

## 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 9-month period ended September 30, 2015 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 9-month period ended September 30, 2015.***

### **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 9-month period ended September 30, 2015. 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
John Hick	Director, Non-Executive Chairman of the Board
Guy Charette	Director, Interim Chief Executive Officer
David Danziger	Director
Julio Carvalho	Director
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 9-month period ended September 30, 2015 is attached hereto as Schedule C.***

**[Remainder of page intentionally left blank]**

## 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: **November 24, 2015.**

**Michael Kozub**

Name of Director or Senior Officer

*"Michael Kozub" (signed)*

Signature

**General Counsel & Corp. Secretary**

Official Capacity

<b><i>Issuer Details</i></b> Name of Issuer <b>Carpathian Gold Inc.</b>	For Quarter End <b>September 30, 2015</b>	Date of Report YY/MM/DD <b>2015/11/24</b>
Issuer Address <b>36 Toronto Street, Suite 1000</b>		
City/Province/Postal Code <b>Toronto, Ontario M5C 2C5</b>	Issuer Fax No. <b>(416) 363-3883</b>	Issuer Telephone No. <b>(416) 368-7744</b>
Contact Name <b>Michael Kozub</b>	Contact Position <b>General Counsel</b>	Contact Telephone No. <b>(416) 368-7744</b>
Contact Email Address <a href="mailto:mkozub@carpathiangold.com">mkozub@carpathiangold.com</a>	Web Site Address <b>www.carpathiangold.com</b>	

## **SCHEDULE A**

# **Carpathian Gold Inc.**

Condensed Interim Consolidated Financial Statements  
For the three and nine months ended September 30, 2015 and 2014

(Unaudited)

## **Notice of no auditor review of Condensed Interim Consolidated Financial Statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statement have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim consolidated financial statements by an entity's auditor.

**Carpathian Gold Inc.**  
**Consolidated Statements of Financial Position**  
**(In United States Dollars)**  
**(Unaudited)**

**As at**

		September 30, 2015	December 31, 2014
<b>Assets</b>	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Current assets</b>			
Cash and cash equivalents		726,046	310,736
Restricted deposits	5	1,251,000	1,248,017
Derivative contracts	20	-	5,221,708
Trade receivables		2,965,803	1,913,427
Prepaid expenses and sundry receivables		895,310	2,909,929
Inventory	6	38,090,940	25,271,591
		<b>43,929,099</b>	<b>36,875,408</b>
<b>Non-current assets</b>			
Deposits and receivables		2,941,027	3,483,837
Property, plant and equipment	4 and 7	20,293,693	27,853,937
Software license costs	4 and 8	565,573	662,442
Derivative contracts	20	-	5,557,391
Exploration and evaluation assets	4 and 9	-	-
Mine development assets	4 and 9	10,662,933	11,990,493
		<b>78,392,325</b>	<b>86,423,508</b>
<b>Total Assets</b>		<b>78,392,325</b>	<b>86,423,508</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	6,600,221	16,241,500
Project loan facility—short-term	15	256,858,687	194,017,772
Payables from Gold Stream transaction	16	27,549,600	27,549,600
Deferred income		-	785,039
		<b>291,008,508</b>	<b>238,593,911</b>
<b>Non-current liabilities</b>			
Rehabilitation provisions	19	5,985,384	5,787,969
Derivative contracts	20	-	4,759,237
		<b>296,993,892</b>	<b>249,141,117</b>
<b>Total Liabilities</b>		<b>296,993,892</b>	<b>249,141,117</b>
<b>(Deficiency) Equity attributable to Shareholders</b>			
Share capital	10	196,773,069	196,773,069
Warrants	10	3,256,109	3,256,109
Contributed surplus		10,930,922	10,925,856
Accumulated deficit		(410,871,098)	(365,067,022)
Accumulated other comprehensive loss		(18,690,569)	(8,605,621)
		<b>(218,601,567)</b>	<b>(162,717,609)</b>
<b>Total (Deficiency) Equity</b>		<b>(218,601,567)</b>	<b>(162,717,609)</b>
<b>Total Liabilities and (Deficiency) Equity</b>		<b>78,392,325</b>	<b>86,423,508</b>

Going concern (Note 1)

**Approved by the Board of Directors**

Director

(signed) Guy Charette

Director

(signed) David Danziger

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



**Carpathian Gold Inc.**

**Consolidated Statements of Loss and Comprehensive Loss**  
**For the three and nine months ended September 30, 2015 and 2014**  
**(In United States Dollars)**  
**(Unaudited)**

		Three-month period ended September 30,		Nine-month period ended September 30,	
	Note	2015 \$	2014, \$	2015 \$	2014 \$
<b>Revenues</b>		<b>2,918,926</b>	-	<b>40,043,118</b>	-
<b>Expenses</b>					
Costs and expenses of mining operations					
Operating costs and mine site administrative expenses		<b>2,309,024</b>	-	<b>24,990,949</b>	-
Mine site depreciation and amortization		<b>2,043,051</b>	-	<b>12,597,227</b>	-
Development stage operating costs and mine site administrative expenses		-	(11,310,133)	-	20,855,789
General and administrative expenses	11(a)	<b>4,845,871</b>	3,453,614	<b>11,617,836</b>	9,752,273
Depreciation and amortization		<b>23,208</b>	27,955	<b>72,673</b>	70,951
Employee compensation expense	11(b)	<b>722,678</b>	1,542,509	<b>2,569,492</b>	2,800,770
Impairment	4	<b>305,062</b>	10,812,720	<b>733,850</b>	37,908,220
Net (gain) loss on derivative contracts	20	<b>11,589,616</b>	(11,087,209)	<b>18,609,398</b>	2,802,518
Finance costs					
Interest and facility fees		<b>9,913,728</b>	-	<b>27,046,106</b>	-
Accretion		<b>65,805</b>	-	<b>197,415</b>	-
Other (income) expense	11(c)	<b>(6,993,722)</b>	(4,407,170)	<b>(12,587,752)</b>	(3,226,464)
<b>(Loss) income for the period before income tax provision</b>		<b>(21,905,395)</b>	10,967,714	<b>(45,804,076)</b>	(70,964,057)
<b>Income tax provision</b>		-	612,014	-	563,831
<b>Income (loss) for the period</b>		<b>(21,905,395)</b>	10,355,700	<b>(45,804,076)</b>	(71,527,888)
<b>Other comprehensive loss</b>					
Items that may be reclassified subsequently to profit or loss:					
Cumulative translation adjustments		<b>(5,463,494)</b>	(3,435,788)	<b>(10,084,948)</b>	(3,079,864)
<b>Other comprehensive loss for the period</b>		<b>(5,463,494)</b>	(3,435,788)	<b>(10,084,948)</b>	(3,079,864)
<b>Total comprehensive income (loss) for the period</b>		<b>(27,368,889)</b>	6,919,912	<b>(55,889,024)</b>	(74,607,752)
<b>Basic and diluted income (loss) per share</b>	12	<b>(0.03)</b>	0.02	<b>(0.07)</b>	(0.12)

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

**Carpathian Gold Inc.**

**Consolidated Statements of Changes in Shareholders' (Deficiency)  
Equity**

**For the three and nine months ended September 30, 2015 and 2014**  
**(In United States Dollars)**  
**(Unaudited)**

	Share capital	Warrants	Contributed surplus	Accumulated deficit	Total Accumulated other comprehensive income (loss)	Total
	(Note 10) \$	(Note 10) \$	\$	\$	\$	\$
Balance, January 1, 2014	196,773,069	3,256,109	10,894,939	(150,598,613)	(1,852,750)	58,472,754
Comprehensive loss				(81,883,590)	355,923	(81,527,667)
Amortization of options			6,900			6,900
Balance, June 30, 2014	196,773,069	3,256,109	10,901,839	(232,482,203)	(1,496,827)	(23,048,013)
Comprehensive income				10,355,700	(3,435,788)	6,919,912
Amortization of options			20,420			20,420
Balance, September 30, 2014	196,773,069	3,256,109	10,922,259	(222,126,503)	(4,932,615)	(16,107,681)
Comprehensive loss				(142,940,519)	(3,673,006)	(146,613,525)
Amortization of options			3,597			3,597
Balance, December 31, 2014	196,773,069	3,256,109	10,925,856	(365,067,022)	(8,605,621)	(162,717,609)
Comprehensive loss				(23,898,681)	(4,621,454)	(28,520,135)
Amortization of options			4,423			4,423
Balance, June 30, 2015	196,773,069	3,256,109	10,930,279	(388,965,703)	(13,227,075)	(191,233,321)
Comprehensive loss				(21,905,395)	(5,463,494)	(27,368,889)
Amortization of options			643			643
Balance, September 30, 2015	196,773,069	3,256,109	10,930,922	(410,871,098)	(18,690,569)	(218,601,567)

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

**Carpathian Gold Inc.**  
**Consolidated Statements of Cash Flows**  
**For the three and nine months ended September 30, 2015 and 2014**  
**(In United States Dollars)**  
**(Unaudited)**

	2015 \$	2014 \$
<b>Cash flows from operating activities</b>		
Loss for the period	(45,804,077)	(71,527,888)
Depreciation and amortization	12,669,900	70,951
Accretion	197,415	-
Unrealized foreign exchange gain	(12,600,882)	(3,262,229)
Share-based payments	5,066	24,582
Impairment	733,850	37,908,220
Deferred income tax	-	563,831
(Gain) loss on sale of property, plant and equipment	(17,431)	21,089
Interest income	(6,893)	(17,813)
Deferred share unit costs	(753)	151,292
Unrealized loss on derivative contracts	6,019,862	5,361,587
Changes in non-cash working capital balances		
Trade receivables	(1,052,376)	-
Prepaid expenses and sundry receivables	2,014,620	(1,173,210)
Inventories	(12,819,349)	(10,527,887)
Trade, other payables and payables from Gold Stream transaction <sup>1</sup>	(10,657,479)	35,249,917
Deferred revenues	(785,039)	-
	<u>(62,103,566)</u>	<u>(7,157,558)</u>
<b>Cash flows from investing activities</b>		
Restricted deposits	(2,983)	915,027
Interest income	6,893	17,813
Proceeds on sale of property, plant and equipment	22,163	-
Acquisition of property, plant and equipment	(4,741,988)	(26,291,992)
Acquisition of software licensing	(12,085)	(23,710)
Exploration and evaluation assets	(737,699)	(1,658,829)
Mine development assets	(1,704,848)	(18,807,454)
	<u>(7,170,547)</u>	<u>(45,849,145)</u>
<b>Cash flows from financing activities</b>		
Proceeds from Project Loan Facility (net of costs)	67,173,490	47,458,062
	<u>67,173,490</u>	<u>47,458,062</u>
<b>Effect of exchange rates on cash and cash equivalents</b>	<u>2,515,933</u>	<u>3,682,523</u>
<b>Decrease in cash and cash equivalents</b>	<u>415,310</u>	<u>(1,866,118)</u>
<b>Cash and cash equivalents – Beginning of period</b>	<u>310,736</u>	<u>3,011,774</u>
<b>Cash and cash equivalents – End of period</b>	<u>726,046</u>	<u>1,145,656</u>
<b>Supplemental information:</b>		
Interest paid	29,352,550	7,624,778
Income taxes paid	-	-

<sup>1</sup> Included in trade and other payables are net of items related capital expenditure for Property, plant and equipment, Exploration and evaluation assets and Mine development assets totaling \$3,315,621 (September 30, 2014 – \$7,520,991).

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

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**Carpathian Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015**  
**(In United States Dollars unless otherwise indicated)**

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## **1. Going Concern**

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 as well as gold and copper exploration on its property in Romania.

Carpathian Gold Inc. was incorporated under the laws of Canada on January 17, 2003, is domiciled in Canada and its common shares are listed on the Toronto Stock Exchange ("TSX") trading under the symbol "CPN". 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 have been prepared on a going concern basis, 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 period ended September 30, 2015, the Corporation incurred a net loss \$45,804,077 and as at September 30, 2015 reported an accumulated deficit of \$410,871,098, and negative working capital of \$247,079,708.

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) in 2013 defaulted 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 15), the availability of which shall be in the absolute discretion of the Macquarie Bank. The events of defaults have resulted in the Corporation reclassifying all borrowings under the Project Facility as current liabilities as at September 30, 2015 and recording an impairment charge in 2013 and 2014. In addition, Macquarie Bank is not obligated to deliver or make payments in respect of the derivative contracts per the agreements. This has resulted in the Corporation not being able to settle its derivative contracts. On September 28, 2015, Macquarie Bank settled all of the Corporation's derivative contracts (Note 20).

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 the operations at RDM, has caused a temporary reduction in the levels of mining and processing activities at RDM for the next few months. During this time, the RDM Mine will move toward minimal production levels, depending on the availability of water. While it is difficult to predict for how long operations will be reduced, normal production will not resume until the start of the next wet season which typically begins in October of each year.

The Corporation has \$726,046 in cash and cash equivalents. These available funds are not sufficient to fund the operations of Riacho dos Machados, the exploration in Romania, working capital

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**Carpathian Gold Inc.**

**Notes to Consolidated Financial Statements**  
**September 30, 2015**  
**(In United States Dollars unless otherwise indicated)**

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requirements or corporate administration costs. The Corporation will need to secure significant additional financing in the immediate term in order to meet the Corporation's requirements for funding of operations and Project Facility repayments on an ongoing basis. Nevertheless, there is no assurance that these initiatives will be successful or sufficient. These circumstances lead to 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.

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.

## **2. 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, 2014.

These condensed interim consolidated financial statements were approved by the Board of Directors on November 24, 2015.

## **3. Significant accounting policies**

These unaudited condensed interim consolidated financial statements have been prepared on the basis of and using the accounting policies consistent with those applied and disclosed in Note 3 to the Corporation's annual financial statements for the year ended December 31, 2014.

### **Basis of measurement**

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value, including derivative instruments.

### **Principles of consolidation**

The 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.

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**Carpathian Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015**  
**(In United States Dollars unless otherwise indicated)**

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

<b>Name of entity</b>	<b>Country of incorporation</b>	<b>Ownership</b>
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 (Brazil) Limited	Barbados	100%
Ore-Leave Capital (Barbados) Limited	Barbados	100%
Carpat Gold S.R.L.	Romania	100%
Carpathian Gold Limited	British Virgin Islands	100%
HUMEX Magyar-Angol Kutatasies Banyaszati Kft ("HUMEX Kft")	Hungary	100%
SAMAX Romania Limited	British Virgin Islands	100%
SAMAX Romania S.R.L.	Romania	100%

### **Critical accounting estimates and judgments**

In preparing the 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 estimated 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 and nine months ended September 30, 2015 are the same as those disclosed in Note 3 to the Corporations' annual consolidated financial statements for the year ended December 31, 2014.

### **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 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 consolidated financial statements.

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**Carpathian Gold Inc.**

**Notes to Consolidated Financial Statements**  
**September 30, 2015**  
**(In United States Dollars unless otherwise indicated)**

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The following amendments form the IASB's Annual Improvements to IFRSs 2012-14 Cycle are effective January 1, 2016. The Company is assessing the impact of these amendments:

- Changes in methods of disposal with respect to non-current assets held for sale and discontinued operations (amendment to *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations*); and
- Disclosure of information elsewhere in the interim financial report (amendments to *IAS 34 Interim Financial Reporting*).

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#### **4. Impairment**

As at September 30, 2015, a number of impairment indicators were noted by the Corporation in accordance with IAS 36 for its property, plant and equipment and mine assets and in accordance with IFRS 6 for its exploration and evaluation assets. Consequently, the Corporation undertook an impairment test on each of its identified CGUs, focused on MRDM and Romania ("Rovina Valley Project"). A CGU is generally an individual operating mine or development 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 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 mine in Romania.

The 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, exploration and evaluation assets were impaired by \$305,062 and \$733,850 for the three and nine months ended September 30, 2015. These impairment charges were included within the loss for the period in the statement of comprehensive loss. The fair value of the CGU was measured using market approach and Level 3 inputs.

##### *MRDM*

During 2015, the key impairment indicators noted for this CGU were the delays of the Company 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, and a significant debt facility with Macquarie repayable on demand due to the Corporation defaulting on covenants. Further indicators of impairment were identified a forecast significant reduction in planned production capacity due to shortfall in availability of water required for the production process.

FVLCD was used to determine the recoverable amount as this was determined to be a higher valuation

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than a value in use model. The recoverable amount as determined by the Corporation for the CGU was \$57,510,816.

For MRDM CGU, for the nine months ended September 30, 2015, impairment charges totaled \$Nil, of which property, plant and equipment were written down by \$Nil (December 31, 2014: \$81,940,336) exploration and evaluation assets were written down by \$Nil (December 31, 2014: \$3,921,466) and mine development assets were written down by \$Nil (December 31, 2014: \$34,740,628). These impairment charges were included within the loss for the year in the statement of comprehensive loss.

The fair value of the CGU was measured using a weighted probability method based on market approach and Level 3 inputs. At September 30, 2015, the fair value of the CGU was measured using discounted after-tax cash flows based on cash flow projections in the Corporation's current life of mine plans. There has been a change in the valuation technique as the Corporation expects to realize the value of the CGU from a sale rather than through continued operations of the CGU. Accordingly in 2014, Corporation has used a market approach to value the CGU.

The key assumptions and estimates used in determining the FVLCD were indicative offers received by the Corporation to purchase MRDM and forecast cash flows associated with the plan of operating the mine at a lower planned production capacity due to the identified forecasted water shortfall. The projected cash flows cover a 12 month period based on the latest expectation of future metal prices, future capital expenditures, production cost estimates and exchange rates. Based on observable market or publicly available data, including spot and forward metal prices, we make an assumption on future gold prices to estimate future revenues. The key assumptions used by the Corporation in the projected cash flows for their impairment testing are: a future gold price of \$1,200 per ounce; a Brazilian Reais to US\$ exchange rate of 3.2:1; and on ore grade of 1.8 g Au/t.

The key assumptions that impact the forecasted cash flows are commodity price, exchange rate and ore grade. A 10% decrease in the gold price holding all other assumptions constant would result in a decrease in the fair value of MRDM from \$57,510,816 to \$56,694,955 as at September 30, 2015. A 10% decrease in the exchange rate, holding all other assumptions constant, would result in a decrease in the fair value of MRDM from \$57,510,816 to \$56,056,783 as at June 30, 2015. A negative 30% change in the ore grade, holding other variables constant, reduces the fair value of MRDM to \$55,766,927. Should there be a significant decline in commodity price, exchange rate or ore grade, the Corporation would take actions to assess the implications on carrying value of the assets, production plan and cost structure for MRDM.

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## **5. Restricted Deposits**

As at September 30, 2015 the Corporation's restricted deposits totaled \$1,251,000 (December 31, 2014 - \$1,248,017), representing an employee trust fund of \$1,248,000 (December 31, 2014 - \$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.

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**6. Inventory**

	September 30, 2015	December 31, 2014
Finished products	402,755	1,242,867
Work-in-process	33,152,343	19,557,191
Stockpiles	601,530	773,948
Mine supplies	3,934,312	3,697,585
	<b>38,090,940</b>	<b>25,271,591</b>

**7. Property, Plant and Equipment**

	Land	Plant and Other Constructions	Buildings	Leasehold Improvements	Office Equipment	Computer Equipment	Vehicles	Machinery & Equipment	Total
Cost	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2013	398,226	75,330,248	449,824	378,740	793,820	539,940	601,129	18,845,005	97,336,932
	-	25,136,343	1,190,210	316	61,035	26,163	-	177,614	26,591,681
Additions									
Impairment (Note 4)	(9,825)	(81,940,336)	(395,697)	-	(6,365)	(15,958)	(54,439)	(8,596)	(82,431,216)
Disposals	-	-	-	-	(30,239)	-	(44,624)	-	(74,863)
Balance, December 31, 2014	<b>388,401</b>	<b>18,526,255</b>	<b>1,244,337</b>	<b>360,549</b>	<b>812,578</b>	<b>547,092</b>	<b>502,066</b>	<b>19,012,382</b>	<b>41,393,660</b>
Additions	-	4,356,959	639,686	-	10,653	38,191	-	307,215	5,352,704
Disposals	-	-	-	-	-	-	(158,568)	-	(158,568)
Effect of changes in foreign exchange rates	-	-	-	(28,067)	(8,604)	(4,629)	-	(2,489)	(43,789)
Balance, September 30, 2015	<b>388,401</b>	<b>22,883,214</b>	<b>1,884,023</b>	<b>332,482</b>	<b>814,627</b>	<b>580,654</b>	<b>343,498</b>	<b>19,317,108</b>	<b>46,544,007</b>

	Land	Plant and Other Constructions	Buildings	Leasehold Improvements	Office Equipment	Computer Equipment	Vehicles	Machinery & Equipment	Total
Accumulated depreciation	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2013	-	-	37,879	132,279	177,150	266,770	342,986	4,120,257	5,077,321
Depreciation	-	3,956,478	102,133	65,700	82,247	74,052	91,867	4,257,264	8,629,741
Impairment (Note 4)	-	-	(37,515)	-	(1,146)	(10,941)	(44,830)	(4,119)	(98,551)
Disposals	-	-	-	-	(9,150)	-	(44,624)	-	(53,774)
Effect of changes in foreign exchange rates	-	-	-	(9,178)	(2,157)	(2,599)	-	(1,080)	(15,014)
Balance, December 31, 2014	-	<b>3,956,478</b>	<b>102,497</b>	<b>188,801</b>	<b>246,944</b>	<b>327,282</b>	<b>345,399</b>	<b>8,372,322</b>	<b>13,539,723</b>
Depreciation	-	9,729,256	199,199	42,131	63,903	56,450	61,663	2,738,296	12,890,898
Disposals	-	-	-	-	-	-	(153,835)	-	(153,835)
Effect of changes in foreign exchange rates	-	-	-	(16,811)	(3,844)	(3,826)	-	(1,991)	(26,472)
Balance, September 30, 2015	-	<b>13,685,734</b>	<b>301,696</b>	<b>214,121</b>	<b>307,003</b>	<b>379,906</b>	<b>253,226</b>	<b>11,108,627</b>	<b>26,250,314</b>

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	Land	Plant and Other Constructions	Buildings	Leasehold Improvements	Office Equipment	Computer Equipment	Vehicles	Machinery & Equipment	Total
<b>Net book value</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, December 31, 2014	388,401	14,569,777	1,141,840	171,748	565,634	219,810	156,667	10,640,060	27,853,937
Balance, September 30, 2015	<b>388,401</b>	<b>9,197,480</b>	<b>1,582,327</b>	<b>118,361</b>	<b>507,624</b>	<b>200,748</b>	<b>90,271</b>	<b>8,208,481</b>	<b>20,293,693</b>

As at September 30, 2015 the carrying value of property, plant and equipment is comprised of \$97,178 in corporate and other (December 31, 2014 - \$144,641) and \$20,196,515 in Brazil (December 31, 2014 - \$27,709,296).

#### 8. Software License Costs

	<b>Cost \$</b>	<b>Accumulated Amortization \$</b>	<b>Net Book Value \$</b>
Balance, December 31, 2013	1,065,297	362,296	703,001
Additions	98,245	115,706	(17,461)
Impairment (Note 4)	(24,500)	(11,244)	(13,256)
Effect of changes in foreign exchange rates	(30,454)	(20,612)	(9,842)
Balance, December 31, 2014	<b>1,108,588</b>	<b>446,146</b>	<b>662,442</b>
Additions	<b>21,503</b>	<b>108,954</b>	<b>(87,451)</b>
Effect of changes in foreign exchange rates	<b>(46,185)</b>	<b>(36,767)</b>	<b>(9,418)</b>
Balance, September 30, 2015	<b>1,083,906</b>	<b>518,333</b>	<b>565,573</b>

As at September 30, 2015 the carrying value of software licensing fees is comprised of \$38,638 in corporate and other (December 31, 2014 - \$90,585), \$526,935 in Brazil (December 31, 2014 - \$571,857).

#### 9. Exploration and Evaluation and Mine Development Assets

	<b>Romania \$</b>	<b>Brazil \$</b>	<b>Total \$</b>
<b>Exploration and evaluation assets</b>			
Balance at December 31, 2013	50,483,191	3,312,035	53,795,226
Additions	1,240,169	609,431	1,849,600
Impairment (Note 4)	(51,723,360)	(3,921,466)	(55,644,826)
Balance at December 31, 2014	-	-	-
Additions	<b>733,850</b>	-	<b>733,850</b>
Impairment (Note 4)	<b>(733,850)</b>	-	<b>(733,850)</b>
Balance at September 30, 2015	-	-	-

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	Brazil
<b>Mine development assets</b>	
	\$
Balance at December 31, 2013	34,433,849
Additions <sup>1</sup>	13,706,977
Amortization	(1,409,705)
Impairment	(34,740,628)
	<u>11,254,809</u>
Balance at December 31, 2014	11,254,809
Additions	2,440,382
Amortization	(3,032,258)
	<u>10,662,933</u>
Balance at September 30, 2015	<u>10,662,933</u>

<sup>1</sup> 18,226,963 in borrowing costs were capitalized in Development assets during the year ended December 31, 2014, of which \$15,728,136 related to interest on the Project Facility and \$2,498,827 facility fees related to the Project Facility (Note 15). Pre-production revenues and associated costs have been capitalized in Development assets.

**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.

**10. 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 shares	\$
Balance at December 31, 2013	555,419,911	179,623,924
Common Shares issued on private placement (net of costs of \$1,317,329)	138,750,000	17,149,145
	<u>694,169,911</u>	<u>196,773,069</u>
Balance at September 30, 2015 and December 31, 2014	<u>694,169,911</u>	<u>196,773,069</u>

(c) On August 29, 2013, pursuant to an agreement with Cormark Securities Inc. and Macquarie Capital Markets Canada Ltd. (collectively the "Co-Lead Underwriters"), the Corporation completed a bought deal private placement of shares of the Corporation at an issue price of Cdn\$0.14 per share. On August 29, 2013, the Corporation issued a total of 57,871,429 common

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shares for gross proceeds of \$7,699,076 (Cdn\$8,102,000). On September 5, 2013, the Corporation issued a total of 80,878,571 common shares for gross proceeds of \$10,767,397 (Cdn\$11,323,000). In total, the Corporation issued an aggregate of 138,750,000 common shares under both tranches of the private placement for aggregate gross proceeds of \$18,466,473 (Cdn\$19,425,000). Costs of the issue were \$1,317,329.

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

	Number of Options	Weighted Average Exercise Price Cdn\$
Balance at December 31, 2013	29,437,000	0.43
Expired during the period	(4,870,000)	0.26
Forfeited during the period	(15,306,000)	0.43
Granted during the period	1,400,000	0.03
Balance at December 31, 2014	10,661,000	0.43
Forfeited During the period	(200,000)	0.03
Balance at September 30, 2015	10,461,000	0.45

As at September 30, 2015, 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	200,000	71,579	0.56	30 days	200,000
Directors, officers and employees	5,241,000	1,810,603	0.58	321 days	5,241,000
Directors, officers and employees	3,520,000	327,527	0.40	1 years 318 days	3,520,000
Employee	300,000	41,849	0.40	2 years 10 days	300,000
Employees	1,200,000	23,241	0.03	3 years 263 days	800,000
Balance at September 30, 2015	10,461,000	2,274,799		1 years 203 days	10,061,000

As at September 30, 2015 the number of stock options available for exercise was 10,061,000 at a weighted average exercise price of Cdn\$0.49 and the aggregate remaining unamortized value of unvested stock options granted was \$2,767.

Using the fair value method, total share-based compensation for stock options issued and outstanding for the three and nine months ended September 30, 2015 were \$643 (September 30, 2014 - \$20,420) and \$5,067 (September 30, 2014 - \$28,234), respectively.

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(e) Common Share Purchase Warrants

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

	Number of Warrants	Weighted Average Exercise Price Cdn\$
Issued on Finalization of Project Facility	<b>20,000,000</b>	<b>0.40</b>
Balance at September 30, 2015 and December 31, 2014	<b>20,000,000</b>	<b>0.40</b>

The fair value of the Common share purchase warrants granted to Macquarie Bank (Note 15) was estimated at \$3,256,109 using the Black Scholes valuation model using the exercise price of Cdn\$0.40, expiry of January 11, 2016 and volatility of 65.0%.

**11. Expense Breakdown**

(a) General and administrative expenses

	Three-month period ended September 30		Nine-month period ended September 30	
	2015	2014	2015	2014
	\$	\$	\$	\$
Professional fees	2,386,893	1,374,489	5,567,193	5,837,774
Investor relations and advertising	38,961	42,045	110,772	100,557
Business and development	80,339	163,673	280,180	289,071
Office and general	2,339,678	1,873,407	5,659,690	3,524,872
	<b>4,845,871</b>	<b>3,453,614</b>	<b>11,617,835</b>	<b>9,752,274</b>

(b) Employee compensation expense

	Three-month period ended September 30		Nine-month period ended September 30	
	2015	2014	2014	2014
	\$	\$	\$	\$
Salaries and benefits	729,707	1,544,479	2,565,178	2,927,480
Share based payments	643	18,221	5,067	24,582
Deferred share unit costs	(7,672)	(20,191)	(753)	(151,292)
	<b>722,678</b>	<b>1,542,509</b>	<b>2,569,492</b>	<b>2,800,770</b>

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(c) *Other (income) expense*

	Three-month period ended September 30		Nine-month period ended September 30	
	2015	2014	2015	2014
	\$	\$	\$	\$
Foreign exchange loss (gain)	(6,993,413)	(4,417,652)	(12,600,885)	(3,262,229)
Interest income	(3,461)	(176)	(6,893)	(17,813)
Other expense	3,152	10,657	20,026	52,962
Interest expense	-	1	-	616
	<b>(6,993,722)</b>	<b>(4,407,170)</b>	<b>(12,587,752)</b>	<b>(3,226,464)</b>

## 12. 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 and nine months ended September 30, 2015 were 694,169,911 (2014 - 694,169,911) and 694,169,911 (2014 - 694,169,911), respectively. Stock options and warrants are considered anti-dilutive and therefore are excluded from the calculation of diluted earnings per share.

## 13. Deferred Share Units

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:

	September 30, 2015	December 31, 2014
Number of DSUs outstanding, beginning of period	948,669	2,395,434
Redeemed (at weighted average market price of Cdn\$0.04)	-	(1,446,765)
Number of DSUs outstanding, end of period	<b>948,669</b>	<b>948,669</b>
Liability, end of period	<b>\$7,080</b>	<b>\$8,975</b>

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	Three-month period ended September 30		Nine-month period ended September 30	
	2015	2014	2015	2014
Compensation expense (recovery) for the period	(7,672)	(20,191)	(753)	(151,292)

**14. Trade and other payables**

	September 30, 2015	December 31, 2014
Trade payables	4,288,569	10,627,988
Accrued liabilities	2,311,652	5,613,512
	<b>6,600,221</b>	<b>16,241,500</b>

**15. Project Loan Facility**

On January 11, 2013, the Corporation, through its wholly owned subsidiary, MRDM and Macquarie Bank signed a definitive agreement for a Project Facility loan with Macquarie Bank. The Project Facility agreement is a five year agreement with standard commercial terms as is customary in agreements of this nature. Subject only to interest breakage costs, the Corporation may repay the Project Facility at any time, with no adverse penalties. The Corporation has granted Macquarie Bank 20 million common share purchase warrants at an exercise price of Cdn\$0.40 per warrant for a period of three years. The fair value of these warrants was estimated at \$3,256,109 using a Black-Scholes model. In addition, the Corporation granted Macquarie Bank a call option on 10,000 ounces of gold exercisable at \$2,000 per ounce for a three year period from the date of commencement of operations (the "Gold Option A"). The Gold Option A had a fair value of \$1,400,000 liability on the date of grant (Note 21). Total cost of debt issuance amounted to \$7,097,513, which includes \$1,800,000 fee to Macquarie and \$641,404 of other costs and have been netted against the Project Facility balance.

On August 28, 2013, the Corporation entered into an agreement with Macquarie Bank to amend the Facility as follows:

- a) The Corporation granted Macquarie Bank Gold Option B to acquire 10,000 ounces of gold at \$1,600 per ounce for a three year period from the date of commencement of operations; and
- b) Amended the strike price of the previous Gold Option A to acquire 10,000 ounces of gold at \$2,000 per ounce for a three year period to \$1,600 per ounce.

The additional Gold Option B had a fair value of \$1,525,000 liability on the date of the amendment and the previously issued Gold Option A had an additional fair value of \$805,000 on the day of amendment (Note 21). Total cost of amended debt terms amounted to \$2,378,200, which includes the increase in fair value of original 10,000 ounces of gold and the fair value of the options for the additional 10,000 ounces of gold, and \$48,200 other costs and have been netted against the Project Facility balance. The cost of the amendment offset against the balance of the Project Facility as the extension was determined to be a modification of the existing agreement rather than an

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extinguishment for accounting purposes. As a result of delays in the completion of the construction at the Corporation's project MRDM, as borrower, and the Corporation (as guarantor) defaulted on certain covenants under the Project Facility arrangement with Macquarie Bank, as detailed in Note 1. Due to the Forbearance Agreement all deferred debt issuance costs were written off to Mine Development assets, resulting in financing costs of \$9,475,713 for year ended December 31, 2013.

As at September 30, 2015, the principal balance outstanding on the Project Facility was \$255,565,320. Interest accrued during the three and nine months ended September 30, 2015 were \$9,359,876 (September 30, 2014 - \$6,180,618) and \$24,981,918 (September 30, 2014 - \$15,528,135), respectively. Facility fees paid for the three and nine months ended September 30, 2015 were \$1,671,788 (September 30, 2014 - \$549,424) and \$3,182,124 (September 30, 2014 - \$3,079,319), respectively. Interest paid for the three and nine months ended September 30, 2015 was \$11,126,364 (September 30, 2014 - \$3,457,272) and \$29,352,550 (September 30, 2014 - \$11,084,051).

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 February 15, 2016. Pursuant to the Forbearance Agreement, funds drawn under Tranche 3 of the Project Facility must be repaid by February 16, 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 \$184.00 million, at its discretion, of additional financing under a "Tranche 3" of the Project Facility. Tranche 3 of the Project Facility is repayable on February 16, 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.

As at September 30, 2015, the Corporation had drawn an aggregate of \$255,565,320 against the Project Facility as follows:

Draw down date	Tranche 1	Tranche 2	Tranche 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



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Draw down date	Tranche 1	Tranche 2	Tranche 3	Total
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
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

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Draw down date	Tranche 1	Tranche 2	Tranche 3	Total
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	-	-	14,815,952	14,815,952
September 28, 2015	-	-	931,436	931,436
	65,000,000	25,000,000	165,565,320	255,565,320

**16. Payables form 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 September 30, 2015, 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.

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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 August 14, 2015.

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.

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## **17. Segmented Information**

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

<b>Operating Segment</b>	<b>Corporate and Other</b>	<b>Brazil</b>	<b>Romania</b>	<b>Total</b>
<b>Consolidated Statement of Financial Position</b>				
<b>As at September 30, 2015</b>				
Total Assets	2,639,949	75,730,895	21,481	78,392,326
Total Liabilities	638,526	296,343,932	11,434	296,993,892
<b>As at December 31, 2014</b>				
Total Assets	2,349,192	84,039,313	35,003	86,423,508
Total Liabilities	948,327	248,177,506	15,284	249,141,117

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Operating Segment	Corporate and Other	Brazil	Romania	Total
<b>Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)</b>				
<b>For the three months ended September 30, 2015</b>				
<b>Revenues</b>	-	2,918,926	-	2,918,926
<b>Expenses</b>				
Cost and expenses of mining operations				
Operating costs and mine site administrative expenses	-	2,309,024	-	2,309,024
Mine site depreciation and amortization	-	2,043,051	-	2,043,051
General and administrative expenses (Including depreciation and amortization)	2,166,444	2,702,635	-	4,869,079
Employee compensation costs	205,825	516,853	-	722,678
Impairment	-	-	305,062	305,062
Net (gain) loss on derivative contracts	-	11,589,616	-	11,589,616
Foreign exchange loss (gain)	(6,431,861)	(501,513)	(60,039)	(6,993,413)
Interest income, net of expenses	(255)	(3,206)	-	(3,461)
Finance costs				
Interest and facility fees	-	9,913,728	-	9,913,728
Accretion	-	65,805	-	65,805
Other expense	-	3,152	-	3,152
Income (loss) for the period	4,059,847	(25,720,219)	(245,023)	(21,905,395)
Other Comprehensive income (loss) for the period	(5,463,494)	-	-	(5,463,494)
Total comprehensive loss for the period	(1,403,647)	(25,720,219)	(245,023)	(27,368,889)
<b>Operating Segment</b>	<b>Corporate and Other</b>	<b>Brazil</b>	<b>Romania</b>	<b>Total</b>
<b>Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)</b>				
<b>For the three months ended September 30, 2014</b>				
Operating costs and mine site administrative expenses	-	(11,310,133)	-	(11,310,133)
General and administrative expenses (Including depreciation and amortization)	1,093,322	2,388,247	-	3,481,569
Employee compensation costs	268,403	1,274,106	-	1,542,509
Impairment	-	-	10,812,720	10,812,720
Net gain on derivative contracts	-	(11,087,209)	-	(11,087,209)
Foreign exchange loss (gain)	(3,432,277)	(984,444)	(931)	(4,417,652)
Interest income, net of expenses	(175)	-	-	(175)
Other expense	-	10,657	-	10,657
Income tax expense	-	-	612,014	(612,014)
Income (loss) for the period	2,070,727	19,708,776	(11,423,803)	10,355,700
Other Comprehensive income (loss) for the period	(3,435,788)	-	-	(3,435,788)
Total comprehensive income (loss) for the period	(1,365,061)	19,708,776	(11,423,803)	6,619,912

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Operating Segment	Corporate and Other	Brazil	Romania	Total
<b>Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)</b>				
<b>For the nine months ended September 30, 2015</b>				
<b>Revenues</b>	-	40,043,118	-	40,043,118
<b>Expenses</b>				
Cost and expenses of mining operations				
Operating costs and mine site administrative expenses	-	24,990,949	-	24,990,949
Mine site depreciation and amortization	-	12,597,227	-	12,597,227
General and administrative expenses (Including depreciation and amortization)	5,113,026	6,577,483	-	11,690,509
Employee compensation costs	689,422	1,880,070	-	2,569,492
Impairment	-	-	733,850	733,850
Net (gain) loss on derivative contracts	-	18,609,398	-	18,609,398
Foreign exchange loss (gain)	(11,028,655)	(1,527,740)	(44,490)	(12,600,885)
Interest income, net of expenses	(921)	(5,972)	-	(6,893)
Finance costs				
Interest and facility fees	-	27,046,106	-	27,046,106
Accretion	-	197,415	-	197,415
Other expense	-	20,026	-	20,026
Income (loss) for the period	5,227,128	(50,341,844)	(689,360)	(45,804,076)
Other Comprehensive income (loss) for the period	(10,084,948)	-	-	(10,084,948)
Total comprehensive loss for the period	(4,857,820)	(50,341,844)	(689,360)	(55,889,024)
<b>Operating Segment</b>	<b>Corporate and Other</b>	<b>Brazil</b>	<b>Romania</b>	<b>Total</b>
<b>Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)</b>				
<b>For the nine months ended September 30, 2014</b>				
Operating costs and mine site administrative expenses	-	20,855,789	-	20,855,789
General and administrative expenses (Including depreciation and amortization)	5,371,038	4,452,186	-	9,823,224
Employee compensation costs	666,326	2,134,444	-	2,800,770
Impairment	-	-	37,908,220	37,908,220
Net loss on derivative contracts	-	2,802,518	-	2,802,518
Foreign exchange loss (gain)	(3,023,310)	(224,304)	(14,615)	(3,262,229)
Interest income, net of expenses	(498)	(16,699)	-	(17,197)
Other expense	-	52,962	-	52,962
Income tax recovery	-	-	563,831	563,831
Loss (income) for the period	(3,013,556)	(30,056,896)	(38,457,436)	(71,527,888)
Other Comprehensive loss for the period	(3,079,864)	-	-	(3,079,864)
Total comprehensive loss for the period	(6,093,420)	(30,056,896)	(38,457,436)	(74,607,752)

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**18. Related Parties**

As at September 30, 2015 there were no amounts due to or from related parties (December 31, 2014 - \$Nil).

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**19. Rehabilitation Provisions**

The Corporation's rehabilitation provisions arise from its obligations to undertake site reclamation and remediation in connection with its mining activities. The following table summarizes the movements in the provisions:

	September 30, 2015	December 31, 2014
Balance at beginning of period	5,787,969	5,125,296
Provision	-	320,195
Accretion	197,415	65,804
Change in estimate	-	276,674
	<b>5,985,384</b>	<b>5,787,969</b>

As at September 30, 2015, the Corporation estimated the total undiscounted amount of the estimated cash flows required to settle the decommissioning and other rehabilitation obligations of the Corporation's Brazilian subsidiary to be approximately \$8,200,000 with the most significant expected outflows commencing in approximately 7.25 years. As at September 30, 2015 the rehabilitation provision has been discounted using a discount rate of 4.60%. A 1% increase in the discount rate would result in a decrease of rehabilitation provision by \$419,398 and a 1% decrease in the discount rate would result in an increase in the rehabilitation provision by \$457,086, while holding the other assumptions constant.

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**20. Derivative Contracts**

*Currency and Commodity gold contracts*

In conjunction with the Project Facility (Note 15), the Corporation through Macquarie Bank, also entered into price protection programs in the form of currency swaps for the Project's capital expenditures ("CAPEX") (R\$1.9 to US\$1.00) and estimated operating expenditures ("OPEX") (R\$1.983 to US\$1.00) as well as a gold price protection program ("Gold Contracts") comprised of 216,600 ounces of gold at varying prices of from \$1,177 to \$1,600 per ounce. The fair value of the Gold Contracts was a liability of \$92,727,754 prior to settlement on September 28, 2015.

The CAPEX currency swap was arranged to mitigate the risk associated with fluctuations in the Brazilian Reals (R\$) during the mine construction period relative to the US\$. The OPEX currency swaps were arranged to cover R\$/US\$ currency fluctuations during the initial years of the mine operations for a notional amount of R\$317,202,176. The fair value of the OPEX currency swaps was an asset of \$78,815,543 prior to settlement on September 28, 2015.

Derivatives arising from the currency swaps and gold contracts are intended to manage the Corporation's risk management objectives associated with changing market values, but they do not

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meet the strict hedge effectiveness criteria designated in a hedge accounting relationship. Accordingly, these derivatives have been classified as “non-hedge derivatives”.

*Gold options*

The fair value of the Gold Option A granted to Macquarie Bank in 2013 and the Gold Option B (Note 15) was estimated was a liability of \$162,934 prior to settlement on September 28, 2015.

**Summary of Derivatives at December 31, 2014**

	Notional Amount by Term to Maturity (\$)				Fair Value (\$)
	Within 1 year	2 to 3 years	4 to 5 years	Total	
<b>Currency contracts:</b>					
OPEX contract	31,992,151	85,312,402	63,984,302	181,288,855	(66,104,760)
<b>Commodity contracts:</b>					
Gold contract	68,525,970	145,920,000	109,440,000	323,885,970	72,584,622
Gold Options	-	32,000,000	-	32,000,000	(460,000)

**Fair Values of Derivative Instruments**

	Balance Sheet Classification	Fair Value as at September 30, 2015	Fair Value as at December 31, 2014	Balance Sheet Classification	Fair Value as at September 30, 2015	Fair Value as at December 31, 2014
<b>Currency contracts:</b>						
OPEX contract		-	-	Current liabilities	-	9,212,007
OPEX contract		-	-	Non-current liabilities	-	52,892,753
<b>Commodity contracts:</b>						
Gold contract	Current assets	-	14,433,715	Current liabilities	-	-
Gold contract	Non-current assets	-	58,150,907	Non-current liabilities	-	-
Gold Options		-	-	Non-current liabilities	-	460,000

Changes in the fair value of the Gold Options derivative in the Agreement and the Currency and Gold Contract derivatives are recognized in the consolidated statement of loss as net gains or losses on non-hedge derivatives.

Unrealized gains or losses arising from the changes in fair value of the Gold Options derivatives and currency and commodity contracts derivatives for the three and nine months ended September 30, 2015 amounted to a gain of \$2,485,529 (September 30, 2014 – gain of \$8,528,141) and a loss of \$6,019,889 (September 30, 2014 – loss of \$5,361,586), respectively. Realized gains arising from settlement of all currency, commodity and gold option contract derivatives for the three and nine months ended September 30, 2015 amounted to a loss of \$14,075,145 (September 30, 2014 – gain of \$2,559,068) and a loss of \$12,489,509 (September 30, 2014 – gain of \$2,559,068), respectively. These realized and unrealized gains and losses are recognized in the consolidated statement of loss as net gains or losses on derivative contracts.

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***Net realized and unrealized (gains) losses on Derivatives***

	Three-Month Period Ended September 30,		Nine-Month Period Ended September 30,	
	2015	2014	2015	2014
<b>Currency contracts:</b>				
OPEX contract	(13,026,693)	26,071,781	(15,698,051)	2,095,908
<b>Commodity contracts:</b>				
Gold contract	24,290,177	(36,832,990)	34,173,317	1,660,610
Gold Options	326,132	(326,000)	134,132	(954,000)

**21. Financial Instruments and fair values**

*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 September 30, 2015 and December 31, 2014.

	Level	September 30, 2015		December 31, 2014	
		Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
<b>Financial Assets</b>					
Loans and receivables					
Cash and cash equivalents <sup>1</sup>	1	726,046	726,046	310,736	310,736
Restricted deposits <sup>1</sup>	1	1,251,000	1,251,000	1,248,017	1,248,017
Trade receivables <sup>1</sup>	2	2,965,804	2,965,804	1,913,427	1,913,427
Sundry Receivables <sup>1</sup>	2	46,716	46,716	52,207	52,207
<b>Financial Liabilities</b>					
Amortized cost					
Trade and other payables <sup>1</sup>	2	6,593,141	6,593,141	16,232,525	16,232,525
Project Loan Facility <sup>3</sup>	2	256,858,687	256,858,687	194,017,772	194,017,772
Production shortfall payable <sup>1</sup>	2	27,549,600	27,549,600	27,549,600	27,549,600
Deferred revenues <sup>1</sup>	2	-	-	785,039	785,039
<b>Fair value through profit and loss</b>					
Derivative contracts	2	-	-	6,019,862	6,019,862
Deferred Share Units <sup>2</sup>	1	7,080	7,080	8,975	8,975

<sup>1</sup> Fair value approximates the carrying amount due to the short-term nature.

<sup>2</sup> Based on market price of the Corporation's common shares at period end.

<sup>3</sup> 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



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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.

*Valuation techniques*

The fair value of derivative instruments is determined using either present value techniques or option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. Currency contracts and commodity forward contracts were in a net asset position and therefore, the Corporation used credit default swap (the "CDS") spread of Macquarie Bank. The fair value of currency swap contracts is determined by discounting contracted cash flows using a discount rate derived from observed LIBOR and swap rate curves and CDS rates. In the case of currency contracts, the Corporation converts non-U.S. dollar cash flows into U.S. dollars using an exchange rate derived from currency swap curves and CDS rates. The fair value of commodity forward contracts is determined by discounting contractual cash flows using a discount rate derived from observed LIBOR and swap rate curves and CDS rates. Contractual cash flows are calculated using a forward pricing curve derived from observed forward prices for each commodity. Gold options are valued based on valuations taken from the CME Group Inc. gold options quote site using American options for strike range of \$1,600 and expiry date of December 2016. Derivative instruments are classified within Level 2 of the fair value hierarchy.

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**22. Commitments**

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-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 September 30, 2015, 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	2,873,522	-	2,873,522
Office lease	73,237	18,309	91,546

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.

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### **23. Capital Disclosures**

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.

The Corporation's capital items are the following:

	<b>September 30, 2015</b>	December 31, 2014
Cash and cash equivalents	<b>726,046</b>	3,10,736
Restricted deposits	<b>1,251,000</b>	1,248,004
Project loan facility	<b>256,858,687</b>	188,391,830
Share capital	<b>196,773,069</b>	196,773,069
Warrants	<b>3,256,109</b>	3,256,109
	<b><u>458,864,911</u></b>	<u>389,979,761</u>

In accordance with the terms of the Project Facility (Note 15), the Corporation is required to maintain certain covenants, most of which will become effective on commencement of production. These covenants relate to financial and operational, including delays in commencement of production 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 15.

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### **24. Financial Risk Factors**

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 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 credit risk is primarily attributable to cash and cash equivalents, restricted deposits and derivative assets on its various currency swap and gold contracts. Cash and cash

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equivalents consist of deposit accounts held at various Canadian and Brazilian chartered banks, from which management believes the risk of loss to be remote. For derivatives with a positive fair value, the Corporation is exposed to credit risk equal to the carrying value. The Corporation mitigates credit risk on these derivatives by entering into derivatives with high credit-quality counterparties and monitoring the financial condition of the counterparties on a regular basis.

**(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 September 30, 2015, the Corporation faces liquidity risk to the extent that it will be unable to settle current liabilities of \$291,008,508 with cash and cash equivalents and restricted deposits totalling \$1,977,046. Current liabilities consist of trade and other payables, payables from Gold Stream transaction, borrowings and fair value of derivative contracts that are predominantly due within three months to not later than a year. Commitments, consisting of construction contracts and supply contracts for fuel and other material are included in Note 23.

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.

Due to the events of default and Forbearance Agreement, all borrowings under the Project Facility have been reclassified as current liabilities and borrowings under Tranche 3 of the Project Facility due on February 16, 2016 (Note 1).

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).

**(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. Management endeavours to mitigate market risk through the use of currency and gold derivatives.

**(i) Interest rate risk**

The Corporation's short term investments are interest bearing deposit accounts held at Canadian chartered banks. The Corporation also holds a portion of its funds in bank accounts that earn variable interest rates. The Corporation regularly monitors the investments it makes and is satisfied with the credit ratings of its banks. Interest rate fluctuations could also have a significant impact on the valuation of Carpathian's derivatives. The Corporation is also exposed to interest rate risk with regard to the Project Facility.

As of September 30, 2015, management estimates that if interest rates had changed by 5% the impact on investment income and net loss for the period would have been approximately \$25,049. In addition, if interest rates had changed by 5% the impact of the Project Facility interest and net loss for the period would have been approximately \$7,852,904.

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(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 settled in Brazilian Reals. As at September 30, 2015, the Corporation held cash and cash equivalents of \$97,781 in Brazilian Reals, \$141,285 in Canadian dollars, \$462,560 in U.S. dollars and \$24,421 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. To further mitigate these inherent risks the Corporation had entered into certain currency swap arrangements effective December 15, 2011, which were amended as of December 24, 2013, covering a substantial portion of its OPEX on the RDM Project in Brazil.

As of September 30, 2015, excluding the effect fluctuations in the R\$/US\$ exchange rate would have on the valuation of its currency derivatives, 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 \$398,467.

(iii) Commodity price risk

The Corporation is exposed to price risk with respect to commodity pricing primarily for gold and copper. The Corporation has entered into a gold price protection program to mitigate a portion of the downside risk of changes in the market price of gold (Note 20).

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**25. Subsequent Event**

- (a) Subsequent to September 30, 2015, Macquarie Bank has agreed to increase additional financing under Tranche 3 of the Facility to \$184.00 million, resulting in a total Project Facility of \$274.00 million and to extend the repayment date for any funds drawn under Tranche 3 of the Facility to February 16, 2016.
- (b) As at November 24, 2015, the Corporation drew \$177.10 million against the Project Facility's Tranche 3, resulting in a total Project Facility of \$267.10 million, as amended by the Forbearance Agreement.
- (c) Subsequent to September 30, 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 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").

Pursuant to the Option Agreement, Macquarie Bank has agreed to forbear from exercising any

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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 exercise or early termination of the Option Agreement and (ii) February 15, 2016. Under the Option Agreement, to the extent that cash flows from the 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 Option Agreement. Any drawdowns requested by MRDM under the Facility remain subject to the discretion of Macquarie Bank.

Furthermore, the Corporation has entered into an agreement with Brio and Macquarie Bank (the "Restructuring Agreement") whereby the Corporation and Brio have agreed that, in the event Brio exercises its option to acquire the Financial Assets under the Option Agreement, 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 (the "Restructuring"). 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.

As well, upon closing of the Restructuring, Brio has 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.

## **SCHEDULE C**

## **Carpathian Gold Inc.**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations for the three and nine months ended September 30, 2015 and 2014.**

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, 2014 and the condensed interim consolidated financial statements for the three and nine months ended September 30, 2015 (“**Q3 2015**” and “**YTD 2015**”, respectively) and the Corporation’s other securities filings available on [www.sedar.com](http://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 November 24, 2015.

#### **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 RDM 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*" and in the Corporation's Annual Information Form for the year ended December 31, 2014 as filed on SEDAR. 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 ("**RDM**" or the "**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 is 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](http://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, will prevent these targets from being met.

As previously reported by the Corporation (News Release, June 24, 2015), 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 lack of availability of water, which is required for the operations at RDM, has caused a

temporary reduction in the levels of mining and processing activities at RDM. We have only been able to achieve minimal production levels, depending on the availability of water.

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

Under the agreement related to the reduction of working days, employees' workdays have been reduced resulting in a reduction of wage costs in the amount of 25% monthly. Employees stay home but remain on call for the company to work as required. Employees are paid 100% of their wages for each day worked. As of the date of this report, 114 employees are working full time, and 65 employees are on call.

Under the contract suspension agreement, employment contracts are suspended and, therefore, employee benefits are 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. As of the date of this report, 191 employees were enrolled in this program.

Both agreements expire on December 9, 2015.

As of the date of this MD&A, MRDM has poured a total of 82,001 ounces of gold and 33,011 ounces of silver since the first gold pour which took place in December of 2013.

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. 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\$267.10 million has been drawn down by MRDM under the amended Facility. The current forbearance period expires on February 15, 2016 (See also "Subsequent Event Discussion").

The Corporation acts 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.

The exploration team is currently providing their technical and field support to the mine geology team for implementing ore-control, in-pit geology bench mapping, QA-QC sampling, reconciliation between the Resource-Reserve model to the short term model and to liberation blocks, variography updates and ore-control reporting.

Further information on RDM, including the NI 43-101 reports can be found on the Corporation's web site at [www.carpathiangold.com](http://www.carpathiangold.com).

Under current regulations, all exploration activities that the Corporation undertakes through MRDM must 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 September 30, 2015, the rehabilitation provision has been discounted using a discount rate of 4.60% and an obligation of approximately \$6.0 million has been recorded (December 31, 2014 - \$5.8 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](http://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	Tonnage	Au	Cu	Gold (MM oz)	Copper (MM lbs)	Au eq*
Category	(MM t)	(g/t)	(%)			(MM oz)
<b>Measured</b>						
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
<b>Total Measured</b>	<b>90.9</b>	<b>0.62</b>	<b>0.19</b>	<b>1.80</b>	<b>389.0</b>	<b>2.80</b>
<b>Indicated</b>						
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
<b>Total Indicated</b>	<b>314.9</b>	<b>0.53</b>	<b>0.15</b>	<b>5.38</b>	<b>1,031.0</b>	<b>8.03</b>
<b>Total Measured + Indicated</b>	<b>405.8</b>	<b>0.55</b>	<b>0.16</b>	<b>7.18</b>	<b>1,420.0</b>	<b>10.83</b>
Comparison to 2008 Resource Estimate	+ 110%	+12.2%	-11.1%	+134%	+87%	+113%
<b>Inferred</b>						
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
<b>Total Inferred</b>	<b>26.8</b>	<b>0.38</b>	<b>0.16</b>	<b>0.33</b>	<b>97.0</b>	<b>0.58</b>
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 US\$3.52/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/lb 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 completed 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.

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](http://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	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Revenues	2,918,915	14,732,609	22,391,584	17,932,070	-	-	-	-
Net (income) loss for the period	21,905,395	3,002,131	20,896,550	142,940,519	(10,355,700)	63,686,768	18,196,822	44,940,306
Basic and diluted (income) loss per share	0.03	0.00	0.03	0.21	(0.02)	0.14	0.03	0.08
Exploration and evaluation expenditures	303,499	199,620	234,580	663,957	756,163	274,345	628,321	652,148
Mine development expenditures	299,868	600,659	804,321	528,909	6,730,042	6,719,214	5,358,198	6,904,338

### **Third quarter ended September 30, 2015 ("Q3 2015")**

During Q3 2015, 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 Q3 2015. 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.

MRDM recorded revenues of \$2,918,915 compared to \$14,732,609 in Q2 2015. Gross loss from mining operations in Q3 2015 was \$1,433,149 versus a gross profit of \$3,888,091 for Q2 2015. The net loss for Q3 2015 was \$21,905,395 compared to a net loss of \$3,002,131 for Q2 2015. Included in the loss for Q3 2015 is a non-cash gain of \$2,485,529 compared to a non-cash loss of \$8,528,141 in Q3 2015. These non-cash gains and losses are reported on the Corporation's currency swaps and gold contract derivatives and arise from a movement in the foreign exchange rates on the Brazilian Real as well as on forward gold prices (see Financing Activities). The Company had a realized loss of \$14,075,145 in Q3 2015 compared to a realized gain of \$2,559,068 in Q3 2014. In Q3 2015, a

non-cash impairment charge of \$305,062 was recognized against the carrying value of Romania (see further discussion below). General and administrative costs in Q3 2015 were \$4,845,871 as compared to \$3,453,614 in Q3 2014 and were primarily due to restructuring costs both at the corporate head office and Brazilian locations. The Corporation incurred employee compensation expenses of \$722,678 in Q3 2015 as compared to \$1,542,209 in Q3 2014, the decrease being primarily due to lower expenses at MRDM due to reduced production as well as the execution of the two employment agreements previously described. Due to the movement in the value of the Canadian dollar and the Brazilian Real relative to the US\$, an unrealized foreign exchange gain of \$6,993,412 was recorded in Q3 2015 compared to an unrealized foreign exchange gain of \$4,417,652 in Q3 2014.

The basic and diluted earnings per share was a loss of \$0.03 in Q3 2015 versus income of \$0.07 in Q3 2014.

### **Nine months ended September 30, 2015 (“YTD 2015”)**

The following table sets out certain financial information for the nine month periods ended September 30, 2015 and 2014 (“YTD 2014”):

For the YTD	<b>YTD 2015</b>	YTD 2014
Net loss (gain) for the period	<b>45,804,076</b>	71,527,888
Basic and diluted (income) loss per share	<b>0.07</b>	0.12
Exploration and evaluation expenditures	<b>737,699</b>	1,653,829
Mine development expenditures	<b>1,704,848</b>	18,807,454

The net loss for YTD 2015 was \$45,804,076 compared to a net loss of \$71,527,888 for the corresponding period in 2014. Included in the YTD 2015 loss was a non cash loss on the currency swaps and gold contract derivatives of \$6,019,889 compared to a loss on derivatives of \$5,361,586 in YTD 2014. In addition, a realized loss of \$12,589,509 was recorded in Q3 2015 compared to a gain of \$2,559,068 in YTD 2014. Included in the YTD 2015, a non-cash impairment charge of \$733,850 was recognized against the carrying value of Romania (see further discussion below). General and administrative costs in YTD 2015 aggregated \$11,617,736 as compared to \$9,752,273 in YTD 2014, primarily due to restructuring costs both at the corporate head office and Brazilian locations. Employee compensation expenses of \$2,569,492 were lower during YTD 2015 as compared to \$2,800,770 in YTD 2014, primarily due to lower expenses at MRDM due to the execution of the two agreements with MRDM’s employees described above. The YTD 2015 foreign exchange gain of \$12,600,885 compared to a gain of \$3,262,229 for YTD 2014 was primarily due to the movement of the Canadian dollars against the US dollar.

The basic and diluted net loss per share was \$0.07 in YTD 2015 versus a \$0.12 loss per share in YTD 2014.



<b>Operating data</b>	<b>YTD 2015</b>	<b>Q3 2015</b>	<b>Q2 2015</b>	<b>Q1 2015</b>	<b>Q4 2014</b>
Tonnes ore mined	<b>838,480</b>	<b>124,134</b>	330,665	383,680	425,586
Tonnes processed	<b>813,950</b>	<b>55,156</b>	274,307	484,487	533,211
Grade (grams/tonnes)	<b>1.25</b>	<b>2.12</b>	1.38	1.07	1.18
Recovery	<b>84%</b>	<b>83%</b>	84%	84%	87%
Gold ounces					
- Produced	<b>27,517</b>	<b>3,128</b>	10,385	14,004	17,579
- Sold	<b>31,357</b>	<b>2,721</b>	11,206	17,430	18,431
Cash operating costs (per ounce) <sup>(1)</sup>	<b>1,274</b>	<b>2,377</b>	1,331	1,066	1,030
Total cash costs (per ounce) <sup>(1)</sup>	<b>1,451</b>	<b>2,898</b>	1,476	1,196	1,320
<b>Financial data</b>	<b>YTD 2015</b>	<b>Q3 2015</b>	<b>Q2 2015</b>	<b>Q1 2015</b>	<b>Q4 2014</b>
Revenues	<b>40,043,118</b>	<b>24,732,609</b>	24,732,609	22,391,584	17,932,070
Operating costs and mine site administrative expenses	<b>24,990,949</b>	<b>2,309,024</b>	8,436,722	13,245,202	9,829,277
Depreciation and amortization	<b>12,597,227</b>	<b>2,043,051</b>	4,854,674	5,699,502	5,740,732
Gross profit (loss) from mining operations	<b>2,454,942</b>	<b>(1,433,149)</b>	3,888,091	3,446,880	2,362,061

(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 September 30, 2015, the Corporation had cash and cash equivalents of \$726,046 (\$310,736 – at December 31, 2014) and restricted deposits of \$1,332,609 (\$1,248,017 - at December 31, 2014) and a working capital shortfall of \$247,079,408 (\$201,718,503 at December 31, 2014).

The Corporation’s available funds are not sufficient to fund the operation of the RDM project, the exploration work in Romania, working capital requirements and corporate administration. The Corporation continues to pursue strategic alternatives, including a possible sale or financial restructuring. The Corporation is currently assessing various financing options in order to secure additional funding and, in the interim, has been engaged in on-going discussions with Macquarie Bank to temporarily increase the amount available to the Corporation under the Facility until those alternative financing options are secured. To date, Macquarie Bank has continued to provide increases in the amount available under the Facility. Nevertheless, there is no assurance that these initiatives will be successful or sufficient or that Macquarie will continue to provide further advances (see also “Subsequent Event Discussion”). These circumstances lead to 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.

The 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) have defaulted on certain covenants imposed under the Facility arrangement with Macquarie Bank. These covenant defaults relate 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 February 15, 2016 (see also “Subsequent Event Discussion”). This has also resulted in the Corporation reclassifying all scheduled repayment under the Facility as current liabilities. In addition, under the terms of the Forbearance Agreement

Macquarie Bank has agreed, at its discretion, to provide an additional Tranche 3 under the Facility, the availability of which shall be in the absolute discretion of the lenders.

## **Financing Activities**

On January 13, 2013, MRDM entered into the Facility with Macquarie Bank of up to US\$90 million to fund the construction and development of the RDM project. 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. 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\$267.10 million has been drawn down by MRDM under the amended Facility. The current forbearance period expires on February 15, 2016 (see also "Subsequent Event Discussion").

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

## **Impairment**

As at September 30, 2015, a number of impairment indicators were noted by the Corporation in accordance with IAS 36 for its property, plant and equipment and mine assets and in accordance with IFRS 6 for its exploration and evaluation assets. Consequently, the Corporation undertook an impairment test on each of its identified cash generating units ("CGUs"), focused on MRDM and the Rovina Valley Project. A CGU is generally an individual operating mine or development project.

### *Rovina Valley Project*

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 completed on the project in March 2010 and uncertainty as to whether the draft amended mining law in Romania will be passed enabling construction of mine in Romania.

The fair value less costs to dispose ("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, exploration and evaluation assets was impaired by \$305,602 and \$733,850 for the three and nine months ended September 30, 2015, respectively. These impairment charges were included within the loss for the period in the statement of comprehensive loss. The fair value of the CGU was measured using market approach and Level 3 inputs.

### *MRDM*

During 2015, the key impairment indicators noted for this CGU were: the delays of the Company to achieve commercial production levels in accordance with its life of mine plan; its market capitalization being below the carrying value of the net assets of the Corporation as a whole; negative cash flows from operating activities and a significant debt facility with Macquarie repayable on demand due to the Corporation defaulting on covenants.

Subsequent to year-end further indicators of impairment were identified, including a forecast reduction in planned production capacity due to shortfall in availability of water required for the production process.

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 \$57,510,816.

For the MRDM CGU, for the three and nine months ended September 30, 2015, impairment charges totaled \$Nil.

The fair value of the CGU was measured using a weighted probability method based on market approach. At September 30, 2015, the fair value of the CGU was measured using discounted after-tax cash flows based on cash flow projections in the Corporation's current life of mine plans. There has been a change in the valuation technique as the Corporation expects to realize the value of the CGU from a sale rather than through continued operations of the CGU. Accordingly in 2015, Corporation has used a market approach to value the CGU.

The key assumptions and estimates used in determining the FVLCD were indicative offers received by the Corporation to purchase MRDM and forecast cash flows associated with the plan of operating the mine at a lower planned production capacity due to the current water shortfall. The projected cash flows cover a 12 month period based on the latest expectation of future metal prices, future capital expenditures, production cost estimates and exchange rates. Based on observable market or publicly available data, including spot and forward metal prices, we make an assumption on future gold prices to estimate future revenues. The key assumptions used by the Corporation in the projected cash flows for their impairment testing are: a future gold price of \$1,200 per ounce; a Brazilian Reais to US\$ exchange rate of 3.2:1; and an ore grade of 1.8g Au/t.

The key assumptions that impact the forecasted cash flows are commodity price, exchange rate and ore grade. A 10% decrease in the gold price holding all other assumptions constant would result in a decrease in the fair value of MRDM from \$57,510,816 to \$56,694,955 as at September 30, 2015. A 10% decrease in the exchange rate, holding all other assumptions constant, would result in a decrease fair value of MRDM from \$57,510,816 to \$56,056,783 as at September 30, 2015. A negative 30% change in the ore grade, holding other variables constant, reduces the fair value of MRDM to \$55,766,927. Should there be a significant decline in commodity price, exchange rate or ore grade, the Corporation would take actions to assess the implications on carrying value of the assets, production plan and cost structure for MRDM.

## Disclosure of Outstanding Share Data

As at the date of this report the total issued and outstanding number of Common Shares is 694,169,911.

## Options

As at September 30, 2015, 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	200,000	71,579	0.56	30 days	200,000
Directors, officers and employees	5,241,000	1,810,603	0.58	321 days	5,241,000
Directors, officers and employees	3,520,000	327,527	0.40	1 years 318 days	3,520,000
Officer and employee	300,000	41,849	0.40	2 years 10 days	300,000
Employees	1,200,000	23,241	0.03	3 years 263 days	800,000
<b>Balance at September 30, 2015</b>	<b>10,461,000</b>	<b>2,274,799</b>		<b>1 years 203 days</b>	<b>10,061,000</b>

## Warrants

As at September 30, 2015, the following Common Share purchase warrants were outstanding:

	Number of Warrants	Weighted Average Exercise Price Cdn\$
Balance at December 31, 2013	-	-
Issued on Finalization of Facility	20,000,000	0.40
Balance at September 30, 2015 and December 31, 2014	20,000,000	0.40

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%.

As at the date hereof, on a fully diluted basis, the total issued and outstanding number of Common Shares is 694,169,911.

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 September 30, 2015, 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	2,873,522	-	2,873,522
Office lease	73,237	18,309	91,546

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 September 30, 2015, there were no amounts due to or from related parties (December 31, 2014 - \$Nil).

## Financial Instruments – Derivatives

### *Gold Stream Transaction*

On May 20, 2010, the Corporation's wholly owned subsidiary MRDM entered into a gold purchase and sale agreement (the "**Agreement**") with Macquarie Bank for its RDM project in Brazil.

Under the terms of the Agreement, as amended from time to time, Macquarie Bank made upfront cash payments (the "**Upfront Payments**") totalling \$30 million in return for which it acquired 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**"). Macquarie Bank 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.

The transactions covered by the Agreement have been recorded as a sale of a partial mineral property interest and the Upfront Payments have been accounted for as a recovery of exploration and development costs. Accordingly, no immediate gain or loss has been recognized on the transaction. These funds were used for the on-going construction activities in Brazil. As at December 31, 2012, the full \$30 million in Upfront Payments had been received (\$15 million - at December 31, 2011).

In addition, the Agreement provided that, if during the period from July 1, 2013 to June 30, 2014, MRDM had 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, would 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 foregoing, 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 Bank 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 February 15, 2016 (see also "Subsequent Event Discussion").

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.

### *Project Loan Facility*

In conjunction with the entering into of the Facility, MRDM, through Macquarie Bank, also entered into price protection programs in the form of currency swaps for the Project's Capex at R\$1.90 to US\$1.00 and Opex at R\$1.983 to US\$1.00. In addition and concurrently with the currency swaps, MRDM entered into a gold price protection program ("**Gold Contracts**") comprised of 216,600 ounces of gold (approximately 26% of the open-pit reserves) at varying prices from \$1,177 to \$1,600 per ounce. The fair value of the Gold Contracts was a liability of \$92,727,754 prior to settlement on September 28, 2015.

The Capex currency swaps were put in place in order to mitigate the risks associated with fluctuations in the Brazilian Reais (R\$) during the mine construction period relative to the US\$. The Opex currency swaps were arranged to cover R\$/US\$ currency fluctuations during the initial years of the mine operations for a notional amount of R\$317,202,176. The fair value of the OPEX was an asset of \$78,815,543 prior to settlement on September 28, 2015.

The fair value of currency swap contracts is determined by discounting contracted cash flows using a discount rate derived from observed LIBOR and swap rate curves and credit default swap (the "**CDS**") rates. In the case of currency contracts, the Corporation converts non-U.S. dollar cash flows into U.S. dollars using an exchange rate derived from currency swap curves and CDS rates. The fair value of commodity forward contracts is determined by discounting contractual cash flows using a discount rate derived from observed LIBOR and swap rate curves and CDS rates. Contractual cash flows are calculated using a forward pricing curve derived from observed forward prices for each commodity. Currency contracts and commodity forward contracts were in a net asset position and therefore, the Corporation used CDS spread for Macquarie Bank. Gold options are valued based on valuations taken from the CME Group Inc. gold options quote site using American options for strike range of \$1,600 and expiry date of December 2016.

The Facility is a five-year agreement with standard commercial terms as are customary in agreements of this nature. Subject only to interest breakage costs, MRDM may repay the Facility at any time, with no adverse penalties. The Corporation has granted Macquarie Bank 20 million common share purchase warrants at an exercise price of Cdn\$0.40 per warrant for a period of three years. The fair value of these warrants was estimated at \$3,256,109 using a Black-Scholes model. In addition, MRDM has granted Macquarie Bank a call option on 10,000 ounces of gold exercisable at \$2,000 per ounce for a three year period from the date of commencement of operations (the "**Gold Option A**"). The Gold Options had a fair value of \$1,400,000 liability on the date of grant. Total cost of debt issuance amounted to \$7,097,513, which includes \$1,800,000 fee to Macquarie and \$641,404 of other costs. The Corporation acts as a guarantor of MRDM's obligations under the Facility and related derivative contracts until such time as project completion is achieved as defined under the terms of the Facility.

On August 28, 2013, the Corporation entered into an agreement with Macquarie Bank to amend the Facility as follows:

- a) MRDM granted Macquarie Bank Gold options (the "**Gold Option B**") to acquire 10,000 ounces of gold at \$1,600 per ounce for a three year period from the date of commencement of operations; and
- b) Amended the strike price of the previous Gold Option A to acquire 10,000 ounces of gold from \$2,000 to \$1,600 per ounce.

The additional Gold Option B had a fair value of \$1,525,000 liability on the date of the amendment and the previously issued Gold Option A has an additional fair value of \$805,000 on the day of amendment. Total cost of amended debt issuance amounted to \$2,378,200 which includes the increase in fair value of original 10,000 ounces of gold and the fair value of the options for the additional 10,000 ounces of gold, and \$48,200 of other costs and have been netted against the Facility balance. The cost of the amendment offset the carrying value of the Facility as such extension was determined to be a modification rather than an extinguishment for accounting purposes.

The fair value of the Gold Option A granted to Macquarie Bank in 2013 and the Gold Option B was a liability of \$162,934 prior to settlement on September 28, 2015.

As a result of delays in the completion of the construction at the RDM Project, MRDM, as borrower, and the Corporation (as guarantor) have defaulted on certain covenants under the Facility arrangement with Macquarie Bank. These covenants are both financial and operational in nature and include, *inter alia*, delays in the commencement of production and unplanned cost overruns. Due to the Forbearance Agreement all deferred debt issuance costs have been written off to Mine Development assets, resulting in deferred financing costs of \$9,475,713 for the year ended December 31, 2013.

As at September 30, 2015, the principal balance outstanding on the Facility was \$255,565,320. Interest accrued during the three and nine months ended September 30, 2015 was \$9,359,876 (September 30, 2014 \$6,180,618) and \$24,981,918 (September 30, 2014 - \$15,528,135), respectively. Facility fees paid for the three and nine months ended September 30, 2015 were \$1,671,788 (September 30, 2014 - \$549,424) and \$3,182,124 (September 30, 2014 - \$3,079,319), respectively. Interest paid for the three and nine months ended September 30, 2015 were \$11,126,364 (September 30, 2014 - \$3,457,272) and \$29,352,550 (September 30, 2014 - \$11,084,051), 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 February 15, 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 February 16, 2016 (see also “Subsequent Event Discussion”). Tranche 3 bears interest at 20% per annum, and a facility fee of 5% is payable in respect of each drawdown thereunder.

As of the date of this MD&A, the Corporation has drawn \$177.10 million against the Facility’s Tranche 3, resulting in a total of \$267.10 million of principal outstanding under the Facility.

#### *Summary of Derivatives at December 31, 2014*

	Notional Amount by Term to Maturity (\$)			Total	Fair Value (\$)
	Within 1 year	2 to 3 years	4 to 5 years		
<b>Currency contracts:</b>					
OPEX contract	31,992,151	85,312,402	63,984,302	181,288,855	(66,104,760)
<b>Commodity contracts:</b>					
Gold contract	68,525,970	145,920,000	109,440,000	323,885,970	72,584,622
Gold Options	-	32,000,000		32,000,000	(460,000)

### *Fair Values of Derivative Instruments*

	Balance Sheet Classification	Fair Value as at September 30, 2015	Fair Value as at December 31, 2014	Balance Sheet Classification	Fair Value as at September 30, 2015	Fair Value as at December 31, 2014
<b>Currency contracts:</b>						
OPEX contract		-	-	Current liabilities	-	9,212,007
OPEX contract		-	-	Non-current liabilities	-	52,892,753
<b>Commodity contracts:</b>						
Gold contract	Current assets	-	14,433,715	Current liabilities	-	-
Gold contract	Non-current assets	-	58,150,907	Non-current liabilities	-	-
<b>Gold Options</b>		-	-	Non-current liabilities	-	460,000

Changes in the fair value of the Gold Options derivative in the Agreement and the Currency and Gold Contract derivatives are recognized in the condensed consolidated statement of loss (income) as gains or losses on non-hedge derivatives.

Unrealized gains or losses arising from the changes in fair value of the Gold Options derivatives and currency and commodity contracts derivatives for the three and nine months ended September 30, 2015 amounted to a gain of \$2,485,529 (September 30, 2014 – gain of \$8,528,141) and loss of \$6,019,889 (September 30, 2014 – loss of \$5,361,586), respectively. Realized gains arising from settlement of all currency and commodity contract derivatives for the three and nine months ended September 30, 2015 amounted to a loss of \$14,075,145 (September 30, 2014 – gain of \$2,559,068) and a loss of \$12,489,509 (September 30, 2014 – gain of \$2,559,068), respectively. These realized and unrealized gains and losses are recognized in the consolidated statement of loss as net gains or losses on derivative contracts.

### *Net realized and unrealized (gains) losses on Derivatives*

	Three-Month Period Ended September 30,			Nine-Month Period Ended September 30,	
	2015	2014		2015	2014
<b>Currency contracts:</b>					
OPEX contract	(13,026,693)	26,071,781	OPEX contract	(15,698,051)	2,095,908
<b>Commodity contracts:</b>					
Gold contract	24,290,177	(36,832,990)	Gold contract	34,173,317	1,660,610
Gold Options	326,132	(326,000)	Gold Options	134,132	(694,000)

### **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 with Macquarie Bank 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.

### *The Corporation's Level of Debt*

The Corporation's indebtedness as a result of the Facility, among other things, could:

- make it difficult for the Corporation to satisfy its obligations;
- increase the Corporation's vulnerability to general adverse economic and industry conditions;
- limit the Corporation's flexibility in planning for, or reacting to or capitalizing on, changes in the Corporation's business, the markets in which the Corporation operates and in government regulations;
- place the Corporation at a competitive disadvantage compared to companies that have less debt;
- limit the Corporation's ability to borrow or raise additional funds; and
- prevent Macquarie Bank from extending the forbearance period in respect to any defaults thereunder.

### *Uncertainty of Strategic Review Process*

The Corporation's Board has initiated a process and is working together with Macquarie Bank and its financial advisors to identify, examine and consider a range of strategic options available to the Corporation in order to rectify the Corporation's severe financial constraints and liquidity issues, and to complete a transaction that is in the best interest of all stakeholders. There can be no assurances that the Corporation will be able to complete a successful business transaction or sale (including the Restructuring described in the "Subsequent Event Discussion") under this strategic process.

### *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 \$1,069, 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.

In connection with the RDM Project financing facility entered into with Macquarie Bank, the Corporation had entered into gold forward sales agreements representing 216,600 ounces, at varying prices from \$1,177 to \$1,600 per ounce. Deliveries under these agreements are to be spread out over the first five years of production. On September 28, 2015, these gold forwards have been closed out.

#### *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 \$2.06 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 Reals. 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.

The Corporation has entered into currency swaps for its 2012-2013 RDM Project capital expenditures program, as well as currency swaps to cover its operational expenditures for the years 2013 to 2018, in order to mitigate against adverse fluctuations in the Brazilian Real vis-a-vis the U.S. dollar. On September 28, 2015, these currency swaps have been closed out.

#### *Hedging Activities*

Derivative products can be used to manage the risks associated with, among other things, changes in commodity prices and foreign currency exchange rates. The Corporation has entered into such arrangements. The Corporation enters into hedging contracts to limit the impact of fluctuations as a result of volatilities in the world markets by hedging a portion of its requirement of Brazilian Reals and U.S. dollar, and its expected sales of gold.

#### *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. As noted elsewhere in the MD&A, the Corporation is in default of its borrowing agreement and is subject to the Forbearance Agreement. 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 Brazil and Romania, 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. Furthermore, the Corporation, for and on behalf of MRDM, has obtained all-risk property insurance in the amount of \$204.9 million, machinery breakdown insurance in the amount of \$100 million and bullion insurance in the amount of \$6 million in order to insure the risks associated with the operations of the RDM Project. There is no guarantee that these policies will provide sufficient protection for the Corporation and or MRDM 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 continually 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 of 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.

#### *Water*

A key operational risk is the availability of sufficient water supplies to support mining operations. Large amounts of water are used in the extraction and processing of minerals and metals. The Corporation's 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. Prolonged drought conditions in the region can contribute to lower-than-expected water recharge in wells as well as lower-than-expected water production from the pit dewatering program. Water is an integral requirement for exploration, development and production facilities on mineral properties. Drought conditions can limit plant throughput and production. The Corporation's ability to obtain and secure alternate supplies of water at a reasonable cost depends on many factors, including: regional supply and demand; political and economic conditions; problems that affect local supplies; delivery and transportation; and relevant regulatory regimes. There is no guarantee that the Corporation can secure an alternate source of water in the event of a prolonged drought.



### *Negative Operating Cash Flow*

The Corporation had negative operating cash flow for Q3 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.

### **Disclosure Controls and Procedures and Internal Control over Financial Reporting**

The Corporation's Interim Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their supervision, of the design and operating effectiveness of the Corporation's disclosure controls and procedures (as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) as at September 30, 2015 and have concluded that the disclosure controls and procedures were appropriately designed and have been effective, subject to the material weaknesses described below.

The Corporation has also established internal controls over financial reporting (as defined in National Instrument 52-109) ("ICFR") to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and preparation of its financial statements for external purposes in accordance with GAAP. The Corporation's Interim Chief Executive Officer and Chief Financial Officer assessed, or caused an assessment under their supervision, of the design and operating effectiveness of the Corporation's ICFR as at September 30, 2015 using the Committee of Sponsoring Organizations Internal Control – Integrated Framework. Based on that assessment, it was determined that the Corporation's ICFR was designed appropriately and was effective with the below noted exceptions.

The Corporation's audit committee is working with management and monitoring the implementation of the other control enhancement steps envisioned below.

### ***Material weakness of Controls***

Based on management's evaluation of controls, it was concluded that the Corporation's disclosure controls and procedures and its ICFR had material weaknesses. A material weakness is defined as a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the Corporation's annual or interim financial statements will not be prevented or detected on a timely basis. The weaknesses in disclosure controls and procedures and ICFR, and the additional processes undertaken to address such weaknesses, can be summarized as follows:

#### ***Material weakness in the control environment***

Management has concluded that, as of September 30, 2015, a material weakness existed in the design of internal control over financial reporting caused by failure of the Corporation to establish and communicate its expectations regarding standards of business conduct in the interests of developing and maintaining a culture of integrity, and to oversee compliance with such standards. This material weakness could result in business and accounting practices that could put both the Corporation's reputation and its financial reporting at risk. This material weakness should also be considered a material weakness in the Corporation's disclosure controls and procedures.

Management and the Board are in the process of developing procedures to communicate it effectively and monitor

its implementation throughout the organization.

***Remediation of the material weakness from the prior year and related material changes in internal controls over financial reporting***

At the end of fiscal 2013, Management had concluded that material weaknesses existed in the design of internal control over financial reporting caused by the discovery that possible irregularities in connection with procurement for the RDM Project may have occurred at the Corporation's subsidiary. After an internal investigation was performed, it was determined that additional investigative steps were required. The Board engaged external forensic accounting and external legal advisors to undertake, and to assist in undertaking, of additional investigative procedures. The investigation identified problems with procurement practices, possible misconduct by MRDM personnel and the override of controls by management at MRDM that may have contributed to the irregularities identified.

As a result of the Corporation's decision to record an impairment of the assets of MRDM to their fair value as of December 31, 2013 and 2014. We have concluded that the audited consolidated financial statements of the Corporation are appropriately stated and no financial impact needs to be recorded to reflect any of the findings from the investigation noted above.

To remediate the material weaknesses in the Corporation's ICFR, Management is in the process of strengthening the internal control environment and procedures at all subsidiaries, supplementing its Code of Business Conduct and Ethics with an Anti-Corruption policy to specifically deal with bribery and corruption in general as well as the requirements of the Canadian *Corruption of Foreign Public Officials Act*, implementing a policy to obtain periodic verification from all major suppliers and annual confirmations from all employees of the Corporation and its subsidiaries of their compliance with these policies. The Anti-Corruption Policy was approved by the Corporation's Board on April 27, 2015. The Corporation is in the process of implementing this policy.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, amongst other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of undetected errors; and (iii) controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override.

The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential (future) conditions.

**Subsequent Event Discussion**

Subsequent to September 30, 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 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**").

Pursuant to the Option Agreement, Macquarie Bank has 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 exercise or early termination of the Option Agreement and (ii)

February 15, 2016. Under the Option Agreement, to the extent that cash flows from the 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 Option Agreement. Any drawdowns requested by MRDM under the Facility remain subject to the discretion of Macquarie Bank.

Furthermore, the Corporation has entered into an agreement with Brio and Macquarie Bank (the “**Restructuring Agreement**”) whereby the Corporation and Brio have agreed that, in the event Brio exercises its option to acquire the Financial Assets under the Option Agreement, 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 (the “**Restructuring**”). 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.

As well, upon closing of the Restructuring, Brio has 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.

## **Q4 2015 Outlook**

In Q4 2015, the Corporation is focused on increasing production at the RDM project, the whole depending on the amount of rain received at the RDM project and the availability of water. As well, the Corporation will continue to pursue strategic alternatives, including the Restructuring referred to above. While the Corporation also plans on advancing the permitting process with the regulatory bodies for its Rovina Valley Project, it will do so at a very conservative pace depending on the level of financing that is available to the Corporation. All environmental base line work and social programs will also continue on both the RDM and Rovina Valley Projects. Achievement of these objectives remain 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.

### ***Cash costs***

The Corporation discloses “cash costs” because it understands that certain investors use this information to determine the Corporation’s ability to generate earnings and cash flows for use in investing and other activities. The Corporation believes that conventional measures of performance prepared in accordance with IFRS do not fully illustrate the ability of its operating mines to generate cash flows. The measures as determined under IFRS, are not necessarily indicative of operating profit or cash flows from operating activities. Cash cost figures are calculated in accordance with a standard developed by The Gold Institute, which was a worldwide association of suppliers of gold and gold products and included leading North American gold producers. The Gold Institute ceased operations in 2002, but the standard remains the generally accepted standard of reporting cash costs of production in North America. Adoption of the standard is voluntary and the cost measures presented herein may not be comparable to other similarly titled measures of other companies.

The measure of cash costs, along with revenue from sales, is considered to be a key indicator of a company’s ability to generate earnings and cash flows from its mining operations. This data is furnished to provide additional

information and is a non-GAAP measure. It should not be considered in isolation as a substitute for measures of performance prepared in accordance with IFRS and is not necessarily indicative of operating costs, operating profits or cash flows presented under IFRS.

The Corporation's business model is focused on the production and sale of gold, which accounts for all of the Corporation's total revenue generated. The emphasis on precious metals therefore entails the necessity to provide investors with cash costs information that is relevant to their evaluation of the Corporation's ability to generate earnings and cash flows for use in investing and other activities.

### ***Additional Measures***

The Corporation uses other financial measures the presentation of which is not meant to be a substitute for other subtotals or totals presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measures. The following other financial measure are used:

- Gross profit from mining operations – represents the amount of revenue in excess of cost of sales.

### **Additional Information**

Additional information relating to the Corporation is available from SEDAR at [www.sedar.com](http://www.sedar.com).

### **Approved by the Board of Directors**

**Dated:** November 24, 2015