Carpathian Gold Inc.

Condensed Interim Consolidated Financial Statements
For the three month periods ended March 31, 2013 and 2012

(Unaudited)

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

As at

Assets	Note	March 31, 2013 $	December 31, 2012 $
Current assets			
Cash and cash equivalents		**9,067,269**	18,956,650
Restricted deposits	4	**10,189,320**	1,282,168
Prepaid expenses and sundry receivables		**1,328,940**	780,320
		20,585,529	21,019,138
Non-current assets			
Deposits and receivables		**16,897,070**	13,634,327
Deferred costs		**-**	319,631
Property, plant and equipment	5	**84,905,626**	54,215,259
Software license costs	6	**503,987**	455,188
Exploration and evaluation assets	7	**53,749,914**	52,370,068
Mine development assets	7	**24,424,294**	17,749,605
Total Assets		**201,066,420**	159,763,216
Liabilities			
Current liabilities			
Trade and other payables		**18,558,709**	8,531,932
Project facility – short-term	12	**12,249,684**	-
Derivative contracts	16	**3,756,984**	7,863,024
		34,565,377	16,394,956
Non-current liabilities			
Rehabilitation provisions	15	**3,947,980**	2,965,613
Project facility – long-term	12	**15,902,487**	-
Derivative contracts	16	**29,018,489**	46,407,712
Deferred income taxes		**533,055**	370,088
Total Liabilities		**83,967,388**	66,138,369
Equity attributable to Shareholders			
Share capital	8	**179,623,924**	179,623,924
Warrants	8	**3,256,109**	-
Contributed surplus		**10,428,134**	10,158,970
Accumulated deficit		**(78,896,557)**	(100,587,050)
Accumulated other comprehensive income		**2,687,422**	4,429,003
Total Equity		**117,099,032**	93,624,847
Total Liabilities and Equity		**201,066,420**	159,763,216

Approved by the Board of Directors

Director (signed) Dino Titaro Director (signed) David Danziger

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

Carpathian Gold Inc.
Consolidated Statements of (Income) loss and Comprehensive (Income) loss
For the three months ended March 31, 2013 and 2012
(In United States Dollars)
(Unaudited)

	Note	**2013** **$**	2012 $
General and administrative expenses	9(a)	**663,076**	768,811
Depreciation and amortization		**36,000**	30,743
Employee compensation expense	9(b)	**892,094**	959,943
Realized loss (gain) on derivative contracts		**1,005,314**	(986,795)
Unrealized (gain) loss on derivative contracts	16	**(22,895,264)**	9,433,952
Other (income) expense	9(c)	**(1,554,681)**	1,235,326
(Income) loss for the period before income tax provision		**(21,853,461)**	11,441,980
Income tax provision		**162,967**	**-**
(Income) loss for the period		**(21,690,493)**	11,441,980
Other comprehensive (income) loss			
Items that will not be reclassified to net (income) loss			
Cumulative translation adjustments		**1,741,581**	(3,397,270)
Other comprehensive (income) loss for the period		**1,741,581**	(3,397,270)
Total comprehensive (income) loss for the period		**(19,948,912)**	8,044,710
Basic and diluted earnings (loss) per share	10	**0.04**	(0.02)

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

Carpathian Gold Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the three months ended March 31, 2013 and 2012
(In United States Dollars)
(Unaudited)

	Share capital (Note 8) $	Warrants (Note 8) $	Contributed surplus $	Accumulated deficit $	Total Accumulated other comprehensive income (loss) $	Total $
Balance, January 1, 2012	179,137,481	254,257	8,029,223	(67,211,917)	1,248,160	121,457,204
Comprehensive income (loss)				(11,441,980)	3,397,270	(8,044,710)
Exercise of common share purchase warrants	18,077	(1,517)				16,560
Exercise of options	346,666		(97,199)			249,467
Amortization of options			522,028			522,028
Balance, March 31, 2012	179,502,224	252,740	8,454,052	(78,653,897)	4,645,430	114,200,549
Comprehensive loss				(21,933,153)	(216,427)	(22,149,580)
Exercise of common share purchase warrants	8,894	(759)				8,135
Expiry of common share purchase warrants		(251,981)	251,981			-
Exercise of options	112,806		(32,728)			80,078
Amortization of options			1,485,665			1,485,665
Balance, December 31, 2012	179,623,924	-	10,158,970	(100,587,050)	4,429,003	93,624,847
Comprehensive income				21,690,493	(1,741,581)	19,948,912
Issue of common share Purchase warrants		3,256,109				3,256,109
Amortization of options			269,164			269,164
Balance, March 31, 2013	179,623,924	3,256,109	10,428,134	(78,896,557)	2,687,422	117,099,032

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

Carpathian Gold Inc.
Consolidated Statements of Cash Flows
For the three months ended March 31, 2013 and 2012
(In United States Dollars)
(Unaudited)

	2013 $	2012 $
Cash flows from operating activities		
Income (loss) for the period	**21,690,493**	(11,441,980)
Depreciation and amortization	**36,000**	30,743
Unrealized foreign exchange loss	**(1,727,361)**	1,476,606
Share-based payments	**188,672**	360,255
Deferred income tax	**162,967**	-
Interest income	**(78,136)**	(259,398)
Deferred share unit costs	**(71,314)**	(18,118)
Unrealized (gain) loss on derivative contracts	**(22,895,264)**	9,433,952
Changes in non-cash working capital balances		
Deferred financing costs	**319,631**	-
Prepaid expenses and sundry receivables	**(548,620)**	974,340
Due from related party	**-**	145,393
Trade and other payables	**(444,048)**	(496,390)
	(3,366,980)	205,403
Cash flows from investing activities		
Restricted deposits	**(8,907,152)**	(4,947,085)
Interest income	**78,136**	259,398
Acquisition of property, plant and equipment	**(22,935,758)**	(10,250,486)
Acquisition of software licensing	**(79,121)**	(36,691)
Exploration and evaluation assets	**(1,683,000)**	(2,356,037)
Mine development assets	**(5,542,806)**	(2,606,070)
	(39,069,701)	(19,936,971)
Cash flows from financing activities		
Proceeds from shares issued (net of costs)	**-**	266,027
Proceeds from Project Loan Facility (net of costs)	**32,558,596**	-
	32,558,596	266,027
Effect of exchange rates on cash and cash equivalents	**(11,296)**	1,929,391
Decrease in cash and cash equivalents	**(9,889,381)**	(17,536,150)
Cash and cash equivalents – Beginning of period	**18,956,650**	65,635,863
Cash and cash equivalents – End of period	**9,067,269**	48,099,713

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

1. Nature of Operations

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

Carpathian Gold Inc. was incorporated under the laws of Canada on January 17, 2003 and is domiciled in Canada and its common shares are listed on the Toronto Stock Exchange ("TSX") trading under the symbol "CPN". The address of its registered office is 365 Bay Street, Suite 300, Toronto, Ontario.

2. Basis of Preparation

The Corporation prepares its condensed interim consolidated financial statements in accordance with IFRS as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These statements are condensed and do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended December 31, 2012.

These condensed interim consolidated financial statements were approved by the Board of Directors on May 7, 2013.

3. Significant accounting policies

These unaudited condensed interim consolidated financial statements have been prepared following the same accounting principles and methods of application as disclosed in the Corporation's audited financial statements for the year ended December 31, 2012. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Corporation's audited annual consolidated financial statements and the accompanying notes included in the 2012 Annual Report.

Principles of consolidation

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

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

(In United States Dollars unless otherwise indicated)

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

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

Changes in accounting policies

IFRS 10, *Consolidated Financial Statements* replaces the guidance on control and consolidation in IAS 27 Consolidated and Separate Financial Statements, and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affects its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Corporation assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

IFRS 11, *Joint Arrangements*, supersedes IAS 31, Interests in Joint Ventures, and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations. A corporation recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28, Investments in Associates and Joint Ventures (amended in 2011). The other amendments to IAS 28 did not affect the Corporation. The Corporation has no joint arrangements and concluded that the adoption of IFRS 11 did not result in any changes in the accounting for joint arrangements.

IFRS 12, *Disclosure of Interests in Other Entities* requires a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e. special purpose entities). The Corporation has assessed the disclosure of interests in other entities and concluded that the adoption of IFRS 12 did not result in any changes in disclosures.

IFRS 13, *Fair value measurement*, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Corporation adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Corporation to measure fair value and did not result in any measurement adjustments as at January 1, 2013. The Corporation has assessed the disclosure of fair value measurement and concluded that the adoption of IFRS 13 did not result in any changes in disclosures

IAS 1, *Amendment, Presentation of Items of Other Comprehensive Income,* requires the Corporation to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. The Corporation has adopted the amendments to IAS1 effective January 1, 2013. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: useable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The Corporation will assess the impact of adopting IFRIC 20 on the condensed interim consolidated financial statements on commencement of production.

New Accounting Standards

IFRS 9 - Financial Instruments

In November 2009, the IASB issued IFRS 9 - Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset.

Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 amends some of the requirements of IFRS 7 - Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on financial liabilities and de-recognition of financial instruments. In December 2011, the IASB issued an amendment that adjusted the mandatory effective date of IFRS 9 from January 1, 2013 to January 1, 2015. The Corporation is currently assessing the impact of adopting IFRS 9 on the consolidated financial statements.

4. Restricted Deposits

As at March 31, 2013 the Corporation's restricted deposits totaled $10,189,320 (December 31, 2012 - $1,282,168), representing currency held in US$ in Brazil which will be available to fund the operations of MRDM once it is converted to Brazilian Reais through execution of an exchange contract.

(In United States Dollars unless otherwise indicated)

5. Property, Plant and Equipment

Cost	**Land** $	**Assets under construction** $	**Buildings** $	**Leasehold Improvements** $	**Office Equipment** $	**Computer Equipment** $	**Vehicles** $	**Machinery & Equipment** $	**Total** $
Balance, December 31, 2011	398,226	3,624,787	206,850	332,027	439,467	276,938	432,941	10,054,279	15,765,515
Additions	-	38,835,133	217,411	6,868	46,205	175,723	-	4,129	39,285,469
Reclassification	-	(4,269,552)	-		106,556		49,015	4,032,661	(81,320)
Effect of changes in foreign exchange rates	-	-	-	24,404	1,728	1,064	-	959	28,155
Balance, December 31, 2012	**398,226**	**38,190,368**	**424,261**	**363,299**	**593,956**	**453,725**	**481,956**	**14,092,028**	**54,997,819**
Additions	**-**	**31,601,820**	**8,460**	**3,095**	**1,277**	**36,079**	**-**	**-**	**31,650,731**
Reclassification	**-**	**(118,218)**	**-**	**-**	**55,187**	**21,090**	**-**	**9,496**	**(32,445)**
Effect of changes in foreign exchange rates	**-**	**-**	**-**	**(4,988)**	**(1,529)**	**(823)**	**-**	**(442)**	**(7,782)**
Balance, March 31, 2013	**398,226**	**69,673,970**	**432,721**	**361,406**	**648,891**	**510,071**	**481,956**	**14,101,082**	**86,608,323**

Accumulated depreciation	**Land** $	**Assets under construction** $	**Buildings** $	**Leasehold Improvements** $	**Office Equipment** $	**Computer Equipment** $	**Vehicles** $	**Machinery & Equipment** $	**Total** $
Balance, December 31, 2011	-	-	13,629	71,126	81,357	117,587	182,451	26,743	492,893
Depreciation		-	18,129	69,399	29,347	58,431	74,174	38,612	288,092
Effect of changes in foreign exchange rates	-	-	-	411	491	633	-	40	1,575
Balance, December 31, 2012	**-**	**-**	**31,758**	**140,936**	**111,195**	**176,651**	**256,625**	**65,395**	**782,560**
Depreciation		**-**	**4,267**	**12,475**	**15,615**	**22,751**	**25,418**	**842,380**	**922,906**
Effect of changes in foreign exchange rates	**-**	**-**	**-**	**(1,391)**	**(361)**	**(859)**	**-**	**(158)**	**(2,769)**
Balance, March 31, 2013	**-**	**-**	**36,025**	**152,020**	**126,449**	**198,543**	**282,043**	**907,617**	**1,702,697**

Net book value	**Land** $	**Assets under construction** $	**Buildings** $	**Leasehold Improvements** $	**Office Equipment** $	**Computer Equipment** $	**Vehicles** $	**Machinery & Equipment** $	**Total** $
Balance, December 31, 2012	398,226	38,190,368	392,503	222,363	482,761	277,074	225,331	14,026,633	54,215,259
Balance, March 31, 2013	**398,226**	**69,673,970**	**396,696**	**209,386**	**522,442**	**311,528**	**199,913**	**13,193,465**	**84,905,626**

As at March 31, 2013 the carrying value of property, plant and equipment is comprised of $270,187 in corporate and other (December 31, 2012 - $287,932), $84,234,134 in Brazil (December 31, 2012 - $53,523,582) and $401,305 in Romania (December 31, 2012 - $403,745).

(In United States Dollars unless otherwise indicated)

6. Software License Costs

	Cost $	Accumulated Amortization $	Net Book Value $
Balance, December 31, 2011	541,998	122,819	419,179
Additions	118,679	90,881	27,798
Effect of changes in foreign exchange rates	9,211	1,000	8,211
Balance, December 31, 2012	**669,888**	**214,700**	**455,188**
Additions	**90,617**	**30,322**	**60,295**
Effect of changes in foreign exchange rates	**(8,208)**	**3,288**	**(11,496)**
Balance, March 31, 2013	**752,297**	**248,310**	**503,987**

As at March 31, 2013 the carrying value of software licensing fees is comprised of $217,224 in corporate and other (December 31, 2012 - $248,857), $267,382 in Brazil (December 31, 2012 - $185,725) and $19,381 in Romania (December 31, 2012 - $20,606).

7. Exploration and Evaluation and Mine Development Assets

Exploration and evaluation assets

	Romania $	Brazil $	Total $
Balance at December 31, 2011	37,719,149	2,454,674	40,173,823
Additions	9,638,747	2,557,498	12,196,245
Balance at December 31, 2012	**47,357,896**	**5,012,172**	**52,370,068**
Additions	**1,113,989**	**265,857**	**1,379,846**
Balance at March 31, 2013	**48,471,885**	**5,278,029**	**53,749,914**

Mine development assets

	Brazil $
Balance at December 31, 2011	21,306,965
Additions	11,361,320
Reclassifications	81,320
Gold Stream transactions	(15,000,000)
Balance at December 31, 2012	**17,749,605**
Additions	**6,642,244**
Reclassifications	**32,445**
Balance at March 31, 2013	**24,424,294**

(In United States Dollars unless otherwise indicated)

Romania

Carpathian has a 100% interest in the Rovina Exploration License which is held by SAMAX Romania SRL.

Brazil

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

8. Share Capital

(a) Authorized

Unlimited number of Common Shares, without par value.

Unlimited number of Preference Shares, without par value.

(b) Issued Common Shares

	Note	Number of Common Shares	Share Capital $
Balance at December 31, 2011		553,787,411	179,137,481
Common Shares issued on exercise of options	8(c)	1,557,500	459,472
Common Shares issued on exercise of purchase warrants	8(d)	75,000	26,971
Balance at December 31, 2012 and March 31, 2013		555,419,911	179,623,924

(In United States Dollars unless otherwise indicated)

(c) Stock Options

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

	Number of Options	**Weighted Average Exercise Price Cdn$**
Balance at December 31, 2011	**29,199,500**	**0.45**
Granted during the period	**9,230,000**	**0.40**
Exercised during the period	**(1,557,500)**	**0.21**
Expired during the period	**(1,245,000)**	**0.95**
Forfeited during the period	**(1,500,000)**	**0.42**
Expired during the period	**(2,120,000)**	**0.61**
Balance at December 31, 2012	**34,127,000**	**0.42**
Expired during the period	**(1,000,000)**	**0.45**
Balance at March 31, 2013	**33,127,000**	**0.42**

As at March 31, 2013, stock options held by directors, officers, employees and consultants are as follows:

	Options Outstanding	**Fair Value at Grant Date**	**Exercise Price Cdn$**	**Remaining Contractual Life**	**Options Exercisable**
Directors, officers and employees	2,925,000	700,484	0.45	43 days	2,925,000
Employees	420,000	27,896	0.20	277 days	420,000
Directors, officers and employees	2,570,000	210,285	0.20	316 days	2,570,000
Directors, officers and employees	6,090,000	969,557	0.30	1 year 210 days	6,090,000
Directors	200,000	71,579	0.56	2 years 212 days	200,000
Directors, officers and employees	11,092,000	3,831,942	0.58	3 years 138 days	7,394,666
Consultants	600,000	82,888	0.58	137 days	600,000
Directors, officers and employees	7,830,000	722,513	0.40	4 years 135 days	2,610,000
Consultants	400,000	13,912	0.40	1 year 135 days	200,000
Officer and employee	1,000,000	139,498	0.40	4 years 192 days	333,333
Balance at March 31, 2013	33,127,000	6,770,554		2 years 261 days	23,342,999

As at March 31, 2013 the number of stock options available for exercise was 23,342,999 at a weighted average exercise price of Cdn$0.42 and the aggregate remaining unamortized value of unvested stock options granted was $543,053.

Using the fair value method, total share-based compensation for stock options issued and outstanding for the period ended March 31, 2013 was $269,164 (March 31, 2012 - $522,028), of which $80,492 has been capitalized to exploration and development costs (March 31, 2012 - $156,540).

(In United States Dollars unless otherwise indicated)

(d) Common Share Purchase Warrants

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

	Number of Warrants	Weighted Average Exercise Price Cdn$
Balance at December 31, 2011	**8,377,717**	**0.33**
Expired warrants	**(8,302,717)**	**0.33**
Exercised by warrant holders	**(75,000)**	**0.33**
Balance at December 31, 2012	**-**	**-**
Issued on Finalization of Facility	**20,000,000**	**0.40**
Balance at March 31, 2013	**20,000,000**	**0.40**

The fair value of the Common share purchase warrants was estimated at $3,256,109 using the Black Scholes valuation model using the exercise price of Cdn$0.40, expiry of January 11, 2016 and volatility of 65.0%.

9. Expense Breakdown

(a) General and administrative expenses

	Period Ended March 31, 2013 $	2012 $
Professional fees	**300,463**	176,182
Investor relations and advertising	**141,863**	163,236
Travel, business and development	**127,894**	142,114
Office and general	**92,856**	287,279
	663,076	768,811

(b) Employee compensation expense

	Period Ended March 31, 2013 $	2012 $
Salaries and benefits	**774,736**	617,806
Share-based payments	**188,672**	360,255
Deferred share unit costs	**(71,314)**	(18,118)
	892,094	959,943

(In United States Dollars unless otherwise indicated)

(c) Other (income) expense

	Period Ended March 31,	
	2013	2012
	$	$
Foreign exchange (gain) loss	**(1,727,362)**	1,476,606
Interest income	**(78,136)**	(259,398)
Other expense	**1,114**	18,033
Interest expense	**249,703**	85
	(1,554,681)	1,235,326

10. Earnings (loss) per Share

Basic earnings/loss per share is calculated based on the weighted average number of Common Shares issued and outstanding during the period. Basic weighted average shares for the period ended March 31, 2013 is 555,419,911 (2012 – 554,481,916). Diluted weighted average shares for the three months ended March 31, 2013 were 556,274,197 which is calculated using the treasury stock method whereby proceeds deemed to be received on the exercise of options and warrants are applied to reacquire common shares. Stock options and warrants outstanding as at March 31, 2012 are considered anti-dilutive and therefore have been excluded from the calculation of diluted earnings per share as at March 31, 2012.

11. Deferred Share Units

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

(In United States Dollars unless otherwise indicated)

The following transactions occurred during the periods noted below:

	March 31, 2013	December 31, 2012
Number of DSUs outstanding, beginning of period	**2,395,434**	1,816,007
Granted to officers	**-**	513,145
Granted to directors	**-**	277,016
Redeemed (at market price of Cdn$0.28)	**-**	(210,734)
Number of DSUs outstanding, end of period	**2,395,434**	2,395,434
Market Value, end of period	**Cdn$0.28**	Cdn$0.31

	March 31, 2013	December 31, 2012
Liability, end of period	**$659,445**	$745,118

	March 31, 2013	March 31, 2012
Compensation recovery for the period	**(71,314)**	(18,118)

12. Project Loan Facility

On October 5, 2011, the Corporation announced that it would enter into a committed arrangement with Macquarie Bank Limited ("Macquarie Bank") for a Project Loan Facility (the "Facility") and associated currency and commodity price protection facilities to fund the construction and development of the RDM Mine.

In October 2012, Macquarie Bank agreed to increase its Facility to $90 million.

On January 11, 2013, the Corporation, through its wholly owned subsidiary, MRDM and Macquarie Bank signed the definitive agreement of the Facility. The Facility Agreement is a five year agreement with standard commercial terms as is customary in agreements of this nature. Subject only to interest breakage costs, the Corporation may repay the 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 using a Black-Scholes model is $3,256,109. In addition, the Corporation 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 Options"). The Gold Options had a fair value of $1,400,000 liability on the date of grant (Note 16). Total cost of debt issuance amounted to $7,097,513, which includes a $1.8 million fee to Macquarie and $0.7 million of other costs. The first draw down of $25 million occurred on February 1, 2013 against Tranche 2 and an additional $10 million was drawn on March 20, 2013 against Tranche 1. Of the $90 million Facility, the last $25 million can only be drawn by the Corporation after complying with certain filing and reporting conditions.

(In United States Dollars unless otherwise indicated)

As at March 31, 2013, the principal balance outstanding on the Facility was $35,000,000. Interest accrued during the period ended March 31, 2013 was $249,684.

This Facility bears interest at LIBOR plus a margin of 5.5% for Tranche 2 and 5.0% for Tranche 1. These will be reduced to LIBOR plus 5.0% and 4.5%, respectively on commencement of production. After the Corporation has drawn the entire Facility, quarterly installments are repayable as per the following table. In addition, principal payments are required to be made from available cash in excess of the Corporation's requirements.

	Repayment date	Tranche 1	Tranche 2	Total
Short-term	December 31, 2013	8,500,000	500,000	9,000,000
	March 31, 2014	5,000,000	1,500,000	6,500,000
Long-term	June 30, 2014	2,300,000	2,000,000	4,300,000
	September 30, 2014	5,500,000	1,000,000	6,500,000
	December 31, 2014	9,000,000	250,000	9,250,000
	March 31, 2015	6,500,000	750,000	7,250,000
	June 30, 2015	8,000,000	500,000	8,500,000
	September 30, 2015	4,000,000	2,500,000	6,500,000
	December 31, 2015	5,500,000	1,750,000	7,250,000
	March 31, 2016	5,500,000	1,750,000	7,250,000
	June 30, 2016	5,200,000	2,000,000	7,200,000
	September 30, 2016	-	1,500,000	1,500,000
	December 31, 2016	-	4,500,000	4,500,000
	March 31, 2017	-	4,500,000	4,500,000
		65,000,000	25,000,000	90,000,000

13. Segmented Information

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

Operating Segment	**Corporate and Other**	**Brazil**	**Romania**	**Consolidated Total**
Consolidated Statement of Financial Position				
For the period ended March 31, 2013				
Total Assets	**9,599,445**	**142,624,215**	**48,842,760**	**201,066,420**
Total Liabilities	**1,193,935**	**81,925,167**	**848,286**	**83,967,388**
For the year ended December 31, 2012				
Total Assets	13,174,155	98,779,697	47,809,364	159,763,216
Total Liabilities	2,141,329	63,126,585	870,455	66,138,369

(In United States Dollars unless otherwise indicated)

Operating Segment	**Corporate and Other**	**Brazil**	**Romania**	**Consolidated Total**
Consolidated Statement of (Income) Loss and Comprehensive (Income) Loss				
For the period ended March 31, 2013				
General and administrative expenses (Including depreciation and amortization)	**537,903**	**161,173**	**-**	**699,076**
Employee compensation costs	**615,286**	**276,808**	**-**	**892,094**
Realized loss on derivative contracts	**-**	**1,005,314**	**-**	**1,005,314**
Unrealized gain on derivative contracts	**-**	**(22,895,264)**	**-**	**(22,895,264)**
Foreign exchange gain	**(1,701,053)**	**(13,121)**	**(13,187)**	**(1,727,361)**
Interest income	**(13,633)**	**(64,503)**	**-**	**(78,136)**
Other expense	**18**	**250,798**	**-**	**250,817**
Income tax provision	**-**	**-**	**162,967**	**162,967**
Loss (income) for the period	**(561,479)**	**(21,278,795)**	**149,780**	**(21,690,493)**
Other Comprehensive loss for the period	**1,741,581**	**-**	**-**	**1,741,581**
Total comprehensive loss (income) for the period	**1,180,102**	**(21,278,795)**	**149,780**	**(19,948,912)**
For the period ended March 31, 2012				
General and administrative expenses (Including depreciation and amortization)	618,176	181,378	-	799,554
Employee compensation costs	771,190	188,753		959,943
Realized loss on derivative contracts	-	(986,795)	-	(986,795)
Unrealized loss on derivative contracts	-	9,433,952	-	9,433,952
Foreign exchange (gain) loss	1,794,227	(322,524)	4,903	1,476,606
Interest income	(196,830)	(62,568)	-	(259,398)
Other expense	85	18,033	-	18,118
Loss for the period	2,986,848	8,450,229	4,903	11,441,980
Other Comprehensive income for the period	(3,397,270)	-	-	(3,397,270)
Total comprehensive (income) loss for the period	(410,422)	8,450,229	4,903	8,044,710

(In United States Dollars unless otherwise indicated)

14. Related Parties

As at March 31, 2013 there were no amounts due to or from related parties (December 31, 2012 - $Nil).

The Corporation's transactions with related parties included in various balances for the periods ended March 31, 2013 and 2012 are summarized below:

		March 31, 2013	March 31 2012
Administrative Expenses			
Design Devi (graphic design)	(i)	**-**	3,492

(i) Transactions with DesignDevi, a partnership in which Dino Titaro, a director, President and Chief Executive Officer of the Corporation, is a partner, represent the provision of graphic design and printing services to the Corporation.

15. Rehabilitation Provisions

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

	March 31, 2013	December 31, 2012
Balance at beginning of period	**2,965,613**	-
Provision	**-**	2,965,613
Change in estimate	**982,367**	-
	3,947,980	2,965,613

As at March 31, 2013, the Corporation estimated the total undiscounted amount of the estimated cash flows required to settle the decommissioning and other rehabilitation obligations of the Corporation's Brazilian subsidiary to be approximately $8,200,000 with the most significant expected outflows commencing in approximately 8.25 years. As at March 31, 2013 the rehabilitation provision has been discounted using a discount rate of 5.25%. The Corporation has recorded the rehabilitation provision based on the percentage of completion of the construction project as at March 31, 2013.

16. Derivative Contracts

Gold Stream Transaction

On May 20, 2010, the Corporation closed the gold stream transaction for $30 million with Macquarie for its Riacho dos Machados gold project (the "Project") in Brazil. Under the terms of the purchase and sale agreement (the "Agreement"), Macquarie will make upfront cash payments (the "Upfront Payments") totaling $30 million in return for which it will have the right to purchase 12.5% of the gold produced from the Project at a price of $400 per ounce of payable gold delivered ("Delivered Gold Ounce"). Based on the life of mine model (as determined from the Preliminary Economic Assessment ("PEA") previously released on August 12, 2009), the effective total proceeds per ounce to Carpathian per Delivered Gold Ounce will be approximately $730. The price per Delivered Gold Ounce to Carpathian will be subject to an inflation escalator. Macquarie will also have the right to extend its participation to purchase 12.5% of the additional gold produced from any underground operation within the mining concession and five contiguous exploration licenses, as well as any open pit and/or underground operation on the balance of the property outside of the existing mining concession and five contiguous exploration licenses referred to above (the "Expanded Production"), by contributing 12.5% of the capital required to develop the Expanded Production and paying $450 per Delivered Gold Ounce. This price per ounce will also be subject to adjustment by the price escalation and inflation factors described above.

The transaction has been recorded as a sale of a partial mineral property interest and the Upfront Payments are being accounted for as a recovery of exploration and development costs. Accordingly, no immediate gain or loss has been recognized on the transaction. As of December 31, 2012, the full $30 million had been received as Upfront Payment**.**

In conjunction with the Project Loan Facility (Note 12), the Corporation through Macquarie Bank, also entered into price protection programs in the form of currency swaps for the Project's capital expenditures ("CAPEX") (R$1.90 to US$1.00) and estimated operating expenditures ("OPEX") (R$1.983 to US$1.00) as well as a gold price protection program comprised of 216,600 ounces of gold (approximately 26% of the open-pit reserves) at a price of $1,600 per ounce. The fair value of the Gold Options granted to Macquarie Bank was estimated at $1 million on March 31, 2013 and is included in the long-term derivative liability.

The CAPEX currency swap was arranged to mitigate the risk associated with fluctuations in the Brazilian Reais (R$) during the mine construction period relative to the US$. The notional amount of the CAPEX currency swaps that have not been settled by March 31, 2013 is R$94,314,827. The OPEX currency swaps were arranged to cover R$/US$ currency fluctuations during the initial years of the mine operations for a notional amount of R$383,999,998. The gold contracts were arranged to mitigate the risk of fluctuations in the price of gold and has a notional amount of $346,560,000.

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

(In United States Dollars unless otherwise indicated)

Summary of Derivatives at March 31, 2013

	Notional Amount by Term to Maturity ($) Within 1 year	2 to 3 years	4 to 5 years	Total	Fair Value $
Currency contracts:					
CAPEX contract	48,710,298	-	-	48,710,298	(2,204,062)
OPEX contract	28,678,064	80,402,420	84,565,506	193,645,990	(24,456,716)
Commodity contracts:					
Gold contract	41,840,000	162,240,000	142,480,000	346,560,000	(5,114,695)
Gold Options	-	20,000,000	-	20,000,000	(1,000,000)

Fair Values of Derivative Instruments

	Balance Sheet Classification	**ir Value as at March 31, 2013**	Fair Value as at December 31, 2012	Balance Sheet Classification	**Fair Value as at March 31, 2013**	Fair Value as at December 31, 2012
Currency contracts:						
CAPEX contract	Current assets	**-**	**-**	Current liabilities	**2,204,062**	5,376,103
				Non-current liabilities	**-**	-
OPEX contract		**-**	**-**	Current liabilities	**1,494,922**	1,377,758
OPEX contract		**-**	**-**	Non-current liabilities	**22,961,794**	26,297,166
Commodity contracts:						
Gold contract	Current assets	**-**	**-**	Current liabilities	**58,000**	1,109,163
Gold contract	Non-current assets	-	**-**	Non-current liabilities	**5,056,695**	20,110,546
Gold Options		-	**-**	Non-current liabilities	**1,000,000**	-

Changes in the fair value of the Gold Options derivative in the Agreement and the currency and gold contract derivatives are recognized in the consolidated statement of income as gains or losses on non-hedge derivatives.

Losses (Gains) on Derivatives

	March 31, 2013 $	March 31, 2012 $)
Currency contracts:		
CAPEX contract	**(3,172,040)**	(4,524,038)
OPEX contract	**(3,218,208)**	(5,715,101)
Commodity contracts:		
Gold contract	**(16,105,016)**	18,686,296
Gold Options	**(400,000)**	-

(In United States Dollars unless otherwise indicated)

17. Financial Instruments and fair values

Measurement categories

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of income or comprehensive income. The following table shows the carrying amounts and fair values of assets and liabilities for each of these categories at March 31, 2013 and December 31, 2012.

		March 31, 2013		December 31, 2012	
	Level	**Carrying amount**	**Estimated fair value**	Carrying amount	Estimated fair value
Financial Assets					
Loans and receivables					
Cash and cash equivalents[1]		**9,067,269**	**9,067,269**	18,956,650	18,956,650
Restricted deposits[1]		**10,189,320**	**10,189,320**	1,282,168	1,282,168
Sundry Receivables[1]		**151,137**	**151,137**	241,024	241,024
Financial Liabilities					
Amortized cost					
Trade and other payables[1]		**17,899,264**	**17,889,264**	7,786,814	7,786,814
Project Loan Facility[3]		**28,152,171**	**35,000,000**		
Fair value through profit and loss					
Derivative contracts	**2**	**32,775,473**	**32,775,473**	54,270,736	54,270,736
Deferred Share Units[2]	**1**	**659,445**	**659,445**	745,118	745,118

[1] Fair value approximates the carrying amount due to the short-term nature.
[2] Based on market price of the Corporation's common shares at period end.
[3] Fair value represents the face value of the loan facility.

Fair value hierarchy

The fair value hierarchy establishes three levels to classify inputs to valuation techniques used to measure fair value. Level 1 inputs are valued at quoted prices in active markets for identical assets or liabilities. Level 2 inputs are valued at quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market data or other means. There are no Level 3 instruments.

18. Commitments

Lease Commitment

The Corporation has entered into a Sub-Lease Agreement from December 1, 2010 and expiring on March 30, 2018 for office space. The minimum annual rent is Cdn$35,640 for the entire term of the sub-let plus applicable expenses.

As at March 31, 2013, the Corporation has finalized and signed contracts for the construction, development and operating activities in Brazil as follows:

(In United States Dollars unless otherwise indicated)

	Within 1 year	2 to 3 years	4 to 5 years	6 to 7 years	Total
Construction and supply contracts	59,875,343	2,070,380	-	-	61,945,723
Office lease	118,421	315,790	197,368		631,579
Equipment lease	878,222	439,111	-	-	1,317,333

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

19. Capital Disclosures

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

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

In accordance with the terms of the Facility (Note 12), the Corporation is required to maintain certain covenants, most of which will become effective on commencement of production. As of March 31, 2013, the Corporation is in compliance with the covenants.

20. Financial Risk Factors

The Corporation's financial instruments are comprised of financial liabilities and financial assets. Financial liabilities include accounts payable, Facility and derivatives arising from its currency and price protection facilities. The Corporation's main financial assets are cash and cash equivalents, restricted deposits and sundry receivables. The main risks that could adversely affect Carpathian's financial assets, liabilities or future cash flows are as follows:

(a) Credit Risk

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

(b) Liquidity Risk

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due. As at March 31, 2013, the Corporation had cash and cash equivalents and restricted deposits totalling $19,256,589 and $55,000,000 undrawn funds from the Facility to settle current liabilities of $34,565,377. Current liabilities consist of trade and other payables, Facility repayments and derivative contracts that are predominantly due within three months to not later than a year. Commitments, consisting primarily of construction contracts are included in Note 18.

(d) Market Risk

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

(i) Interest rate risk

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

As of March 31, 2013, management estimates that if interest rates had changed by 0.5% the impact on investment income and net loss for the period would have been approximately $28,602.

(ii) Foreign currency risk

The Parent's functional currency is the Canadian dollar. The Corporation is affected by currency transaction and translation risk. The Corporation funds its European and Brazilian exploration and development activities using U.S. dollar currency converted from its Canadian dollar bank accounts. The Corporation's liabilities incurred in Canada are primarily payable in Canadian dollars. Liabilities incurred in Romania are settled in Romanian Lei or Euros and liabilities incurred in Brazil are settled in Brazilian Reais. As at March 31, 2013, the Corporation held cash and cash equivalents of $2,671,187 in Brazilian Reais, $3,101,383 in Canadian dollars and $42,872 in various European currencies. Consequently, fluctuations in the U.S. dollar currency against these currencies directly affect the cost of our property, plant and equipment assets and operating expenditures for our various subsidiaries. Management closely monitors variations in the exchange rates of the currencies in which it transacts business. To further mitigate these inherent risks the Corporation has entered into certain currency swap arrangements effective December 15, 2011 covering a substantial portion of its CAPEX and OPEX on the RDM Project in Brazil.

As of March 31, 2013, excluding the effect fluctuations in the R$/US$ exchange rate would have on the valuation of its currency derivatives, management estimates that if foreign exchange rates had changed by 1% against the U.S. dollar, the impact on net loss for the period would have been approximately $51,570.

(iii) Commodity price risk

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

21. Prior Year Comparatives

Certain classification of comparative numbers have been changed to conform to those used in the current period.

22. Subsequent Event

On April 22, 2013, the Corporation drew an additional $10 million against the Facility.