Carpathian Gold Inc.

Condensed Interim Consolidated Financial Statements
For the three and nine month periods ended September 30, 2013 and 2012

(Unaudited)

Notice of no auditor review of Condensed Interim Consolidated Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statement have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation’s management.

The Corporation’s independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim consolidated financial statements by an entity’s auditor.

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

As at

Assets	Note	September 30, 2013 $	December 31, 2012 $
Current assets			
Cash and cash equivalents		**2,521,766**	18,956,650
Restricted deposits	5	**5,775,433**	1,282,168
Derivative contracts	17	**12,897,890**	-
Prepaid expenses and sundry receivables		**1,448,440**	780,320
Inventory		**5,839,547**	-
		28,483,076	21,019,138
Non-current assets			
Deposits and receivables		**7,443,025**	13,634,327
Deferred costs		**-**	319,631
Property, plant and equipment	4 and 6	**118,170,927**	54,215,259
Software license costs	7	**698,739**	455,188
Derivative contracts	17	**33,901,905**	-
Exploration and evaluation assets	4 and 8	**54,446,433**	52,370,068
Mine development assets	4 and 8	**37,467,904**	17,749,605
Total Assets		**280,612,009**	159,763,216
Liabilities			
Current liabilities			
Trade and other payables		**31,311,389**	8,531,932
Project loan facility– short-term	13	**90,646,290**	-
Derivative contracts	17	**9,049,507**	7,863,024
		131,007,186	16,394,956
Non-current liabilities			
Rehabilitation provisions	16	**4,610,152**	2,965,613
Derivative contracts	17	**37,824,740**	46,407,712
Deferred income taxes		**562,903**	370,088
Total Liabilities		**174,004,981**	66,138,369
Equity attributable to Shareholders			
Share capital	9	**197,216,638**	179,623,924
Warrants	9	**3,256,109**	-
Contributed surplus		**10,857,850**	10,158,970
Accumulated deficit		**(105,658,307)**	(100,587,050)
Accumulated other comprehensive income (loss)		**934,738**	4,429,003
Total Equity		**106,607,028**	93,624,847
Total Liabilities and Equity		**280,612,009**	159,763,216

Basis of Preparation and Going Concern (Note 1)

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 and nine months ended September 30, 2013 and 2012
(In United States Dollars)
(Unaudited)

	Note	Three-Month Period Ended September 30 2013 $	2012 $	Nine-Month Period Ended September 30 2013 $	2012 $
General and administrative expenses	10(a)	**517,668**	786,128	**2,305,074**	2,450,784
Depreciation and amortization		**32,820**	30,918	**102,158**	92,256
Employee compensation expense	10(b)	**788,875**	1,576,517	**2,525,111**	3,187,536
Impairment	4	**56,769,875**	-	**56,769,875**	-
Realized (gain) loss on derivative contracts		**-**	-	**2,745,632**	(1,305,134)
Unrealized (gain) loss on derivative contracts	17	**17,371,465**	30,390,224	**(57,246,285)**	39,463,602
Other (income) expense	10(c)	**2,663,936**	3,687,004	**(2,323,121)**	2,804,880
Loss for the period before income tax provision		**78,144,639**	36,470,791	**4,878,444**	46,693,924
Income tax (recovery) provision		**26,138**	(94,846)	**192,815**	(94,846)
Loss for the period		**78,170,777**	36,375,945	**5,071,259**	46,599,078
Other comprehensive loss					
Cumulative translation adjustments		**(1,144,881)**	(4,739,675)	**3,494,265**	(4,371,712)
Other comprehensive (income) loss for the period		**(1,144,881)**	(4,739,675)	**3,494,265**	(4,371,712)
Total comprehensive loss for the period		**77,025,896**	31,636,270	**8,565,524**	42,227,366
Basic and diluted loss per share	11	**(0.13)**	(0.07)	**(0.01)**	(0.08)

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 and nine months ended September 30, 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)				(10,223,133)	(367,963)	(10,591,096)
Exercise of common share purchase warrants	26,971	(1,517)	251,981			24,695
Exercise of options	346,666	(251,981)	(97,199)			249,467
Amortization of options			1,038,645			1,038,645
Balance, June 30, 2012	179,511,118	-	9,222,650	(77,435,050)	880,197	112,178,915
Comprehensive income (loss)				(36,375,945)	4,739,675	(31,636,270)
Amortization of options			646,930			646,930
Balance, September 30, 2012	179,511,118	-	9,869,580	(113,810,995)	5,619,872	81,189,575
Comprehensive loss				(23,152,000)	3,548,806	(19,603,194)
Exercise of options	112,806		(32,728)			80,078
Amortization of options			969,048			969,048
Balance, December 31, 2012	179,623,924	-	10,158,970	(100,587,050)	4,429,003	93,624,847
Comprehensive income				73,099,520	(4,639,145)	68,460,375
Issue of common share Purchase warrants		3,256,109				3,256,109
Amortization of options			541,330			541,330
Balance, June 30, 2013	179,623,924	3,256,109	10,700,300	(27,487,530)	(210,143)	165,882,660
Comprehensive income				(78,170,777)	1,144,881	(77,025,896)
Issue of common shares Private Placement (net of share issuance costs	17,592,714					17,592,714
Amortization of options			157,550			157,550
Balance, September 30, 2013	197,216,638	3,256,109	10,857,850	(105,658,307)	934,738	106,607,028

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

Carpathian Gold Inc.
Consolidated Statements of Cash Flows
For the nine months ended September 30, 2013 and 2012
(In United States Dollars)
(Unaudited)

	2013 $	2012 $
Cash flows from operating activities		
Income (loss) for the period	**(5,071,259)**	(46,599,078)
Depreciation and amortization	**102,158**	92,256
Unrealized foreign exchange gains	**(2,140,835)**	3,200,324
Share-based payments	**483,887**	1,172,386
Impairment	**56,769,875**	-
Deferred income tax	**192,815**	(94,846)
Loss on sale of property, plant and equipment	**25,031**	-
Interest income	**(234,108)**	(528,796)
Deferred share unit gains	**(397,913)**	(55,532)
Unrealized (gain) loss on derivative contracts	**(57,246,285)**	39,463,602
Changes in non-cash working capital balances		
Deferred financing costs	**319,631**	-
Prepaid expenses and sundry receivables	**(668,120)**	1,008,212
Inventories	**(5,839,547)**	-
Due from related party	**-**	220,599
Trade and other payables	**566,934**	(1,387,793)
	(13,137,736)	(3,508,666)
Cash flows from investing activities		
Restricted deposits	**(4,493,265)**	11,502,421
Deferred financing costs	**-**	(43,696)
Interest income	**234,108**	528,796
Acquisition of property, plant and equipment	**(80,413,116)**	(33,304,369)
Acquisition of software licensing	**(340,648)**	(123,838)
Exploration and evaluation assets	**(3,855,608)**	(9,689,277)
Mine development assets	**(15,639,112)**	(4,482,165)
	(104,507,641)	(35,612,128)
Cash flows from financing activities		
Proceeds from shares issued (net of costs)	**-**	274,162
Proceeds from Project Loan Facility (net of costs)	**84,965,549**	-
Proceeds from Private Placement (net of costs)	**17,592,714**	-
	102,558,263	274,162
Effect of exchange rates on cash and cash equivalents	**(1,347,769)**	1,166,542
Decrease in cash and cash equivalents	**(16,434,883)**	(37,680,090)
Cash and cash equivalents – Beginning of period	**18,956,650**	65,635,863
Cash and cash equivalents – End of period	**2,521,767**	27,955,773

Supplemental information:

Interest paid	**1,535,407**	-
Income taxes paid	**-**	-

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

1. Nature of Operations and Going Concern

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 (the "RDM Project") 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, 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.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities as they become due in the normal course of business for the foreseeable future. For the nine months ended September 30, 2013, the Corporation incurred net loss $5,071,259 and as at September 30, 2013 reported an accumulated deficit of $105,658,307, and negative working capital of $102,524,110.

As a result of delays in the completion of the construction at the RDM Project, Mineração Riacho dos Machados Ltda. ("MRDM"), as borrower, and the Corporation (as guarantor) have defaulted on certain covenants imposed under the Project Loan Facility (the "Facility") arrangement with Macquarie Bank Limited ("Macquarie Bank"). As a result, on October 18, 2013, MRDM and the Corporation entered into a Forbearance and Amendment Agreement, as amended, (the "Forbearance Agreement") with Macquarie Bank, under which the lenders agreed to continue forbearing from exercising their rights under the Facility through October 31, 2013. The Forbearance Agreement has been extended to November 30, 2013 on October 30, 2013. This default has resulted in the Corporation reclassifying all scheduled repayment under the Facility as current liabilities. In addition, under the terms of the Forbearance Agreement, Macquarie Bank has agreed, at its discretion, to provide an additional Tranche 3 under the Facility, the availability of which shall be in the absolute discretion of the Macquarie Bank.

The Corporation has $2,521,766 in cash and cash equivalents and $5,775,433 of available funds from the Private Placement available to use as at September 30, 2013. These available funds are not sufficient to fund the completion of Riacho dos Machados, the exploration in Romania, working capital requirements and corporate administration costs. The Corporation will need to secure the necessary financing to meet the Corporation's requirements for funding of construction operations and Facility repayments on an ongoing basis. Nevertheless, there is no assurance that these initiatives will be successful or sufficient. These circumstances lead to significant doubt as to the ability of the Corporation to meet its obligations as they become due and, accordingly, the ultimate appropriateness of use of the accounting principles applicable to a going concern.

These 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.

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.

(In United States Dollars unless otherwise indicated)

These condensed interim consolidated financial statements were approved by the Board of Directors on November 12, 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.

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%

Critical accounting estimates and judgments

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

The judgments, estimates, assumptions and risks discussed here reflect updates form Note 3 of the Corporation's annual audited consolidated financial statements for the year ended December 31, 2012.

The Corporation performs impairment testing on an annual basis, as at December 31, and more frequently if there are indicators of impairment, as at September 30, 2013, the carrying amount of the Corporation's net assets exceeded its market capitalization which is an indicator of potential impairment of the carrying amount of the Corporation's net assets. Accordingly, the Corporation assessed the recoverable amounts of each cash-generating unit ("CGU").

For the impairment test, fair value less costs of disposal ("FVLCD") was used to determine the recoverable amount since it is higher than value in use. FVLCD was calculated using discounted after-tax cash flows based on cash flow projections in the Corporation's most recent current of life of mine plans. These projected cash flows were changed for current metal prices, future capital expenditures, production costs estimates, discount rates and exchange rates.

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. Impairment

As at September 30, 2013 the carrying amount of the Corporation's net assets exceeded its market capitalization, which is an indicator of potential impairment of the carrying amount of its cash generating unit ("CGU"). Consequently, the Corporation conducted impairment testing on MRDM. For the impairment test, fair value less costs of disposal ("FVLCD") was used to determine the recoverable amount since it is higher than value in use. FVLCD was calculated using discounted after-tax cash flows based on cash flow projections in the Corporation's most recent current of life of mine plans. These projected cash flows were changed for current metal prices, future capital expenditures, production costs estimates, discount rates and exchange rates. For the three and nine months ended September 30, 2013, impairment charges totaled $56,769,875 (2012 - $Nil) for MRDM, of which $41,896,325 related to Property, plant and equipment, $1,572,130 related to Exploration and evaluation assets and $13,301,420 related to Mine development assets.

(In United States Dollars unless otherwise indicated)

5. Restricted Deposits

As at September 30, 2013 the Corporation's restricted deposits totaled $5,775,433 (December 31, 2012 - $1,282,168), representing currency held in US$ which will be available to fund the operations of MRDM once it is converted to Brazilian Reais through execution of an exchange contract.

6. 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	**-**	**108,167,360**	**25,563**	**87,963**	**44,158**	**60,687**	**-**	**718,138**	**109,103,869**
Impairment (Note 4)	**-**	**(41,896,325)**	**-**	**-**	**-**	**-**	**-**	**-**	**(41,896,325)**
Disposals	**-**	**-**	**-**	**(75,167)**	**(15,574)**	**-**	**-**	**-**	**(90,741)**
Reclassification	**-**	**(4,376,773)**	**-**	**19,493**	**134,299**	**28,306**	**119,173**	**4,036,332**	**(39,170)**
Effect of changes in foreign exchange rates	**-**	**-**	**-**	**(8,001)**	**(2,453)**	**(1,320)**	**-**	**(710)**	**(12,484)**
Balance, September 30, 2013	**398,226**	**100,084,630**	**449,824**	**387,587**	**754,386**	**541,398**	**601,129**	**18,845,788**	**122,062,968**

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		**-**	**5,503**	**43,125**	**50,563**	**70,580**	**64,755**	**2,945,019**	**3,179,545**
Disposals	**-**	**-**	**-**	**(62,608)**	**(3,103)**	**-**	**-**	**-**	**(65,711)**
Effect of changes in foreign exchange rates	**-**	**-**	**-**	**(2,264)**	**(586)**	**(1,244)**	**-**	**(259)**	**(4,353)**
Balance, September 30, 2013	**-**	**-**	**37,261**	**119,189**	**158,069**	**245,987**	**321,380**	**3,010,155**	**3,892,041**

(In United States Dollars unless otherwise indicated)

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, September 30, 2013	**398,226**	**100,084,630**	**412,563**	**268,398**	**596,317**	**295,411**	**279,749**	**15,835,633**	**118,170,927**

As at September 30, 2013 the carrying value of property, plant and equipment is comprised of $256,119 in corporate and other (December 31, 2012 - $288,932), $117,512,144 in Brazil (December 31, 2012 - $53,523,582) and $402,664 in Romania (December 31, 2012 - $402,664).

7. 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	**351,096**	**97,097**	**253,999**
Effect of changes in foreign exchange rates	**(7,617)**	**2,831**	**(10,448)**
Balance, September 30, 2013	**1,013,367**	**314,628**	**698,739**

As at September 30, 2013 the carrying value of software licensing fees is comprised of $178,925 in corporate and other (December 31, 2012 - $248,857), $502,883 in Brazil (December 31, 2012 - $185,725) and $16,931 in Romania (December 31, 2012 - $20,606).

8. 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	**2,660,117**	**988,378**	**3,648,495**
Impairment (Note 4)	**-**	**(1,572,130)**	**(1,572,130)**
Balance at September 30, 2013	**50,018,013**	**4,428,420**	**54,446,433**

(In United States Dollars unless otherwise indicated)

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 [1]	**32,980,549**
Impairment (Note 4)	**(13,301,420)**
Reclassifications	**39,170**
Balance at September 30, 2013	**37,467,904**

[1] **$11,726,415 in borrowing costs were capitalized in Development assets during the nine months ended September 30, 2013, of which $2,181,695 related to interest on the Project Facility, $305,438 for commitment fees and $9,239,282 for the financing costs related to the Facility (Note 13).**

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.

9. Share Capital

(a) Authorized

Unlimited number of Common Shares, without par value.

Unlimited number of Preference Shares, without par value.

(b) Issued Common Shares

		Number of shares	**$**
Balance at December 31, 2011		553,787,411	179,137,481
Common Shares issued on exercise of options	9(d)	1,557,500	459,472
Common Shares issued on exercise of purchase warrants	9(e)	75,000	26,971
Balance at December 31, 2012		555,419,911	179,623,924
Common Shares issued on private placement (net of costs of $873,760)	9(c)	138,750,000	18,112,715
Balance at September 30, 2013		694,169,911	179,736,639

(In United States Dollars unless otherwise indicated)

(c) On August 29, 2013, pursuant to an agreement with Cormark Securities Inc. and Macquarie Capital Markets Canada Ltd. (collectively the “Co-Lead Underwriters”), the Corporation completed a bought deal private placement of shares of the Corporation at an issue price of Cdn$0.14 per share. On August 29, 2013, the Corporation issued a total of 57,871,429 common shares for gross proceeds of $8,102,000. On September 5, 2013, the Corporation issued a total of 80,878,571 common shares for gross proceeds of $11,323,000. In total, the Corporation issued an aggregate of 138,750,000 common shares under both tranches of the private placement for aggregate gross proceeds of $19,425,000. Costs of the issue were $837,760.

(d) 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
Balance at December 31, 2012	**34,127,000**	0.42
Expired during the period	**(4,525,000)**	0.45
Forfeited during the period	**(65,000)**	0.40
Balance at September 30, 2013	**29,537,000**	0.41

As at September 30, 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
Employees	420,000	27,896	0.20	95 days	420,000
Directors, officers and employees	2,570,000	210,285	0.20	134 days	2,570,000
Directors, officers and employees	6,090,000	969,557	0.30	1 year 28 days	6,090,000
Directors	200,000	71,579	0.56	2 years 30 days	200,000
Directors, officers and employees	11,092,000	3,831,942	0.58	2 years 321 days	11,092,000
Directors, officers and employees	7,765,000	716,515	0.40	3 years 318 days	5,176,667
Consultants	400,000	13,912	0.40	318 days	400,000
Officer and employee	1,000,000	139,498	0.40	4 years 10 days	333,333
Balance at September 30, 2013	29,537,000	5,981,184		2 years 190 days	26,282,000

As at September 30, 2013 the number of stock options available for exercise was 26,282,000 at a weighted average exercise price of Cdn$0.43 and the aggregate remaining unamortized value of unvested stock options granted was $283,146.

(In United States Dollars unless otherwise indicated)

Using the fair value method, total share-based compensation for stock options issued and outstanding for the three months ended September 30, 2013 was $157,550 (September 30, 2012 - $646,930), of which $49,781 has been capitalized to exploration and development costs (September 30, 2012 - $177,512). Total share-based compensation for stock options issued and outstanding for the nine months ended September 30, 2013 was $698,880 (September 30, 2012 - $1,685,575), of which $214,993 has been capitalized to exploration and development costs (September 30, 2012 - $491,600).

(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 September 30, 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%.

10. Expense Breakdown

(a) General and administrative expenses

	Three-Month Period Ended September 30		Nine-Month Period Ended September 30	
	2013	2012	**2013**	2012
	$	$	**$**	$
Professional fees	**118,583**	429,005	**709,825**	959,128
Investor relations and advertising	**82,365**	82,193	**477,107**	435,892
Business and development	**101,751**	138,053	**380,240**	455,651
Office and general	**214,969**	136,877	**737,902**	600,113
	517,668	786,128	**2,305,074**	2,450,784

(In United States Dollars unless otherwise indicated)

(b) Employee compensation expense

	Three-Month Period Ended September 30		Nine-Month Period Ended September 30	
	2013	2012	**2013**	2012
	$	$	**$**	$
Salaries and benefits	**751,135**	993,922	**2,439,137**	2,070,682
Share based payments	**107,769**	460,922	**483,887**	1,172,386
Deferred share unit costs	**(70,029)**	121,673	**(397,913)**	(55,532)
	788,875	1,576,517	**2,525,111**	3,187,536

(c) Other (income) expense

	Three-Month Period Ended September 30		Nine-Month Period Ended September 30	
	2013	2012	**2013**	2012
	$	$	**$**	$
Foreign exchange gain	**2,659,499**	3,756,508	**(2,140,835)**	3,200,324
Interest income	**(46,252)**	(107,393)	**(234,108)**	(528,796)
Other expense	**50,689**	37,865	**51,802**	133,185
Interest expense	**-**	24	**20**	167
	2,663,936	3,687,004	**(2,323,121)**	2,804,880

11. 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 three and nine months ended September 30, 2013 is 599,035,128 (September 30, 2012 – 555,013,043) and 570,118,080 (September 30, 2012 – 554,747,480), respectively. Diluted weighted average shares for the three and nine months ended September 30, 2013 were 599,035,128 and 570,118,080 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 for the three and nine months ended September 30, 2012 are considered anti-dilutive and therefore have been excluded from the calculation of diluted earnings per share.

12. 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:

	September 30, 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$0.14**	Cdn$0.31
Liability, end of period	**$325,625**	$745,118

	Three-Month Period Ended September 30		**Nine-Month Period Ended September 30**	
	2013	2012	**2013**	2012
Compensation (recovery) for the period	**(70,029)**	(159,087)	**(397,913)**	(177,205)

13. Project Loan Facility

On January 11, 2013, the Corporation, through its wholly owned subsidiary, MRDM and Macquarie Bank signed a definitive agreement for a Facility loan with Macquarie Bank. 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 was estimated at $3,256,109 using a Black-Scholes model. In addition, the Corporation 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 17). Total cost of debt issuance amounted to $7,097,513, which includes $1.8 million fee to Macquarie and $0.7 million of other costs and have been netted against the Facility balance.

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

a) Extension of time to meet the $8,500,000 scheduled repayment that is due to be made under Tranche 1 and the $500,000 scheduled repayment that is due to be made under Tranche 2 of the facility on December 31, 2013 to December 31, 2014; and

b) The Corporation granted Macquarie Bank options to acquire 10,000 ounces of gold at $1,600 per ounce for a three year period from the date of commencement of operations.

(In United States Dollars unless otherwise indicated)

c) Amended the strike price of the previously granted options to acquire 10,000 ounces of gold at $2,000 per ounce for a three year period to $1,600 per ounce.

The amended Gold Options had a fair value of $1,525,000 liability on the date of the amendment (Note 17). Total cost of amended debt issuance amounted to $2,141,769, which includes the increase in fair value of original 10,000 ounces of gold and the fair value of the options for the additional 10,000 ounces of gold, and $0.4 million of other costs and have been netted against the Facility balance. The cost of the amendment offset the carrying value of the Facility as such extension was determined to be a modification rather than an extinguishment for accounting purposes. As a result of delays in the completion of the construction at the Corporation's project MRDM, as borrower, and the Corporation (as guarantor) have defaulted on certain covenants imposed under the Facility arrangement with Macquarie Bank. Due to the Forbearance Agreement all deferred debt issuance costs have been written off, resulting in financing costs of $7,256,424 and $9,239,282 for three and nine months ended September 30, 2013, respectively.

The Corporation has drawn an aggregate of $90 million against the Facility as follows:

Draw down date	Tranche 1	Tranche 2	Total
February 2, 2013	-	25,000,000	25,000,000
March 20, 2013	10,000,000	-	10,000,000
April 22, 2013	10,000,000	-	10,000,000
May 31, 2013	7,500,000	-	7,500,000
June 18, 2013	10,000,000	-	10,000,000
June 19, 2013	16,000,000	-	16,000,000
July 17, 2013	10,000,000		10,000,000
July 31, 2013	1,500,000		1,500,000
	65,000,000	25,000,000	90,000,000

As at September 30, 2013, the principal balance outstanding on the Facility was $90,000,000. Interest accrued during the three and nine months ended September 30, 2013 was $1,206,384 and $2,181,695, respectively. Commitment fees for the three and nine months ended September 30, 2013 were $9,021 and $305,438 respectively. Interest paid for the three and nine months ended September 30, 2013 was $1,041,001 and $1,535,407, respectively.

This Facility bears interest at LIBOR plus a margin of 5.5% for Tranche 2 and 5.0% for Tranche 1. These were to be reduced to LIBOR plus 5.0% and 4.5%, respectively on commencement of production.

Under the terms of the Forbearance Agreement, as amended, Macquarie Bank has agreed to provide up to $17 million, at its discretion, of additional financing under a "Tranche 3" of the Facility. Tranche 3 of the Facility is repayable on November 30, 2013 and bears interest at 15% per annum. In addition, facility fees of 5% are payable on each drawdown against Tranche 3.

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

(In United States Dollars unless otherwise indicated)

14. 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 September 30, 2013				
Total Assets	**3,065,069**	**227,057,101**	**50,489,839**	**280,612,009**
Total Liabilities	**1,089,939**	**172,029,007**	**886,035**	**174,004,981**
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
Consolidated Statements of (Income) Loss and Comprehensive (Income) Loss				
For the three months ended September 30, 2013				
General and administrative expenses (Including depreciation and amortization)	**368,971**	**181,517**	**-**	**550,488**
Employee compensation costs	**471,138**	**317,737**	**-**	**788,875**
Impairment	**-**	**56,769,875**	**-**	**56,769,875**
Unrealized gain on derivative contracts	**-**	**17,371,465**	**-**	**17,371,465**
Foreign exchange gain	**1,055,390**	**1,607,471**	**(3,362)**	**2,659,499**
Interest income, net of expenses	**(3,698)**	**(42,554)**	**-**	**(46,252)**
Other expense	**-**	**50,689**	**-**	**50,689**
Income tax provision	**-**	**-**	**26,138**	**26,138**
Loss (income) for the period	**1,891,801**	**76,256,200**	**22,776**	**78,170,777**
Other Comprehensive loss for the period	**(1,144,881)**	**-**	**-**	**(1,144,881)**
Total comprehensive loss (income) for the period	**746,920**	**76,256,200**	**22,776**	**77,025,896**

(In United States Dollars unless otherwise indicated)

Operating Segment	**Corporate and Other**	**Brazil**	**Romania**	**Consolidated Total**
Consolidated Statements of (Income) Loss and Comprehensive (Income) Loss				
For the three months ended September 30, 2012				
General and administrative expenses (Including depreciation and amortization)	488,967	328,079	-	817,046
Employee compensation costs	1,352,674	223,843		1,576,517
Realized loss on derivative contracts	-	-	-	-
Unrealized loss on derivative contracts	-	30,390,224	-	30,390,224
Foreign exchange (gain) loss	3,747,942	8,566	-	3,756,508
Interest income, net of expenses	(90,870)	(16,499)	-	(107,369)
Other expense	-	37,865	-	37,865
Income tax provision	-	-	(94,846)	(94,486)
(Income) loss for the period	5,498,713	30,972,078	(94,846)	36,375,945
Other Comprehensive income for the period	(4,739,675)	-	-	(4,739,675)
Total comprehensive (income) loss for the period	759,038	30,972,078	(94,846)	31,636,270
For the nine months ended September 30, 2013				
General and administrative expenses (Including depreciation and amortization)	**1,602,062**	**805,170**	**-**	**2,407,232**
Employee compensation costs	**1,457,310**	**1,067,801**	**-**	**2,525,111**
Impairment	**-**	**56,769,875**	**-**	**56,769,875**
Realized loss on derivative contracts	**-**	**2,745,632**	**-**	**2,745,632**
Unrealized gain on derivative contracts	**-**	**(57,246,285)**	**-**	**(57,246,285)**
Foreign exchange gain	**(3,351,813)**	**1,236,352**	**(25,374)**	**(2,140,815)**
Interest income, net of expenses	**(24,952)**	**(209,136)**	**-**	**(234,108)**
Other expense	**-**	**51,802**	**-**	**51,802**
Income tax provision	**-**	**-**	**192,815**	**192,815**
Loss (income) for the period	**(317,393)**	**5,221,211**	**167,441**	**5,071,259**
Other Comprehensive loss for the period	**3,494,265**	**-**	**-**	**3,494,265**
Total comprehensive loss (income) for the period	**3,176,872**	**5,221,211**	**167,441**	**8,565,524**

(In United States Dollars unless otherwise indicated)

Operating Segment	Corporate and Other	Brazil	Romania	Consolidated Total
Consolidated Statements of (Income) Loss and Comprehensive (Income) Loss				
For the nine months ended September 30, 2012				
General and administrative expenses (Including depreciation and amortization)	1,794,709	748,331	-	2,543,040
Employee compensation costs	2,570,269	617,267		3,187,536
Realized loss on derivative contracts	-	(1,305,134)	-	(1,305,134)
Unrealized loss on derivative contracts	-	39,463,602	-	39,463,602
Foreign exchange (gain) loss	3,028,317	173,299	(1,292)	3,200,324
Interest income, net of expenses	(443,536)	(85,093)	-	(528,629)
Other expense	-	133,185	-	133,185
Income tax provision	-	-	(94,846)	(94,846)
(Income) loss for the period	6,949,759	39,745,457	(96,138)	46,599,078
Other Comprehensive income for the period	(4,371,712)	-	-	(4,371,712)
Total comprehensive (income) loss for the period	2,578,047	39,745,457	(96,138)	42,227,366

15. Related Parties

As at September 30, 2013 there were no amounts due to or from related parties (December 31, 2012 - $Nil). During the three months ended March 31, 2012, the Corporation purchased graphic design and printing services from an entity in which, Dino Titaro, the Chairman and Chief Executive Officer of the Corporation is a partner. There have been no other related party transactions since then.

16. 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:

	September 30, 2013	December 31, 2012
Balance at beginning of period	**2,965,613**	-
Provision	**-**	2,965,613
Change in estimate	**1,644,539**	-
	4,610,152	2,965,613

As at September 30, 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 7.75 years. As at September 30, 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 September 30, 2013.

17. Derivative Contracts

Gold Stream Transaction

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

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

In conjunction with the Facility (Note 13), 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 in 2013 and the additional Gold Options (Note 13) was estimated at $2,244,000 on September 30, 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 September 30, 2013 is R$36,769,427. The OPEX currency swaps were arranged to cover R$/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.

(In United States Dollars unless otherwise indicated)

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".

Summary of Derivatives at September 30, 2013

	Notional Amount by Term to Maturity ($)				Fair Value $
	Within 1 year	2 to 3 years	4 to 5 years	Total	
Currency contracts:					
CAPEX contract	18,664,684	-	-	18,664,684	(2,369,581)
OPEX contract	48,404,087	82,446,844	62,795,059	193,645,990	(42,260,666)
Commodity contracts:					
Gold contract	79,280,000	161,920,000	105,360,000	346,560,000	46,799,795
Gold Options	-	32,000,000	-	32,000,000	(2,244,000)

Fair Values of Derivative Instruments

	Balance Sheet Classification	**Fair Value as at September 30, 2013**	Fair Value as at December 31, 2012	Balance Sheet Classification	**Fair Value as at September 30, 2013**	Fair Value as at December 31, 2012
Currency contracts:						
CAPEX contract	Current assets	**-**	**-**	Current liabilities	**2,369,581**	5,376,103
				Non-current liabilities	**-**	-
OPEX contract		**-**	**-**	Current liabilities	**6,679,926**	1,377,758
OPEX contract		**-**	**-**	Non-current liabilities	**35,580,740**	26,297,166
Commodity contracts:						
Gold contract	Current assets	**12,897,890**	**-**	Current liabilities	**-**	1,109,163
Gold contract	Non-current assets	**33,901,905**	**-**	Non-current liabilities	**-**	20,110,546
Gold Options		-	**-**	Non-current liabilities	**2,244,000**	-

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

	Three-Month Period Ended September 30,		**Nine-Month Period Ended September 30,**	
	2013	2012	**2013**	2012
Currency contracts:				
CAPEX contract	**(26,905)**	(641,648)	**(3,006,523)**	3,572,710
OPEX contract	**1,178,900**	802,985	**14,585,742**	2,962,163
Commodity contracts:				
Gold contract	**15,975,470**	30,228,887	**(68,019,504)**	32,928,729
Gold Options	**244,000**	-	**(806,000)**	-

(In United States Dollars unless otherwise indicated)

18. 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 September 30, 2013 and December 31, 2012.

		September 30, 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]		**2,521,766**	**2,521,766**	18,956,650	18,956,650
Restricted deposits[1]		**5,775,433**	**5,775,433**	1,282,168	1,282,168
Sundry Receivables[1]		**136,504**	**136,504**	241,024	241,024
Financial Liabilities					
Amortized cost					
Trade and other payables[1]		**30,985,764**	**30,985,764**	7,786,814	7,786,814
Project Loan Facility[3]		**90,646,290**	**90,646,290**	-	-
Fair value through profit and loss					
Derivative contracts	**2**	**74,452**	**74,452**	54,270,736	54,270,736
Deferred Share Units[2]	**1**	**325,625**	**325,625**	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 aggregate of face value of the loan facility and accrued interest.

Fair value hierarchy

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

19. Commitments

Lease Commitment

The Corporation has entered into a Sub-Lease Agreement from December 1, 2010 and expiring on March 31, 2018 for office space. The minimum annual rent is Cdn$35,640 for the entire term of the sub-let plus applicable expenses. As at September 30, 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	Total
Construction and supply contracts	16,952,762	-	-	16,952,762
Office lease	157,895	315,790	39,474	513,159
Equipment lease	2,076,316	-	-	2,076,316

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.

20. 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 13), the Corporation is required to maintain certain covenants, most of which will become effective on commencement of production. As of September 30, 2013, the Corporation has defaulted on certain covenants under the terms of the Facility (Note 1 and Note 13).

21. Financial Risk Factors

The Corporation's financial instruments are comprised of financial liabilities and financial assets. Financial liabilities include accounts payable, Project Facility and derivatives arising from its currency and price protection facilities. The Corporation's main financial assets are cash and cash equivalents, restricted deposits, derivative contracts 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 September 30, 2013, the Corporation had cash and cash equivalents and restricted deposits totalling $8,297,199 to settle current liabilities of $131,007,186. Current liabilities consist of trade and other payables, Scheduled Facility repayments and fair value of derivative contracts that are predominantly due within three months to not later than a year. Commitments, consisting of construction contracts and supply contracts for fuel and other material are included in Note 19.

(c) Market Risk

Market risk is the risk that changes in market factors, such as interest rates, foreign exchange rates or commodity prices will affect the value of the Corporation's financial instruments. Management 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 September 30, 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 $7,953. In addition, if interest rates had changed by 0.5% the impact of the Facility interest and net loss for the period would have been approximately $192,576.

(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 September 30, 2013, the Corporation held cash and cash equivalents of $175,045 in Brazilian Reais, $1,262,095 in Canadian dollars and $30,257 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 September 30, 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 $83,222.

(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 (Note 17).

22. Prior Year Comparatives

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

23. Subsequent Event

The Corporation drew the following amounts against the Facility's Tranche 3, as amended by the Forbearance Agreement:

a) $4.0 million on October 23, 2013;
b) $3.0 million on October 31, 2013;
c) $1.0 million on November 4, 2013; and
d) $3.0 million on November 7, 2013.

On October 31, 2013, the Corporation settled the first OPEX currency contract, realizing a loss of $954,268.