

Carpathian Gold Inc.

ANNUAL LISTING STATEMENT

For the Financial Year Ended December 31, 2015

As of May 12, 2016

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In this Annual Listing Statement for the financial year ended December 31, 2015 (the “**Annual Listing Statement**”), the “Corporation” or “Carpathian” refers to Carpathian Gold Inc., unless otherwise indicated or the context otherwise requires. All information contained herein is as at May 12, 2016, unless otherwise indicated.

All dollar amounts in this Annual Listing Statement 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.
diamond drill	A rotary type of rock drill that cuts a core of rock that is recovered in long cylindrical sections, two centimetres 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 of 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-depositing 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.
km²	Square kilometres.
m	Metres.
metamorphic rocks	Rocks which have undergone a change in texture or composition as the 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.

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.

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.

Measured mineral resource: 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.

Indicated mineral resource: 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 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 ounce represents approximately 31.103 g.
PEA	A preliminary economic assessment.
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 of 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 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:

<u>Metric Measurement Units</u>	<u>To Convert to Imperial Measurement Units</u>	<u>Divide By</u>
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 INFORMATION

Certain information provided in this Annual Listing Statement and any documents incorporated by reference may constitute “forward-looking information” within the meaning of applicable Canadian securities legislation which may include, but is not limited to, information with respect to the Corporation’s expected production from, and further potential of, the Corporation’s properties; the Corporation’s ability to raise additional funds; the future price of minerals, particularly gold and copper; the estimation of mineral reserves and mineral resources; conclusions of economic evaluation; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking information is based on management’s expectations and reasonable assumptions at the time such statements are made. Estimates regarding the anticipated timing, amount and cost of exploration and development activities are based on assumptions underlying mineral reserve and mineral resource estimates and the realization of such estimates are set out herein. Capital and operating cost estimates are based on extensive research of the Corporation, purchase orders placed by the Corporation to date, recent estimates of construction and mining costs and other factors that are set out herein. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Carpathian and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include: uncertainties of mineral resource estimates; the nature of mineral exploration and mining; variations in ore grade and recovery rates; cost of operations; fluctuations in the sale prices of products; volatility of gold and copper prices; exploration and development risks; liquidity concerns and future financings; risks associated with operations in foreign jurisdictions; potential revocation or change in permit requirements and project approvals; competition; no guarantee of titles to explore and operate; environmental liabilities and regulatory requirements; dependence on key individuals; conflicts of interests; insurance; fluctuation in market value of Carpathian’s shares; rising production costs; equipment material and skilled technical workers; volatile current global financial conditions; and currency fluctuations; and other risks pertaining to the mining industry, as well as those factors discussed in the section entitled “Risk Factors”. Although Carpathian has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking information contained herein or incorporated by reference are made as of the date of this Annual Information Form or as of the date of the documents incorporated by reference, as the case may be, and Carpathian does not undertake to update any such forward-looking information, except in accordance with applicable securities laws. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events

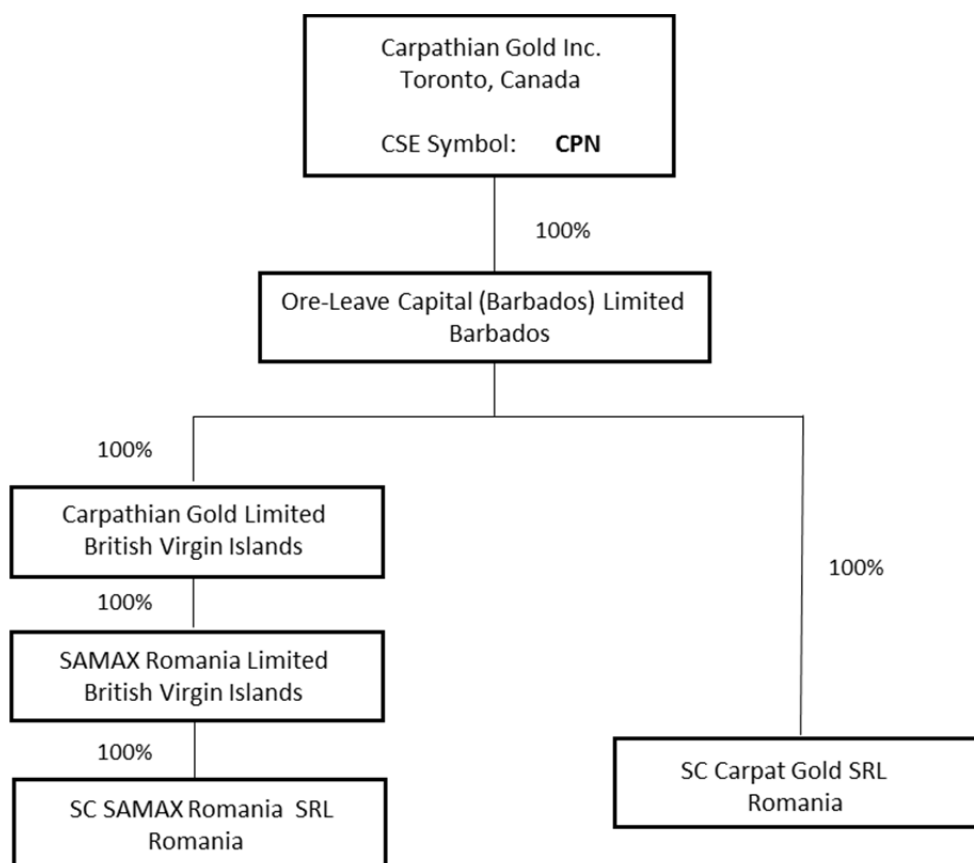
could differ materially from those anticipated in such information. Accordingly, readers are cautioned not to place undue reliance on forward-looking information. The forward-looking information contained or incorporated by reference in this document is presented for the purpose of assisting shareholders in understanding the financial position, strategic priorities and objectives of the Corporation for the periods referenced and such information may not be appropriate for other purposes.

CORPORATE STRUCTURE

The Corporation's full corporate name is Carpathian Gold Inc. The Corporation's head and registered office is at 36 Toronto Street, Suite 1000, Toronto, Ontario, M5C 2C5.

The Corporation was incorporated pursuant to the provisions of the *Canada Business Corporations Act* (the "CBCA") as Ore-Leave Capital Inc. on January 17, 2003. 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 following diagram illustrates the current corporate structure of the Corporation, including the percentage of voting securities beneficially owned, directed or controlled, directly or indirectly by the Corporation of its principal subsidiaries, as well as the jurisdictions in which such principal subsidiaries were incorporated, continued, formed or organized:



GENERAL DESCRIPTION AND NARRATIVE DESCRIPTION OF THE BUSINESS

The Corporation is principally a mineral exploration and development company. Through its subsidiaries, the Corporation is currently involved in the exploration and development of mineral properties situated in Romania. The Corporation has carried out extensive exploration programs on three copper-gold porphyry systems referred to as Rovina, Colnic and Ciresata (collectively, the “**Rovina Valley Project**” or “**RVP**”) with a view to advancing them to the pre- feasibility stage. In addition, since 2008 up until April 29, 2016, the Corporation’s business was also focused on the exploration, development, construction and operation of the the Riacho dos Machados gold project (the “**RDM Project**”) located in the state of Minas Gerais, Brazil.

The table below provides a breakdown of exploration and development expenditures on all of the Corporation’s properties over a three-year period ending December 31, 2015:

<u>Year</u>	<u>Exploration Expenditures (US\$)</u>
2013	\$22,543,450
2014	\$2,322,786
2015	\$943,199
Total:	\$25,809,435

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

Romania

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

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

On November 17, 2008, the Corporation released the results of an updated NI 43-101 Mineral Resource Estimate (the “**Resource Estimate**”) on the Rovina Valley Project indicating 193.1 million tonnes of 0.49 g/t Au and 0.18% Cu in the Measured and Indicated categories for a total of 3.07 million ounces of gold and 759.1 million pounds of copper and 177.7 million tonnes of 0.68 g/t Au and 0.17% Cu in the Inferred category for 3.89 million ounces of gold and 663.1 million pounds of copper. The complete report can be found on www.SEDAR.com. The Ciresata deposit hosts significant mineralization above the cut-off grade of 0.70 g/t Au eq, which

was not incorporated into the Resource Estimate due to low drill hole density on the edges of the Resource Estimate mineralization, and at depth where the mineralization is still open. Nearly every drill hole in the Ciresata Deposit bottomed in mineralization.

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

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

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

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

The 2012 resource update is shown below:

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

- *Au eq. determined by using a gold price of US\$1,370 per ounce and a copper price of US\$3.52/lb. These prices are the 3-year trailing average as of July 10, 2012. Metallurgical recoveries are not taken into account for Au eq.
- Base case cut-off used in the table are 0.35 g/t Au eq. for the Colnic deposit and 0.25% Cu eq for the Rovina deposit, both of which are amenable to open pit mining and 0.65 g/t Au eq for the Ciresata deposit which is amenable to underground bulk mining.
- For the Rovina and Colnic porphyries, the resource is an in-pit resource derived from a Whittle shell model using gross metal values of \$1,350/oz Au price and \$3.00/lb Cu price, net of payable amounts after smelter charges and royalty for net values of US\$1,313/oz Au and US\$2.57/lb Cu for Rovina and US\$2.27/lb Cu for Colnic.
- Rounding of tonnes as required by reporting guidelines may result in apparent differences between tonnes, grade and contained metal content.

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

During 2012 and subsequent to the data closure date of the 2012 Resource Estimate update, the Corporation completed a total of 14,920 metres of drilling at the Rovina Valley

Project, of which, 5,290 metres of drilling was for resource definition, 8,715 metres of exploration and satellite target drilling, predominantly at the Ciresata porphyry and 915 metres of geotechnical drilling.

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

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

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

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

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

Following the conversion to a mining license, approval to begin construction and mining operations will require a building authorization permit that will include land zoning and final environmental reviews and government approval resulting from a full Environmental Impact

Assessment (“EIA”) study. During the conversion process from an exploration license to a mining license, no disruptive physical field work (i.e., drilling, land clearing, etc.) can be carried out on the property, until after the mining license has been approved. In addition, there is uncertainty as to whether the draft amended mining law in Romania will be passed enabling construction of a mine in Romania.

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

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

All exploration activities undertaken by the Corporation in Romania must occur on valid exploration licenses or prospecting permits issued by the NAMR in Bucharest, which is responsible for the administration of all mining and exploration licenses and prospecting permits. According to the regulations and standard practices in Romania, the Corporation must submit reports of work completed and follow-up work programs on an annual basis to the NAMR.

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

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

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

Corporation with a better idea of the future costs of compliance with applicable environmental requirements and will also provide a better estimate of the eventual costs of reclamation obligations at the end of the mine life.

Brazil

Until April 29, 2016, the RDM Project was the Corporation's sole project in Brazil and the focus of its efforts since late 2008. The Corporation, through its Brazilian subsidiary, Mineração Riacho dos Machados ("**MRDM**"), owned 100% of the RDM Project. For a complete discussion on the business and development of the MRDM and the RDM Project, please refer to the Management's Discussion and Analysis for the year ended December 31, 2015 which is attached to this Listing Statement as Appendix "A".

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

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

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

Pursuant to an agreement entered to by the Corporation with Brio and Macquarie Bank (the "**Restructuring Agreement**"), the Corporation agreed to work with Brio with respect to a restructuring procedure to be initiated by Brio with the objective of transferring 100% ownership of MRDM and the RDM project to Brio (the "**Restructuring**"). On April 29, 2016, the Ontario Superior Court of Justice (Commercial List) issued an order approving, among other things, a credit bid transaction, which was initiated by Brio with the cooperation of the Corporation, and the sale to Brio of all of the Corporation's direct and indirect equity interests in MRDM.

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

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

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Annual

The following table sets out certain financial information for the years ended December 31, 2015, 2014 and 2013 and the most recent quarter. The information in the table below has been derived from and should be read in conjunction with the financial statements and management's discussion and analysis in respect of the periods indicated

For the YTD	Year ended		
	2015	2014	2013
Revenues	47,915,768	17,932,070	--
Net loss for the year	73,629,806	214,468,409	50,011,563
Basic and diluted loss per share	0.10	0.31	0.08
Total assets	64,438,010	86,423,508	274,352,331
Total non-current financial liabilities	313,670,828	238,593,911	59,857,350

Quarterly

The following table sets out certain unaudited financial information for the last eight quarters. The information in the table below has been derived from and should be read in conjunction with the financial statements and management's discussion and analysis in respect of the periods indicated.

For the quarters ended	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Revenues	7,872,660	2,918,915	14,732,609	22,391,584	17,932,070	-	-	-
Net (income) loss for the period	27,825,730	21,905,395	3,002,131	20,896,550	142,940,519	(10,355,700)	63,686,768	18,196,822
Basic and diluted (income) loss per share	0.04	0.03	0.00	0.03	0.21	(0.02)	0.14	0.03

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management discussion and analysis for the year ended December 31, 2015 is attached hereto as Appendix "A".

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. On July 21, 2015, the Corporation's common shares were delisted from the TSX, and trading of its common shares began on the Canadian Securities Exchange on July 22, 2015.

CONSOLIDATED CAPITALIZATION

Further to the agreement by Brio uch purchase of all Macquarie's rights and interest in its secured loan to the RDM Project of MRDM in Minas Gerais, Brazil, Brio has acquired all of the Corporation's interest in MRDM in accordance with the amended and restated restructuring agreement (the "**Amended Restructuring Agreement**").

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

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

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

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

OPTIONS TO PURCHASE SHARES

The following table provides the details of all issued and outstanding options to purchase common shares as at December 31, 2015:

Description of Holder	Number of Holders	Number of Options	Number of Common Shares under Option	Exercise Price	Expiry Date
Executive Officers of Issuer	4	3,891,000	3,891,000	\$0.58	August 15, 2016
		2,100,000	2,100,000	\$0.40	August 13, 2017
Directors of Issuer	3	1,200,000	1,200,000	\$0.58	August 15, 2016
		1,150,000	1,150,000	\$0.40	August 13, 2017
Executive Officers of Subsidiaries	1	1,000,000	1,000,000	\$0.0325	June 20, 2019
Directors of Subsidiaries	1	25,000	25,000	\$0.40	August 13, 2017
Employees of Issuer	2	20,000	20,000	\$0.40	August 13, 2017
		300,000	300,000	\$0.40	October 9, 2017
Employees of Subsidiaries	9	150,000	150,000	\$0.58	August 15, 2016
		225,000	225,000	\$0.40	August 13, 2017
		200,000	200,000	\$0.0325	June 20, 2019
Consultants	Nil	Nil	Nil	N/A	N/A
Other	Nil	Nil	Nil	N/A	N/A

All options were issued at a premium to market price as of the date of grant.

DESCRIPTION OF CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, all 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. The preferred shares are issuable in series, and the directors of the Corporation have the right, from time to time, to fix the number of, and to determine the designation, rights, privileges and conditions attaching to the shares of series, including the rate

or amount of dividends thereon (if any), the method of calculating any dividends, the dates of payment thereof, the right (if any) to convert shares of a series into shares of another series of preferred shares or into another class of shares (including common shares), the right (if any) to participate in the remaining assets of the Corporation upon its liquidation or dissolution, as well as any other rights, privileges, restrictions or conditions attached to a series of preferred shares, subject to any limitations set out in the Corporation's articles of incorporation. The holders of preferred shares are not, as such, entitled to receive notice of, to attend or to vote at any meetings of shareholders of the Corporation, subject to the provisions of the CBCA.

As at the date hereof, there were at total of 764,364,355 common shares and no preferred shares issued and outstanding.

The following table provides the price ranges and volume traded of the Corporation's common shares on a monthly basis for each month, or part month, of the current quarter and the immediately preceding quarter and on a quarterly basis for the next preceding seven quarters:

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
May 2016 ⁽¹⁾	\$0.05	\$0.02	71,491,762
April 2016	\$0.025	\$0.01	44,170,184
March 2016	\$0.02	\$0.01	10,030,944
February 2016	\$0.025	\$0.01	17,570,710
January 2016	\$0.02	\$0.01	7,409,464
Q4 2015	\$0.015	\$0.005	22,903,857
Q3 2015	\$0.02	\$0.005	24,998,081
Q2 2015	\$0.03	\$0.005	198,203,470
Q1 2015	\$0.02	\$0.005	91,693,020
Q4 2014	\$0.02	\$0.01	44,619,203
Q3 2014	\$0.04	\$0.015	127,610,014
Q2 2014	\$0.04	\$0.02	112,409,136

Note:

(1) May 1 to May 11, 2016.

ESCROWED SECURITIES

There are no securities of the Corporation that are subject to escrow restrictions.

PRINCIPAL SHAREHOLDERS

As of the date of this Annual Listing Statement, to the knowledge of the directors and senior management of the Corporation, no shareholder held more than 10% of the Corporation's issued and outstanding shares, either directly or indirectly.

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, own, directly or indirectly, 1,746,640 common shares of the Corporation representing approximately 0.23% 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 23.

Director/Officer	Director or Officer Since	Number of Common Shares Owned Directly or Indirectly ⁽¹⁾ (as of date hereof)	Number of Options to Purchase Common Shares (as of date hereof)
Julio L. Carvalho ⁽²⁾ Rio de Janeiro, Brazil	January 19, 2009	0	700,000

Director

Member of the Audit Committee

*Member of Corporate Governance &
Nominating Committee*

*Member of the Human Resources &
Compensation Committee*

*Member of the Environmental, Health
& Safety Committee*

Principal Occupation: Mr. Carvalho has over 44 years experience in the mining sector, mostly in Brazil, including the positions of President & CEO of Rio Novo Gold Inc. (TSX: RN); President & CEO and director of Peak Gold Limited; Executive VP, Central & South America at Goldcorp Inc.; President of Onça Puma nickel project (Canico Resource) and Executive Director and CFO at Rio Tinto Brazil, where he worked for more than 33 years. He is currently a director of Rio Novo Gold Inc. (TSX: RN), which owns two developing gold projects in Brazil, and a director of a number of other companies.

Guy Charette, LL.L. Montreal, Quebec, Canada	March 25, 2003 ⁽³⁾	210,912	2,850,000
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Director and Interim Chief Executive Officer

Member of Corporate Governance & Nominating Committee

Member of the Human Resources & Compensation Committee

Member of the Environmental, Health & Safety Committee

Principal Occupation: Mr. Charette is currently the Interim Chief Executive Officer of the Corporation. He has over 30 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. Mr. Charette is a retired member of the *Barreau du Québec*. From 2001 to 2006, Mr. Charette was a partner of Charette Nantel LLP, a Montreal-based law firm providing corporate and securities legal services. In 2006, Mr. Charette joined the Montréal office of Miller Thomson Pouliot LLP, as a partner, continuing his corporate and securities practice. In November, 2007, Mr. Charette resigned from Miller Thomson Pouliot LLP and joined BCF LLP where he was a partner until August 2009. Since August 2009, Mr. Charette has been acting as an independent advisor to public companies. Mr. Charette is also a director of IOU Financial Inc. and was a director of Argex Silver Capital Inc. (March 2005 to October 2009).

David C. Danziger, B. Comm., C.A. ⁽²⁾ Toronto, Ontario, Canada	September 17, 2010	0	1,100,000
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Director

Chairman of the Audit Committee

Chairman of the Human Resources and Compensation Committee

Member of Corporate Governance & Nominating Committee

Member of the Environmental, Health & Safety Committee

Principal Occupation: Mr. Danziger is a practising Chartered Professional Accountant with over 30 years of experience in audit, accounting and management consulting and over 12 years experience specific to the mineral resource sector. He is currently a partner and the Senior Vice President of Assurance at MNP LLP, Chartered Professional Accountants and also serves as a director for a number of TSX and TSX-V listed companies. Mr. Danziger is a past member of the Ontario Securities Commission's Advisory Committee on Small and Medium Sized Enterprises as well as the CPA/PDAC Taskforce on IFRS for Mining.

John W. W. Hick , B.A., LL.B. ⁽²⁾ Toronto, Ontario, Canada	December 18, 2006	140,000	750,000
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Chairman of the Board
Member of the Audit Committee
Chairman of the Corporate Governance & Nominating Committee
Member of the Human Resources & Compensation Committee
Chairman of the Environmental, Health & Safety Committee

Principal Occupation: Mr. Hick is a corporate director and the President & CEO of his own consulting firm, John W. W. Hick Consultants Inc. He is an independent director of a number of TSX and TSX-V companies. He has, in the past, held senior management positions in a number of mining companies, including President & CEO and a director of Medoro Resources Ltd. from October 2009 to September 2010, CEO of Rio Narcea Gold Mines, Ltd. from December 2004 to January 2006, President and CEO of Geomaque Exploration Inc./Defiance Mining Corp. from December 2001 to September 2004 and President of TVX Gold Inc. from 1993 to 1997. Mr. Hick is a member of the Law Society of Upper Canada, but he is not currently practising law.

Michael Kozub , B.A., M.A., B.C.L., LL.B. Montreal, Quebec, Canada	March 1, 2011	0	600,000
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General Counsel and Corporate Secretary

Principal Occupation: Mr. Kozub is the General Counsel and Corporate Secretary of the Corporation. He is a lawyer with more than 14 years of experience primarily in the fields of corporate, commercial and securities law. Prior to joining the Corporation in 2011, he was in private practice where he acted for a number of publicly listed companies. Mr. Kozub is a member of both the Law Society of Upper Canada and the *Barreau du Québec*.

Carlos Pinglo Oakville, Ontario, Canada	July 3, 2014	0	0
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Chief Financial Officer

Principal Occupation: Mr. Pinglo is the Chief Financial Officer of the Corporation. Mr. Pinglo is an economist with over 20 years of senior management experience, working with both private and public companies in corporate finance, strategic planning, financial reporting, turnarounds and mergers & acquisitions. He is also currently Chief Financial Officer and Corporate Secretary of Eurotin Inc. Mr. Pinglo has previously held a number of senior finance roles, including Chief Financial Officer at both First Bauxite Corporation and Medoro Resources Ltd., Vice President, Finance at Pacific Coal Resources Ltd., Controller of both Silver Eagle Mines Inc. and Excellon Resources Inc. and a member of the Board of Directors at Mineros Nacionales S.A.

Randall K. Ruff , B.Sc., M.Sc. Grosseto, Italy	May 24, 2004	1,395,728	2,541,000
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Executive Vice President, Exploration

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 the 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*.
- (3) Guy Charette served as a director of the Corporation from March 25, 2003 to September 17, 2010, at which time he resigned as a director in order to accommodate the appointment of Mr. Danziger to the Corporation's board of directors and was appointed to the office of Executive Vice President. He was re-elected as a director of the Corporation on May 10, 2011.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as disclosed below, 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. John Hick who was a director and non-executive Chairman of the Board of Tamaya Resources Limited ("**Tamaya**"), 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. Mr. Hick was also a director of Timminco Limited (“**Timminco**”) when it filed for and was granted protection under the *Companies’ Creditors Arrangement Act* (“**CCAA**”) on January 3, 2012. As a result of the CCAA filing, the TSX delisted Timminco effective February 6, 2012. As part of the CCAA proceedings, all of the directors resigned on August 16, 2012; and

- (ii) Mr. David Danziger who was appointed a director of American Apparel, Inc. (“**American Apparel**”), a company listed on the NYSE MKT LLC exchange on July 11, 2011 and resigned as director on June 14, 2015. Subsequently, on October 5, 2015, American Apparel announced that it had reached an agreement with its lenders to significantly reduce its debt and interest payments through a consensual pre-arranged reorganization under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. On October 6, 2015, American Apparel announced that it received a notification letter stating that the staff of NYSE regulation, Inc. determined to suspend trading immediately and commence proceedings to delist American Apparel’s common stock from NYSE MKT LLC. The Chapter 11 reorganization was approved by the Court in January 2016;
- (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, except for Mr. John Hick in respect of Tamaya and Timminco and Mr. David Danziger in respect of American Apparel as disclosed above.

In addition, on April 16, 2014, the Ontario Securities Commission issued a permanent management cease trade order, which superseded a temporary management cease trade order (the “**MCTO**”) dated April 4, 2014, against Guy Charette, in his capacity as Interim CEO and Rishi Tibriwal, in his capacity as CFO. The MCTO was issued in connection with the Corporation's failure to file its (i) audited annual financial statements for the period ended December 31, 2013, (ii) management's discussion and analysis relating to the audited annual

financial statements for the period ended December 31, 2013, and (iii) corresponding certifications of the foregoing filings as required by National Instrument 52-109 – *Certification of Disclosure in the Issuer's Annual and Interim Filings*. The MCTO was lifted on June 19, 2014 following the filing of the required continuous disclosure documents on June 17, 2014. During the period of the MCTO, Messrs. Carvalho, Charette, Danziger and Hick were directors of the Corporation.

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.

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.

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.

CAPITALIZATION

The following tables provide a summary of the Corporation's issued capital as of the date of this Annual Listing Statement:

<u>Issued Capital</u>	Number of Common Shares (Non-Diluted)	Number of Common Shares (Fully-Diluted)	Percentage of Issued (Non-Diluted)	Percentage of Issued (Fully-Diluted)
<u>Public Float</u>				
Total Outstanding (A)	764,364,355	774,625,355	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 10% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 10% voting position in the Issuer upon exercise or conversion of other securities held) (B)	2,046,640	12,307,640	0.27%	1.59%
Total Public Float (A-B)	762,317,715	762,317,715	99.73%	98.41%
<u>Freely-Tradeable Float</u>				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	Nil	Nil	Nil	Nil
Total Tradeable Float (A-C)	764,364,355	774,625,355	100%	100%

<u>Public Securityholders (Registered)</u>		
Size of Holding	Number of Holders	Total Number of Common Shares
1-99 Common Shares	Nil	Nil
100-499 Common Shares	Nil	Nil
500-999 Common Shares	1	500
1,000-1,999 Common Shares	3	3,711
2,000-2,999 Common Shares	1	2,500
3,000-3,999 Common Shares	2	7,207
4,000-4,999 Common Shares	Nil	Nil
5,000 or more Common Shares	13	71,432,272
TOTAL	20	71,442,850
<u>Public Securityholders (Beneficial)</u>		
Size of Holding	Number of Holders	Total Number of Common Shares
1-99 Common Shares	27	1,016
100-499 Common Shares	145	37,273
500-999 Common Shares	192	119,866
1,000-1,999 Common Shares	431	519,149
2,000-2,999 Common Shares	351	757,677
3,000-3,999 Common Shares	254	807,776
4,000-4,999 Common Shares	186	773,423
5,000 or more Common Shares	3,938	654,493,296
TOTAL	5,524	657,509,476
<u>Non-Public Securityholders (Registered)</u>		
Size of Holding	Number of Holders	Total Number of Common Shares
1-99 Common Shares	Nil	Nil
100-499 Common Shares	Nil	Nil
500-999 Common Shares	Nil	Nil
1,000-1,999 Common Shares	Nil	Nil

2,000-2,999 Common Shares	Nil	Nil
3,000-3,999 Common Shares	Nil	Nil
4,000-4,999 Common Shares	Nil	Nil
5,000 or more Common Shares	2	1,634,328
TOTAL	2	1,634,328

The following table provides the details of all securities convertible or exchangeable into common shares as of the date of this Annual Listing Statement:

Description of Security	Number Outstanding	Number of Common Shares Issuable upon Conversion/Exercise
Options Exercise price: \$0.58 each Expiry: August 15, 2016	5,241,000	5,241,000
Options Exercise price: \$0.40 each Expiry: August 13, 2017	3,520,000	3,520,000
Options Exercise price: \$0.40 each Expiry: October 9, 2017	300,000	300,000
Options Exercise price: \$0.03 each Expiry: June 20, 2019	1,200,000	1,200,000
TOTAL	10,261,000	10,261,000

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Human Resources and Compensation Committee

The compensation program of the Corporation is administered by the Board with the assistance of the Human Resources and Compensation Committee (the "**Compensation Committee**"). Based on recommendations from the Compensation Committee, the Board makes decisions in respect of compensation matters relating to senior executives and directors of the Corporation, ensuring consistent application in accordance with industry standards.

The responsibilities of the Compensation Committee include assisting the Board with: (a) establishing key human resources and compensation policies; (b) establishing goals relevant to the performance and incentive compensation of the Chief Executive Officer (the "**CEO**"); (c)

evaluating the performance and related incentive compensation entitlement of the CEO; (d) reviewing and evaluating of the performance of the senior management as determined by the CEO and related incentive compensation recommendations; and (e) evaluating and setting of compensation for directors.

Specifically, in carrying out these duties, the Compensation Committee:

- reviews and makes recommendations to the Board with respect to the overall compensation strategy and policies for directors and senior executives of the Corporation;
- reviews and makes recommendations to the independent members of the Board with respect to the corporate goals and objectives relevant to the compensation of the CEO and evaluates the performance of the CEO in light of those goals and objectives;
- makes recommendations to the independent members of the Board with respect to the compensation of the CEO based on this evaluation;
- reviews and makes recommendations to the independent members of the Board with respect to the compensation of the Chairman of the Board;
- reviews and approves the annual compensation of all other senior executives of the Corporation, as recommended by the CEO;
- oversees and approves grants and awards under the Corporation's long-term incentive plan;
- makes recommendations to the Board with respect to the Corporation's incentive compensation and share-based plans that are subject to the approval of the Board;
- researches and identifies trends in employment benefits; and
- establishes and periodically reviews of the Corporation's policies in the area of management benefits and perquisites.

The Compensation Committee currently consists of all four members of the Board, three of whom are considered independent within the meaning of MI-52-110, and Mr. Danziger acts as the Chairman.

Each of the current members has direct experience relating to executive compensation matters, having served on similar committees of other publicly-traded companies, including other mining companies. The significant industry experience of each of the members of the Compensation Committee, either as directors or officers of publicly-traded companies, provides them with a suitable perspective to make decisions on the appropriateness of the Corporation's

compensation policies and practices and to advise and make recommendations to the other members of the Board.

Objectives of the Executive Compensation Program

The objectives of the Corporation's executive compensation program are to attract, retain, motivate and reward qualified and experienced executives that can progress the Corporation's strategy.

The compensation program is designed to incentivize such executives to achieve the annual and long-term business goals of the Corporation and to reward each senior executive officer for their achievements on the basis of individual, group and corporate performance.

The guiding philosophy of the executive compensation program is to:

- align the interests of the CEO and executives with the interests of the Corporation's shareholders by linking their compensation to the performance of the Corporation;
- establish executive compensation on an individual basis in order to retain within the Corporation qualified and experienced individuals;
- ensure that compensation is fair and appropriate in the opinion of reasonable shareholders and that it be established, when deemed reasonable and effective to do so, with reference to the market for similar positions in other comparable mining and exploration companies;
- designate an appropriate portion of compensation "at risk" that is variable and linked to individual, group and/or corporate performance;
- allocate an appropriate portion of variable compensation to equity based awards, aligning interests of the executives directly with those of shareholders;
- equitably manage compensation so that executives in similar positions and locations are rewarded commensurately; and
- effectively communicate goals and calculation methodologies so that they are understood by both executives and shareholders.

Compensation Advisor

In previous years, the Compensation Committee has taken into account the recommendations of its advisors relating to the changing nature of the Corporation's activities to ensure that the overall compensation paid to present and future executives of the Corporation is competitive with industry peers. To this effect, the advisors prepared executive and director compensation reports as well as a compilation of industry comparatives for the Compensation Committee's review and consideration. Representatives from the advisors had numerous discussions with the Chairman before and after Compensation Committee meetings. The

Compensation Committee agreed with, input from the management, on the specific work that was to be undertaken by the advisors and the fees associated with such work.

As a matter of policy, all services provided by the advisors to the Corporation require written pre-approval by the Chairman of the Compensation Committee outlining the scope of work and related fees and the Chairman must approve each of the advisors' invoices for payment. The Compensation Committee will not approve any such work that, in its view, could compromise the independence of the advisors to the Compensation Committee. The Compensation Committee discloses annually, in the Corporation's Management Information Circular, the fees paid to any outside advisor for all work done for the Compensation Committee and any other work the Compensation Committee has approved.

Executive Compensation-Related Fees

For the financial year ended December 31, 2015, the Corporation did not pay any compensation-related fees. The table below sets out the aggregate fees billed by compensation advisors for their services related to determining compensation for the Corporation's directors and executive officers for each of the two most recently completed financial years:

Financial Year	Fees Billed
2015	Nil
2014	Nil

Competitive Compensation

In January 2012, the Compensation Committee mandated The Human Well, an independent human resource consulting firm, to update the list used by the Corporation since 2009 to benchmark its compensation policy against a comparable group of companies (the "**Comparator Group**") and to analyse the compensation levels and programs offered by the Comparator Group. The Comparator Group comprises companies that would compete for similar executive talent and possess similar attributes such as market capitalization, number of projects under management, development stage of projects, quality and quantity of resources, and complexity of business operations. The Comparator Group, as updated in 2012, consisted of the following companies:

- Andina Minerals Inc.
- Belo Sun Mining Corp.
- Brigus Gold Corp.
- Century Mining Corporation
- Exeter Resource Corporation
- Gabriel Resources Ltd.

- Golden Queen Mining Co. Ltd.
- International Minerals Corporation
- Jaguar Mining Inc.
- Luna Gold Corp.
- Orvana Minerals Corp.
- Rio Novo Gold Inc.
- Vista Gold Corp.

The Comparator Group was not updated in 2013, 2014 or 2015.

Elements of Executive Compensation

The following elements of compensation are employed to reward the Corporation's senior executive officers:

Element	Purpose
Base Salary	<p>Base Salary is the foundation of the Corporation's compensation mix and is comprised of fixed compensation. It is used as the basis for determining other elements of compensation and benefits.</p> <p>Base salary reflects the scope, complexity and responsibility of the role, desired competitive positioning, the executive's previous experience, prior performance and/or anticipated contribution to the Corporation.</p> <p>Base salaries along with other components of compensation are reviewed at least annually as part of an overall competitive market assessment, as described above. If warranted, the Compensation Committee makes annual salary adjustments by March of each year for the 12-month period from January 1 to December 31 of that year.</p>
Short-Term Incentive	<p>The Short-Term Incentive Plan is a variable cash incentive determined by the performance of the Executive, the Executive's function within the Corporation as determined by the Corporation's goals as approved by the Board.</p> <p>The Compensation Committee reviews levels of annual performance-based awards paid by the Comparator Group as part of its overall annual competitive market assessment.</p> <p>Typically, the Compensation Committee approves awards, if any, by March of each year for the 12-month period from January 1 to December 31 of the prior year based upon the recommendations of the CEO for executives.</p> <p>The Compensation Committee will review the performance of the CEO against performance criteria previously approved by the Board and will make a recommendation to the Board with regard to the award payable.</p> <p>In consultation with its external advisers the Compensation Committee</p>

	<p>establishes for the CEO and each executive a target payout expressed as a percentage of salary for on-target performance. This target may be adjusted for performance above or below the expected level. It is anticipated that the framework of the Short-Term Incentive Plan will evolve as the company continues to transition to a producing mining company.</p> <p>Qualified executives are normally required to defer a minimum of one-third of their annual short-term incentive awards by accepting Deferred Share Units ("DSUs") to align their long-term interests directly with those of shareholders.</p>
<p>Long-Term Incentive</p>	<p>Long-term incentives are designed to reward long-term executive performance, the retention of qualified executives and to align executive incentives directly with those of shareholders by retaining a proprietary interest in the equity of the company.</p> <p>The Corporation grants subject to approval by the Board long-term incentive awards in the form of Stock Options ("Options") and DSUs.</p> <p>Stock Options</p> <p>The Compensation Committee reviews Option grant recommendations made by the CEO with regard to each executive's individual performance in contributing to the strategic objectives of the Corporation and demand in the market for the skills of that executive. The Compensation Committee makes its recommendations for approval of grants to the Board along with recommendations on an Option award for the executives and Board members.</p> <p>Deferred Share Units</p> <p>DSUs directly track the value of Common Shares and strengthen the alignment of interests between executives and the Corporation's shareholders by linking a portion of compensation to the future value of Common Shares.</p> <p>DSUs are granted at the market value of Common Shares and are credited with additional DSUs reflecting any dividends paid.</p> <p>DSU awards are used to enable executives to defer a portion of their short-term incentive, effectively converting this to a long-term incentive aligned with stock performance. DSUs are also a component of director compensation. The DSU plan was introduced to implement the Corporation's policy that no less than one-third of an incentive payment be paid by way of DSUs.</p> <p>DSUs are paid out in cash at the time the executive ceases to be eligible to participate in the DSU program usually at the time of departure from the Corporation.</p>
<p>Benefits and Perquisites</p>	<p>Benefits and Perquisites provide protection for the executive and his/her family or provide access to amenities that enable the executive to be more effective in line with the competitive practice of the Comparator Group. Generally, such arrangements leverage the Corporation's ability to purchase services at a discounted rate over those that would be available to an individual.</p>

Director Compensation

Directors are compensated with reference to competitive practice and the compensation paid to directors by the Comparator Group as advised by the Compensation Committee's external consultant and reviewed by the Compensation Committee.

The Corporation's independent directors approve director compensation and the method of delivery. Currently, this is in the form of cash payments. In 2015, no stock options or DSUs were granted to directors of the Corporation.

2015 Compensation

Due to the Corporation's financial condition and the overall market performance of the Corporation's share price in 2015, the Compensation Committee recommended that management only be compensated by way of base salary. No short-term or long-term incentives were awarded to management for the year 2015, and no salary increases have been implemented for 2016.

Compensation Risks

The Compensation Committee, as well as the Board, has analyzed the risks associated with the Corporation's compensation policies and practices and has concluded that they are not reasonably likely to raise the Corporation's risk profile or to have a material adverse effect on the Corporation due to the following factors:

- The compensation policies are simple, transparent and structured similarly for all of the executive officers;
- Most of the executive officers are long time employees of the Corporation;
- An annual review of the Corporations incentive plans is performed to ensure continued relevance, applicability and peer group competitiveness; and
- Two-thirds of the executive's short-term incentive are paid in cash (with the balance normally paid in DSUs), and 100% of the long-term incentive in part, to ensure preservation of capital. It should be noted that for the 2015 year, no short-term or long-term incentives were granted.

As described in this Appendix, the components of the Corporation's executive compensation are fairly straight-forward and include base salary and, if warranted, short-term incentive (annual bonus) and long-term incentive (Options and DSUs). Where risks were identified, the Compensation Committee and the Board have determined that processes and controls are in place to mitigate such risks and, overall, any such risks were not significant. The risks and uncertainties that are likely to have a material adverse effect on the Corporation are disclosed in the Corporation's AIF, and no such risks relate to the Corporation's compensation policies and practices.

Name and Principal Position	Year	Salary (\$)	Share-based awards ⁽⁵⁾ (\$)	Option-based awards ⁽⁶⁾ (\$)	Non-equity incentive plan compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual incentive plans ⁽⁷⁾ (\$)	Long-term incentive plans (\$)			
Michael Kozub ⁽³⁾	2015	188,830	Nil	Nil	Nil	Nil	Nil	Nil	188,830
General Counsel and Corporate Secretary	2014	185,000	Nil	Nil	Nil	Nil	Nil	Nil	185,000
	2013	185,000	Nil	Nil	Nil	Nil	Nil	Nil	185,000
Randall K. Ruff ⁽⁴⁾	2015	\$US182,083	Nil	Nil	Nil	Nil	Nil	Nil	US\$182,083
Executive Vice President - Exploration	2014	US\$182,083	Nil	Nil	Nil	Nil	Nil	Nil	US\$182,083
	2013	US\$260,000	Nil	Nil	Nil	Nil	Nil	Nil	US\$260,000

Notes:

- (1) Mr. Charette was appointed Executive Vice President of the Corporation on September 17, 2010 initially on a consulting basis and, since April 1, 2011 on an employment basis. Mr. Charette's employment as the Corporation's Executive Vice President terminated on January 23, 2014, and he has acted as Interim CEO on a consulting basis since that time. See "Termination of Employment, Change in Responsibilities and Employment Contracts".
- (2) Mr. Pinglo was appointed as CFO of the Corporation on July 3, 2014. See "Termination of Employment, Change in Responsibilities and Employment Contracts".
- (3) Mr. Kozub was appointed General Counsel and Corporate Secretary on March 1, 2011. See "Termination of Employment, Change in Responsibilities and Employment Contracts".
- (4) Mr. Ruff was appointed COO on May 24, 2004. Effective February 1, 2008 Mr. Ruff was appointed Executive Vice President, Exploration. Mr. Ruff's employment agreement also provides for expatriate features. See "Termination of Employment, Change in Responsibilities and Employment Contracts".
- (5) In the form of DSUs the value of which has been calculated on the grant date. Payment on the DSUs is deferred until the time the individual ceases to be eligible to participate in the DSU program, usually at the time of departure from the Corporation. See "Long-Term Incentives" for details of the DSU Plan.
- (6) The Options granted in 2012 have an exercise price of \$0.40. See also "Incentive Plan Awards – Value Vested or Earned During the Year". The fair value of Options is estimated using the Black-Scholes option pricing model. In estimating fair value, management has made certain assumptions and estimates such as the life of Options, volatility and forfeiture rates. Changes in the assumptions used to estimate fair value could result in materially different results. The grant date fair value of option-based awards as presented will differ from the compensation expense included for these grants in the Corporation's financial statements as, in accordance with International Financial Reporting Standards accounting requirements, the compensation expense in the financial statements reflects only the fair value amortized in the period based on each grant's vesting terms.
- (7) Represents bonus amounts, payable in cash.

Incentive Plan Awards

Other than the stock option plan and the DSU program, the Corporation has no other forms of long-term incentive plans.

Outstanding Option-Based Awards and Share-Based Awards

The following table provides information regarding the option-based and share-based incentive plan awards for each Named Executive Officer outstanding as at December 31, 2015:

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities underlying unexercised options ⁽¹⁾ (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money Options ⁽²⁾	Number of shares or units of shares that have not yet vested (#)	Market or payout value of share-based awards that have not yet vested (\$)	Market or payout value of vested share-based awards not paid out or distributed ⁽³⁾ (\$)
Guy Charette	1,850,000	0.58	Aug.12, 2016	Nil	Nil	Nil	66,666
	1,000,000	0.40	Aug. 13, 2017	Nil			
Carlos Pinglo	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Michael Kozub	500,000	0.58	Aug. 12, 2016	Nil	Nil	Nil	Nil
	100,000	0.40	Aug. 13, 2017	Nil			
Randall K. Ruff	1,541,000	0.58	Aug. 12, 2016	Nil	Nil	Nil	197,298
	1,000,000	0.40	Aug. 13, 2017	Nil			

Notes:

- (1) One-third of the Options vested immediately upon granting, and one-third vest on each of the first and second anniversaries.
- (2) Value of in-the-money Options at December 31, 2015, if any, is the difference between the exercise price of the Options and \$0.01, being the closing price of Common Shares on December 31, 2015 which was the last trading day of the financial year.
- (3) In the form of DSUs outstanding, the value of which has been calculated on the grant date. Payment on the DSUs is deferred until the time the individual ceases to be eligible to participate in the DSU program, usually at the time of departure from the Corporation. See "Long-Term Incentives" for details of the DSU program.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets out the value of incentive plan awards granted to the Named Executive Officers that have vested or were earned during the financial year ended December 31, 2015:

Name	Value of option-based awards vested during 2015 ⁽¹⁾ (\$)	Value of share-based awards vested during 2015 (\$)	Value of non-equity incentive plan compensation earned during 2015
Guy Charette	Nil	Nil	Nil
Carlos Pinglo	Nil	Nil	Nil
Michael Kozub	Nil	Nil	Nil
Randall K. Ruff	Nil	Nil	Nil

Note:

- (1) The amount represents the aggregate dollar value that would have been realized if the Options had been exercised on the vesting date, based on the difference between the market price of Common Shares underlying the Options on the vesting date and the exercise price of the Options.

Pension Plan Benefits

The Corporation has no pension plan in place.

Termination of Employment, Change in Responsibilities and Employment Contracts

Guy Charette

Mr. Guy Charette's employment as Executive Vice-President of the Corporation was terminated without cause on January 23, 2014. Mr. Charette and the Corporation are parties to an employment agreement dated September 1, 2010 (the "**Charette Agreement**"). The Charette Agreement specifies that if the Corporation terminates his employment without cause Mr. Charette is entitled to receive in a payment in an amount equal to two times his annual base salary which shall be paid in a lump sum within ten days after such termination, and an amount equal to two times the highest bonus or similar compensation paid to the him in any of the three years preceding the termination. The Charette Agreement also provides benefits, if any, to which they may be entitled, will be maintained for a minimum of one year from the date of termination. Finally, all options, whether vested or not shall become immediately exercisable for a period of 90 days thereafter after which time they will expire. Upon termination of his employment, in lieu of notice the Corporation paid Mr. Charette approximately 18 weeks of statutory termination pay and statutory severance pay, as well as all deferred salary owing. No further severance payments, including payment of the balance of the contractual severance under the Charette Agreement (summarized above) were paid as the Charette Agreement provides that no compensation or amounts due under the Charette Agreement are payable in circumstances where the payment would render the Corporation insolvent.

Carlos Pinglo

An employment agreement dated July 3, 2014, between Mr. Carlos Pinglo, currently the Chief Financial Officer, and the Corporation (the "**Pinglo Agreement**") has been approved by the Compensation Committee and the Board of Directors. The Ruff Agreement is for renewable terms of one year each beginning as of July 3, 2014 and provides for, among other things, an annual base salary of \$175,000. Mr. Pinglo's base salary is reviewed on an annual basis and he may be entitled to bonuses, stock options and benefits at the discretion of the Board of Directors. Mr. Pinglo may terminate his employment at any time upon written notice to the Corporation.

Regarding matters of termination, the Pinglo Agreement specifies that in the event where (i) the Corporation terminates his employment without cause; or (ii) he resigns following a change in control (as defined below), he will be entitled to receive in a lump sum payment an amount equal to one-half his annual base salary which shall be paid in a lump sum within ten days after such termination, and an amount equal to two times the highest bonus or similar compensation paid to him in any of the three years preceding the termination or resignation. Benefits, if any, to which he may be entitled, will be maintained for a minimum of six months

from the date of termination. Finally, all options, whether vested or not shall become immediately exercisable for a period of 90 days thereafter after which time they will expire.

Michael Kozub

An employment agreement dated March 1, 2011, between Mr. Michael Kozub, currently the General Counsel and Corporate Secretary, and the Corporation (the "**Kozub Agreement**") has been approved by the Compensation Committee and the Board of Directors. The Ruff Agreement is for renewable terms of three years each beginning as of March 1, 2011 and provides for, among other things, an annual base salary of \$185,000. Mr. Kozub's base salary is reviewed on an annual basis and he may be entitled to bonuses, stock options and benefits at the discretion of the Board of Directors. Mr. Kozub may terminate his employment at any time upon written notice to the Corporation.

Regarding matters of termination, the Kozub Agreement specifies that in the event where (i) the Corporation terminates his employment without cause; or (ii) he resigns for "good reason" as such term is defined in their employment agreements; or (iii) he resigns following a change in control (as defined below), he will be entitled to receive in a lump sum payment an amount equal to two times his annual base salary which shall be paid in a lump sum within ten days after such termination, and an amount equal to two times the highest bonus or similar compensation paid to him in any of the three years preceding the termination or resignation. Benefits, if any, to which he may be entitled, will be maintained for a minimum of one year from the date of termination. Finally, all options, whether vested or not shall become immediately exercisable for a period of 90 days thereafter after which time they will expire. In the event of termination for cause, compensation payable to any him will vary in accordance with the seriousness of the cause and can represent up to one year's annual base salary and bonus.

Randall K. Ruff

An employment agreement dated September 1, 2009, between Mr. Randall Ruff, currently the Executive Vice President, Exploration, and the Corporation (the "**Ruff Agreement**") has been approved by the Compensation Committee and the Board of Directors. The Ruff Agreement is for renewable terms of three years each beginning as of September 1, 2009 and provides for, among other things, an annual base salary of US\$200,000, plus expatriate features, including housing, while Mr. Ruff is based in Romania. Mr. Ruff's base salary is reviewed on an annual basis and he may be entitled to bonuses, stock options and benefits at the discretion of the Board of Directors. Mr. Ruff may terminate his employment at any time upon written notice to the Corporation.

Regarding matters of termination, the Ruff Agreement specifies that in the event where (i) the Corporation terminates his employment without cause; or (ii) he resigns for "good reason" as such term is defined in their employment agreements; or (iii) he resigns following a change in control (as defined below), he will be entitled to receive in a lump sum payment an amount equal to two times his annual base salary which shall be paid in a lump sum within ten days after such termination, and an amount equal to two times the highest bonus or similar compensation paid to him in any of the three years preceding the termination or resignation. Benefits, if any, to which he may be entitled, will be maintained for a minimum of one year from the date of termination.

Finally, all options, whether vested or not shall become immediately exercisable for a period of 90 days thereafter after which time they will expire. In the event of termination for cause, compensation payable to any him will vary in accordance with the seriousness of the cause and can represent up to one year's annual base salary and bonus.

For the Pinglo Agreement, Kozub Agreement and Ruff Agreement, "change in control" is defined as any event whereby as a result thereof, an offeror (as the term "**offeror**" is defined in Section 89(1) of the *Securities Act* (Ontario) for the purposes of Section 101 of the *Securities Act* (Ontario), or any successor provision to either of the foregoing), other than the Corporation, a Subsidiary or any employee benefit plan of either the Corporation or a Subsidiary, has acquired beneficial ownership (within the meaning of the *Securities Act* (Ontario)) of, or the power to exercise control or direction over, or securities convertible into, any voting or equity shares of the Corporation, that together with such offeror's securities (as the term "**offeror's securities**" is defined in Section 89(1) of the *Securities Act* (Ontario) or any successor provision thereto in relation to the voting or equity shares of the Corporation) would constitute voting shares of the Corporation representing more than 25% of the total voting power attached to all voting shares of the Corporation then outstanding or;

- (a) there is consummated any amalgamation, consolidation, statutory arrangement (involving a business combination) or merger of the Corporation,
 - (i) in which the Corporation is not the continuing or surviving corporation; or
 - (ii) pursuant to which any voting shares of the Corporation would be reclassified, changed or converted into or exchanged for cash, securities or other property, other than (in each case) an amalgamation, consolidation, statutory arrangement or merger of the Corporation in which either:
 - (A) the holders of the voting shares of the Corporation immediately prior to the amalgamation, consolidation, statutory arrangement or merger have, directly or indirectly, more than 25% of the Voting Shares of the continuing or surviving corporation immediately after such transaction, or
 - (B) such amalgamation, consolidation, statutory arrangement or merger, a majority of the directors on the board of directors of the continuing or surviving corporation are persons who were directors on the board of directors of the Corporation immediately before the signing of the agreement governing such amalgamation, consolidation, statutory arrangement or merger (the "**Continuing Directors**"), and no agreement is in place providing for the removal, resignation or other replacement of such Continuing Directors, and
- (b) immediately after such amalgamation, consolidation, statutory arrangement or merger, no person or group holds, directly or indirectly, more than 25% of the Voting Shares of the continuing or surviving corporation.

The Pinglo Agreement, Kozub Agreement and Ruff Agreement also provide that, in the event of a change in control the executive automatically has the option of resigning his position, which option shall be exercised within 120 days from the effective date of the change of control, in which event said executive will be entitled to receive the severances outlined above. In the event where said option is not exercised, the provisions of his employment agreement will remain applicable thereafter.

Director Compensation

Director Compensation Table

The following table provides information regarding compensation earned by the Corporation's directors (other than the Named Executive Officers who are not compensated in their capacity as a director) during the financial year ended December 31, 2015:

Name	Fees in cash (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Julio L. Carvalho	65,000	Nil	Nil	Nil	N/A	Nil	65,000
David C. Danziger	95,000	Nil	Nil	Nil	N/A	Nil	95,000
John W. W. Hick	100,000	Nil	Nil	Nil	N/A	Nil	100,000

For the financial year ended December 31, 2015, non-executive directors of the Corporation were paid an annual retainer of \$50,000, payable monthly in arrears. In addition, the non-executive Chairman of the Board received an additional annual retainer of \$15,000, the Chairman of the Audit Committee received an additional annual retainer of \$40,000, the Chairman of the Special Committee was paid an annual retainer of \$40,000, while other members of each the Audit Committee and the Special Committee received an additional annual retainer of \$10,000 and other members of the Special Committee received an additional annual retainer of \$20,000.

The table below provides a detailed breakdown of the compensation components (other than Options) for the Corporation's directors (other than the Named Executive Officers who are not compensated in their capacity as directors) for the financial year ended December 31, 2015:

Name	Board annual retainer (\$)	Committee chair retainer (\$)	Committee member retainer (\$)	Special committee retainer (\$)	Total fees paid (\$)
Julio L. Carvalho	35,000	Nil	10,000	20,000	65,000
David C. Danziger	35,000	40,000	Nil	20,000	95,000
John W. W. Hick	35,000	15,000	10,000	40,000	100,000

Outstanding Incentive Plan Awards for Directors

The following table provides information regarding the option-based and share-based incentive plan awards for each director (who is not also a Named Executive Officer) outstanding as of December 31, 2015:

Name	Option-Based Rewards				Share-Based Awards		
	Number of Securities underlying unexercised options ⁽¹⁾ (#)	Option exercise price (\$)	Option expiration date	Value of Unexercised in-the-money Options ⁽²⁾	Number of shares or units of shares that have not yet vested (#)	Market or payout value of share-based awards that have not yet vested (\$)	Market or payout value of vested share-based awards not paid out or distributed ⁽³⁾ (\$)
Julio L. Carvalho	350,000	0.58	Aug. 12, 2016	Nil	Nil	Nil	80,000
	350,000	0.40	Aug. 13, 2017	Nil			
David C. Danziger	450,000	0.58	Aug. 12, 2016	Nil	Nil	Nil	29,449
	450,000	0.40	Aug. 13, 2017	Nil			
John W. W. Hick	400,000	0.58	Aug. 12, 2016	Nil	Nil	Nil	13,333
	350,000	0.40	Aug. 13, 2017	Nil			

Notes:

- (1) Represents total number of Options granted. One-third of the Options vested immediately upon granting, and one-third vest on each of the first and second anniversaries.
- (2) Value of in-the-money Options at December 31, 2015, if any, is the difference between the exercise price of the Options and \$0.01, being the closing price of Common Shares on December 31, 2015 which was the last trading day of the financial year.
- (3) In the form of DSUs outstanding, the market value of which has been calculated on the grant date. Payment on the DSUs is deferred until the time the individual ceases to be eligible to participate in the DSU program, usually at the time of departure from the Corporation. See "Long-Term Incentives" for details of the DSU program.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets out the value of incentive awards granted to the Corporation's directors (who are not also a Named Executive Officer) that have vested or were earned during the financial year ended December 31, 2015:

Name	Value of option-based awards vested during 2015 (\$)	Value of share-based awards vested during 2015 (\$)	Value of non-equity incentive plan compensation earned during 2015 (\$)
Julio L. Carvalho	Nil	Nil	N/A
David C. Danziger	Nil	Nil	N/A
John W. W. Hick	Nil	Nil	N/A

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No director or officer of the Corporation or associate of any director or officer of the Corporation is, or at any time since the beginning of the most recently completed financial year of the Corporation, has been indebted to the Corporation or any of its subsidiaries.

RISK FACTORS

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

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.

Exploration and Development Risks

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

Construction and Start-up of New Mines

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

the development of new mines will not be significantly higher than anticipated by the Corporation. Any of the foregoing factors could adversely impact the operations and financial condition of the Corporation.

Foreign Jurisdictions

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

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

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

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 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.

Permits, Licenses and Approvals

The operations of the Corporation require permits, licenses and approvals from various governmental and non-governmental authorities. The Corporation has obtained, or will be required to obtain, all necessary permits, licenses and approvals required to carry on its operations under applicable laws and regulations. However, such permits, licenses and approvals 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 permits, licenses and approvals required to carry out exploration, development and mining operations in connection with its proposed projects.

Environmental Liability

Mining, like many other extractive natural resource industries, is subject to potential risks and liabilities associated with environmental pollution and waste disposal. Environmental liability may result from mining activities conducted by other parties prior to the Corporation’s involvement with its properties. To the extent the Corporation is subject to uninsured environmental liabilities, the payment of such liabilities would reduce funds otherwise available

to the Corporation and could have a material adverse effect on the Corporation. Should the Corporation be unable to fund fully the cost of remedying an environmental problem, the Corporation might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy.

Uncertainty of Mineral Resource Estimates

The figures for mineral resources presented herein are estimates, and no assurance can be given that the anticipated tonnage and grades will be achieved or that the indicated level of recoveries of gold and copper will be realized. The ore grade actually recovered by the Corporation may differ from the estimated grades of the mineral resources. Such figures have been determined based on assumed gold and copper prices and operating costs.

Mineral resource estimates for properties that have not commenced production are based, in most instances, on very limited and widely spaced drill hole information, which is not necessarily indicative of conditions between and around the drill holes. Accordingly, such mineral resource estimates may require revision as more drilling information becomes available or as actual production experience is gained.

Mineral 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 has fluctuated widely in recent years. While the price of gold is currently in the order of US\$1,275, there can be no assurance that gold prices will remain at such levels or be such that the Corporation's properties can be exploited at a profit. If the price of gold declines, it could have a material adverse effect on the Corporation's share price, business and operations.

Volatility of Copper Price

The price of copper is dependent on the global supply and demand factors that are beyond the control of the Corporation. The price of copper is currently in the order of \$2.25 per pound; however, there can be no assurances that the price will remain at this level or be at such a price that the Corporation's properties can be exploited at a profit.

Infrastructure

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

Liquidity Concerns and Future Financing

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

Competition

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

Acquisitions and Integration

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

Litigation Risks

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

Dependence on Key Individuals

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

Conflicts of Interest

The directors and officers of the Corporation 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.

Compliance with Anti-Corruption Laws

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

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

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

Insurance

The Corporation currently holds a certificate of insurance underwritten by Encon Group Inc. providing for Directors and Officers Liability coverage of up to \$15,000,000, inclusive of defence costs. Additionally, the Corporation carries a general liability policy in the amount of \$10,000,000. There is no guarantee that these policies will provide sufficient protection for the

Corporation against certain risks associated with mineral exploration and related corporate activities. Even with these policies in place, there remains a risk that unusual liabilities may not be covered or that the insured amounts may prove insufficient.

Fluctuation in Market Value of Carpathian's Shares

The market price of the Corporation's publicly-traded common shares is affected by many variables not directly related to the performance of the Corporation, including, but not limited to, the market in which the common shares are traded, the strength of the economy generally, the availability and attractiveness of alternative investments and the breadth of the public market for the stock. The effect of these factors on the market price of the common shares 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.

Nature and Climatic Conditions

The Corporation and the mining industry continually face geotechnical challenges which could adversely impact the Corporation's production and profitability. Unanticipated

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

Negative Operating Cash Flow

Given that none of the Corporation's properties have yet to enter commercial production and generate cash flow, the Corporation had negative operating cash flow for its financial year ended December 31, 2015. To the extent that the Corporation has negative cash flow in future periods, the Corporation may need to deploy a portion of its cash reserves to fund such negative cash flow.

Current Global Financial Conditions

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.

Currency Fluctuations

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

PROMOTERS

No person or company has been a promoter of the Corporation during the two years immediately preceding the date of this Annual Listing Statement.

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, other than as set forth below.

Daniel Kivari, the Corporation's former Chief Operating Officer, who has filed a Statement of Claim against the Corporation and MRDM at the Ontario Superior Court of Justice in respect of the termination of his employment in January 2014. Mr. Kivari is seeking \$1,278,601, plus interest and costs. The Corporation and MRDM intend to defend the action, and a Statement of Defence was filed on March 18, 2015. This litigation currently is in the discovery phase.

Rishi Tibriwal, the Corporation's former Chief Financial Officer, has filed a claim against the Issuer in the Ontario Superior Court of Justice in respect of the termination of his employment in July 2014. Mr. Tibriwal is seeking \$560,000, plus interest and costs. The Corporation intends to fight the claim, and a statement of defence was been filed on March 21, 2016. This litigation is currently in the proceedings phase.

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.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are PricewaterhouseCoopers, LLP ("PwC"). 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. PwC's offices are located at:

PwC Tower
18 York Street, Suite 2600
Toronto, Ontario
M5J 0B2

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

200 University Avenue, Suite 300
Toronto, Ontario
M5H 4H1

MATERIAL CONTRACTS

Within the two years immediately preceding the date of this Annual Listing Statement, the only material contracts entered into by the Corporation, other than in the ordinary course of business, are the gold stream transactions (i.e., the Purchase Agreement dated as of May 4, 2010, as amended from time to time, together with the Sale and Purchase Agreement dated as of October 25, 2012) and the Facility dated January 11, 2013, as amended from time to time, with Macquarie and which were assigned by Macquarie to Brio as of March 31, 2016, as well as the Amended and Restated Restructuring Agreement dated February 17, 2016 entered into by the Corporation with Macquarie and Brio.

Copies of these agreements are available for viewing on SEDAR at www.sedar.com. Copies of any future material contracts will also be filed and available for viewing on SEDAR.

INTEREST 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. Craig Moffat, C.A.
PricewaterhouseCoopers LLP
PwC Tower
18 York Street, Suite 2600
Toronto, Ontario, Canada

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

Rodrigo de Brito Mello
NCL Brasil Ltda
Belo Horizonte, Brazil

Eric Harkonen, P. Eng
PEG Mining Inc.
Barrie, Ontario, Canada

Mario Colantonio, P.Eng
Porcupine Engineering Services Inc.
Timmins, Ontario, Canada

Gordon Zurowski, P.Eng
PEG Mining Consultants
Barrie, Ontario, Canada

Warren Newcomen, P.Eng
BGE Engineering Inc.
Kamloops, Ontario, Canada

Andy Holloway, P.Eng
PEG Mining Consultants
Barrie, Ontario, Canada

Alfred Hayden P.Eng
EHA Engineering Ltd.
Richmond Hill, Ontario, Canada

Carlos Guzman
NCL Brasil Ltda
Nova Lima, Brasil

Richard Lawrence
Lawrence Consulting Limited
Vancouver, British Columbia, Canada

John Wells
Independent Metallurgical Consultant
Veron, British Columbia, Canada

Roy Lopes, P.Eng
Golder Associates Brasil Consultoria e Projetos Ltda.
Rio de Janeiro, Brazil

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 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/OTHER MATERIAL FACTS

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 2015 annual general meeting of shareholders which was held on September 10, 2015.

Additional financial information about the Corporation is provided in the Corporation's audited consolidated financial statements as at December 31, 2015, 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, 2015.

Copies of these documents, together copies of any documents or the pertinent pages of any documents incorporated by reference in this Annual Listing Statement, are available upon request to the Corporation's Corporate Secretary at 36 Toronto Street, Suite 1000, Toronto, Ontario, Canada, M5C 2C5, 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. All of this documentation is also available at www.SEDAR.com.

FINANCIAL STATEMENTS

The annual audited consolidated financial statements of the Corporation are attached hereto as Appendix "B".

MINERAL PROJECTS

The Corporation's primary mineral project is the Rovina Valley Project, located in Romania.

Technical Reports

The following technical reports (the "**Technical Reports**") have been completed on the Corporation's primary material property:

- Preliminary Economic Assessment – NI 43-101 Technical Report Rovina Exploration Project, South Apuseni Mountains, West-Central Romania, dated May 21, 2010, prepared by PEG Mining Consultants Inc. (the "**PEA Report for Rovina**").
- Mineral Resource Update for Riacho dos Machados Gold Deposit, Minas Gerais State, Brazil, dated September 9, 2010, prepared by NCL Brasil Ltda. (the "**2010 RDM Resource Report**").
- Carpathian Gold Inc., Rovina Valley Project, West-Central Romania. NI 43-101 Technical Report Mineral resource Estimate Update, dated July 17, 2012, prepared by AGP Mining Consultants (the "**2012 Resource Update**")

The following are reproductions of the summary from the most recent Technical Reports for each of the Rovina Valley Project (2012 Resource Update), 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 at www.SEDAR.com. All information contained in the following summaries is accurate as of the date thereof.

Romania – 2012 Resource Update

“Summary

AGP Mining Consultants Inc. (AGP) 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 is an update of the September 30, 2008 resource estimate by PEG Mining Consultant (PEG), which was used to support the Preliminary Economic Assessment (PEA) dated April 23, 2010, produced by PEG.

This new resource estimate by AGP incorporates the late 2010 and 2012 drilling results that were available as of April 23, 2012 for Rovina, Colnic, and Ciresata.

Mr. Pierre Desautels, P.Geo., Principal Resource Geologist of AGP served as the independent Qualified Person (QP) responsible for preparing the Mineral Resource Estimate and Technical Report. Mr. Desautels visited the property, accompanied by Mr. Randall K. Ruff, Carpathian’s Executive Vice President, Exploration, between August 26 and August 30, 2008 and again between July 26 and July 29, 2009.

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, through intermediary subsidiaries, owns 100% of SAMAX Romania SRL (SAMAX), which in turn owns 100% of the Rovina Exploration License. SAMAX is a duly registered company in the city of Baia Mare, Romania.

Year-round principal 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” with 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 km to 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. 2,000 years ago). The Cirestata 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 Cirestata 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 Cirestata display moderate to intense potassic hydrothermal altered cores, and strong quartz stockwork veining. The Au-Cu mineralization manifests as stockworks and disseminations centered on porphyritic, subvolcanic-intrusive complexes of hornblende-plagioclase diorites. These porphyries would classify as gold-rich, especially Cirestata 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 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, AGP conducted data verification consisting of a site visit and a database audit. The assay data was thoroughly validated covering 13% of the entire database with 9% coverage for the 2010-2012 data not previously validated by AMEC or PEG. AGP found the database to be acceptably accurate and error-free to be used in mineral resource estimation.

Several rounds of metallurgical testing have been completed on composite samples of mineralization from the Rovina, Colnic, and Ciresata deposits in recent years. Work completed prior to 2010 has been summarized in the RVP Preliminary Economic Assessment. More recently (2011), a structured program of representative sampling has been undertaken to provide composite samples of drill core for the ongoing prefeasibility study support program. The metallurgical work for this study is not, at the time of writing, complete to an extent suitable for public disclosure, and will be reported as part of the upcoming Preliminary Feasibility Report.

As part of the 2010 Preliminary Economic Assessment metallurgical testwork has been completed on 16 composite samples from the Rovina, Colnic, and Ciresata deposits. Work included a preliminary evaluation of grindability, mineralogical gold deportment examinations, bench-scale flotation testwork (batch and locked cycle), and flotation flowsheet development.

Based on the review of the QA/QC, data validation statistical analysis, and metallurgical test work, AGP draws the following conclusions:

- AGP has reviewed the methods and procedures to collect and compile geological, geotechnical, and assaying information for the Rovina, Colnic and Ciresata porphyry deposits and found them meeting accepted industry standards for an advance stage project and suitable for the style of mineralization found on the property.

- While other companies conducted work on the property, only Carpathian's data was used in the resource estimate. This ensured that modern assaying technique and proper QA/QC protocols were in place for the entire drill program without having to rely on historical data.
- A QA/QC program comprising industry standard blank, standard, and duplicate samples has been used on the Project since the beginning of the program. QA/QC submission rates meet industry-accepted standards. In AGP's opinion, Carpathian goes a step further by re-inserting coarse and pulp rejects in the sample stream to monitor the accuracy of the laboratory assays. In addition, a select suite of pulps is analyzed at a secondary laboratory.
- An apparent high bias in the copper assays was noted for the 2010-2012 drill campaign during the QA/QC monitoring program. At the time of writing this report, the issue is currently being investigated by Carpathian since this high bias did not exist for the 2006-2008 program.
- Data verification was performed by AGP through site visits, collection of independent character samples, and a database audit prior to mineral resource estimation. AGP found the database to be exceptionally well-maintained, error-free, and usable in mineral resource estimation.
- Although additional samples would be beneficial, AGP is of the opinion that with the samples currently available, the specific gravity determinations are representative of the in-situ bulk density of the rock types.
- Sampling and analysis programs using standard practices provided acceptable results. AGP believes that the resulting data can effectively be used in the estimation of resources.
- Core handling, core storage, and chain of custody are consistent with industry standards.
- Mineralogical studies indicate chalcopyrite is the sole Cu-bearing mineral with rare exceptions, and gold occurs in chalcopyrite, pyrite, and silicate gangue.
- Grindability testwork has produced Bond ball mill work indices indicated the composites are therefore thought to be moderately hard.
- Flotation testwork has developed a relatively straightforward industry-standard flowsheet with a simple reagent scheme and a primary grind target of 80% -75 μm . Selective flotation to reject pyrite allows production of saleable copper concentrates containing significant gold.
- Gold losses consist of that which is locked in silicates in the rougher tailings, and that which is associated with or within pyrite in the cleaner tailings. Cyanidation testwork of flotation tailings samples was completed on all

composites and the results indicate that a significant increment of additional gold recovery may be achievable using this supplementary process. Despite this, current metallurgical predictions make no allowance for cyanide-recoverable gold and rely instead on the flotation of a lower grade copper concentrate, which includes higher concentrations of pyrite-rich gold.

- Minor element analysis of the locked cycle test products highlighted that with the exception of zinc in the concentrate from Colnic, all deleterious elements are within downstream treatment allowances.
- In AGP's opinion, further improvement to the flotation flowsheet is considered probable and further examination of different mixed-collector regimes is strongly encouraged. This is particularly true of the Ciresata deposit, where gold recoveries could likely be improved through advances in pyrite flotation control.
- A high zinc concentration in the Colnic flotation concentrate (1.6%) should be monitored as testwork progresses; however, in practice, AGP believes that blending with low zinc concentrates from Rovina and Ciresata would dilute this element to acceptable (sub-penalty) levels.
- In AGP's opinion the current drill hole database is sufficient for interpolating grade models for use in resource estimation.
- Mineral resources were classified using logic consistent with the CIM definitions referred to in National Instrument 43-101. At Rovina, Colnic, and Ciresata, the mineralization, density, and position of the drill holes satisfies sufficient criteria to be classified into the Indicated and Inferred categories with minor amount of measured in the core area of the deposit.
- The resource at Rovina and Colnic was constrained within a Lerchs-Grossman pit shell using operating cost and metallurgical parameters from the April 21, 2010, PEA study with increases for conveyor plant feed transportation. The metal prices used in the determination of these pit shells were based on world metal prices of \$1,350/oz for gold and \$3.00/lb for copper. Overall wall slope angles consider practical aspects such as two 33 m wide ramps for access.
- The Ciresata deposit resource was based on bulk underground mining methods using a cutoff of 0.65 g/t AuEq.
- This independent mineral resource estimate by AGP supports the July 17, 2012, disclosure by Carpathian of the mineral resource statement for the Rovina Valley Project.

AGP concludes that effective July 17, 2012, and utilizing approximately 120,256 m of diamond drill hole data drilled by Carpathian from 2006 to 2012 the mineral resource of the Rovina Valley Project amount to 405.9 Mt of Measured and Indicated resources

grading 0.55 g/t Au and 0.16% Cu containing 7.19 Moz and 1,420 Mlb of copper. Inferred resources amounted to 26.8 Mt grading 0.38 g/t Au and 0.16% Cu containing 0.33 Moz and 97 Mlb of copper. Table 1-1 summarizes the weighted average result of the mineral resource estimate for all three porphyry deposits the Rovina Valley Project.

Table 1-1: Weighted Average Rovina Valley Resource Estimate

Resource Category	Tonnage (MM t)	Au (g/t)	Cu (%)	Gold (MM oz)	Copper (MM lb)	AuEq* (MM oz)
<i>Measured</i>						
Rovina (open-pit)	31.8	0.36	0.3	0.37	209	0.91
Colnic (open-pit)	29.4	0.64	0.12	0.61	75	0.8
Ciresata (underground)	29.7	0.86	0.16	0.82	105	1.09
Total Measured	90.9	0.62	0.19	1.81	389	2.8
<i>Indicated</i>						
Rovina (open-pit)	73.5	0.27	0.23	0.64	370	1.59
Colnic (open-pit)	106.3	0.47	0.1	1.59	226	2.18
Ciresata (underground)	135.1	0.72	0.15	3.15	435	4.26
Total Indicated	315	0.53	0.15	5.38	1,031.00	8.03
Total Measured + Indicated	405.9	0.55	0.16	7.19	1,420.00	10.84
<i>Inferred</i>						
Rovina (open-pit)	13.4	0.19	0.2	0.08	60	0.24
Colnic (open-pit)	3.8	0.32	0.1	0.04	8	0.06
Ciresata (underground)	9.6	0.67	0.14	0.21	29	0.28
Total Inferred	26.8	0.38	0.16	0.33	97	0.58

Note: *AuEq determined by using a gold price of US\$1,370/oz and a copper price of US\$3.52/lb. These prices are the three-year trailing average as of July 10, 2012. Metallurgical recoveries are not taken into account for AuEq.

Base case cut-off used in the table are 0.35 g/t AuEq for the Colnic deposit and 0.25% CuEq for the Rovina deposit, both of which are amenable to open-pit mining and 0.65 g/t AuEq for the Ciresata deposit which is amenable to underground bulk mining.

For the Rovina and Colnic porphyries, the resource is an in-pit resource derived from a Whittle Shell Model using gross metal values of \$1,350/oz Au price and \$3.00/lb Cu price, net of payable amounts after smelter charges and royalty for net values of US\$1,313/oz Au and US\$2.57/lb Cu for Rovina and US\$2.27/lb Cu for Colnic).

Rounding of tonnes as required by reporting guidelines may result in apparent differences between tonnes, grade, and contained metal content.

It is recommended that Carpathian carry out the following work program:

- Study work program
 - In preparation for a feasibility study, AGP recommends a conditional simulation run to quantify the degree of risk in the resource for an estimated cost of \$20,000 for a pilot run.
- Drilling work programs

- A program of condemnation drilling below the location of the planned infrastructure, additional geotechnical drill holes as required. A program of 52 holes for a total of 580 m.
- Upgrade all existing resources to Measured in areas affected by the first one-to three-year mine plan. This resource drilling is more easily achieved at Colnic and Rovina due to the near surface mineralization. Programs of 37 holes are proposed for 6,400 m of drilling.
- Complete the delineate limits of mineralization at Rovina. To test this, three drill holes to an average depth of 500 m are recommended.
- Other porphyry targets in the Rovina project area should be evaluated and ranked by Carpathian's generative exploration program. Drill testing of these targets, especially in vicinity of the Ciresata and Colnic deposits, is recommended. A program of seven holes, 4,000 m of drilling is propose.

To accomplish these goals 21,000 m of drilling is budgeted for a total cost of \$4,472,000.

Metallurgical Testing

Several rounds of metallurgical testing have been completed in recent years on composite samples of mineralization from the Rovina, Colnic, and Ciresata deposits. Work completed prior to 2010 has been summarized in the RVP Preliminary Economic Assessment (Harkonen E, P.Eng. et al.). More recently (2011), a structured program of representative sampling was undertaken to provide composite samples of drill core for the ongoing prefeasibility study support program. The metallurgical work for this study was not complete to an extent suitable for public disclosure, at the time of writing, and will be reported as part of the upcoming Preliminary Feasibility Report.

For ease of reference, the metallurgical review completed by PEG as part of the 2010 Preliminary Economic Assessment (Section 16.0) has been reproduced in this technical report.”

Brazil

All technical reports in respect of the RDM Project previously owned by the Corporation are available for review at www.SEDAR.com.

Appendix “A”

Manangement’s Discussion and Analysis for the year ended December 31, 2015

Carpathian Gold Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the three and twelve months ended December 31, 2015 and 2014.

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

Date of MD&A

This MD&A is current as of April 28, 2016.

Cautionary Statements Regarding Forward-looking Information

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

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

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

- the availability of financing for the Corporation’s activities;
- operating and capital costs;
- the estimated timeline for the ramp-up of production at the RDM project;

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

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

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

Responsibility of Management and the Board of Directors

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

Overview

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

Brazil

RDM is the Corporation's sole project in Brazil and the focus of its efforts since late 2008. RDM hosts a past producing mine that was operated by Vale S.A. as an open-pit heap-leach gold mine until 1997, with maximum pit depths at that time of approximately 60 m. The objectives of the work carried out since 2008 were to define a gold resource at RDM that could be of sufficient size to justify expanding and deepening the former open-pit mine, as well as to define additional gold mineralization and/or exploration targets along strike and at depth. The Corporation, through its Brazilian subsidiary, Mineração Riacho dos Machados ("**MRDM**"), owns 100% of RDM, which currently comprises one mining concession (1,000 ha), one mining concession in the approval process (1,230 ha) and 6 exploration licenses (9,091 ha). In addition, MRDM is in the process of applying for additional mining concessions covering areas not included in the above.

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

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

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

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

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

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

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

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

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

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

As at December 31, 2015, all of the assets and liabilities of MRDM (refer to the table below) were classified as held for sale as the previously announced assignment is currently expected to be completed on April 29, 2016 and will result in a loss of control. However, there is no guarantee that the assignment will be completed on that date and, if it does not occur, this MD&A would be materially affected.

As of the date of this MD&A, MRDM has poured a total of 104,203 ounces of gold and 41,944 ounces of silver since the first gold pour which took place in December of 2013.

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

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

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

The exploration team is currently providing their technical and field support to the mine geology team for implementing ore-control, in-pit geology bench mapping, QA-QC sampling, reconciliation between the Resource-

Reserve model to the short term model and to liberation blocks, variography updates and ore-control reporting.

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

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

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

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

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

As part of the completion of the Feasibility Study along with environmental impact assessments, a reclamation program was developed for the mining license. A total cost of \$8.2 million is the current estimate as the projected liability on the closure of the operations. Further environmental impact assessments will provide a more detailed analysis of the future costs of compliance with applicable environmental requirements and will also provide a better estimate of the eventual costs of reclamation obligations at the end of the mine life. MRDM has achieved commercial production as of October 1, 2014 and recorded the rehabilitation provision based on the percentage of completion of 100%. As at December 31, 2015, the rehabilitation provision has been discounted using a discount rate of 5.65% and an obligation of approximately \$5.7 million has been recorded (December 31, 2014 - \$5.8 million).

Romania

The Corporation holds the Rovina Valley Project through an exploration license which covers a total of approximately 94 square kilometres (the “**Rovina License**”) that is currently being converted through a formal

government process to a mining license. The Rovina Valley Project is the Corporation's sole exploration project in Eastern Europe and the main focus of its exploration efforts there since 2005. It hosts three copper-gold porphyry systems or deposits: Rovina (the "**Rovina Deposit**"), Colnic (the "**Colnic Deposit**") and Ciresata (the "**Ciresata Deposit**"). The Colnic Deposit is located approximately 2.5 km south of the Rovina Deposit and the Ciresata Deposit is approximately 4 km south of the Colnic Deposit.

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

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

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

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

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

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

The 2012 resource update is shown below:

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

- *Au eq. determined by using a gold price of US\$1,370 per ounce and a copper price of US\$3.52/lb. These prices are the 3-year trailing average as of July 10, 2012. Metallurgical recoveries are not taken into account for Au eq.
- Base case cut-off used in the table are 0.35 g/t Au eq. for the Colnic deposit and 0.25% Cu eq for the Rovina deposit, both of which are amenable to open pit mining and 0.65 g/t Au eq for the Ciresata deposit which is amenable to underground bulk mining.
- For the Rovina and Colnic porphyries, the resource is an in-pit resource derived from a Whittle shell model using gross metal values of \$1,350/oz Au price and \$3.00/lb Cu price, net of payable amounts after smelter charges and royalty for net values of US\$1,313/oz Au and US\$2.57/lb Cu for Rovina and US\$2.27/lb Cu for Colnic.
- Rounding of tonnes as required by reporting guidelines may result in apparent differences between tonnes, grade and contained metal content.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Results of Operations

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

For the quarters ended	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net income (loss) for the period from continuing operations	1,041,452	3,814,824	(3,768,613)	4,491,557	(10,367,089)	(9,353,077)	(32,082,782)	(35,136)
Net income (loss) for the period from discontinued operations	(28,867,182)	(25,720,219)	766,482	(25,388,107)	(132,573,430)	19,708,777	(31,603,986)	(18,161,686)
Basic and diluted income (loss) per share from continuing operations	-	0.01	-	0.01	(0.01)	(0.01)	(0.05)	-
Basic and diluted income (loss) per share from discontinued operations	(0.04)	(0.04)	-	(0.04)	(0.19)	0.03	(0.05)	(0.03)
Exploration and evaluation expenditures from continuing operations	205,688	303,499	199,620	234,580	443,969	752,232	121,815	395,340
Exploration and evaluation expenditures from discontinued operations	-	-	-	-	219,989	3,931	152,530	232,981
Mine development expenditures from discontinued operations	99,720	299,868	600,659	804,321	528,909	6,730,042	6,719,214	5,358,198

Fourth quarter ended December 31, 2015 (“Q4 2015”) for continuing operations

During Q4 2015, MRDM was primarily focused on achieving as much production as possible based on the availability of water. No substantial exploration fieldwork was carried out in Brazil or Romania during Q4 2015. Both SAMAX (Romania) and MRDM (Brazil) continued to be engaged with/or reporting to their respective mineral-rights governmental agencies regarding the maintenance of mineral rights tenure.

The net income from continuing operations for Q4 2015 was \$1,041,453 compared to a net loss of \$10,367,089 for Q4 2014. Included in the income for Q4 2015 is a non-cash loss of \$6,019,889 compared to a non-cash loss of \$2,656,830 in Q4 2014. In Q4 2015, a non-cash impairment charge of \$205,499 was recognized against the carrying value of Romania. Due to the movement in the value of the Canadian dollar relative to the US\$, an unrealized foreign exchange gain of \$2,165,635 was recorded in Q4 2015 compared to an unrealized foreign exchange gain of \$3,693,625 in Q4 2014.

The basic and diluted earnings per share from continuing operations was a income of \$Nil in Q4 2015 versus loss of \$0.05 in Q4 2014.

Year ended December 31, 2015 (“YTD 2015”)

The following table sets out certain financial information for the years ended December 31, 2015 and 2014 (“YTD 2014”):

For the YTD	YTD 2015	YTD 2014
Net income (loss) for the year from continuing operations	5,579,220	(51,838,084)
Net income (loss) for the year from discontinued operations	(79,209,026)	(162,630,325)
Basic and diluted income (loss) per share from continuing operations	0.01	(0.08)
Basic and diluted income (loss) per share from discontinued operations	(0.11)	(0.23)
Exploration and evaluation expenditures from continuing operations	943,199	1,713,355
Exploration and evaluation expenditures from discontinued operations	-	609,431
Mine development expenditures from discontinued operations	1,413,318	19,336,363
Total assets	1,917,459	86,423,508
Total non-current financial liabilities	703,369	10,547,206
Total assets classified as held for sale	62,412,194	-
Total financial liabilities classified as held for sale	312,967,458	-

The net income from continuing operations for YTD 2015 was \$5,579,220 compared to a net loss of \$51,838,084 for the corresponding period in 2014. Included in the YTD 2015, a non-cash impairment charge of \$939,349 (YTD 2014 - \$52,128,946) was recognized against the carrying value of Romania (see further discussion below). The YTD 2015 foreign exchange gain of \$13,328,778 compared to a gain of \$6,731,549 for YTD 2014 was primarily due to the movement of the Canadian dollars against the US dollar.

The net loss from discontinued operations for YTD 2015 was \$79,209,026 compared to a net loss of \$162,630,325 for the corresponding period in 2014. Included in the YTD 2015 loss was a non cash loss on the currency swaps and gold contract derivatives of \$6,019,889 compared to a loss on derivatives of \$8,018,416 in YTD 2014. In addition, a realized loss of \$12,589,509 was recorded in YTD 2015 compared to a gain of \$4,388,949 in YTD 2014 (see Note 23 of the audited consolidated financial statements). Included in the YTD 2015, a non-cash impairment charge of \$34,101,267 (YTD 2014 - \$120,602,428) against the carrying value of Brazil (see further discussion below).

The basic and diluted net income per share from continuing operations was \$0.01 in YTD 2015 versus a \$0.08 loss per share in YTD 2014.

Operating data from discontinued operations	YTD 2015
Tonnes ore mined	1,042,069
Tonnes processed	1,026,671
Grade (grams/tonnes)	1.34
Recovery	83%
Gold ounces	
- Produced	36,718
- Sold	39,921
Financial data	YTD 2015
Revenues	47,915,768
Operating costs and mine site administrative expenses	23,734,755
Depreciation and amortization	3,276,647
Gross profit (loss) from mining operations	20,904,366

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

Liquidity and Capital Resources

As at December 31, 2015, the Corporation had cash and cash equivalents of \$549,076 (\$310,736 – at December 31, 2014) and restricted deposits of \$1,248,000 \$344,049 of which is held in assets classified as held for sale) (\$1,248,017 - at December 31, 2014) and a working capital shortfall of \$249,341,174 (\$201,718,503 at December 31, 2014).

The Corporation’s available funds are not sufficient to fund the continuing operations of the exploration work in Romania, working capital requirements and corporate administration. The Corporation will need to secure additional financing in the future in order to meet the Corporation’s requirements for funding of continuing operations. Nevertheless, there is no assurance that these initiatives will be successful or sufficient. These circumstances lead to material uncertainties and therefore significant doubt as to the ability of the Corporation to meet its obligations as they become due and, accordingly, the ultimate appropriateness of use of the accounting principles applicable to a going concern.

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

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

Financing Activities

On January 13, 2013, MRDM entered into the Facility with Macquarie Bank of up to US\$90 million to fund the construction and development of the RDM project. In conjunction with this Facility, MRDM, through Macquarie Bank, also entered into price protection programs in the form of currency swaps for the RDM Project's Capex

(R\$1.90 to US\$1.00) and Opex (R\$1.983 to US\$1.00) as well as a gold price protection program (consisting of forward sales) for a total of 216,600 ounces of gold (approximately 26% of the open-pit reserves) at varying prices from US\$1,177 to US\$1,600 per ounce. On September 22, 2015 all gold price protection programs were settled. During 2013, MRDM drew the entire US\$90 million against the Facility. The Facility has been amended a number of times to provide for the increase of the aggregate amount available thereunder to up to US\$274.00 million and to provide forbearance against certain defaults and covenants of MRDM under the Facility. On March 31, 2016, Macquarie Bank assigned all of its rights, title and interest in the Facility to Brio. As of the date of this MD&A, an aggregate of approximately US\$272.84 million has been drawn down by MRDM under the amended Facility, and the current forbearance period expired on April 1, 2016 (see also “Disposition of MRDM”).

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

Disposition of MRDM

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

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

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

Pursuant to an agreement entered into by the Corporation with Brio and Macquarie Bank (the “**Restructuring Agreement**”), the Corporation is working with Brio with respect to a restructuring procedure to be initiated by Brio with the objective of transferring 100% ownership of the RDM project to Brio (the “**Restructuring**”). Pursuant to the Restructuring Agreement, Brio will deliver to the Corporation and its directors a full release and discharge with respect to any liability under the Financial Assets, including the Corporation’s guarantee thereof. Following the Restructuring, the Corporation shall continue to own its Romanian assets, but shall have no ownership or interest in, or liabilities in respect of, MRDM or the RDM project.

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

As at December 31, 2015, all of the assets and liabilities of MRDM (refer to the table below) were classified as held for sale as this transition is expected to be completed in May 2016 and will result in a loss of control. As the agreed selling price is lower than the previously recorded book values, the Corporation recorded an impairment of \$16,869,925 in the fourth quarter of 2015. Refer to Note 6 in the audited consolidated financial statements for further details of the impairment loss.

Subsequent to year end, the closing is estimated to take place in April 29, 2016.

	December 31, 2015
Assets	\$
Current assets	
Cash and cash equivalents	72,335
Restricted deposits	344,049
Trade receivables	2,921,436
Prepaid expenses and sundry receivables	345,184
Inventory	42,858,731
	<u>46,541,735</u>
Non-current assets	
Deposits and receivables	5,637,090
Property, plant and equipment	6,999,791
Mine development assets	3,233,578
	<u>62,412,194</u>
Liabilities	
Current liabilities	
Trade and other payables	8,991,658
Project loan facility – short-term	270,770,175
Payables from Gold Stream transaction	27,549,600
	<u>307,311,433</u>
Non-current liabilities	
Rehabilitation provisions	5,656,025
	<u>312,967,458</u>

Impairment

As at December 31, 2015, a number of impairment indicators were noted by the Corporation in accordance with IAS 36 for its property, plant and equipment and mine assets and in accordance with IFRS 6 for its exploration and evaluation assets. Consequently, the Corporation undertook an impairment test on each of its identified cash generating units (“CGUs”), focused on MRDM and the Rovina Valley Project. A CGU is generally an individual operating mine or development project.

Rovina Valley Project

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

The fair value less costs to dispose (“FVLCD”) method was used to determine the recoverable amount as this was determined to be a higher valuation than a value in use calculation. The recoverable amount as determined by the Corporation for the CGU was \$nil.

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

Based on the test described above, exploration and evaluation assets was impaired by \$939,349 year ended December 31, 2015, respectively. These impairment charges were included within the loss for the period in the statement of comprehensive loss. The fair value of the CGU was measured using market approach and Level 3 inputs.

MRDM

During 2015, the key impairment indicators noted for this CGU were: the delays of the Company to achieve commercial production levels in accordance with its life of mine plan; its market capitalization being below the carrying value of the net assets of the Corporation as a whole; negative cash flows from operating activities and a significant debt facility with Macquarie repayable on demand due to the Corporation defaulting on covenants. Subsequent to year-end further indicators of impairment were identified, including a forecast reduction in planned production capacity due to shortfall in availability of water required for the production process.

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

For the MRDM CGU, for the year ended December 31, 2015, impairment charges totaled \$34,101,267 (December 31, 2014: \$120,602,429), of which property, plant and equipment were written down by \$223,906,990 (December 31, 2014: \$81,940,336), software licenses were written down by \$Nil (December 31, 2014: \$Nil), exploration and evaluation assets were written down by \$Nil (December 31, 2014: \$3,921,466) and mine development assets were written down by \$10,194,277 (December 31, 2014: \$34,740,628). These impairment charges were included within the loss for the year in the statement of comprehensive loss.

Disclosure of Outstanding Share Data

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

Options

As at December 31, 2015, stock options held by directors, officers, employees and consultants are as follows:

	Options Outstanding	Fair Value at Grant Date	Exercise Price Cdn\$	Remaining Contractual Life	Options Exercisable
Directors, officers and employees	5,241,000	1,810,603	0.58	229 days	5,241,000
Directors, officers and employees	3,520,000	327,527	0.40	1 years 226 days	3,520,000
Officer and employee	300,000	41,849	0.40	2 years 283 days	300,000
Employees	1,200,000	23,241	0.03	3 years 171 days	800,000
Balance at December 31, 2015	10,261,000	2,203,220		1 years 122 days	9,861,000

Warrants

As at December 31, 2015, the following Common Share purchase warrants were outstanding:

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

The fair value of the Common Share purchase warrants was estimated at \$3,256,109 on the grant date using the Black-Scholes valuation model using the exercise price of Cdn\$0.40, expiry of January 11, 2016 and estimated volatility of 65%. Subsequent to December 31, 2015, these warrants expired unexercised.

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

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

Commitments

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

As at December 31, 2015, the Corporation's Brazilian subsidiary had entered into contracts for the construction, development and operating activities in Brazil as follows:

	Within 1 year	2 to 3 years	Total
Construction and supply contracts	2,902,736	-	2,902,736
Office lease	75,811	6,318	82,129

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

Off-balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements.

Related Parties

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

Financial Instruments – Derivatives

Gold Stream Transaction

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

Under the terms of the Agreement, as amended from time to time, Macquarie Bank made upfront cash payments (the "**Upfront Payments**") totalling \$30 million in return for which it acquired the right to purchase 12.5% of the gold produced from the Project at a price of \$400 per ounce of payable gold delivered ("**Delivered Gold Ounce**"). Macquarie Bank also has the right to extend its participation to purchase 12.5% of the additional gold produced from any underground operation within the mining concession and five contiguous exploration licenses, as well as any open pit and/or underground operation on the balance of the property outside of the existing mining concession and five contiguous exploration licenses referred to above (the "**Expanded Production**"), by contributing 12.5% of the capital required to develop the Expanded Production and paying \$450 per Delivered Gold Ounce.

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

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

Notwithstanding the foregoing, if any Production Shortfall Payment becomes due to under the Agreement, and at such time both the Corporation and MRDM are in violation or default of any debt covenant under the credit, debt or loan facility for the Project debt, or the payment of such amounts by the Corporation and/or MRDM would each constitute a default under such credit, debt or loan facility, then MRDM and the Corporation shall have the right to defer payment of such Production Shortfall Payment until the later of the date upon which such violation or default of such credit, debt or loan facility has been remedied and the date on which the amount owing may be paid by the Corporation and/or MRDM without constituting a default under such credit, debt or loan facility. MRDM and the Corporation have elected to defer payment of the Production Shortfall Payment accordingly. Until paid in full, the Production Shortfall Payment shall bear interest at the Default Rate (as defined in the Agreement). In respect of MRDM, Macquarie Bank agreed to forebear its rights to charge or accrue interest on the refund amount or exercise any such rights with respect to interest until April 1, 2016. On March 31, 2016, Macquarie Bank assigned all of its rights, title and interest in the Agreement to Brio. (see also "Disposition of MRDM").

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

Project Loan Facility

In conjunction with the entering into of the Facility, MRDM, through Macquarie Bank, also entered into price protection programs in the form of currency swaps for the Project's Capex at R\$1.90 to US\$1.00 and Opex at R\$1.983 to US\$1.00. In addition and concurrently with the currency swaps, MRDM entered into a gold price protection program ("**Gold Contracts**") comprised of 216,600 ounces of gold (approximately 26% of the open-pit reserves) at varying prices from \$1,177 to \$1,600 per ounce. The fair value of the Gold Contracts was a liability of \$92,727,754 prior to settlement on September 22, 2015.

The Capex currency swaps were put in place in order to mitigate the risks associated with fluctuations in the Brazilian Reals (R\$) during the mine construction period relative to the US\$. The Opex currency swaps were arranged to cover R\$/US\$ currency fluctuations during the initial years of the mine operations for a notional amount of R\$317,202,176. The fair value of the OPEX was an asset of \$78,815,543 prior to settlement on September 22, 2015.

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

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

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

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

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

The fair value of the Gold Option A granted to Macquarie Bank in 2013 and the Gold Option B was a liability of \$162,934 prior to settlement on September 22, 2015.

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

As at December 31, 2015, the principal balance outstanding on the Facility was \$270,770,175. Interest accrued during the year ended December 31, 2015 was \$31,373,631 (December 31, 2014 \$22,515,951). Facility fees paid for the year ended December 31, 2015 were \$3,182,124 (December 31, 2014 - \$3,418,418). Interest paid for the year ended December 31, 2015 were \$37,037,617 (December 31, 2014 - \$19,643,712), respectively.

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

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

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

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

As of the date of this MD&A, the Corporation has drawn \$182.84 million against the Facility’s Tranche 3, resulting in a total of \$272.84 million of principal outstanding under the Facility.

Summary of Derivatives at December 31, 2014

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

Fair Values of Derivative Instruments

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

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

Unrealized gains or losses arising from the changes in fair value of the Gold Options derivatives and currency and commodity contracts derivatives for the year ended December 31, 2015 amounted to a loss of \$6,019,889 (December 31, 2014 – loss of \$8,018,416). Realized gains or losses arising from settlement of all currency and commodity contract derivatives for the year ended December 31, 2015 amounted to a loss of \$12,489,509 (December 31, 2014 – gain of \$4,388,949). These realized and unrealized gains and losses are recognized in the consolidated statement of loss as net gains or losses on derivative contracts.

Net realized and unrealized (gains) losses on Derivatives

	For the years ended December 31,	
	2015	2014
Currency contracts:		
OPEX contract	(15,698,051)	9,680,613
Commodity contracts:		
Gold contract	34,173,317	(4,961,146)
Gold Options	134,132	(1,090,000)

Risks and Uncertainties

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

Limitations under the Facility

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

The Corporation's Level of Debt

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

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

Uncertainty of Strategic Review Process

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

Nature of Mineral Exploration and Mining

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

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

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

Exploration and Development Risks

Mineral exploration and mining involve considerable financial and technical risks. Substantial expenditures are usually required to establish ore reserves, to evaluate mineral treatment processes and to construct mining and processing facilities. The Corporation cannot assure that the current exploration programs planned by the Corporation will result in profitable commercial mining operations, as few properties that have been explored are ultimately developed into producing mines. Unusual or unexpected geological formations, unstable ground

conditions that could result in cave-ins or landslides, floods, power outages or fuel shortages, labour disruptions, fires, explosions, and the inability to obtain suitable or adequate machinery, equipment, materials or labour are risks associated with the conduct of exploration programs and the operation of mines, any of which could result in legal liabilities arising therefrom. The Corporation has relied, and may continue to rely, upon consultants for expertise with respect to the construction and operation of a mining facility.

Construction and Start-up of New Mines

The success of construction projects and the start-up of new mines by the Corporation is subject to a number of factors including the availability and performance of engineering and construction contractors, mining contractors, suppliers and consultants, the receipt of required governmental approvals and permits in connection with the construction of mining facilities and the conduct of mining operations (including environmental permits), the successful completion and operation of the ore pass, the plant, the conveyors to move the ore and other operational elements. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Corporation is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with new mines could delay or prevent the construction and start-up of new mines as planned. There can be no assurance that current or future construction and start-up plans implemented by the Corporation will be successful; that the Corporation will be able to obtain sufficient funds to finance construction and start-up activities; that available personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete construction projects; that the Corporation will be able to obtain all necessary governmental approvals and permits; and that the completion of the construction, the start-up costs and the ongoing operating costs associated with the development of new mines will not be significantly higher than anticipated by the Corporation. Any of the foregoing factors could adversely impact the operations and financial condition of the Corporation.

Foreign Jurisdictions

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

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

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

affect its business. (See also “Brazil – Exploration Activities”)

No Assurance of Title to Exploration Licenses or Surface Rights

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

Environmental and other Regulatory Requirements

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

Permits, Licenses and Approvals

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

Environmental Liability

Mining, like many other extractive natural resource industries, is subject to potential risks and liabilities associated with environmental pollution and waste disposal. Environmental liability may result from mining activities conducted by other parties prior to the Corporation’s involvement with its properties. To the extent the Corporation is subject to uninsured environmental liabilities, the payment of such liabilities would reduce funds otherwise available to the Corporation and could have a material adverse effect on the Corporation. Should the Corporation be

unable to fund fully the cost of remedying an environmental problem, the Corporation might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy.

Uncertainty of Mineral Resource Estimates

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

Mineral Deposits, Production Costs and Metal Prices

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

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

Volatility of Gold Price

The price of gold is primarily influenced by interest rates, volatility in the credit and financial markets, strong investment demand and inflation expectations. As with many other commodities, the price of gold has fluctuated widely in recent years as well as within the recent month. While the price of gold is currently in the order of \$1,266, there can be no assurance that gold prices will remain at such levels or be such that the Corporation's properties can be exploited at a profit. If the price of gold declines, it could have a material adverse effect on the Corporation's share price, business and operations.

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

22, 2015, these gold forwards have been closed out.

Volatility of Copper Price

The price of copper is dependent on the global supply and demand factors that are beyond the control of the Corporation. The price of copper is currently in the order of \$2.24 per pound, however there can be no assurances that the price will remain at this level or be at such a price that the Corporation's properties can be exploited at a profit.

Currency Fluctuations

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

The Corporation has entered into currency swaps for its 2012-2013 RDM Project capital expenditures program, as well as currency swaps to cover its operational expenditures for the years 2013 to 2018, in order to mitigate against adverse fluctuations in the Brazilian Real vis-a-vis the U.S. dollar. On September 22, 2015, these currency swaps have been closed out.

Hedging Activities

Derivative products can be used to manage the risks associated with, among other things, changes in commodity prices and foreign currency exchange rates. The Corporation has entered into such arrangements. The Corporation enters into hedging contracts to limit the impact of fluctuations as a result of volatilities in the world markets by hedging a portion of its requirement of Brazilian Reals and U.S. dollar, and its expected sales of gold. On September 22, 2015, these contracts have been closed out.

Infrastructure

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

Liquidity Concerns and Future Financing

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

Competition

The mineral exploration and mining business is competitive in all of its phases. The Corporation competes with

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

Acquisitions and Integration

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

Litigation Risks

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

Dependence on Key Individuals

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

Conflicts of Interest

The directors and officers of the Corporation do not devote all of their time to the affairs of the Corporation. The directors and officers of the Corporation are also directors and officers of other companies, some of which conduct business similar to that of the Corporation. The directors and officers of the Corporation are required by law to act in the best interest of the Corporation. They have the same obligations to the other companies to which they act as

directors and officers. The discharge by the directors and officers of their obligations to the Corporation may result in a breach of their obligations to the other companies and, in certain circumstances; this could expose the Corporation to liability to those companies. Similarly, the discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interest of the Corporation. Such conflicting obligations may expose the Corporation to liability to others and impair its ability to achieve its business objectives.

Compliance with Anti-Corruption Laws

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

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

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

Insurance

The Corporation currently holds a certificate of insurance underwritten by Encon Group Inc. providing for Directors and Officers Liability coverage of up to \$15,000,000, inclusive of defence costs. Additionally, the Corporation carries a general liability policy in the amount of \$10,000,000. Furthermore, the Corporation, for and on behalf of MRDM, has obtained all-risk property insurance in the amount of \$204.9 million, machinery breakdown insurance in the amount of \$100 million and bullion insurance in the amount of \$6 million in order to insure the risks associated with the operations of the RDM Project. There is no guarantee that these policies will provide sufficient protection for the Corporation and or MRDM against certain risks associated with mineral exploration, commercial exploitation and related corporate activities. Even with these policies in place, there remains a risk that unusual liabilities may not be covered or that the insured amounts may prove insufficient.

Fluctuation in Market Value of Carpathian's Shares

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

Rising Production Costs

Carpathian is faced with the challenge of rising production and energy costs. Changes in the Corporation's

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

Equipment, Materials and Skilled Technical Workers

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

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

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

Nature and Climatic Conditions

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

Water

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

Negative Operating Cash Flow

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

Current Global Financial Conditions

In recent years global financial conditions have been characterized by markedly increased volatility and have led to intervention by governments in many financial markets. Access to public financing has been negatively impacted by the lack of readily available money. These factors may impact the ability of the Corporation to obtain equity and/or debt financing in the future or on terms favourable to the Corporation. Additionally, these factors, as well as other related factors, may cause decreases in the asset values that are deemed to be other than temporary, which may result in additional impairment losses.

Q1 2016 Outlook

In Q1 2016, the Corporation is focused on increasing production at the RDM project and completing the Restructuring referred to above. While the Corporation also plans on advancing the permitting process with the regulatory bodies for its Rovina Valley Project, it will do so at a very conservative pace depending on the level of financing that is available to the Corporation. All environmental base line work and social programs will also continue on both the RDM and Rovina Valley Projects. Achievement of these objectives remains dependent on the Corporation's ability to access necessary financing, as required. The Corporation continues to operate as prudently as possible with an emphasis on cost containment.

Cautionary and non-GAAP Measures and Additional GAAP Measures

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

Additional Measures

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

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

Additional Information

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

Approved by the Board of Directors

Dated: April 28, 2016

Appendix “B”

Annual Audited Consolidated Financial Statements for the year ended December 31, 2015.

Carpathian Gold Inc.

Consolidated Financial Statements
December 31, 2015 and 2014

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Corporation for the years ended December 31, 2015 and 2014 have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and, where relevant, the choice of accounting principles. Management develops and maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records are maintained.

The Audit Committee of the Board of Directors has met with the Corporation's independent auditor to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The Corporation's independent auditor, PricewaterhouseCoopers LLP, Chartered Professional Accountants, is appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada, and their report follows.

(signed)

Guy Charette - Interim Chief Executive Officer

(signed)

Carlos Pinglo - Chief Financial Officer

Toronto, Canada

April 28, 2016



April 28, 2016

Independent Auditor's Report

To the Shareholders of Carpathian Gold Inc.

We have audited the accompanying consolidated financial statements of Carpathian Gold Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014 and the consolidated statements of loss and comprehensive loss, changes in shareholders' (deficiency) equity, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215*

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Carpathian Gold Inc. and its subsidiaries as at December 31, 2015 and 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in these consolidated financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Carpathian Gold Inc.'s ability to continue as a going concern.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

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

As at

		December 31, 2015	December 31, 2014
Assets	Note	\$	\$
Current assets			
Cash and cash equivalents		549,076	310,736
Restricted deposits	7	903,951	1,248,017
Derivative contracts	23	-	5,221,708
Trades receivable		-	1,913,427
Prepaid expenses and sundry receivables		464,433	2,909,929
Inventory	8	-	25,271,591
Total Current assets		1,917,460	36,875,408
Assets classified as held for sale	5	62,412,194	-
Non-current assets			
Deposits and receivables		-	3,483,837
Property, plant and equipment	9	84,820	27,853,937
Software license costs	10	24,536	662,442
Derivative contracts	23	-	5,557,391
Mine development assets	11	-	11,990,493
Total Assets		64,439,010	86,423,508
Liabilities			
Current liabilities			
Trade and other payables	16	703,369	16,241,500
Project loan facility – short term	17	-	194,017,772
Payables from Gold Stream transaction	18	-	27,549,600
Derivative contracts	23	-	785,039
Total Liabilities		703,369	238,593,911
Liabilities classified as held for sale	5	312,967,459	-
Rehabilitation provisions	22	-	5,787,969
Derivative contracts	23	-	4,759,237
		313,670,828	249,141,117
(Deficiency) Equity attributable to Shareholders			
Share capital	12	196,773,069	196,773,069
Warrants	12	3,256,109	3,256,109
Contributed surplus		10,931,572	10,925,856
Accumulated deficit		(438,696,828)	(365,067,022)
Accumulated other comprehensive loss		(21,495,740)	(8,605,621)
Total Deficiency		(249,231,818)	(162,717,609)
Total Liabilities and Deficiency		64,439,010	86,423,508

Nature of operations and going concern (Note 1 and Note 2)
Subsequent events (Note 31)

Approved by the Board of Directors

Director (signed) Guy Charette Director (signed) David Danziger

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

Carpathian Gold Inc.

Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2015 and 2014
(In United States Dollars)

	Note	2015 \$	2014 \$
General and administrative expenses	13(a)	5,767,853	6,282,784
Depreciation and amortization		95,310	97,942
Employee compensation expense	13(b)	896,264	891,226
Impairment	6	939,349	52,128,946
Other income	13(c)	<u>(13,277,996)</u>	<u>(6,732,276)</u>
Income (loss) for the year before income tax provision		5,579,220	(52,668,622)
Income tax recovery of continuing operations	26	<u>-</u>	<u>(830,538)</u>
Income (loss) for the year from continuing operations		5,579,220	(51,838,084)
Loss for the year from discontinued operations		<u>(79,209,026)</u>	<u>(162,630,325)</u>
Loss for the year		(73,629,806)	(214,468,409)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Cumulative translation adjustments		<u>(12,890,119)</u>	<u>(6,752,871)</u>
Other comprehensive loss for the year from continuing operations		(12,890,119)	(6,752,871)
Other comprehensive loss for the year from discontinued operations		<u>-</u>	<u>-</u>
Total comprehensive loss for the year from continuing operations		(7,310,899)	(58,590,955)
Total comprehensive loss for the year from discontinued operations		<u>(79,209,026)</u>	<u>(162,630,325)</u>
Total comprehensive loss for the year		<u>(86,519,925)</u>	<u>(221,221,280)</u>
Basic and diluted income (loss) per share – continuing operations	14	0.01	(0.08)
Basic and diluted income (loss) per share – discontinued operations	5 and 14	<u>(0.11)</u>	<u>(0.23)</u>
Total basic and diluted loss per share		<u>(0.10)</u>	<u>(0.31)</u>

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

Carpathian Gold Inc.

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

For the years ended December 31, 2015 and 2014
(In United States Dollars)

	Share capital	Warrants	Contributed surplus	Accumulated deficit	Total Accumulated other comprehensive loss	Total
	(Note 12)	(Note 12)				
	\$	\$	\$	\$	\$	\$
Balance, January 1, 2014	196,773,069	3,256,109	10,894,939	(150,598,613)	(1,852,750)	58,472,754
Comprehensive loss				(214,468,409)	(6,752,871)	(221,221,280)
Amortization of options			30,917			30,917
Balance, December 31, 2014	196,773,069	3,256,109	10,925,856	(365,067,022)	(8,605,621)	(162,717,609)
Comprehensive loss				(73,629,806)	(12,890,119)	(86,519,925)
Amortization of options			5,716			5,716
Balance, December 31, 2015	196,773,069	3,256,109	10,931,572	(438,696,828)	(21,495,740)	(249,231,818)

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

Carpathian Gold Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2015 and 2014
(In United States Dollars)

	2015	2014
	\$	\$
Cash flows from operating activities		
Income (loss) for the year	(73,629,806)	(214,468,409)
Depreciation and amortization	3,276,647	5,838,674
Accretion	263,220	65,804
Unrealized foreign exchange gain	(14,405,305)	(7,379,663)
Share-based payments	5,716	27,363
Impairment	34,101,267	172,731,375
Deferred income tax	-	(830,538)
(Gain) loss on sale of property, plant and equipment	(17,431)	21,089
Interest income	(9,370)	(18,527)
Deferred share unit costs	1,484	(157,572)
Unrealized loss on derivative contracts	6,019,862	8,018,416
Changes in non-cash working capital balances		
Trade receivables	(1,008,009)	(1,913,427)
Prepaid expenses and sundry receivables	2,100,312	(2,284,750)
Inventories	(17,587,141)	(19,444,048)
Trade, other payables and payable from Gold Stream transaction ¹	(8,760,294)	39,755,015
Deferred revenues	(785,039)	785,039
	(70,433,887)	(19,254,159)
Cash flows from investing activities		
Restricted deposits	17	1,183,504
Interest income	9,370	18,527
Acquisition of property, plant and equipment	(10,808,882)	(31,923,536)
Proceeds from sale of property, plant and equipment	22,163	-
Acquisition of software licensing	(15,117)	(88,403)
Exploration and evaluation assets	(943,387)	(2,322,786)
Mine development assets	(1,413,130)	(19,336,363)
	(13,148,966)	(52,469,057)
Cash flows from financing activities		
Proceeds from Project Loan Facility (net of costs)	82,378,346	68,391,830
	82,378,346	68,391,830
Effect of exchange rates on cash and cash equivalents	1,515,181	630,348
Increase (decrease) in cash and cash equivalents	310,674	(2,701,038)
Cash and cash equivalents at beginning of year	310,736	3,011,774
Cash and cash equivalents at the end of the year	621,410	310,736
Cash and cash equivalents at the end of the year	621,412	310,736
Included in cash and cash equivalents per statement of financial position	549,076	212,235
Included in assets classified as held for sale (Note 5)	72,336	98,501
Supplemental information:		
Interest paid	37,037,617	19,643,712
Income taxes paid	-	-

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

¹ Included in trade and other payables are net of items related capital expenditure for Property, plant and equipment, Exploration and evaluation assets and Mine development assets totaling \$3,413,604 (2014 – \$14,850,698).

Carpathian Gold Inc.
Notes to Consolidated Financial Statements
December 31, 2015
(In United States Dollars unless otherwise indicated)

1. Nature of operations

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

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

These audited consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities as they become due in the normal course of business for the foreseeable future. For year ended December 31, 2015, the Corporation incurred a net loss \$73,629,806 and as at December 31, 2015 reported an accumulated deficit of \$438,696,828.

As a result of delays in the completion of the construction at the RDM Project in 2013, Mineração Riacho dos Machados Ltda. ("MRDM"), as borrower, and the Corporation (as guarantor) defaulted in 2013 on certain covenants under the Project Loan Facility (the "Project Facility") arrangement with Macquarie Bank Limited ("Macquarie Bank"). These covenant defaults related to financial and operational difficulties experienced by the Corporation, including delays in commencement of production and unplanned cost overruns. As a result, on October 18, 2013, MRDM and the Corporation entered into a Forbearance and Amendment Agreement, as amended, (the "Forbearance Agreement") with Macquarie Bank, under which the lenders agreed to continue forbearing from exercising their rights under the Project Facility through February 15, 2016. Under the terms of the Forbearance Agreement, Macquarie Bank agreed, at its discretion, to provide an additional Tranche 3 under the Project Facility (Note 17), the availability of which shall be in the absolute discretion of Macquarie Bank. The events of defaults have resulted in the Corporation reclassifying all borrowings under the Project Facility as current liabilities as at December 31, 2015 and December 31, 2014 and recording impairment charges in 2013, 2014 and 2015. In addition, Macquarie Bank is not obligated to deliver or make payments in respect of the derivative contracts per the agreements. On September 22, 2015, Macquarie Bank settled all of the Corporation's derivative contracts (Note 23).

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

On November 20, 2015, the Corporation announced that, as a result of an agreement (the "Option Agreement") entered into between Macquarie Bank and Brio Gold Inc. ("Brio"), Brio has been granted an option to (i) acquire all of Macquarie Bank's rights and interests in the Project Facility, the gold

Carpathian Gold Inc.
Notes to Consolidated Financial Statements
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purchase agreement and the gold sale and purchase agreement and related guarantees previously entered into by Macquarie Bank and the Corporation, MRDM and certain other subsidiaries of Carpathian (collectively, the "Obligors"), and (ii) receive from Macquarie Bank an assignment of Macquarie Bank's security in respect of the foregoing agreements (all of the foregoing agreements and the security are collectively referred to as the "Financial Assets").

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

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

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

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

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

2. Going concern

The Corporation has \$549,076 in cash and cash equivalents from continuing operations and anticipated future proceeds of US\$1 million from the Brio subscription referred to in Note 1. These available funds may not be sufficient to fund the continuing operations of the exploration in Romania, working capital requirements or corporate administration costs. The Corporation will need to secure additional financing in the future in order to meet the Corporation's requirements for funding of continuing operations. In addition, should the transaction not occur, the Corporation will require additional funding to repay its debt obligations. Nevertheless, there is no assurance that these initiatives will be successful or sufficient. These circumstances lead to material uncertainties and therefore significant doubts as to the ability of the Corporation to meet its obligations as they become due and, accordingly, the ultimate appropriateness of use of the accounting principles applicable to a going concern. (See Note 31).

These audited consolidated financial statements do not reflect adjustments to the carrying value of

Carpathian Gold Inc.
Notes to Consolidated Financial Statements
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assets and liabilities or reported expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

3. Basis of Preparation

The Corporation prepares its consolidated financial statements, including comparatives, using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were approved by the Board of Directors on April 28, 2016.

4. Significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value, including derivative instruments up until their settlement in September 2015.

Principles of consolidation

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

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

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

Name of entity	Country of incorporation	Ownership
Ore-Leave Capital (Brazil) Limited	Barbados	100%
OLV Cooperatie U.A.	The Netherlands	100%
OLC Holdings B.V.	The Netherlands	100%
Mineração Riacho dos Machados Ltda. (“MRDM”)	Brazil	100%
Ore-Leave Capital (Barbados) Limited	Barbados	100%
Carpat Gold S.R.L.	Romania	100%
Carpathian Gold Limited	British Virgin Islands	100%
HUMEX Magyar-Angol Kutatasies Banyaszati Kft (“HUMEX Kft”) ¹	Hungary	100%
SAMAX Romania Limited	British Virgin Islands	100%
SAMAX Romania S.R.L.	Romania	100%

¹ Discontinued (wound up) in 2015

Carpathian Gold Inc.
Notes to Consolidated Financial Statements
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(In United States Dollars unless otherwise indicated)

Critical accounting estimates and judgments

The Corporation makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates and judgments applied by management that most significantly affect the Corporation's consolidated financial statements. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Critical accounting estimates or judgments

(i) Carrying value of mineral properties and exploration and development properties

The Corporation carries its mineral properties at cost less depreciation and any impairment losses. The Corporation capitalizes exploration costs, which are related to specific projects, until the commercial feasibility of the project is determinable or the project is determined to be impaired. The costs of each property and related capitalized exploration and development expenditures are amortized over the economic life of the property on a units-of-production basis. Costs are charged to operations when a property is abandoned or when otherwise impaired.

The Corporation reviews the carrying values of mining properties and related expenditures whenever events or changes in circumstances indicate that their carrying values may not be recoverable. In undertaking this review, management is required to make significant estimates of, amongst other things, future production and sale values, unit sales prices, future operating and capital costs and reclamation costs to the end of the mine's life. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mining properties and related expenditures.

The Corporation performs impairment testing when an indicator of impairment is considered to exist. As at December 31, 2015 and 2014, there were a number of indicators of potential impairment of the carrying amount of the Corporation's net assets (Note 5). For the purposes of completing the Corporation's impairment tests, assets are grouped at the lowest levels for which there are largely independent cash flows. Accordingly, the Corporation assessed the recoverable amounts of each of its cash-generating unit ("CGU").

The fair value less costs of disposal ("FVLCD") method was used to determine the recoverable amount of each CGU as it was determined to be higher than each CGU's value in use. FVLCD was calculated by the Corporation for each CGU using a market approach.

(ii) Commencement of commercial production

Management considered several factors in determining when MRDM reached levels of operating capacity intended by management, including:

- When the mine was substantially complete and ready for its intended use;
- The ability to produce a saleable product;
- The ability to sustain ongoing production at a steady or increasing level;
- When the mine had reached a level of pre-determined percentage of design capacity;
- When the mineral recoveries were at or near the expected production level, and;

Carpathian Gold Inc.
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- The completion of a reasonable period of testing of the mine plant and equipment.

The results of operations of the Corporation during the periods presented in these consolidated financial statements have been impacted by management's determination that its MRDM mine had reached the commercial production phase on October 1, 2014. When a mine development project moves into the production stage, the capitalization of certain mine development and construction costs ceases. Subsequent costs are either regarded as forming part of the cost of inventory or directly expensed. However, any costs relating to mining asset additions or improvements or mineable reserve development are assessed to determine whether capitalization is appropriate.

(iii) Property, plant and equipment

Estimated useful lives

Management estimates the useful lives of property, plant and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization of property, plant and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at each reporting date and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Corporation's property, plant and equipment in the future.

(vi) Financial Instruments

Fair value of derivatives

Management estimates the fair values of its derivatives using valuation techniques which determine their present value based on available market data including expected future gold prices, future exchange rates and interest rates.

(v) Rehabilitation provisions

The Corporation records Management's best estimate of the present value of the future cash requirements of any rehabilitation obligation as a long-term liability in the period in which the related environmental disturbance occurs based on the net present value of the estimated future costs. This obligation is adjusted at the each period end to reflect the passage of time and any changes in the estimated future costs underlying the obligation. In determining this obligation, management must make a number of assumptions about the amount and timing of future cash flows and discount rate to be used. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

(vi) Share-based payments

The Corporation grants stock options to directors, officers, employees and consultants of the Corporation under its incentive stock option plan. The fair value of stock options is estimated using the Black-Scholes option pricing model and are expensed over their vesting periods. In estimating fair value, Management is required to make certain assumptions and estimates such as the life of

Carpathian Gold Inc.
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options, volatility and forfeiture rates. Changes in assumptions used to estimate fair value could result in materially different results.

(vii) Reserves and resources

Estimates of the quantities of proven and probable mineral reserves and mineral resource estimates, form the basis of the Corporation's life of mine plan, which is used for a number of important business and accounting purposes, including: the calculation of depreciation expense, the capitalization of production phase stripping costs and forecasting and timing of the payments related to the environmental rehabilitation provision. The Corporation estimates its ore reserves and mineral resources based on information compiled by qualified persons as defined in accordance with the Canadian Securities Administrators' National Instrument 43-101 Standards of Disclosure for Mineral Projects requirements.

(viii) Income taxes

Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.

The determination of the ability of the Corporation to utilize loss carry-forwards to offset deferred tax payable requires management to exercise judgment and make certain assumptions about the future performance of the Corporation. Management is required to assess whether it is "probable" that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

Translation of Foreign Currency

These consolidated financial statements are presented in U.S. dollars, which is the Corporation's presentation currency.

Items included in the financial statements of Carpathian Gold Inc. (the "Parent") and each of the Corporation's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the statement of loss and comprehensive loss.

The functional currency of the Parent is the Canadian dollar and the functional currency of each of its subsidiaries is the U.S. dollar.

Assets and liabilities of entities with functional currencies other than the U.S. dollar are translated into the presentation currency at the period end rates of exchange, and the results of their operations are translated at the average rates of exchange for the period. The resulting translation adjustments are recognized in other comprehensive loss as cumulative translation adjustments. There is no tax impact on this translation.

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Financial Instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is recorded in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Corporation classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- (i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges for accounting purposes.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of loss. Gains and losses arising from changes in fair value are presented in the statement of loss in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

- (ii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. The Corporation's loans and receivables comprise trade receivables and cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less any provision for impairment.
- (iii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables, payables from Gold Stream transaction and Project Loan Facility (Note 17 and 18). Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Revenue recognition

Revenues include sales of refined gold and silver and dore, which are generally physically delivered to the buyer in the period in which they are produced, with their sales price based on prevailing spot market metal prices. Revenue from metal sale is recognized when all of the following conditions have been satisfied:

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- The significant risks and reward of ownership of the product have been transferred to the buyer;
- Neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, has been retained;
- The amount of revenue can be reliably measured;
- It is probable that the economic benefits associated with the sale will flow to the Corporation; and
- The costs incurred or to be incurred in respect of the sales can be reliably measured.

These conditions are generally satisfied when title passes to the customer.

Pre-production sales of refined gold and silver and dore are recognized as an offset to Mine development assets.

Inventories

Gold production inventories, concentrate inventory and ore stockpiles are measured at the lower of weighted average production cost and net realizable value. Net realizable value is calculated as the difference between the estimated selling price and estimated costs to complete processing into a saleable form and variable selling expenses. Mine supplies are measured at the lower of average purchase cost and net realizable value.

Production costs include the cost of materials, labour, mine site production overheads and depreciation to the applicable stage of processing.

The cost of ore stockpiles is increased based on the related current cost of production for the period, and decreases in stockpiles are charged to cost of sales using the weighted average cost per tonne.

Provisions are recorded to reduce the carrying amount of inventory to net realizable value to reflect changes in grades, quantity or other economic factors and to reflect current intentions for the use of redundant or slow-moving items. Provisions for redundant and slow-moving items are made by reference to specific items of inventory. The Corporation reverses write-downs where there is a subsequent increase in net realizable value and where the inventory is still on hand.

Spare parts, stand-by and servicing equipment and consumable material held are generally classified as inventories. Major capital spare parts are classified as a component of Property, plant and equipment.

Non-current Assets Held for Sale and Discontinued Operations

Non-current assets and disposal groups are classified as assets held for sale if it is highly probable that the value of these assets will be recovered primarily through sale rather than through continuing use. They are recorded at the lower of carrying amount and fair value less cost of disposal. Impairment losses on initial classification as assets held for sale and subsequent gains and losses on re-measurement are recognized in the statement of comprehensive loss. Once classified as held-for sale, property, plant and equipment is no longer amortized. The assets and liabilities are presented as held for sale in the consolidated statements of financial position when the sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and management is committed to the sale, which should be expected to be completed within one year from the date of classification.

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A discontinued operation is a component of the Corporation that can be clearly distinguished from the rest of the Corporation, both operationally and for financial reporting purposes, and the value of this component is expected to be recovered primarily through sale rather than continuing use.

Results of operations and any gain or loss from disposal are excluded from income from continuing operations and are reported separately as income/loss from discontinued operations.

Production Stage

A mine that is under construction is determined to enter the production stage when the project is in the location and condition necessary for it to be capable of operating in the manner intended by management.

When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either capitalized to inventory or expensed, except for capitalizable costs related to property, plant and equipment additions or improvements, open pit stripping activities that provide a future benefit or expenditures that meet the criteria for capitalization in accordance with International Accounting Standard 16 ("IAS") IAS 16 Property, Plant and Equipment.

Pre-production stripping costs are capitalized until an "other than de minimis" level of mineral is extracted, after which time such costs are either expenses, capitalized to inventory or, if it qualifies as an open pit stripping activity that provides a future benefit, capitalized to property, plant and equipment. We consider various relevant criteria to assess when an "other than de minimis" level of mineral is produced. Some of the criteria considered would include, but not limited to, the following:

- The amount of minerals mined versus total ounces in the life of mine;
- The amount of ore tons mined versus total life of mine expected ore tons mined;
- The current stripping ratio versus the life of mine ratio; and
- The ore grade versus the life of mine grade.

Stripping costs incurred during the production stage of a pit are accounted for as costs of inventory produced during the period that the stripping costs are incurred, unless these costs are expected to provide future economic benefit to the identifiable component of the ore body. Components of the ore body are based on the distinct development phases identified by the mine planning engineers when determining the optimal development plan for the open pit. Production phase stripping costs generate a future economic benefit when the related stripping activity:

- Improves access to a component of the ore body to be mined in the future;
- Increases the fair value of the mine (or pit) as access to future mineral reserves becomes less costly; and
- Increases the production capacity or extends stripping costs that are expected to generate a future economic benefit are capitalized as open pit mine development costs.

Mine development costs are depreciated on a unit of production basis whereby the denominator is the estimated ounces of gold in proven and probable reserves and the portion of resources considered probable of economic extraction based on the current life of mine plan in the current component of the ore body that has been made more accessible through the strip activity and all future components in the current plan that benefit from the particular stripping activity. Mine development assets are depreciated once the open pit has entered production and the future economic benefit is being derived.

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Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of loss during the period in which they are incurred.

During the year the Corporation depreciated property, plant and equipment on the straight line depreciation method. The assets' useful lives are as follows:

Buildings	-	10-25 years
Office Equipment	-	4-10 years
Computer Equipment	-	5-10 years
Machinery & Equipment	-	4-10 years
Vehicles	-	4-5 years
Leasehold Improvements	-	1-10 years

Software Licensing Costs

Software licensing costs are stated at cost less accumulated depreciation and accumulated impairment losses. The costs of assets are amortized over their useful life which is 2-10 years.

Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statement of loss in the period in which they are incurred.

Share-based Payments

The Corporation has established a stock option plan (the "Plan") to grant non-transferable equity settled options to purchase Common Shares to directors, officers, employees of and consultants to the Corporation. The number of Common Shares reserved for issuance will not exceed 10% of the total issued and outstanding Common Shares of the Corporation. The Corporation has the ability to grant for a maximum period of ten years from the date of grant.

Stock options vest over periods ranging from one to two years. The fair value of each option is measured at the date of grant using the Black-Scholes option pricing model and recorded as a compensation expense or capitalized to exploration and development costs, as appropriate, in the period the options are vested or the performance is complete. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately. Any consideration paid by directors, officers, employees and consultants on exercise of stock options or purchases of shares is credited to share capital.

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Deferred Costs

Costs incurred to raise capital are written off as a charge to capital upon completion of each capital raising. Costs incurred on debt financings are netted against the carrying value of the loans and charged to the consolidated statement of loss over the term of the related loans. If the Corporation is in default, costs are immediately expensed to the statement of loss.

Exploration and Evaluation Assets

Exploration and evaluation activities involve the search for mineral resources/reserves, the assessment of technical and operational feasibility and the determination of an identified mineral reserve's commercial viability. Once the legal right to explore has been acquired, exploration and evaluation expenditures less recoveries are capitalized by property.

Exploration properties that contain estimated proven and probable ore reserves, but for which a development decision has not yet been made, are subject to periodic review for impairment when events or changes in circumstances indicate the project's carrying value may not be recoverable.

Exploration and evaluation assets are reclassified to mine development assets when the technical feasibility and commercial viability of extracting a mineral reserve are demonstrable. Exploration and evaluation assets are assessed for impairment, and the impairment loss, if any, is recognized before reclassification to mine development assets.

Mine Development Assets

Mine development assets are accumulated separately for each area of interest in which economically recoverable reserves have been identified. These assets are comprised of expenditures directly attributable to the construction of a mine and the related infrastructure.

General and administration costs are allocated to a development asset only to the extent that those costs can be related directly to development activities in the relevant areas of interest.

No amortization is recognized in respect of development properties until they are at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management.

Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss, which may differ from earnings reported in the statement of loss due to items of income or expense that are not currently taxable or deductible for tax purposes, using tax rates substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the

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transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Corporation and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

The Corporation records foreign exchange gains or losses representing the impacts of movements in foreign exchange rates on the tax bases of non-monetary assets and liabilities which are denominated in foreign currencies. Foreign exchange gains and losses relating to deferred income taxes are included in deferred income tax expense or recovery in the statement of loss and comprehensive loss.

The Corporation recognizes uncertain tax positions in its financial statements when it is considered more likely than not that the tax position shall be sustained.

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments, such as guaranteed investment certificates and deposit accounts with Canadian chartered banks and Brazilian banks, cashable within three months of the date of original issue.

Gold Stream transaction

The Corporation has entered into an agreement with Macquarie Bank which has resulted in the receipt of upfront payments of cash from Macquarie Bank (see Note 18).

The transaction has been accounted for as a sale of a partial mineral property interest and the upfront payments were accounted for as a recovery of exploration and development costs upon receipt. Upon delivering the gold to Macquarie Bank under the agreement, the Corporation will recognize revenue for services provided based on the cash received as defined in the Gold Stream agreement.

Derivatives

The Corporation may enter into derivative instruments to mitigate economic exposures to commodity price and currency exchange rate fluctuations. Unless the derivative instruments qualify for hedge accounting, and management undertakes appropriate steps to designate them as such, they are designated as fair value through profit or loss and recorded at their fair value with realized gains or losses arising from changes in the fair value recorded in the statement of loss in the period they occur. Fair values for derivative instruments classified as fair value through profit or loss are determined using valuation techniques. The valuations use assumptions based on prevailing market conditions on the reporting date.

Embedded derivatives identified in non-derivative instrument contracts are recognized separately unless closely related to the host contract. All derivative instruments, including certain embedded derivatives that are separated from their host contracts, are recorded on the consolidated statement of financial position at fair value and mark-to-market adjustments on these instruments are included in the consolidated statement of loss.

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Deferred Share Unit Plan

Non-executive directors and executives are granted Deferred Share Units ("DSUs") under the terms of the Corporation's DSU Plan. The fair value of DSUs at the time of conversion or award, as applicable, is determined with reference to the weighted average trading price of the Corporation's common shares over the five trading days immediately preceding the date of conversion or award, as applicable. The fair value of the DSUs, which are settled in cash, is recognized as a share based compensation expense with a corresponding increase in liabilities, over the period from the grant date to settlement date. The fair value of the DSUs is marked to the quoted market price of the Corporation's common shares at each reporting date with a corresponding change in the statement of loss and comprehensive loss.

Loss per Share

Basic loss per share is calculated by dividing net loss attributable to equity owners of the Corporation by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated using the treasury stock method, whereby the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive.

Provisions

(a) General

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Corporation expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of loss and comprehensive loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance expense in the statement of loss and comprehensive loss.

(b) Decommissioning and site rehabilitation

The Corporation records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The liability incorporates consideration of risk by way of adjusting the cash flows and is discounted using a risk free discount rate. The nature of these restoration activities include dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas.

The obligation is generally considered to have been incurred when the mine assets are constructed or the environment is disturbed at the Corporation's operations. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased based on the unwind of the discount rate.

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The periodic unwinding of the discount is recognized in the statement of loss and comprehensive loss as a finance cost. Additional disturbances or changes in rehabilitation costs attributable to development will be recognized as changes to the corresponding assets and rehabilitation liability when they occur.

Where a closure and environmental obligation arises from production activities, the costs are expensed as incurred because there are no associated economic benefits.

Future Accounting Standards issued but not yet effective

IFRS 9 – Financial Instruments

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

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount and timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. The Corporation is currently assessing the impact of adopting this standard on the consolidated financial statements.

IFRS 16 – Leases

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

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

5. Non-current assets Held for Sale and Discontinued operations

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

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agreements and the security are collectively referred to as the “Financial Assets”).

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

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

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

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

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

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

As at December 31, 2015, all of the assets and liabilities of MRDM (refer to the table below) were classified as held for sales as this transition is expected to be completed by May 2016 and will result in a loss of control. As the agreed selling price is lower than the previously recorded book values, the Corporation recorded an impairment of \$ 34,101,267 in the fourth quarter of 2015. Refer to Note 6 for further details of the impairment loss.

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	December 31, 2015
Assets	\$
Current assets	
Cash and cash equivalents	72,335
Restricted deposits	344,049
Trade receivables	2,921,436
Prepaid expenses and sundry receivables	345,184
Inventory	42,858,731
	46,541,735
Non-current assets	
Deposits and receivables	5,637,090
Property, plant and equipment	4,352,587
Mine development assets	5,880,782
	15,870,459
Total Assets	62,412,194
Liabilities	
Current liabilities	
Trade and other payables	8,991,658
Project loan facility – short-term	270,770,175
Payables from Gold Stream transaction	27,549,600
	297,311,433
Non-current liabilities	
Rehabilitation provisions	5,656,025
	5,656,025
Total Liabilities	312,967,458

The following table presents summarized financial information related to the discontinued operations of MRDM.

Statements of loss and comprehensive loss for the discontinued operations for the year ended December 31, 2015:

	2015 \$	2014 \$
Revenues	47,915,768	17,932,070
Expenses		
Costs and expenses of mining operations		
Operating costs and mine site administrative expenses	23,734,755	9,829,277
Mine site depreciation and amortization	3,276,647	5,740,732
General and administrative expenses	10,597,604	3,762,096
Employee compensation expense	2,440,974	2,286,211
Impairment	34,101,267	120,602,428
Net loss on derivative contracts	18,609,398	3,629,467
Finance costs		
Interest and facility fees	35,253,756	7,707,407
Accretion	263,220	65,804
Other income	(1,152,827)	(610,627)
Loss on Gold Stream transaction	-	27,549,600
	(79,209,026)	(162,630,325)
Loss from discontinued operations	(79,209,026)	(162,630,325)

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Statement of cash flows for the discontinued operation for the year ended December 31, 2015:

	2015	2014
	\$	\$
Cash flows from operating activities of discontinued operations ¹	(62,799,681)	(10,995,810)
Cash flows from investing activities of discontinued operations	(10,808,882)	(49,982,225)
Cash flows from financing activities of discontinued operation	74,744,529	57,861,848
Effect of exchange rates on cash and cash equivalents	1,135,966	596,324
Increase (decrease) in cash and cash equivalents	(26,165)	(2,519,863)
Cash and cash equivalents at beginning of year	98,501	2,618,364
Cash and cash equivalents at the end of the year	72,336	98,501
Supplemental information:		
Interest paid	37,037,617	19,643,712
Income taxes paid	-	-

¹ Included in trade and other payables are net of items related capital expenditure for Property, plant and equipment, Exploration and evaluation assets and Mine development assets totaling \$3,413,604 (2014 – \$14,850,698).

6. Impairment

As at December 31, 2015, a number of impairment indicators were noted by the Corporation in accordance with IAS 36, Impairment of Assets ("IAS 36") for its property, plant and equipment and mine assets and in accordance with IFRS 6, Exploration for and Evaluation of Mineral Resources ("IFRS 6") for its exploration and evaluation assets. Consequently, the Corporation undertook an impairment test on each of its identified CGUs, being MRDM and Romania ("Rovina Valley Project").

Romania

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

The FVLCD method was used to determine the recoverable amount as this was determined to be a higher valuation than a value in use calculation. The recoverable amount as determined by the Corporation for the CGU was \$Nil.

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

Based on the test described above, as at December 31, 2015, exploration and evaluation assets were

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impaired by \$939,349 (December 31, 2014: \$52,128,946). The impairment charges were included within the income from continuing operations for the year in the statement of comprehensive loss. The fair value of the CGU was measured using market approach and Level 3 inputs.

MRDM

During 2015, the key impairment indicators noted for this CGU were the continued delays of the RDM Project to achieve production levels in accordance with its initial life of mine plan, market capitalization below the carrying value of the net assets of the Corporation as a whole, negative cash flows from operating activities, a significant debt facility with Macquarie repayable on demand due to the Corporation defaulting on related covenants and expected disposal of the MRDM project.

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

For MRDM CGU, for the year ended December 31, 2015, impairment charges totaled \$34,101,267 (December 31, 2014: \$120,602,429), of which property, plant and equipment were written down by \$26,554,195 (December 31, 2014: \$81,940,336), software licenses were written down by \$Nil (December 31, 2014: \$Nil), exploration and evaluation assets were written down by \$Nil (December 31, 2014: \$3,921,466) and mine development assets were written down by \$10,194,277 (December 31, 2014: \$34,740,628). These impairment charges were included within the losses from discontinued operations for the year in the statement of comprehensive loss.

7. Restricted Deposits

As at December 31, 2015 the Corporation's restricted deposits totaled \$1,248,000, of \$344,049 are included as assets classified as held for sale (December 31, 2014 - \$1,248,017), representing an employee trust fund of \$1,248,000 (December 31, 2014 - \$1,248,000) and currency held in US\$ which will be available to fund the operations of MRDM once it is converted to Brazilian Reais through execution of an exchange contract.

8. Inventory

	December 31, 2015	December 31, 2014
Finished products	2,523,093	1,242,867
Work-in-process	35,785,712	19,557,191
Stockpiles	522,786	773,948
Mine supplies	4,027,140	3,697,585
Transferred to assets classified as held for sale (Note 5)	(42,858,731)	-
	-	25,271,591

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9. Property, Plant and Equipment

	Land	Plant and Other Constructions	Buildings	Leasehold Improvements	Office Equipment	Computer Equipment	Vehicles	Machinery & Equipment	Total
Cost	\$		\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2013	398,226	75,330,248	449,824	378,740	798,820	539,940	601,129	18,845,005	97,336,9327
Additions	-	25,136,343	1,190,210	316	61,035	26,163	-	177,614	25,591,681
Impairment (Note 6)	(9,825)	(81,940,336)	(395,697)	-	(6,365)	(15,958)	(54,439)	(8,596)	(82,431,216)
Disposals	-	-	-	(75,167)	(15,574)	-	-	-	(90,741)
Effect of changes in foreign exchange rates	-	-	-	(18,507)	(5,673)	(3,053)	-	(1,641)	(28,874)
Balance, December 31, 2014	388,401	18,526,255	1,244,337	360,549	812,578	547,092	502,066	19,012,382	41,393,660
Additions	-	5,261,169	639,175	-	12,307	38,191	-	350,317	6,301,159
Disposals	-	-	-	-	-	-	(158,568)	-	(158,568)
Impairment (Note 6)	-	(23,787,424)	-	-	-	-	-	(2,766,771)	(26,554,195)
Transferred to assets classified as held for sale (Note 5)	(388,401)	-	(1,883,512)	(148,418)	(759,858)	(550,303)	(343,498)	(16,577,116)	(20,651,106)
Effect of changes in foreign exchange rates	-	-	-	(34,292)	(10,512)	(5,655)	-	(3,042)	(53,501)
Balance, December 31, 2015	-	-	-	177,839	54,515	29,325	-	15,770	277,449

	Land	Plant and Other Constructions	Buildings	Leasehold Improvements	Office Equipment	Computer Equipment	Vehicles	Machinery & Equipment	Total
Accumulated depreciation	\$		\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2013	-	-	37,879	132,279	177,150	266,770	342,986	4,120,257	5,077,321
Depreciation	-	3,956,478	102,133	65,700	82,247	74,052	91,867	4,257,264	8,629,741
Impairment (Note 6)	-	-	(37,515)	-	(1,146)	(10,941)	(44,830)	(4,119)	(98,551)
Disposals	-	-	-	-	(9,150)	-	(44,624)	-	(53,774)
Effect of changes in foreign exchange rates	-	-	-	(9,178)	(2,157)	(2,599)	-	(1,080)	(15,014)
Balance, December 31, 2014	-	3,956,478	102,497	188,801	246,944	327,282	345,399	8,372,322	13,539,723
Depreciation	-	1,036,929	199,817	54,404	85,215	75,114	79,949	1,541,063	3,072,491
Disposals	-	-	-	-	-	-	(153,835)	-	(153,835)
Impairment (Note 6)	-	-	-	-	-	-	-	-	-
Transferred to assets classified as held for sale (Note 5)	-	(4,993,407)	(302,314)	(98,244)	(299,436)	(371,516)	(271,513)	(9,896,104)	(16,232,534)
Effect of changes in foreign exchange rates	-	-	-	(21,150)	(4,817)	(4,741)	-	(2,508)	(33,216)
Balance, December 31, 2015	-	-	-	123,811	27,906	26,139	-	14,773	192,629

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Net book value	Land \$	Plant and Other Constructions	Buildings \$	Leasehold Improvements \$	Office Equipment \$	Computer Equipment \$	Vehicles \$	Machinery & Equipment \$	Total \$
Balance, December 31, 2014	388,401	14,569,777	1,141,840	171,748	565,634	219,810	156,667	10,640,060	27,853,937
Balance, December 31, 2015	-		-	54,028	26,609	3,186	-	997	84,820

As at December 31, 2015 the carrying value of property, plant and equipment is comprised of \$84,820 in corporate and other (December 31, 2014 - \$144,640), \$Nil in Brazil (December 31, 2014 - \$27,709,296) and \$Nil in Romania (December 31, 2014 - \$Nil).

10. Software License Costs

	Cost \$	Accumulated Amortization \$	Net Book Value \$
Balance, December 31, 2013	1,065,297	362,296	703,001
Additions	98,245	115,706	(17,461)
Impairment (Note 6)	(24,500)	(11,244)	(13,256)
Effect of changes in foreign exchange rates	(30,454)	(20,612)	(9,842)
Balance, December 31, 2014	1,108,588	446,146	662,442
Additions	25,392	144,418	(119,026)
Transferred to assets classified as held for sale (Note 5)	(784,081)	(275,475)	(508,606)
Effect of changes in foreign exchange rates	(56,427)	(46,153)	(10,274)
Balance, December 31, 2015	293,472	268,936	24,536

As at December 31, 2015 the carrying value of software licensing fees is comprised of \$24,536 in corporate and other (December 31, 2014 - \$90,585), \$Nil in Brazil (December 31, 2014 - \$571,857) and \$Nil in Romania (December 31, 2014 - \$Nil).

11. Exploration and Evaluation and Mine Development Assets

Exploration and evaluation assets	Romania \$	Brazil \$	Total \$
Balance at December 31, 2013	50,483,191	3,312,035	53,795,226
Additions	1,240,169	609,431	1,849,600
Impairment (Note 6)	(51,723,360)	(3,921,466)	(55,644,826)
Balance at December 31, 2014	-	-	-
Additions	939,349	-	939,349
Impairment (Note 6)	(939,349)	-	(939,349)
Balance at December 31, 2015	-	-	-

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Mine development assets	Brazil
	\$
Balance at December 31, 2013	34,433,849
Additions ¹	13,706,977
Amortization	(1,409,705)
Impairment (Note 6)	(34,740,628)
Balance at December 31, 2014	<u>11,990,493</u>
Additions	3,887,382
Amortization	(150,021)
Impairment (Note 6)	(9,847,072)
Transferred to assets classified as held for sale (Note 5)	<u>(5,880,782)</u>
Balance at December 31, 2015	<u>-</u>

¹ \$18,226,963 in borrowing costs were capitalized in Development assets during the year ended December 31, 2014, of which \$15,728,136 related to interest on the Project Facility and \$2,498,827 facility fees related to the Project Facility (Note 17). Pre-production revenues and associated costs have been capitalized in Development assets.

Romania

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

Brazil

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

12. Share Capital

(a) Authorized

Unlimited number of Common Shares, without par value.

Unlimited number of Preference Shares, without par value.

(b) Issued Common Shares

	<u>Number of shares</u>	<u>\$</u>
Balance at December 31, 2014 and 2015	<u>694,169,911</u>	<u>196,773,069</u>

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

	Number of Options	Weighted Average Exercise Price Cdn\$
Balance at December 31, 2013	29,437,000	0.43
Expired during the period	(4,870,000)	0.26
Forfeited during the period	(15,306,000)	0.43
Granted during the period	1,400,000	0.03
Balance at December 31, 2014	10,661,000	0.44
Expired during the period	(200,000)	0.56
Forfeited during the period	(200,000)	0.03
Balance at December 31, 2015	10,261,000	0.45

As at December 31, 2015, stock options held by directors, officers, employees and consultants are as follows:

	Options Outstanding	Fair Value at Grant Date	Exercise Price Cdn\$	Remaining Contractual Life	Options Exercisable
Directors, officers and employees	5,241,000	1,810,603	0.58	229 days	5,241,000
Directors, officers and employees	3,520,000	327,527	0.40	1 years 226 days	3,520,000
Employee	300,000	41,849	0.40	1 years 283 days	300,000
Employees	1,200,000	23,241	0.03	3 years 171 days	800,000
Balance at December 31, 2015	10,261,000	2,203,220		1 years 122 days	9,861,000

As at December 31, 2015 the number of stock options available for exercise was 9,861,000 at a weighted average exercise price of Cdn\$0.47 and the aggregate remaining unamortized value of unvested stock options granted was \$1,828.

Using the fair value method, total share-based compensation for stock options issued and outstanding for the year ended December 31, 2015 was \$7,833 (December 31, 2014 - \$30,917).

(d) Common Share Purchase Warrants

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

	Number of Warrants	Weighted Average Exercise Price Cdn\$
Balance at December 31, 2014 and 2015	20,000,000	0.40

The fair value of the Common share purchase warrants granted to Macquarie Bank was estimated at \$3,256,109 using the Black Scholes valuation model using the exercise price of Cdn\$0.40, expiry of

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January 11, 2016 and volatility of 65.0%. Subsequent to December 31, 2015, these warrants expired unexercised.

13. Expense Breakdown

(a) General and administrative expenses

	Year Ended December 31,	
	2015	2014
	\$	\$
Professional fees	5,239,834	5,550,416
Investor relations and advertising	118,754	145,088
Travel, business and development	92,845	126,342
Office and general	316,420	460,938
	5,767,853	6,282,784

(b) Employee compensation expense

	Year ended December 31,	
	2015	2014
	\$	\$
Salaries and benefits	889,064	1,021,435
Share-based payments	5,716	27,363
Deferred share unit costs	1,484	(157,572)
	896,264	891,226

(c) Other income

	Year ended December 31,	
	2015	2014
	\$	\$
Foreign exchange gain	(13,238,778)	(6,731,549)
Interest income	(1,207)	(1,338)
Other income	(38,012)	-
Interest expense	-	611
	(13,277,997)	(6,732,276)

14. Loss per Share

Basic loss per share is calculated based on the weighted average number of Common Shares issued and outstanding during the period. Basic and diluted weighted average shares for the year ended December 31, 2015 is 694,169,911 (2014 - 694,169,911). Stock options and warrants are considered anti-dilutive and therefore are excluded from the calculation of diluted earnings per share. For the year ended December 31, 2015 basic and diluted income per share for continuing operations was \$0.01 (December 31, 2014 – loss of \$0.08). For the year ended December 31, 2015 basic and diluted loss per share for discontinued operations was \$0.11 (December 31, 2014 – loss of \$0.23).

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15. Deferred Share Units

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

The following transactions occurred during the periods noted below:

	December 31, 2015	December 31, 2014
Number of DSUs outstanding, beginning of period	948,669	2,395,434
Redeemed (at weighted average market price of Cdn\$0.04)	-	(1,446,765)
Number of DSUs outstanding, end of period	948,669	948,669
Liability, end of period	\$8,892	\$8,975
Expense (recovery) for the year	1,484	(157,572)

16. Trade and other payables

	December 31, 2015	December 31, 2014
Trade payables	5,692,714	10,627,988
Accrued liabilities	4,002,314	5,613,512
Transferred to liabilities classified as held for sale (Note 5)	(8,991,659)	-
	703,369	16,241,500

17. Project Loan Facility

As at December 31, 2015, the principal balance outstanding on the Project Facility was \$270,770,175 classified within liabilities classified as held for sale. Interest accrued during the year ended December 31, 2015 were \$31,373,631 (December 31, 2014 - \$22,515,951) and facility fees paid for the year ended December 31, 2015 were \$3,880,124 (December 31, 2014 - \$3,418,418). Interest paid for the year ended December 31, 2015 was \$37,037,617 (December 31, 2014 - \$19,643,712).

The Corporation entered into a Forbearance Agreement on October 18, 2013, whereby Macquarie Bank agreed to forebear exercising their rights and remedies under this facility agreement with respect to the defaults during the forbearance period from October 18, 2013 to October 31, 2013 (Note 1).

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This period was amended from time to time, with the last amendment providing for a forbearance period to April 1, 2016. Pursuant to this amendment, funds drawn under Tranche 3 of the Project Facility are to be repaid by April 1, 2016.

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

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

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

As at December 31, 2015, the Corporation had drawn an aggregate of \$270,770,175 against the Project Facility as follows:

Draw down date	Tranche 1	Tranche 2	Tranche 3	Total
February 2, 2013	-	25,000,000	-	25,000,000
March 20, 2013	10,000,000	-	-	10,000,000
April 22, 2013	10,000,000	-	-	10,000,000
May 18, 2013	10,000,000	-	-	10,000,000
May 31, 2013	7,500,000	-	-	7,500,000
June 19, 2013	16,000,000	-	-	16,000,000
July 17, 2013	10,000,000	-	-	10,000,000
July 31, 2013	1,500,000	-	-	1,500,000
October 23, 2013	-	-	4,000,000	4,000,000
October 31, 2013	-	-	3,000,000	3,000,000
November 4, 2013	-	-	1,000,000	1,000,000
November 7, 2013	-	-	3,000,000	3,000,000
November 13, 2013	-	-	3,000,000	3,000,000
November 20, 2013	-	-	2,000,000	2,000,000
November 27, 2013	-	-	1,000,000	1,000,000
November 29, 2013	-	-	2,000,000	2,000,000
December 4, 2013	-	-	3,000,000	3,000,000
December 11, 2013	-	-	3,250,000	3,250,000
December 20, 2013	-	-	2,250,000	2,250,000
December 31, 2013	-	-	2,500,000	2,500,000
January 27, 2014	-	-	2,800,000	2,800,000
January 31, 2014	-	-	387,822	387,822
February 6, 2014	-	-	1,310,400	1,310,400
February 7, 2014	-	-	3,860,853	3,860,853
February 18, 2014	-	-	7,475,308	7,475,308
February 25, 2014	-	-	486,473	486,473
February 28, 2014	-	-	614,249	614,249
March 4, 2014	-	-	1,970,578	1,970,578
March 11, 2014	-	-	2,344,186	2,344,186
March 18, 2014	-	-	2,011,889	2,011,889
March 25, 2014	-	-	1,918,397	1,918,397
March 28, 2014	-	-	1,138,982	1,138,982

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

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Draw down date	Tranche 1	Tranche 2	Tranche 3	Total
October 26, 2015	-	-	610,526	610,526
October 27, 2015	-	-	573,480	573,480
November 3, 2015	-	-	1,978,034	1,978,034
November 10, 2015	-	-	991,270	991,270
November 18, 2015	-	-	1,090,000	1,090,000
November 24, 2015	-	-	1,057,475	1,057,475
December 22, 2015	-	-	3,394,062	3,394,062
December 29, 2015	-	-	324,320	324,4320
	65,000,000	25,000,000	180,770,175	270,770,175

18. Payables form Gold Stream Transaction

Gold Stream Transaction

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

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

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Notwithstanding the foregoing, if any Production Shortfall Payment becomes due to Macquarie Bank under the Agreement, and at such time both the Corporation and MRDM are in violation or default of any debt covenant under the credit, debt or loan facility for the Project debt, or the payment of such amounts by the Corporation and/or MRDM would each constitute a default under such credit, debt or loan facility, then MRDM and the Corporation shall have the right to defer payment of such Production Shortfall Payment to Macquarie Bank until the later of the date upon which such violation or default of such credit, debt or loan facility has been remedied and the date on which the amount owing to Macquarie Bank may be paid by the Corporation and/or MRDM without constituting a default under such credit, debt or loan facility. MRDM and the Corporation have elected to defer payment of the Production Shortfall Payment accordingly. Until paid in full to Macquarie Bank, the Production Shortfall Payment shall bear interest at the Default Rate (as defined in the Agreement). In respect of MRDM, Macquarie Bank has agreed to forebear its rights to charge or accrue interest on the refund amount or exercise any such rights with respect to interest until April 1, 2016. On March 31, 2016, Brio acquired from Macquarie all of Macquarie's rights and interest in the Project Facility (See Note 31).

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

19. Segmented Information

The Corporation has two operating segments: a producing as well as exploration and development of mineral property focused primarily on gold production on Brazil and gold and copper exploration in Romania.

Operating Segment	Corporate and Other	Brazil	Romania	Total
Consolidated Statement of Financial Position				
As at December 31, 2015				
Total Assets	2,011,404	62,412,194	15,412	64,439,010
Total Liabilities	692,124	312,967,459	11,245	313,670,828
As at December 31, 2014				
Total Assets	2,349,192	84,039,313	35,003	86,423,508
Total Liabilities	948,327	248,177,506	15,284	249,141,117

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Operating Segment	Corporate and Other	Brazil	Romania	Total
Consolidated Statements of (Income) Loss and Comprehensive (Income) Loss				
For the year ended December 31, 2015				
Expenses				
General and administrative expenses (Including depreciation and amortization)	5,863,163	-	-	5,863,163
Employee compensation costs	896,264	-	-	896,264
Impairment	-	-	939,349	939,349
Foreign exchange loss (gain)	(13,221,335)	-	(17,443)	(13,238,778)
Interest income, net of expenses	(1,207)	-	-	(1,207)
Other expense	(38,011)	-	-	(38,011)
(Income) loss for the year from continuing operations	(6,501,126)	-	921,906	(5,579,220)
Loss for the year from discontinued operations	-	79,209,026	-	79,209,026
Loss for the year	(6,501,126)	79,209,026	921,906	73,629,808
Other Comprehensive loss for the period	12,890,119	-	-	12,890,119
Total comprehensive loss for the period	6,388,993	79,209,026	921,906	86,519,926

Operating Segment	Corporate and Other	Brazil	Romania	Total
Consolidated Statements of (Income) Loss and Comprehensive (Income) Loss				
For the year ended December 31, 2014				
Expenses				
General and administrative expenses (Including depreciation and amortization)	6,380,726	-	-	6,380,726
Employee compensation costs	891,226	-	-	891,226
Impairment	-	-	52,128,946	52,128,946
Foreign exchange loss (gain)	(6,736,801)	-	5,252	(6,731,549)
Interest income, net of expenses	(727)	-	-	(727)
Income tax recovery	-	-	(830,538)	(830,538)
Loss for the period from continuing operations	534,424	-	51,303,660	51,838,084
Loss for the year from discontinued operations	-	162,630,325	-	162,630,325
Loss for the year	-	163,630,325	51,303,660	214,468,409
Other Comprehensive loss for the period	6,752,871	-	-	6,752,871
Total comprehensive loss for the period	7,287,295	163,630,325	51,303,660	221,221,280

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20. Related Parties

As at December 31, 2015 there were no other amounts due to or from related parties not included in Notes 17 and 18 (December 31, 2014 - \$Nil). See Note 21 for key management compensation.

21. Key Management Compensation Disclosure

Key management includes the Corporation's directors and the executive officers. Compensation awarded to key management included:

	2015	2014
Salaries and short term employee benefits	853,691	1,061,610
Share-based payments ¹	1,484	(148,112)
Termination benefits ²	-	340,355
	855,175	1,253,853

¹ Share-based payments include the mark-to-market adjustments on DSUs.

² Termination benefits include payments for the Corporation's former Chief Executive Officer, Executive Vice President and Chief Operating Officer who ceased to be employees of the Corporation on January 24, 2014 and for the Corporation's former Chief Financial Officer who ceased to be an employee of the Corporation on July 3, 2014.

22. Rehabilitation Provisions

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

	December 31, 2015	December 31, 2014
Balance at beginning of period	5,787,969	5,125,296
Provision	-	320,195
Accretion	263,220	65,804
Change in estimate	(395,164)	276,674
Transferred to liabilities classified as held for sale	(5,656,025)	-
	-	5,787,969

As at December 31, 2015, the Corporation estimated the total undiscounted amount of the estimated cash flows required to settle the decommissioning and other rehabilitation obligations of the Corporation's Brazilian subsidiary to be approximately \$8,200,000 with the most significant expected outflows commencing in approximately 7 years. As at December 31, 2015 the rehabilitation provision has been discounted using a discount rate of 5.65%. A 1% increase in the discount rate would result in a decrease of rehabilitation provision by \$348,552 and a 1% decrease in the discount rate would result in an increase in the rehabilitation provision by \$375,076, while holding the other assumptions constant.

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23. Derivative Contracts

Currency and Commodity gold contracts

In conjunction with the Project Facility (Note 17), the Corporation through Macquarie Bank, also entered into price protection programs in the form of currency swaps for the RDM Project's capital expenditures ("CAPEX") (R\$1.9 to US\$1.00) and estimated operating expenditures ("OPEX") (R\$1.983 to US\$1.00) as well as a gold price protection program ("Gold Contracts") comprised of 216,600 ounces of gold at varying prices of from \$1,177 to \$1,600 per ounce. The fair value of the Gold Contracts was a liability of \$92,727,754 prior to settlement on September 22, 2015.

The CAPEX currency swap was arranged to mitigate the risk associated with fluctuations in the Brazilian Reais (R\$) during the mine construction period relative to the US\$. The OPEX currency swaps were arranged to cover R\$/US\$ currency fluctuations during the initial years of the mine operations for a notional amount of R\$317,202,176. The fair value of the OPEX currency swaps was an asset of \$78,815,543 prior to settlement on September 22, 2015.

Derivatives arising from the currency swaps and gold contracts are intended to manage the Corporation's risk management objectives associated with changing market values, but they do not meet the strict hedge effectiveness criteria designated in a hedge accounting relationship. Accordingly, these derivatives have been classified as "non-hedge derivatives".

Gold options

The fair value of the Gold Option A granted to Macquarie Bank in 2013 and the Gold Option B (Note 17) was estimated was a liability of \$162,934 prior to settlement on September 22, 2015.

Summary of Derivatives at December 31, 2014

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

Fair Values of Derivative Instruments

	Balance Sheet Classification	Fair Value as at December 31, 2015	Fair Value as at December 31, 2014	Balance Sheet Classification	Fair Value as at December 31, 2015	Fair Value as at December 31, 2014
Currency contracts:						
OPEX contract		-	-	Current liabilities	-	9,212,007
OPEX contract		-	-	Non-current liabilities	-	56,892,753
Commodity contracts:						
Gold contract	Current assets	-	14,433,715	Current liabilities	-	-
Gold contract	Non-current assets	-	58,150,907	Non-current liabilities	-	-
Gold Options		-	-	Non-current liabilities	-	460,000

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

Unrealized gains or losses arising from the changes in fair value of the Gold Options derivatives and currency and commodity contracts derivatives for the year ended December 31, 2015 prior to settlement amounted to a loss of \$6,019,889 (December 31, 2014 – loss of \$8,018,416). Realized gains or losses arising from settlement of all currency and commodity contract derivatives for the year ended December 31, 2015 amounted to a loss of \$12,589,509 (December 31, 2014 – gain of \$4,388,949). These realized and unrealized gains and losses are recognized in the consolidated statement of loss as net gains or losses on derivative contracts.

Net realized and unrealized (gains) losses on Derivatives

	December 31, 2015 \$	December 31, 2014 \$
Currency contracts:		
OPEX contract	(15,698,051)	9,680,613
Commodity contracts:		
Gold contract	34,173,317	(4,961,146)
Gold Options	134,132	(1,090,000)

24. Offsetting financial assets and financial liabilities

The Corporation is subject to enforceable ISDA for Multiple Payment Netting with the derivative counterparty. Under the terms of this agreement, offsetting of the derivative contracts is permitted in respect of two or more transactions and a net amount and payment obligation is determined in respect of all amounts payable on the same date in the same currency in respect of those transactions, regardless of whether such amounts are payable in respect of the same transaction.

The Corporation has Gold and OPEX contracts, majority of which have the same maturity dates and therefore subject to this netting arrangement. Gold Options A and B are not subject to this netting arrangement as they do not have the same maturity date.

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The following table presents the financial instruments that are offset as at December 31, 2014, financial instruments that cannot be offset and total amount recognized on the Corporation's statement of financial position:

Financial Assets	Amounts subject to offsetting		Amounts not subject to offsetting	Total amount recognized on the statement of financial position
	Gross assets	Gross liabilities offset		
December 31, 2014				
Derivative assets (current) ¹	14,130,058	9,212,007	303,657	5,221,708
Derivative assets (Non- current) ²	54,206,200	52,593,516	3,944,707	5,557,391

Financial Liabilities	Amounts subject to offsetting		Amounts not subject to offsetting	Total amount recognized on the statement of financial position
	Gross assets	Gross liabilities offset		
December 31, 2014				
Derivative liabilities (Current)	-	-	-	-
Derivative liabilities (Non- current) ³	-	-	4,759,237	4,759,237

¹ Includes current Gold contracts of \$14,433,715 and current OPEX contracts of \$9,212,007. (Note 23).

² Includes non- current Gold contracts of \$58,150,907 (Note 22)

³ Includes non-current OPEX contracts of \$56,892,753 and non-current Gold Options of \$460,000. (Note 23).

25. Financial Instruments and fair values

Measurement categories

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of loss or comprehensive loss.

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The following table shows the carrying amounts and fair values of assets and liabilities for each of these categories at December 31, 2015 and 2014.

	Level	December 31, 2015		December 31, 2014	
		Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial Assets					
Loans and receivables					
Cash and cash equivalents ¹	1	549,076	549,076	212,235	212,235
Restricted deposits ¹	1	903,951	903,951	1,248,000	1,248,000
Sundry Receivables ¹	2	91,791	91,791	52,207	52,207
Assets classified as held for sale ¹	3	3,337,820	3,337,820	2,011,945	2,011,945
Financial Liabilities					
Amortized cost					
Trade and other payables ¹	2	694,477	694,477	963,696	963,696
Liabilities classified as held for sale ^{1 and 2}	1 and 2	307,311,433	307,311,458	236,836,201	236,836,201
Fair value through profit and loss					
Derivative contracts				6,019,862	6,019,862

¹ Fair value approximates the carrying amount due to the short-term nature.

² Fair value represents the aggregate of face value of the loan facility and accrued interest.

Fair value hierarchy

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

Valuation techniques

The fair value of derivative instruments is determined using either present value techniques or option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. Currency contracts and commodity forward contracts were in a net asset position and therefore, the Corporation used credit default swap (the "CDS") spread of Macquarie Bank to value these instruments. The fair value of currency swap contracts is determined by discounting contracted cash flows using a discount rate derived from observed LIBOR and swap rate curves and CDS rates. In the case of currency contracts, the Corporation converts non-U.S. dollar cash flows into U.S. dollars using an exchange rate derived from currency swap curves and CDS rates. The fair value of commodity forward contracts is determined by discounting contractual cash flows using a discount rate derived from observed LIBOR and swap rate curves and CDS rates. Contractual cash flows are calculated using a forward pricing curve derived from observed forward prices for each commodity. Prior to the settlement of the Gold Options on September 22, 2015, Gold Options are valued based on valuations taken from the CME Group Inc. gold options quote site using American options for strike price of \$1,600 and expiry date of December 2016. Derivative instruments are classified within Level 2 of the fair value hierarchy.

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26. Income taxes

The following table shows the components of the current and deferred tax expense:

	December 31, 2015	December 31, 2014
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	-	(830,538)
	-	(830,538)

The reconciliation of the combined federal and provincial statutory income tax rate to the effective tax rate is as follows:

	December 31, 2015	December 31, 2014
Combined statutory income tax rate	26.50%	26.50%
Expected tax recovery	(21,357,114)	(57,054,220)
Non-deductible expenses	3,984,877	1,058,423
Imputed interest income	-	78,183
Tax rate differences	(7,238,169)	(3,866,606)
Benefits of tax attributes not recognized	24,610,406	58,953,682
	-	(830,538)

There are no deferred tax assets or liabilities expected to be recovered after more than 12 months.

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Corporation has a legal right and intent to offset.

The following table summarizes the deductible temporary differences for which no deferred tax asset has been recognized:

	December 31, 2015	December 31, 2014
Mineral properties	21,909,627	24,196,208
Derivative contracts	-	-
Share issue costs	388,993	1,291,438
Property, plant and equipment	460,722	889,966
Deferred share units compensation cost	(33,263)	-
Non-capital loss carry-forwards and other	20,781,167	18,984,698
Eligible capital property	6,559,902	3,394,199
Capital loss carry-forwards	46,608	55,596
	50,113,757	48,812,105

During 2015, SAMAX was registered a micro-company with the tax authorities which has the effectively eliminates corporate tax on profits from certain mining activities. For SAMAX, this will reduce the corporate tax rate to 0%, but increase revenue tax rate to 3%. As a result of this change, the Corporation is no longer subject to income tax in Romania and any tax attributes accumulated prior to December 31, 2014 has effectively expired and has been reduced to \$Nil.

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The following table summarizes the Corporation's non-capital losses that can be applied against future taxable profit:

	Type	Amount	Expiry Date
Canada	Non-capital losses	20,781,167	2016 – 2035

27. Commitments

Lease Commitment

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

As at December 31, 2015, MRDM has finalized and signed contracts for the construction, development and operating activities in Brazil as follows:

	Within 1 year	2 to 3 years	Total
Construction and supply contracts	2,902,736	-	2,902,736
Office lease	75,811	6,318	82,129

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

28. Capital Disclosures

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

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

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The Corporation's capital items are the following:

	December 31, 2015	December 31, 2014
Cash and cash equivalents	621,411	310,736
Restricted deposits	1,248,000	1,248,017
Project loan facility	270,770,175	188,391,830
Share capital	196,773,069	196,773,069
Warrants	3,256,109	3,256,109
	472,668,764	389,979,761

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

29. Financial Risk Factors

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

(a) Credit Risk

The Corporation's exposure to credit risk is primarily relating to its financial assets consisting of cash and cash equivalents, restricted deposits and derivative assets on its various currency swap and gold contracts. Cash and cash equivalents consist of deposit accounts held at various Canadian, Brazilian and Romanian chartered banks, from which management believes the risk of loss to be remote. For derivatives with a positive fair value (prior to their settlement in September 2015), the Corporation is exposed to credit risk equal to the carrying value. The Corporation mitigates credit risk on these derivatives by entering into derivatives with high credit-quality counterparties and monitoring the financial condition of the counterparties on a regular basis.

(b) Liquidity Risk

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due. As at December 31, 2015, the Corporation faces liquidity risk to the extent that it will be unable to settle current liabilities of \$313,670,828 with cash and cash equivalents and restricted deposits totalling \$1,869,411. Current liabilities consist of trade and other payables, payables from Gold Stream transaction and borrowings. Commitments, consisting of construction contracts and supply contracts for fuel and other material are included in Note 27.

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

Pursuant to the agreement with Brio (see Note 31), upon closing of the Restructuring, Brio agreed to a US\$1 million subscription of common shares of the Corporation. The Corporation continues to pursue strategic alternatives, including a possible sale or financial restructuring. Negotiations are on-going and the Corporation is also considering potential new equity capital raising initiatives. However, no firm offers have been received, and there can be no assurance that any completed transaction will result (Note 1).

(c) Market Risk

Market risk is the risk that changes in market factors, such as interest rates, foreign exchange rates or commodity prices will affect the value of the Corporation's financial instruments. Management has endeavored to mitigate market risk through the use of currency and gold derivatives prior to their settlement in September 2015.

(i) Interest rate risk

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

As of December 31, 2015, management estimates that if interest rates had changed by 5% the impact on interest income and net loss for the period would have been approximately \$10,527. In addition, if interest rates had changed by 5% the impact of the Project Facility interest and net loss for the period would have been approximately \$9,818,872.

(ii) Foreign currency risk

The Parent's functional currency is the Canadian dollar. The Corporation is affected by currency transaction and translation risk. During 2015 the Corporation funds its Romanian exploration and development activities using U.S. dollar currency received from MRDM. The Corporation's liabilities incurred in Canada are primarily payable in Canadian dollars. Liabilities incurred in Romania are settled in Romanian Lei or Euros and liabilities incurred in Brazil are primarily settled in Brazilian Reals. As at December 31, 2015, the Corporation held cash and cash equivalents of \$72,335 in Brazilian Reals, \$138,307 in Canadian dollars, \$397,571 in U.S dollars and \$13,197 in various European currencies. Consequently, fluctuations in the U.S. dollar currency against these currencies directly affect the cost of property, plant and equipment assets and operating expenditures for various subsidiaries. Management closely monitors variations in the exchange rates of the currencies in which it transacts business. Prior to the settlement of the currency swaps in September 2015, the Corporation had entered into certain currency swap arrangements effective December 15, 2011, which were amended as of December 24, 2013, covering a substantial portion of its OPEX on the RDM Project in Brazil to mitigate these inherent risks the Corporation (Note 22).

As of December 31, 2015, excluding the effect that fluctuations in the R\$/US\$ exchange rate

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would have on the valuation of its currency derivatives, management estimates that if foreign exchange rates had changed by 10% against the U.S. dollar, the impact on net loss for the period would have been approximately \$522,214 (Note 23).

(iii) Commodity price risk

The Corporation is exposed to price risk with respect to commodity pricing primarily for gold and copper. The Corporation had previously entered into a gold price protection program to mitigate a portion of the downside risk of changes in the market price of gold which were settled during 2015. The Corporation has not entered into any other gold protection program subsequent to the settlement (Note 23).

30. Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

31. Subsequent Event

- (a) Subsequent to December 31, 2015, Macquarie Bank has agreed to increase additional financing under Tranche 3 of the Facility to \$184.00 million, resulting in a total Project Facility of \$274.00 million and to extend the repayment date for any funds drawn under Tranche 3 of the Facility to April 1, 2016.
- (b) As at April 21, 2016, the Corporation drew \$182.84 million against the Project Facility's Tranche 3, resulting in a total Project Facility of \$272.84 million, as amended by the Forbearance Agreement.
- (c) Subsequent to December 31, 2015, to the knowledge of management, no legal proceedings of a material nature involving the Corporation are contemplated by any individuals, entities or governmental authorities, other than Rishi Tibriwal, the Corporation's former Chief Financial Officer, who has filed a Statement of Claim against the Corporation at the Ontario Superior Court of Justice in respect of the termination of his employment. Mr. Tibriwal is seeking CAD\$560,000, plus interest and costs. The Corporation believes that, in accordance with Mr. Tibriwal's contract, he is not entitled to any further contractual payments at this time. Accordingly, the Corporation intends to fight the claim, and a Statement of Defense was filed on or about March 21, 2016.
- (d) On March 31, 2016, the Corporation announced that Brio has (i) acquired from Macquarie all of Macquarie's rights and interests in the project loan facility, the gold purchase agreement and the gold sale and purchase agreement and related guarantees previously entered into by Macquarie and the Corporation, MRDM and certain other subsidiaries of the Corporation, and (ii) received from Macquarie an assignment of Macquarie's security in respect of the foregoing agreements. Pursuant to a Restructuring Agreement entered to by the Corporation with Brio and Macquarie Bank, the Corporation is working with Brio with respect to a restructuring procedure to be initiated by Brio with the objective of transferring 100% ownership of the RDM project to Brio. Pursuant to the Restructuring Agreement, Brio will deliver to the Corporation and its directors a full release and discharge with respect to any liability under the Financial Assets, including the Corporation's guarantee thereof. Following the Restructuring, the Corporation shall continue to own its

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Romanian assets, but shall have no ownership or interest in, or liabilities in respect of, MRDM or the RDM project. Upon closing of the Restructuring, Brio has agreed to a \$1 million subscription of common shares of the Corporation, the whole at a price to be mutually agreed and subject to the requirements of the Canadian Securities Exchange.