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**NEWS RELEASE**

**CARAT EXPLORATION INC. CANCELS OPTION AND JOINT VENTURE AGREEMENT WITH BRASILCA MINING CORPORATION AND ENTERS INTO AN AGREEMENT TO ACQUIRE MINERACAO VALE DO SONHO LTDA.**

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**Vancouver, BC – CARAT EXPLORATION INC. (“Carat” or the “Company”)** (CRZ: TSX-V) Further to the Company’s news release of March 13, 2008, the Company announces that it has terminated the option and joint venture agreement with Brasilca Mining Corporation, a British Columbia registered company (“**Brasilca**”) and Brasilca Mineracao Brasileira Ltda pursuant to which Carat was granted an option to earn a 70% interest in the Tucuma project in the State of Para, Brazil (“**Tucuma Property**”). The Tucuma Property consisting of 6 key mineral concessions totalling 11,500 hectares is now held by Mineracao Vale do Sonho Ltda. (“**Do Sonho**”), a Brazilian corporation.

The Company is pleased to announce that it has entered into a binding letter of intent with Do Sonho and the shareholders of Do Sonho, under which it has agreed to acquire, subject to the completion of due diligence investigations, all of the issued and outstanding shares of Do Sonho (“**Do Sonho Shares**”). In exchange for the Do Sonho Shares, Carat will:

- (a) issue 1,500,000 common shares in the capital of Carat to the holders of the Do Sonho Shares;
- (b) pay the sum of US\$3,000,000 to Do Sonho Shareholders on a pro rata basis to their shareholdings in Do Sonho on the commencement of commercial production for primary ore (excluding alluvial minerals) from the Tucuma Property; and
- (c) reserve a 1% Net Smelter Return royalty (“**Royalty**”) to the Do Sonho Shareholders on a pro rata basis, on commencement of commercial production from the Tucuma Property.

Do Sonho has agreed to grant Carat a period of sixty days (the “**Exclusivity Period**”) within which Carat will have the exclusive and irrevocable right to conduct due diligence investigations in respect of the concessions that comprise the Tucuma Property and the opportunity to review all available data including, without limitation, title, environment, geology, geochemistry, sampling assay and

drilling data and the right to physically inspect the concessions and conduct such sampling and other investigative activities as Carat considers appropriate. Furthermore, subject to satisfactory due diligence, the parties have agreed to settle the terms and conditions of a formal agreement prior to the expiry of the Exclusivity Period.

**The Tucuma Property** comprises of a total of 11,500 hectares and is located in the State of Para, Brazil. Access is via an all-year, unsurfaced 27km road from the town of Tucuma.

Historically, the Tucuma Property has produced significant quantities of gold from small-scale mining by garimpeiros. The Tucuma Property represents an excellent opportunity to explore for both shear-hosted economic gold vein mineralisation and for a copper-gold system of the IOCG type, with near-ready drill targets.

The Tucuma Property is located within the Carajas metallogenic province that is part of the Amazon Craton. The province is one of the premier mining districts in Brazil. Proterozoic and Archean rocks contain world-class deposits of copper-gold, gold, platinum group metals, iron, manganese, bauxite and nickel. Importantly, the Carajas Province is the locus of several major discoveries of large Iron Oxide Copper Gold (“**IOCG**”) deposits in the last 20 years. It is now the focus of increased exploration activity by both junior and major mining companies.

The Carajas iron deposits are located 130 km northeast of the Tucuma Property and the Salobo copper-gold deposit is located 145 km northeast. The mining giant, Vale, began producing copper in the area in 2004, with the opening of the Sossego mine. The mine produces currently 140,000 tonnes per year of contained copper in concentrates. In 2004, Vale also undertook feasibility studies at Salobo and it is scheduled to start production in 2011. As the Salobo Mine has estimated reserves valued at 986 million tonnes, with 0.82% copper and 0.49g/t gold for the cut-off of 0.5% copper.

Part of the Tucuma Property has been previously explored by Highgrade Ventures, Brasilca Mining, a Teck-Inco joint venture and Codelco. Currently Carat holds a significant database of geological, geochemical and geophysical exploration data over the region and the Tucuma Property. Only few out of several identified targets have been tested by past diamond drilling programs.

Significant historical drill intersections have been reported by past operators:

1. **Cuca gold targets:** In the late 90s and when gold price was really low, limited drilling by Highgrade Ventures returned the highest grade gold intersection found to date on the property, from diamond drill hole #T97-11b at 54.32 m to 63.44 metres **grading 6.3 grams per tonne gold over 9.12 metres** and a further intersection at 120.06 m to 134.82 m grading

**3.96 grams per tonne gold over 14.76 metres** which included a **1.16 metre intercept grading 30.17 grams per tonne gold**. Results from the historical Cuca scouting drilling were not followed up by the previous operators.

2. **“Hill 512” target:** Test drilling of this target by the Teck-Inco JV intersected in diamond drill hole FT512 -1, from 189 m to 205 m., **16 metres, grading 1.30% copper and 7.1 grams per tonne silver** and including a **3 metre intercept grading 4.28 % copper and 24.5 grams per tonne silver**.

All the above references to grades and intersection lengths are based on historical exploration reports and have not been independently verified by Carat.

Carat intends to complete the mineral title due diligence and arrange for the preparation of the National Instrument 43-101 report on the Tucuma Property during the Exclusivity Period.

This transaction is subject to the acceptance of the TSX Venture Exchange.

**On behalf of The Board of Directors of Carat Exploration Inc.**

*“Ioannis (Yannis) Tsitos”*  
President, CEO & Director

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