

Carpathian Gold Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the three and twelve months ended December 31, 2014 and 2013.

The following management discussion and analysis (“MD&A”) should be read in conjunction with the audited consolidated financial statements of Carpathian Gold Inc. (“Carpathian” or the “Corporation”), for the year ended December 31, 2014 and 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 29, 2015.

Cautionary Statements Regarding Forward-looking Information

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

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

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

- the availability of financing for the Corporation’s activities;
- operating and capital costs;
- the estimated timeline for the ramp-up of production at the RDM project;
- the supply and demand for, and the level and volatility of the price of gold;

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

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the Corporation's actual results, performance or achievements to be materially different from those anticipated thereby. These risks, uncertainties and other factors include, but are not limited to those inherent to the gold exploration and development industry as well and those risks factors discussed in this MD&A under the heading "*Risks and Uncertainties*" and in the Corporation's Annual Information Form for the year ended December 31, 2014 as filed on SEDAR. Readers are cautioned that these risks, uncertainties and other factors are not exhaustive of the risks, uncertainties and other factors that may affect the forward-looking information.

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

Responsibility of Management and the Board of Directors

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

Overview

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

Brazil

RDM is the Corporation's sole project in Brazil and the focus of its efforts since late 2008. RDM hosts a past producing mine that was operated by Vale S.A. as an open-pit heap-leach gold mine until 1997, with maximum pit depths at that time of approximately 60 m. The objectives of the work carried out since 2008 were to define a gold resource at RDM that could be of sufficient size to justify expanding and deepening the former open-pit mine, as well as to define additional gold mineralization and/or exploration targets along strike and at depth. The Corporation, through its Brazilian subsidiary, Mineração Riacho dos Machados ("**MRDM**"), owns 100% of RDM, which currently comprises 6 exploration licenses and one mining concession that covers a total area of approximately 10,090 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 a 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 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 discussed above is approximately \$185 to \$190 million.

The Amended RDM Technical Report is based on an owner operated conventional open-pit 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.

The focus of the Corporation during 2013 was on construction activities pertaining to the process plant, a lined tailings facility, waste dump pad, and pre-gold production open-pit mining as permitting under the Licença Instalação (“**LI**”). Mining utilized a combination of owners’ fleet and contractors’ fleet with focus on waste removal and stockpile of mineralized material from the weathered rock zones. Mining production ramped-up during the course of the year with monthly production attaining 2 million tonnes of material moved and attaining the mining rates proposed in the feasibility study. Mining was temporarily suspended in early November to await completion of the process plant and conserve cash spend. A total of 9 million tonnes of waste were mined and 1 million tonnes of mineralized material stockpiled for later processing.

With construction nearing completion, on December 13, 2013, MRDM received from SUPRAM an Autorização Provisória de Operação (provisional operating permit or “**APO**”) allowing it to proceed with the full operation of its gold producing facilities. The APO provides the same legal rights as the Licença Operação (“**LO**”) and allows the RDM Project to proceed in the interim while arrangements are being performed by the government agencies and related entities for the issuance of the LO. On December 24, 2013, MRDM completed its first gold smelt at the RDM Project. MRDM subsequently completed a second gold smelt and poured its first doré gold bar of approximately 10.1 kg on January 7, 2014. On January 8, 2014, the Corporation announced a temporary suspension of production at the RDM Project as a result of the receipt by MRDM of a temporary suspension of the APO. The APO was reinstated by SUPRAM on February 24, 2014, and re-commissioning of the processing plant at the RDM Project was initiated in mid-April. The re-commissioning comprises a sequential start-up of the component parts of the plant followed by a ramp-up period whereby tonnage rates through the plant are gradually increased testing components of the plant under work-load conditions with allowance for technical adjustments and site re-designs if

required. Typical ramp-up periods for a plant this size can range from three to six months or longer if equipment and or engineering flaws are discovered. The goal of the ramp-up period is to attain a steady-state planned production target of approximately 7,500 to 8,000 ounces of gold per month from planned mine production feed grades.

During the ramp-up phase, the plant experienced certain difficulties that required rectification and resulted in the Corporation being slightly behind its internal ramp-up schedule. Key items included lack of generator synchronization requiring installation of additional generator capacity and adjustments to crushing circuit components as well as full completion of plant facilities that were not required for re-commissioning or the ramp-up phase but necessary for steady-state design capacity production. This work includes to completion of the final two CIL tanks. As of the date of this MD&A, the CIL tanks are nearly completed and installation and commissioning of instrumentation for plant automation as well as power-plant adjustments are proceeding.

To the end of December 2014, MRDM has processed a total of 1,412,680 tonnes of ore at an average grade of 1.21 g/t gold and an average metallurgical recovery rate of 81.0%, producing 47,939 ounces of gold. From this, MRDM has shipped a total of 45,986 ounces of gold and 14,930 ounces of silver. To the end of December 2014 open pit ore mining activity has occurred principally in the Central Pit zone. During the ramp-up phase a total of 1,200,004 tonnes of ROM ore was mined at an average grade of 1.19 g/t gold, and to the end of December, stockpiled ore consisted of 816,259 tonnes at an average grade of 0.81 g/t gold which is segregated into high and low grade ore classes.

The amount of rain during the first quarter of 2015 has to date fallen considerably short of annual averages. Consequently, due to the restriction on the availability of water, which is required for the operations of MRDM, the Corporation, in consultation with Macquarie Bank, is assessing a temporary reduction in levels of mining and processing activities at MRDM for the next several months.

As of the date of this MD&A, MRDM is proceeding with the requirements set-forth by the regulatory bodies, including SUPRAM and the Public Attorney's office, to complete the necessary inspections to receive the Licença de Operação ("LO" or operating License), which is the definitive operational permit. In addition, as of the date of this MD&A, MRDM has poured a total of 68,612 ounces of gold and 26,107 ounces of silver.

On October 5, 2011, the Corporation announced that MRDM would enter into a committed arrangement with Macquarie Bank for a Project Loan Facility (the "Facility") ranging from US\$75 to US\$97 million and associated currency and commodity price protection facilities to fund the construction and development of the RDM Mine. On December 14, 2011, the Board of Directors of the Corporation approved the construction and development of the RDM Mine. Concurrently, MRDM and Macquarie Bank agreed to enter into final documentation for a Facility of US\$80 million. In conjunction with this, 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 a price of US\$1,600 per ounce. On October 1, 2012, the Corporation announced that the amount available to MRDM under the proposed Facility would be increased to US\$90 million. Final documentation in respect of the Facility was completed on January 11, 2013. 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\$211.07 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\$209.14 million has been drawn down by MRDM under the amended Facility. The current forbearance period expires on April 30, 2015.

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.

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 and exploration licenses that extend over a continuous 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 exploration licenses or prospecting permits 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 28,000 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 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, 2014, the rehabilitation provision has been discounted using a discount rate of 4.60% and an obligation of approximately \$5.8 million has been recorded (December 31, 2013 - \$5.1 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**”). 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.

On March 23, 2010, the Corporation announced the results of the NI 43-101 compliant PEA study on the Rovina Valley Project, completed by PEG Mining Consultants Inc. (“**PEG**”). The PEA is based on the Resource Estimate. All three porphyry deposits contain higher-grade core zones which were the focus of the PEA’s mine design in order to maximize an early return on the project. The mine design is based on a gold price of \$750 per ounce and a copper price of \$1.75 per pound. The PEA utilizes conventional open-pit mining at the Rovina and Colnic Deposits, respectively, and bulk-underground mining at the Ciresata Deposit. Ore processing is an industry-standard flotation process at a rate of 40,000 tonnes per day to produce a gold-rich saleable copper concentrate containing 18 to 22% Cu and 50 to 60 g/t Au. Importantly, this process does not require the use of cyanide.

Highlights of the PEA study included:

- Average annual gold production of 238,000 ounces per annum for the first five years and averaging 196,000 ounces per annum over the mine life of 19 years, for a total of 3.72 million ounces of recoverable gold over the life-of-mine (LOM).
- Average annual copper production of 53.5 million lbs for the first five years and averaging 49.4 million lbs per annum over the 19 year mine life, totalling 938 million lbs of recoverable copper over LOM.
- Total Gold Equivalent ounces produced over the 19 year mine life is 6.22 million.
- Project net present value (“**NPV**”) of \$316 million based on an 8% discount rate at prices of \$900 per ounce for gold and \$2.25 per pound of Cu.

Based on the PEA, the project was originally contemplated to be a conventional open-pit mine with down-the-hole drill blast hole, hydraulic shovels and conventional haul trucks for the Rovina and Colnic Deposits located approximately 2.5 km apart. Mining production from the combined two open pits is planned at 20,000 t/d, while the Ciresata Deposit would be mined underground by a combination of a sublevel panel retreat mining in the upper

levels of the deposit accessed by a decline from the surface, and an induced block cave method for the lower part of the deposit. The upper sublevel panel retreat mining method would allow mining access to higher-grade ore while development occurs to prepare for the induced block cave operation at depth. At full capacity, the underground operation would mine 20,000 t/d. Ore from the induced block cave operation would be fed to the centralized process plant located between the Rovina and Colnic Deposits via a 6 km inclined conveyor tunnel to the surface.

Based on the PEA, the onsite metallurgical facility would process 40,000 t/d and would include conventional milling facilities such as crushing, grinding, froth flotation and dewatering to produce a gold-rich copper flotation concentrate. Metallurgical test work has determined that good recoveries and saleable concentrate grades are attainable through flotation only, and the use of cyanide leaching is not required.

Metallurgical testing has been completed on samples of drill core from each deposit at SGS Geosol, Brazil and at SGS Minerals Services, Lakefield, Canada. The work consists of preliminary grindability testing, batch rougher and cleaner testing, mineralogy and locked cycle flotation testing. Locked cycle flotation testing has demonstrated that a simple flotation flow sheet with moderate grinds and low reagent additions is able to generate saleable copper concentrates averaging 18 to 22% copper and 50 to 60 g/t Au concentrate. In recognition of an increased gold price forecast, recent metallurgical work targeted a flotation concentrate containing higher concentrations of gold-bearing pyrite. The high gold content of this product is anticipated to attract excellent downstream processing terms.

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 10th, 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 NAMR approved and registered the MLA resources/reserves in the National Registry. In October 2013, the NAMR approved the mining waste management plan.

Initially, the MLA was based on a large 40,000 tonne per day operation. Given the decline in commodity prices and increase in capital cost items since the date of the PEA, the Corporation has been reviewing the scope of the project as a smaller, lower capital intensive operation. Discussions have been on-going with the NAMR to re-submit the MLA as a smaller scale operation. The NAMR has accepted this request.

During the third quarter, 2014, the Corporation with a consortium of Romanian specialist completed a mining study for a 20,000 tonnes per day operation and associated environmental impact and risk studies to be submitted in a revised MLA. The revised MLA was submitted to the NAMR in August 2014 and is under the review and approval process. 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.

As of the date of this MD&A, the MLA is under the review and approval process of the NAMR. The Corporation anticipates approval of the MLA by the NAMR during the second quarter of 2015.

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 approval resulting from a full Environmental Impact Assessment (“EIA”) study. During the conversion process from an exploration license to a mining license, no disruptive physical field work (i.e., drilling, land clearing, etc.) can be carried out on the property, until after the mining license has been approved.

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

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

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 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 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Revenues	17,932,070	-	-	-	-	-	-	-
Net (income) loss for the period	142,940,519	(10,355,700)	63,686,768	18,196,822	44,940,306	78,170,777	(51,409,027)	(21,690,493)
Basic and diluted (income) loss per share	0.21	(0.02)	0.14	0.03	0.08	0.13	(0.09)	(0.04)
Exploration and evaluation expenditures	663,957	756,163	274,345	628,321	652,148	809,417	1,383,191	1,683,000
Mine development expenditures	528,909	6,730,042	6,719,214	5,358,198	6,904,338	1,470,280	8,606,026	5,542,806

Fourth quarter ended December 31, 2014 ("Q4 2014")

During Q4 2014, Brazil declared commercial production and was primarily focused on the continued implementation of grade reconciliation programs, and optimization of the open pit mining activities. In addition, MRDM continued its environmental control, worker safety, government and social relations work programs for the Project as stipulated in the LI, and the APO, which was issued on December 13, 2013. MRDM is slowly advancing the above work programs and documentation necessary to obtain the LO, due to the strike at SUPRAM which was only recently over. No substantial exploration fieldwork was carried out in Brazil or Romania during this quarter. Both SAMAX (Romania) and MRDM (Brazil) continued to be engaged and/or report to their respective mineral-rights governmental agencies regarding maintenance of mineral rights tenure.

MRDM declared commercial production on October 1, 2014 and recorded revenues of \$17,932,070. The net loss for Q4 2014 was \$142,940,519 compared to a net loss of \$44,940,306 for Q4 2013. Included in the loss in Q4 2014 is a non-cash loss of \$2,656,830 [non-cash loss of \$14,792,729 in Q4 2013] on the Corporation's currency swaps and gold contract derivatives arising from a movement in the foreign exchange rates for the Brazilian Real and forward gold prices (see Financing Activities). In addition, a non-cash impairment charge of \$134,823,155 was recognized against the carrying value of MRDM and Romania (see further discussion below). The Corporation incurred

employee compensation expenses of \$376,666 in Q4 2014 as compared to \$700,257 in Q4 2013, the decrease being primarily due to lower salaries at Corporate. Due to the movement in the value of the Canadian dollar and the Brazilian Real relative to the US\$, an unrealized foreign exchange gain of \$4,117,434 was recorded in Q4 2014 compared to an unrealized foreign exchange loss of \$3,879,252 in Q4 2013.

The basic and diluted earnings per share was an loss of \$0.21 in Q4 2014 versus a loss of \$0.08 in Q4 2013.

Year ended December 31, 2014

The following table sets out certain financial information for the years ended December 31, 2014 (“YTD 2014”) and 2013 (“YTD 2013”):

For the YTD	YTD 2014	YTD 2013
Net loss for the year	214,468,409	50,011,563
Basic and diluted loss per share	0.31	0.08
Exploration and evaluation expenditures	2,322,786	4,527,745
Mine development expenditures	19,336,363	22,543,450
Total assets	86,423,508	274,352,331
Total non-current financial liabilities	10,547,206	59,857,350

YTD, 2014 revenues were \$17,932,070. The net loss for YTD 2014 was \$214,468,409 compared to a net loss of \$50,011,563 for YTD 2013. Included in the YTD 2014 loss was a non cash loss on the currency swaps and gold contract derivatives of \$8,018,416 compared to a gain on derivatives of \$72,039,014 in YTD 2013. In addition, a non-cash impairment charge of \$172,731,375 was recognized against the carrying value of MRDM and Romania (see further discussion below). General and administrative costs in YTD 2014 totalled \$10,044,879 as compared to \$4,523,861 in YTD 2013 primarily due to restructuring costs both at the corporate head office and Brazilian locations. Employee compensation expenses of \$3,177,436 during YTD 2014 are in line with to \$3,225,369 in YTD 2013. YTD 2014 foreign exchange gain of \$7,379,663 compared to a gain of \$6,020,087 for YTD 2013, both of which were primarily due to the movement of the Canadian dollars against the US dollar.

The basic and diluted net loss per share was \$0.31 in YTD 2014 versus a \$0.08 loss per share in YTD 2013.

Operating data	Q4 2014
Tonnes ore mined	425,586
Tonnes processed	533,211
Grade (grams/tonnes)	1.18
Recovery	87%
Gold ounces	
- Produced	17,579
- Sold	18,431
Cash operating costs (per ounce) ⁽¹⁾	1,030
Total cash costs (per ounce) ⁽¹⁾	1,320
Financial data	Q4 2014
Revenues	17,932,070
Operating costs and mine site administrative expenses	9,829,277
Depreciation and amortization	5,740,732
Gross profit from mining operations	2,362,061

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

Liquidity and Capital Resources

As at December 31, 2014, the Corporation had cash and cash equivalents of \$310,736 (\$3,011,774 – at December 31, 2013) and restricted deposits of \$1,248,017 (\$2,431,521 - at December 31, 2013) and a working capital shortfall of \$201,718,503 (\$126,115,563 at December 31, 2013).

The Corporation’s available funds will not be sufficient to fund the operation of Riacho dos Machados, the exploration work in Romania, working capital requirements and corporate administration. The Corporation continues to pursue strategic alternatives, including a possible sale or financial restructuring. The Corporation is currently assessing various financing options in order to secure additional funding and, in the interim, has been engaged in on-going discussions with Macquarie Bank Limited (“**Macquarie Bank**”) to temporarily increase the amount available to the Corporation under the Facility until those alternative financing options are secured. Nevertheless, there is no assurance that these initiatives will be successful or sufficient. These circumstances lead to significant doubt as to the ability of the Corporation to meet its obligations as they become due and, accordingly, the ultimate appropriateness of use of the accounting principles applicable to a going concern.

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 30, 2015. This has also resulted in the Corporation reclassifying all scheduled repayment under the Facility as current liabilities. In addition, under the terms of the Forbearance Agreement Macquarie Bank has agreed, at its discretion, to provide an additional Tranche 3 under the Facility, the availability of which shall be in the absolute discretion of the lenders.

Subsequent to year-end, the amount of rain during the first quarter of 2015 has been considerably below annual averages rainfalls. Consequently, due to the restriction on the availability of water, which is required for the operations at MRDM, the Corporation, in consultation with Macquarie Bank, is assessing a temporary reduction in levels of mining and processing activities at MRDM for the next several months after which, based on annual averages, it would be expected that rainfalls would increase.

Financing Activities

On October 5, 2011, the Corporation announced that MRDM would enter into a committed arrangement with Macquarie Bank for a Project Loan Facility (the “**Facility**”) ranging from US\$75 to US\$97 million and associated currency and commodity price protection facilities to fund the construction and development of the RDM Mine. On December 14, 2011, the Board of Directors of the Corporation approved the construction and development of the RDM Mine. Concurrently, MRDM and Macquarie Bank agreed to enter into final documentation for a Facility of US\$80 million. In conjunction with this, 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 a price of US\$1,600 per ounce. On October 1, 2012, the Corporation announced that the amount available to MRDM under the proposed Facility would be increased to

US\$90 million. Final documentation in respect of the Facility was completed on January 11, 2013. 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\$211.07 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\$209.14 million has been drawn down by MRDM under the amended Facility. The current forbearance period expires on April 30, 2015.

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.

Impairment

As at December 31, 2014, 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 2014, the key impairment indicators noted for this CGU were a reduction in the scope of the Rovina Valley Project to a less capital intensive build and smaller scale operations due to decline in commodity prices since the first Preliminary Economic Assessment completed on the project in March 2010 and uncertainty as to whether the draft amended mining law in Romania will be passed enabling construction of mine in Romania.

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

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

Based on the test described above, as at December 31, 2014, each of exploration and evaluation assets, property plant and equipment and software licenses were impaired by \$51,723,360, \$392,329 and \$13,256 respectively. These impairment charges were included within the loss for the year in the statement of comprehensive loss. The fair value of the CGU was measured using market approach and Level 3 inputs.

For the fourth quarter ended December 31, 2014, impairment charges totaled \$14,220,726 related to Romanian Exploration and evaluation assets.

For the third quarter ended September 30, 2014, impairment charges totaling \$10,812,720 were taken in relation to the Corporation's Rovina Valley Project, of which \$392,330 related to property, plant and equipment, \$13,256 related to software license costs and \$10,407,134 related to exploration and evaluation assets.

For second quarter ended June 30, 2014, impairment charges totaling \$27,095,500 (2013 - \$Nil) were taken against the Rovina Valley Project's exploration and evaluation assets.

MRDM

During 2014, the key impairment indicators noted for this CGU were: the delays of the Company to achieve commercial production levels in accordance with its life of mine plan; its market capitalization being below the

carrying value of the net assets of the Corporation as a whole; negative cash flows from operating activities and a significant debt facility with Macquarie repayable on demand due to the Corporation defaulting on covenants. Subsequent to year-end further indicators of impairment were identified, including a forecast reduction in planned production capacity due to shortfall in availability of water required for the production process.

FVLCD was used to determine the recoverable amount as this was determined to be a higher valuation than a value in use model. The recoverable amount as determined by the Corporation for the CGU was \$57,510,816.

For the MRDM CGU, for the year ended December 31, 2014, impairment charges totaled \$120,602,429, of which property, plant and equipment were written down by \$81,960,336 (December 31, 2013: \$84,043,979) exploration and evaluation assets were written down by \$3,921,466 (December 31, 2013: \$3,086,629) and mine development assets were written down by \$34,740,628 (December 31, 2013: \$29,047,030). These impairment charges were included within the loss for the year in the statement of comprehensive loss.

The fair value of the CGU was measured using a weighted probability method based on market approach. At December 31, 2013, the fair value of the CGU was measured using discounted after-tax cash flows based on cash flow projections in the Corporation's current life of mine plans. There has been a change in the valuation technique as the Corporation expects to realize the value of the CGU from a sale rather than through continued operations of the CGU. Accordingly in 2014, Corporation has used a market approach to value the CGU.

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

The key assumptions that impact the forecasted cash flows are commodity price, exchange rate and ore grade. A 10% decrease in the gold price holding all other assumptions constant would result in a decrease in the fair value of MRDM from \$57,510,816 to \$56,694,955 as at December 31, 2014. A 10% decrease in the exchange rate, holding all other assumptions constant, would result in a decrease fair value of MRDM from \$57,510,816 to \$56,056,783 as at December 31, 2014. A negative 30% change in the ore grade, holding other variables constant, reduces the fair value of MRDM to \$55,766,927. Should there be a significant decline in commodity price, exchange rate or ore grade, the Corporation would take actions to assess the implications on carrying value of the assets, production plan and cost structure for MRDM.

Disclosure of Outstanding Share Data

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

Options

As at December 31, 2014, stock options held by directors, officers, employees and consultants are as follows:

	Options Outstanding	Fair Value at Grant Date	Exercise Price Cdn\$	Remaining Contractual Life	Options Exercisable
Directors	200,000	71,579	0.56	303 days	200,000
Directors, officers and employees	5,241,000	1,810,603	0.58	1 years 229 days	5,241,000
Directors, officers and employees	3,520,000	327,527	0.40	2 years 226 days	3,520,000
Officer and employee	300,000	41,849	0.40	2 years 283 days	300,000
Employees	1,400,000	27,115	0.03	4 years 171 days	466,667
Balance at December 31, 2014	10,661,000	2,278,673		2 years 126 days	9,727,667

Warrants

As at December 31, 2014, 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, 2014	20,000,000	0.40

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

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

Commitments

The Corporation has entered into a Sub-Lease Agreement from December 1, 2010 and expiring on March 31, 2018 for office space. The minimum annual rent is Cdn\$35,640 for the entire term of the sub-let plus applicable expenses. In addition, the Corporation has a lease agreement from June 1, 2012 to March 31, 2018 for additional office space. The minimum annual rent is Cdn\$39,618, increasing to Cdn\$44,020 on October 1, 2014 plus applicable expenses. As at December 31, 2014, 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	5,457,703	-	5,457,703
Office lease	157,895	157,895	315,790

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, 2014, there were no amounts due to or from related parties (December 31, 2013 - \$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 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 foregoing, the underproduction of refined gold during the 12-month period ending June 30, 2014 is equal to 91.8% and, therefore, a Production Shortfall Payment of US\$27,549,600 is owed to Macquarie Bank under the gold stream transactions.

Notwithstanding the foregoing, if any Production Shortfall Payment becomes due to Macquarie Bank under the Agreement, and at such time both the Corporation and MRDM are in violation or default of any debt covenant under the credit, debt or loan facility for the Project debt, or the payment of such amounts by the Corporation and/or MRDM would each constitute a default under such credit, debt or loan facility, then MRDM and the Corporation shall have the right to defer payment of such Production Shortfall Payment to Macquarie Bank until the later of the date upon which such violation or default of such credit, debt or loan facility has been remedied and the date on which the amount owing to Macquarie Bank may be paid by the Corporation and/or MRDM without constituting a default under such credit, debt or loan facility. MRDM and the Corporation have elected to defer payment of the Production Shortfall Payment accordingly. Until paid in full to Macquarie Bank, the Production Shortfall Payment

shall bear interest at the Default Rate (as defined in the Agreement). In respect of MRDM, Macquarie Bank has agreed to forebear its rights to charge or accrue interest on the refund amount or exercise any such rights with respect to interest until April 30, 2015.

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

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 205,200 ounces of gold (approximately 26% of the open-pit reserves) of which 193,800 were sold forward at a price of \$1,600 per ounce and 11,400 ounces of gold at a price of \$1,211 per ounce, representing a notional amount of \$323,885,970.

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 notional amount of the Capex currency swaps remaining outstanding as at December 31, 2014 was R\$Nil (December 31, 2013 – R\$Nil). 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\$359,495,800.

Macquarie Bank is not obligated to deliver or make payments in respect of the derivative contracts per the agreements while MRDM is in default under the Facility. This has resulted in the Corporation not being able to settle its derivative contracts.

Derivatives arising from the currency swaps and gold forward sale contracts are intended to manage the risks 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".

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.

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, 2014, the principal balance outstanding on the Facility was \$188,391,830. Interest accrued during the year ended December 31, 2014 was \$22,515,951 (December 31, 2013 \$4,699,486). Facility fees paid and interest paid for the year ended December 31, 2014 were \$3,418,418 (December 31, 2013 - \$1,500,000 and \$305,438 in commitment fees) and \$19,643,712 (December 31, 2013 \$1,961,032), 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 from October 18, 2013 to October 31, 2013. This period has been amended from time to time, with the latest amendment providing for a forbearance period to April 30, 2015.

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 on October 18, 2013. These rates 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, Macquarie Bank had agreed to provide up to \$30 million, at its discretion, of additional financing under a "Tranche 3" of the Facility. Tranche 3 of the Facility was repayable on August 31, 2014 and bore interest at 20% per annum. In addition, facility fees of 5% were payable on each drawdown against Tranche 3.

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.

On May 16, 2014, Macquarie Bank agreed to increase the financing under Tranche 3 of the Facility to \$75 million.

On July 4, 2014, Macquarie Bank agreed to increase the financing under Tranche 3 of the Facility to \$80 million. Pursuant to the Forbearance Agreement, funds drawn under Tranche 3 of the Facility having to be repaid by December 31, 2014.

Subsequent to December 31, 2014, Macquarie Bank has agreed to increase the financing under Tranche 3 of the

Facility to \$121.07 million, resulting in a total Facility of \$211.07 million, and to extend the repayment date for any funds drawn down under Tranche 3 of the Facility to April 30, 2015. Tranche 3 bears interest at 20% per annum.

As of the date of this MD&A, the Corporation has drawn \$119.14 million against the Facility's Tranche 3, resulting in a total of \$209.14 million of principal outstanding under the Facility.

Summary of Derivatives at December 31, 2014

	Notional Amount by Term to Maturity (\$)				Fair Value (\$)
	Within 1 year	2 to 3 years	4 to 5 years	Total	
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)

Summary of Derivatives at December 31, 2013

	Notional Amount by Term to Maturity (\$)				Fair Value \$
	Within 1 year	2 to 3 years	4 to 5 years	Total	
Currency contracts:					
OPEX contract	42,656,201	85,312,402	74,648,352	202,616,955	(60,965,144)
Commodity contracts:					
Gold contract	72,960,000	145,920,000	127,680,000	346,560,000	76,553,422
Gold Options	-	32,000,000	-	32,000,000	(1,550,000)

Fair Values of Derivative Instruments

	Balance Sheet Classification	Fair Value as at December 31, 2014	Fair Value as at December 31, 2013	Balance Sheet Classification	Fair Value as at December 31, 2014	Fair Value as at December 31, 2013
Currency contracts:						
OPEX contract		-	-	Current liabilities	9,212,007	8,613,628
OPEX contract		-	-	Non-current liabilities	56,892,753	52,351,516
Commodity contracts:						
Gold contract	Current assets	14,433,715	18,010,647	Current liabilities	-	-
Gold contract	Non-current assets	58,150,907	58,542,775	Non-current liabilities	-	-
Gold Options		-	-	Non-current liabilities	460,000	1,550,000

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, 2014 amounted to a loss of \$8,018,416 (December 31, 2013 – gain of \$72,039,014). Realized gains or losses arising from settlement of currency and commodity contract derivatives for the year ended December 31, 2014 amounted to a gain of \$4,388,949 (December 31, 2013 – loss of \$3,699,900). 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,	
	2014	2013
Currency contracts:		
CAPEX contract	-	(2,630,470)
OPEX contract	9,680,613	34,244,487
Commodity contracts:		
Gold contract	(4,961,146)	(97,773,331)
Gold Options	(1,090,000)	(2,180,000)

Risks and Uncertainties

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

Limitations under the Facility

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

The Corporation's Level of Debt

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

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

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 \$1,208, 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 has entered into gold forward sales agreements representing 205,200 ounces, of which 193,800 at a price of \$1,600 per ounce and 11,400 ounces at a price of \$1,211. Deliveries under these agreements are to be spread out over the first five years of production.

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 \$ 2.76 per pound, however there can be no assurances that the price will remain at this level or be at such a price that the Corporation's properties can be exploited at a profit.

Currency Fluctuations

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

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.

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 Reais and U.S. dollar, and its expected sales of gold.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference

in the maintenance or provision of such infrastructure could adversely affect the Corporation's operations, financial condition and results of operations.

Liquidity Concerns and Future Financing

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

Competition

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

Acquisitions and Integration

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

Litigation Risks

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

financial position or results of operations.

Dependence on Key Individuals

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

Conflicts of Interest

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

Compliance with Anti-Corruption Laws

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

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

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

Insurance

The Corporation currently holds a certificate of insurance underwritten by Encon Group Inc. providing for Directors and Officers Liability coverage of up to \$15,000,000, inclusive of defence costs. Additionally, the Corporation carries a general liability policy in the amount of \$10,000,000. Furthermore, the Corporation, for and on behalf of MRDM, has obtained all-risk property insurance in the amount of \$204.9 million, machinery breakdown insurance

in the amount of \$100 million and bullion insurance in the amount of \$6 million in order to insure the risks associated with the operations of the RDM Project. There is no guarantee that these policies will provide sufficient protection for the Corporation and or MRDM against certain risks associated with mineral exploration, commercial exploitation and related corporate activities. Even with these policies in place, there remains a risk that unusual liabilities may not be covered or that the insured amounts may prove insufficient.

Fluctuation in Market Value of Carpathian's Shares

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

Rising Production Costs

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

Equipment, Materials and Skilled Technical Workers

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

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

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

Nature and Climatic Conditions

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

Water

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

Negative Operating Cash Flow

The Corporation had negative operating cash flow for Q4 2014 and year to date. To the extent that the Corporation has negative cash flow in future periods, the Corporation may need to deploy a portion of its cash reserves to fund such negative cash flow.

Current Global Financial Conditions

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

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Corporation's Interim Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their supervision, of the design and operating effectiveness of the Corporation's disclosure controls and procedures (as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) as at December 31, 2014 and have concluded that the disclosure controls and procedures were appropriately designed and have been effective, subject to the material weaknesses described below.

The Corporation has also established internal controls over financial reporting (as defined in National Instrument 52-109) ("ICFR") to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and preparation of its financial statements for external purposes in accordance with GAAP. The Corporation's Interim Chief Executive Officer and Chief Financial Officer assessed, or caused an assessment under their supervision, of the design and operating effectiveness of the Corporation's ICFR as at December 31, 2014 using the Committee of Sponsoring Organizations Internal Control – Integrated Framework. Based on that assessment, it was determined that the Corporation's ICFR was designed appropriately and was effective with the below noted exceptions.

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

Material weakness of Controls

Based on management's evaluation of controls, it was concluded that the Corporation's disclosure controls and procedures and its ICFR had material weaknesses. A material weakness is defined as a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the Corporation's annual or

interim financial statements will not be prevented or detected on a timely basis. The weaknesses in disclosure controls and procedures and ICFR, and the additional processes undertaken to address such weaknesses, can be summarized as follows:

Material weakness in the control environment

Management has concluded that, as of December 31, 2014, a material weakness existed in the design of internal control over financial reporting caused by failure of the Corporation to establish and communicate its expectations regarding standards of business conduct in the interests of developing and maintaining a culture of integrity, and to oversee compliance with such standards. This material weakness could result in business and accounting practices that could put both the Corporation's reputation and its financial reporting at risk. This material weakness should also be considered a material weakness in the Corporation's disclosure controls and procedures.

Management and the board are in the process of update the code of business conduct, and developing procedures to communicate it effectively and monitor its implementation throughout the organization.

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

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

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

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

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

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

Q1 2015 Outlook

The Corporation's priority for the last quarter of 2014 and the first quarter of 2015 is focused on completing the construction and installation of the final process and control systems of its process plant at the RDM Project that management believe will enable full capacity gold production. In addition, MRDM is proceeding with obtaining operating License and assessing temporary reduction in levels of mining and processing activities at MRDM for the next several months due to the availability of water. The Corporation will continue to pursue strategic alternatives, including possible sale or financial restructuring. While the Corporation also plans on advancing the permitting process with the regulatory bodies for its Rovina Valley Project, it will do so at a very conservative pace depending on the level of financing that is available to the Corporation. All environmental base line work and social programs will also continue on both the RDM and Rovina Valley Projects. Achievement of these objectives remain dependent on the Corporation's ability to access necessary financing, as required. The Corporation continues to operate as prudently as possible with an emphasis on cost containment.

Cautionary and non-GAAP Measures and Additional GAAP Measures

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

Cash costs

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

The measure of cash costs, along with revenue from sales, is considered to be a key indicator of a company's ability to generate earnings and cash flows from its mining operations. This data is furnished to provide additional information and is a non-GAAP measure. It should not be considered in isolation as a substitute for measures of performance prepared in accordance with IFRS and is not necessarily indicative of operating costs, operating profits or cash flows presented under IFRS.

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

Additional Measures

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

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

Additional Information

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

Approved by the Board of Directors

Dated: April 29, 2015