Carpathian Gold Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the three and nine month periods ended September 30, 2013.

The following management discussion and analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of Carpathian Gold Inc. ("Carpathian" or the "Corporation"), for the year ended December 31, 2012 and the condensed interim consolidated financial statements for the three and nine months ended September 30, 2013 ("Q3 2013" and "YTD 2013", respectively) and 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 November 12, 2013.

Cautionary Statements Regarding Forward-looking Information

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

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

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

- the availability of financing for the Corporation's activities;

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

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the Corporation's actual results, performance or achievements to be materially different from those anticipated thereby. These risks, uncertainties and other factors include, but are not limited to those inherent to the gold exploration and development industry as well and those risks factors discussed in this MD&A under the heading *"Risks and Uncertainties"* and in the Corporation's Annual Information Form for the year ended December 31, 2012 as filed on SEDAR. Readers are cautioned that these risks, uncertainties and other factors are not exhaustive of the risks, uncertainties and other factors that may affect the forward-looking information.

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

Responsibility of Management and the Board of Directors

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

Overview

The Corporation is principally a mineral exploration and development company. Through its subsidiaries, the Corporation is currently involved in the exploration and development of mineral properties situated in two jurisdictions. In Minas Gerais State, Brazil, the construction and development of the Corporation's Riacho dos Machados gold project ("RDM" or the "Project") is nearing completion. In Romania, the Corporation is carrying out extensive exploration programs on three copper-gold porphyry systems referred to as Rovina, Colnic and Ciresata (collectively, the "Rovina Valley Project" or "RVP") and advancing them to the pre- feasibility stage.

The combined effect of these two exploration/development projects provides the Corporation with near term production potential at RDM (anticipated to be during the fourth quarter of 2013), while providing the longer term potential of a significant increase in production through its Rovina Valley Project.

Brazil

RDM is the Corporation's sole exploration and development 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. ("Vale") 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 17 exploration licenses and one mining concession that covers a total area of approximately 28,000 ha.

Since acquiring RDM in 2008, the Corporation has carried out a series of various work programs with a view to completing a feasibility study (the "Feasibility Study"), including drilling, which was primarily focused on the open-pit portion of the deposit. On the permitting aspect of RDM, the Corporation received the Licença Prévia (the "LP") or preliminary license in the second quarter of 2010. The LP outlined the general parameters for RDM. During 2010, the Corporation purchased all of the surface lands that cover the footprint of the proposed open-pit mining operation and infrastructure for RDM. During Q4 2011, the Corporation received the Licença Instalação (the "LI") that allowed it to begin physical construction of RDM.

On May 18, 2009, the Corporation announced an initial NI 43-101 Mineral Resource Estimate (the "2009 Resource Estimate") based on the results of the 2008 drilling and re-sampling program. The 2009 Resource Estimate included 4.748 million tonnes at a grade of 1.90 g/t Au in the Measured and Indicated categories for 290,200 ounces of gold and 17.897 million tonnes at a grade of 1.76 g/t Au in the Inferred category for 1.01 million ounces of gold. Based on this resource estimate, the Corporation announced on August 12, 2009 the results of a preliminary economic assessment study (the "PEA"), which was based solely on the open-pit mineralization defined in the 2009 Resource Estimate. The PEA was compiled by a consortium of engineering companies. On July 26, 2010, the Corporation announced an updated NI 43-101 Mineral Resource Estimate (the "2010 Resource Estimate") that included the results from a total of 55,732 metres of additional drilling, of which 24,269 metres constituted a re-sampling of previous drill holes completed by Vale and 31,463 metres was infill drilling, which was primarily to upgrade the Inferred resource category to the Measured plus Indicated categories within the open-pit portion of the deposit as defined in the PEA. Based on the 2010 Resource Estimate, the total open-pit plus updated underground resource estimates include 812,300 ounces of gold in the Measured and Indicated categories (17.252 million tonnes at 1.46 g/t Au) and 692,900 ounces of gold in the Inferred category (11.101 million tonnes at 1.94 g/t Au). The PEA as well as the 2009 Resource Estimate and 2010 Resource Estimate, can be found on www.SEDAR.com.

On April 5, 2011, the Corporation announced a further updated NI 43-101 Resource Estimate (the "2011 Resource Estimate") that included results from an additional 74 core holes drilled subsequent to the 2010 Resource Estimate. The 2011 Resource Estimate database represented 444 drill holes totalling 66,636 metres as well as samples from auger holes and trenches totalling 1,386 metres. Based on the 2011 Resource Estimate, the total open-pit plus underground updated resource estimates now consist of 936,600 ounces of gold in the Measured plus Indicated categories (19.36 million tonnes at 1.50 g/t Au) and 587,300 ounces of gold in the Inferred category (9.48 million tonnes at 1.93 g/t Au). The Measured plus Indicated portion of the open-pit resource estimate was used for the reserve estimate for the Feasibility Study.

On April 6, 2011, the Corporation announced the results of a positive 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 highlight results from the Feasibility Study are as follows:

- Proven and probable open-pit reserves of 20.9 million tonnes at 1.24 g/t Au for 830,200 ounces of gold (based on a $950 per ounce gold pit-shell).

- Initial 8-year mine life at a mill throughput of approximately 7,000 tonnes per day utilizing conventional open-pit mining and crushing-grinding with CIL recovery of gold.
- Using a price of $1,350 per oz for gold, the after-tax NPV based on a 5% discount rate is $220.1 million with an IRR of 33.4%.
- Estimated start-up capital of $160 million (based on Brazilian Reais ('R$') 2.00 to $1.00).
- Global Measured plus Indicated mineral resource of 936,600 ounces (inclusive of mineral reserves) with another 587,300 ounces in the Inferred category.
- Additional opportunities for future conversion of resources to reserves and resource growth, reduction in capital and increased mill feed grade.

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 construct the tailing impoundment area so that it is impervious along with some additional environmental work. The extra cost for this additional work that has been imposed on the Corporation, along with certain scope changes that have been implemented to enhance future operations is estimated at approximately $15 million. As of the date of this MD&A, the estimated start-up CAPEX for the Project, including the extra scope discussed above, is approximately $185 to $190 million. However, given that gold production has not yet commenced and ramped up, there is no assurance that the final cost will be within this estimate.

The Amended RDM Technical Report is based on an owner operated conventional open-pit method with drill and blast, backhoe excavators, haul trucks, and auxiliary mobile equipment to support an operation for approximately 2.555 million tonnes per year of ore and a maximum of 27.7 million tonnes per year of waste. Total proven and probable reserves amount to 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 during the pre-production and initial production period. 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 in 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 with a gold content of about 95%. The processing rate of the plant will 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 7,780 ounces of gold will be produced on a monthly basis.

On September 16, 2011, the Corporation announced that it had obtained an *Ad Referendum for the Licença Instalação* ("AR LI") from the State of Minas Gerais thereby enabling it to begin construction. Subsequently, on October 18, 2011, the Corporation announced that COPAM, a committee of local citizens tasked with reviewing such permits, decided to carry out additional reviews of the technical documentation supporting the Project and requested that construction activities not be carried out until their review was completed and the LI granted. As a result, the Corporation suspended its construction activities until the review and discussions with the various representatives from COPAM were completed. On November 21, 2011, a meeting of the COPAM representatives was held and MRDM was granted the LI, thereby allowing it to proceed with the construction of the Project. As a result of the delay in obtaining the LI, RDM production was rescheduled to commence in the second half of 2013. The third license, the *Licença Operação* ("LO"), is granted at the end of the construction period.

On October 5, 2011, the Corporation announced that it would enter into a committed arrangement with Macquarie Bank Limited ("Macquarie Bank") for a Project Loan Facility (the "Facility") and associated currency and commodity price protection facilities to fund the construction and development of RDM. On December 14, 2011, the Board of Directors of the Corporation approved the construction and development of the Project. Concurrently, the Corporation and Macquarie Bank agreed to enter into final documentation for a Facility of $80 million. In conjunction with this decision, the Corporation, through Macquarie Bank, also entered into price protection programs in the form of currency swaps for RDM's estimated capital expentitures (“Capex”) at R$1.90 to $1.00 and estimated operating expenditures (“Opex”) at R$1.983 to $1.00 as well as a gold price protection program (consisting of forward sales) for a total of 216,600 ounces of gold (approximately 26% of the open-pit reserves) at a price of $1,600 per ounce. In October 2012, Macquarie Bank agreed to increase its Facility from $80 million to $90 million. The Facility documentation was finalized on January 11, 2013. As of the date of this MD&A, all of the amounts available to the Corporation under the terms of the Facility have been drawn down.

As of the date of this MD&A, progress on the construction and development of the Project is detailed below:

- Gold production is still expected to commence in the fourth quarter of 2013. Approximately 90% of the gold production line has been completed to date. This is sufficient to commence gold production, as the initial mineralization that will be processed is oxide plus translational material. The balance of the gold production line (one leach tank, two CIL tanks plus one detoxification tank) remain to be completed and will not be required until the end of the first quarter of 2014.
- The open pit mine is currently operating at full design capacity with approximately 2.0 million tonnes of material being mined on a monthly basis and being stockpiled for start-up. To date, over 1.0 million tonnes of mineralization has been stockpiled and is ready to be processed once the LO has been obtained. All documentation for the LO has been submitted and it is anticipated that a Provisional LO (with same rights as the LO) could be granted during the 4th quarter.
- The crushing system has been commissioned to full capacity and bedding of the fine ore silo has been completed.
- The tailing impoundment area is essentially complete with fresh water being stored in it for the process plant.
- The wet commissioning and start-up of the process plant as well as the ADR plant was initially expected to be to take place in August to mid-September. A delay in the wet commissioning of the process plant, along with the completion of some of the back end of the gold production line occurred which put the Project behind schedule. As of the date of this MD&A, the wet commissioning of the process plant is underway, and it is anticipated that the Project will be ready to commence gold production upon receipt of the Provisional LO.
- The upgrade of the power line to the Project has been delayed as a result of a change made by the state power company for the inclusion of two high voltage circuit breakers at the main substation that will take approximately 6 months to manufacture and install. The Project was initially planned to start up with combined electrical power and diesel generators for the first year of operation until the required power transmission was made available. This change to the substation is not expected to impact the start-up of the operations as the Corporation has acquired three additional diesel generators which are now on site in order to provide the extra power needed until the full electrical power transmission is available in 2014. The extra cost of the diesel generators will be an operating cost to the project during the initial production period and is currently expected to add less than 15% to the overall operating cost.

Exploration Activities

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

The exploration team is currently providing their technical and field support to the mine geology team for implementing ore-control, in pit geology bench mapping, QA-QC sampling, reconciliation between the Resource-Reserve model to the short term model and to liberation blocks, variography updates and ore-control reporting .

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

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

The project development and construction work is taking place on a mining concession on which MRDM owns the surface rights and the environmental licenses required to execute the construction of the Project. Each year, MRDM also pays the Brazilian government an annual fee based on the number of hectares forming part of each license (Taxa Anual por Hectare). As at the date hereof, the licenses held by MRDM represented a total of 28,000 hectares. When RDM enters into production, MRDM will pay the Brazilian government a 1% royalty fee (the "CFEM") on the value of the ore produced. However, and as mentioned above, the Brazilian government is currently considering the adoption of new mining legislation which would include increases in the CFEM royalties. (See also *"Risk Factors – Foreign Jurisdictions"*).

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

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

As part of the completion of the Feasibility Study along with environmental impact assessments, a reclamation program was developed for the mining license. A total cost of $8.2 million has been estimated for the closure of the operation which will be funded by a monthly reclamation budget of $90,000 during the mine life. 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. As MRDM has not yet commenced production, the Corporation records the rehabilitation provision based on the percentage of completion of the construction project. As at September 30, 2013, the rehabilitation provision has been discounted using a discount rate of 5.25% and an obligation of approximately $4.6 million has been recorded (December 31, 2012 - $ 3 million), based on the approximately 90% construction completion at the Project at that time.

Romania

The Corporation holds the Rovina Valley Project through an exploration license which covers a total of approximately 94 square kilometres (the "Rovina License"). The Rovina Valley Project is the Corporation's sole exploration project in Eastern Europe and the main focus of its exploration efforts there since 2006. 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, as well as to mining personnel. The topography of the area is hilly with forest vegetation and an elevation of approximately 900 m above sea-level.

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

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

Highlights of the PEA study included:

- Average annual gold production of 238,000 ounces per annum for the first five years and averaging 196,000 ounces per annum over the mine life of 19 years, for a total of 3.72 million ounces of recoverable gold over the life-of-mine (LOM).
- Average annual copper production of 53.5 million lbs for the first five years and averaging 49.4 million lbs per annum over the19 year mine life, totalling 938 million lbs of recoverable copper over LOM.
- Total Gold Equivalent ounces produced over the 19 year mine life is 6.22 million.

- Project net present value ("NPV") of $316 million based on an 8% discount rate at prices of $900 per ounce for gold and $2.25 per pound of Cu.

Based on the PEA, the project would be a conventional open-pit mine with down-the-hole drill blast hole, hydraulic shovels and conventional haul trucks for the Rovina and Colnic Deposits located approximately 2.5 km apart. Mining production from the combined two open pits is planned at 20,000 t/d, while the Ciresata Deposit would be mined underground by a combination of a sublevel panel retreat mining in the upper levels of the deposit accessed by a decline from the surface, and an induced block cave method for the lower part of the deposit. The upper sublevel panel retreat mining method would allow mining access to higher-grade ore while development occurs to prepare for the induced block cave operation at depth. At full capacity, the underground operation would mine 20,000 t/d. Ore from the induced block cave operation would be fed to the centralized process plant located between the Rovina and Colnic Deposits via a 6 km inclined conveyor tunnel to the surface.

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

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

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

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

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

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

to 1,420 million pounds of copper. In addition the measured plus indicated gold resource grade increased by 12.2 % from the previous resource and the tonnage by 110%.

The 2012 resource update is shown below:

Resource Category	Tonnage (MM t)	Au (g/t)	Cu (%)	Gold (MM oz)	Copper (MM lbs)	Au eq* (MM oz)
Measured						
Rovina (open-pit)	31.8	0.36	0.30	0.37	209.0	0.91
Colnic (open-pit)	29.4	0.64	0.12	0.61	75.0	0.80
Ciresata (underground)	29.7	0.86	0.16	0.82	105.0	1.09
Total Measured	**90.9**	**0.62**	**0.19**	**1.81**	**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	**315.0**	**0.53**	**0.15**	**5.38**	**1,031.0**	**8.03**
Total Measured + Indicated	**405.9**	**0.55**	**0.16**	**7.19**	**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 10th, 2012. Metallurgical recoveries are not taken into account for Au eq.
- Base case cut-off used in the table are 0.35 g/t Au eq. for the Colnic deposit and 0.25% Cu eq for the Rovina deposit, both of which are amenable to open pit mining and 0.65 g/t Au eq for the Ciresata deposit which is amenable to underground bulk mining.
- For the Rovina and Colnic porphyries, the resource is an in-pit resource derived from a Whittle shell model using gross metal values of $1,350/oz Au price and $3.00/lb Cu price, net of payable amounts after smelter charges and royalty for net values of US$1,313/oz Au and US$2.57/lb Cu for Rovina and US$2.27/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 comprehensive Pre-Feasibility study remains in progress by a consortium of engineering groups, led by AGP, using the 2012 Resource Estimate to determine the reserves and economic potential for the Rovina Valley Project. This study is being re-evaluated with several trade-off studies, at various tonnage rates, to best determine the economic parameters in light of the current decline in commodity prices.

During 2012, 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.

All drilling activities on the Rovina Valley Project were terminated on July 5, 2012 due to the impending expiry of the exploration license (August 28, 2012) and closure of the work program for the submittal of final documentation for the conversion to a mining license. Romanian mining law states that the holder of an exploration license has the exclusive right to convert to a mining license at any time or within 90 days after the expiration date of the exploration license. Also during the second quarter, work required for the completion of a Pre-Feasibility study continued and is currently on-going.

A consortium of Romanian certified consultants completed all of the studies and reports required by the National Agency of Mineral Resources ("NAMR") for conversion of the exploration license covering the Rovina Valley Project to a mining license. This documentation was submitted to the NAMR on August 14, 2012. The studies include resource-reserve estimates, mining and processing evaluations, environmental-social baselines and risk assessments, as well as health & safety evaluations, a waste management plan, various impact studies, a closure plan and the proposed outline of the mining license area. The conversion to a mining license will require approval from the NAMR followed by various Ministerial approvals appropriate to the level of mineral rights tenure. The Corporation anticipates that this conversion to a mining license will be completed in 2013. However, there can be no assurances that this conversion to a mining license will be completed during 2013.

As a first, and major, step towards obtaining the mining license, the NAMR approved the resources and reserves for the Rovina Valley Project on March 14, 2013. This is the first block-model resource-reserve that has been approved in Romania.

Following the conversion to a mining license, approval to begin construction and mining operations will require a building authorization permit that will include land zoning and final environmental reviews and approval resulting from a full Environmental Impact Assessment ("EIA") study. Due to their long lead times, the Corporation has been continuously working on these programs and will continue advancing the studies required for the EIA in conjunction with its on-going pre-feasibility study and ultimately, its final feasibility study. During the conversion process from an exploration license to a mining license, no disruptive physical field work (i.e., drilling, land clearing, etc.) can be carried out on the property, until after the mining license has been approved.

Through its wholly owned operating subsidiary, SAMAX Romania S.R.L. ("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.

As of the date of this MD&A, the Corporation has placed the Rovina Valley Project on a care and maintenance program to contain costs and limit cash expenditures. The details of the Pre- Feasibility study are being reviewed internally and optimized in light of the current commodity price decline. However, the Corporation continues to be engaged in the conversion of the Exploration License to the Mining License with all interested stakeholders from the local to federal level.

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

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

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

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

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

Results of Operations

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

For the quarters ended	**Q3 2013**	**Q2 2013**	**Q1 2013**	**Q4 2012**	**Q3 2012**	**Q2 2012**	**Q1 2012**	**Q4 2011**
Net (income) loss for the period	78,170,777	(51,409,027)	(21,690,493)	(13,223,945)	36,375,945	(1,218,847)	11,441,980	44,766,651
Basic and diluted (income) loss per share	0.13	(0.09)	(0.04)	(0.03)	0.07	0.00	0.02	0.09
Exploration and evaluation expenditures	809,417	1,383,191	1,683,000	2,069,062	3,776,460	3,556,780	2,356,037	6,169,288
Mine development expenditures	1,470,280	8,606,026	5,542,806	7,824,821	760,611	1,115,484	2,606,070	3,596,084

There were no revenues from operations in any of these periods as the Corporation did not have any operations in production.

Third quarter ended September 30, 2013 (“Q3 2013”)

During Q3 2013, work in Brazil was primarily focused on advancing RDM through the construction and development of the Project, the continued implementation of grade reconciliation programs, optimization of the open pit mining activities, as well as continuing its government and social relations work related programs for the Project and the LI and finalizing the appropriate documentation for obtaining the LO or the Provisional LO. Minor generative exploration efforts included a hand-held auger drill program was completed during the third quarter at RDM. No substantial fieldwork was carried out in Romania during this quarter.

The net loss for Q3 2013 was $78,170,777 compared to a net loss of $36,375,945 for Q3 2012. Included in the loss in Q3 2013 is a non-cash loss of $17,371,465 [non-cash loss of $30,390,224 in Q3 2012] on the Corporation’s currency swaps and gold contract derivatives arising from a movement in the foreign exchange rates for the Brazilian Real and forward gold prices (see Financing Activities). In addition, a non-cash impairment charge of

$56,769,875 was recognized against the carrying value of the RDM project (see further discussion below). General and administrative costs in Q3 2013 aggregated $517,668 as compared to $786,128 in Q3 2012. Salaries and benefits of $788,375 in Q3 2013 decreased as compared to $1,576,517 in Q3 2012, primarily due to lower share based compensation. Due to the movement in the value of the Canadian dollar and the Brazilian Real relative to the US$ an unrealized foreign exchange loss of $2,659,499 was recorded in Q3 2013 compared to an unrealized foreign exchange loss of $3,756,508 in Q3 2012.

The basic and diluted earnings per share were a loss of $0.13 in Q3 2013 versus loss of $0.07 in Q3 2012.

Nine months ended September 30, 2013

The following table sets out certain financial information for the nine month periods ended September 30, 2013 ("YTD 2013") and 2012 ("YTD 2012"):

For the YTD	**YTD 2013**	YTD 2012
Net (gain) loss for the period	**5,071,259**	46,599,078
Basic and diluted (income) loss per share	**0.01**	0.08
Exploration and evaluation expenditures	**3,855,608**	5,912,817
Mine development expenditures	**15,639,112**	3,721,554

The net loss for YTD 2013 was $5,071,259 compared to a net loss of $46,599,078 for the corresponding period in 2012. Included in the YTD 2013 loss was a non cash gain on the currency swaps and gold contract derivatives of $57,246,285 compared to a loss on derivatives of $39,463,602 in YTD 2012. This gain has been offset by a non-cash impairment charge of $56,769,875 that has been recognized against the carrying value of the RDM project during Q3 2013. General and administrative costs were in line with previous year. Salaries and benefits decreased during YTD 2013 relative to the corresponding YTD 2012 due to the lower stock compensation costs in YTD 2013 totalling $483,887 compared to YTD 2012 of $1,172,386 due to lower number of stock options being granted in 2013. This was offset by an increase in salaries due to the hiring of additional mine and support personnel in Brazil in the latter part of 2012. YTD 2013 foreign exchange gain of $2,140,835 compared to a loss of $3,200,324 for YTD 2012 was primarily due to the movement of the Canadian dollars against the US dollar. The basic and diluted net loss per share was $0.01 in YTD 2013 versus a $0.08 loss per share in YTD 2012.

Liquidity and Capital Resources

As at September 30, 2013, the Corporation had cash and cash equivalents of $2,521,766 ($18,956,650 – at December 31, 2012) and restricted deposits of $5,775,433 ($1,282,168 - at December 31, 2012) and a working capital shortfall of $102,524,110, (working capital balance of $4,624,182 at December 31, 2012).

The Corporation's available funds will not be sufficient to fund the completion of Riacho dos Machados, the exploration in Romania, working capital requirements and corporate administration. The Corporation will need to secure additional financing to meet the Corporation's requirements for funding the balance of construction activities and Facility repayments on an on-going basis. The Corporation is currently assessing various financing options in order to secure additional funding and, in the interim, has been engaged in on-going discussions with Macquarie Bank Limited ("Macquarie Bank") to temporarily increase the amount available to the Corporation under the Facility until those alternative financing options are secured. Nevertheless, there is no assurance that these initiatives will be successful or sufficient. These circumstances lead to significant doubt as to the ability of the Corporation to meet its obligations as they become due and, accordingly, the ultimate appropriateness of use of the accounting principles applicable to a going concern.

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.

As a result of delays in the completion of the construction at the RDM project, MRDM, as borrower, and the Corporation (as guarantor) have defaulted on certain covenants imposed under the 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 subsequently amended, (the “Forbearance Agreement”) with Macquarie Bank, under which the lenders have agreed to continue forbearing from exercising their rights under the Facility through November 30, 2013. This has also resulted in the Corporation reclassifying all scheduled repayment under the Facility as current liabilities. In addition, under the terms of the Forbearance Agreement Macquarie Bank has agreed, at its discretion, to provide an additional Tranche 3 under the Facility, the availability of which shall be in the absolute discretion of the lenders.

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

Financing Activities

On January 11, 2013, MRDM concluded a $90 Million Project Loan Facility (the “Facility) with Macquarie Bank In conjunction with this, MRDM, through Macquarie Bank, also entered into price protection programs in the form of currency swaps for the Project’s CAPEX (R$1.90 to $1.00) and OPEX (R$1.983 to $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. As of the date of this MD&A, all funds available under the Facility have been drawn down.

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 (the Units”) 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 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. The funds raised have been used for working capital proposes, but as a result of an unexpected delay to the Project and the resulting delay in generating revenues from cash flow, the funds raised were insufficient for the on-going working capital needs.

Impairment

As at September 30, 2013, the carrying amount of the Corporation’s net assets exceeded its market capitalization, which, together with a significant decline in the gold price during the period was concluded to be an indication of potential impairment of the carrying amount of the Corporation’s net assets. Accordingly, the Corporation assessed the recoverable amounts of the MRDM cash generating unit (‘CGU’).

For the impairment test, fair value less cost of disposal (FVLCD) was used to determine the recoverable amount since it is higher than the value in use. FVLCD was calculated using discounted, after-tax cash flows based on cash flow projections in the Corporation’s most current life of mine (‘LOM’) plans.

At September 30, 2013, the Corporation used the LOM plan created as part of the feasibility study at MRDM, as modified by current estimates based on optimized mine and processing plans and the assessment of capital expenditure requirements at the mine site. LOM plans incorporate management’s best estimates of future gold prices, production based on current estimates of recoverable reserves and resources and future operating costs and foreign exchange rates.

Real, after tax discount rates include country and project risks. These rates were based on the risks associated with the project and incorporated the impact of estimated currency movements. At September 30, 2013, the

Corporation used discount rates of 12%. Short and long term gold prices used in the impairment assessment were determined by reference to external market participant sources and ranged from $1,300 to $1,500 per ounce.

Based on the assessment performed by the Corporation on its CGUs, the Corporation concluded that the recoverable amounts of its CGUs exceeded their carrying amounts as at September 30, 2013. Accordingly, for the three months and nine-months ended September 30, 2013, the Corporation recorded impairment charges totalling $56,769,875 (2012 – Nil). The entire impairment relates to the carrying value of the assets at MRDM and has been allocated, on a pro-rata basis, over assets under construction ($41,896,325), exploration and evaluation assets ($1,572,130) and mine development costs ($13,301,420).

Disclosure of Outstanding Share Data

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

Options

As at 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	956 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 301 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 318days	5,176,667
Consultants	400,000	13,912	0.40	318 days	300,000
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**

Warrants

As at September 30, 2013, the following Common Share purchase warrants were outstanding:

	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 on the grant date using the Black-Scholes valuation model using the exercise price of Cdn$0.40, expiry of January 11, 2016 and estimated volatility of 65%.

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

Commitments

The Corporation has entered into a Sub-Lease Agreement from December 1, 2010 and expiring on March 31, 2018 for office space. The minimum annual rent is Cdn$35,640 for the entire term of the sub-let plus applicable expenses. As at September 30, 2013, 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**	**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 Brazilian subsidiary has signed agreements for services and supplies to be used during the operations of the Project, including for the supply of diesel fuel.

Off-balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements.

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, Chairman and Chief Executive Officer of the Corporation is a partner. There have been no other related party transactions since then.

Financial Instruments – Derivatives

Gold Stream Transaction

On May 20, 2010, the Corporation's wholly owned subsidiary Minerçao Riacho dos Machados Limitada ("MRDM") entered into a gold purchase and sale agreement (the "Agreement") with Macquarie Bank Limited ("Macquarie Bank") for its Riacho dos Machados gold project (the "Project") in Brazil.

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

The transactions covered by the Agreement have been recorded as a sale of a partial mineral property interest and the Upfront Payments have been accounted for as a recovery of exploration and development costs. Accordingly, no immediate gain or loss has been recognized on the transaction. The final $15 million remaining under the Agreement were drawn on October 29, 2012. These funds were used for the on-going construction activities in Brazil. As at December 31, 2012, the full $30 million in Upfront Payments had been received ($15 million - at December 31, 2011).

The Corporation acts as a guarantor of MRDM's obligations under the Agreement.

Project Loan Facility

In conjunction with the entering into of the Facility, MRDM, through Macquarie Bank, also entered into price protection programs in the form of currency swaps for the Project's Capex at R$1.90 to US$1.00 and Opex at R$1.983 to US$1.00. In addition and concurrently with the currency swaps, MRDM entered into a gold price protection program comprised of 216,600 ounces of gold (approximately 26% of the open-pit reserves) which were sold forward at a price of $1,600 per ounce representing a notional amount of
$346,560,000.

The Capex currency swaps were put in place in order to mitigate the risks 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 remaining outstanding as at June 30, 2013 was R$36,769,427 (December 31, 2012 – R$153,590,069). The Opex currency swaps were arranged to cover R$/US$ currency fluctuations during the initial years of the mine operations for a notional amount of R$383,999,998.

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

The Facility is a five-year agreement with standard commercial terms as are customary in agreements of this nature. Subject only to interest breakage costs, MRDM may repay the Facility at any time, with no adverse penalties. The Corporation has granted Macquarie Bank 20 million common share purchase warrants at an exercise price of Cdn$0.40 per warrant for a period of three years. The fair value of these warrants was estimated at $3,256,109 using a Black-Scholes model. In addition, MRDM has granted Macquarie Bank a call option on 10,000 ounces of gold exercisable at $2,000 per ounce for a three year period from the date of commencement of operations (the "Gold Options"). The Gold Options had a fair value of $1,400,000 liability on the date of grant. Total cost of debt issuance amounted to $7,097,513, which includes $1.8 million fee to Macquarie and $0.7 million of other costs. The Corporation acts as a guarantor of MRDM's obligations under the Facility and related derivative contracts until such time as project completion is achieved as defined under the terms of the Facility.

On August 28, 2013, the Facility was amended 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;

b) MRDM 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; and

c) A reduction in the strike price of the original Gold options to acquire 10,000 ounces from $2,000 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 RDM Project, Mineração Riacho dos Machados Ltda. (“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 deferred financing costs of $7,256,424 and $9,239,282 for three and nine months ended September 30, 2013, respectively.

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 at 1.5% 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 were $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 a margin of 9.0% and 9.5%, respectively.

As of the date of this MD&A, the Corporation has drawn the following amounts against the Facility’s Tranche 3, under the Forbearance Agreement, as amended:

- $4.0 million on October 23, 2013;
- $3.0 million on October 31, 2013;
- $1.0 million on November 4, 2013; and
- $3.0 million on November 7, 2013.

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		36,000,000		36,000,000	(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)**	-

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

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 expenditure, production costs estimates, discount rates and exchange rates.

Expected future cash flows used in determining the FVLCD used in the impairment testing are inherently uncertain and could materially change over time. The cash flows are significantly affected by a number of factors, including estimates of production levels, operating costs and capital expenditures as well as economic factors beyond management’s control, such as gold prices and discount rates. Should management’s estimate of the future not reflect actual events, additional impairment charges may be identified and required.

The possible effects of a change in any single assumption may not fairly reflect the impact on a CGUs fair value as the assumptions are inextricably linked.

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.

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. 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 $1,300.00, there can be no assurance that gold prices will remain at such levels or be such that the Corporation's properties can be exploited at a profit. If the price of gold declines, it could have a material adverse effect on the Corporation's share price, business and operations.

In connection with the RDM Project financing facility entered into with Macquarie Bank, the Corporation has entered into gold forward sales agreements representing 216,600 ounces at a price of $1,600 per ounce. Deliveries under these agreements are to be spread out over the first five years of production.

Volatility of Copper Price

The price of copper is dependent on the global supply and demand factors that are beyond the control of the Corporation. The price of copper is currently in the order of $3.20 per pound, however there can be no assurances that the price will remain at this level or be at such a price that the Corporation's properties can be exploited at a profit.

Infrastructure

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

Liquidity Concerns and Future Financing

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

Competition

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

Acquisitions and Integration

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

Litigation Risks

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

Dependence on Key Individuals

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

Conflicts of Interest

The directors and officers of the Corporation 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.

Insurance

The Corporation currently holds a certificate of insurance underwritten by Encon Group Inc. providing for Directors and Officers Liability coverage of up to $20,000,000, inclusive of defence costs. Additionally, the Corporation carries a general liability policy in the amount of $5,000,000. Furthermore, the Corporation, for and on behalf of MRDM, has obtained a construction insurance policy in the amount of USD$30 Million as well as a wrap-up liability policy in the amount of USD$25 Million. The Corporation is also presently negotiating policies in order to insure the risks associated with the commercial start-up of the Project mine. There is no guarantee that these policies will provide sufficient protection for the Corporation and or MRDM against certain risks associated with mineral exploration, commercial exploitation and related corporate activities. Even with these policies in place, there remains a risk that unusual liabilities may not be covered or that the insured amounts may prove insufficient.

Fluctuation in Market Value of Carpathian's Shares

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

Rising Production Costs

Once production commences, 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.

Negative Operating Cash Flow

The Corporation had negative operating cash flow for Q2 2013 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

Current global financial conditions have been characterized by markedly increased volatility and have led to intervention by governments in many financial markets. Access to public financing has been negatively impacted by the lack of readily available money. 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.

Currency Fluctuations

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

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

Limitations under the Facility

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

The Corporation's Level of Debt

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

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

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Corporation's Chief Executive Officer and Chief Financial Officer are responsible for the design and effectiveness of disclosure controls and procedures ("DC&P") and the design of internal control over financial reporting ("ICFR") to provide reasonable assurance that material information related to the Corporation, including its consolidated subsidiaries, is made known to the Corporation's certifying officers. The Corporation's controls are based on the COSO framework. The Corporation's Chief Executive Officer and the Chief Financial Officer have evaluated the design and effectiveness of the Corporation's DC&P as of June 30, 2013 and have concluded that these controls and procedures are effective in providing reasonable assurance that material information relating to the Corporation is made known to them by others within the Corporation. The Corporation's Chief Executive Officer and Chief Financial Officer have also evaluated the design and effectiveness of the Corporation's ICFR as of June 30, 2013 and concluded that these controls and procedures are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

During the current period there have been no changes in the Corporation's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

2013 Outlook

The Corporation's priority for the remaining balance of 2013 is focused on completing the construction of its RDM Project and entering into gold production. While the Corporation also plans on advancing the permitting process with the regulatory bodies for its Rovina Valley Project, it will do so at a very conservation pace. All environmental base line work and social programs will also continue on both the RDM and Rovina Valley

Projects. Achievement of these objectives may remain dependent on the Corporation's ability to raise necessary financing, as required. The Corporation continues to operate as prudently as possible with a strong emphasis on cost containment.

Additional Information

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

Approved by the Board of Directors

Dated: November 12, 2013