Carpathian Gold Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended March 31, 2016 and 2015.

The following management discussion and analysis ("**MD&A**") should be read in conjunction with the audited consolidated financial statements of Carpathian Gold Inc. ("**Carpathian**" or the "**Corporation**"), for the year ended December 31, 2015 and the condensed interim consolidated financial statements for the three months ended March 31, 2016 ("**Q1 2016**") and the Corporation's other securities filings available on www.sedar.com. The Corporation reports its condensed interim consolidated financial statements in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. All financial figures contained in this MD&A are denominated in United States dollars (US$), unless otherwise specified.

Date of MD&A

This MD&A is current as of May 27, 2016.

Cautionary Statements Regarding Forward-looking Information

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

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

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

- the availability of financing for the Corporation's activities;
- operating and capital costs;

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

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

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

Responsibility of Management and the Board of Directors

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

Overview

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

Brazil

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

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

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

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

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

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

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

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

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

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

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

As at March 31, 2016 and December 31, 2015, all of the assets and liabilities of MRDM (refer to the table below) were classified as held for sale, and the previously announced assignment was completed on April 29, 2016 resulting in a loss of control.

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

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

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

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

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

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

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

As part of the completion of the Feasibility Study along with environmental impact assessments, a reclamation program was developed for the mining license. A total cost of $8.2 million is the current estimate as the projected liability on the closure of the operations. Further environmental impact assessments will provide a more detailed analysis of the future costs of compliance with applicable environmental requirements and will also provide a better estimate of the eventual costs of reclamation obligations at the end of the mine life. MRDM has achieved commercial production as of October 1, 2014 and recorded the rehabilitation provision based on the percentage of completion of 100%. As at March 31, 2016, the rehabilitation provision has been discounted using a discount rate of 5.65% and an obligation of approximately $5.7 million has been recorded (December 31, 2015 - $5.7 million).

Romania

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

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

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

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

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

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

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

The 2012 resource update is shown below:

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

- *Au eq. determined by using a gold price of US$1,370 per ounce and a copper price of US3.52/lb. These prices are the 3-year trailing average as of July 10, 2012. Metallurgical recoveries are not taken into account for Au eq.
- Base case cut-off used in the table are 0.35 g/t Au eq. for the Colnic deposit and 0.25% Cu eq for the Rovina deposit, both of which are amenable to open pit mining and 0.65 g/t Au eq for the Ciresata deposit which is amenable to underground bulk mining.
- For the Rovina and Colnic porphyries, the resource is an in-pit resource derived from a Whittle shell model using gross metal values of $1,350/oz Au price and $3.00/lb Cu price, net of payable amounts after smelter charges and royalty for net values of US$1,313/oz Au and US$2.57/lb Cu for Rovina and US$2.27/Ib 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 competed in March 2010.

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

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

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

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

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

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

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

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

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

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

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

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

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

Results of Operations

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

For the quarters ended	**Q1 2016**	**Q4 2015**	**Q3 2015**	**Q2 2015**	**Q1 2015**	**Q4 2014**	**Q3 2014**	**Q2 2014**
Net income (loss) for the period from continuing operations	(6,207,212)	1,041,452	3,814,824	(3,768,613)	4,491,557	(10,367,089)	(9,353,077)	(32,082,782)
Net income (loss) for the period from discontinued operations	(92,973)	(28,867,182)	(25,720,219)	766,482	(25,388,107)	(132,573,430)	19,708,777	(31,603,986)
Basic and diluted income (loss) per share from continuing operations	(0.01)	-	0.01	-	0.01	(0.01)	(0.01)	(0.05)
Basic and diluted income (loss) per share from discontinued operations	-	(0.04)	(0.04)	-	(0.04)	(0.19)	0.03	(0.05)
Exploration and evaluation expenditures from continuing operations	216,011	205,688	303,499	199,620	234,580	443,969	752,232	121,815
Exploration and evaluation expenditures from discontinued operations	-	-	-	-	-	219,989	3,931	152,530
Mine development expenditures from discontinued operations	594,168	99,720	299,868	600,659	804,321	528,909	6,730,042	6,719,214

Results of Operations for the three months ended March 31, 2016 ("Q1 2016")

During Q1 2016, MRDM was primarily focused on achieving as much production as possible based on the availability of water. No substantial exploration fieldwork was carried out in Brazil or Romania during Q1 2016. Both SAMAX (Romania) and MRDM (Brazil) continued to be engaged with/or reporting to their respective mineral-rights governmental agencies regarding the maintenance of mineral rights tenure.

The net loss from continuing operations for Q1 2016 was $6,207,212 compared to a net income of $4,491,557 for Q1 2015. Due to the movement in the value of the Canadian dollar relative to the US$, an unrealized foreign exchange loss of $4,556,060 was recorded in Q1 2016 compared to an unrealized foreign exchange gian of $6,298,418 in Q1 2015. In Q1 2016, a non-cash impairment charge of $214,904 was recognized against the carrying value of Romania compared to $230,100 in Q1 2015.

The basic and diluted loss per share from continuing operations was $nil in Q1 2016 versus income per share of $0.01 in Q1 2015.

The net loss from discontinued operation under MRDM for Q1 2016 was $92,973 compared to a net loss of $25,388,107 for Q1 2015. The basic and diluted loss per share from discontinued operation was $nil in Q1 2016 versus loss per share of $0.04 in Q1 2015.

Operating data	**Q1 2016**	**Q1 2015**
Tonnes mined	**316,721**	
Tonnes processed	**386,395**	**484,487**
Grade (grams/tonnes)	**1.23**	**1.07**
Recovery	**84%**	**84%**
Gold ounces		
- Produced	**12,845**	**14,004**
- Sold	**13,285**	**17,430**

Financial data	**Q1 2016**	**Q1 2015**
Net (loss) income from continuing operations	**(6,207,212)**	**4,491,557**
Net (loss) income from discontinued operation	**(92,973)**	**(25,388,107)**
Basic and diluted (loss) income per share from continuing operations	**(0.01)**	**0.01**
Basic and diluted (loss) income per share from discontinued operation	**(0.00)**	**(0.04)**
Exploration and evaluation expenditures from continuing operations	**216,011**	**230,100**
Exploration and evaluation expenditures from discontinued operation	**-**	**-**

(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 March 31, 2016, the Corporation had cash and cash equivalents of $1,195,164 ($549,076 – at December 31, 2015) and restricted deposits of $903,951, $Nil of which is held in assets classified as held for sale) ($1,248,000 and $334,049 respectively- at December 31, 2015) and a working capital shortfall of $313,573,251 ($249,341,174 as at December 31, 2015).

As at March 31, 2016, the Corporation's available funds were not sufficient to fund the continuing operations of the exploration work in Romania, working capital requirements and corporate administration. The Corporation will need to secure additional financing in the future in order to meet the Corporation's requirements for funding of continuing operations. Nevertheless, there is no assurance that these initiatives will be successful or sufficient. These circumstances lead to material uncertainties and therefore significant doubt as to the ability of the Corporation to meet its obligations as they become due and, accordingly, the ultimate appropriateness of use of the accounting principles applicable to a going concern. (See also "**Subsequent events**")

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

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

Financing Activities

As of March 31, 2016, an aggregate of approximately US$273.11 million had been drawn down by MRDM under the amended Facility, and the current forbearance period expired on April 1, 2016 (see also "**Disposition of MRDM**").

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

Disposition of MRDM

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

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

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

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

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

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

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

As at March 31, 2016 and December 31, 2015, all of the assets and liabilities of MRDM (refer to the table below) were classified as held for sale as this transition which was expected to be completed on April 29, 2016, resulting in a loss of control. As the agreed selling price is lower than the previously recorded book values, the Corporation recorded an impairment of $1,132,588 in the three months ended March 31, 2016. Refer to Note 5 in the unaudited condensed interim consolidated financial statements for further details of the impairment loss. The closing took place on April 29, 2016.

	March 31, 2016	**December 31, 2015**
Assets		
Current assets		
Cash and cash equivalents	$ 379,733	$ 72,335
Restricted deposits	-	344,049
Trade receivables	1,208,509	2,921,436
Prepaid expenses and sundry receivables	1,666,367	345,184
Inventory	42,732,682	42,858,731
	45,987,291	46,541,735
Non-current assets		
Deposits and receivables	6,429,719	5,637,090
Property, plant and equipment	4,035,674	6,999,791
Mine development assets	6,196,672	3,233,578
Total Assets	62,649,356	62,412,194
Liabilities		
Current liabilities		
Trade and other payables	$ 9,507,044	$ 8,991,658
Project loan facility – short-term	273,112,134	270,770,175
Payables from Gold Stream transaction	27,549,600	27,549,600
Non-current liabilities		
Rehabilitation provisions	5,721,830	5,656,025
Total Liabilities	315,890,608	312,967,458

Impairment

As at March 31, 2016, a number of impairment indicators were noted by the Corporation in accordance with IAS 36, Impairment of Assets (“**IAS 36**”) for its property, plant and equipment and mine assets and in accordance with IFRS 6, Exploration for and Evaluation of Mineral Resources (“**IFRS 6**”) for its exploration and evaluation assets. Consequently, the Corporation undertook an impairment test on each of its identified CGUs, being MRDM and Romania (“**Rovina Valley Project**”).

Romania

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

The fair value less costs of disposal ("**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, during the three months ended March 31, 2016, exploration and evaluation assets were impaired by $214,904 (three months ended March 31, 2015: $230,100). The impairment charges were included within the net loss from continuing operations for the three months ended March 31, 2016 in the statement of loss and comprehensive loss. The fair value of the CGU was measured using market approach and Level 3 inputs.

MRDM

During 2016, the key impairment indicators noted for this CGU were the continued delays of the RDM Project to achieve production levels in accordance with its initial life of mine plan, market capitalization below the carrying value of the net assets of the Corporation as a whole, negative cash flows from operating activities, a significant debt facility with Macquarie repayable on demand due to the Corporation defaulting on related covenants and expected disposal of the MRDM project.

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

For MRDM CGU, for the three months ended March 31, 2016, impairment charges totaled $1,132,558.

Disclosure of Outstanding Share Data

As at the date of this report, the total issued and outstanding number of Common Shares is 907,221,497.

Options

As at March 31, 2016, stock options held by directors, officers, employees and consultants are as follows:

	Options Outstanding	**Fair Value at Grant Date**	**Exercise Price Cdn$**	**Remaining Contractual Life**	**Options Exercisable**
Directors, officers and employees	5,241,000	1,810,603	0.58	138 days	5,241,000
Directors, officers and employees	3,520,000	327,527	0.40	1 years 135 days	3,520,000
Employees	1,200,000	23,241	0.03	3 years 80 days	800,000
Balance at March 31, 2016	9,961,000	**2,161,371**		1 year 26 days	**9,561,000**

Warrants

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%. During the three months ended March 31, 2016, these warrants expired unexercised.

As at the date hereof, on a fully diluted basis, the total issued and outstanding number of Common Shares is 997,482,495.

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

Commitments

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

As at March 31, 2016, 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	3,856,332	-	3,856,332
Office lease	70,246	-	70,246

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 March 31, 2016, there were no amounts due to or from related parties (December 31, 2015 - $Nil).

Financial Instruments – Derivatives

Project Loan Facility

As at March 31, 2016, the principal balance outstanding on the Facility was $273,112,134. Interest accrued during the three months ended March 31, 2016 was $nil (three months ended March 31, 2015 - $7,281,390). Facility fees paid for the three months ended March 31, 2016 were $nil (three months ended March 31, 2015 - $801,052). Interest paid for the three months ended March 31, 2016 were $nil (three months ended March 31, 2015 - $10,188,508), respectively.

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

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

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

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

Risks and Uncertainties

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

Limitations under the Facility

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

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 $1,211, there can be no assurance that gold prices will remain at such levels or be such that the Corporation's properties can be exploited at a profit. If the price of gold declines, it could have a material adverse effect on the Corporation's share price, business and operations.

Volatility of Copper Price

The price of copper is dependent on the global supply and demand factors that are beyond the control of the Corporation. The price of copper is currently in the order of $2.14 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.

Infrastructure

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

Liquidity Concerns and Future Financing

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

Competition

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

Acquisitions and Integration

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

Litigation Risks

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

Dependence on Key Individuals

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

Conflicts of Interest

The directors and officers of the Corporation 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 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. There is no guarantee that these policies will provide sufficient protection for the Corporation 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 continuingly 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 or ore and other impacts which could cause the Corporation's projects to be less profitable than currently anticipated and could result in a material adverse effect on the Corporation's results of operations and financial position.

Negative Operating Cash Flow

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

Current Global Financial Conditions

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

Subsequent Event

On May 9, 2016, the Corporation announced that it agreed to a private placement into the Corporation whereby Forbes & Manhattan Resources Inc. ("**Forbes**") and its associated entities will subscribe to a private placement (the "**Private Placement**") of units (the "**Units**") for a minimum amount of ten million dollars (CAD$10,000,000) to advance its Rovina Valley Gold Project in Romania. On May 19, 2016, the Corporation closed the Private Placement whereby Forebes, Sulliden Mining Capital Inc. and Black Iron Inc. subscribed to the Units at subscription price of CAD$0.07 per Unit for aggregate gross proceeds of CAD$10,000,000. Each Unit consists of one (1) common share of the Corporation ("Common Share") and one-half (0.5) of a common share purchase warrant ("**Warrant**"). Each whole Warrant will entitle the holder to acquire one (1) Common Share at a price of CAD$0.12 for a period of two (2) years from the date of issuance. However, the Warrant exercise period may be accelerated if after the date that is 4 months and a day following the closing, the Common Shares trade at a price above CAD$0.15 for a period of 20 consecutive trading days.

Q2 2016 Outlook

In Q2 2016, the Corporation plans on advancing the permitting process with the regulatory bodies for its Rovina Valley Project. All environmental base line work and social programs will also continue on the Rovina Valley Project. Achievement of these objectives remains dependent on the Corporation's ability to access necessary financing, as required. The Corporation continues to operate as prudently as possible with an emphasis on cost containment.

Cautionary and non-GAAP Measures and Additional GAAP Measures

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

Additional Information

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

Approved by the Board of Directors

Dated: May 27, 2016