Carpathian Gold Inc.

# ANNUAL INFORMATION FORM

**For the Financial Year Ended December 31, 2009**

**Dated as of March 25, 2010**

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In this Annual Information Form for the financial year ended December 31, 2009 (the "**Annual Information Form**"), the "Corporation" or "Carpathian" refers to Carpathian Gold Inc., unless otherwise indicated or the context otherwise requires. All information contained herein is as at March 25, 2010, unless otherwise indicated.

All dollar amounts in this Annual Information Form are in Canadian dollars, unless otherwise indicated.

**Glossary of Mining Terms**

The following is a glossary of certain mining terms used in this Annual Information Form.

| | |
|---|---|
| **anomaly** | Any departure from the norm which may indicate the presence of mineralization in the underlying bedrock. |
| **assay** | A wet chemical, fusion, or x-ray test performed on a small sample of ores or minerals to determine the amount of valuable metals contained. |
| **Au** | Gold. |
| **Au Eq.** | Gold equivalent. |
| **bornite** | A copper-iron-sulphide mineral. |
| **breccia** | A rock in which angular fragments are surrounded by a mass of fine-grained minerals. |
| **chalcopyrite** | A sulphide mineral of copper and iron; the most important ore mineral of copper. |
| **CIM Standards** | The Canadian Institute of Mining, Metallurgy and Petroleum standards. |
| **core hole drilling** | The drilling of a hole into bedrock with the retrieval of a cylindrical piece of rock. |
| **correlogram** | A graph of the autocorrelations. |
| **Cu** | Copper. |
| **Cu Eq.** | Copper equivalent. |
| **cyanidation** | A method of extracting exposed gold or silver grains from crushed or ground ore by dissolving the gold in a weak cyanide solution. May be carried out in agitated tanks or in heaps of ore. |
| **deposit** | A natural occurrence of a useful mineral, in sufficient extent and degree of concentration to invite exploitation. |

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| **diamond drill** | A rotary type of rock drill that cuts a core of rock that is recovered in long cylindrical sections, two cm or more in diameter. |
| **diorite** | An intrusive igneous rock composed chiefly of sodic plagioclase, hornblende, biotite or pyroxene. |
| **epithermal** | A term applied to hydrothermal mineral deposits formed at shallow depths from ascending solutions of moderate temperatures and occurring mainly in veins. |
| **flotation** | A milling process in which valuable mineral particles are induced to become attached to bubbles and float as others sink. |
| **g /t Au** | Grams of gold per tonne. |
| **g/t Au Eq.** | Grams gold equivalent per tonne. |
| **geochemistry** | The study of the chemical properties of rocks. |
| **geophysical survey** | A scientific method of prospecting that measures the physical properties of rock formations. Common properties investigated include magnetism, specific gravity, electrical conductivity and radioactivity. |
| **grade** | The relative quantity of the mineral or metal content in a deposit. |
| **hydrothermal** | A term pertaining to hot water, especially with respect to its action in dissolving, re-deposition and otherwise producing mineral changes within the Earth's crust. |
| **igneous rock** | Rocks formed by the solidification of molten material from far below the earth's surface. |
| **intermediate rock** | An igneous rock containing 52% to 66% quartz. |
| **intrusive rock** | A body of igneous rock formed by the consolidation of magma intruded into other rocks, in contrast to lavas, which are extruded upon the surface. |
| **IP/resistivity** | A geological technique used to measure the resistance of a rock formation to an electric current. |
| **isotropic** | A medium whose physical properties are independent of the direction in which they are measured. |
| **km** | Kilometres. |
| **$km^2$** | Square kilometres. |
| **m** | Metres. |
| **metamorphic** | Rocks which have undergone a change in texture or composition as the |

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| **rocks** | result of heat and/or pressure. |
| **mineral** | A naturally occurring homogeneous substance having definite physical properties and chemical composition and, if formed under favorable conditions, a definite crystal form. |
| **mineral reserves** | A *mineral reserve* is the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes allowances for dilution and losses that may occur when the material is trained.<br><br>*Proven mineral reserve:* A proven mineral reserve is the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, and economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.<br><br>*Probable mineral reserve:* A probable mineral reserve is the economically mineable part of an indicated mineral resource, and in some circumstances a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, and economic and other relevant factors that demonstrates, at the time of reporting, that economic extraction can be justified. |
| **mineral resource** | A *mineral resource* is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.<br><br>*Measured mineral resources:* A measured mineral resource is that part of a mineral resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.<br><br>*Indicated mineral resources:* An indicated mineral resource is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical |

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| | and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and test information gathered through appropriate techniques from location such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed. |
| **mineralization** | The introduction of potential ore minerals into a pre-existing rock. |
| **NSR** | NSR or Net Smelter Return is a phrase used to describe the value of the mineral product received by the mine after deduction of smelting and refining charges, freight and insurance. |
| **open pit** | A mine that is entirely on surface. Also referred to as an open-cut or open-cast mine. |
| **oz** | Troy ounce, the unit in which gold is quoted. A Troy oz represents approximately 31.103 g. |
| **porphyry** | Any igneous rock in which relatively large crystals, called phenocrysts, are set in a fine-grained groundmass. |
| **porphyry copper** | A deposit of disseminated copper minerals in or around a large body of intrusive rock. |
| **potassic-porphyry** | A porphyry rich in potassic minerals. |
| **pyrite** | A yellow iron sulphide mineral, normally of little value. |
| **QA/QC** | Quality assurance/quality control. |
| **reclamation** | The process by which lands disturbed as a result of mining activity are reclaimed back to a beneficial land use. Reclamation activity includes the removal of buildings, equipment, machinery and other physical remnants of mining, closure of tailings impoundments, leach pads and other mine features, and contouring, covering and re-vegetation of waste rock piles and other disturbed areas. |
| **recovery** | A term used in mineral processing to indicate the proportion of valuable material obtained in the treatment of an ore. It is generally stated as a percentage of valuable metal in the ore that is recovered compared to the total valuable metal present in the ore. |
| **rock** | Any natural combination of minerals; part of the earth's crust. |
| **silicification** | The introduction or replacement by, silica, generally resulting in the formation of a fine grained quartz, chalcedony, or opal, which may both fill pores and replace existing minerals. |
| **sericite** | A white fine grained potassium mica occurring in small scales and flakes |

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| | as an alteration product of various aluminosilicate minerals, having a silky lustre, and found in wall rocks, fault gouge, and vein fillings of many ore deposits. |
| **skarn** | Name for the metamorphic rocks surrounding an igneous intrusive where it comes in contact with a limestone or dolostone formation. |
| **Stock work** | A mineral deposit consisting of a three-dimensional network of irregular veinlets closely enough spaced that the whole mass can be mined. |
| **strike** | Direction or trend of a geologic structure. |
| **sulphide** | A group of minerals in which one or more metals are found in combination with sulphur. |
| **supergene** | The leaching of valuable elements from the upper parts of mineral deposits and their precipitation at depth to produce higher concentrations. |
| **trenching** | The surface excavation of a long trench into bedrock. |
| **variogram** | The relationship between differences in pairs of measurements and the distance of the corresponding points from each other. |
| **vein** | A thin sheet-like intrusion into a fissure or crack, commonly bearing quartz. |
| **volcanic rocks** | Igneous rocks formed from magma that has flowed out or has been violently ejected from a volcano. |
| **waste** | Barren rock in a mine, or mineralized material that is too low in grade to be mined and milled at a profit. |

## METRIC EQUIVALENT TABLE

For ease of reference, the following factors for converting imperial measurements into metric equivalents are provided:

| Metric Measurement Units | To Convert to Imperial Measurement Units | Divide By |
|---|---|---|
| Hectares | Acres | 0.4047 |
| Metres | Feet | 0.3048 |
| Kilometres | Miles | 1.6093 |
| Grams | Ounces (troy) | 31.1035 |
| Kilograms | Pounds | 0.4536 |
| Tonnes | Short tons | 0.9072 |
| Grams per tonne | Troy ounces per ton | 34.2857 |

## FORWARD LOOKING STATEMENTS

This Annual Information Form may include or incorporate by reference certain statements that are "forward looking statements". All statements, other than statements of historical fact, included or incorporated by reference in this Annual Information Form that address activities, events or developments that the Corporation or its management expects or anticipates will or may occur in the future, including such things as future capital expenditures (including the amounts and nature thereof), business strategies and measures to implement strategies, goals, expansion and growth of its business and operations, plans and references to the future success of the Corporation, and other such matters, are forward-looking statements. These forward-looking statements are based on certain assumptions and analyses made by the Corporation and its management in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform to the expectations and predictions of the Corporation and its management is subject to a number of risks and uncertainties, including those risk factors discussed under the heading entitled "Risk Factors" and elsewhere in this Annual Information Form and the documents incorporated herein by reference. Consequently, all of the forward-looking statements made in this Annual Information Form and the documents incorporated herein by reference are qualified by these cautionary statements and other cautionary statements or factors contained herein or in documents incorporated by reference herein, and there can be no assurance that the actual results or developments anticipated by the Corporation and its management will be realized or, even if substantially realized, that they will have the expected consequences for, or effects on, the Corporation.

## CORPORATE STRUCTURE

### Corporate Overview

The Corporation was incorporated as Ore-Leave Capital Inc. on January 17, 2003 pursuant to the provisions of the *Canada Business Corporations Act*. On March 26, 2003, the Corporation amended its Articles to remove the private company provisions and the restrictions on share transfers. On June 24, 2004, the Corporation further amended its Articles to change its name to Carpathian Gold Inc.

The Corporation's common shares became listed and posted for trading on the TSX Venture Exchange (the "**TSX-V**") upon completion of its initial public offering as a Capital Pool Company (such term as defined in the TSX-V Corporate Finance Manual) on May 2, 2003. This initial public offering resulted in the issuance of 2,666,667 common shares of the Corporation at a price of $0.15 per common share with gross proceeds in the aggregate amount of $400,000.

On May 5, 2003, the Corporation entered into a letter of intent and a subsequent share purchase agreement with Carpathian Gold Limited ("**CGL**"), a private company constituted under the laws of the British Virgin Islands. As at that date, CGL, through various subsidiaries, owned mineral exploration licenses on certain gold properties in Hungary and Romania covering an area of approximately 630 $km^2$ located within the known principal mineral belts of the

Carpathian Arc. CGL has positioned itself in Eastern Europe since the early 1990's and has been carrying out active field work on the gold properties since 1998.

Pursuant to the letter of intent and the subsequent share purchase agreement, the Corporation agreed to purchase all of the issued and outstanding securities of CGL in consideration of the issuance by the Corporation of 21,500,000 common shares and 2,362,500 purchase warrants (exercisable at a price of $0.22 per common share until December 31, 2005). On September 11, 2003, the Corporation incorporated Ore-Leave Capital (Barbados) Limited ("**Ore-Leave Barbados**") as a wholly owned subsidiary for the sole purpose of holding 99.4% of the then issued and outstanding securities of CGL.

This transaction, together with a public offering of 16,390,000 units of the Corporation at $0.20 per unit with gross proceeds in the aggregate amount of $3,278,000, closed on October 16, 2003 (collectively, the "**Qualifying Transaction**"), enabled the Corporation to change its status from a Capital Pool Company to a Tier 1 Issuer (such term as defined in the TSX-V Corporate Finance Manual) listed on the TSX-V.

On November 1, 2006, the Corporation's common shares became listed on the Toronto Stock Exchange (the "**TSX**").

On December 7, 2007, the Corporation entered into a letter of intent (the "**LOI**") ("the **Acquisition**") and a subsequent Members' Interest Purchase Agreement (the "**Agreement**") to acquire from Zoneplan Limited and Repalla Inc. (the "**Vendors**") a 100% interest in the Riacho dos Machados gold project (the "**Acquisition"** or **"RDM**") which the Vendors held through Melbourne Ventures Fund LLC. The project covers a 22,000 hectare land package comprising 12 exploration licenses and one mining concession. The definitive Agreement was signed on March 12, 2008.

In September, 2008 Carpathian Gold Limited redeemed the 0.2% interest held by its minority shareholder for cash consideration of $75,000.

On October 30, 2008, pursuant to the LOI and the Agreement, for the Acquisition, the Corporation issued 75,000,000 of its common shares to the Vendors. The Corporation also issued 25,000,000 Special Warrants, exercisable into common shares (the "**Additional Common Shares**"), subject to the Corporation establishing a National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators ("**NI 43-101**") compliant mineral resource estimate (including measured, indicated and inferred mineral resources under CIM Standards) within the project area which, in the aggregate, amount to greater than 1,000,000 ounces. The Additional Common Shares were issuable in two tranches as follows: 12,500,000 shares being issuable to the Vendors upon the Corporation establishing one or more NI 43-101 compliant mineral resource estimates (including measured, indicated and inferred mineral resources under CIM Standards) which in the aggregate amount to 750,000 ounces of gold or gold equivalent *in situ* metal value and the second tranche of 12,500,000 shares being issuable to the Vendors upon the Corporation establishing a further NI 43-101 compliant mineral resource estimate (including measured, indicated and inferred mineral resources under CIM Standards) of 250,000 ounces of gold or gold equivalent *in situ* metal value, representing an aggregate of 1,000,000 ounces. On May 18, 2009 the Corporation released the results of a NI

43-101 compliant resource estimate, which satisfied the conditions of for the issuance of the Additional Common Shares and these shares where issued on June 22, 2009.

## Corporate & Exploration Offices

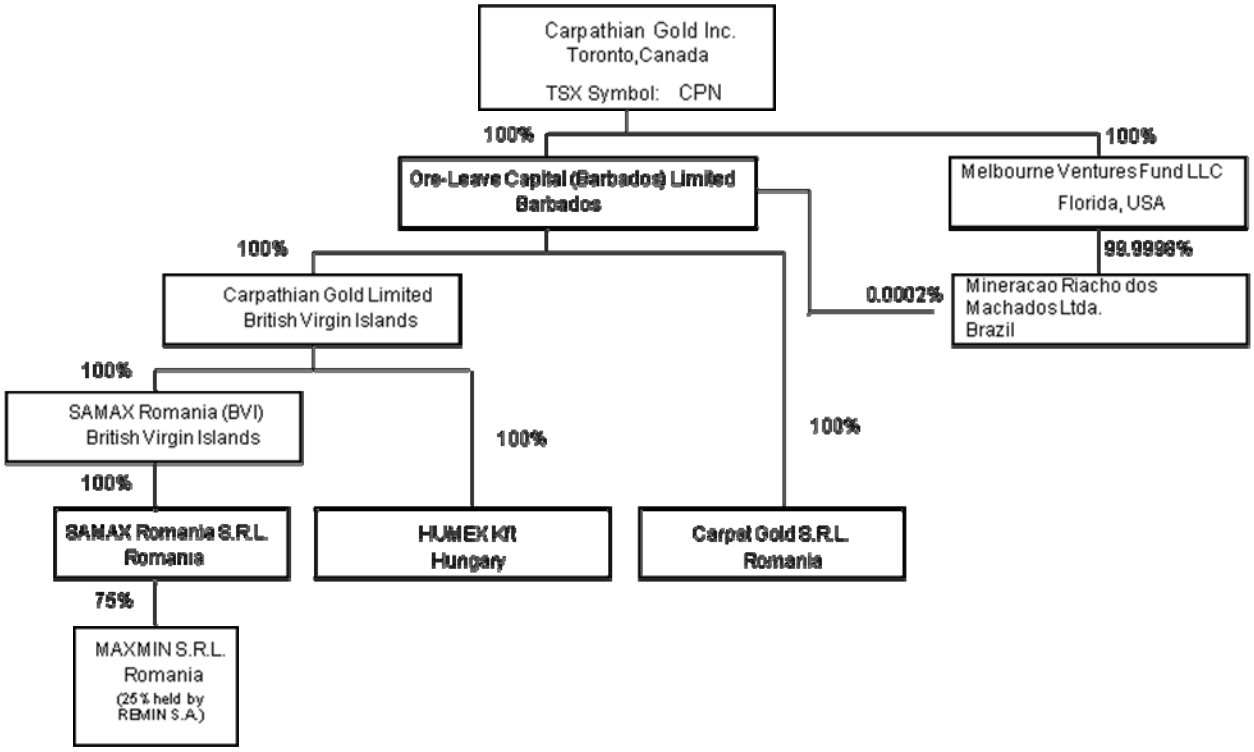
The addresses of the Corporation's exploration, registered and head offices are set out below:

| Exploration Offices | Registered & Mailing Address | Head Office |
|---|---|---|
| SAMAX Romania SRL<br>Str. Aleea Viitorului, Nr. 2A, Sala 6<br>Cod 330075, Deva Jud Hunedora<br>Romania | #500 – 365 Bay Street<br>Toronto, Ontario<br>M5H 2V1 | #500 – 365 Bay Street<br>Toronto, Ontario<br>M5H 2V1 |
| Mineração Riacho dos Machados Ltda.<br>Alamenda da Serra<br>1021c- sala 211 Barrio Vila de Serra,<br>Nova Lima, Minas Gerais<br>Brazil<br>34000-000 | | |

## Inter-corporate Relationships

The Corporation has two wholly-owned subsidiaries, Ore-Leave Capital (Barbados) Limited and Melbourne Ventures Fund LLC. Ore-Leave Capital (Barbados) Limited currently holds 100% of the issued and outstanding shares of CGL, and Melbourne Ventures Fund LLC owns approximately 100% of Mineração Riacho dos Machados Ltda. ("**MRDM**").

The following diagram illustrates the corporate structure of the Corporation, including the percentage of voting securities beneficially owned, directed or controlled, directly or indirectly by the Corporation of the operating corporations, as well as the jurisdictions in which the operating corporations were incorporated, continued, formed or organized:




## General Development of the Business

### Three Year History

The Corporation is a mineral exploration and development company that began actively exploring in Romania upon completion of a Qualifying Transaction on October 16, 2003. As a result of the Qualifying Transaction, the Corporation became the holder of certain exploration licenses in both Hungary and Romania within the Carpathian Arc, a geological setting known to host gold and gold-copper deposits. As of December 31, 2007, the Romanian exploration licenses covered an area of approximately 520 $km^2$ consisting of: (i) the Oravita licensed area (the "Oravita License") in south-western Romania; (ii) the Rovina licensed area ("Rovina License") and Apuseni 1a and 1b licensed area (collectively, the "Apuseni License") in central Romania; and (iii) the Baia Mare licensed area (the "Baia Mare License") in northern Romania. The Oravita, Apuseni and Baia Mare Licenses were allowed to expire by the Corporation in 2008, and as of December 31, 2008 the Romanian license area was reduced and now covers 93.5 $km^2$, being the Rovina License. The Rovina License currently contains three porphyry gold-copper systems and has, since the beginning of 2006, become the Corporation's key mineral property in Romania. The Corporation has been actively exploring the Rovina License since 2006 and as of December 31, 2008 has completed 181 diamond drill holes for 71,375 m and an updated NI 43-101 compliant resource estimate, reporting a total Measured + Indicated Resource of 5.09 Moz gold equivalent ("Au Eq.") and a total Inferred Resource of 5.66 Moz Au Eq.

The Hungarian properties include one exploration license, the Kanazsvar License area (the "**Kanazsvar Exploration License**"), and one Mineral Concession, Fuzerradvany (the

"**Fuzerradvany Mineral Concession**"), that total approximately 95 $km^2$ in the Tokaj and Matra Mountains situated in north-eastern Hungary (collectively the "**Hungarian Properties**"), which are owned by our Hungarian subsidiary HUMEX Kft (**"HUMEX"**). On August 12, 2008, the Corporation entered into an option agreement with Caracal Gold LLC ("**Caracal**"), an indirect wholly-owned subsidiary of Electrum Ltd., a private company based in Denver, Colorado, to earn up to an 80% joint venture interest in HUMEX (the "**Caracal Option Agreement**"). Caracal was the operator of the Hungarian Properties. To earn the 80% interest in HUMEX, Caracal was to make a combination of option payments to CGL and cash contributions to HUMEX in the aggregate amount of US$1.25 million on or before the 36-month anniversary of the signing of the Caracal Option Agreement. Once Caracal earned its interest in HUMEX, CGL and Caracal were required to fund their respective percentage interests of future exploration/development budgets for the Hungarian Properties through HUMEX, subject to having their respective interests diluted if they do not provide their share of funding. The option to earn in on a joint venture basis by Caracal was terminated in April 2009.

Upon the completion of the acquisition of Melbourne Ventures Fund LLC on October 30, 2008, the Corporation became the holder of the Brazilian license area, hosting the Riacho dos Machados gold project composed of 12 exploration licenses and one mining concession, covering an area of approximately 22 $km^2$ in the state of Minas Gerais, Brazil. The project hosts a past producing mine that was operated by Companhia Vale do Rio Doce ("Vale") as an open-pit heap leach gold mine until 1997, with maximum pit depths of approximately 60 m. Drilling by Vale defined sulphide-bearing, gold mineralization below the present open pit and localized oxide gold mineralization along strike.

The Corporation filed a Form 51-102F4 in connection with the acquisition of Melbourne Ventures Fund LLC on February 9, 2009.

The table below provides a breakdown of exploration and development expenditures over a three year period ending December 31, 2009:

| Year | Exploration Expenditures ($US) |
|---|---|
| 2007 | $ 8,761,042 |
| 2008 | $ 9,808,663 |
| 2009 | $ 7,466,444 |
| **Total:** | **$ 26,036,149** |

The Corporation's significant exploration projects for the past three years, as described by management, are set out below.

## Romania

### Rovina License

The Rovina License is the Corporation's key exploration project in Eastern Europe and the focus of its main exploration efforts since 2006. The Rovina License hosts three copper-gold porphyry systems (Rovina, Colnic and Ciresata) located in central Romania. The Colnic porphyry is located approximately 2.5 km south of the Rovina porphyry and the Ciresata porphyry is approximately 4 km south of Colnic. The Rovina License was awarded to the Corporation on August 29, 2005 for a period of four years by the National Agency for Mineral Resources in Romania ("**NAMR**") after a competitive public tender process following reconnaissance exploration work completed by the Corporation in late 2004/early 2005 by way of a prospecting permit. The License was renewed for a further three years in August 2009. The Rovina License includes five known mineralized prospects and through mapping and sampling, the Corporation identified copper-gold mineralized potassic-porphyry style alteration outcropping at Rovina and Colnic and porphyry style alteration features at the Ciresata porphyry.

The mineralized porphyries at Rovina, Colnic and Ciresata display moderate to intense potassic hydrothermal altered cores, and strong quartz stock work veining. The Au–Cu mineralization manifests as stock works and disseminations centered on porphyritic, subvolcanic-intrusive complexes of hornblende-plagioclase diorites. These porphyries would classify as gold-rich, especially Ciresata and Colnic, and contain many of the features common in gold-rich porphyries, i.e., dioritic, calc-alkaline stock associated and abundant magnetite alteration. Oxidation is restricted to the uppermost few metres of the prospect and no significant oxide cap or supergene enriched horizons have been encountered to date.

The copper-gold mineralization at the Rovina and Colnic prospects (which are found in the northern portion of the Rovina License) is hosted in altered porphyritic microdiorite containing magnetite in thin veinlets and as disseminated granular agglomerates and secondary biotite consistent with potassic alteration at the core of gold-rich porphyry hydrothermal systems. This alteration is cut by quartz-chalcopyrite-pyrite stock work veinlets. Early geologic mapping has identified large halos of pyrite-sericite alteration (phyllic alteration) typically associated with porphyry systems. The mineralization in both porphyries outcrops extends to depths of approximately 550 m below surface.

Gold-copper mineralization at Ciresata is hosted equally in a Neogene subvolcanic 'neck' and adjacent hornfelsed Cretaceous sediments. The subvolcanic intrusion is relatively coarse-grained hornblende-plagioclase porphyry with contacts arching outward toward the surface resulting in a funnel-shaped intrusion. Mineralization occurs as a broad quartz-pyrite-chalcopyrite-stock work zone apparently centered on the narrow deep part of the intrusive 'neck' and does not reach the present surface, occurring at 50 – 150 m depth.

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

On May 29, 2007, based on the 2006 drill program results, the Corporation announced an initial NI 43-101 compliant mineral resource estimate in accordance with CIM classifications, provided to the Corporation by independent consultants AMEC Americas Limited ("**AMEC**"), for both the Colnic and Rovina gold-copper porphyry deposits, located within the Rovina Exploration License. The 2007 resource estimate, at a cut-off grade of 0.4 g/t gold equivalent ("**Au Eq.**") for the Colnic porphyry and 0.25% copper equivalent ("**Cu Eq.**") for the Rovina porphyry, is 68.0 million tonnes in the Indicated resource category at 0.64 g/t Au and 0.12% Cu (1.41 million ounces of gold and 175 million pounds of copper) and 160.3 million tonnes in the Inferred resource category at 0.30 g/t Au and 0.26% Cu (1.70 million ounces of gold and 849 million pounds of copper). The gold and copper equivalent grades for the cut-off values were calculated using a gold price of US$550/oz and a copper price of US$1.30/lb.

During 2008, the Corporation completed 31 diamond drill holes on the Rovina License for a total of 14,727 m. From the 2006, 2007 and 2008 drilling program the Corporation has completed a total of 71,275 m of drilling from in 181 diamond drill holes. This drilling program included definition drilling on both the Rovina and Colnic porphyries, but was primarily devoted to the Ciresata porphyry which was formally declared a new discovery in early 2008.

PEG Mining Consultants Inc. ("**PEG**") was commissioned in 2008 to complete an updated NI 43-101 mineral resource estimate based on all of the 2006 through 2008 drill results on the Rovina, Colnic and Ciresata porphyries, (the "**Rovina Valley Project**") which was released on November 17, 2008. This updated mineral resource estimate used different base case cut-off grades for each respective deposit that were determined by giving consideration to the characteristics of each deposit, such as possible mining methods, approximate mining and milling costs derived from internal studies as well as comparable porphyry type deposits, results from early mineral processing test work and the reasonable potential for them to be economic. Both the Rovina and Colnic porphyries are amenable to bulk open-pit mining. The cut-off grade used to report the current mineral resource at the Rovina Porphyry was based on a 0.30% Cu Eq. This deposit contains gold and copper mineralization at essentially a 1:1 ratio (g/t Au: % Cu). For the Colnic porphyry deposit, which is a gold-rich copper porphyry, a 0.45 g/t Au Eq. cut-off was used. The Ciresata Porphyry, which is also gold-rich copper porphyry, is more amenable to an underground bulk mining scenario and, consequently, a 0.70 g/t Au Eq. cut-off was used for the estimation of this resource. The gold and copper equivalent grades for the cut-off values were calculated using a gold price of US$675/oz and a copper price of US$1.80/lb.

This Resource Estimate is summarized below.

- Measured + Indicated – 193,100,000 tonnes at 0.49 g/t Au for 3,070,000 ounces Au and 0.18% Cu for 759,100,000 lbs Cu
- Inferred – 177,000,000 tonnes at 0.68 g/t Au for 3,890,000 ounces Au and 0.16% Cu for 663,100,000 lbs Cu

Base case cut-offs used in the table are 0.45 g/t Au Eq. for the Colnic deposit, 0.70 g/t Au Eq. for the Ciresata deposit and for 0.30% Cu. eq. for the Rovina deposit..
Au Eq. determined by using a gold price of US$675 per ounce and a copper price of US$1.80/lb as defined by PEG. Metallurgical recoveries are not taken into account.

The 2008 resource estimate includes enough contained gold-only ounces (3.07 M ounces in the Measured + Indicated category and 3.89 M ounces in the Inferred Category) to place the Corporation within the top tier of advanced-exploration companies (top 20) hosting resources that have not yet been developed. Drilling indicated that the total resource size of this project has not yet been fully defined and further immediate potential exists to expand the current resource estimate. It should be noted that the Ciresata Deposit hosted a significant number of tonnes above the cut-off grade of 0.70 g/t Au Eq. that were not incorporated into the resource estimate due to low drill hole density as they lay on the edges of the resource estimate mineralization and at depth where the mineralization is still open. Essentially every drill hole in Ciresata bottomed in higher grade gold and copper mineralization. In addition, results from a soil-geochemistry in-fill program highlighted a coincident gold + copper anomaly extending 300 metres west from the present drill hole pattern with >10 ppb gold and >20 ppm copper. This anomaly is a high priority drill target for extending the Ciresata mineralization laterally, which will be followed up in 2010.

During 2009 the following activities were carried out:

- A detailed Preliminary Economic Assessment ('**PEA**") study was conducted, evaluating primarily the extraction of the higher-grade gold and copper mineralization for each deposit to enhance start-up economics and overall mill head grade higher than the average resource grade. At both the Colnic and Rovina Deposits this mineralization comes to surface, whereas the Ciresata Deposit has continuous zones of higher-grade gold and copper mineralization that persist at depth which is favourable for an underground bulk mining scenario.

- New bench scale metallurgical test work is nearing completion for this study, based on lock cycle test work on representative samples for each deposit, with the objective of producing a saleable copper concentrate maximizing gold recoveries without the use of any cyanide upgrading procedure. The Corporation is very encouraged by the high recovery rates of gold and copper obtained from preliminary results and as such additional confirmation work was conducted by SGS Lakefield, which is expected to be completed within the first quarter of 2010.

Throughout 2009, the Corporation continued to work on advancing its community relationship and stakeholder engagement programs. As one example, through the Corporation's partnership program with the local city council and European-Funded NGO groups, a children's playground and library were constructed and opened in July 2009. In addition, long-lead baseline data for use in EIA and SIA studies continues to be collected and documented.

Also, in August 2009, the Exploration License was renewed for an additional three-year period.

Further details on the Rovina License are found in Section 4, Mineral Projects.

## Brazil

### Riacho dos Machados Gold Project

The RDM Project is the Corporation's key exploration and development project in Brazil and the focus of its exploration efforts commencing in late 2008. The 100% owned project comprises 12 exploration licenses and one mining concession that cover a total area of approximately 22,000 ha. The property hosts a past producing mine that was operated by Vale as an open pit heap leach gold mine until 1997, with maximum pit depths of approximately 60 m. Drilling by Vale defined sulphide-bearing gold-mineralization below the present pit and localized oxide gold mineralization along strike. The gold mineralization occurs within a shear-zone hosted by Precambrian metasediments and metavolcanics.

The past producing open pit gold operation is currently in a suspension mode and can be re-activated quickly. The Corporation, through its local subsidiary, MRDM, has obtained an Authorization for Re-evaluation (granted by the National Department of Mineral Production - DNPM on August 26, 2008), which allows it to complete work on the project and submit a new plan of economic development to re-commence mining operations. This brown field project provides the potential for near-term gold production. Based on the positive results received to date, management's plan is to commence open-pit mining within twenty four months to be followed up at a later date with an underground mining scenario of the higher gold grades that are in the order of 4.5 g/t Au. Previous work and work completed by the Corporation indicate that the gold mineralized zone within the confines of the open pit area is in the order of 2.0 km in length and extends from surface to a depth of greater than 550 m. This gold mineralized zone is larger in size than previously indicated and provides the potential to expand on the 'Historical Resource Estimate' by Vale (non-43-101 compliant) which contained 560,000 ounces of gold at an average grade of 4.61 g/t Au (see press release dated October 31st, 2008 and NI 43-101 Technical Report on the RDM Project dated February 29th, 2008 filed on SEDAR).

Assay results from the Corporation's confirmation and extension drilling programs are confirming the historical gold grades of the project that are in the order of 4.5 g/t Au. The results also indicate that the project is amenable to the expansion and deepening of the open-pit with targeted average grades in the order of 1.5 to 2.2 g/t Au.

During 2008, the Corporation drilled 64 holes for 11,277 m and re-sampled 100 of the holes drilled by Vale for purposes of re-evaluating the gold mineralization within the area of the open-pit in order to obtain sufficient information for a resource estimate.

On May 18, 2009, the Corporation received the results of the initial NI 43-101 compliant Resource Estimate. This Resource Estimate utilized open pit optimization software to constrain an open pit resource and underground resource for material below the open pit using appropriate cut off grades, costs, and US $800 per ounce gold price. The open pit will be 1,700 m in length and ranges from 60 m deep in its southern end to 270 m deep in the middle portion of the planned pit.

The open pit resource includes (combined oxide, transition, fresh zones and 0.30 g/t Au cut-off):

- Measured + Indicated – 4.547 M tonnes at 1.84 g/t Au for 268,800 ounces Au
- Inferred – 15.164 M tonnes at 1.56 g/t Au for 762,700 ounces Au

The underground resource includes (1.0 g/t Au cut-off):

- Measured + Indicated – 0.201 M tonnes at 3.31 g/t Au for 21,400 ounces Au
- Inferred – 2.733 M tonnes at 2.84 g/t Au for 249,700 ounces Au

The combined open pit and underground resource includes:

- Measured + Indicated – 4.748 M tonnes at 1.90 g/t Au for 290,200 ounces Au
- Inferred – 17.897 M tonnes at 1.76 g/t Au for 1,012,400 ounces Au

The underground resource has a further geological potential of 12 million tonnes at 2.91 g/t Au for a total in-situ metal content of 1.12 million gold ounces.

On August 12, 2009 the Corporation announced the results of the PEA Study for the project which was based solely on the open pit mineralization defined in the NI 43-101 Mineral Resource Estimate described above. The PEA was compiled by a consortium of engineering companies led by NCL Brasil Ltda ("NCL") of Belo Horizonte, Brazil. The open pit mine design for the PEA was constrained, using a US $704 per ounce gold price whittle pit-shell as a strategy for lowering the risk of the project.

Highlights of the PEA Study include:

- Average annual production of 102,000 ounces of gold per annum over an initial 7.1 year mine life.
- Total operating cash cost of US$428 per gold ounce.
- Project after tax net present value ("NPV") of US$123.3 million based on a 5% discount rate and a gold price of US$900 per ounce.
- Project after tax internal rate of return ("IRR") of 32.0%, with a 2.9 year payback on project capital expenditures, at a gold price of US$900 per ounce.

The project will be a conventional open pit mine with down-the-hole drill rigs and blasting, backhoe excavators, and conventional haul trucks. The processing operation will include crushing the ore and processing it in an industry standard carbon in leach and ADR (adsorption, desorption, and recovery) plant followed by a detoxification process prior to placing the tailings in an impoundment area. Based on metallurgical test work, the gold recovery is estimated at 90%. The open pit mining operation will be at a rate of 6,000 tonnes per day with a life-of-mine average plant feed grade of 1.65 g/t gold over a mine life of 7.1 years.

The PEA Study has also demonstrated a good probability of additional higher grade ounces from an underground operation that could substantially add to the overall operation; both in terms

of extending the mine life of the project and significantly increasing the annual production rate up to another 50%. The Corporation will be further evaluating and assessing this underground component as it advances the feasibility study.

According to the cautionary statement required by NI 43-101, it should be noted that this assessment is preliminary in nature as it includes inferred mineral resources that cannot be categorized as reserves at this time and, as such, there is no certainty that the preliminary assessment and economics will be realized.

On May 23, 2009 the Corporation commenced a Phase II drill program, with the primary objective of infill drilling in the open pit resource area to upgrade the inferred resource to the measured and indicated category. In 2009, 153 holes for 21,000 metres were completed along with re-sampling of 43 holes drilled by the previous operator, Vale. To date, Carpathian has drilled a total of 217 holes for 32,000 metres on the property. In addition, Carpathian has re-sampled drill core from 143 drill holes totalling 24,000 m of drilling completed by Vale. To date, the data base for this project consists of 362 drill holes for 56,171 m and 26 trenches for an additional 831 m.

In addition to the infill drill program, the Corporation drill tested two new gold targets located 700 m south and 250 m north of the Phase II infill drilling program area. These initial drill holes intersected the near-surface strike extension (less than 50 m below surface) of the mineralized RDM shear zone at economic gold grades, as shown below.

- FRM-159 with 5.5 m of 1.72 g/t Au located approximately 700 m south of the present open-pit along strike

- FRM-153 with 2.9 m of 3.64 g/t Au located approximately 250 m north of the present open-pit along strike

In late 2009, the same consortium that completed the PEA study was awarded the contract for the Feasibility Study, which has begun, including a new updated resource and reserve estimate for the open pit mineralization.

The Corporation advanced various time-line sensitive aspects; for example, baseline flora and fauna field studies have been completed for the Environmental Impact Assessment ("EIA") report as well as the Social Impact Assessment ("SIA"), both of which are required for permitting the development of the project.

All required documents necessary for obtaining the first permit, the Licença Previa ("LP"), which is the first of three licenses that are required by the Brazilian environmental agency, SUPRAM, to allow the Corporation to develop, build and operate the RDM Gold Project, were completed and submitted. The final public hearing for obtaining this permit was on December 22, 2009, and it is expected that the permit will be granted shortly. This permit will allow the Corporation to commence development of the project. Once the LP is awarded, the Corporation will advance to the next step to obtain the Licença Instalaçấo ("LI") and the Licença Operaçấo ("LO"). The LI will require detailed engineering and design work that will be extracted from the feasibility study work. The receipt of this license will allow construction to begin on the project.

It is expected that the LI will be awarded during the second quarter of 2010. The LO will be granted at the end of the construction period.

Subsequent to the release of the PEA study, the Corporation has been contacted by a number of banks and financial institutions with the view to presenting proposals for the capital funding of the RDM Gold Project. Currently the Corporation is in advanced discussions on several fronts and is confident that it will be able to secure the necessary funding on suitable terms.

Further details on the RDM Project are found in Section 4, Mineral Projects.

**Hungary**

The Corporation's Hungarian Properties include one exploration license, the Kanazsvar Exploration License, and the Fuzerradvany Mineral Concession.

One drill hole was completed on the Kanazsvar Exploration License in 2006 with no significant results. No work was completed on the Kanazsvar Exploration License from 2007 to 2009.

On the Fuzerradvany Mineral Concession, the Corporation completed, in late 2007, 6 diamond drill holes comprising a total of approximately 803 m. This drill program was designed to test the interpreted centre of a large epithermal hot springs style alteration system which covers an area of approximately 2 km², hosted in a sequence of lacustrine sediments and tuffs. Altered tuffs within this sequence host high quality illite deposits that had been exploited through underground mining until the mine was closed in 2006. Underground mapping and sampling has demonstrated the presence of gold-bearing chalcedonic-quartz veinlets cutting the illite alteration zones. Soil geochemistry anomalies highlight three northwest striking breccias and silicification zones up to 1.5 km in length with anomalous Au-As-Sb. This drill program focused on the eastern-most of the north-west striking breccias-silicification zones, the Korom Teto zone near the underground illite mine.

On August 12, 2008 the Corporation entered into the Caracal Option Agreement which granted Caracal the right to earn in up to an 80% interest in the Hungarian corporation, HUMEX. During the period of October 2008 to March 2009 Caracal completed a drilling program on the Fuzerradvany Concession, which was comprised of 11 diamond holes for a total of 2,900 m. The option to earn in on a joint venture basis by Caracal was terminated in April 2009. Following the Corporation's decision not to further advance this project, the final report was submitted to the Mining Authority on January 10, 2010. It is expected that the Mining Authority will accept the completed work program as adequate and terminate the mining concession contract with HUMEX.

**Objective and Strategy**

The Corporation's objective is to quickly advance the RDM Gold Project to a production decision point. To accomplish this goal, an updated NI 43-101 mineral resource estimate will be required taking into account all of the drilling and geotechnical work completed to the end of December 2009 on the main gold mineralized portion of the project, hosted within the mining concession. This will be followed by a reserve estimate and feasibility study. It is anticipated

that this new resource/reserve estimate and feasibility study will be completed in Q2, 2010. With the completion of the feasibility study, the Corporation will be in a position to make a construction decision on the project.

The Corporation also plans to advance the Rovina License throughout 2010 and onwards. The primary objective in 2010 will be to determine if it can convert the Exploration License into a Mining License based on the results of the PEA study. In addition, the Corporation plans to commence a drill program to upgrade the inferred resource category on the Ciresata Porphyry to the measured and indicated category as well as to further evaluate its dimensions and size potential as it is currently open at depth and laterally. Environmental base line work and social programs will continue throughout 2010. In conjunction with this objective, the Corporation plans on identifying and evaluating other mineral occurrences on the Rovina License and in the vicinity thereof.

## NARRATIVE DESCRIPTION OF THE BUSINESS

### General

The primary business of the Corporation is gold-copper exploration and development in Eastern Europe (Romania) and gold exploration and development in Brazil. Currently the Corporation is advancing the exploration programs on its Rovina License and its exploration and planned development program on the RDM Project.

Through SAMAX Romania SRL ("**SAMAX**"), the Corporation holds a 100% interest in the Rovina License, a 93.5 $km^2$ land package in the historic gold producing "Golden Quadrilateral" mining district, located in the south Apuseni Mountains of central Romania. In August 2009, the Corporation renewed the Rovina License for a three year period. All of the required work programs have been met to keep the Rovina License in good standing. The Corporation originally held the area on which the Rovina License is located as a prospecting permit in 2004/2005, and through its confidential field work program, the Corporation identified significant economic grade copper and gold mineralization in porphyry setting which led it to pursue aggressively the acquisition of the Rovina License in an open forum tendering process. On August 29, 2005, NAMR awarded SAMAX a 100% interest in the Rovina License for a four year period. Except for a NSR royalty of 4% (increased by the Romanian government from 2% to 4% in late 2007 on all mineral projects throughout the country) upon production payable to the Romanian government, the Rovina License is not subject to any other royalty interests, or any such other charges or encumbrances.

The Corporation previously held the Apuseni 1a and 1b exploration licenses which lie contiguous to the west of the Rovina License. These Licenses expired in 2008 and were not re-applied for. Additionally, the Corporation held, through SAMAX, a 100% interest in the Oravita License (license number 763/1999) which covered an area of approximately 132 $km^2$ located in south-western Romania. In northern Romania the Corporation also held two exploration licenses, referred to generically as the Baia Mare License (approximately 172 $km^2$) which was held in a joint venture company referred to as MAXMIN SRL (**"MAXMIN"**). The Corporation, held a vested 75% interest in MAXMIN through SAMAX Romania SRL with the

remaining 25% held by REMIN, the Romanian state mining company. The Oravita License expired in 2008 and was not re-applied for. The Baia Mare Licenses also expired in 2008 and were not re-applied for and the MAXMIN joint venture company has been dissolved.

The Corporation holds a 100% interest in the RDM Project through the acquisition of 100% of the outstanding shares of Melbourne Ventures Fund LLC (**"Melbourne"**). Melbourne owns 99.9998% of MRDM, which holds the rights to the RDM Project. The remaining 0.0002% interest is held by Ore-Leave Capital (Barbados) Limited, which is wholly owned by the Corporation. The RDM Project comprises 12 exploration licenses and one mining concession. Certain royalties are levied on mineral production in Brazil in accordance with Federal law. The current statutory royalty imposed by the federal government on gold properties is 1% of sales proceeds less sales tax, transportation and insurance costs. This government royalty is divided between the municipality (65%), the state (23%) and the federal government (12%). In addition to the government royalty, a royalty must be paid to the landowner if the surface rights do not belong to the mining titleholder. This landowner royalty is equal to one-half of the government royalty, which in the case of gold would amount to an additional 0.5%. The RDM Project includes surface rights ownership on a 266.6 hectare area at the RDM mine site and an additional 452.57 hectare surface rights land area purchased by MRDM in October 2008 at the mine site, so any mineral production from these portions of the project area will carry no landowner royalty. The RDM Project additionally carries a 1% royalty on gold and a 2% royalty on base metals payable by MRDM to Mineração Brilhante Ltda. The mineralization in the project area is not known to carry any base metals.

**Financing**

On May 6, 2009, pursuant to an underwriting agreement (the "Agreement") between the Corporation and Canaccord Capital Corporation, as lead underwriter and Jennings Capital Inc. as underwriter, (collectively the "Underwriters"), the Corporation completed a bought deal private placement of units of the Corporation (the "Units") at an issue price of Cdn$0.23 per Unit. Carpathian issued 23,988,260 Units for net proceeds, after costs of issue, of $4,265,841. Each Unit is comprised of one Common Share of the Corporation and one-half of one Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to subscribe for one additional Common Share of the Corporation at an exercise price of Cdn$0.33 at any time prior to May 6, 2012. If the daily volume weighted average trading price of the Corporation's Common Shares on the TSX is greater than Cdn$0.45 per Common Share for a period of 20 consecutive trading days at any time after 4 months and one day from the closing, the Corporation may give written notice to the holders of the Warrants that the Warrants will expire on the 30th day following the giving of such notice unless exercised by the holders prior to such date. Under the terms of the Agreement, an aggregate of 1,439,296 broker warrants were issued to the Underwriters. Each broker warrant entitles the holder thereof to purchase one Common Share at a price of Cdn$0.23 per share up to May 6, 2011.

Upon the announcement of the NI 43-101 Mineral Resource Estimate on the RDM Project, which established approximately 1.3 Million ounces of gold (all categories), the 25 Million Series A and Series B Special Warrants issued as partial consideration for the Brazilian property acquisition, were exercised into Common Shares of the Corporation for no additional

consideration. Further details on the acquisition of Ventures can be found in Section 1, Corporate Overview.

On December 3, 2009, pursuant to an underwriting agreement (the "Agreement") between the Corporation and Canaccord Capital Corporation, as lead underwriter and Paradigm Capital Inc. and Blackmont Capital Inc. as underwriters, (collectively the "Underwriters"), the Corporation completed a private placement of units of the Corporation (the "Units") on a bought deal basis at an issue price of Cdn$0.33 per Unit. Carpathian issued 21,778,752 Units for net proceeds, after costs of issue, of $6,313,279. Each Unit is comprised of one Common Share of the Corporation and one half of one Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to subscribe for one additional Common Share of the Corporation at an exercise price of Cdn$0.45 at any time prior to December 3, 2011. Under the terms of the Agreement, an aggregate of 1,197,831 broker warrants were issued to the Underwriters. Each broker warrant entitles the holder thereof to purchase one Common Share at a price of Cdn$0.34 per share up to December 3, 2011.

**Employees**

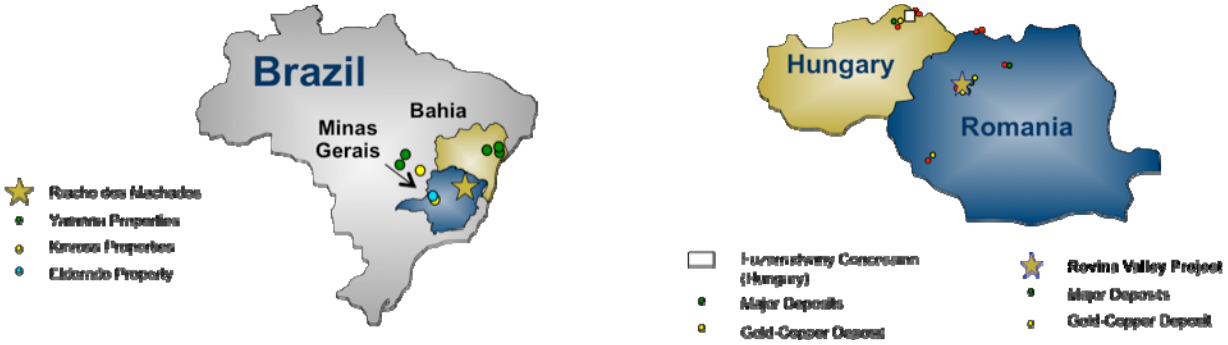
The Corporation currently employs a total of four (4) people throughout the year on a full-time basis and two (2) people on a part-time basis.

CGL employs three (3) people, and SAMAX employs thirteen (13) people on a full-time basis. SAMAX operates an administrative office in Baia Mare in north western Romania and has its primary exploration office in Deva in central Romania, as well as a field office on the Rovina License. Local labour is employed as needed.

MRDM employs seven (7) people on a full time basis, with its administrative office located in Nova Lima, Brazil and a field office at the RDM mine site.

## MINERAL PROJECTS

The key mineral projects for the Corporation include the Rovina Valley Project, located on the Rovina License, Romania and the RDM Project, located in Minas Gerais, Brazil. There is no assurance that these projects will continue to be material or that other properties may prove to be material.




## Technical Reports

The following technical reports (the "**Technical Reports**") have been completed on the Corporation's material properties in the past three years:

- Technical Report on the Rovina - Apuseni Property, dated September 1, 2006, prepared by AMEC (Peru) S.A., and:

- Rovina-Apuseni Property, Romania. Technical Report on Resource Estimation on the Colnic and Rovina Deposits, NI 43-101 Technical Report, dated May 24, 2007, prepared by AMEC Americas Limited.

- Technical Report, Riacho dos Machados Gold Project, Minas Gerais State, Brazil, for Carpathian Gold Inc., dated February 29, 2008, prepared by BK Exploration Associates (the "**RDM Report**").

- Technical Report for the Rovina Valley Project, Romania, NI 43-101 Technical Report dated January 16, 2009, prepared by PEG Mining Consultants Inc. (the "**Rovina Valley Project Report**").

- Mineral Resource Estimate for Riacho dos Machados Gold Deposit, Minas Gerais State, Brazil, dated July 2009, prepared by NCL Brasil Ltda (the **"RDM Initial Resource Report")**

- Preliminary Economic Assessment Technical Report NI 43-101 for the Riacho dos Machados Gold Project, Minas Gerais State, Brazil, dated September 2009, prepared by NCL Brasil Ltda (the **"PEA Report for RDM")**

The following are reproductions of the summary from the most recent Technical Reports for each of the Rovina Valley Project Report and the RDM Gold Project (with minor editorial changes where appropriate without affecting the content of the Reports). The Reports, which are incorporated herein by reference, are available for public review on the Internet at the System for Electronic Document Analysis and Retrieval ("**SEDAR**") website: www.sedar.com.

**Rovina Valley Project Report - Summary**

"PEG Mining Consultants Inc. (PEG) was commissioned by Carpathian Gold Inc. ("Carpathian") to provide an independent Mineral Resource Estimate and Technical Report for the Rovina Valley Project ("RVP") located in the Golden Quadrilateral Mining District of the South Apuseni Mountains in west-central Romania, approximately 300 km northwest of the city of Bucharest, the capital city of Romania.

The Rovina, Colnic and Ciresata Porphyry deposits are the principal exploration targets on the Property, with their locations defining a north-northeast trend. The Rovina Porphyry is the northern-most with the Colnic Porphyry lying approximately 2.5 km south of the Rovina Porphyry, and the Ciresata Porphyry approximately 4.5 km south of the Colnic Porphyry

The resource estimate was completed in conformance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Mineral Resource and Mineral Reserve definitions referred to in the National Instrument ("NI") 43-101, Standards of Disclosure for Mineral Projects. It also involved the preparation of a Technical Report as defined in the NI 43-101 and in compliance with Form 43-101 F1. This report represents the first time reporting of the Ciresata deposit and update of the May 24th, 2007, NI 43-101 compliant resource estimate for the Rovina and Colnic deposits by AMEC Americas Limited ("AMEC").

This new resource estimate by PEG incorporates the late 2007 and 2008 drilling results that were available as of April 08th, 2008 for Rovina and as of October 15th, 2008 for Colnic and Ciresata.

Mr. Pierre Desautels, P.Geo. Principal Resource Geologist of PEG served as the independent Qualified Person responsible for preparing the Mineral Resource Estimate and Technical Report. Mr. Desautels visited the property, accompanied by Randy Ruff, Carpathian's Executive Vice President, Exploration, between August 26th and August 30th, 2008.

The Rovina Property consists of one Exploration Licence (the Rovina Exploration Licence, Number 6386/2005 for Au–Ag-Cu) centered at approximately latitude 46°07' N and longitude 22° 54' E or 515,000 N and 340,000 E using the "Stereo70" projection of the Romanian National Geodetic System. Carpathian owns 100% of Ore-Leave Capital (Barbados) Limited, which in turn owns 100% of Carpathian Gold Limited (BVI) that owns 100% of SAMAX Romania SRL, which owns 100% of the Rovina Exploration License.

Year-round principle access to the property is on paved two-lane highway to the historic gold mining town of Brad followed by secondary paved roads eastward for 7 km, which pass through the town of Criscior and onward to the village of Bucuresci within the property.

On a regional level, the majority of the mineral deposits in the Romanian-Hungarian region are located in the Carpathian Fold Belt; an arcuate orogenic belt which is part of a much larger belt extending westward into Austria and Switzerland and south into Serbia and Bulgaria. These belts developed during the late Cretaceous and Tertiary, following closure of the Tethys Ocean, due to the collision of continental fragments of Gondwana with continental Europe and the related subduction of small, intervening oceanic basins. The development of the Carpathian Fold Belt was accompanied by widespread igneous activity, including a suite of late Cretaceous to early Eocene acidic to intermediate intrusive and extrusive rocks, known as "banatites". These rocks are believed to have formed early stages of subduction and are host to several Cu–Mo–Fe Porphyry and skarn deposits.

The Apuseni Mountains represent a somewhat "isolated massif" within the Carpathian Fold Belt. The southern portion of the Apuseni Mountains, where the Apuseni-Rovina Property is located, consists of a complex area of Palaeozoic (and older) metamorphic rocks, Mesozoic ophiolites and sedimentary rocks and Tertiary igneous and sedimentary rocks.

On a local level, the property covers a sequence of Neogene-aged subvolcanic intrusive rocks, which in other parts of the Golden Quadrilateral, host epithermal and porphyry-style mineralization. Carpathian's exploration programs have identified Au-rich porphyry systems (the Rovina, Colnic and Ciresta deposits) hosted by these Neogene subvolcanic intrusives. The Rovina and Colnic porphyry deposits lie within a northeastern volcanic outlier of the 8–10 km diameter, Neogene-aged, Brad–Barza volcanic field. The Brad-Barza volcanic field is well known for hosting high-grade gold veins with historic gold production dating back to the Roman period (ca. 2000 yrs ago). The Ciresata porphyry, 4.5 km south of Colnic, lies within the eastern part of the Brad-Barza volcanic field.

The main mineralized targets on the Rovina Property are the Rovina Cu–Au porphyry, Colnic Au–Cu porphyry and the Ciresata Au-Cu porphyry. Porphyry deposits in general are large, low- to medium-grade deposits in which primary (hypogene) sulphide minerals are dominantly structurally-controlled and which are spatially and genetically related to felsic to intermediate porphyritic intrusions.

The mineralized porphyries at Rovina, Colnic and Ciresata display moderate to intense potassic hydrothermal altered cores, and strong quartz stock work veining. The Au–Cu mineralization manifests as stock works and disseminations centered on porphyritic, subvolcanic-intrusive complexes of hornblende-plagioclase diorites. These porphyries would classify as gold-rich, especially Ciresata and Colnic, and contain many of the features common in gold-rich porphyries i.e. dioritic, calc-alkaline stock associated and abundant magnetite alteration. Oxidation is restricted to the uppermost few metres of the prospect and no significant oxide cap or supergene enriched horizons have been encountered to date.

All routine sample preparation and analyses of the Carpathian samples are performed by ALS Chemex Romania (ALS), Laboratory (lab) in the town of Gura Rosiei (where the Rosia Montana Project is located), about 45 minutes drive northwest of the project area. A comprehensive Quality Assurance/Quality Control ("QA/QC") program involving the use of coarse blanks, standards and duplicates has been instigated following recommendations by AMEC in 2006 and 2007. The current QA/QC programs meet or exceed standard industry practices.

Prior to mineral resource estimation, PEG conducted data verification consisting of a site visit and a database audit. The assay data was thoroughly validated covering 16% of the entire database with a total of 27% coverage for the 2007-2008 data not previously validated by AMEC. PEG found the database to be acceptably accurate and error free to be used in mineral resource estimation.

Preliminary metallurgical test work was initiated at SGS Lakefield Research (Lakefield) in the third quarter of 2006 and consisted of flotation test work for copper and gold, and cyanide leaching for gold on samples from the Rovina and Colnic deposits. The test work results indicate that a saleable copper concentrate can be made with gold reporting to the concentrate. Additional test work is underway on samples from the Ciresata deposit. Results are not yet available at the effective date of this report. Mineralogical (Qemscan) indications to date are that the Ciresata samples may be metallurgically similar to Colnic.

PEG has estimated the Mineral Resource for each of the Colnic, Rovina and Ciresata porphyry deposits, utilizing approximately 62,700 m of diamond drill hole data from the 2006, 2007 and 2008 drilling campaigns.

The Rovina resource estimate comprises measured, indicated and inferred resources reported as Cu-Au mineralization with a base case cut-off grade of 0.30% copper equivalent ("Cu Eq."). For Colnic, resource estimate comprises of measured, indicated and inferred resources reported as Au-Cu mineralization with a base case cut-off grade of 0.45 g/t gold equivalent ("Au Eq."). At Ciresata the resource is comprised of inferred mineralization only with a base case cut-off grade of 0.70 g/t Au Eq.. The base case cut-off grades chosen for each respective deposit were determined by giving consideration to the characteristics of each deposit, envisioned mining methods, approximate mining and milling costs derived from internal studies as well as comparable porphyry-type deposits, results from early metallurgical test work and the reasonableness to be potentially economic.

As of September 30, 2008, the effective date of the resource estimate, weighted average results indicate the Rovina Valley resources contain 193.1 million tonnes in the Measured and Indicated categories grading at 0.49 g/t gold and 0.18% copper. The Inferred category totals 177.7 million tonnes grading at 0.68 g/t gold and 0.17% copper using base case cut-offs of 0.45 g/t Au Eq.. for the Colnic deposit, 0.70 g/t Au Eq. for the Ciresata deposit and for 0.30% Cu. eq. for the Rovina deposit. The equivalency formula describe

in detail in Section 17.9 of this report uses a gold price of US$675 per ounce and a copper price of US$1.80/lb with metallurgical recoveries not taken into account.

The following tables 1-1, 1-2 and 1-3 summarize the Mineral Resources for each of the deposits utilizing the respective base-case cut-off grades using a gold price of US$675 per ounce and a copper price of US$1.80/lb with metallurgical recoveries are not taken into account.

***Table 1-1 Rovina Mineral Resource base case at 0.3% Copper Cut-off***

| Resource Category | Tonnage (Mt) | Au (g/t) | Cu (%) | Au Eq.* (g/t) | Gold (Moz) | Copper (Mlbs) | Au Eq.* (Moz) |
|---|---|---|---|---|---|---|---|
| Measured | 12.6 | 0.4 | 0.33 | 1.01 | 0.16 | 92 | 0.41 |
| Indicated | 65.3 | 0.36 | 0.28 | 0.86 | 0.75 | 396.5 | 1.81 |
| Total Meas + Ind | 77.9 | 0.37 | 0.25 | 0.89 | 0.92 | 488.9 | 2.22 |
| Inferred | 35.1 | 0.33 | 0.25 | 0.78 | 0.37 | 192 | 0.88 |

***Table 1-2 Colnic Mineral Resource base case at 0.45 g/t Gold Cut-off***

| Resource Category | Tonnage (Mt) | Au (g/t) | Cu (%) | Au Eq.* (g/t) | Gold (Moz) | Copper (Mlbs) | Au Eq.* (Moz) |
|---|---|---|---|---|---|---|---|
| Measured | 9.4 | 0.76 | 0.12 | 0.98 | 0.23 | 25 | 0.3 |
| Indicated | 105.8 | 0.57 | 0.11 | 0.76 | 1.92 | 245.1 | 2.58 |
| Total Meas + Ind | 115.2 | 0.58 | 0.11 | 0.78 | 2.15 | 270.1 | 2.87 |
| Inferred | 41.2 | 0.44 | 0.1 | 0.62 | 0.58 | 88.8 | 0.82 |

***Table 1-3 Ciresata Mineral Resource base case at 0.70 g/t Gold Cut-off***

| Resource Category | Tonnage (Mt) | Au (g/t) | Cu (%) | Au Eq. (g/t) | Gold (Moz) | Copper (Mlbs) | Au Eq. (Moz) |
|---|---|---|---|---|---|---|---|
| Inferred | 101.3 | 0.9 | 0.17 | 1.22 | 2.94 | 382.0. | 3.96 |

It is recommended that Carpathian carry out a work program, dominantly consisting of 35,000 to 40,000 m of diamond drilling (results driven) to delineate further the deposits, more specifically the Ciresata deposit. The drilling program is required to upgrade the inferred resources to the measured and indicated category as well as test the continuation of the mineralization at depth and strike at Ciresata which is still open. This drilling program would also include drilling for bulk samples from each deposit for further mineral processing test work that will be required for prefeasibility and feasibility studies. Prior to undertaking this drilling program, a Preliminary Economic Assessment should be completed which will assist in the ultimate design and specific requirements of the work program. Carpathian should also continue with its environmental base line and social impact programs. The approximate requirement for this aggressive work program is US $12 million."

## PEA Report for RDM – Summary

### Introduction

Carpathian Gold Inc (Carpathian) commissioned NCL Brasil Ltda. (NCL) to undertake a Preliminary Economic Assessment (PEA) for the Riacho dos Machados (RDM) Gold Project, located near the town of Riacho dos Machados in the northern region of Minas Gerais State, Brazil, and to prepare a Technical Report (TR) as defined in Canadian National Instrument 43-101, Standards of Disclosure for Mineral Projects, and in compliance with Form 43-101F1.

The PEA study was completed by NCL which led a consortium of consultants and specialists assembled by Carpathian for the Study. NCL was responsible for the preparation of the overall study as well as open pit mine design, mine capital cost, mine operating cost, and economic models. Other members of the consortium included: Golder Associates Brasil Consultoria e Projetos Ltda. that was responsible for the geotechnical and hydrological studies, the tailing impoundment, tailings dam and waste management design, and fresh water containment design, Tecnomin Projetos e Consultoria Ltda that was responsible for the design and costing for the process plant and infrastructure, and YKS Services Ltda. responsible for all aspects of the environmental and social impact, and permitting process for the project. The Study is based on an updated NI 43-101 resource estimate completed in July 2009 by NCL together with Carpathian staff.

### Property Description, Location, Access and Physiography

The Riacho dos Machados Property comprises one mining concession, twelve exploration licenses and one application for an exploration license, totalling 22,994.70 hectares of area. Almost the totality of the estimated mineral resources is located within the mining concession with 1000 hectares of area. A smaller part of the resource is located in an exploration license, immediately south of the mining license.

In December 2007, Carpathian signed a Letter of Intent outlining terms for a Definitive Purchase Agreement whereby Carpathian would acquire 100% interest in the RDM Gold Project. The agreement was with Zoneplan Limited and Repalla Inc. (collectively the "Vendors") who then was the owner of the project through Melbourne Ventures Fund LLC through its wholly-owned subsidiary Mineração Riacho dos Machado Ltda. (MRDM). The Definitive Purchase Agreement was signed on October 30th, 2008, thus completing the transfer of the properties.

The project is located approximately 145 kilometers by road northeast of the city of Montes Claros (population 336,000) in Minas Gerais State, south eastern Brazil.

Access to the Project from Montes Claros is by 130 kilometres of paved road and 15 kilometres of all-weather gravel road. The nearest town is Riacho dos Machados (population 11,000) about 25 kilometres NE from the Project.

The Project area consists of rolling hills, locally steep and drained by sparse intermittent streams. Elevations range from 770 to 900 metres a.s.l.

The climate is tropical and semi arid with two seasons: a dry winter and a rainy summer, with the rains occurring between November and March. Annual rainfall is about 1,100 mm.

The prevailing vegetation is a scrub brushy and low growth trees with open grassy areas. The area mainly supports eucalyptus tree farming and subsistence cattle ranches.

**History**

The Riacho dos Machados mine was discovered by DOCEGEO, the exploration branch of Companhia Vale do Rio Doce (CVRD or Vale), a major Brazilian mining company recently re-named as Vale, through regional geologic investigations along the north-south trending eastern margin of the Sao Francisco Craton. In 1986, DOCEGEO discovered a surface gold oxide deposit known as the Ouro Fino Deposit, while investigating gold anomalies on highly metamorphosed volcano-sedimentary rock sequences of probable Archean age. No gold had been previously produced in this region.

The RDM Mine opened in 1989 as an open pit oxide ore gold operation with the ore processed by crushing and heap leaching with cyanide. It operated until 1997, producing 155,000 ounces of gold from 3.2 million tonnes of low-grade oxide ore (1.89 g Au/t) mined to an approximate depth of 30-60 metres. Exploration continued in the district until 1997 when the mine was closed as a result of low gold prices and the lack of interest by CVRD for gold.

From 1997 to 2008 the property was submitted to reclamation activities by Vale, attending the requirements of the Minas Gerais environmental agencies. No exploratory or mining activity occurred during this period.

In 2008 Carpathian started exploration activities following the Letter of Intent with the previous owners. From August to November 2008 it drilled 64 holes for 11,277 m and re-sampled the core of 100 drill holes drilled previously completed by CVRD. Other exploration activities were also put in place to explore and evaluate the potential of satellite areas and the south and north extension of the RDM deposit.

**Geology and Mineralization**

The mine is situated near the eastern margin of the São Francisco Craton, which is a tectonic unit affected by the Brasiliano–Pan-African event (locally denominated Brasiliano). The region is made up of Palaeoproterozoic granite–gneisses and amphibolites, Mesoproterozoic Espinhaço Supergroup units (continental rift-related rocks and shallow-water marine sequences), Neoproterozoic glacial units of the Macaúbas Group, Neoproterozoic shallow-water, carbonate-bearing Bambuí Group and Brasiliano granites. The RDM deposit occurs in a shear zone hosted in the volcano-sedimentary rocks of the Riacho dos Machados Group.

The local geology is composed of the following lithostratigraphic units:

1. basal migmatite gneiss complex with associated bodies of basic rocks;
2. metavolcano-sedimentary rocks of the Riacho dos Machados Group (RMG), host to gold mineralization;
3. supracrustal rocks of the Macaúbas Group
4. granitic intrusives.

The volcano-sedimentary sequence which hosts the mineralization is composed of the following units:

1. Biotite (quartz-oligoclase-sericite) schist with staurolite and garnet
2. Quartz-feldspar schist
3. Quartz-muscovite schist — this unit is the principal host for the gold mineralization at the Riacho dos Machados Mine.
4. Quartz-sericite/muscovite-biotite/chlorite schist.

The gold mineralized body occurs as 'stacked' tabular horizons that are mostly concordant with the principal rock foliation (ductile shear zone with S-C mylonites). These tabular zones typically consist of a main zone (2-10 m true thickness) occasionally accompanied by with thinner footwall and hanging wall zones (1-5 m true thickness each) separated by 3-10 m of unmineralized rock. Mineralization at the RDM Mine occurs in a belt of hydrothermally-altered rock developed along a district-scale shear zone that extends almost 30 kilometres along strike in a N20°E strike direction and dips 40-45° east. The metamorphism is typical amphibolite facies mineral association (garnet-staurolite) which is progressively altered to greenschist facies assemblage (chlorite-muscovite) associated with mineralization. Gold mineralization is associated with disseminated sulphides (pyhhrotite, arsenopyrite and pyrite) within zones of greenschist facies alteration assemblages with some deformed quartz veinlets. Weathering and oxidation of sulphides occurs to depths ranging from 30-60 metres below the surface.

**Exploration**

The exploration consisted initially of geological reconnaissance mapping and sampling, including stream sediment sampling and soil geochemistry (1978 to 1981) until the discovery of the mineralization. From 1982 to 1987, geological mapping, heavy mineral geochemical sampling and regional airborne geophysical magnetic and electromagnetic surveys were performed, leading to the definition of four targets. The Ouro Fino target was defined as higher priority, with detailed soil sampling defining a pronounced gold and arsenic anomaly that was followed up with a trench sampling and mapping campaign. Positive results led to shallow reverse circulation and diamond drilling which identified the target as a potentially viable oxide gold deposit after which, several drilling campaigns were performed totalling 339 drill holes (32,364 metres). The initial exploration and mining focus was on the weathered oxide gold mineralization which was later followed by exploration to evaluate the sulphide mineralization which included deeper drilling and the excavation of a 117 m deep shaft, followed by 730 m of galleries developed along the ore body. Mapping, channel sampling, underground drilling and

metallurgical sampling and test work were performed utilizing samples extracted from these workings.

In 2008 Carpathian drilled 64 holes totalling 11,277 m and re-sampled the core of 100 drill holes previously drilled by CVRD, for zones identified as mineralized. Carpathian's objective is to evaluate the sulphide gold mineralization below the shallow open pits and along strike.

**Metallurgy Summary**

The metallurgical test work performed by SGS in 2008 showed that approximately 90% of the gold can be recovered from the ore by utilizing a conventional crush, grind, CIL, and ADR process plant. The maximum gold extraction was achieved after 24 hours of leaching at a P80 particle size of 74 microns. The cyanide consumption for the test work was about 1.8 kg cyanide per tonne of ore; however, as is generally the case once a project goes into a production scenario it can be anticipated that the cyanide consumption for the plant operation could be lower than the test work results and could be in the order of 1.2 to 1.5 kg sodium cyanide per tonne of ore. The work index of the sulphide ore ranges from 14.5 to 16.0 kWh/t as determined by the test work performed by Vale on the underground mineral samples.

**Mineral Resources Estimation**

The results of a total of 166 diamond drill holes were utilized to prepare the July 2009 Resource Estimate for the RDM deposit. This resource estimate was completed in conformance with NI 43-101 reporting guidelines. This resource estimate incorporates Carpathian's 2008 drilling results (64 drill holes for 11,277 m) and re-sampling of CVRD drill-core (102 drill holes, for 5,515 m of core re-sampled) that were available as of March 1$^{st}$, 2009.

All routine sample preparation and analyses used in this estimate were performed by ALS Chemex Brasil (ALS), near the city of Belo Horizonte, Brazil. A comprehensive Quality Assurance/Quality Control (QA/QC) program involving the use of coarse blanks, pulp blanks, standards and crusher-reject duplicates was instigated. The QA/QC programs meet or exceed standard industry practices.

Prior to mineral resource estimation, NCL conducted data verification consisting of a site visit and database verification and audit of a minor portion of it, selected randomly. NCL found the database to be acceptably accurate and error free to be used in mineral resource estimation.

To determine appropriate in-situ bulk density values, a total of 81 measurements were collected both related to lithologies, grades (mineralized and un-mineralized) and oxidation (weathering) to be representative of the deposit. The assigned value for the sulphide mineralization is 2.77 g/cm$^3$ and for oxidized (weathered zone) 2.32 g/cm$^3$.

Geologic interpretation of cross-sections and plans along with Exploratory Data Analysis was used to make 3-d geologic solids. Within these geologic solids, 3-d grade-shells were interpreted and built. NCL utilized the GEMCOM® software for 3-d variography studies, grade interpolation of block models using ordinary kriging and validation procedures. In addition, an open pit optimization program (Whittle FX) utilizing a gold price of US$ 800 per ounce, industry standard operating costs and 90% gold recovery was utilized to constrain the open pit resources. The cut-off grade of 0.30 g Au/t was used for the open pit resource estimate, both in the construction of the grade shell and also for the definition of mineral resource blocks contained within the Whittle envelope. Mineral resources below the open pit resource envelope were defined utilizing a cut-off of 1.0 g Au/t both for the grade shell and for the blocks to be considered mineral resources. A basic engineering analysis was used to exclude from the underground resource the zones that presently appear to be too isolated or low grade to justify development below the open pit resource, considering also a 20 metre thick crown pillar. The cut-off grade and other parameters chosen for the definition of the mineralized material with reasonable prospects of being economic (as per the CIM definition for mineral resources) were determined by giving consideration to the characteristics of each mineral zone, envisioned mining methods, approximate mining and milling costs derived from internal studies as well as comparables with similar deposits and results from early metallurgical test work.

As of May 18$^{th}$, 2009, the effective date of the resource estimate, resources amenable for open pit mining are estimated as 4.54 million tonnes in the measured and indicated categories grading at 1.84 g Au/t and 15.16 million tonnes grading 1.56 g Au/t in the inferred category. The underground resource amounts to 0.20 million tonnes indicated resource grading 3.31 g Au/t and 2.73 million tonnes inferred resource grading 2.84 g Au/t. The open pit resources include 762,700 ounces of gold in the inferred category and 268,800 ounces gold in the measured plus indicated categories. Combined open pit and underground resources include 1,012,400 ounces gold in the inferred category and 290,200 ounces in the measured plus indicated categories.

| *OPEN PIT RESOURCES* | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Measured** | | | **Indicated** | | | **Measured + Indicated** | | | **Inferred** | | |
| | **Ktonnes** | **g Au /t** | **Koz Au** | **Ktonnes** | **g Au /t** | **Koz Au** | **Ktonnes** | **g Au /t** | **Koz Au** | **Ktonnes** | **g Au /t** | **Koz Au** |
| Oxide | 42 | 1.72 | 2.3 | 574 | 1.91 | 35.2 | 616 | 1.90 | 37.5 | 1,099 | 1.32 | 46.6 |
| Mixed | 33 | 1.32 | 1.4 | 768 | 1.67 | 41.3 | 801 | 1.66 | 42.7 | 2,365 | 1.48 | 112.6 |
| Fresh Rock | 504 | 1.81 | 29.3 | 2,626 | 1.89 | 159.3 | 3,131 | 1.87 | 188.6 | 11,700 | 1.60 | 603.5 |
| **Total Open Pit** | **579** | **1.77** | **33.0** | **3,968** | **1.85** | **235.8** | **4,547** | **1.84** | **268.8** | **15,164** | **1.56** | **762.7** |
| *UNDERGROUND RESOURCES* | | | | | | | | | | | | |
| | **Measured** | | | **Indicated** | | | **Measured + Indicated** | | | **Inferred** | | |
| | **Ktonnes** | **g Au /t** | **Koz Au** | **Ktonnes** | **g Au /t** | **Koz Au** | **Ktonnes** | **g Au /t** | **Koz Au** | **Ktonnes** | **g Au /t** | **Koz Au** |
| **Total Underground** | | | | **201** | **3.31** | **21.4** | **201** | **3.31** | **21.4** | **2,733** | **2.84** | **249.7** |
| *TOTAL OPEN PIT + UNDERGROUND RESOURCES* | | | | | | | | | | | | |
| | **Measured** | | | **Indicated** | | | **Measured + Indicated** | | | **Inferred** | | |
| | **Ktonnes** | **g Au /t** | **Koz Au** | **Ktonnes** | **g Au /t** | **Koz Au** | **Ktonnes** | **g Au /t** | **Koz Au** | **Ktonnes** | **g Au /t** | **Koz Au** |
| **Total Open Pit + Underground** | **579** | **1.77** | **33.0** | **4,169** | **1.92** | **257.2** | **4,747** | **1.90** | **290.2** | **17,897** | **1.76** | **1,012.4** |

**Mineral Resources Table for the Riacho dos Machados Project**

Carpathian's drill program in 2008 focused on the mineralized shear zone for depths that could be mined with an open pit mining method. Historical drilling by CVRD demonstrates gold mineralization continues at depth below the open pit resource and is open. This widely spaced deep drilling is utilized to model the mineralized shear zone at depth and extending the 1 g Au/t gold cut-off grade shell to incorporate these drill holes resulted in 12 million tonnes of mineral termed 'geologic potential' at an estimated grade of 2.9 g Au/t (not a classified resource as per CIM Guidelines due to widely-spaced drill hole intercepts). This geologic potential is not included in the underground resources shown in the above Table. Additional drilling will be required to upgrade this geologic potential to a resource classification.

## Preliminary Mining Studies

This study is based on the current resource estimates, including Inferred Mineral Resources.

*The reader is cautioned that the open pit mining study is a preliminary assessment and it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the preliminary assessment will be realized. No Mineral Reserves have been estimated.*

The mining study utilizes an owner operated conventional open pit mining methods with backhoe excavators, haul trucks, and auxiliary mobile equipment to support a mining operation that will produce a nominal 2.19 million tonnes per year of ore for the process plant and 25 million tonnes per year of waste. Optimization work led to the current pit design which is based on a final pit depth corresponding to a Whittle Pit Shell utilizing a gold price of US$ 704 per ounce. The final pit contains 15.2 million tonnes of ore at a mill feed head grade of 1.65 g Au/t and 159.5 million tonnes of total material, for a life of approximately 7.1 years.

This type of mining method is common in Brazil, so the project proponent has a significant local knowledge base from which to structure its open pit operation. Included in these operations will be normal drilling, blasting, loading and hauling activities, along with the supporting functions of dewatering, grade control and equipment maintenance. An average operating mining cost of US$1.15 per tonne of material has been applied for the pit optimization. The estimate of total mining costs for the life of mine is calculated to be US$1.16 per tonne of material mined.

The run-of mine (ROM) ore will be hauled from the open pit with 40 tonne haul trucks and dumped directly into the hopper that feeds the jaw crusher at a rate of 6,000 tonnes per calendar day or 2.19 million tonnes per year. Three stages of crushing and screening will be utilized to produce mineral with a P100 particle size of 19 millimetres. A storage silo will receive the final product of the crushing plant from where the material will be fed at a measured rate into a single stage ball mill. The final slurry product from the ball mill circuit will contain mineral particles with a P80 particle size of 74 microns and this product will feed a CIL storage tank at a slurry density of about 35% solids by weight. The pulp will be fed from the storage tank to the first or second of six CIL tanks containing a weak cyanide solution where the gold will be extracted from the mineral. Carbon particles contained in the CIL tanks will adsorb the gold to recover the gold from the solution. The carbon will be advanced counter currently to the slurry flow so that the loaded carbon in the first or second CIL tank will contain the highest concentration of gold. Fresh or recycled carbon will be added in the sixth tank. The loaded carbon will be advanced from the first or second CIL tank to a holding bin in the ADR plant from where it will be reclaimed and fed into the acid wash and stripping circuits to remove the gold from the carbon. The hot strip solution will flow from the pressurized strip vessel into a electrowinning circuit to recover the gold on cathodes. From time to time, the gold will be removed from the cathodes to be processed in an induction furnace to produce gold bars for sale. The production of gold bars will range from 8,000 to 9,000 ounces per month.

In addition to the open pit study, a portion of the underground mineral resources directly below the open pit were reviewed as to their possible economic potential. A preliminary desktop analysis was carried out and indicated that a total of 4.0 million tonnes at 2.57 g Au/t for 332 thousand contained ounces, down to elevation 420 (approximately 250 m below the bottom of the open pit), could be considered as underground mineable resources. The preliminary analysis indicates that this underground area needs to be further drilled out and evaluated as it can extend to the overall project life and further increase the NPV and the economics and cash flow of the project.

The mining method proposed for this underground component of the gold mineralization is sublevel open stoping. Stopes will be 100% backfilled and no rib or sill pillars will be left except where geological structures dictate otherwise. A mining rate of 2,000 tonnes per day, equivalent to 730,000 tonnes per year, was selected. For the current recognised extension of the orebody and the selected production rate, the underground project can have a life of mine of 5.5 years.

## Economic Analysis

The total estimated initial capital cost of the project is US$112.9 million which comprises US$ 79.7 million for plant, infrastructure and owner's cost. The capital allowance for the pre-strip is an additional US$17.0 million and US$ 16.2 million for mine equipment. Adding sustaining capital, salvage credit, closure and Federal incentive for sustaining capital, the total capital cost for the life of the project amounts to US$ 108.1 million.

| Category | Initial Capital | | | Sustaining Capital | Total Capital |
|---|---|---|---|---|---|
| | Preproduction | Year 1 | Total | | |
| Mine Development | 17,022 | | 17,022 | | 17,022 |
| Mine Equipment | 13,228 | 2,933 | 16,161 | 12,405 | 28,566 |
| Plant | 56,241 | 14,060 | 70,301 | - | 70,301 |
| Infrastructure | 7,154 | 224 | 7,378 | 224 | 7,602 |
| Owner's Cost | 2,000 | - | 2,000 | - | 2,000 |
| **SUBTOTAL** | **95,645** | **17,217** | **112,862** | **12,629** | **125,491** |
| Salvage Credit | | | - | (12,531) | (12,531) |
| Closure | - | - | - | 3,000 | 3,000 |
| Federal Incentive for Sustaining Capital | | | | (7,814) | (7,814) |
| **TOTAL** | **95,645** | **17,217** | **112,862** | **(4,717)** | **108,145** |

**Total Capital Cost Summary (US$'000)**

Mine operating costs were estimated as an average of US$ 1.165 per total material mined. Processing operating cost was estimated as US$ 8.05 per ore tonne feed to the plant. The rest of the parameters used for the economical model are presented below.

| Mining Year | Total Material (kt) | Drilling | Blasting | Loading | Hauling | Auxiliary | Hourly Labour | General Mine | General Maint. | G&A | TOTAL | Total Cost US$'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PP | 15,000 | 0.045 | 0.119 | 0.185 | 0.139 | 0.152 | 0.192 | 0.205 | 0.010 | 0.087 | 1.135 | 17,022 |
| Y01 | 20,500 | 0.048 | 0.128 | 0.173 | 0.117 | 0.139 | 0.182 | 0.042 | 0.010 | 0.152 | 0.992 | 20,334 |
| Y02 | 27,000 | 0.052 | 0.130 | 0.171 | 0.144 | 0.108 | 0.184 | 0.028 | 0.010 | 0.104 | 0.931 | 25,147 |
| Y03 | 27,000 | 0.053 | 0.141 | 0.171 | 0.200 | 0.099 | 0.226 | 0.027 | 0.010 | 0.108 | 1.035 | 27,938 |
| Y04 | 27,000 | 0.061 | 0.180 | 0.171 | 0.203 | 0.099 | 0.228 | 0.027 | 0.010 | 0.108 | 1.088 | 29,369 |
| Y05 | 22,000 | 0.070 | 0.218 | 0.173 | 0.249 | 0.122 | 0.277 | 0.033 | 0.010 | 0.132 | 1.284 | 28,246 |
| Y06 | 14,276 | 0.085 | 0.236 | 0.171 | 0.311 | 0.147 | 0.358 | 0.048 | 0.010 | 0.197 | 1.564 | 22,328 |
| Y07 | 6,317 | 0.128 | 0.283 | 0.173 | 0.341 | 0.254 | 0.542 | 0.104 | 0.010 | 0.417 | 2.252 | 14,225 |
| Y08 | 362 | 0.161 | 0.357 | 0.175 | 0.380 | 0.438 | 0.635 | 0.198 | 0.010 | 0.702 | 3.056 | 1,105 |
| Total | 159,455 | 0.061 | 0.167 | 0.173 | 0.197 | 0.125 | 0.243 | 0.052 | 0.010 | 0.136 | 1.165 | 185,715 |
| Percent | | 5.3% | 14.4% | 14.8% | 16.9% | 10.7% | 20.8% | 4.5% | 0.9% | 11.7% | 100.0% | |

**Total Mine Operating Cost Summary (US$ per tonne)**

| Tonnage/Year | 2,190,000 (US$) | (US$/t) | (%) |
|---|---|---|---|
| Manpower | 1,599,663 | 0.73 | 9% |
| Reagents | 7,216,856 | 3.30 | 41% |
| Eletromec. Maintenance | 2,847,375 | 1.30 | 16% |
| Energy | 5,387,920 | 2.46 | 31% |
| Laboratory | 577,685 | 0.26 | 3% |
| | | | |
| **Total** | **17,629,500** | **8.05** | **100%** |

**Total Process Operating Cost Summary (US$ per ore tonne)**

| Item | Unit | |
|---|---|---|
| Average Mining Cost | US$/tonne mined | 1.16 |
| Processing Cost | US$/ore tonne | 8.05 |
| G&A | US$ million per year | 2.46 |
| Reclamation fee | US$'000 per year | 51.28 |
| Base Case Gold Price | US$/oz | 850.00 |
| Transport, Freight, Insurance, Refining | US$/oz | 10.00 |
| Metallurgical Recovery | % | 90.0 |
| Discount Rate | % | 5.0 |
| Global Tax Rate (Federal incentives included) | % | 15.25 |
| Royalty | % | 2.0 |
| Exchange rate | R$/US$ | 1.95 |

**Economical Parameters**

The total cost (not including capital re-payment and royalty) is US$ 428 per ounce (US$ 455 per ounce including royalty payment) and including capital re-payment is US$ 604 per ounce.

A simple cash flow financial model was created by NCL, based on its experience, utilizing the mine production schedule, associated gold grades, gold recoveries estimated from the preliminary metallurgical test program, and capital and operating costs as set out above.

Base case gold price was a constant US$850 per ounce for all the life of mine, provided by Carpathian.

The study entails a 6,000 tonnes per day to an industry standard carbon in leach and ADR, producing a total of 726 thousand ounces of gold over the mine life of 7.11 years.

A constant tax rate of 15.25% was applied, including Federal incentives because of the region where the project is located, and royalties of 2% of revenue.

The tax and government incentives for the project development were provide by Carpathian and have not been validated by NCL. The negotiations have not been finalized with the government and its agencies so that these values may change and any changes will be noted and included in the feasibility study.

NCL has considered the cash flow on a 100% equity basis, i.e. no account has been taken of financing arrangements and associated costs.

Base Case net present value (NPV) at a 5% discount rate, after-tax NPV is US$ 99.7 million, generating an IRR of 27.1% after-tax. For a US$ 900 per ounce gold price, NPV after-tax is $123.3 million and 32% IRR. Summaries are shown below.

*Carpathian should bear in mind that NCL is not a financial adviser, and that these models are indicative only, based on NCL's experiences. NCL recommends that Carpathian seeks its own financial and tax advice before taking action in relation to the financial matters raised herein.*

| Financial Model | US $850 Gold | US $900 Gold |
|---|---|---|
| $NPV_0$ pre-tax | US $ 178.3 million | US $ 213.8 million |
| $NPV_0$ Free Cash flow (after tax) | US $ 152.6 million | US $ 182.7 million |
| $NPV_5$ pre-tax | US $ 119.8 million | US $ 147.8 million |
| $NPV_5$ Free cash flow (after tax) | US $ 99.7 million | US $ 123.3 million |
| IRR pre-tax | 31.4% | 37.1% |
| IRR Free cash flow (after tax) | 27.1% | 32.0% |
| Years to payback from start of production (at 0% discount) | 3.2 years | 2.9 years |

**Economical Evaluation Results Summary**

Sensitivity analysis was undertaken to measure the effect of variations in gold price, discount rate, total operating cost and average tax rate, for after-tax and before-tax cases. The obtained results are very solid, with positive NPVs and attractive IRR for almost all the combinations.

## Conclusions & Recommendations

### Conclusions

NCL concludes that:

- The mineable resource is estimated at: 15.2 million tonnes with an average mill feed head grade of 1.65 g Au/t at an average stripping ratio for the life of mine of 8.9 to 1 (not considering the preproduction period).

- The project economics show a robust project with an after tax IRR of 27% and an $NPV_5$ of US$ 99.7 million at a gold price of US$ 850 per ounce and an after tax IRR of 32% and an $NPV_5$ of US$ 123.3 at a gold price of US$ 900 per ounce.

- The total cost (not including capital re-payment and royalty) is US$ 428 per ounce (US$ 455 per ounce including royalty payment) and including capital re-payment is US$ 604 per ounce.

- The mineral throughput rate at 2.19 million tonnes per year will generate an LOM average gold production of 102,000 ounces.

- The preliminary calculations for the underground mine show a robust operation and will add value to the overall project economics.

- The schedule to obtain the necessary Preliminary License (LP) and the Instillation License (LI) is reasonable. With the LP, scheduled for Late October/early November of 2009, Carpathian can begin site work on the project. The LI is scheduled to be obtained during the 1st quarter of 2010.

The mineral resources here described are located mainly within the mine concession, with a small portion within the exploration permit, both properties of MRDM. It is reasonable to assume that Carpathian will comply with all legal and environmental requirements to open the mine and have been complying with environmental monitoring of the mine area since the acquisition of the project. The drilling work completed by Carpathian for the NI 43-101 resource was performed in an orderly manner, using industry standards. Assumptions adopted for the re-sampling of the Vale drill core are adequate and should not incur any significant error.

The limits of the deposit may be expanded through drilling along the shear zone which hosts the mineralization and additional mill feed could be obtained from exploration on several targets highlighted by the previous studies by Vale. The potential for new discoveries on the property is seen as significant, which could thereby increase the projected life of the proposed operation.

Capital cost engineering estimates have been completed to an accuracy of +/-15% for a 2.19 Mtpa open pit and industry standard carbon in leach and ADR (adsorption, desorption, and recovery) plant followed by a detoxification process prior to placing the tailings in an impoundment area. Based on the positive outcome of PEA an estimated US$125.5 million capital will be required to develop the project, including pre-stripping of 15 million tonnes and sustaining capital. The initial capital requirement for the project is US$112.9 million.
The process of completing the engineering cost estimate to an accuracy of +/-15 is complete and to date, nothing of a material nature has arisen that would significantly affect the overall capital cost engineered estimate.

Other than the tax incentives and other incentives that need to be further verified and refined during the feasibility study and assuming the successful category upgrade of the inferred resources at its respective grade, all other components of the PEA study are considered to be ±15%, given that quotes, transportation, implementation costs, and

others were obtained for the project considering the relatively short time frame required for its implementation.

**Recommendations**

Based on the positive results of the PEA, NCL recommends the following:

- Perform additional drilling to upgrade the mineral resources within the open pit to reserves.
- Prepare a feasibility study.
- Optimize the open pit mining and production plan during the development of the feasibility study.
- Evaluate that portion of the underground resource that may be upgraded to an underground reserve with drilling as well as optimization plans to incorporate that mineralization into the overall project during the open pit operation.
- Perform additional drilling to test high priority targets near the mine, including the south and north extensions of the mineral zone.
- Complete the geotechnical and hydrological studies, including boreholes, for the open pit, water retention dams, process plant area, and water wells.
- Perform dynamic and static acid rock drainage tests so that the results can be incorporated in the feasibility study.
- Obtain the LP so that site works can begin before the end of 2009. The water retention dams are important structures to construct for the capture and retention of water during the wet season of November to March.
- Perform additional metallurgical test work to confirm the 2008 test results. Power consumption and cyclone densities should be checked during the feasibility study. Finer grinds should be investigated to confirm extra 2-3% gold recovery that is suggested from existing data.
- Prepare and submit the documentation for clearing and grubbing for the high priority areas: open pit mine, water retention dams.
- Commence the acquisition of the key and long lead equipment and machinery.
- Commence early acquisition of contractors to begin development of the water retention dams and impoundment areas.

- Complete the acquisition of additional surface rights over the project area and convert that small portion of the open pit that currently lies within an exploration license adjacent to the current mining concession.

- Complete the negotiations with the governments to maximize the incentives for the project development.

The following activities necessary to complete a feasibility study need be carried out: infill resource definition drilling, geotechnical and metallurgical studies, EIA-SIA work, and the acquisition of the LP and LI permits for the project.

The total cost of the work program to be performed for the development of the feasibility study, including EIA, SIA activities, geotechnical work, update resource/reserve and in country costs is estimated at US$ 7.0 million of which US$ 3.2million is allocated for the resource definition drilling, which is currently underway as of the date of this report."

**Environmental Compliance and Related Costs**

**Romania**

All exploration activities the Corporation undertakes in Romania, through its wholly owned subsidiary SAMAX, must occur on valid exploration licenses or prospecting permits issued by NAMR in Bucharest. NAMR is responsible for the administration of all mining and exploration licenses and prospecting permits. According to the regulations and norms in Romania, the Corporation must submit reports of work completed and follow-up work programs on an annual basis to NAMR.

Prior to initiation of any exploration activity, environmental approval of a proposed exploration program must be obtained from various land management agencies from the local county or regional jurisdictions. These local agencies include: Forestry, Surface Waters, Archaeology and Historical 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 termed 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 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.

If the Corporation decides to abandon a project that it currently holds, it will be required to submit an application to abandon such project with NAMR. Permission to abandon the project will not be granted to the Corporation until such time as NAMR has received confirmation from all local Environmental Agencies that the Corporation has met all of its reclamation obligations in respect of the land.

Since the Corporation 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 (i.e. road construction). As such, the reclamation costs with respect to the drilling activities are not material to the Corporation and are factored into the Corporation's budgets for exploration programs.

Prior to the Corporation entering the production stage, it will be responsible for conducting feasibility studies as well as extensive environmental impact assessments. 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. The approximate cost for an environmental impact study is $US350,000. Feasibility studies generally take into account eventual reclamation costs or estimates thereof.

**Brazil**

All exploration activities that the Corporation undertakes through its subsidiary MRDM in Brazil must occur on areas covered by valid exploration licenses or prospecting permits issued by the federal authority Departamento Nacional de Produção Mineral ("**DNPM**"). DNPM is responsible for the granting of all mining and exploration licenses, and prospecting permits. According to the regulations and norms in Brazil, the MRDM must submit a final exploration report before the expiry date of any license, which usually occurs in three years.

A portion of the exploration and project development is taking place on a mining concession at a brown field site that was previously owned and operated by Vale. MRDM owns the surface rights and the environmental licenses that are required to execute the exploration program and contain the work program to be performed and a list of the licenses where the work is to be performed. Each year, MRDM pays an annual fee based on the number of hectares of each license (Taxa Anual por Hectare) for each of the licenses that cover the 22,000 hectares of ground. If and when the RDM Project enters into a production stage, MRDM will pay a royalty fee (CEFEM) of approximately 1% on the ore produced.

Environmental permits 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.

Upon completion of the exploration program, MRDM is obligated to restore the disturbed areas by grading the areas and planting native species of flora.

Since MRDM is an exploration and development company, the activities it conducts on its licenses are 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 exploration program budgets.

Prior to the RDM Project entering the production stage, MRDM will be responsible for conducting feasibility studies as well as extensive environmental and social impact assessments plus an environmental impact report complete with a reclamation program to obtain the license to construct the facilities and begin the pre-operational mining activities. These environmental and social impact assessments will provide RDM with a better idea of the future costs of compliance with applicable requirements and will also provide a better estimate of the eventual costs of reclamation obligations at the end of the mine life. The approximate cost of the ongoing water monitoring program and license fees is about $US 50,000 per year. The cost of the environmental impact study and report is estimated at $US 300,000. A feasibility study will include reclamation program and costs or estimates thereof.

## RISK FACTORS

The operations of the Corporation are speculative due to the nature of the Corporation's business, the location in which it operates, and the present stage of its development. The following risk factors pertain to the business and operations of the Corporation.

### Current Global Financial Conditions

Current 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 caused by both the rapid decline in value of sub-prime mortgages and the liquidity crisis affecting the asset backed commercial paper market. 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 impairment losses.

### Nature of Mineral Exploration and Mining

The exploration and development of mineral deposits involve significant risks over an extended period of time which even with 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 the Corporation'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 through drilling, 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 the Corporation not receiving an adequate return on its invested capital.

**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 the Corporation'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 rate cuts, volatility in the credit and financial markets, strong investment demand and inflation expectations. As with many other commodities, the price of gold decreased towards the end of 2008 as a result of uncertainty and extreme volatility in the markets, as the price fell from a high of US$1011.23 per ounce on March 17, 2008 to a low of US$721.50 per ounce on October 24, 2008. While the price of gold has rebounded from this low point to prices currently in excess of US$1,100.00, there can be no assurance that gold prices will remain at such levels or be such that the Corporation's properties can be exploited at a profit. If the price of gold declines, it could have a material adverse effect on the Corporation's share price, business and operations.

**Volatility of Copper Price**

The price of copper is dependent on the global supply and demand factors that are beyond the control of the Corporation. The price of copper has exceeded $4.00 per pound within the last two years and decreased to a low of about $1.35 per pound. The price of copper has currently rebounded to more than $3.00 per pound, but 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.

**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.

**Liquidity Concerns and Future Financing**

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

**Risks of Operating in Romania**

The Corporation's Rovina License is located in 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 the Rovina License or mineral rights. Mineral exploration and mining activities may be affected in varying degrees by political instability and government regulations relating to the mining industry, which could include the cancellation or renegotiation of the Rovina License and other contracts, changes in Romanian 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 the Rovina License. Any changes in the laws, rules or regulations, policies or shifts in political attitudes regarding foreign investment in the Romanian mining industry are beyond the Corporation's control and may adversely affect its business.

Romania currently has a coalition government consisting of two political parties. Because of the inherent instability of coalition governments, there is a risk that the current government may fail, resulting in the need to call new general elections. Such circumstances are beyond the Corporation's control and may have a negative effect on the development of the Rovina License and may result in delays in the permitting process, or result in additional costs and expenses on its part.

**Risks of Operating in Brazil**

The Corporation's RDM Project is located in Brazil, which causes it to be subject to certain risks, including possible political and economic instability, which may result in the impairment or loss of its exploration licenses, mining concession or mineral rights. Mineral exploration and mining activities may be affected in varying degrees by political instability and government regulations relating to the mining industry, which could include the cancellation or renegotiation of the exploration licenses and mining concession and other contracts, changes in Brazilian domestic law 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, environmental legislations, employment practices and mine safety. There can be no assurances that such restrictions and controls will not be imposed in the future and such restrictions, controls and fluctuations may materially affect the Corporation's financial position as well as the Corporation's ability to develop the RDM Project. Any changes in the laws, rules and regulations, policies or shifts in political attitudes regarding foreign investment in the Brazilian mining industry are beyond the Corporation's control and may adversely affect its business.

**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, MRDM and SAMAX, respectively, which hold all of the assets in connection with the RDM Project and the Rovina License. Accordingly, any limitations placed by the Brazilian or Romanian governments on the transfer of cash or other assets between the Corporation and MRDM or SAMAX could restrict the Corporation's ability to fund the RDM Project or the

Rovina License efficiently. Any such limitations could have an adverse impact on the Corporation's prospects, financial condition and results of operations.

**Permits and Licenses**

The operations of the Corporation will require licenses and permits from various governmental and non-governmental authorities. The Corporation has obtained, or will obtain all necessary licenses and permits required to carry on its operations under applicable laws and regulations. However, such licenses and permits are subject to change in regulations and in various operating circumstances. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations in connection with its proposed projects.

**Project Approval Risks**

The Corporation must obtain a number of permits, approvals and authorizations from the local, county and federal levels of the Romanian and Brazilian governments to proceed with the development, construction and operation of the Rovina License and RDM Project, respectively.

**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.

**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. 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 the accesses 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 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.

**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. 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.

**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 will not be devoting 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.

## Insurance

The Corporation currently holds a certificate of insurance underwritten by Encon Group Inc. providing for Directors and Officers Liability coverage of up to $5,000,000, inclusive of defence costs. Additionally the Corporation carries a general liability policy in the amount of $5,000,000. These policies may not be adequate for the Corporation to protect itself against certain risks associated with mineral exploration and its corporate activities. Even with the policies now in place, the Corporation will remain at risk and may be subject to unusual liability or liability which exceeds the coverage limits.

## 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 of the Corporation in the future cannot be predicted.

## Rising Production Costs

Like other mining companies similar in size, the Corporation is faced with the challenge of rising production and energy costs. Such rising costs are caused by, among other things, high commodity prices, higher royalty and tax structures, the 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. While the recent onset of the recession has had the effect of abating these pressures somewhat, there is no guarantee that costs will not rise again in future thereby having an adverse effect on the Corporation's ability to carry out its intended plans with respect to its mineral properties if the price of carrying out such plans is no longer commercially reasonable.

**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.

The Corporation 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 the Corporation or that such workers will be available on commercially reasonable terms.

**Currency Fluctuations**

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

**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.

## DIVIDENDS

The Corporation has not declared nor paid any dividends and does not foresee the declaration or payment of dividends in the near future. Any decision to pay dividends on the

common shares of the Corporation will be made by the board of directors on the basis of the Corporation's earnings, financial requirements and other conditions existing at such future time.

## DESCRIPTION OF CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of common shares without nominal or par value. The holders of the common shares are entitled to vote at all shareholder meetings and to receive such dividends as the board of directors, in its discretion, shall declare and have rights upon dissolution or winding up of the Corporation. As at the date hereof there were no shares held in escrow, and 281,424,312 common shares were outstanding.

## MARKET FOR SECURITIES

On May 2, 2003, the Corporation's common shares commenced trading on the TSX-V under the trading symbol "**CPN**". On November 1, 2006, the Corporation's common shares were removed from the TSX-V and began trading on the TSX.

The following table provides the historical monthly trading price ranges and trading volumes during the most recently completed twelve-month period ended March 15, 2010:

| | **Price Range $** | | |
|---|---|---|---|
| **Month** | **High** | **Low** | **Monthly Volume** |
| March 10 | $0.475 | $0.33 | 21,667,030 |
| February 10 | $0.385 | $0.295 | 2,775,930 |
| January 10 | $0.44 | $0.31 | 10,857,713 |
| December 09 | $0.38 | $0.27 | 4,948,058 |
| November 09 | $0.41 | $0.30 | 7,488,262 |
| October 09 | $0.345 | $0.25 | 5,236,307 |
| September 09 | $0.29 | $0.23 | 9,905,972 |
| August 09 | $0.34 | $0.255 | 4,121,221 |
| July 09 | $0.35 | $0.26 | 2,279,643 |
| June 09 | $0.32 | $0.23 | 1,959,181 |
| May 09 | $0.29 | $0.175 | 2,751,915 |
| April 09 | $0.27 | $0.18 | 3,261950 |
| March 09 | $0.26 | $0.15 | 2,153,192 |

## DIRECTORS AND OFFICERS

### Name, Occupation and Security Holdings

The following table outlines the names and municipalities of residence of all the directors and the officers of the Corporation together with their respective principal occupations for the

past five years. The directors and officers of the Corporation, as a group, owned, directly or indirectly, 17,015,594 common shares of the Corporation representing approximately 6.05% of the Corporation's issued and outstanding share capital. The term of office of each director of the Corporation expires at each annual meeting of the shareholders of the Corporation, unless such director resigns prior thereto. The officers of the Corporation are appointed by the board of directors of the Corporation.

*The following should be read having reference to the end notes located on page 57.*

| Director/Officer | Director or Officer Since | Number of Common Shares Owned Directly or Indirectly[1] (as of date of this AIF) | Number of Options to Purchase Common Shares (as of date of this AIF) |
|---|---|---|---|
| **Julio Lameiras Carvalho**[2]<br>Rio de Janeiro, Brasil<br><br>***Director***<br>*Member of the Audit Committee*<br>*Member of the Environmental, Health & Safety Committee*<br>*Member of Corporate Governance* | January 19, 2009 | 0 | 500,000 |
| **Guy Charette**, LL.B. [2]<br>Montreal, Quebec, Canada<br><br>***Director***<br>*Chairman of the Human Resources & Compensation Committee*<br>*Member of the Corporate Governance & Nominating Committee* | March 25, 2003 | 195,912 | 1,350,000 |

**Principal Occupation:** Mr. Carvalho is currently the President and Board Director, formerly Chairman and CEO, of Rio Novo Gold Inc., formerly Rio Novo Holdings S/A, which owns two developing gold projects in Brazil. Mr. Carvalho's previous experience, over 38 years in the Brazilian mineral resource sector, included being the President and CEO and member of the board of directors of Peak Gold Limited (now New Gold Inc.), the Executive Vice President of South and Central America for Goldcorp Inc., President of Mineração Onça Puma, a wholly-owned subsidiary of Canico Resources Inc., and CFO and other senior executive positions of Rio Tinto Brazil, where he worked for more than 33 years.

| Director/Officer | Director or Officer Since | Number of Common Shares Owned Directly or Indirectly[1] (as of date of this AIF) | Number of Options to Purchase Common Shares (as of date of this AIF) |
|---|---|---|---|

**Principal Occupation**: Mr. Charette has over 25 years experience in securities law with an emphasis on structuring resource industry transactions as well as exploration and development finance in North America, Europe and in developing nations. From 2001 to 2006, Mr. Charette was a partner of Charette Nantel LLP, a Montreal-based law firm providing corporate commercial legal services. In 2006, Mr. Charette joined the Montréal office of Miller Thomson Pouliot LLP, as a partner, continuing his corporate commercial practice. In November, 2007, Mr. Charette resigned from Miller Thomson Pouliot LLP and joined BCF LLP. Since August 2009, Mr. Charette has been acting as an independent advisor to public companies. Mr. Charette is also a director of MCO Capital Inc. and was a director of ARGEX Silver Capital Inc., (March 2005 to October 2009).

| | | | |
|---|---|---|---|
| **John W. W. Hick**, B.A., LL.B.[2]<br>Toronto, Ontario, Canada<br><br>***Director***<br>*Member of the Audit Committee*<br>*Chairman of the Corporate Governance & Nominating Committee*<br>*Chairman of the Environmental, Health & Safety Committee* | December 18, 2006 | 40,000 | 950,000 |

**Principal Occupation:** Mr. Hick is President & CEO and a director of Medoro Resources Ltd., since October 2009 and President & CEO of his own consulting firm, John W. W. Hick Consultants Inc. In addition to being a director of the Corporation, he is also a director of Aeroquest International Limited, First Uranium Corporation, Hudson Resources Inc., Marengo Mining Limited and Timminco Limited. Mr. Hick has held various senior positions with mining companies, most recently, CEO, and then Vice Chairman of Rio Narcea Gold Mines, Ltd. from December 1, 2004 to June, 2006. Prior to the acquisition of Defiance Mining Corp. by Rio Narcea, he was President and CEO of Defiance and its predecessor company, Geomaque Explorations Ltd. from December 2001 to September 2004. He was also President and later Vice-Chairman of TVX Gold Inc. for over four years (1993-1997), Chairman of the board of directors of Rayrock Yellowknife Mines Ltd. for a year until it was acquired by Glamis Gold Ltd. He was also Senior Vice-President, Corporate of Placer Dome Inc. for three years (1987-1990) and Vice-President and General Counsel of the Dome Mines Group of Companies for six years (1981-1987). Mr. Hick graduated with a BA degree from the University of Toronto in 1973 and an LLB from the University of Ottawa in 1976.

| Director/Officer | Director or Officer Since | Number of Common Shares Owned Directly or Indirectly[1] (as of date of this AIF) | Number of Options to Purchase Common Shares (as of date of this AIF) |
|---|---|---|---|
| **Peter S. Lehner**[2]<br>Geneva, Switzerland<br><br>***Chairman of the Board of Directors***<br>*Member of the Human Resources & Compensation Committee* | October 17, 2003 | 10,269,154 | 1,500,000 |

**Principal Occupation:** Chairman of the board of directors of the Corporation since October, 2003. Mr. Lehner has been working as an independent entrepreneur in the areas of tourism, natural resources and the distribution of organic food and cosmetics from 2002 to the present. He is a partner of Mavinaur LLP, a privately held partnership based in London, UK. From 1992 to 2002 he was the Managing Director of Addax & Oryx Advisory Services S.A., a private financial consulting firm. Until 2002, Mr. Lehner acted as a director of AXMIN Inc., a gold exploration company.

| | | | |
|---|---|---|---|
| **Patrick J. Mars**, B.Comm., M.B.A., C.F.A.[2]<br>Toronto, Ontario, Canada<br><br>***Director***<br>*Chairman of the Audit Committee*<br>*Member of the Corporate Governance & Nominating Committee*<br>*Member of the Human Resources & Compensation Committee* | January 17, 2003 | 948,000 | 1,050,000 |

**Principal Occupation:** Mr. Mars is a Chartered Financial Analyst based in Canada. Mr. Mars is an independent consultant specializing in mine financing and analysis and benefits from over 30 years of experience in the Canadian investment industry. For the majority of his career he was with Alfred Bunting & Co/Bunting Warburg, a Canadian investment dealer and stockbroker where he was President and CEO from 1981 to 1994. During this time he served 3 year terms both as a Governor of the TSE and Director of the IDA From 1999 to 2001, he was Chairman and a Director of First Marathon Securities (UK) Ltd/NBC Financial (UK) Ltd. Presently, Mr. Mars is a director of Yamana Gold, Aura Minerals (Chairman), Sage Gold (Chairman) and Selwyn Resources as well as being President of P.J. Mars Investments Limited, a private company. He also serves as a director of the Renascent Foundation, a charitable organization.

| Director/Officer | Director or Officer Since | Number of Common Shares Owned Directly or Indirectly[(1)] (as of date of this AIF) | Number of Options to Purchase Common Shares (as of date of this AIF) |
|---|---|---|---|
| **Dino Titaro**, M.Sc., P.Geo<br>Oakville, Ontario, Canada<br><br>***President, CEO, and Director***<br><br>*Member of the Environmental, Health & Safety Committee* | January 17, 2003 | 1,861,000 | 6,000,000 |
| **Principal Occupation:** President and Chief Executive Officer of the Corporation since January, 2003. From 1986 to 2003, Mr. Titaro was President and Chief Executive Officer of A.C.A. Howe International Limited, a geological mining and consulting firm. Mr. Titaro is a director of Yamana Gold Inc. (2005 to present) and MinCore Inc. (2007 to present) and was a director of Sikaman Gold Resources Ltd.(1995 to 1999), Compressario Corp. (2000 to 2005), OntZinc Corporation (formerly Pan American Resources Inc.) (1996 to 2002), Richview Resources Inc. (2005 to 2009) and Plata Peru Resources Inc. (2000 to 2009). | | | |
| **Linda Prager**, C.A.<br>Toronto, Ontario, Canada<br><br>***Chief Financial Officer***<br>***Secretary*** | May 1, 2006 | 535,500 | 1,550,000 |
| **Principal Occupation:** Ms. Prager was appointed Chief Financial Officer and Secretary of the Corporation on May 1, 2006. Since 1995, Ms. Prager has been working as an independent consultant providing accounting and financial services to various public and private entities in the Toronto area, through her private company, 1118390 Ontario Limited. In 2003, Ms. Prager became the Controller of the Corporation. | | | |
| **Daniel B.J. Kivari**, P. Eng<br>Belo Horizonte, Minas Gerais, Brazil<br><br>***Chief Operating Officer*** | February 1, 2008 | 2,366,700 | 2,750,000 |

| Director/Officer | Director or Officer Since | Number of Common Shares Owned Directly or Indirectly[(1)] (as of date of this AIF) | Number of Options to Purchase Common Shares (as of date of this AIF) |
|---|---|---|---|
| **Principal Occupation:** Chief Operating Officer of the Corporation since February 2008, Mr. Kivari, P. Eng., is a senior mining executive with a degree in Metallurgical Engineering and over 37 years of international experience in all aspects of mine operations, engineering, construction and development. Most recently he was Regional General Manger for Western Canada and Nunavut for Agnico Eagle Mines Ltd. and prior to that position, Vice President of Operations for Yamana Gold Inc. Mr. Kivari has also held senior engineering positions with the consulting firms of Kellogg Brown & Root/Colt Engineering and SNC-Lavalin. He has worked extensively throughout Latin America, Canada, Australia and the USA. Mr. Kivari is also on the Board of Directors of First Gold Exploration Inc. | | | |
| **Randall K. Ruff**, B.Sc., M.Sc.<br>Deva, Hunedora County, Romania<br><br>***Executive Vice President, Exploration*** | May 24, 2004 | 799,328 | 3,100,000 |
| **Principal Occupation:** Mr. Ruff has been the Executive Vice President, Exploration of the Corporation since February, 2008, and has been working with the Corporation's subsidiary companies on Romanian and Brazilian projects since 2000. Mr. Ruff was a consulting project geologist before becoming Chief Operating Officer for CGL in 2002, and thereafter became Chief Operating Officer of the Corporation in 2004. Prior to that, Mr. Ruff worked as a senior geologist for SAMAX Resources Ltd. (1997 to 1999) and as a project/district geologist for Santa Fe Pacific Gold Corp. (1993 to 1997). | | | |

Notes:

1. The information as to shares beneficially owned, not being within the knowledge of the management of the Corporation, has been furnished by the respective individuals or has been extracted from the register of shareholdings maintained by the Corporation's transfer agent.
2. These directors are considered "independent" pursuant to Multilateral Instrument 52-110 – *Audit Committees*.

## Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

None of the directors or executive officers of the Corporation are, as at the date hereof, or have been, within the ten years prior to the date hereof, a director or executive officer, of any company that, while that person was acting in the capacity:

(a) was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, other than:

(i) Mr. Dino Titaro was a director of Plata Peru Resources Inc., which company was cease traded in 2002 pending a proposed corporate reorganization that has received shareholder approval but which is subject to completion. Mr. Titaro was also a director of Compressario Corp. at the time it was cease traded in 2003, which company is now insolvent and inactive;

(ii) Mr. John Hick was president and CEO and a director of Grafton Group Limited, which made a voluntary assignment in bankruptcy in 1993. As a result of the assignment in bankruptcy, the shares were delisted from The Toronto Stock Exchange. He was also a director and non-executive Chairman of the Board of Tamaya Resources Limited, an Australian incorporated and ASX listed company, which made a Voluntary Appointment of an Administrator, Ernst & Young (Australia), as a result of becoming insolvent. The reasons for the insolvency are summarized in the Questionnaire and Report to the Administrators dated November 14, 2008, as filed with the Australian Stock Exchange. As a result of the Voluntary Administration, effective upon the appointment of the Administrators on October 26, 2008, the appointed Administrators immediately assumed all legal powers, rights and obligations of the directors of Tamaya and the directors had no legal rights with respect to the administration or management of Tamaya or its assets; and

(iii) Mr. Guy Charette who was a director of Sahelian Goldfields Inc. (now Sage Gold Inc.), ("Sahelian") which, in 2001, made a proposal that was accepted by its creditors, approved by the courts and successfully completed. Sahelian was subject to a cease trade order from the Ontario Securities Commission and the British Columbia Securities Commission, both of which cease trade orders were revoked on September 15, 2003.

(b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

(c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

None of the directors or executive officers of the Corporation have, within the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

None of the directors or executive officers of the Corporation, or any shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has been subject to:

(a) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

***Personal Bankruptcies***

None of the directors or executive officers of the Corporation, or any shareholder holding a sufficient number of securities of the Corporation to materially affect the control of the Corporation, or a personal holding company of any such persons has, within the ten years before the date of this annual information form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

***Conflict of Interests***

Certain directors and officers of the Corporation are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Corporation are required by law to act honestly and in good faith with a view to the best interests of the Corporation and to disclose any interest which they may have in any property or opportunity of the Corporation. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his or her interest and abstain from voting on such matter. The directors and officers of the Corporation are not aware of any such conflicts of interests.

## AUDIT COMMITTEE

The purpose of the Audit Committee of the Corporation's board of directors is to provide assistance to the directors of the Corporation in fulfilling their legal and fiduciary obligations with respect to matters involving accounting, auditing, financial reporting, internal control and legal compliance functions of the Corporation. It is the objective of the Audit Committee to

maintain communication among the directors of the Corporation, the external auditors and the senior management of the Corporation.

The full text of the Charter of the Audit Committee is included as Appendix "A" hereto.

## Composition of the Audit Committee

| Name | Independent[(1)] | Financially Literate[(1)] |
|---|---|---|
| Patrick J. Mars (Chairman) | Yes | Yes |
| Julio Lameiras Carvalho | Yes | Yes |
| John W. W. Hick | Yes | Yes |

Notes:
(1) As defined in MI 52-110.

## Relevant Education and Experience

All three members of the Audit Committee are "independent" and "financially literate" in accordance with MI 52-110. Each of the members has the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

The following sets out the education and experience of the members of the Audit Committee:

***Patrick J. Mars, B.Comm., M.B.A., C.F.A.*** – Mr. Mars is currently the President of P.J. Mars Investments Limited, a private investment company, and works as an independent consultant specializing in mine finance and analysis. Mr. Mars has extensive experience in the investment industry. Between 1999 and 2001, Mr. Mars served as the Chairman and a director of First Marathon Securities (UK) Ltd., prior to the company's acquisition by National Bank of Canada, and subsequently served as a director of NBC Financial (UK) Ltd., following the acquisition. From 1965 to 1994, Mr. Mars worked as a financial analyst and from 1981 through 1994 was President of Alfred Bunting/Bunting Warburg. He sits on the boards of various resource companies and serves on several audit committees.

***John W. W. Hick, B.A., LL.B.*** – Mr. Hick has considerable experience in both senior management and director capacities with a number of public companies over the last 26 years, prior to which he was actively engaged in the practice of law in Ontario. Mr. Hick is currently President & CEO and a director of Medoro Resources Ltd. and since October 2009 and President & CEO of his own consulting firm, John W. W. Hick Consultants Inc. During his career, he has also been the President and/or CEO of the following public companies where he had direct involvement in and responsibilities for the financial results and reporting of such companies: Grafton Group Limited; TVX Gold Inc., Geomaque Explorations Ltd., Defiance Mining Corporation and Rio Narcea Gold Mines Ltd. In addition to serving as a director, he has served or is currently serving on the audit committees of the following public companies: Rayrock Yellowknife Gold Mines Ltd., Cambior Inc., Rio Narcea Gold Mines Ltd., Southern Cross

Resources Inc., Hudson Resources Inc., Queenstake Resources Ltd., First Uranium Corporation, Areoquest International Ltd., Marengo Mining Limited, Timminco Limited and Revett Minerals Inc.

***Julio L. Carvalho, C.A., M.B.A.*** – Mr. Carvalho has more than 38 years of experience in the Brazilian mining industry in senior management positions as well as board director of several TSX listed mining/exploration companies. He is currently the President and a Director of Rio Novo Gold Inc., a Director and member of the Audit Committee of Adriana Resources Inc. and a Director of Cascadero Copper Corp. He has previously worked as President & CEO and Director of Peak Gold Ltd., Executive VP South and Central America for Goldcorp Inc. and President of Mineração Onça Puma Ltda, a wholly-owned Brazilian subsidiary of Canico Resources Inc. From 1971 to 2004 he worked for Rio Tinto Brazil Ltda. most of this time as Chief Financial Officer and Executive Director.

## External Auditor Service Fees

Below is a summary of the external auditor service fees relating to the Corporation's three most recently completed financial years:

| | | Fiscal Year Ended 2007 | Fiscal Year Ended 2008 | Fiscal Year Ended 2009 |
|---|---|---|---|---|
| Audit Fees | | $55,000 | $61,000 | $91,000[(i)] |
| Tax Fees | | $8,500 | $11,500 | $11,500[(i)] |
| Other | | $40,000 | $74,300 | $33,200[(i)] |

(i) The figure provided is an estimated amount.

The Corporation anticipates that the aggregate audit and tax fees for the financial year ended December 31, 2009 will not be materially different from those provided above in the section entitled "External Auditor Service Fees".

## Tax Fees

For the financial years ended December 31, 2009, December 31, 2008, and December 31, 2007, the Corporation paid its external auditors an aggregate amount of $31,500 for professional services rendered pertaining to tax compliance. See table above.

## Other Fees

The aggregate fees paid by the Corporation to its external auditors for the financial years ended December 31, 2009, December 31, 2008, and December 31, 2007 for products and services provided by the Corporation's external auditors, other than for the preparation of tax reports, amounted to $147,500. In 2007 and 2008 these fees were for services rendered with respect to the Proposed Acquisition, including reviews of the Corporation's financial statements for the three and nine month periods ended September 30, 2007 and for the six month period ended June 30, 2008 as well as fees relating to the Brazilian tax structuring. Fees paid in 2009 pertained to discussions and reports on IFRS conversion and various tax planning discussions.

## LEGAL PROCEEDINGS

To the knowledge of management, no legal proceedings of a material nature involving the Corporation are contemplated by any individuals, entities or governmental authorities.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Management is unaware of any material interest of any officer or director of the Corporation, or of any person or any associate or affiliate of any such person, in any transaction within the three most recently completed financial years of the Corporation or any proposed transaction that has materially affected or would materially affect the Corporation or any of its affiliates.

## TRANSFER AGENT

The Corporation's registrar and transfer agent for its common shares is Equity Transfer & Trust Company, having an office at:

Suite 400, 200 University Avenue
Toronto, Ontario, M5H 4H1
Telephone: (416) 361-0152
Facsimile: (416) 361-0470

## MATERIAL CONTRACTS

As at the date of this Annual Information Form, the Corporation has no material contracts. Copies of any future material contracts will be filed on and be available for viewing at SEDAR at www.sedar.com.

## INTEREST OF EXPERTS

### Name of Experts

The following persons have prepared or certified reports included in a filing made under National Instrument 51-102 – *Continuous Disclosure Obligations* by the Corporation during the Corporation's most recently completed financial year and whose profession or business gives authority to the report:

Mr. Paul Murphy, C.A.
PricewaterhouseCoopers LLP
Suite 300, Box 82
Royal Trust Tower TD Centre
Toronto, Ontario, Canada

Robert Cinits, P.Geo
AMEC Americas Limited.
Vancouver, B.C., Canada

David G. Thomas, MAusIMM
AMEC Americas Limited
Vancouver, B.C., Canada

Mel Klohn, L.P.Geo
BK Exploration Associates
Spokane Valley, Washington, USA

Chris Broili, C.P. Geo & L.P.Geo
BK Exploration Associates
Centralia, Washington, USA

Pierre Desautels, P.Geo
PEG Mining Consultants
Barrie, Ontario, Canada

Rodrigo de Brito Mello
NCL Brasil Ltda
Belo Horizonte, Brazil

Carlos Guzman
NCL Brasil Ltda
Belo Horizonte, Brazil

**Interests of Experts**

None of the above mentioned experts has any registered or beneficial interest, directly or indirectly, in any securities or other properties of the Corporation. They are not expected to be appointed or employed as directors, officers, or employees of the Corporation.

The auditors of the Corporation are PricewaterhouseCoopers, LLP ("**PwC**"). PwC has prepared an independent auditors' report dated March 25, 2010 in respect of the consolidated financial statements of the Corporation, with accompanying notes as at and for the year ended December 31, 2009. PwC has advised that it is independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

## ADDITIONAL INFORMATION

Additional information about the Corporation is available at the Corporation's website at www.carpathiangold.com and on SEDAR at www.sedar.com. Information about the Corporation, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's shares, and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Corporation's Management Information Circular for

the Corporation's 2010 annual and special meeting of shareholders which will be held on May 13, 2010.

Additional financial information about the Corporation is provided in the Corporation's annual report for the financial year ended December 31, 2009, which includes the audited consolidated financial statements as at December 31, 2009, the notes thereto and the report of the Corporation's auditors thereon, as well as the management's discussion and analysis for the financial year ended December 31, 2009. Copies of these documents, together with copies of the annual information form and copies of any documents or the pertinent pages of any documents incorporated by reference in this annual information form, are available upon request to the Corporation's Corporate Secretary at 365 Bay Street, Suite 500, Toronto, Ontario, Canada, M5H 2V1, provided that the Corporation may require payment of a reasonable charge if the request is made by a person who is not a security holder of the Corporation.

## Appendix "A"

## CARPATHIAN GOLD INC.
## (The "Company")

## CHARTER OF THE AUDIT COMMITTEE

### I. PURPOSE

The Audit Committee (the "Audit Committee") is a committee of independent directors appointed by the Board of Directors of the Company (the "Board of Directors"). The Audit Committee's mandate is to provide assistance to the Board of Directors in fulfilling its financial reporting and control responsibility to the shareholders and the investment community. The Committee is, however, independent of the Board of Directors and the Company and in carrying out their role shall have the ability to determine its own agenda and any additional activities that the Audit Committee shall carry out.

### II. COMPOSITION

The Committee will be comprised of at least three directors of the Company, all of whom, subject to any exemptions set out in Multilateral Instrument 52-110 *Audit Committees* ("MI 52-110") will be independent and financially literate. In addition, at least one member of the Audit Committee shall have accounting or related financial expertise as such qualifications are interpreted by the Board of Directors. An "independent" director is a director who has no direct or indirect material relationship with the Company. A "material relationship" is a relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of the director's independent judgement or a relationship deemed to be a material relationship pursuant to Sections 1.4 and 1.5 of MI 52-110. A "financially literate" director is a director who has the ability to read and understand a set of financial instruments that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of the Company.

### III. RESPONSIBILITIES

Responsibilities of the Audit Committee generally include, but are not limited to, the undertaking of the following tasks:

- Selecting and determining the compensation of the external auditors, subject to approval of the shareholders of the Company, to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company. In making such determination and recommendation to the shareholders, the Audit Committee will:

- confirm the independence of the auditors and report to the Board of Directors its conclusions on the independence of the auditors and the basis for these conclusions;

- meet with the auditors and financial management to review the scope of the proposed audit for the current year, and the audit procedures to be used; and

- obtain from the external auditors confirmation that they are participants in good standing in the Canadian Public Accountability Board oversight program and, if applicable, in compliance with the provisions of the Sarbanes-Oxley Act of 2002 (U.S.) and other legal or regulatory requirements with respect to the audit of the financial statements of the Company.

- Overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting. In overseeing such work, the Audit Committee will:

- review with the external auditors any audit problems or difficulties and management's response;

- at least annually obtain and review a report prepared by the external auditors describing (i) the auditors' internal quality-control procedures; and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditors, and reviewing any steps taken to deal with such issues;

- serve as an independent and objective party to monitor the Company's financial reporting process and internal control system and overseeing management's reporting on internal control;

- provide open lines of communication among the external auditors, financial and senior management, and the Board of Directors for financial reporting and control matters;

- make inquiries of management and the external auditors to identify significant business, political, financial and control risks and exposures and assess the steps management has taken to minimize such risks to the Company;

- establish procedures to ensure that the Audit Committee meets with the external auditors on a regular basis in the absence of management;

- ensure that the external auditors prepare and deliver annually a detailed report covering (i) critical accounting policies and practices to be used; (ii) material alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors; (iii) other material written communications between the external auditors and management such as any management letter or schedule of unadjusted differences; and (iv) such other aspects as may be required by the Audit Committee or legal or regulatory requirements;

- consider any reports or communications (and management's responses thereto) submitted to the Audit Committee by the external auditors, including reports and communications related to:
    - deficiencies noted following the audit of the design and operation of internal controls;
    - consideration of fraud in the audit of the financial statement;
    - detection of illegal acts;
    - the external auditors' responsibility under generally accepted auditing standards;
    - significant accounting policies;
    - management judgements and accounting estimates;
    - adjustments arising from the audit;
    - the responsibility of the external auditors for other information in documents containing audited financial statements;
    - disagreements with management;
    - consultation by management with other accountants;
    - major issues discussed with management prior to retention of the external auditors;
    - difficulties encountered with management in performing the audit;
    - the external auditors judgements about the quality of the entity's accounting principles; and
    - any reviews of unaudited interim financial information conducted by the external auditors;
- review the form of opinion the external auditors propose to render to the Audit Committee, the Board of Directors and shareholders; and
- discuss significant changes to the Company's auditing and accounting principles, policies, controls, procedures and practices proposed or contemplated by the external auditors or management, and the financial impact thereof.

- Pre-approving all non-audit services to be provided to the Company or its subsidiaries by the Company's external auditor, subject to any exemptions set out in MI 52-110. Notwithstanding the pre-approval process, the Audit Committee will ensure that the external auditors are prohibited from providing the following non-audit services and will determine which other non-audit services the external auditors are prohibited from providing:

- bookkeeping or other services related to the accounting records or financial statements of the Company;

- financial information systems design and implementation;
- appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
- actuarial services;
- internal audit outsourcing services;
- management functions or human resources;
- broker, dealer, investment adviser or investment banking services;
- legal services and expert services unrelated to the audit; and
- any other service that the Audit Committee determines to be impermissible.

- Ensuring that the external auditors submit annually to the Company and the Audit Committee a formal written statement of the fees billed for each of the following categories of services rendered by the external auditors: (i) the audit of the Company's annual financial statements for the most recent fiscal year and, if applicable, the reviews of the financial statements included in the Company's Quarterly Reports for that fiscal year; and (ii) all other services rendered by the external auditors for the most recent fiscal year, in the aggregate and by each service.

- Reviewing the Company's financial statements, Management's Discussion and Analysis, annual and interim earnings press releases and any other reports or other financial information to be submitted to any regulatory body, or the public, before the Company files, issues or publicly discloses the information. In connection with such review, the Audit Committee will ensure that:

- management has reviewed the financial statements with the Audit Committee, including significant judgments affecting the financial statements;
- the members of the Audit Committee have discussed among themselves, without management or the external auditors present, the information disclosed to the Audit Committee; and
- the Audit Committee has received the assurance of both financial management and the external auditors that the Company's financial statements are fairly presented in conformity with Canadian GAAP in all material respects.

- Ensuring that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the public disclosure referred to above, and periodically assessing the adequacy of those procedures.

- Reviewing, evaluating and monitoring any risk management program implemented by the Company, including any revenue protection program. This function should include:

- risk assessment;

- quantification of exposure;

- risk mitigation measures; and

- risk reporting.

- Reviewing the adequacy of the resources of the finance and accounting group, along with its development and succession plans.

- Establishing procedures for:

- the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and

- the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

- Reviewing and approving the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

- Annually reviewing and revising this Charter as necessary with the approval of the Board of Directors of the Company and the text relating to this Charter which is required to appear in the Annual Information Form of the Company, as more specifically set out in Form 52-110FI *Audit Committee Information Required in an AIF*.

- Reviewing and assessing the adequacy of the Code of Business Conduct and Ethics governing the officers, directors and employees of the Company and the Code of Ethics governing Financial Reporting Officers at least annually or otherwise, as it deems appropriate, and propose recommended changes to the Board of Directors.

- Reporting its activities to the Board of Directors on a regular basis and to make such recommendations with respect to the above and other matters as the Audit Committee may deem necessary or appropriate.

- Reviewing and discussing with management, and approving all related party transactions.

## IV. AUTHORITY

The Audit Committee has the authority to:

- Engage independent counsel and other advisors as the Audit Committee determines necessary to carry out its duties;

- Set and pay the compensation for any advisors employed by the Audit Committee, in accordance with applicable corporate statutes; and

- Communicate directly with the external auditors.

## V. ADMINISTRATIVE PROCEDURES

- The Audit Committee will meet regularly and whenever necessary to perform the duties described above in a timely manner, but not less than four times a year. Meetings of the Audit Committee shall be held from time to time as the Committee or the Audit Chairman of the Committee shall determine upon 48 hours notice to each of its members and by means of conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other.

- The notice period may be waived by a quorum of the Audit Committee.

- The Committee will record minutes of its meetings and, through its Chairman, report periodically to the Board.

- At the discretion of the Audit Committee, meetings may be held with representatives of the external auditors and appropriate members of management.

- The external auditors will have direct access to the Audit Committee at their own initiative.

- The Chairman of the Audit Committee may be appointed by the Board of Directors; however, if the Board of Directors does not appoint a Chairman, the members of the Audit Committee shall designate a Chairman by a majority vote of the Audit Committee.

- A quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Audit Committee.

Approved by the Board of Directors of Carpathian Gold Inc. on March 26, 2008