5	15.0
Measured and											
Indicated	**18.3**	**5.61**	**2.09**	**0.14**	**0.24**	**50.08**	**2,269.9**	**844.3**	**54.7**	**143.7**	**29.5**
Inferred	**13.2**	**7.20**	**2.80**	**0.10**	**0.38**	**62.50**	**2,099.7**	**815.4**	**29.4**	**162.7**	**26.6**
Stringer											
Measured	2.3	0.28	0.12	1.54	1.18	17.61	14.4	6.3	78.5	87.8	1.3
Indicated	1.2	0.11	0.05	0.97	1.28	11.21	2.7	1.4	24.5	47.5	0.4
Measured and	**3.5**										
Indicated		**0.22**	**0.10**	**1.35**	**1.21**	**15.49**	**17.2**	**7.7**	**103.1**	**135.3**	**1.7**
Inferred	**11.4**	**0.08**	**0.05**	**0.78**	**1.55**	**9.31**	**19.3**	**13.5**	**197.0**	**569.7**	**3.4**
Total											
Measured	10.9	4.68	1.72	0.48	0.43	45.18	1,123.5	413.5	114.6	152.0	15.8
Indicated	10.9	4.83	1.82	0.18	0.36	43.97	1,163.6	438.6	43.2	127.0	15.5
Measured and	**21.8**	**4.76**	**1.77**	**0.33**	**0.40**	**44.58**					
Indicated							**2,287.0**	**852.0**	**157.8**	**279.0**	**31.3**
Inferred	**24.6**	**3.90**	**1.53**	**0.42**	**0.93**	**37.88**	**2,119.0**	**829.0**	**226.4**	**732.4**	**30.0**

Notes:

1. CIM definitions were followed for Mineral Resources.
2. Mineral Resources are reported using a US$46/t Net Smelter Return (NSR) block cut-off value for stratabound material and a US$42/t Net Smelter Return (NSR) block cut-off value for stringer material.
3. The NSR is calculated based on US$1.26 per lb Zn, US$1.01 per lb Pb, US$3.08 per lb Cu, US$1,471 per ounce Au, and US$21.80 per ounce Ag.
4. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.
5. Numbers may not add due to rounding.

Aripuanã

Aripuanã is an underground polymetallic project containing zinc, lead and copper, with an anticipated mine life of 24 years and a projected start date in 2020. The estimated aggregate capital expenditure required for this project is US$354.3 million. It is currently estimated that the Aripuanã project, if and when it is fully developed and begins operation, could produce an annual average of approximately 51.0 thousand tonnes of zinc in concentrate, 20.0 thousand tonnes of lead in concentrate, 4.0 thousand tonnes of copper in concentrate, 1.0 million ounces of silver and 25.0 thousand ounces of gold over a 24-year life of mine.

Aripuanã is located in the State of Mato Grosso, Brazil, exhibiting characteristics of a Volcanogenic Massive Sulfide, or VMS, deposit similar to those found at Cerro Lindo. During 2016 and 2017, the Worley Parsons Company was engaged to develop a conceptual engineering study on development of an operation with 5,000 tpd ore mining and processing capacity. In 2017, SNC Lavalin was contracted by Nexa to complete a bankable feasibility study on the development of Aripuanã with completion expected in the second half of 2018. Expenditures at Aripuanã during 2018 are estimated to include US$5.5 million in exploration and US$20 million in capital expenditures.

The environmental impact study for this project has been submitted to the SEMA/MT and is expected to be in its approval phase by the second quarter of 2018.

Nexa has a strong track record of mine development and expansion in Peru and Brazil including the modular expansion of Cerro Lindo’s processing capacity from an original 5,000 tonnes per day to the current capacity of 21,000 tonnes per day.

Outlook

Mineral exploration activities continue to identify mineralized deposits in the Aripuanã project. The results from these activities indicate there is the potential to increase the mineral resources in the Aripuanã project, supporting continued investment in mineral exploration activities in the project. In particular, the large resource base in the project indicates the potential for a long mine life of up to 24 years.

Exploration has identified incremental resource expansion at Arex, Link, Ambrex and Babaçú. In order to execute this expansion, a 26,000 meter drill program was executed in 2017 focused on resource growth.

Geological mapping and preliminary exploration activities have helped identify additional, potentially mineralized bodies at Massaranduba, Boroca, Mocoto and Arpa. It may also be possible to selectively mine areas containing high-grade ore during the early years of the life of mine to improve capital returns.

It is intended that trade-off studies will be carried out related to the mineral process in order to better identify the potential of the Aripuanã project.

Acquisition of Mining Concessions in Peru

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") an 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, on January 18, 2013, Karmin exercised 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").

In connection with the closing of the Acquisition and the entering into of the Lease, and exercising of the Option, Karmin issued an aggregate of 15,000,000 common shares of Karmin to the Vendor, representing approximately 24.98% of the total issued and outstanding common shares of Karmin, which resulted in the Vendor becoming a Control Person (as defined in the policies of the Exchange).

The closing price of the common shares of Karmin on November 21, 2011, the trading day immediately preceding the execution of the Purchase Agreement and the Option Agreement, was $0.69 per common share (the "Share Price"), resulting in the total value of the consideration paid in connection with the Acquisition to $10,246,500. Based on the Share Price, the total value of the consideration paid in connection with the Lease was $10,350. The closing price of the common shares of Karmin on January 18, 2013, the date the Option was exercised, was $0.2282 per common share, resulting in the total value of the consideration to be paid in connection with the Option to be $30,807. The aggregate consideration paid by Karmin to the Vendor in connection with the Cushuro Acquisition will be $10,287,657.

The Cushuro Mining Concessions are located in the Huamachuco Gold-Mining District in the sierras of north-western Peru. The concessions include a gold-mineralized zone (the "Zona Cushuro") that is similar to other operating mines in the district, including Lagunas Norte, La Virgen, La Arena, El Toro and Santa Rosa. The concessions cover a 25 square kilometre area, span an elevation range of 3,900 to 4,200 meters, and can be reached in four to five hours via well-maintained roads from the coastal city of Trujillo. The area is crossed by a power transmission line. Please see the news release of Karmin dated November 22, 2011 for more information about the Cushuro Mining Concessions. In compliance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects and the policies of the Exchange, Karmin also filed a technical report in respect of the Cushuro Mining Concessions.

In accordance with the policies of the Exchange, trading in the common shares of Karmin was halted on November 22, 2011 pending receipt and review by the Exchange of documentation relating to the Cushuro Acquisition. The halt on the trading in the common shares of Karmin was lifted and trading in the common shares resumed on February 13, 2012.

A share purchase agreement involving the Cushuro Mining Concessions is described under Subsequent Events.

Designated Director

Pursuant to the Purchase Agreement, Karmin granted the Vendor the right to designate an individual (the "Designated Director") to be included among the nominees to act as directors of Karmin at the next meeting of shareholders of Karmin at which the Board was to be elected. Such meeting was held in January, 2012 and Dr. Luis Rodriguez-Mariategui Canny, the Designated Director, was elected by the shareholders of Karmin at the meeting, such appointment being conditional on the approval of the Exchange and on the closing of the Acquisition. The Exchange had approved Dr. Rodriguez-Mariategui Canny's appointment as director upon the closing of the Acquisition, which occurred February 15, 2012.

Mining Property

Property	Capitalized Expenditures During Current Year	Total Costs Capitalized at April 30, 2018	Type	% Owned
Brazil:				
Aripuana	$3,298	$1,225,412	Zinc/Gold	30%
Peru:				
Cushuro	$119,174	$13,890,925	Gold	100%

Liquidity and Capital Resources

Working Capital

Karmin had a net working capital deficiency (current assets less current liabilities) of $1,328,775 at the first quarter ending July 31, 2018 (compared to a net working capital deficiency of $928,517 at the quarter ending July 31, 2017) consisting primarily of cash and receivables less accounts payable and accrued liabilities. The changes are directly attributable to lower current liabilities.

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.

Operating Activities

Cash used in operating activities during the first quarter ending July 31, 2018 were $87,205 compared to cash used of $59,465 for the same quarter in the prior year.

Financing Activities

Cash flows from financing activities for the quarter ending July 31, 2018 were $103,016. This resulted from an increase in the amount due to shareholders. Cash flows from in financing activities for the same quarter of the previous year were $64,000, consisting of an issue of share capital and an increase in the amount due to shareholders.

Investing Activities

Cash used in investing activities during the quarter ending July 31, 2018 amounted to $122,471 in an increase in mining property costs. For the same quarter of the prior year, cash used amounted to $75,534, consisting of costs relating to mining properties.

Balance Sheet

Assets

The company had consolidated assets totaling $15,400,141 at the first quarter ended July 31, 2018 as compared to $15,383,667 at the prior year ending April 30, 2018.

The majority of the assets of the company of $15,238,808 were capitalized in Mining Property as non-current assets (as compared to $15,116,337 at the prior year ending April 30, 2018).

The property is listed above by name, cost, type and location.

Due to Shareholders

The company's long-term liabilities of $887,725 include amounts due to a shareholder with significant influence of $283,863, bearing interest at 7% and payable on September 20, 2019 (it includes the principal amount of $278,942 plus accrued interest of $4,921). Also included are amounts due to individual shareholders with significant influence of $603,862, bearing interest at 3% and payable on May 1, 2019 (it includes the principal amount of $599,883 plus accrued interest of $3,979). Long term liabilities at the prior year ending April 30, 2018 included amounts due to a shareholder with significant influence of $278,942 and amounts due to individual shareholders with significant influence of $496,867.

Capitalization

The company has 76,748,714 common shares outstanding at the first quarter ended July 31, 2018 and for the most recent year ended April 30, 2018.

On September 22, 2011, the company announced that a non-brokered Private Placement (involving certain new members of the board of directors of the company) with an aggregate of 637,500 common shares in the capital were issued at a price of $0.40 per Common Share for gross proceeds of $255,000.

On February 15, 2012, the company acquired the Cushuro Gold Project Property located in the Republic of Peru and also entered into a separate lease agreement for an additional mining concession from the Vendor. In connection with this acquisition and lease, 14,865,000 common shares were issued as consideration to the Vendor, representing approximately 27.55% of the total issued and outstanding common shares of Karmin, which resulted in the Vendor obtaining significant influence over the company. The closing price of the common shares on the trading day immediately preceding the execution of the agreements was $0.69 per common share resulting in the total value of the consideration paid in connection with the acquisition to $10,246,500. Based on the share price, the total value of the consideration paid in connection with the lease was $10,350,000.

On February 16, 2012 the company announced that it has entered into an agreement with KALLPA Securities Sociedad Agente de Bolsa S.A. ("Kallpa"), to be retained to sponsor the listing of common shares of Karmin on the Lima Stock Exchange (the "BVL"). On April 5, 2012, 5,959,992 common shares were issued for net proceeds of $3,910,891.

On January 18, 2013, Karmin exercised 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"). In connection with this Option being exercised, 135,000 common shares were issued as consideration to the Vendor. The closing price of the common shares on the date the Option was exercised was $0.2282 per common share, resulting in the total value of the consideration to be paid in connection with the Option to be $30,807. The aggregate consideration paid by Karmin to the Vendor in connection with the Cushuro Acquisition was $10,287,657.

Kallpa is a Peruvian investment company specializing in equity sales, research and corporate finance, and is the leading sponsor for junior mining companies in Peru. As of today, Kallpa sponsors 9 of the 15 junior mining companies listed on the Venture Exchange of the BVL. Kallpa commenced operations in 2008 and now ranks 7th by volume traded among 25 Peruvian brokers with a 4% market share in the Peruvian market. As Karmin's sponsor, Kallpa will support the marketing process of Karmin's common shares in Peru, Chile and Colombia while providing all services required by the BVL and any other local regulatory authorities. Kallpa will also prepare research reports and marketing documents for Karmin as well as organize meetings with the principal institutional and retail participants in the Peruvian, Chilean and Colombian capital markets.

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 on-half of one common share purchase warrant. 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.

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.

In January 2018, 71,431 shares valued at $1.00 per share were issued to Kallpa.

Warrants

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.

Stock Options

The company has 5,621,765 stock options outstanding at a weighted average exercise price of $0.35 at the quarter ended July 31, 2018 and for the year ended April 30, 2018.

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

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.

On March 22, 2017, a director exercised options at $0.20 per share for 13,343 common shares.

On June 5, 2017, a director exercised options at $0.20 per share for 70,000 common shares.

On October 19, 2017, 835,108 stock options were granted to directors and consultants of the company at an exercise price of $0.94, expiring in 5 years and fully vested at granting.

The company uses the Black & Scholes option valuation method.

New accounting Standards and Pronouncements

New accounting standards and interpretations adopted during the year

The company has adopted the following new standard with no significant impact during the year:

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 requires to provide additional disclosure related to financial activities, included a reconciliation between the beginning and closing balances of financial liabilities arising from financial activities.

New accounting standards issued but not yet in effect

The IASB issued the following standards which are relevant but have not yet been adopted by the company: IFRS 9, "*Financial Instruments*", IFRS 15, "*Revenue from Contracts with Customers*", IFRS 16, *"Leases"* and IFRIC 22, *"Foreign currency translation 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:

IFRS 9, *Financial Instruments*
In July 2014, the IASB issued the final version of IFRS 9, *"Financial Instruments"*, and 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 is currently evaluating the impact that these standards 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 is currently evaluating the impact that these standards will have on its consolidated financial statements.

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 translation and advance consideration*
In December 2016, the IASB issued IFRIC 22, which that 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.

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 and in Peru.

Mineral exploration involves a high degree of risk. Few properties that are explored are ultimately developed into production. The company's property has no known body of commercial ore. Other risks facing the company include: political stability in Brazil and Peru; changes in legislation in Brazil and Peru 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.

Contractual Obligations

The company has no contractual obligations or off-balance sheet arrangements as at July 31, 2018 and 2017.

Contingency

The company has no contingent liabilities outstanding as at July 31, 2018 and 2017.

Subsequent Event

Subsequent to April 30, 2018, the company entered into a share purchase agreement with the One Valley Peru S.A.C. and its parent company VI Mining PLC for the sale of all the shares of the company's wholly-owned subsidiary Karmin Peru S.A.C., whose principal asset is the 100% interest in the Cushuro Gold Project (note 8b). The purchase price of US$27,500,500 is payable through the issuance by VI Mining PLC of 5,753,138 ordinary shares and the potential of additional shares at the second anniversary of closing, under certain conditions. The closing of the transactions remains subject to the approval of the TSX Venture Exchange and the satisfaction of certain other conditions. The fair value of the sales proceeds has not been estimated yet, but management expects that would lead to the recognition of a significant gain upon closing of the transaction.

Management's Responsibility for Financial Statements

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

The company's external auditors, PricewaterhouseCoopers LLP, have audited the financial statements for the year ended April 30, 2018 and have expressed an opinion thereon. There is no opinion expressed by the auditors on the condensed interim consolidated financial statements for the fiscal quarter ended July 31, 2018.

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 Condensed Interim Statements and other public filings, all of which are available for viewing on SEDAR at www.sedar.com.

September 27, 2018

(Signed) David Brace

David Brace
Chief Executive Officer

(Signed) John A. Iannozzi

John A. Iannozzi, CA
Chief Financial Officer