FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: **Carpathian Gold Inc.** (the "**Issuer**")

Trading Symbol: **CPN**

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

The Issuer's financial statements for the 3-month period ended March 31, 2016 are attached hereto as Schedule A.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
(b) A description of the transaction(s), including those for which no amount has been recorded.
(c) The recorded amount of the transactions classified by financial statement category.
(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
(e) Contractual obligations with Related Persons, separate from other contractual obligations.
(f) Contingencies involving Related Persons, separate from other contingencies.

All related party transactions, if any, have been disclosed in the Issuer's financial statements for the 3-month period ended March 31, 2016.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

No securities have been issued during the period.

(b) summary of options granted during the period,

No options have been granted during the period.

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

(b) number and recorded value for shares issued and outstanding,

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

A summary of securities has been provided in the Issuer's financial statements for the 3-month period ended March 31, 2016. No such securities are subject to escrow or pooling agreements.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Name	Position(s) Held
Stan Bharti	Director
Guy Charette	Director
David Danziger	Director
Matt Simpson	Director
Peter Tagliamonte	Director
G. Scott Moore	Interim Chief Executive Offer
Carlos Pinglo	Chief Financial Officer
Michael Kozub	General Counsel and Corporate Secretary
Randall Ruff	Executive Vice President - Exploration

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

The Issuer's Management Discussion and Analysis for the 3-month period ended March 31, 2016 is attached hereto as Schedule C.

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Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated: **May 27, 2016**.

Michael Kozub
Name of Director or Senior Officer

"Michael Kozub" (signed)

Signature

General Counsel & Corp. Secretary
Official Capacity

Issuer Details Name of Issuer **Carpathian Gold Inc.**	For Quarter End **March 31, 2016**	Date of Report YY/MM/DD **2016/05/27**
Issuer Address **36 Toronto Street, Suite 1000**		
City/Province/Postal Code **Toronto, Ontario M5C 2C5**	Issuer Fax No. **(416) 363-3883**	Issuer Telephone No. **(416) 368-7744**
Contact Name **Michael Kozub**	Contact Position **General Counsel**	Contact Telephone No. **(416) 368-7744**
Contact Email Address **mkozub@carpathiangold.com**	Web Site Address **www.carpathiangold.com**	

SCHEDULE A

CARPATHIAN GOLD INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

(Expressed in United States Dollars)

(UNAUDITED)

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of Carpathian Gold Inc. (the "Corporation") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements as at and for the three months ended March 31, 2016 have not been reviewed by the Corporation's auditors.

CARPATHIAN GOLD INC.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in United States Dollars)
(Unaudited)

	March 31, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 1,195,164	$ 549,076
Restricted deposits (note 7)	903,951	903,951
Prepaid expenses and sundry receivables	462,940	464,433
Total Current assets	2,562,055	1,917,460
Assets classified as held for sale (note 5)	62,649,356	62,412,194
Non-current assets		
Property, plant and equipment (note 9)	80,824	84,820
Software license costs (note 10)	12,698	24,536
Total Assets	$ 65,304,933	$ 64,439,010
Liabilities		
Current liabilities		
Trade and other payables (note 16)	$ 244,698	$ 703,369
Total Liabilities	244,698	703,369
Liabilities classified as held for sale (notes 5 and 17)	315,890,608	312,967,459
	316,135,306	313,670,828
Deficiency attributable to Shareholders		
Share capital (note 12(b))	196,773,069	196,773,069
Warrants (note 12(d))	-	3,256,109
Contributed surplus (note 12(c))	14,188,382	10,931,572
Accumulated deficit	(444,997,013)	(438,696,828)
Accumulated other comprehensive loss	(16,794,811)	(21,495,740)
Total Deficiency	(250,830,373)	(249,231,818)
Total Liabilities and Deficiency	$ 65,304,933	$ 64,439,010

Nature of operations and going concern (note 1)

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

CARPATHIAN GOLD INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in United States Dollars)
(Unaudited)

Three Months Ended March 31,	2016	2015
Expenses		
General and administrative (note 13)	$ 1,200,846	$ 1,307,517
Depreciation and amortization (notes 9 and 10)	22,012	24,647
Employee compensation expense (note 13)	213,678	244,893
Impairment (note 6)	214,904	230,100
Foreign exchange loss	-	-
Other income (note 13)	4,555,772	(6,298,714)
Net (loss) income from continuing operations for the period	(6,207,212)	4,491,557
Net loss from discontinued operations for the period	(92,973)	(25,388,107)
Net loss and comprehensive loss for the period	(6,300,185)	(20,896,550)
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss:		
Cumulative translation adjustments	4,700,929	(6,312,593)
Other comprehensive income (loss) for the period from continuing operations	4,700,929	(6,312,593)
Total comprehensive loss for the period from continuing operations	(1,506,283)	(1,821,036)
Total comprehensive loss for the period from discontinued operations	(92,973)	(25,388,107)
Total comprehensive loss for the period	$ (1,599,256)	$(27,209,143)
Basic and diluted (loss) income per share - continuing operations (note 14)	$ (0.01)	$ 0.01
Basic and diluted loss per share - discontinued operations (note 14)	$ (0.00)	$ (0.04)
Total basic and diluted loss per share (note 14)	$ (0.01)	$ (0.03)
Weighted average number of shares outstanding - basic and diluted	694,169,911	694,169,911

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

CARPATHIAN GOLD INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in United States Dollars)
(Unaudited)

	Share capital	Warrants	Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss	Total
Balance, December 31, 2014	$196,773,069	$ 3,256,109	$ 10,925,856	$(365,067,022)	$ (8,605,621)	$(162,717,609)
Share-based payment		-	2,532	-	-	2,532
Net loss and comprehensive loss for the period	-	-	-	(20,896,550)	(6,312,593)	(27,209,143)
Balance, March 31, 2015	$196,773,069	$ 3,256,109	$ 10,928,388	$(385,963,572)	$(14,918,214)	$(189,924,220)
Balance, December 31, 2015	$196,773,069	$ 3,256,109	$ 10,931,572	$(438,696,828)	$(21,495,740)	$(249,231,818)
Share-based payment	-	-	701	-	-	701
Expiry of warrants	-	(3,256,109)	3,256,109	-	-	-
Net loss and comprehensive loss for the period	-	-	-	(6,300,185)	4,700,929	(1,599,256)
Balance, March 31, 2016	$196,773,069	$ -	$ 14,188,382	$(444,997,013)	$(16,794,811)	$(250,830,373)

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

CARPATHIAN GOLD INC.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in United States Dollars)
(Unaudited)

Three Months Ended March 31,	2016	2015
Cash flows from operating activities		
Net loss for the period	$ (6,300,185)	$(20,896,550)
Depreciation and amortization	22,012	5,724,149
Accretion	65,805	65,804
Unrealized foreign exchange gain	4,556,060	(7,731,945)
Share-based payments	701	2,532
Impairment	1,347,462	230,100
Interest income	(2,983)	(1,021)
Deferred share unit costs	(3,504)	(3,064)
Unrealized loss on derivative contracts	-	20,071,186
Net change in non-cash working capital:		
Trade receivables	1,712,925	(1,519,921)
Prepaid expenses and sundry receivables	(1,319,690)	1,683,482
Inventories	126,050	(5,857,914)
Trade, other payables and payables from Gold Stream transaction	615,796	(5,472,834)
Deferred revenues	-	(785,039)
Cash provided by (used in) operating activities	820,449	(14,491,035)
Cash flows from investing activities		
Restricted deposits	13,704	13
Interest income	2,983	1,021
Acquisition of property, plant and equipment	(1,554,121)	(2,372,666)
Acquisition of software licensing	-	(9,733)
Exploration and evaluation assets	(216,011)	(234,580)
Mine development assets	(594,168)	(804,321)
Cash used in investing activities	(2,347,613)	(3,420,266)
Cash flows from financing activities		
Proceeds from Project Loan Facility (net of costs)	2,341,958	16,821,040
Cash provided by financing activities	2,341,958	16,821,040
Effect of exchange rates on cash and cash equivalents	138,692	1,419,352
Net change in cash and cash equivalents	953,486	329,091
Cash and cash equivalents, beginning of the period	621,410	310,736
Cash and cash equivalents, end of the period	$ 1,574,896	$ 639,827
Cash and cash equivalents at the end of the period	$ 1,574,896	$ 639,827
Included in cash and cash equivalents per statement of financial position	$ 1,195,164	$ 626,011
Included in assets classified as held for sale	$ 379,732	$ 13,816
Supplemental cash flow information:		
Interest paid	$ -	$ 10,188,508

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

1. Nature of operations

Carpathian Gold Inc., together with its subsidiaries (collectively the "Corporation"), is a producing as well as exploration, development company focused primarily on gold production of the Riacho dos Machados (the "RDM Project") gold project in Brazil and gold and copper exploration on its property in Romania.

Carpathian Gold Inc. was incorporated under the federal laws of Canada (the *Canada Business Corporations Act*) on January 17, 2003, is domiciled in Canada and its common shares were listed on the Toronto Stock Exchange ("TSX") trading under the symbol "CPN" as at December 31, 2014. The common shares were de-listed from the TSX at the close of business on July 21, 2015. On July 22, 2015, the common shares were posted for trading and listed on the Canadian Securities Exchange. The address of its registered office is 36 Toronto Street, Suite 1000, Toronto, Ontario, M5C 2C5.

These unaudited condensed interim consolidated financial statements were prepared on a going concern basis of presentation, which contemplates the realization of assets and settlement of liabilities as they become due in the normal course of business for the foreseeable future. For the three months ended March 31, 2016, the Corporation incurred a net loss of $6,300,185 and as at March 31, 2016, reported an accumulated deficit of $444,997,013.

As a result of delays in the completion of the construction at the RDM Project in 2013, Mineração Riacho dos Machados Ltda. ("MRDM"), as borrower, and the Corporation (as guarantor) defaulted in 2013 on certain covenants under the Project Loan Facility (the "Project Facility") arrangement with Macquarie Bank Limited ("Macquarie Bank"). These covenant defaults related to financial and operational difficulties experienced by the Corporation, including delays in commencement of production and unplanned cost overruns. As a result, on October 18, 2013, MRDM and the Corporation entered into a Forbearance and Amendment Agreement, as amended, (the "Forbearance Agreement") with Macquarie Bank, under which the lenders agreed to continue forbearing from exercising their rights under the Project Facility through February 15, 2016. Under the terms of the Forbearance Agreement, Macquarie Bank agreed, at its discretion, to provide an additional Tranche 3 under the Project Facility (note 17), the availability of which shall be in the absolute discretion of Macquarie Bank. The events of defaults have resulted in the Corporation reclassifying all borrowings under the Project Facility as current liabilities (included in liabilities classified as held for sale as in note 5) as at March 31, 2016 and December 31, 2015 and recording impairment charges in 2013, 2014 and 2015. In addition, Macquarie Bank is not obligated to deliver or make payments in respect of the derivative contracts per the agreements. On September 22, 2015, Macquarie Bank settled all of the Corporation's derivative contracts.

The RDM Project is situated in a semi-arid region of Brazil and is heavily dependent on the annual rainy season for its supply of water. However, the amount of rain during the most recent season has, like in many other parts of Brazil, fallen considerably short of annual averages. Consequently, the restriction on the availability of water, which is required for operations at MRDM, has caused a temporary reduction in the levels of mining and processing activities at MRDM from April 2015. During this time, the RDM Project moved toward minimal production levels, depending on the availability of water. During the three months ended March 31, 2016, normal production has resumed. On November 20, 2015, the Corporation announced that it has entered into an agreement for the disposal of RDM (See Note 5).

On November 20, 2015, the Corporation announced that, as a result of an agreement (the "Option Agreement") entered into between Macquarie Bank and Brio Gold Inc. ("Brio"), Brio has been granted an option to (i) acquire all of Macquarie Bank's rights and interests in the Project Facility, the gold purchase agreement and the gold sale and purchase agreement and related guarantees previously entered into by Macquarie Bank and the Corporation, MRDM and certain other subsidiaries of Carpathian (collectively, the "Obligors"), and (ii) receive from Macquarie Bank an assignment of Macquarie Bank's security in respect of the foregoing agreements (all of the foregoing agreements and the security are collectively referred to as the "Financial Assets").

On February 17, 2016, Macquarie Bank and Brio entered into a definitive assignment and assumption agreement (the "Assignment and Assumption Agreement") in respect of the Financial Assets.

1. Nature of operations (continued)

Pursuant to the Assignment and Assumption Agreement, Macquarie Bank agreed to forbear from exercising any default-related rights, remedies, powers or privileges, or from instituting any enforcement actions or collection actions against the Obligors under the Financial Assets until the earlier of (i) the assignment of the Financial Assets to Brio and (ii) April 1, 2016. Under the Assignment and Assumption Agreement, to the extent that cash flows from MRDM and its RDM project are insufficient to meet ongoing costs and expenses, Macquarie Bank has agreed with Brio to continue to provide funding to MRDM, subject to the terms and conditions set out in the Assignment and Assumption Agreement. Any drawdowns requested by MRDM under the Facility remain subject to the discretion of Macquarie Bank.

Furthermore, the Corporation entered into an agreement with Brio and Macquarie Bank (the "Restructuring Agreement") whereby the Corporation and Brio agreed that, in the event Brio acquires the Financial Assets from Macquarie Bank, the Corporation would work with Brio with respect to a restructuring procedure to be initiated by Brio with the objective of transferring 100% ownership of the RDM project to Brio (the "Restructuring"). Pursuant to the Restructuring Agreement, Brio would deliver to the Corporation and its directors a full release and discharge with respect to any liability under the Financial Assets, including the Corporation's guarantee thereof. Following the Restructuring, the Corporation shall continue to own its Romanian assets, but shall have no ownership or interest in, or liabilities in respect of, MRDM or the RDM project.

As well, upon closing of the Restructuring, Brio agreed to a US$1 million subscription of common shares of the Corporation, the whole at a price to be mutually agreed and subject to the requirements of the Canadian Securities Exchange.

On March 31, 2016, the Corporation announced that Brio has (i) acquired from Macquarie all of Macquarie's rights and interests in the project loan facility, the gold purchase agreement and the gold sale and purchase agreement and related guarantees previously entered into by Macquarie and the Corporation, MRDM and certain other subsidiaries of the Corporation, and (ii) received from Macquarie an assignment of Macquarie's security in respect of the foregoing agreements. Pursuant to a Restructuring Agreement entered to by the Corporation with Brio and Macquarie Bank , the Corporation is working with Brio with respect to a restructuring procedure to be initiated by Brio with the objective of transferring 100% ownership of the RDM project to Brio. Pursuant to the Restructuring Agreement, Brio will deliver to the Corporation and its directors a full release and discharge with respect to any liability under the Financial Assets, including the Corporation's guarantee thereof. Upon closing of the Restructuring, Brio agreed to a $1 million subscription of common shares of the Corporation, the whole at a price to be mutually agreed and subject to the requirements of the Canadian Securities Exchange.

2. Going concern

The Corporation has $1,195,164 in cash and cash equivalents from continuing operations and anticipated future proceeds of US$1 million from the Brio subscription referred to in Note 1. These available funds may not be sufficient to fund the continuing operations of the exploration in Romania, working capital requirements or corporate administration costs. The Corporation will need to secure additional financing in the future in order to meet the Corporation's requirements for funding of continuing operations. In addition, should the transaction not occur, the Corporation will require additional funding to repay its debt obligations. Nevertheless, there is no assurance that these initiatives will be successful or sufficient. These circumstances lead to material uncertainties and therefore significant doubts as to the ability of the Corporation to meet its obligations as they become due and, accordingly, the ultimate appropriateness of use of the accounting principles applicable to a going concern. Subsequent to March 31, 2016, the Corporation agreed to a private placement into the Corporation whereby Forbes & Manhattan Resources Inc. ("Forbes") and its associated entities will subscribe to a private placement of units for a minimum amount of ten million dollars to advance its Romanian assets.

These unaudited condensed interim consolidated financial statements do not reflect adjustments to the carrying value of assets and liabilities or reported expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

3. Basis of preparation

The Corporation prepares its unaudited condensed interim consolidated financial statements in accordance with IFRS as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These statements are condensed and do not include all of the information required for full annual financial statements and should be read in conjunction with the annual consolidated financial statements as at and for the year ended December 31, 2015.

These condensed interim consolidated financial statements were approved by the Board of Directors on May 27, 2016.

4. Significant accounting policies

Basis of measurement

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of May 27, 2016, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2015. Any subsequent changes to IFRS that are given effect in the Corporation's annual consolidated financial statements for the year ended December 31, 2016 could result in restatement of these unaudited condensed interim consolidated financial statements.

Principles of consolidation

The unaudited condensed interim consolidated financial statements of the Corporation consolidate the accounts of Carpathian Gold Inc. and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are those entities which Carpathian Gold Inc. controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Carpathian Gold Inc. controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by Carpathian Gold Inc. and are de-consolidated from the date that control ceases.

The Corporation’s financial statements consolidate its subsidiaries which comprise the following:

Name of entity	Country of incorporation	Ownership
Ore-Leave Capital (Brazil) Limited	Barbados	100%
OLV Cooperatie U.A.	The Netherlands	100%
OLC Holdings B.V.	The Netherlands	100%
Mineração Riacho dos Machados Ltda. (“MRDM”)	Brazil	100%
Ore-Leave Capital (Barbados) Limited	Barbados	100%
Carpat Gold S.R.L	Romania	100%
Carpathian Gold Limited	British Virgin Islands	100%
SAMAX Romania Limited	British Virgin Islands	100%
SAMAX Romania S.R.L.	Romania	100%

4. Significant accounting policies (continued)

Principles of consolidation (continued)

In preparing the unaudited condensed interim consolidated financial statements in accordance with the IFRS, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses for the period end. Critical accounting estimates represent estimates that are uncertain and for which changes to those estimates could materially impact the Corporation's condensed interim consolidated financial statement. Actual future outcomes may differ from present estimates. Management reviews its estimated and assumptions on an ongoing basis using the most current information available.

The judgements, estimates, assumptions and risks during the three months ended March 31, 2016 are the same as those disclosed in Note 4 to the Corporations' annual consolidated financial statements for the year ended December 31, 2015.

Future accounting standards issued but not yet effective

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation is currently assessing the impact of adopting this standard on the unaudited condensed interim consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount and timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2017, with earlier application permitted. The Corporation is currently assessing the impact of adopting this standard on the unaudited condensed interim consolidated financial statements.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 Leases, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting period beginning on or after January 1, 2019, with earlier adoption permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied or is applied at the same date as IFRS 16. The Corporation is currently assessing the impact of adopting this standard on the unaudited condensed interim consolidated financial statements

There are no other standards/amendments or interpretations that are expected to have a significant effect on the unaudited condensed interim consolidated financial statements of the Corporation.

5. Non-current assets held for sale and discontinued operations

On November 20, 2015, the Corporation announced that, as a result of the Option Agreement entered into between Macquarie Bank and Brio, Brio has been granted an option to (i) acquire all of Macquarie Bank's rights and interests in the Project Facility, the gold purchase agreement and the gold sale and purchase agreement and related guarantees previously entered into by Macquarie Bank and the Corporation, MRDM and certain other subsidiaries of Carpathian , and (ii) receive from Macquarie Bank an assignment of Macquarie Bank's security in respect of the foregoing agreements (all of the foregoing agreements and the security are collectively referred to as the "Financial Assets").

On February 17, 2016, Macquarie Bank and Brio entered into a definitive Assignment and Assumption Agreement in respect of the Financial Assets.

Pursuant to the Assignment and Assumption Agreement, Macquarie Bank agreed to forbear from exercising any default-related rights, remedies, powers or privileges, or from instituting any enforcement actions or collection actions against the Obligors under the Financial Assets until the earlier of (i) the assignment of the Financial Assets to Brio and (ii) April 1, 2016. Under the Assignment and Assumption Agreement, to the extent that cash flows from MRDM and its RDM project are insufficient to meet ongoing costs and expenses, Macquarie Bank has agreed with Brio to continue to provide funding to MRDM, subject to the terms and conditions set out in the Assignment and Assumption Agreement. Any drawdowns requested by MRDM under the Facility remain subject to the discretion of Macquarie Bank.

Furthermore, the Corporation has entered into a Restructuring Agreement with Brio and Macquarie Bank whereby the Corporation and Brio have agreed that, in the event Brio acquires the Financial Assets from Macquarie Bank, the Corporation will work with Brio with respect to a restructuring procedure to be initiated by Brio with the objective of transferring 100% ownership of the RDM project to Brio. Pursuant to the Restructuring Agreement, Brio will deliver to the Corporation and its directors a full release and discharge with respect to any liability under the Financial Assets, including the Corporation's guarantee thereof. Following the Restructuring, the Corporation shall continue to own its Romanian assets, but shall have no ownership or interest in, or liabilities in respect of, MRDM or the RDM project, including the subsidiaries above MRDM in the organizational chart below:

Name of entity	Country of incorporation	Ownership
Ore-Leave Capital (Brazil) Limited	Barbados	100%
OLV Cooperatie U.A.	The Netherlands	100%
OLC Holdings B.V.	The Netherlands	100%
Mineração Riacho dos Machados Ltda. ("MRDM")	Brazil	100%

As well, upon closing of the Restructuring, Brio agreed to a US$1 million subscription of common shares of the Corporation, the whole at a price to be mutually agreed and subject to the requirements of the Canadian Securities Exchange.

On March 31, 2016, the Corporation announced that the assignment of the Financial Assets from Macquarie Bank to Brio was completed.

5. Non-current assets held for sale and discontinued operations (continued)

As at March 31, 2016 and December 31, 2015, all of the assets and liabilities of MRDM (refer to the table below) were classified as held for sales as this transition is expected to be completed by May 2016 and will result in a loss of control.

	March 31, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 379,733	$ 72,335
Restricted deposits	-	344,049
Trade receivables	1,208,509	2,921,436
Prepaid expenses and sundry receivables	1,666,367	345,184
Inventory	42,732,682	42,858,731
	45,987,291	46,541,735
Non-current assets		
Deposits and receivables	6,429,719	5,637,090
Property, plant and equipment	4,035,674	4,352,587
Mine development assets	6,196,672	5,880,782
Total Assets	$ 62,649,356	$ 62,412,194
Liabilities		
Current liabilities		
Trade and other payables	$ 9,507,044	$ 8,991,658
Project loan facility - short-term	273,112,134	270,770,175
Payables from Gold Stream transaction	27,549,600	27,549,600
	310,168,778	307,311,433
Non-current liabilities		
Rehabilitation provision	5,721,830	5,656,025
Total liabilities	$315,890,608	$ 312,967,458

5. Non-current assets held for sale and discontinued operations (continued)

The following table presents summarized statements of loss and comprehensive loss related to the discontinued operations of MRDM:

Three Months Ended March 31,	2016	2015
Revenue	$ 15,494,605	$ 22,391,584
Expenses		
Costs and expensese of mining operations		
Operating costs and mine site administrative expenses	12,165,006	13,245,202
Mine site depreciation and amortization	-	5,699,502
General and administrative	1,766,340	2,089,060
Employee compensation expense	511,670	753,095
Impairment	1,132,558	-
Net (gain) loss on derivative contracts	-	20,071,186
Finance costs		
Interest	-	7,281,390
Accretion	65,805	65,804
Other income	(53,801)	(1,425,548)
Loss on Gold Stream transaction	-	-
Loss from discontinued operations	$ (92,973)	$(25,388,107)

Statement of cash flows for the discontinued operation for the three months ended March 31, 2016 and 2015:

Three Months Ended March 31,	2016	2015
Cash flows from operating activities of discontinued operations	$ 3,025,296	$(12,334,312)
Cash flows from investing activities of discontinued operations	(5,073,121)	(3,185,981)
Cash flows from financing activities of discontinued operations	2,341,958	13,999,752
Effect of exchange rates on cash and cash equivalents	13,263	1,435,856
Increase (decrease) in cash and cash equivalents	307,396	(84,685)
Cash and cash equivalents at beginning of the period	72,336	98,501
Cash and cash equivalents at end of the period	$ 379,732	$ 13,816
Supplemental information:		
Interest paid	$ -	$ 10,188,508

6. Impairment

As at March 31, 2016, a number of impairment indicators were noted by the Corporation in accordance with IAS 36, Impairment of Assets ("IAS 36") for its property, plant and equipment and mine assets and in accordance with IFRS 6, Exploration for and Evaluation of Mineral Resources ("IFRS 6") for its exploration and evaluation assets. Consequently, the Corporation undertook an impairment test on each of its identified CGUs, being MRDM and Romania ("Rovina Valley Project").

Romania

During 2015, the key impairment indicators noted for this CGU were a reduction in the scope of the Rovina Valley Project to a less capital intensive build and smaller scale operations due to decline in commodity prices since the first Preliminary Economic Assessment was completed on the project in March 2010 and increasing uncertainty as to whether the draft amended mining law in Romania will be passed enabling construction of a mine in Romania.

The fair value less costs of disposal ("FVLCD") method was used to determine the recoverable amount as this was determined to be a higher valuation than a value in use calculation. The recoverable amount as determined by the Corporation for the CGU was $Nil.

The key assumptions and estimates used in determining the FVLCD were the probability of the mining law being passed in Romania and estimate of value a market participant would be willing to pay for the CGU based on recent marketing efforts by the Corporation.

Based on the test described above, during the three months ended March 31, 2016, exploration and evaluation assets were impaired by $214,904 (three months ended March 31, 2015: $230,100). The impairment charges were included within the net loss from continuing operations for the three months ended March 31, 2016 in the statement of loss and comprehensive loss. The fair value of the CGU was measured using market approach and Level 3 inputs.

MRDM

During 2016, the key impairment indicators noted for this CGU were the continued delays of the RDM Project to achieve production levels in accordance with its initial life of mine plan, market capitalization below the carrying value of the net assets of the Corporation as a whole, negative cash flows from operating activities, a significant debt facility with Macquarie repayable on demand due to the Corporation defaulting on related covenants and expected disposal of the MRDM project.

FVLCD was used to determine the recoverable amount as this was determined to be a higher valuation than a value in use model. The recoverable amount as determined by the Corporation for the CGU was $47,420,482.

For MRDM CGU, for the three months ended March 31, 2016, impairment charges totaled $1,132,558 (three months ended March 31, 2015: $nil), of which property, plant and equipment were written down by $955,441 (three months ended March 31, 2015: $nil), software licenses were written down by $nil (three months ended March 31, 2015: $nil), exploration and evaluation assets were written down by $nil (three months ended March 31, 2015: $nil) and mine development assets were written down by $507,462 (three months ended March 31, 2015: $nil). These impairment charges were included within the net loss from discontinued operations for the three months ended March 31, 2016 in the statement of loss and comprehensive loss.

7. Rerstricted deposits

As at March 31, 2016, the Corporation's restricted deposits totaled $903,951 (December 31, 2015 - $1,248,000), of $nil (December 31, 2015 - $344,049) are included as assets classified as held for sale, representing an employee trust fund of $1,234,296 (December 31, 2015 - $1,248,000) and currency held in US$ which will be available to fund the operations of MRDM once it is converted to Brazilian Reais through execution of an exchange contract.

8. Inventory

	March 31, 2016	December 31, 2015
Finished products	$ 1,034,401	$ 2,523,093
Work-in-process	37,507,551	35,785,712
Stockpiles	489,743	522,786
Mine supplies	3,700,887	4,027,140
Transferred to assets classified as held for sale	(42,732,582)	(42,858,731)
	$ -	$ -

9. Property, plant and equipment

Cost	Leasehold Improvements	Office Equipment	Equipment	Computer Machinery & Equipment	Total
Balance, December 31, 2015	$ 177,839	$ 54,515	$ 29,325	$ 15,770	$ 277,449
Effect of foreign exchange adjustments	12,076	3,702	5,600	1,071	22,449
Balance, March 31, 2016	$ 189,915	$ 58,217	$ 34,925	$ 16,841	$ 299,898

Accumulated depreciation	Leasehold Improvements	Office Equipment	Equipment	Computer Machinery & Equipment	Total
Balance, December 31, 2015	$ 123,811	$ 27,906	$ 26,139	$ 14,773	$ 192,629
Depreciation	6,389	1,347	700	797	9,233
Effect of foreign exchange adjustments	8,772	1,972	5,422	1,046	17,212
Balance, March 31, 2016	$ 138,972	$ 31,225	$ 32,261	$ 16,616	$ 219,074

Net book value	Leasehold Improvements	Office Equipment	Equipment	Computer Machinery & Equipment	Total
Balance, December 31, 2015	$ 54,028	$ 26,609	$ 3,186	$ 997	$ 84,820
Balance, March 31, 2016	$ 50,943	$ 26,992	$ 2,664	$ 225	$ 80,824

As at March 31, 2016 the carrying value of property, plant and equipment is comprised of $80,824 in corporate and other (December 31, 2015 - $84,820), $nil in Brazil (December 31, 2015 - $nil) and $nil in Romania (December 31, 2015 - $nil).

10. Software license costs

	Cost	Accumulated Amortization	Net book value
Balance, December 31, 2015	$ 293,472	$ 268,936	$ 24,536
Additions	-	12,779	(12,779)
Effect of changes in foreign exchange rates	15,423	14,482	941
Balance, March 31, 2016	$ 308,895	$ 296,197	$ 12,698

As at March 31, 2016, the carrying value of software licensing fees is comprised of $12,698 in corporate and other (December 31, 2015 - $24,536), $nil in Brizil (December 31, 2015 - $nil) and $nil in Romania (December 31, 2015 - $nil).

11. Exploration and Evaluation and Mine Development Assets

Exploration and evaluation assets	Romania	Brazil	Total
Balance, December 31, 2015	$ -	$ -	$ -
Additions	214,904	-	214,904
Impairment	(214,904)	-	(214,904)
Balance, March 31, 2016	$ -	$ -	$ -

Mine development assets	Brazil
Balance, December 31, 2015	$ -
Additions	708,760
Impairment	(392,870)
Transferred to assets classified as held for sale	(315,890)
Balance, March 31, 2016	$ -

As at March 31, 2016 and December 31, 2015, all of the Corporation's exploration and evaluation assets have been impaired and had balances of $nil and the Corporation's mine development assets had been impaired and transferred to assets classified as held for sale and had balances of $nil.

Romania

The Corporation owns 100% of the Rovina Valley Project, which is held through its subsidiary SAMAX Romania S.R.L.

Brazil

The Corporation owns 100% of the Riacho dos Machados gold project located in Minas Gerais State, Brazil, which is held through its subsidiary Mineração Riacho dos Machados, and is comprised of seventeen exploration licenses and a mining concession.

12. Share capital

(a) Authorized

Unlimited number of Common Shares, without par value.
Unlimited number of Preference Shares, without par value.

(b) Issued common shares

	Number of common shares	Stated value
Balance, December 31, 2014, March 31, 2015, December 31, 2015 and March 31, 2016	694,169,911	$ 196,773,096

(c) Stock options

The following table shows the continuity of stock options for the periods noted below:

	Number of options	Weighted average Exercise price Cdn$
Balance, December 31, 2014 and March 31, 2015	10,661,000	$ 0.44
Balance, December 31, 2015	10,261,000	$ 0.45
Forfeited during the period	(300,000)	0.40
Balance, March 31, 2016	9,961,000	$ 0.45

As at March 31, 2016, stock options held by directors, officers, employees and consultants are as follows:

	Options outstanding	Fair value at grant date ($)	Exercise price ($)	Remaining contractual life	Options exercisable
Directors, officers and employees	5,241,000	1,810,603	0.58	138 days	5,241,000
Directors, officers and employees	3,520,000	327,527	0.40	1 year 135 days	3,520,000
Employees	1,200,000	23,241	0.03	3 years 80 days	800,000
	9,961,000	2,161,371		1 year 26 days	9,561,000

As at March 31, 2015 the number of stock options available for exercise was 9,561,000 at a weighted average exercise price of Cdn$0.47 and the aggregate remaining unamortized value of unvested stock options granted was $1,127.

Using the fair value method, total share-based compensation for stock options issued and outstanding for the three months ended March 31, 2016 was $701 (three months ended March 31, 2015 - $2,532).

12. Share capital

(d) Common share purchase warrants

	Number of warrants	Weighted average Exercise price
Balance, December 31, 2014 and March 31, 2015	20,000,000	$ 0.40
Balance, December 31, 2015	20,000,000	$ 0.40
Expired during the period	(20,000,000)	0.40
Balance, March 31, 2016	-	$ -

13. Expense breakdown

(a) General and administrative expenses

Three months ended March 31,	2016	2015
Professional fees	$ 1,135,236	$ 1,174,507
Investor relations and advertising	5,222	24,821
Travel, business and development	32,874	30,384
Office and general	27,514	77,805
	$ 1,200,846	$ 196,773,096

(b) Employee compensation expense

Three months ended March 31,	2016	2015
Salaries and benefits	$ 209,473	$ 245,425
Share-based payments	701	2,532
Deferred share unit costs	3,504	(3,064)
	$ 213,678	$ 244,893

(c) Other (income) expense

Three months ended March 31,	2016	2015
Foreign exchange loss (gain)	$ 4,556,060	$ (6,298,418)
Interest income	(288)	(296)
	$ 4,555,772	$ (6,298,714)

14. Loss per share

Basic loss per share is calculated based on the weighted average number of Common Shares issued and outstanding during the period. Basic and diluted weighted average shares for the three months ended March 31, 2016 is 694,169,911 (three months ended March 31, 2015 - 694,169,911). Stock options and warrants are considered anti-dilutive and therefore are excluded from the calculation of diluted earnings per share.

15. Deferred share unit

Effective January 21, 2010, the Corporation established a Deferred Share Unit ("DSU") Plan for directors or officers of the Corporation or any affiliate thereof ("Eligible Person"). Under the DSU Plan, no less than one-third of bonuses awarded to management will be paid in DSUs and any future increases in directors' remuneration will be paid in DSUs. A DSU is a unit equivalent in value to one common share of the Corporation based on the five-day average trading price of the Corporation's common shares on the TSX immediately prior to the date on which the value of the DSU is determined (the "Market Value"). Upon termination, an eligible person receives a cash payment equivalent to the Market Value of a common share on the termination date multiplied by the number of DSUs held by them.

The following transactions occurred during the periods noted below:

	March 31, 2016	December 31, 2015
Number of DSUs outstanding, beginning of period	948,669	948,669
Number of DSUs outstanding, end of period	948,669	948,669
Liability, end of period	$ 13,199	$ 8,892
Expense for the period	$ 3,504	$ 1,484

16. Trade and other payable

	March 31, 2016	December 31, 2015
Trade payables	$ 7,221,814	$ 5,692,714
Accrued liabilities	2,529,928	4,002,314
Transferred to liabilities classified as held for sale	(9,507,044)	(8,991,659)
	$ 244,698	$ 703,369

17. Project loan facility

As at March 31, 2016, the principal balance outstanding on the Project Facility was $273,112,134 classified within liabilities classified as held for sale (December 31, 2015 - $270,770,175). Interest accrued during the three months ended March 31, 2016 were $nil (three months ended March 31, 2015 - $7,281,390) and facility fees paid for the three months ended March 31, 2016 were $nil (three months ended March 31, 2015 - $801,052). Interest paid for the three months ended March 31, 2016 was $nil (three months ended March 31, 2015 - $10,188,508).

The Corporation entered into a Forbearance Agreement on October 18, 2013, whereby Macquarie Bank agreed to forebear exercising their rights and remedies under this facility agreement with respect to the defaults during the forbearance period from October 18, 2013 to October 31, 2013 (Note 1). This period was amended from time to time, with the last amendment providing for a forbearance period to April 1, 2016. Pursuant to this amendment, funds drawn under Tranche 3 of the Project Facility are to be repaid by April 1, 2016.

This Project Facility bore interest at LIBOR plus a margin of 5.5% for Tranche 2 and 5.0% for Tranche 1 prior to entering into the Forbearance Agreement on October 18, 2013. These were to be reduced to LIBOR plus 5.0% and 4.5%, respectively on commencement of production.

Under the terms of the Forbearance Agreement, as amended from time to time, Macquarie Bank has agreed to provide up to $184 million, at its discretion, of additional financing under a “Tranche 3” of the Project Facility. Tranche 3 of the Project Facility is repayable on April 1, 2016 and bears interest at 20% per annum. In addition, facility fees of 5% are payable on each drawdown against Tranche 3. As a result of the defaults under the terms of the Project Facility (Note 1), the interest rate payable for the $90 million drawn under Tranche 1 and 2 has been increased to LIBOR plus margins of 9.0% and 9.5%, respectively until such defaults are remedied.

On March 31, 2016, Brio acquired from Macquarie all of Macquarie's rights and interest in the Project Facility.

As at March 31, 2016, the Corporation had drawn an aggregate of $273,112,134 against the Project Facility as follows:

Draw down rate	Tranche 1	Tranche 2	Tranch 3	Total
February 2, 2013	$ -	$ 25,000,000	$ -	$ 25,000,000
March 20, 2013	10,000,000	-	-	10,000,000
April 22, 2013	10,000,000	-	-	10,000,000
May 18, 2013	10,000,000	-	-	10,000,000
May 31, 2013	7,500,000	-	-	7,500,000
June 19, 2013	16,000,000	-	-	16,000,000
July 17, 2013	10,000,000	-	-	10,000,000
July 31, 2013	1,500,000	-	-	1,500,000
October 23, 2013	-	-	4,000,000	4,000,000
October 31, 2013	-	-	3,000,000	3,000,000
November 4, 2013	-	-	1,000,000	1,000,000
November 7, 2013	-	-	3,000,000	3,000,000
November 13, 2013	-	-	3,000,000	3,000,000
November 20, 2013	-	-	2,000,000	2,000,000
November 27, 2013	-	-	1,000,000	1,000,000
November 29, 2013	-	-	2,000,000	2,000,000
December 4, 2013	-	-	3,000,000	3,000,000
December 11, 2013	-	-	3,250,000	3,250,000
December 20, 2013	-	-	2,250,000	2,250,000
December 31, 2013	-	-	2,500,000	2,500,000
January 27, 2014	-	-	2,800,000	2,800,000
January 31, 2014	-	-	387,822	387,822
February 6, 2014	-	-	1,310,400	1,310,400
February 7, 2014	-	-	3,860,853	3,860,853
February 18, 2014	-	-	7,475,308	7,475,308
February 25, 2014	-	-	486,473	486,473
February 28, 2014	-	-	614,249	614,249
March 4, 2014	-	-	1,970,578	1,970,578
March 11, 2014	-	-	2,344,186	2,344,186
March 18, 2014	-	-	2,011,889	2,011,889
March 25, 2014	-	-	1,918,397	1,918,397

17. Project loan facility (continued)

Draw down rate	Tranche 1	Tranche 2	Tranch 3	Total
March 28, 2014	-	-	1,138,982	1,138,982
April 2, 2014	-	-	2,272,465	2,272,465
April 8, 2014	-	-	1,471,886	1,471,886
April 15, 2014	-	-	2,440,928	2,440,928
April 22, 2014	-	-	283,720	283,720
April 23, 2014	-	-	1,564,565	1,564,565
April 30, 2014	-	-	535,392	535,392
May 15, 2014	-	-	3,114,359	3,114,359
May 22, 2014	-	-	1,625,146	1,625,146
May 28, 2014	-	-	747,500	747,500
June 3, 2014	-	-	933,076	933,076
June 11, 2014	-	-	95,327	95,327
June 19, 2014	-	-	1,547,770	1,547,770
June 26, 2014	-	-	1,554,493	1,554,493
July 7, 2014	-	-	3,641,339	3,641,339
July 18, 2014	-	-	613,473	613,473
July 31, 2014	-	-	60,298	60,298
August 8, 2014	-	-	210,072	210,072
August 13, 2014	-	-	458,122	458,122
August 21, 2014	-	-	241,310	241,310
August 28, 2014	-	-	269,623	269,623
October 2, 2014	-	-	1,473,684	1,473,684
October 22, 2014	-	-	9,010,170	9,010,170
October 31, 2014	-	-	735,068	735,068
November 7, 2014	-	-	358,006	358,006
November 28, 2014	-	-	3,000,000	3,000,000
December 3, 2014	-	-	1,106,303	1,106,303
December 12, 2014	-	-	1,417,515	1,417,515
December 19, 2014	-	-	851,083	851,083
December 24, 2014	-	-	440,000	440,000
January 9, 2015	-	-	1,067,686	1,067,686
January 30, 2015	-	-	803,979	803,979
February 20, 2015	-	-	619,128	619,128
February 27, 2015	-	-	717,378	717,378
March 6, 2015	-	-	12,812,869	12,812,869
March 31, 2015	-	-	800,000	800,000
April 9, 2015	-	-	2,526,018	2,526,018
April 10, 2015	-	-	205,000	205,000
April 22, 2015	-	-	241,053	241,053
April 28, 2015	-	-	952,632	952,632
May 5, 2015	-	-	1,700,000	1,700,000
May 12, 2015	-	-	1,132,647	1,132,647
May 26, 2015	-	-	1,051,883	1,051,883
June 1, 2015	-	-	7,183,261	7,183,261
June 9, 2015	-	-	494,637	494,637
June 15, 2015	-	-	529,865	529,865
June 22, 2015	-	-	899,695	899,695
July 6, 2015	-	-	4,014,124	4,014,124
July 28, 2015	-	-	551,525	551,525
August 4, 2015	-	-	640,654	640,654
August 10, 2015	-	-	4,999,694	4,999,694
August 17, 2015	-	-	147,000	147,000
August 31, 2015	-	-	724,047	724,047
September 8, 2015	-	-	3,219,204	3,219,204
September 14, 2015	-	-	1,737,502	1,737,502
September 21, 2015	-	-	876,783	876,783
September 21, 2015	-	-	777,838	777,838
September 28, 2015	-	-	15,747,388	15,747,388
October 6, 2015	-	-	2,050,990	2,050,990
October 13, 2015	-	-	669,459	669,459
October 19, 2015	-	-	2,475,239	2,475,239
October 26, 2015	-	-	610,526	610,526
October 27 2015	-	-	573,480	573,480
November 3, 2015	-	-	1,978,034	1,978,034
November 10, 2015	-	-	991,270	991,270
November 18, 2015	-	-	1,080,000	1,080,000
November 24, 2015	-	-	1,057,475	1,057,475
December 22, 2015	-	-	3,394,062	3,394,062
December 29, 2015	-	-	324,320	324,320

17. Project loan facility (continued)

Draw down rate	Tranche 1	Tranche 2	Tranch 3	Total
January 5, 2016	-	-	302,934	302,934
January 26, 2016	-	-	1,278,010	1,278,010
February 2, 2016	-	-	282,452	282,452
February 12, 2016	-	-	272,203	272,203
February 16, 2016	-	-	206,360	206,360
	$65,000,000	$25,000,000	$ 183,112,134	$ 273,112,134

18. Payables from gold stream transaction

Gold Stream Transaction

On May 20, 2010, the Corporation closed the gold stream transaction for $30 million with Macquarie Bank for its Riacho dos Machados gold project (the "Project") in Brazil. Under the terms of the purchase and sale agreement (the "Agreement"), Macquarie made upfront cash payments (the "Upfront Payments") totaling $30 million in return for which it will have the right to purchase 12.5% of the gold produced from the Project at a price of $400 per ounce of payable gold delivered ("Delivered Gold Ounce"). The price per Delivered Gold Ounce to Carpathian will be subject to an inflation escalator. Macquarie also has the right to extend its participation to purchase 12.5% of the additional gold produced from any underground operation within the mining concession and five contiguous exploration licenses, as well as any open pit and/or underground operation on the balance of the property outside of the existing mining concession and five contiguous exploration licenses referred to above (the "Expanded Production"), by contributing 12.5% of the capital required to develop the Expanded Production and paying $450 per Delivered Gold Ounce. This price per ounce will also be subject to adjustment by the price escalation and inflation factors described above. The transaction has been recorded as a sale of a partial mineral property interest and the Upfront Payments are being accounted for as a recovery of exploration and development costs. Accordingly, no immediate gain or loss has been recognized on the transaction. As of December 31, 2014, the full $30 million had been received as Upfront Payment.

In addition, the Agreement provides that, if during the period from July 1, 2013 to June 30, 2014, MRDM has not produced a minimum of 80,000 ounces of refined gold (of which 10,000 ounces would be deliverable to Macquarie Bank), then Macquarie Bank, shall have the right to require MRDM and the Corporation, jointly and severally, to refund to Macquarie Bank an amount (the "Production Shortfall Payment") equal to that percentage of the Upfront Payments which is equal to the percentage of underproduction of refined gold over such 12-month period compared with that which was projected for such 12-month period as set out in the life of mine plan agreed at the time of closing of these transactions. MRDM and the Corporation have received notice from Macquarie Bank for payment of the Production Shortfall Payment. During said 12-month period, MRDM produced a total of 8,168 ounces of refined gold, compared to the 100,000 ounces of refined gold that was projected to be produced under the life of mine plan that was agreed to at the time of closing of the gold stream transactions. Given the forgoing, the underproduction of refined gold during the 12-month period ending June 30, 2014 is equal to 91.8% and, therefore, a Production Shortfall Payment of US$27,549,600 is owed to Macquarie under the gold stream transactions.

Notwithstanding the foregoing, if any Production Shortfall Payment becomes due to Macquarie Bank under the Agreement, and at such time both the Corporation and MRDM are in violation or default of any debt covenant under the credit, debt or loan facility for the Project debt, or the payment of such amounts by the Corporation and/or MRDM would each constitute a default under such credit, debt or loan facility, then MRDM and the Corporation shall have the right to defer payment of such Production Shortfall Payment to Macquarie Bank until the later of the date upon which such violation or default of such credit, debt or loan facility has been remedied and the date on which the amount owing to Macquarie Bank may be paid by the Corporation and/or MRDM without constituting a default under such credit, debt or loan facility. MRDM and the Corporation have elected to defer payment of the Production Shortfall Payment accordingly. Until paid in full to Macquarie Bank, the Production Shortfall Payment shall bear interest at the Default Rate (as defined in the Agreement). In respect of MRDM, Macquarie Bank has agreed to forebear its rights to charge or accrue interest on the refund amount or exercise any such rights with respect to interest until April 30, 2015. On March 31, 2016, Brio acquired from Macquarie all of Macquarie's rights and interest in the Project Facility.

18. Payables from gold stream transaction (continued)

The Corporation acts as a guarantor of MRDM's obligations under the Agreement. In light of the above, the Corporation has recorded a liability of $27,549,600 as the Production Shortfall Payment.

19. Segmented information

The Corporation has two operating segments: the acquisition, exploration and development of mineral properties primarily situated in Romania and in Brazil.

Consolidated statement of financial position

Operating segment	Corporate and other	Brazil	Romania	Total
As at March 31, 2016				
Total assets	$ 2,638,440	$ 62,649,356	$ 17,137	$ 65,304,933
Total liabilities	$ 234,558	$315,890,608	$ 10,140	$316,135,306
As at December 31, 2015				
Total assets	$ 2,011,404	$ 62,412,194	$ 15,412	$ 64,439,010
Total liabilities	$ 692,124	$312,967,459	$ 11,245	$313,670,828

Consolidated statements of (income) loss and comprehensive (income) loss for the three months ended March 31, 2016:

Operating segment	Corporate and other	Brazil	Romania	Total
Expenses				
General and administrative expenses (including depreciation and amortization)	$ 1,222,858	$ -	$ -	$ 1,222,858
Employee compensation costs	213,678	-	-	213,678
Impairment	-	-	214,904	214,904
Foreign exchange loss (gain)	4,558,023	-	(1,963)	4,556,060
Interest income, net of expenses	(288)	-	-	(288)
Loss for the period from continuing operations	5,994,271	-	212,941	6,207,212
Loss for the period from discontinued operation	-	92,973	-	92,973
Loss for the period	5,994,271	92,973	212,941	6,300,185
Other comprehensive income for the period	(4,700,929)	-	-	(4,700,929)
Total comprehensive loss for the period	$ 1,293,342	$ 92,973	$ 212,941	$ 1,599,256

19. Segmented information (continued)

Consolidated statements of (income) loss and comprehensive (income) loss for the three months ended March 31, 2015:

Operating segment	Corporate and other	Brazil	Romania	Total
Expenses				
General and administrative expenses (including depreciation and amortization)	$ 1,332,164	$ -	$ -	$ 1,332,164
Employee compensation costs	244,894	-	-	244,894
Impairment	-	-	230,100	230,100
Foreign exchange loss (gain)	(6,307,826)	-	9,407	(6,298,419)
Interest income, net of expenses	(296)	-	-	(296)
(Income) loss for the period from continuing operations	(4,731,064)	-	239,507	(4,491,557)
Loss for the period from discontinued operation	-	25,388,107	-	25,388,107
Total loss for the period	(4,731,064)	25,388,107	239,507	20,896,550
Other comprehensive loss for the period	6,312,593	-	-	6,312,593
Total comprehensive loss for the period	$ 1,581,529	$ 25,388,107	$ 239,507	$ 27,209,143

20. Related parties

As at March 31, 2016, there were no amounts due to or from related parties not included in note 17 (December 31, 2015 - $nil).

21. Financial instruments and fair value

Measurement categories

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of loss or comprehensive loss. The following table shows the carrying amounts and fair values of assets and liabilities for each of these categories at March 31, 2016 and December 31, 2015.

		March 31, 2016		December 31, 2015	
	Level	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets					
Loans and receivables					
Cash and cash equivalents	1	$ 1,195,164	$ 1,195,164	$ 549,076	$ 549,076
Restricted deposits	1	903,951	903,951	903,951	903,951
Sundry receivables	2	114,604	114,604	91,791	91,791
Assets classified as held for sale	3	1,588,242	1,588,242	3,337,820	3,337,820
Financial liabilities					
Amortized cost					
Trade and other payables	2	244,698	244,698	694,477	694,477
Liabilities classified as held for sale [1 and 2]	1and 2	310,168,778	310,168,778	307,311,433	307,311,433

21. Financial instruments and fair value (continued)

Measurement categories (continued)

[1] Fair value approximates the carrying amount due to the short-term nature.
[2] Fair value represents the aggregate of face value of the loan facility and accrued interest.

Fair value hierarchy

The fair value hierarchy establishes three levels to classify inputs to valuation techniques used to measure fair value. Level 1 inputs are valued at quoted prices in active markets for identical assets or liabilities. Level 2 inputs are valued at quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market data or other means. The fair value of Property, plant and equipment, Exploration and evaluation and Mine development assets are determined primarily using a market approach based on unobservable cash flows and a market multiples approach where applicable and as a result is classified within Level 3 of the fair value hierarchy.

22. Commitment

Lease Commitment

As of December 1, 2010, the Corporation entered into a sub-lease agreement for office space through March 31, 2018. The minimum annual rent thereunder is Cdn$35,640 plus applicable expenses for the entire term. In addition, the Corporation entered into a lease agreement in respect of additional office space for the period June 1, 2012 to March 31, 2018. The minimum annual rent thereunder was Cdn$39,618, which increased to Cdn$44,020 as of October 1, 2014 plus applicable expenses. As of September 1, 2015, all of the Corporation's premises covered by these agreements were sub-leased the Corporation by a third party through to March 31, 2018 at full recovery.

As at March 31, 2016, the Corporation has finalized and signed contracts for the construction, development and operating activities in Brazil as follows:

	Within 1 year	2 to 3 years	Total
Construction and supply contracts	$ 3,856,332	$ -	$ 3,856,332
Office lease	70,246	-	70,246

In addition, the Corporation has signed agreements for services and supplies to be used during the operations of the Project, including for the supply of diesel fuel.

23. Capital disclosure

The Corporation manages its capital structure, defined as shareholders' (deficiency) equity and cash and cash equivalents, to ensure sufficient funds are available to the Corporation to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management to sustain future development of the business. The Corporation has cash and cash equivalents held with large Canadian chartered banks and Brazilian banks.

The properties in which the Corporation currently has an interest are in the production, exploration or development stage and as such the Corporation is dependent on external financing to fund its activities. The Corporation will continue to assess new properties and continue to explore and develop existing properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

	March 31, 2016	December 31, 2015
Cash and cash equivalents	$ 1,195,164	$ 621,411
Restricted deposits	903,951	1,248,000
Project loan facility	273,112,134	270,770,175
Share capital	196,773,069	196,773,069
Warrants	-	3,256,109
	$471,984,318	$472,668,764

In accordance with the terms of the Project Facility (note 17), the Corporation is required to maintain certain covenants. These covenants relate to financial and operational and unplanned cost overruns. Due to the delays in the completion of the construction at the RDM Project, the Corporation has defaulted on these covenants. As a result, on October 18, 2013, MRDM and the corporation entered into a Forbearance Agreement as outlined in note 17.

24. Financial risk factor

The Corporation's financial instruments are comprised of financial liabilities and financial assets. Financial liabilities include accounts payable, Project Facility, payables from Gold Stream transaction and derivatives arising from its currency and price protection facilities. The Corporation's main financial assets are cash and cash equivalents, restricted deposits, derivative contracts (prior to settlement) and sundry receivables. The main risks that could adversely affect Carpathian's financial assets, liabilities or future cash flows are as follows:

(a) Credit Risk

The Corporation's exposure to credit risk is primarily relating to its financial assets consisting of cash and cash equivalents and restricted deposits. Cash and cash equivalents consist of deposit accounts held at various Canadian, Brazilian and Romanian chartered banks, from which management believes the risk of loss to be remote.

(b) Liquidity Risk

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due. As at March 31, 2016, the Corporation faces liquidity risk to the extent that it will be unable to settle current liabilities of $316,135,306 with cash and cash equivalents and restricted deposits totalling $2,099,115. Current liabilities consist of trade and other payables, payables from Gold Stream transaction and borrowings. Commitments, consisting of construction contracts and supply contracts for fuel and other material are included in note 22.

In order to manage this risk, management monitors rolling forecasts of the Corporation's liquidity reserve on the basis of expected cash flows and expenditures.

Pursuant to the agreement with Brio (see note 1), upon closing of the Restructuring, Brio agreed to a US$1 million subscription of common shares of the Corporation. The Corporation continues to pursue strategic alternatives, including a possible sale or financial restructuring. Negotiations are on-going and the Corporation is also considering potential new equity capital raising initiatives. However, no firm offers have been received, and there can be no assurance that any completed transaction will result (note 1). See subsequent events note 25.

(c) Market Risk

Market risk is the risk that changes in market factors, such as interest rates, foreign exchange rates or commodity prices will affect the value of the Corporation's financial instruments.

(i) Interest rate risk

The Corporation's short term investments are interest bearing deposit accounts held at Canadian chartered banks. The Corporation regularly monitors the investments it makes, including amounts of cash funds held in bank accounts and is satisfied with the credit ratings of its banks.

As of March 31, 2016, management estimates that if interest rates had changed by 5% the impact on interest income and net loss for the period would have been approximately $24,599.

24. Financial risk factor (continued)

(c) Market Risk (continued)

(ii) Foreign currency risk

The parent's functional currency is the Canadian dollar. The Corporation is affected by currency transaction and translation risk. The Corporation funds its Romanian exploration and development activities using U.S. dollar currency received from MRDM. The Corporation's liabilities incurred in Canada are primarily payable in Canadian dollars. Liabilities incurred in Romania are settled in Romanian Lei or Euros and liabilities incurred in Brazil are primarily settled in Brazilian Reais. As at March 31, 2016, the Corporation held cash and cash equivalents of $379,732 in Brazilian Reais, $112,344 in Canadian dollars, $1,068,362 in U.S dollars and $14,458 in various European currencies. Consequently, fluctuations in the U.S. dollar currency against these currencies directly affect the cost of property, plant and equipment assets and operating expenditures for various subsidiaries. Management closely monitors variations in the exchange rates of the currencies in which it transacts business.

As of March 31, 2016, management estimates that if foreign exchange rates had changed by 10% against the U.S. dollar, the impact on net loss for the period would have been approximately $327,832.

(iii) Commodity price risk

The Corporation is exposed to price risk with respect to commodity pricing primarily for gold and copper. The Corporation had previously entered into a gold price protection program to mitigate a portion of the downside risk of changes in the market price of gold which were settled during 2015. The Corporation has not entered into any other gold protection program subsequent to the settlement.

25. Subsequent events

(i) On April 29, 2016, the Ontario Superior Court of Justice (Commercial List) issued an order approving, among other things, a credit bid transaction, which was initiated by Brio with the cooperation of the Corporation, and the sale to Brio of all of the Corporation's direct and indirect equity interests in MRDM.

Brio has delivered to the Corporation and the directors of the Corporation and certain of its subsidiaries a full release and discharge with respect to any liability under (i) the project loan facility, the gold purchase agreement and the gold sale and purchase agreement and related guarantees previously entered into by Macquarie and the Corporation, MRDM and certain other subsidiaries of Carpathian, and (ii) Macquarie's security in respect of the foregoing agreements previously acquired by Brio from Macquarie, including the Corporation's guarantee thereof.

None of the other assets of the Corporation have been affected by the Restructuring, and the Corporation continues to own its Romanian assets.

Furthermore, Brio entered into a subscription agreement with the Corporation whereby Brio agreed to purchase 70,194,444 common shares (the "Shares") in the capital stock of the Corporation at a price of CAD$0.018 per Share for aggregate gross proceeds of US$1,000,000 (CAD$1,263,500) on a private placement basis. The subscription price for the Shares was based on the 20-day volume weighted average price thereof as of the close of business on April 26, 2016. The Corporation applied for and was granted an exemption from the Canadian Securities Exchange's minimum price rule in this regard. Closing of the private placement is expected to took place on May 2, 2016.

25. Subsequent events (continued)

(ii) On May 9, 2016, the Corporation announced that it agreed to a private placement into the Corporation whereby Forbes & Manhattan Resources Inc. (“Forbes”) and its associated entities will subscribe to a private placement (the “Private Placement”) of units (the “Units”) for a minimum amount of ten million dollars (CAD$10,000,000) to advance its Rovina Valley Gold Project in Romania. On May 19, 2016, the Corporation closed the Private Placement whereby Forebes, Sulliden Mining Capital Inc. and Black Iron Inc. subscribed to the Units at subscription price of CAD$0.07 per Unit for aggregate gross proceeds of CAD$10,000,000. Each Unit consists of one (1) common share of the Corporation ("Common Share") and one-half (0.5) of a common share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to acquire one (1) Common Share at a price of CAD$0.12 for a period of two (2) years from the date of issuance. However, the Warrant exercise period may be accelerated if after the date that is 4 months and a day following the closing, the Common Shares trade at a price above CAD$0.15 for a period of 20 consecutive trading days.

SCHEDULE C

Carpathian Gold Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended March 31, 2016 and 2015.

The following management discussion and analysis ("**MD&A**") should be read in conjunction with the audited consolidated financial statements of Carpathian Gold Inc. ("**Carpathian**" or the "**Corporation**"), for the year ended December 31, 2015 and the condensed interim consolidated financial statements for the three months ended March 31, 2016 ("**Q1 2016**") and the Corporation's other securities filings available on www.sedar.com. The Corporation reports its condensed interim consolidated financial statements in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. All financial figures contained in this MD&A are denominated in United States dollars (US$), unless otherwise specified.

Date of MD&A

This MD&A is current as of May 27, 2016.

Cautionary Statements Regarding Forward-looking Information

Some statements contained in this MD&A constitute "forward-looking information" as defined by Canadian securities laws. These statements relate to future events of the Corporation's future performance. Often, but not always, forward-looking information can be identified by the use of such words as "plans", "expects", "is expected", "budgeted", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur, or be achieved. Forward-looking information involves uncertainties, risks and other factors that could cause actual results to differ materially from those anticipated in such forward-looking information. Forward-looking information and statements in this MD&A include, without limitation, those that relate to the following:

- the Corporation's strategies and objectives with respect to the Riacho dos Machados gold project ("**RDM**" or the "**Project**");
- the Corporation's estimate of the quantity and quality of its mineral reserves and resources;
- the achievement of commercial production;
- the sufficiency of available funds and the requirement for additional funding;
- the expected ore grades, recovery rates and throughput;
- the Corporation's production and cost guidance;
- the anticipated operation of plants, equipment and processes;
- the long-term demand and supply of gold;
- prices and price volatility for gold;
- the Corporation's estimates of any reclamation costs;
- the Corporation's future exploration, capital and operating costs; and
- general business and economic conditions.

Such forward-looking information is necessarily based on a number of factors and assumptions that, while considered reasonable by the Corporation as of the date of such statements, may prove to be incorrect, including, but not limited to, assumptions and factors relating to the following:

- the availability of financing for the Corporation's activities;
- operating and capital costs;

- the estimated timeline for the ramp-up of production at the RDM project;
- the supply and demand for, and the level and volatility of the price of gold;
- timing of the receipt of regulatory and government approvals for its operations;
- the exchange rates between the Canadian dollar, the United States dollar and the Brazilian real;
- energy and fuel costs;
- the accuracy of the Corporation's mineral reserve and resource estimates and the geological and metallurgical assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources) and operational and price assumptions on which the mineral reserves and resource estimates are based; and
- general business and economic conditions.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the Corporation's actual results, performance or achievements to be materially different from those anticipated thereby. These risks, uncertainties and other factors include, but are not limited to those inherent to the gold exploration and development industry as well and those risks factors discussed in this MD&A under the heading *"Risks and Uncertainties"*. Readers are cautioned that these risks, uncertainties and other factors are not exhaustive of the risks, uncertainties and other factors that may affect the forward-looking information.

All forward-looking information in this MD&A is qualified by this cautionary statement. Readers should not place undue reliance on forward-looking information. The forward-looking information contained in this MD&A is made as of the date hereof and is subject to change after such date. The Corporation does not undertake or accept any obligation to release publicly any updates or revisions to any forward-looking information and statements, except as prescribed by applicable securities laws.

Responsibility of Management and the Board of Directors

Management is responsible for the information disclosed in this MD&A and the accompanying Financial Statements and has in place the appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Corporation's Audit Committee, on behalf of the Board of Directors (the "**Board**"), provides an oversight role with respect to all public financial disclosures made by the Corporation and has reviewed and approved this MD&A and the accompanying Financial Statements.

Overview

The Corporation is principally a mineral exploration and development company. Through its subsidiaries, the Corporation is currently involved in the exploration and development of mineral properties situated in two jurisdictions. In Minas Gerais State, Brazil, the construction, development and production ramp-up of the Corporation's Riacho dos Machados gold project was completed at the end of Q3 2014 and declared commercial production for Q4 2014. In Romania, the Corporation has carried out extensive exploration programs on three copper-gold porphyry systems referred to as Rovina, Colnic and Ciresata (collectively, the "**Rovina Valley Project**" or "**RVP**") with a view to advancing them to the pre- feasibility stage.

Brazil

RDM was the Corporation's sole project in Brazil and the focus of its efforts since late 2008. RDM hosts a past producing mine that was operated by Vale S.A. as an open-pit heap-leach gold mine until 1997, with maximum pit depths at that time of approximately 60 m. The objectives of the work carried out since 2008 were to define a gold resource at RDM that could be of sufficient size to justify expanding and deepening the former open-pit mine, as well as to define additional gold mineralization and/or exploration targets along strike and at depth. The Corporation, through its Brazilian subsidiary, Mineração Riacho dos Machados ("**MRDM**"), owns 100% of RDM, which currently comprises one mining concession (1,000 ha), one mining concession in the approval process (1,230

ha) and 6 exploration licenses (9,091 ha). In addition, MRDM is in the process of applying for additional mining concessions covering areas not included in the above.

On April 6, 2011, the Corporation announced the results of an NI 43-101 feasibility study (the "**Feasibility Study**") on the open-pit portion of the Project (the "**RDM Technical Report**") and a construction decision.

The Feasibility Study was amended on November 15, 2011 (the "**Amended RDM Technical Report**") to reflect updated qualified persons certificates and filed on that date on SEDAR, which is accessible at www.SEDAR.com. In addition, an addendum to the Amended RDM Technical Report was issued by Golder Associates Brasil Consultoria e Projectos Ltda., and filed on SEDAR on November 15, 2011. This addendum primarily reflected the agreement by the Corporation with the Brazilian authorities that the Corporation would undertake to add an impervious liner to the tailing impoundment area, along with some additional environmental works. The extra cost for this additional work, along with certain scope changes that have been implemented to enhance future operations is estimated at approximately $15 million. As of the date of this MD&A, the estimated start-up CAPEX for the Project, including the extra scope work discussed above is approximately $185 to $190 million.

The Amended RDM Technical Report is based on an owner operated conventional open-pit mining method with drill and blast, backhoe excavators, haul trucks, and auxiliary mobile equipment to support an operation processing approximately 2.5 million tonnes per year of ore and moving approximately 27.7 million tonnes per year of waste. The report identified total proven and probable reserves of 20.9 million tonnes of ore at a grade of 1.24 g/t Au with an operational strip ratio of 7.4 to 1. A combination of owner operated and contractor equipment will be used. The run-of mine ("**ROM**") ore will be hauled from the open-pit with 60 tonne haul trucks and dumped directly into a hopper that feeds the primary crusher at a rate of 7,000 tonnes per calendar day or 2.555 million tonnes per year. A small ore stockpile of 5,000 tonnes will be established at the primary crusher area to cater for the event that the pit operation is stopped for any reason, so that the crushing plant can continue to operate.

The process plant is conventional with a primary jaw crusher, secondary and tertiary cone crushers in closed circuits with vibrating screens, a single stage ball mill in a closed circuit with cyclones, a CIL circuit, a cyanide destruction system, and an adsorption, desorption and recovery ("**ADR**") plant to produce gold dore bars. The processing rate of the plant is expected to be 7,000 tonnes per calendar day at a head grade of approximately 1.24 g/t Au and is expected to average about 90% gold recovery based on the test work performed. Approximately 7,500 ounces of gold is planned to be produced on an average monthly basis over the life of the mine.

On June 11, 2015, MRDM received a Licença de Operação ("**LO**" or operating License), which is the definitive operational permit for the RDM Project. Prior to obtaining the LO, MRDM had operated the RDM Project under a provisional operating permit which was granted by SUPRAM on December 13, 2013.

In the third quarter of 2015, MRDM mined 124,134 tonnes of ore from the open-pit and processed at total of 55,156 of the mined tonnes. The process plant metallurgical gold recovery during this period is estimated at 86% and a total of 10,385 ounces of gold were produced.

The original target for gold production at MRDM in 2015 was 95,000 to 105,000 ounces at a cost of US$902 per ounce. However, a limited water supply due primarily to abnormally low rainfall, prevented these targets from being met. The lack of availability of water, which is required for the operations at RDM, caused a temporary reduction in the levels of mining and processing activities at RDM in 2015, and we were only been able to achieve minimal production levels.

In order to implement the program of reduced production described above, MRDM signed two agreements with its unionized employees. The first agreement was in respect of the reduction of working days of the employees, and the second agreement related to the temporary suspension of the employment contracts of the employees.

Under the agreement related to the reduction of working days, employees' workdays were reduced resulting in a reduction of wage costs in the amount of 25% monthly. Employees stayed home but remained on call for the company to work as required. Employees were paid 100% of their wages for each day worked.

Under the contract suspension agreement, employment contracts were suspended and, therefore, employee benefits were not being paid by the company. In order to avoid dismissal of the employees and an economic crisis, the Brazilian Federal Government has created a program called "Bolsa de Qualificação Profissional (Sponsorship Professional Qualification), under which it provides an allowance of up to BRL 1,300 monthly (according to the Brazilian unemployment insurance rules) to each employee who has their contract suspended. The company that suspends an employee's contract must offer a professional training course to the employee during the period of suspension. MRDM has committed to enhancing the amount of the allowance provided by the Federal Government such that our employees receive the equivalent of 75% of their salary. During the second half of 2015, 191 employees were enrolled in this program. Both agreements expired on December 9, 2015.

As at March 31, 2016 and December 31, 2015, all of the assets and liabilities of MRDM (refer to the table below) were classified as held for sale, and the previously announced assignment was completed on April 29, 2016 resulting in a loss of control.

On January 11, 2013, MRDM entered into a Project Loan Facility (the "**Facility**") with Macquarie Bank Limited ("**Macquarie Bank**") of up to US$90 million to fund the construction and development of the RDM Mine. In conjunction with this Facility, MRDM, through Macquarie Bank, also entered into price protection programs in the form of currency swaps for the RDM Project's Capex (R$1.90 to US$1.00) and Opex (R$1.983 to US$1.00) as well as a gold price protection program (consisting of forward sales) for a total of 216,600 ounces of gold (approximately 26% of the open-pit reserves) at varying prices from US$1,177 to US$1,600 per ounce. On September 22, 2015, all price protection and gold price protection programs have been settled. During 2013, MRDM drew the entire US$90 million against the Facility. The Facility has been amended a number of times to provide for the increase of the aggregate amount available thereunder to up to US$274.00 million and to provide forbearance against certain defaults and covenants of MRDM under the Facility. As of the date of this MD&A, an aggregate of approximately US$272.84 million has been drawn down by MRDM under the amended Facility. On March 31, 2016, Macquarie Bank assigned all of its rights, title and interest under the Facility to Brio Finance Holdings B.V. ("**Brio**"), and the most recent forbearance period expired on April 1, 2016 (See also "**Disposition of MRDM**").

The Corporation acted as a guarantor of MRDM's obligations under the Facility and related derivative contracts.

The gold mineralization at RDM is situated within a continuous 14 km long shear zone hosted in Precambrian metamorphic rocks with a demonstrated gold endowment. This shear zone is fully covered by the Corporation's mining concession, exploration licenses and applications for mining concessions that extend over a strike-length of approximately 40 kilometres. The most intensely explored zone to date has been at the RDM mine site location and only represents approximately 2 km of the southern portion of the 14 km long shear zone. There are numerous surface gold targets of similar gold grade that occur along strike at RDM within this shear zone and, to date, a total of at least nine (9) priority exploration targets have been identified, of which seven are to the north of the open-pit area and two to the south. The Corporation expected to embark on a drilling exploration program to evaluate these targets as well as other targets with the goal of defining further resources with the potential to provide additional plant feed and mine life; however, this exploration program has been largely deferred to a later date as a cost containment measure.

Further information on RDM, including the NI 43-101 reports can be found on the Corporation's web site at www.carpathiangold.com.

Under current regulations, all exploration activities that the Corporation undertook through MRDM had to be carried out on valid mining or exploration licenses issued by the Departamento Nacional de Produção Mineral ("**DNPM**"), a department of the Brazilian federal government. The DNPM is responsible for the administration of

all mining and exploration licenses, and prospecting permits. According to local regulations, MRDM must submit a final exploration report before the expiry date of any license or permit, which is usually three years from the date of grant. However, Brazilian mining laws and regulations are currently undergoing a major restructuring, and draft legislation to this effect has been submitted to the federal legislature for review and approval. The effects of this restructuring will, if adopted, be far-reaching in the ways that mining rights can be acquired and maintained in that country. Current proposals include an auction process for new licenses, minimum expenditures designed to eliminate the "warehousing" of mining permits and licenses as well as new fee schedules. They also provide for land owner participation where applicable. It is the Corporation's understanding, based on consultations with local counsel, that licenses currently held in good standing will be grandfathered and not subject to certain requirements of the proposed new regime.

The project operations, development and construction work is taking place on a mining concession on which MRDM owns the surface rights and the environmental licenses required to execute the construction of the Project. Each year, MRDM also pays the Brazilian government an annual fee based on the number of hectares forming part of each license (Taxa Anual por Hectare). As at the date hereof, the licenses held by MRDM represented a total of 10,091 hectares. MRDM is required to pay the Brazilian government a 1% royalty fee (the "**CFEM**") on the value of the ore produced. However, and as mentioned above, the Brazilian government is currently considering the adoption of new mining legislation which would include increases in the CFEM royalties. (See also *"Risk Factors – Foreign Jurisdictions"*).

Environmental permits for exploration are granted for one to two year periods and all local agencies have the right to monitor and evaluate compliance with the issued permits even though such monitoring tends to be minimal in scope and nature. Any changes to the exploration activities that result in a greater environmental impact require approval.

The work MRDM carries out on its exploration licenses is largely restricted to drilling and ancillary activities associated with the drilling programs (i.e., low impact road construction, drilling stations). As such, the reclamation costs in respect of drilling activities are not material to MRDM and are factored into the budget for exploration programs.

As part of the completion of the Feasibility Study along with environmental impact assessments, a reclamation program was developed for the mining license. A total cost of $8.2 million is the current estimate as the projected liability on the closure of the operations. Further environmental impact assessments will provide a more detailed analysis of the future costs of compliance with applicable environmental requirements and will also provide a better estimate of the eventual costs of reclamation obligations at the end of the mine life. MRDM has achieved commercial production as of October 1, 2014 and recorded the rehabilitation provision based on the percentage of completion of 100%. As at March 31, 2016, the rehabilitation provision has been discounted using a discount rate of 5.65% and an obligation of approximately $5.7 million has been recorded (December 31, 2015 - $5.7 million).

Romania

The Corporation holds the Rovina Valley Project through an exploration license which covers a total of approximately 94 square kilometres (the "**Rovina License**") that is currently being converted through a formal government process to a mining license. The Rovina Valley Project is the Corporation's sole exploration project in Eastern Europe and the main focus of its exploration efforts there since 2005. It hosts three copper-gold porphyry systems or deposits: Rovina (the "**Rovina Deposit**"), Colnic (the "**Colnic Deposit**") and Ciresata (the "**Ciresata Deposit**"). The Colnic Deposit is located approximately 2.5 km south of the Rovina Deposit and the Ciresata Deposit is approximately 4 km south of the Colnic Deposit.

The area covered by the Rovina License has access to all necessary power and water supplies. The topography of the area is hilly with forest vegetation and an elevation of approximately 900 m above sea-level.

On November 17, 2008, the Corporation released the results of an updated NI 43-101 Mineral Resource Estimate (the "**Resource Estimate**") on the Rovina Valley Project indicating 193.1 million tonnes of 0.49 g/t Au and 0.18% Cu in the Measured and Indicated categories for a total of 3.07 million ounces of gold and 759.1 million pounds of copper and 177.7 million tonnes of 0.68 g/t Au and 0.17% Cu in the Inferred category for 3.89 million ounces of gold and 663.1 million pounds of copper. The complete report can be found on www.SEDAR.com. The Ciresata deposit hosts significant mineralization above the cut-off grade of 0.70 g/t Au eq, which was not incorporated into the Resource Estimate due to low drill hole density on the edges of the Resource Estimate mineralization, and at depth where the mineralization is still open. Nearly every drill hole in the Ciresata Deposit bottomed in mineralization.

There has been no previous commercial mining activity at the Rovina Valley Project and the proposed mine site footprint, as defined by the PEA, does not include any known protected heritage sites or archaeological occurrences and has been specifically designed to minimize the impact on nearby communities.

During 2010, the Corporation announced the results of three deep diamond drill holes at the Ciresata Deposit. The three deep, vertical core holes (approximately 3,000 m) were designed to test for the depth extension of the Ciresata mineralization as the results of the PEA highlighted additional upside potential for resource growth at the Ciresata Deposit given that practically every drill hole bottomed in higher-grade gold and copper mineralization. The drill program was also designed to provide infill drill hole data, which would serve to upgrade the present resource category from inferred to indicated. The results of this drilling program have successfully met our objectives and have added significant depth extensions of gold and copper mineralization below previous drilling in addition to verifying and upgrading the grade tenor of the inferred resource estimate. Results of the three deep drill holes have added 280 to 300 m depth extension of Au-Cu mineralization below the previous drilling, and indicate that the deposit is still open laterally.

As a result of the success of the 2010 drill program, the Corporation embarked on a +35,000 metre drill program in 2011 in order to define the limits of the Ciresata Deposit, upgrade the RVP inferred resource to the Measured plus Indicated resource categories, as well as test satellite targets.

On July 17, 2012, the Corporation announced an updated NI 43-101 resource estimate ("**2012 Resource Estimate**"). This updated resource incorporated a total of 120,256 m of drilling database results from 241 drill holes. The 2012 Resource Estimate was completed by AGP Consultants Inc. ("**AGP**") which is an independent engineering company. The 2012 Resource Estimate increased the previous measured plus indicated gold resource category by 134% to 7.19 million ounces and increased the measured plus indicated copper resource by 84% to 1,420 million pounds of copper. In addition the measured plus indicated gold resource grade increased by 12.2 % from the previous resource and the tonnage by 110%.

The 2012 resource update is shown below:

Resource Category	Tonnage (MM t)	Au (g/t)	Cu (%)	Gold (MM oz)	Copper (MM lbs)	Au eq* (MM oz)
Measured						
Rovina (open-pit)	31.8	0.36	0.30	0.37	209.0	0.91
Colnic (open-pit)	29.4	0.64	0.12	0.61	75.0	0.80
Ciresata (underground)	29.7	0.86	0.16	0.82	105.0	1.09
Total Measured	**90.9**	**0.62**	**0.19**	**1.80**	**389.0**	**2.80**
Indicated						
Rovina (open-pit)	73.5	0.27	0.23	0.64	370.0	1.59
Colnic (open-pit)	106.3	0.47	0.10	1.59	226.0	2.18
Ciresata (underground)	135.1	0.72	0.15	3.15	435.0	4.26
Total Indicated	**314.9**	**0.53**	**0.15**	**5.38**	**1,031.0**	**8.03**
Total Measured + Indicated	**405.8**	**0.55**	**0.16**	**7.18**	**1,420.0**	**10.83**
Comparison to 2008 Resource Estimate	+ 110%	+12.2%	-11.1%	+134%	+87%	+113%
Inferred						
Rovina (open-pit)	**13.4**	**0.19**	**0.20**	**0.08**	**60.0**	**0.24**
Colnic (open-pit)	**3.8**	**0.32**	**0.10**	**0.04**	**8.0**	**0.06**
Ciresata (underground)	**9.6**	**0.67**	**0.14**	**0.21**	**29.0**	**0.28**
Total Inferred	**26.8**	**0.38**	**0.16**	**0.33**	**97.0**	**0.58**
Comparison to 2008 Resource Estimate	-85%	-43.7%	-3.1%	-92%	-85%	-90%

- *Au eq. determined by using a gold price of US$1,370 per ounce and a copper price of US3.52/lb. These prices are the 3-year trailing average as of July 10, 2012. Metallurgical recoveries are not taken into account for Au eq.
- Base case cut-off used in the table are 0.35 g/t Au eq. for the Colnic deposit and 0.25% Cu eq for the Rovina deposit, both of which are amenable to open pit mining and 0.65 g/t Au eq for the Ciresata deposit which is amenable to underground bulk mining.
- For the Rovina and Colnic porphyries, the resource is an in-pit resource derived from a Whittle shell model using gross metal values of $1,350/oz Au price and $3.00/lb Cu price, net of payable amounts after smelter charges and royalty for net values of US$1,313/oz Au and US$2.57/lb Cu for Rovina and US$2.27/Ib Cu for Colnic.
- Rounding of tonnes as required by reporting guidelines may result in apparent differences between tonnes, grade and contained metal content.

A consortium of leading engineering groups and specialists, led by AGP was selected in July 2011 to complete a Pre-Feasibility Study for the Rovina Valley Project, specifically on the Ciresata, Colnic and Rovina porphyry deposits. The Pre-Feasibility Study was put on hold in 2013, given the decline in commodity prices and the equity markets sentiment to fund low grade, large capital cost projects. The interim results of the pre-feasibility study are being reviewed internally for a smaller scale operation than was envisioned in the PEA study competed in March 2010.

During 2012 and subsequent to the data closure date of the 2012 Resource Estimate update, the Corporation completed a total of 14,920 metres of drilling at the Rovina Valley Project, of which, 5,290 metres of drilling was for resource definition, 8,715 metres of exploration and satellite target drilling, predominantly at the Ciresata porphyry and 915 metres of geotechnical drilling.

Drilling activities on the Rovina Valley Project stopped on July 5, 2012 due to the impending expiry of the exploration license on August 29, 2012 and closure of the work program for the submittal of final documentation for the conversion to a mining license. In August 2012, the final exploration report was submitted to the NAMR and accepted. Romanian mining law states that the holder of an exploration license has the exclusive right to apply for a mining license at any time or within 90 days after the expiration date of the exploration license. The Corporation, through its wholly-owned subsidiary, SAMAX Romania SRL ("**SAMAX**") notified the NAMR of its intention to exercise its exclusive statutory right to apply for a Mining License.

SAMAX subsequently and within the 90 day requirement, submitted the required Mining License Application ("**MLA**") documentation including the mining study, the waste management plan, an environmental assessment, various impact studies and a closure plan. In March 2013, the Romanian National Agency for Mineral Resources ("**NAMR**") approved and registered the MLA resources/reserves in the National Registry. In October 2013, the NAMR approved the mining waste management plan.

Although initially, the MLA was to be based on a large 40,000 tonne per day operation, the decline in commodity prices and increases in capital cost items since the filing of a preliminary economic assessment ("**PEA**") in 2010, the Corporation initiated a review of the scope of the project as a smaller, lower capital intensive operation.

During the third quarter, 2014, the Corporation with a consortium of Romanian specialists completed a mining study for a 20,000 tonnes per day operation and associated environmental impact and risk studies which were submitted to the NAMR in August 2014. In October 2014, the NAMR approved the mining waste management plan as one of the key steps in the Mining License approval process. In addition, the Corporation continues to assess the scalability of a potential mining operation at the Rovina Valley project with the goal to optimize return on investment. The revised MLA may form the basis for the re commencement of the Pre-Feasibility Study.

On May 27, 2015, the NAMR granted a 20-year mining license ("**MLA**") for the Rovina Valley Project. The granting of the MLA represents the first and most important step in the licensing process. Under Romanian law, the MLA will come into effect upon final review by several government departments and its publication in the official gazette. The Corporation will now proceed with an update to the Preliminary Economic Assessment of 2010 which will outline revised project costs and evaluate scalability options. The granting of the Rovina MLA represents the first time that Romania has granted a mining license for metals without the involvement of a state-owned enterprise.

Following the conversion to a mining license, approval to begin construction and mining operations will require a building authorization permit that will include land zoning and final environmental reviews and government approval resulting from a full Environmental Impact Assessment ("**EIA**") study. During the conversion process from an exploration license to a mining license, no disruptive physical field work (i.e., drilling, land clearing, etc.) can be carried out on the property, until after the mining license has been approved. In addition, there is uncertainty as to whether the draft amended mining law in Romania will be passed enabling construction of a mine in Romania.

Through its wholly-owned operating subsidiary, SAMAX, the Corporation continues to maintain its proactive local stakeholder engagement program. The program includes local community hall public meetings, a public information centre and partnership programs with local NGO's and community leaders to implement community-based projects. The good relations with the community have allowed unhindered surface access for drilling in the Rovina Valley Project area which requires permission from landowners. In addition, the Corporation continues with its long lead time work activities for both the EIA and SIA documentation that will be required for the permitting of the project.

Further information on the Rovina Valley Project, including NI 43-101 reports can be found on the Corporation's web site at www.carpathiangold.com.

All exploration activities undertaken by the Corporation in Romania must occur on valid exploration licenses or prospecting permits issued by the NAMR in Bucharest, which is responsible for the administration of all mining and

exploration licenses and prospecting permits. According to the regulations and standard practices in Romania, the Corporation must submit reports of work completed and follow-up work programs on an annual basis to the NAMR.

Prior to initiation of any exploration activity, environmental approval of a proposed exploration program must be obtained from various land management agencies having local, county and/or regional jurisdiction. These local agencies are responsible for forestry, surface waters, archaeology and history, and are coordinated through the local environmental agency. The levels of environmental studies and approvals are determined by the local environmental agency following an approval template referred to as the 'urbanisation certificate'. In practice, exploration activities, including drilling, are classified as low impact, and as such do not require comprehensive environmental impact studies.

Environmental permits for exploration are granted for one to two year periods and all local agencies have the right to monitor and inspect environmental impacts to evaluate compliance with issued permits even though such monitoring tends to be minimal in scope and nature. Any changes to the exploration activity that result in a greater environmental impact require approval.

Due to the fact that SAMAX is an exploration-stage company, the activities it conducts on its projects are largely restricted to drilling and ancillary activities associated with the drilling programs, such as access road and drill pad construction. As such, the reclamation costs in respect of drilling activities are not material to the Corporation and are factored into the Corporation's budgets for exploration programs. If and when the Corporation wishes to enter the production stage, it will need to prepare a feasibility study as well as extensive environmental impact assessments studies. These environmental impact assessments will provide the Corporation with a better idea of the future costs of compliance with applicable environmental requirements and will also provide a better estimate of the eventual costs of reclamation obligations at the end of the mine life.

Results of Operations

The following tables set out certain unaudited financial information for the last eight quarters:

For the quarters ended	**Q1 2016**	**Q4 2015**	**Q3 2015**	**Q2 2015**	**Q1 2015**	**Q4 2014**	**Q3 2014**	**Q2 2014**
Net income (loss) for the period from continuing operations	(6,207,212)	1,041,452	3,814,824	(3,768,613)	4,491,557	(10,367,089)	(9,353,077)	(32,082,782)
Net income (loss) for the period from discontinued operations	(92,973)	(28,867,182)	(25,720,219)	766,482	(25,388,107)	(132,573,430)	19,708,777	(31,603,986)
Basic and diluted income (loss) per share from continuing operations	(0.01)	-	0.01	-	0.01	(0.01)	(0.01)	(0.05)
Basic and diluted income (loss) per share from discontinued operations	-	(0.04)	(0.04)	-	(0.04)	(0.19)	0.03	(0.05)
Exploration and evaluation expenditures from continuing operations	216,011	205,688	303,499	199,620	234,580	443,969	752,232	121,815
Exploration and evaluation expenditures from discontinued operations	-	-	-	-	-	219,989	3,931	152,530
Mine development expenditures from discontinued operations	594,168	99,720	299,868	600,659	804,321	528,909	6,730,042	6,719,214

Results of Operations for the three months ended March 31, 2016 ("Q1 2016")

During Q1 2016, MRDM was primarily focused on achieving as much production as possible based on the availability of water. No substantial exploration fieldwork was carried out in Brazil or Romania during Q1 2016. Both SAMAX (Romania) and MRDM (Brazil) continued to be engaged with/or reporting to their respective mineral-rights governmental agencies regarding the maintenance of mineral rights tenure.

The net loss from continuing operations for Q1 2016 was $6,207,212 compared to a net income of $4,491,557 for Q1 2015. Due to the movement in the value of the Canadian dollar relative to the US$, an unrealized foreign exchange loss of $4,556,060 was recorded in Q1 2016 compared to an unrealized foreign exchange gian of $6,298,418 in Q1 2015. In Q1 2016, a non-cash impairment charge of $214,904 was recognized against the carrying value of Romania compared to $230,100 in Q1 2015.

The basic and diluted loss per share from continuing operations was $nil in Q1 2016 versus income per share of $0.01 in Q1 2015.

The net loss from discontinued operation under MRDM for Q1 2016 was $92,973 compared to a net loss of $25,388,107 for Q1 2015. The basic and diluted loss per share from discontinued operation was $nil in Q1 2016 versus loss per share of $0.04 in Q1 2015.

Operating data	**Q1 2016**	**Q1 2015**
Tonnes mined	**316,721**	
Tonnes processed	**386,395**	**484,487**
Grade (grams/tonnes)	**1.23**	**1.07**
Recovery	**84%**	**84%**
Gold ounces		
- Produced	**12,845**	**14,004**
- Sold	**13,285**	**17,430**

Financial data	**Q1 2016**	**Q1 2015**
Net (loss) income from continuing operations	**(6,207,212)**	**4,491,557**
Net (loss) income from discontinued operation	**(92,973)**	**(25,388,107)**
Basic and diluted (loss) income per share from continuing operations	**(0.01)**	**0.01**
Basic and diluted (loss) income per share from discontinued operation	**(0.00)**	**(0.04)**
Exploration and evaluation expenditures from continuing operations	**216,011**	**230,100**
Exploration and evaluation expenditures from discontinued operation	**-**	**-**

(1) Refer to "Cautionary non-GAAP Measures" disclosure at the end of this MD&A for a description and calculation of certain measures presented in this table.

Liquidity and Capital Resources

As at March 31, 2016, the Corporation had cash and cash equivalents of $1,195,164 ($549,076 – at December 31, 2015) and restricted deposits of $903,951, $Nil of which is held in assets classified as held for sale) ($1,248,000 and $334,049 respectively- at December 31, 2015) and a working capital shortfall of $313,573,251 ($249,341,174 as at December 31, 2015).

As at March 31, 2016, the Corporation's available funds were not sufficient to fund the continuing operations of the exploration work in Romania, working capital requirements and corporate administration. The Corporation will need to secure additional financing in the future in order to meet the Corporation's requirements for funding of continuing

operations. Nevertheless, there is no assurance that these initiatives will be successful or sufficient. These circumstances lead to material uncertainties and therefore significant doubt as to the ability of the Corporation to meet its obligations as they become due and, accordingly, the ultimate appropriateness of use of the accounting principles applicable to a going concern. (See also "**Subsequent events**")

The unaudited condensed interim consolidated financial statements do not reflect adjustments to the carrying value of assets and liabilities or reported expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

As a result of delays in the completion of the construction at the RDM project, MRDM, as borrower, and the Corporation (as guarantor) had defaulted on certain covenants imposed under the Facility arrangement with Macquarie Bank. These covenant defaults related to financial and operational difficulties experienced by the Corporation, including delays in commencement of production and unplanned cost overruns. As a result, on October 18, 2013, MRDM and the Corporation entered into a Forbearance and Amendment Agreement, as subsequently amended from time to time, (the "**Forbearance Agreement**") with Macquarie Bank, under which the lenders have agreed to continue forbearing from exercising their rights under the Facility through April 1, 2016. On March 31, 2016, Macquarie Bank assigned all of it rights, title and interest in the Facility to Brio (see also "**Disposition of MRDM**"). This has also resulted in the Corporation reclassifying all scheduled repayment under the Facility as current liabilities.

Financing Activities

As of March 31, 2016, an aggregate of approximately US$273.11 million had been drawn down by MRDM under the amended Facility, and the current forbearance period expired on April 1, 2016 (see also "**Disposition of MRDM**").

The Corporation acted as a guarantor of MRDM's obligations under the Facility and related derivative contracts.

Disposition of MRDM

On November 20, 2015, the Corporation announced that, as a result of an agreement entered into between Macquarie Bank and Brio Gold Inc. ("**Brio**"), Brio was granted an option to (i) acquire all of Macquarie Bank's rights and interests in the Facility, the gold purchase agreement and the gold sale and purchase agreement and related guarantees previously entered into by Macquarie Bank and the Corporation, MRDM and certain other subsidiaries of Carpathian (collectively, the "**Obligors**"), and (ii) receive from Macquarie Bank an assignment of Macquarie Bank's security in respect of the foregoing agreements (all of the foregoing agreements and the security are collectively referred to as the "**Financial Assets**").

On February 17, 2016, Macquarie Bank and Brio entered into a definitive assignment and assumption agreement (the "**Assignment and Assumption Agreement**") in respect of the Financial Assets.

Pursuant to the Assignment and Assumption Agreement, Macquarie Bank agreed to forbear from exercising any default-related rights, remedies, powers or privileges, or from instituting any enforcement actions or collection actions against the Obligors under the Financial Assets until the earlier of (i) the closing of the assignment of the Financial Assets to Brio and (ii) April 1, 2016. Under the Assignment and Assumption Agreement, to the extent that cash flows from the RDM project are insufficient to meet ongoing costs and expenses, Macquarie Bank agreed with Brio to continue to provide funding to MRDM, subject to the terms and conditions set out in the Assignment and Assumption Agreement. Any drawdowns requested by MRDM under the Facility remained subject to the discretion of Macquarie Bank. Completion of the assignment of the Financial Assets from Macquarie Bank to Brio occurred on March 31, 2016.

On April 29, 2016, the Ontario Superior Court of Justice (Commercial List) issued an order approving, among other

things, a credit bid transaction, which was initiated by Brio with the cooperation of the Corporation, and the sale to Brio of all of the Corporation's direct and indirect equity interests in MRDM (the "**Restructuring**").

Brio has delivered to the Corporation and the directors of the Corporation and certain of its subsidiaries a full release and discharge with respect to any liability under (i) the project loan facility, the gold purchase agreement and the gold sale and purchase agreement and related guarantees previously entered into by Macquarie and the Corporation, MRDM and certain other subsidiaries of Carpathian, and (ii) Macquarie's security in respect of the foregoing agreements previously acquired by Brio from Macquarie, including the Corporation's guarantee thereof.

None of the other assets of the Corporation have been affected by the Restructuring, and the Corporation continues to own its Romanian assets.

Furthermore, Brio entered into a subscription agreement with the Corporation whereby Brio agreed to purchase 70,194,444 common shares (the "Shares") in the capital stock of the Corporation at a price of CAD$0.018 per Share for aggregate gross proceeds of US$1,000,000 (CAD$1,263,500) on a private placement basis. The subscription price for the Shares was based on the 20-day volume weighted average price thereof as of the close of business on April 26, 2016. The Corporation applied for and was granted an exemption from the Canadian Securities Exchange's minimum price rule in this regard. Closing of the private placement took place on May 2, 2016.

As at March 31, 2016 and December 31, 2015, all of the assets and liabilities of MRDM (refer to the table below) were classified as held for sale as this transition which was expected to be completed on April 29, 2016, resulting in a loss of control. As the agreed selling price is lower than the previously recorded book values, the Corporation recorded an impairment of $1,132,588 in the three months ended March 31, 2016. Refer to Note 5 in the unaudited condensed interim consolidated financial statements for further details of the impairment loss. The closing took place on April 29, 2016.

	March 31, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 379,733	$ 72,335
Restricted deposits	-	344,049
Trade receivables	1,208,509	2,921,436
Prepaid expenses and sundry receivables	1,666,367	345,184
Inventory	42,732,682	42,858,731
	45,987,291	46,541,735
Non-current assets		
Deposits and receivables	6,429,719	5,637,090
Property, plant and equipment	4,035,674	6,999,791
Mine development assets	6,196,672	3,233,578
Total Assets	62,649,356	62,412,194
Liabilities		
Current liabilities		
Trade and other payables	$ 9,507,044	$ 8,991,658
Project loan facility – short-term	273,112,134	270,770,175
Payables from Gold Stream transaction	27,549,600	27,549,600
Non-current liabilities		
Rehabilitation provisions	5,721,830	5,656,025
Total Liabilities	315,890,608	312,967,458

Impairment

As at March 31, 2016, a number of impairment indicators were noted by the Corporation in accordance with IAS 36, Impairment of Assets ("**IAS 36**") for its property, plant and equipment and mine assets and in accordance with IFRS 6, Exploration for and Evaluation of Mineral Resources ("**IFRS 6**") for its exploration and evaluation assets. Consequently, the Corporation undertook an impairment test on each of its identified CGUs, being MRDM and Romania ("**Rovina Valley Project**").

Romania

During 2015, the key impairment indicators noted for this CGU were a reduction in the scope of the Rovina Valley Project to a less capital intensive build and smaller scale operations due to decline in commodity prices since the first Preliminary Economic Assessment was completed on the project in March 2010 and increasing uncertainty as to whether the draft amended mining law in Romania will be passed enabling construction of a mine in Romania.

The fair value less costs of disposal ("**FVLCD**") method was used to determine the recoverable amount as this was determined to be a higher valuation than a value in use calculation. The recoverable amount as determined by the Corporation for the CGU was $Nil.

The key assumptions and estimates used in determining the FVLCD were the probability of the mining law being passed in Romania and estimate of value a market participant would be willing to pay for the CGU based on recent marketing efforts by the Corporation.

Based on the test described above, during the three months ended March 31, 2016, exploration and evaluation assets were impaired by $214,904 (three months ended March 31, 2015: $230,100). The impairment charges were included within the net loss from continuing operations for the three months ended March 31, 2016 in the statement of loss and comprehensive loss. The fair value of the CGU was measured using market approach and Level 3 inputs.

MRDM

During 2016, the key impairment indicators noted for this CGU were the continued delays of the RDM Project to achieve production levels in accordance with its initial life of mine plan, market capitalization below the carrying value of the net assets of the Corporation as a whole, negative cash flows from operating activities, a significant debt facility with Macquarie repayable on demand due to the Corporation defaulting on related covenants and expected disposal of the MRDM project.

FVLCD was used to determine the recoverable amount as this was determined to be a higher valuation than a value in use model. The recoverable amount as determined by the Corporation for the CGU was $47,420,482.

For MRDM CGU, for the three months ended March 31, 2016, impairment charges totaled $1,132,558.

Disclosure of Outstanding Share Data

As at the date of this report, the total issued and outstanding number of Common Shares is 907,221,497.

Options

As at March 31, 2016, stock options held by directors, officers, employees and consultants are as follows:

	Options Outstanding	**Fair Value at Grant Date**	**Exercise Price Cdn$**	**Remaining Contractual Life**	**Options Exercisable**
Directors, officers and employees	5,241,000	1,810,603	0.58	138 days	5,241,000
Directors, officers and employees	3,520,000	327,527	0.40	1 years 135 days	3,520,000
Employees	1,200,000	23,241	0.03	3 years 80 days	800,000
Balance at March 31, 2016	9,961,000	**2,161,371**		1 year 26 days	**9,561,000**

Warrants

The fair value of the Common Share purchase warrants was estimated at $3,256,109 on the grant date using the Black-Scholes valuation model using the exercise price of Cdn$0.40, expiry of January 11, 2016 and estimated volatility of 65%. During the three months ended March 31, 2016, these warrants expired unexercised.

As at the date hereof, on a fully diluted basis, the total issued and outstanding number of Common Shares is 997,482,495.

The Common Shares were de-listed from the Toronto Stock Exchange at the close of business on July 21, 2015. On July 22, 2015, the Common Shares were posted for trading and listed on the Canadian Securities Exchange.

Commitments

As of December 1, 2010, the Corporation entered into a sub-lease agreement for office space through to March 31, 2018.The minimum annual rent thereunder is Cdn$35,640 plus applicable expenses for the entire term. In addition, the Corporation entered into a lease agreement in respect of additional office space for the period June 1, 2012 to March 31, 2018. The minimum annual rent thereunder was Cdn$39,618, which increased to Cdn$44,020 as of October 1, 2014, all plus applicable expenses. As of September 1, 2015, all of the Corporation's premises covered by these agreements were sub-subleased or sub-leased, as the case may be, from the Corporation by a third party through to March 31, 2018 at full recovery.

As at March 31, 2016, the Corporation's Brazilian subsidiary had entered into contracts for the construction, development and operating activities in Brazil as follows:

	Within 1 year	**2 to 3 years**	**Total**
Construction and supply contracts	3,856,332	-	3,856,332
Office lease	70,246	-	70,246

In addition, the Brazilian subsidiary has signed agreements for services and supplies to be used during the operations of the RDM Project, including for the supply of diesel fuel.

Off-balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements.

Related Parties

As at March 31, 2016, there were no amounts due to or from related parties (December 31, 2015 - $Nil).

Financial Instruments – Derivatives

Project Loan Facility

As at March 31, 2016, the principal balance outstanding on the Facility was $273,112,134. Interest accrued during the three months ended March 31, 2016 was $nil (three months ended March 31, 2015 - $7,281,390). Facility fees paid for the three months ended March 31, 2016 were $nil (three months ended March 31, 2015 - $801,052). Interest paid for the three months ended March 31, 2016 were $nil (three months ended March 31, 2015 - $10,188,508), respectively.

The Corporation entered into a Forbearance Agreement on October 18, 2013, whereby Macquarie Bank agreed to forebear exercising their rights and remedies of Creditors under the Facility with respect to the defaults during the forbearance period. This period has been amended from time to time, with the latest amendment providing for a forbearance period to April 1, 2016.

The Facility bore interest rates at LIBOR plus a margin of 5.5% for Tranche 2 and 5.0% for Tranche 1 prior to entering into the Forbearance Agreement. These rates were to be reduced to LIBOR plus 5.0% and 4.5%, respectively on commencement of production.

As a result of the defaults under the terms of the Facility, the interest rate payable for the $90 million drawn under Tranche 1 and 2 have been increased to LIBOR plus a margin of 9.0% and 9.5%, respectively.

Under the terms of the Forbearance Agreement, as amended, Macquarie Bank had initially agreed to provide up to $30 million, at its discretion, of additional financing under a "Tranche 3" of the Facility. Macquarie Bank has agreed on numerous occasions to increase the financing available under Tranche 3 of the Facility to up to $184.00 million, resulting in a total Facility of $274.00 million, and to extend the repayment date for any funds drawn down under Tranche 3 of the Facility to April 1, 2016. On March 31, 2016, Macquarie Bank assigned all of its rights, title and interest in the Facility to Brio (see also "**Disposition of MRDM**"). Tranche 3 bears interest at 20% per annum, and a facility fee of 5% is payable in respect of each drawdown thereunder.

Risks and Uncertainties

The operations of the Corporation as well as those of its subsidiaries are speculative due to their nature, the locations in which they operate, and their relative stages of its development. The following risk factors pertain to the business and operations of the Corporation and its subsidiaries.

Limitations under the Facility

The Corporation's Facility limits, among other things, the Corporation's ability to permit the creation of certain liens, make investments, dispose of material assets or, in certain circumstances, pay dividends. In addition, the Facility limits the Corporation's ability to incur additional indebtedness and requires the Corporation to maintain specified financial ratios and meet financial covenants. Events beyond the Corporation's control, including changes in general economic and business conditions, may affect the Corporation's ability to satisfy these covenants, which could result in a default under the Facility. As events of default have occurred under the Facility, the lender could, subject to the Forbearance Agreement as amended from time to time, elect to declare all principal amounts outstanding thereunder at such time, together with accrued interest, to be immediately due. An event of Default under the Facility may also give rise to an event of default under existing and future debt agreements and, in such event, the Corporation may not have sufficient funds to repay amounts owing under such agreements.

Nature of Mineral Exploration and Mining

The exploration and development of mineral deposits involve significant risks over an extended period of time which even a combination of careful evaluation, experience and knowledge may not eliminate. As a result, few properties which are explored are ultimately developed into producing mines. The long term profitability of Carpathian's operations will be in part related to the cost and the success of its exploration programs, which programs may be affected by a number of factors out of the Corporation's control, such as commodity prices, the availability of skilled personnel, qualified vendors and the availability of critical equipment and capital.

Substantial expenditures on drilling and related costs are required to establish reserves, to determine the technical and economic feasibility of mining and extraction and, if warranted, to develop the mining and processing facilities and infrastructure of any given project. Although substantial benefits may be derived from the discovery of a major mineralized deposit, it is impossible to ensure that proposed exploration programs on the properties will result in profitable mining operations. There is no assurance that the Corporation's expenditures will result in discoveries of commercially viable ore bodies. Furthermore, there can be no assurance that the Corporation's estimates of future exploration expenditures will be accurate.

Actual expenditures may be significantly higher than currently anticipated. Whether a deposit will be commercially viable depends on a number of factors, including, but not limited to, the particular attributes of the deposit (e.g. size and grade of the deposit), costs and efficiency of the recovery methods that can be employed, proximity to infrastructure, land use and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in Carpathian not receiving an adequate return on its invested capital.

Exploration and Development Risks

Mineral exploration and mining involve considerable financial and technical risks. Substantial expenditures are usually required to establish ore reserves, to evaluate mineral treatment processes and to construct mining and processing facilities. The Corporation cannot assure that the current exploration programs planned by the Corporation will result in profitable commercial mining operations, as few properties that have been explored are ultimately developed into producing mines. Unusual or unexpected geological formations, unstable ground conditions that could result in cave-ins or landslides, floods, power outages or fuel shortages, labour disruptions, fires, explosions, and the inability to obtain suitable or adequate machinery, equipment, materials or labour are risks associated with the conduct of exploration programs and the operation of mines, any of which could result in legal liabilities arising therefrom. The Corporation has relied, and may continue to rely, upon consultants for expertise with respect to the construction and operation of a mining facility.

Construction and Start-up of New Mines

The success of construction projects and the start-up of new mines by the Corporation is subject to a number of factors including the availability and performance of engineering and construction contractors, mining contractors, suppliers and consultants, the receipt of required governmental approvals and permits in connection with the construction of mining facilities and the conduct of mining operations (including environmental permits), the successful completion and operation of the ore pass, the plant, the conveyors to move the ore and other operational elements. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Corporation is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with new mines could delay or prevent the construction and start-up of new mines as planned. There can be no assurance that current or future construction and start-up plans implemented by the Corporation will be successful; that the Corporation will be able to obtain sufficient funds to finance construction and start-up activities; that available personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete

construction projects; that the Corporation will be able to obtain all necessary governmental approvals and permits; and that the completion of the construction, the start-up costs and the ongoing operating costs associated with the development of new mines will not be significantly higher than anticipated by the Corporation. Any of the foregoing factors could adversely impact the operations and financial condition of the Corporation.

Foreign Jurisdictions

The Corporation's assets are all located outside of Canada. It may be difficult or impossible to effect service or notice to commence legal proceedings upon foreign governments, persons and businesses. Even if effected, it may not be possible to enforce against such parties, judgements obtained in Canadian courts predicated upon the civil liability provisions available under Canadian laws.

The Corporation conducts its operations in Brazil and Romania through two foreign subsidiaries which directly and indirectly hold all of the assets in connection with the RDM Project and the Rovina Valley Project. Accordingly, any limitations placed by the Brazilian or Romanian governments on the transfer of cash or other assets between the Corporation and its subsidiaries could restrict the Corporation's ability to fund the RDM Project or the Rovina Valley Project licenses efficiently. Any such limitations could have an adverse impact on the Corporation's prospects, financial condition and results of operations.

The Corporation's assets are located in Brazil and Romania, which causes it to be subject to certain risks, including possible political or economic instability, which may result in the impairment or loss of licenses or mineral rights. Mineral exploration and mining activities may be affected in varying degrees by instability and government regulations relating to the mining industry, which could include the cancellation or renegotiation of licenses and other contracts, changes in local domestic laws or regulations, changes in tax laws, royalty and tax increases, restrictions on production, price controls, expropriation of property, fluctuations in foreign currency, foreign exchange controls, import and export regulations, restrictions on the export of gold, restrictions on the ability to repatriate earnings and pay dividends, environmental legislation, employment practices and mine safety. There can be no assurance that such restrictions and controls will not be imposed in the future and such restrictions, controls or fluctuations may materially affect the Corporation's financial position as well as the Corporation's ability to develop its assets. Any changes in the laws, rules or regulations, policies or shifts in political attitudes regarding foreign investment in the Brazilian or Romanian mining industry are beyond the Corporation's control and may adversely affect its business. (See also "Brazil – Exploration Activities")

No Assurance of Title to Exploration Licenses or Surface Rights

To carry out its activities, the Corporation must obtain licenses and/or permits to explore for minerals in any given area. These licenses are granted by government agencies and, once granted, are registered with such agencies. The Corporation has conducted title searches on all of its exploration licenses and, to the best of its knowledge; the titles to all of its licenses are in good standing. However, this should not be construed as a guarantee of such titles. The Corporation's licenses may be subject to prior unregistered agreements or transfers or third party claims or may also be affected by other undetected defects, such as prior unregistered liens, agreements, transfers or claims, including Native title claims. There is no assurance that the interests of the Corporation in any of its licenses may not be challenged or impugned. Exploration licenses do not include the surface rights to the areas covered by such licenses nor access thereto. In the event that a positive development and or production decision is made, the Corporation would need to acquire the surface rights to the areas covered by such licenses and possibly other surface rights providing access to such areas. These surface rights may be owned by governmental authorities or private interests, and there is no guarantee that the Corporation would ever be able to acquire such surface rights on reasonable terms or at all.

Environmental and other Regulatory Requirements

The operations of the Corporation are subject to Romanian and Brazilian laws and regulations governing

prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. The Corporation believes that it is in substantial compliance with all applicable material laws and regulations, however, there can be no assurance that all permits which the Corporation may require for its operations, particularly environmental permits, will be obtained on reasonable terms or that compliance with such laws and regulations would not have an adverse effect on the profitability of any mining project that the Corporation may undertake. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Furthermore, non-governmental organizations ("**NGOs**") have been very active in certain parts of the world in blocking or attempting to block the acquisition of permits for large scale mining projects. There have been many recent instances where mining projects have been blocked or extensively delayed because of numerous means employed by NGOs as well as their extensive recourse to the courts to obtain injunctions and other procedural and legal remedies.

Permits, Licenses and Approvals

The operations of the Corporation require permits, licenses and approvals from various governmental and non-governmental authorities. The Corporation has obtained, or will be required to obtain, all necessary permits, licenses and approvals required to carry on its operations under applicable laws and regulations. Notably, MRDM is currently operating under the APO and there is no guarantee that an LO will be issued. However, such permits, licenses and approvals are subject to changes in regulations and in various operating circumstances. There can be no assurance that the Corporation will be able to obtain all necessary permits, licenses and approvals required to carry out exploration, development and mining operations in connection with its projects.

Environmental Liability

Mining, like many other extractive natural resource industries, is subject to potential risks and liabilities associated with environmental pollution and waste disposal. Environmental liability may result from mining activities conducted by other parties prior to the Corporation's involvement with its properties. To the extent the Corporation is subject to uninsured environmental liabilities, the payment of such liabilities would reduce funds otherwise available to the Corporation and could have a material adverse effect on the Corporation. Should the Corporation be unable to fund fully the cost of remedying an environmental problem, the Corporation might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy.

Uncertainty of Mineral Resource Estimates

The figures for mineral resources presented herein are estimates, and no assurance can be given that the anticipated tonnage and grades will be achieved or that the indicated level of recoveries of gold and copper will be realized. The ore grade actually recovered by the Corporation may differ from the estimated grades of the mineral resources. Such figures have been determined based on assumed gold and copper prices and operating costs. Mineral resource estimates for properties that have not commenced production are based, in most instances, on very limited and widely spaced drill hole information, which is not necessarily indicative of conditions between and around the drill holes. Accordingly, such mineral resource estimates may require revision as more drilling information becomes available or as actual production experience is gained. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Inferred mineral resources are considered too speculative geologically to have economic considerations applied to them that would enable them to be characterized as mineral reserves. There is no certainty that mineral resources will be converted into mineral reserves.

Mineral Deposits, Production Costs and Metal Prices

The economics of developing mineral deposits are affected by many factors including variations in the grade of ore mined, cost of operations and fluctuations in the sale prices of products. The value of Carpathian's mineral

properties is heavily influenced by metal prices. Metal prices can and do change substantially over a short period of time, and are affected by numerous factors beyond the control of the Corporation, including, but not limited to, changes in the level of supply and demand, international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, new discoveries, speculative activities and increased production arising from improved mining and production methods. There can be no assurance that the prices of mineral products will be sufficient to ensure that the Corporation's properties can be mined profitably. Depending on the price received for minerals produced, the Corporation may determine that it is impractical to commence or continue commercial production.

The grade of any ore ultimately mined from a mineral deposit may differ from the Corporation's estimates based on drilling results. Production volumes and costs can be affected by such factors as the proximity and the capacity of processing facilities, permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Short-term factors relating to ore reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on the results of the operations. Moreover, there can be no assurance that any gold, silver, copper or other minerals recovered in small-scale laboratory tests will be achieved under production scale conditions. Although precautions to minimize risks will be taken, processing operations are subject to hazards such as equipment failure or failure of tailings impoundment facilities, which may result in environmental liability.

Volatility of Gold Price

The price of gold is primarily influenced by interest rates, volatility in the credit and financial markets, strong investment demand and inflation expectations. As with many other commodities, the price of gold has fluctuated widely in recent years as well as within the recent month. While the price of gold is currently in the order of $1,211, there can be no assurance that gold prices will remain at such levels or be such that the Corporation's properties can be exploited at a profit. If the price of gold declines, it could have a material adverse effect on the Corporation's share price, business and operations.

Volatility of Copper Price

The price of copper is dependent on the global supply and demand factors that are beyond the control of the Corporation. The price of copper is currently in the order of $2.14 per pound, however there can be no assurances that the price will remain at this level or be at such a price that the Corporation's properties can be exploited at a profit.

Currency Fluctuations

Currency fluctuations may affect the costs that the Corporation incurs for its exploration programs and at its operations. Gold and copper are sold throughout the world based principally on a U.S. dollar price, but some of the Corporation's operating expenses are incurred in other currencies including Euros, Romanian Lei and Brazilian Reais. The fluctuation of the Euro or Real against the U.S. dollar will influence the cost of gold and copper production at such mining operations and could materially affect the Corporation's earnings and financial condition.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Corporation's operations, financial condition and results of operations.

Liquidity Concerns and Future Financing

The viability of further development and exploration of the various mineral properties in which the Corporation holds interests will depend upon the Corporation's ability to obtain financing through joint ventures, equity financing, debt financing or other means. There is no assurance that the Corporation will be successful in obtaining required financing when needed. Volatile markets for precious and base metals may make it difficult or impossible for the Corporation to obtain debt financing or equity financing on favourable terms or at all. Failure to obtain such additional financing could result in the dilution or complete loss of the Corporation's interests in these properties.

Competition

The mineral exploration and mining business is competitive in all of its phases. The Corporation competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Corporation, in the search for and the acquisition of attractive mineral properties. The ability of the Corporation to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable properties or prospects for mineral exploration. There is no assurance that the Corporation will continue to be able to compete successfully with its competitors in acquiring such properties or prospects.

Acquisitions and Integration

From time to time, the Corporation examines opportunities to acquire additional mining assets and businesses. Any acquisition that the Corporation may choose to complete may be of a significant size, may change the scale of the Corporation's business and operations, and may expose the Corporation to new geographic, political, operating, financial and geological risks. The Corporation's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of the Corporation. Any acquisitions would be accompanied by risks. For example, there may be a significant change in commodity prices after the Corporation has committed to complete the transaction and established the purchase price or exchange ratio; a material ore body may prove to be below expectations; the Corporation may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt the Corporation's ongoing business and its relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. In the event that the Corporation chooses to raise debt capital to finance any such acquisition, the Corporation's leverage will be increased. If the Corporation chooses to use equity as consideration for such acquisition, existing shareholders may suffer dilution. Alternatively, the Corporation may choose to finance any such acquisition with its existing resources. There can be no assurance that the Corporation would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Litigation Risks

All industries, including the mining industry, are subject to legal claims, with and without merit. The Corporation may become involved in legal disputes in the future. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Corporation's financial position or results of operations.

Dependence on Key Individuals

The Corporation is dependent on a relatively small number of key personnel, and the loss of any one of them could

have an adverse effect on the Corporation. In addition, while certain of the Corporation's officers and directors have experience in the exploration and development of mineral producing properties; the Corporation will remain highly dependent upon contractors and other third parties in the performance of its exploration and development activities. There can be no guarantee that such contractors and third parties will be available to carry out such activities on behalf of the Corporation or be available upon commercially acceptable terms.

Conflicts of Interest

The directors and officers of the Corporation do not devote all of their time to the affairs of the Corporation. The directors and officers of the Corporation are also directors and officers of other companies, some of which conduct business similar to that of the Corporation. The directors and officers of the Corporation are required by law to act in the best interest of the Corporation. They have the same obligations to the other companies to which they act as directors and officers. The discharge by the directors and officers of their obligations to the Corporation may result in a breach of their obligations to the other companies and, in certain circumstances; this could expose the Corporation to liability to those companies. Similarly, the discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interest of the Corporation. Such conflicting obligations may expose the Corporation to liability to others and impair its ability to achieve its business objectives.

Compliance with Anti-Corruption Laws

The Corporation is subject to various anti-corruption laws and regulations including, but not limited to, the Canadian *Corruption of Foreign Public Officials Act*. In general, such laws prohibit a company and its employees and intermediaries from bribing or making prohibited payments to foreign officials or other persons to obtain business or gain some other business advantage. The Corporation's operations are located in countries which, according to Transparency International, are perceived as having significantly higher levels of corruption relative to Canada. The Corporation cannot predict the nature, scope or effect of future anti-corruption regulatory requirements to which its operations may be subject or the manner in which existing laws may be administered or interpreted.

Failure to comply with applicable anti-corruption legislation could expose the Corporation and/or its senior management to civil and/or criminal penalties, other sanctions, remedial measures, legal expenses and reputational damage, all of which could materially and adversely affect the Corporation's business, financial condition and results of operations, as could any investigation of any potential violations of applicable anti-corruption legislation by Canadian or foreign authorities.

As a consequence of these legal and regulatory requirements, the Corporation has adopted policies and procedures with regard to business ethics and anti-corruption which have been designed to ensure that the Corporation and its employees comply therewith. However, there can be no assurance or guarantee that such efforts have been or will be completely effective in ensuring the Corporation's compliance and the compliance of its employees, consultants, contractors or agents with all applicable anti-corruption laws and regulations.

Insurance

The Corporation currently holds a certificate of insurance underwritten by Encon Group Inc. providing for Directors and Officers Liability coverage of up to $15,000,000, inclusive of defence costs. Additionally, the Corporation carries a general liability policy in the amount of $10,000,000. There is no guarantee that these policies will provide sufficient protection for the Corporation against certain risks associated with mineral exploration, commercial exploitation and related corporate activities. Even with these policies in place, there remains a risk that unusual liabilities may not be covered or that the insured amounts may prove insufficient.

Fluctuation in Market Value of Carpathian's Shares

The market price of the Corporation's publicly-traded Common Shares is affected by many variables not directly

related to the performance of the Corporation, including, but not limited to, the market in which the Common Shares are traded, the strength of the economy generally, the availability and attractiveness of alternative investments and the breadth of the public market for the stock. The effect of these factors on the market price of the Common Shares in the future cannot be predicted.

Rising Production Costs

Carpathian is faced with the challenge of rising production and energy costs. Changes in the Corporation's production costs could have a major impact on its profitability. Such rising costs are caused by, among other things, materials, personnel costs, energy, high input commodity prices, higher royalty and tax structures, a weak U.S. dollar and long delays in permitting mineral projects and may affect the ability of mining companies to explore, commence or sustain economically viable production at their mines.

Equipment, Materials and Skilled Technical Workers

The Corporation is dependent on the availability of affordable and accessible equipment, replacement parts, and repair services and the absence or disrepair of such equipment, parts and services could affect or halt exploration or eventual production on the properties of the Corporation. There can be no guarantee that such equipment, parts or repair services will be available to the Corporation, or that such equipment, replacement parts or repair work will be available on commercially reasonable terms.

Carpathian is dependent on the availability of affordable and accessible materials. There can be no guarantee of the availability, quality and reliability of the supply of neither such materials, nor that such materials will continue to be available to the Corporation on commercially reasonable terms.

The Corporation is also dependent on the availability of skilled technical workers to carry out various functions on the properties of the Corporation. There can be no guarantee that such skilled workers will be available to carry out such activities on behalf of Carpathian or that such workers will be available on commercially reasonable terms.

Nature and Climatic Conditions

The Corporation and the mining industry continuingly face geotechnical challenges which could adversely impact the Corporation's production and profitability. Unanticipated adverse geotechnical and hydrological conditions, such as severe rainfall, floods, landslides, droughts, pit wall failures and rock fragility may occur, and such events may not be detected in advance. Geotechnical instabilities and adverse climatic conditions can be difficult to predict are often affected by risks and hazards outside of the Corporation's control. Such conditions could result in limited access to mine sites, suspensions or reductions in operations, government investigations, increased monitoring costs, remediation costs, loss or ore and other impacts which could cause the Corporation's projects to be less profitable than currently anticipated and could result in a material adverse effect on the Corporation's results of operations and financial position.

Negative Operating Cash Flow

The Corporation had negative operating cash flow for Q4 2015 and year to date. To the extent that the Corporation has negative cash flow in future periods, the Corporation may need to deploy a portion of its cash reserves to fund such negative cash flow.

Current Global Financial Conditions

In recent years global financial conditions have been characterized by markedly increased volatility and have led to intervention by governments in many financial markets. Access to public financing has been negatively impacted by

the lack of readily available money. These factors may impact the ability of the Corporation to obtain equity and/or debt financing in the future or on terms favourable to the Corporation. Additionally, these factors, as well as other related factors, may cause decreases in the asset values that are deemed to be other than temporary, which may result in additional impairment losses.

Subsequent Event

On May 9, 2016, the Corporation announced that it agreed to a private placement into the Corporation whereby Forbes & Manhattan Resources Inc. ("**Forbes**") and its associated entities will subscribe to a private placement (the "**Private Placement**") of units (the "**Units**") for a minimum amount of ten million dollars (CAD$10,000,000) to advance its Rovina Valley Gold Project in Romania. On May 19, 2016, the Corporation closed the Private Placement whereby Forebes, Sulliden Mining Capital Inc. and Black Iron Inc. subscribed to the Units at subscription price of CAD$0.07 per Unit for aggregate gross proceeds of CAD$10,000,000. Each Unit consists of one (1) common share of the Corporation ("Common Share") and one-half (0.5) of a common share purchase warrant ("**Warrant**"). Each whole Warrant will entitle the holder to acquire one (1) Common Share at a price of CAD$0.12 for a period of two (2) years from the date of issuance. However, the Warrant exercise period may be accelerated if after the date that is 4 months and a day following the closing, the Common Shares trade at a price above CAD$0.15 for a period of 20 consecutive trading days.

Q2 2016 Outlook

In Q2 2016, the Corporation plans on advancing the permitting process with the regulatory bodies for its Rovina Valley Project. All environmental base line work and social programs will also continue on the Rovina Valley Project. Achievement of these objectives remains dependent on the Corporation's ability to access necessary financing, as required. The Corporation continues to operate as prudently as possible with an emphasis on cost containment.

Cautionary and non-GAAP Measures and Additional GAAP Measures

Note that for purposes of this section, GAAP refers to IFRS. The Corporation believes that investors use certain non-GAAP and additional GAAP measures as indicators to assess gold mining companies. They are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared with GAAP. Non-GAAP and additional GAAP measures do not have standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other companies.

Additional Information

Additional information relating to the Corporation is available from SEDAR at www.sedar.com.

Approved by the Board of Directors

Dated: May 27, 2016