Carpathian Gold Inc.

Condensed Interim Consolidated Financial Statements
For the three and nine month periods ended September 30, 2014 and 2013

(Unaudited)

Notice of no auditor review of Condensed Interim Consolidated Financial Statements

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

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

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

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

As at

Assets	Note	September 30, 2014 $	December 31, 2013 $
Current assets			
Cash and cash equivalents		**1,145,656**	3,011,774
Restricted deposits	5	**1,516,495**	2,431,521
Derivative contracts	19	**13,387,642**	18,010,647
Prepaid expenses and sundry receivables		**1,798,388**	625,179
Inventory	6	**16,355,430**	5,827,543
		34,203,611	29,906,664
Non-current assets			
Deposits and receivables		**4,478,458**	4,711,205
Property, plant and equipment	7	**107,682,808**	92,259,611
Software license costs	8	**613,114**	703,001
Derivative contracts	20	**57,122,749**	58,542,775
Exploration and evaluation assets	4 and 9	**17,661,374**	53,795,226
Mine development assets	9	**53,241,303**	34,433,849
Total Assets		**275,003,417**	274,352,331
Liabilities			
Current liabilities			
Trade and other payables	14	**17,810,345**	24,670,145
Project loan facility– short-term	15	**177,397,788**	122,738,454
Production shortfall payables	16	**27,549,600**	-
Derivative contracts	17	**7,240,869**	8,613,628
		229,998,602	156,022,227
Non-current liabilities			
Rehabilitation provisions	19	**5,125,296**	5,125,296
Derivative contracts	20	**54,592,830**	53,901,516
Deferred income taxes		**1,394,370**	830,538
Total Liabilities		**291,111,098**	215,879,577
Equity attributable to Shareholders			
Share capital	10	**196,773,069**	196,773,069
Warrants	10	**3,256,109**	3,256,109
Contributed surplus		**10,922,259**	10,894,939
Accumulated deficit		**(222,126,503)**	(150,598,613)
Accumulated other comprehensive loss		**(4,932,615)**	(1,852,750)
Total Equity		**(16,107,681)**	58,472,754
Total Liabilities and Equity		**275,003,417**	274,352,331

Nature of operations and going concern (Note 1)

Approved by the Board of Directors

Director (signed) Guy Charette Director (signed) David Danziger

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

Carpathian Gold Inc.

Condensed Consolidated Statements of Loss and Comprehensive Loss

For the three and nine months ended September 30, 2014 and 2013

(In United States Dollars)

(Unaudited)

	Note	Three-Month Period Ended September 30 2014 $	2013 $	Nine-Month Period Ended September 30 2014 $	2013 $
Operating costs and mine site administrative expenses		**(11,310,133)**	-	**20,855,789**	-
General and administrative expenses	11(a)	**3,453,614**	517,668	**9,752,273**	2,305,074
Depreciation and amortization		**27,955**	32,820	**70,951**	102,158
Employee compensation expense	11(b)	**1,542,509**	788,875	**2,800,770**	2,525,111
Impairment	4	**10,812,720**	56,769,875	**37,908,220**	56,769,875
Realized (gain) loss on derivative contracts	20	**(2,559,068)**	-	**(2,559,068)**	2,745,632
Unrealized (gain) loss on derivative contracts	20	**(8,528,141)**	17,371,465	**5,361,586**	(57,246,285)
Other (income) expense	11(c)	**(4,407,170)**	2,663,936	**(3,226,464)**	(2,323,121)
(Income) loss for the period before income tax provision		**(10,967,714)**	78,144,639	**70,964,057**	4,878,444
Income tax recovery provision		**612,014**	26,138	**563,831**	192,815
(Income) loss for the period		**(10,355,700)**	78,170,777	**71,527,888**	5,071,259
Other comprehensive loss					
Items that may be reclassified subsequently to profit or loss:					
Cumulative translation adjustments		**3,435,788**	(1,144,881)	**3,079,864**	3,494,265
Other comprehensive (income) loss for the period		**3,435,788**	(1,144,881)	**3,079,864**	3,494,265
Total comprehensive (income) loss for the period		**(6,919,912)**	77,025,896	**74,607,752**	8,565,524
Basic and diluted income (loss) per share	12	**0.02**	(0.13)	**(0.12)**	(0.01)

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

Carpathian Gold Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity
For the three and nine months ended September 30, 2014 and 2013
(In United States Dollars)
(Unaudited)

	Share capital (Note 10) $	Warrants (Note 10) $	Contributed surplus $	Accumulated deficit $	Total Accumulated other comprehensive income (loss) $	Total $
Balance, January 1, 2013	179,623,924	-	10,158,970	(100,587,050)	4,429,003	93,624,847
Comprehensive loss				73,099,520	(4,639,145)	68,460,375
Issue of common share						
Purchase warrants		3,256,109				3,256,109
Amortization of options			541,330			541,330
Balance, June 30, 2013	179,623,924	3,256,109	10,700,300	(27,487,530)	(210,143)	165,882,660
Comprehensive loss				(78,170,777)	1,144,881	(77,025,896)
Issue of common shares						
Private Placement (net of share issuance costs	17,592,714					17,592,714
Amortization of options			157,550			157,550
Balance, September 30, 2013	197,216,638	3,256,109	10,857,850	(105,658,307)	934,738	106,607,028
Comprehensive loss				(44,940,306)	(2,787,488)	(47,727,794)
Issue of common shares						
Private Placement (net of share issuance costs	(443,569)					(443,569)
Amortization of options			37,089			37,089
Balance, December 31, 2013	196,773,069	3,256,109	10,894,939	(150,598,613)	(1,852,750)	58,472,754
Comprehensive loss				(81,883,590)	355,923	(81,527,667)
Amortization of options			6,900			6,900
Balance, June 30, 2014	196,773,069	3,256,109	10,901,839	(232,482,203)	(1,496,827)	(23,048,013)
Comprehensive income				10,355,700	(3,435,788)	6,919,912
Amortization of options			20,420			20,420
Balance, September 30, 2014	196,773,069	3,256,109	10,922,259	(222,126,503)	(4,932,615)	(16,107,681)

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

Carpathian Gold Inc.
Condensed Consolidated Statements of Cash Flows
For the nine months ended September 30, 2014 and 2013
(In United States Dollars)
(Unaudited)

	2014	2013
	$	$
Cash flows from operating activities		
Loss for the period	**(71,527,888)**	(5,071,259)
Depreciation and amortization	**70,951**	102,158
Unrealized foreign exchange gain	**(3,262,229)**	(2,140,835)
Share-based payments	**24,582**	483,887
Impairment	**37,908,220**	56,769,875
Deferred income tax	**563,831**	192,815
Loss on sale of property, plant and equipment	**21,089**	25,031
Interest income	**(17,813)**	(234,108)
Deferred share unit costs	**151,292**	(397,913)
Unrealized loss (gain) on derivative contracts	**5,361,587**	(57,246,285)
Changes in non-cash working capital balances		
Deferred costs	**-**	319,631
Prepaid expenses and sundry receivables	**(1,173,210)**	(668,120)
Inventories	**(10,527,887)**	(5,839,547)
Trade, other payables and production shortfall	**35,249,917**	566,934
	(7,157,558)	(13,137,736)
Cash flows from investing activities		
Restricted deposits	**915,027**	(4,493,265)
Interest income	**17,813**	234,108
Acquisition of property, plant and equipment	**(26,291,992)**	(80,413,116)
Acquisition of software licensing	**(23,710)**	(340,648)
Exploration and evaluation assets	**(1,658,829)**	(3,855,608)
Mine development assets	**(18,807,454)**	(15,639,112)
	(45,849,145)	(104,507,641)
Cash flows from financing activities		
Proceeds from Project Loan Facility (net of costs)	**47,458,062**	84,965,549
Proceeds from Private Placement (net of costs)	**-**	17,592,714
	47,458,062	102,558,263
Effect of exchange rates on cash and cash equivalents	**3,682,523**	(1,347,769)
Decrease in cash and cash equivalents	**(1,866,118)**	(16,434,883)
Cash and cash equivalents – Beginning of period	**3,011,774**	18,956,650
Cash and cash equivalents – End of period	**1,145,656**	2,521,767
Supplemental information:		
Interest paid	**7,624,778**	1,535,407
Income taxes paid	**-**	-

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

1. Nature of Operations and Going Concern

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

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

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities as they become due in the normal course of business for the foreseeable future. For the nine months ended September 30, 2014, the Corporation incurred a net loss $81,883,590 and as at September 30, 2014 reported an accumulated deficit of $222,126,502, and negative working capital of $195,794,991.

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 under the Project Loan Facility (the "Project Facility") arrangement with Macquarie Bank Limited ("Macquarie Bank"). These covenant defaults relate to financial and operational difficulties experienced by the Corporation, including delays in commencement of production and unplanned cost overruns. As a result, on October 18, 2013, MRDM and the Corporation entered into a Forbearance and Amendment Agreement, as amended, (the "Forbearance Agreement") with Macquarie Bank, under which the lenders agreed to continue forbearing from exercising their rights under the Project Facility through May 11, 2014. The events of default have resulted in the Corporation reclassifying all borrowings under the Project Facility as current liabilities as at September 30, 2014 and recording an impairment charge in 2013 and 2014. In addition, under the terms of the Forbearance Agreement, Macquarie Bank has agreed, at its discretion, to provide an additional Tranche 3 under the Project Facility (Note 15), the availability of which shall be in the absolute discretion of the Macquarie Bank.

The Corporation has $1,145,656 in cash and cash equivalents. These available funds are not sufficient to fund the completion of Riacho dos Machados, the exploration in Romania, working capital requirements nor corporate administration costs. The Corporation will need to secure significant additional financing in the immediate term in order to meet the Corporation's requirements for funding of construction operations and Project Facility repayments on an ongoing basis. Nevertheless, there is no assurance that these initiatives will be successful or sufficient. These circumstances lead to significant doubt as to the ability of the Corporation to meet its obligations as they become due and, accordingly, the ultimate appropriateness of use of the accounting principles applicable to a going concern.

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

2. Basis of Preparation

The Corporation prepares its unaudited condensed interim consolidated financial statements in accordance with IFRS as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These statements are condensed and do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended December 31, 2013.

(In United States Dollars unless otherwise indicated)

These condensed interim consolidated financial statements were approved by the Board of Directors on November 14, 2014.

3. Significant accounting policies

The significant accounting policies used in the preparation of these condensed consolidated financial statements are described below.

Basis of measurement

The condensed consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value, including derivative instruments.

Principles of consolidation

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

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

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

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

Critical accounting estimates and judgments

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

The judgments, estimates, assumptions and risks discussed here reflect updates form Note 3 of the Corporation's annual audited consolidated financial statements for the year ended December 31, 2013.

New Accounting Standards

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these condensed consolidated financial statements. None of these are expected to have a significant effect on the condensed consolidated financial statements of the Corporation, except the following:

IFRIC 21 - Levies

In May 2013, the IASB issued IFRIC 21 Levies, which sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligation event is that gives rise to pay a levy and when should a liability be recognized.

Based on the Corporation's review, there was no material impact on the Corporation's condensed consolidated interim financial statements upon the adoption of IFRIC 21 or IAS 36 on January 1, 2014.

Future Accounting Standards

IFRS 9 - Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation is currently assessing the impact of adopting this standard on the condensed consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which covers principles that an entity shall apply to report useful information to users of financial statements about the b=nature, amount and timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2017, with earlier application permitted. The Corporation is currently assessing the impact of adopting this standard on the condensed consolidated financial statements.

4. Impairment

As at September 30, 2014 the carrying amount of the Corporation's net assets exceeded its market capitalization, which is an indicator of potential impairment. Consequently, the Corporation undertook an impairment test on each of its identified cash generating unit ("CGU"), focused on MRDM and Romania. A CGU is generally an individual operating mine or development project. For the impairment test, fair value less costs of disposal ("FVLCD") was used to determine the recoverable amount as this was expected to be higher than a value in use model.

(a) The key assumptions and estimates used in deterring the FVLCD for MRDM was calculated using discounted after-tax cash flows based on cash flow projections in the Corporation's current life of mine plans. These projected cash flows were based on the latest expectation of future metal prices, future capital expenditures, production costs estimates, discount rates and exchange rates. FVLCD was determined by calculating the net present value ("NPV") of the future cash flows expected to be generated by the mine. The estimates of future cash flows were derived from the most recent LOM plans. Based on observable market or publicly available data, including spot and forward prices and equity sell-side analyst forecasts, we make an assumption on future gold prices to estimate future revenues. The key assumptions used by the Corporation for their impairment testing are: gold price per ounce $1,300; discount rate of 12%; LOM years of 10; and Brazilian Reais to US$ exchange rate of 2.35.

In assessing whether impairment is required for the carrying amount of exploration and evaluation asset, their carrying value if compared with the recoverable amount which is the higher of asset's FVLCD and value in use. Given that the Corporation's Romanian property is in exploratory phase, information on value in use calculations is difficult to estimate. Consequently, the recoverable amount used in assessment of impairment is based on FVLCD.

For the third quarter ended September 30, 2014, impairment charges totaled $10,812,720 related to Romanian, of which $392,330 related Property, plant and equipment, $13,256 related to software license costs and $10,407,134 related to Exploration and evaluation assets. There were no impairment charges for MRDM.

For the second quarter ended June 30, 2014, impairment charges totaled $27,095,500 related to Romanian Exploration and evaluation assets and $Nil for MRDM.

(b) Sensitivities

Based on the results of our last impairment test performed in first quarter of 2014, the fair value of MRDM of $126,718,497 is the most sensitive to the changes in sales prices.

Should there be a significant decline in commodity prices, the Corporation would take actions to assess the implications on our LOM plans, including determination of reserves and resources, and the appropriate cost structure for MRDM.

5. Restricted Deposits

As at September 30, 2014 the Corporation's restricted deposits totaled $1,516,495 (December 31, 2013 - $2,431,521), representing an employee trust fund of $1,248,000 (December 31, 2013 - $Nil) and currency held in US$ which will be available to fund the operations of MRDM once it is converted to Brazilian Reais through execution of an exchange contract.

(In United States Dollars unless otherwise indicated)

6. Inventory

	September 30, 2014	December 31, 2013
Finished products	426,069	344,197
Work-in-process	13,821,462	2,522,592
Stockpiles	1,178,446	2,937,679
Mine supplies	929,453	23,075
	16,355,430	5,827,543

7. Property, Plant and Equipment

Cost	Land $	Assets under construction $	Buildings $	Leasehold Improvements $	Office Equipment $	Computer Equipment $	Vehicles $	Machinery & Equipment $	Total $
Balance, December 31, 2012	398,226	38,190,368	424,261	363,299	593,956	453,725	481,956	14,092,028	54,997,819
Additions	-	125,604,832	25,563	87,963	44,158	59,499	-	718,139	126,540,154
Impairment (Note 4)	-	(84,043,979)	-	-	-	-	-	-	(84,043,979)
Disposals	-	-	-	(75,167)	(15,574)	-	-	-	(90,741)
Reclassification	-	(4,420,973)	-	19,493	176,445	29,494	119,173	4,036,332	(40,036)
Effect of changes in foreign exchange rates	-	-	-	(16,848)	(5,165)	(2,778)	-	(1,494)	(26,285)
Balance, December 31, 2013	398,226	75,330,248	449,824	378,740	793,820	539,940	601,129	18,845,005	97,336,932
Additions	-	19,282,242	13,726	316	42,469	30,977	-	59,452	19,429,182
Impairment (Note 4)	(9,825)	-	(395,697)	-	(6,365)	(15,958)	(54,439)	(8,596)	(490,880)
Disposals	-	-	-	-	(30,239)	-	-	-	(30,239)
Effect of changes in foreign exchange rates	-	-	-	(9,551)	(2,928)	(1,575)	-	(847)	(14,901)
Balance, September 30, 2014	388,401	94,612,490	67,853	369,505	796,757	553,384	546,690	18,895,014	116,230,094

Accumulated depreciation	Land $	Assets under construction $	Buildings $	Leasehold Improvements $	Office Equipment $	Computer Equipment $	Vehicles $	Machinery & Equipment $	Total $
Balance, December 31, 2012	-	-	31,758	140,936	111,195	176,651	256,625	65,395	782,560
Depreciation		-	6,121	59,642	70,491	92,509	86,361	4,055,522	4,370,646
Disposals	-	-	-	(62,608)	(3,103)	-	-	-	(65,711)
Reclassification	-	-	-	-	-	184	-	-	184
Effect of changes in foreign exchange rates	-	-	-	(5,691)	(1,433)	(2,574)	-	(660)	(10,358)
Balance, December 31, 2013	-	-	37,879	132,279	177,150	266,770	342,986	4,120,257	5,077,321
Depreciation		-	5,812	49,644	60,938	56,532	98,758	3,312,998	3,584,682
Impairment (Note 4)	-	-	(37,515)	-	(1,146)	(10,941)	(44,830)	(4,119)	(98,550)
Disposals	-	-	-	-	(9,150)	-	-	-	(9,150)
Effect of changes in foreign exchange rates	-	-	-	(4,375)	(1,043)	(1,443)	-	(156)	(7,017)
Balance, September 30, 2014	-	-	6,176	177,548	226,749	310,918	396,914	7,428,981	8,547,286

(In United States Dollars unless otherwise indicated)

Net book value	Land $	Assets under construction $	Buildings $	Leasehold Improvements $	Office Equipment $	Computer Equipment $	Vehicles $	Machinery & Equipment $	Total $
Balance, December 31, 2013	398,226	75,330,248	411,945	246,461	616,670	273,170	258,143	14,724,748	92,259,611
Balance, September 30, 2014	**388,401**	**94,612,490**	**61,677**	**191,957**	**570,008**	**242,466**	**149,776**	**11,466,033**	**107,682,809**

As at September 30, 2014 the carrying value of property, plant and equipment is comprised of $188,433 in corporate and other (December 31, 2013 - $243,080), $107,494,375 in Brazil (December 31, 2013 - $91,621,795) and $Nil in Romania (December 31, 2013 - $394,736).

8. Software License Costs

	Cost $	Accumulated Amortization $	Net Book Value $
Balance, December 31, 2012	669,888	214,700	455,188
Additions	414,549	136,722	277,827
Reclassification	3,033	-	3,033
Effect of changes in foreign exchange rates	(22,173)	10,874	(33,047)
Balance, December 31, 2013	**1,065,297**	**362,296**	**703,001**
Additions	**29,373**	**91,395**	**(62,022)**
Impairment (Note 4)	**(24,500)**	**(11,244)**	**(13,256)**
Effect of changes in foreign exchange rates	**(16,216)**	**(1,607)**	**(14,300)**
Balance, September 30, 2014	**1,053,954**	**440,840**	**613,114**

As at September 30, 2014 the carrying value of software licensing fees is comprised of $85,904 in corporate and other (December 31, 2013 - $136,990), $527,210 in Brazil (December 31, 2013 - $550,306) and $Nil in Romania (December 31, 2013 - $15,806).

9. Exploration and Evaluation and Mine Development Assets

Exploration and evaluation assets	Romania $	Brazil $	Total $
Balance at December 31, 2012	47,357,896	5,012,172	52,370,068
Additions	3,125,295	1,386,228	4,511,523
Reclassification	-	264	264
Impairment	-	(3,086,629)	(3,086,629)
Balance at December 31, 2013	**50,483,191**	**3,312,035**	**53,795,226**
Additions	**979,340**	**389,442**	**1,368,782**
Impairment (Note 4)	**(37,502,634)**	**-**	**(37,502,634)**
Balance at September 30, 2014	**13,959,897**	**3,701,477**	**17,661,374**

(In United States Dollars unless otherwise indicated)

Mine development assets	**Brazil** **$**
Balance at December 31, 2012	**17,749,605**
Additions [1]	**45,694,271**
Impairment	**(29,047,030)**
Reclassification	**37,003**
Balance at December 31, 2013	**34,433,849**
Additions [2]	**18,807,454**
Balance at September 30, 2014	**53,241,303**

[1] $15,980,634 in borrowing costs were capitalized in Development assets during the year ended December 31, 2013, of which $4,699,483 related to interest on the Project Facility, $305,438 for commitment fees, $1,500,000 facility fees and $9,475,713 for the financing costs related to the Project Facility (Note 15).

[2] $18,807,454 in borrowing costs were capitalized in Development assets during the nine months ended September 30, 2014, of which $15,728,135 related to interest on the Project Facility and $3,079,319 facility fees related to the Project Facility (Note 15).

Romania

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

Brazil

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

Gold Stream Transaction

On May 20, 2010, the Corporation closed the gold stream transaction for $30 million with Macquarie Bank for its Riacho dos Machados gold project (the “Project”) in Brazil. Under the terms of the purchase and sale agreement (the “Agreement”), Macquarie made upfront cash payments (the “Upfront Payments”) totaling $30 million in return for which it will have the right to purchase 12.5% of the gold produced from the Project at a price of $400 per ounce of payable gold delivered (“Delivered Gold Ounce”). The price per Delivered Gold Ounce to Carpathian will be subject to an inflation escalator. Macquarie also has the right to extend its participation to purchase 12.5% of the additional gold produced from any underground operation within the mining concession and five contiguous exploration licenses, as well as any open pit and/or underground operation on the balance of the property outside of the existing mining concession and five contiguous exploration licenses referred to above (the “Expanded Production”), by contributing 12.5% of the capital required to develop the Expanded Production and paying $450 per Delivered Gold Ounce. This price per ounce will also be subject to adjustment by the price escalation and inflation factors described above. The transaction has been recorded as a sale of a partial mineral property interest and the Upfront Payments are being accounted for as a recovery of exploration and development costs. Accordingly, no immediate gain or loss has been recognized on the transaction. As of December 31, 2013, the full $30 million had been received as Upfront Payment.

(In United States Dollars unless otherwise indicated)

10. Share Capital

(a) Authorized

Unlimited number of Common Shares, without par value.

Unlimited number of Preference Shares, without par value.

(b) Issued Common Shares

		Number of shares	$
Balance at December 31, 2012		555,419,911	179,623,924
Common Shares issued on private placement (net of costs of $1,317,329)	10(c)	138,750,000	17,149,145
Balance at December 31, 2013 and September 30, 2014		694,169,911	196,773,069

(c) On August 29, 2013, pursuant to an agreement with Cormark Securities Inc. and Macquarie Capital Markets Canada Ltd. (collectively the "Co-Lead Underwriters"), the Corporation completed a bought deal private placement of shares of the Corporation at an issue price of Cdn$0.14 per share. On August 29, 2013, the Corporation issued a total of 57,871,429 common shares for gross proceeds of $7,699,076 (Cdn$8,102,000). On September 5, 2013, the Corporation issued a total of 80,878,571 common shares for gross proceeds of $10,767,397 (Cdn$11,323,000). In total, the Corporation issued an aggregate of 138,750,000 common shares under both tranches of the private placement for aggregate gross proceeds of $ 18,466,473 (Cdn$19,425,000). Costs of the issue were $1,317,329.

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

	Number of Options	Weighted Average Exercise Price Cdn$
Balance at December 31, 2012	**34,127,000**	0.42
Expired during the period	**(4,525,000)**	0.45
Forfeited during the period	**(165,000)**	0.51
Balance at December 31, 2013	**29,437,000**	0.43
Expired during the period	**(2,790,000)**	0.23
Forfeited during the period	**(4,606,000)**	0.43
Granted during the period	**1,400,000**	0.03
Balance at September 30, 2014	**23,441,000**	0.44

(In United States Dollars unless otherwise indicated)

As at September 30, 2014, stock options held by directors, officers, employees and consultants are as follows:

	Options Outstanding	Fair Value at Grant Date	Exercise Price Cdn$	Remaining Contractual Life	Options Exercisable
Directors, officers and employees	5,330,000	848,561	0.30	28 days	5,330,000
Directors	200,000	71,579	0.56	1 years 30 days	200,000
Directors, officers and employees	9,091,000	3,140,659	0.58	1 years 321 days	9,091,000
Directors, officers and employees	6,420,000	597,364	0.40	2 years 318 days	6,420,000
Officer and employee	1,000,000	139,498	0.40	3 years 10 days	666,667
Employees	1,400,000	27,115	0.03	4 years 263 days	466,667
Balance at September 30, 2014	23,441,000	4,824,776		1 years 348 days	22,174,334

As at September 30, 2014 the number of stock options available for exercise was 22,174,334 at a weighted average exercise price of Cdn$0.44 and the aggregate remaining unamortized value of unvested stock options granted was $14,584.

Using the fair value method, total share-based compensation for stock options issued and outstanding for the three months ended September 30, 2014 was $20,420 (September 30, 2013 - $157,550), of which $Nil has been capitalized to exploration and development costs (September 30, 2013 - $49,781). Total share-based compensation for stock options issued and outstanding for the nine months ended September 30, 2014 was $28,234 (September 30, 2013 - $698,880), of which $Nil has been capitalized to exploration and development costs (September 30, 2013 - $214,993).

The fair value of the stock options granted to employees during 2014 was estimated using the Black-Scholes option pricing model with the following assumptions:

Dividend yield	-	0%
Expected volatility	-	100.2%
Risk free interest rate	-	1.22%
Expected option life	-	1-3 years
Share price	-	Cdn$0.03
Forfeiture rates	-	1.64%

Volatility is based on the historical volatility of the Corporation's share price over the option's expected life.

(In United States Dollars unless otherwise indicated)

(e) Common Share Purchase Warrants

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

	Number of Warrants	Weighted Average Exercise Price Cdn$
Balance at December 31, 2013	**-**	**-**
Issued on Finalization of Project Facility	**20,000,000**	**0.40**
Balance at September 30, 2014	**20,000,000**	**0.40**

The fair value of the Common share purchase warrants granted to Macquarie Bank (Note 15) was estimated at $3,256,109 using the Black Scholes valuation model using the exercise price of Cdn$0.40, expiry of January 11, 2016 and volatility of 65.0%.

11. Expense Breakdown

(a) General and administrative expenses

	Three-Month Period Ended September 30		Nine-Month Period Ended September 30	
	2014	2013	**2014**	2013
	$	$	**$**	$
Professional fees	**1,374,489**	118,583	**5,837,774**	709,825
Investor relations and advertising	**42,045**	82,365	**100,557**	477,107
Business and development	**163,673**	101,751	**289,071**	380,240
Office and general	**1,873,407**	214,969	**3,524,872**	737,902
	3,453,614	517,668	**9,752,273**	2,305,074

(b) Employee compensation expense

	Three-Month Period Ended September 30		Nine-Month Period Ended September 30	
	2014	2013	**2014**	2013
	$	$	**$**	$
Salaries and benefits	**1,544,479**	751,135	**2,927,480**	2,439,137
Share based payments	**18,221**	107,769	**24,582**	483,887
Deferred share unit costs	**(20,191)**	(70,029)	**(151,292)**	(397,913)
	1,542,509	788,875	**2,800,770**	2,525,111

(In United States Dollars unless otherwise indicated)

(c) Other (income) expense

	Three-Month Period Ended September 30		**Nine-Month Period Ended September 30**	
	2014	2013	**2014**	2013
	$	$	**$**	$
Foreign exchange loss (gain)	**(4,417,652)**	2,659,499	**(3,262,229)**	(2,140,835)
Interest income	**(176)**	(46,252)	**(17,813)**	(234,108)
Other expense	**10,657**	50,689	**52,962**	51,802
Interest expense	**1**	-	**616**	20
	(4,407,170)	2,663,936	**(3,226,464)**	(2,323,121)

12. Loss per Share

Basic earnings/loss per share is calculated based on the weighted average number of Common Shares issued and outstanding during the period. Basic and diluted weighted average shares for the three and nine months ended September 30, 2014 is 694,169,911 (2013 - 599,035,128) and 694,169,911 (2013 - 570,118,080), respectively. Stock options and warrants are considered anti-dilutive and therefore are excluded from the calculation of diluted earnings per share. Diluted weighted average shares for the three and nine months ended September 30, 2013 were 555,419,911 which is calculated using the treasury stock method whereby proceeds deemed to be received on the exercise of options and warrants are applied to reacquire common shares. Stock options and warrants outstanding for the three and nine months ended September 2013 are considered anti-dilutive and therefore have been excluded from the calculation of diluted earnings per share.

13. Deferred Share Units

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

The following transactions occurred during the periods noted below:

	September 30, 2014	December 31, 2013
Number of DSUs outstanding, beginning of period	**2,395,434**	2,395,434
Redeemed (at Weighted average market price of Cdn$0.04)	**(1,446,765)**	-
Number of DSUs outstanding, end of period	**948,669**	2,395,434

(In United States Dollars unless otherwise indicated)

Market Value, end of period	**Cdn$0.02**	Cdn$0.09
Liability, end of period	**$17,007**	**$201,598**

	Three-Month Period Ended September 30		Nine-Month Period Ended September 30	
	2014	2013	**2014**	2013
Compensation (recovery) for the period	**(20,191)**	(70,029)	**(151,292)**	(397,913)

14. Trade and other payables

	September 30, 2014	December 31, 2013
Trade payables	**12,522,110**	14,098,848
Accrued liabilities	**5,288,235**	10,571,297
	17,810,345	24,670,145

In the above mentioned trade and other payable total, $7,520,991 (2013 - $14,122,761) relates to capital expenditure for to Property, plant and equipment and exploration and evaluation asset.

15. Project Loan Facility

On January 11, 2013, the Corporation, through its wholly owned subsidiary, MRDM and Macquarie Bank signed a definitive agreement for a Project Facility loan with Macquarie Bank. The Project Facility agreement is a five year agreement with standard commercial terms as is customary in agreements of this nature. Subject only to interest breakage costs, the Corporation may repay the Project Facility at any time, with no adverse penalties. The Corporation has granted Macquarie Bank 20 million common share purchase warrants at an exercise price of Cdn$0.40 per warrant for a period of three years. The fair value of these warrants was estimated at $3,256,109 using a Black-Scholes model. In addition, the Corporation granted Macquarie Bank a call option on 10,000 ounces of gold exercisable at $2,000 per ounce for a three year period from the date of commencement of operations (the “Gold Option A”). The Gold Option A had a fair value of $1,400,000 liability on the date of grant (Note 20). Total cost of debt issuance amounted to $7,097,513, which includes $1,800,000 fee to Macquarie and $641,404 of other costs and have been netted against the Project Facility balance.

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

a) The Corporation granted Macquarie Bank Gold Option B to acquire 10,000 ounces of gold at $1,600 per ounce for a three year period from the date of commencement of operations; and

b) Amended the strike price of the previous Gold Option A to acquire 10,000 ounces of gold at $2,000 per ounce for a three year period to $1,600 per ounce.

(In United States Dollars unless otherwise indicated)

The additional Gold Option B had a fair value of $1,525,000 liability on the date of the amendment and the previously issued Gold Option A had an additional fair value of $805,000 on the day of amendment (Note 20). Total cost of amended debt terms amounted to $2,378,200, which includes the increase in fair value of original 10,000 ounces of gold and the fair value of the options for the additional 10,000 ounces of gold, and $48,200 other costs and have been netted against the Project Facility balance. The cost of the amendment offset against the balance of the Project Facility as the extension was determined to be a modification of the existing agreement rather than an extinguishment for accounting purposes. As a result of delays in the completion of the construction at the Corporation's project MRDM, as borrower, and the Corporation (as guarantor) have defaulted on certain covenants under the Project Facility arrangement with Macquarie Bank, as detailed in Note 1. Due to the Forbearance Agreement all deferred debt issuance costs have been written off to Mine Development assets, resulting in financing costs of $9,475,713 for year ended December 31, 2013.

As at September 30, 2014, the principal balance outstanding on the Project Facility was $170,000,000. Interest accrued during the three and nine months ended September 30, 2014 were $6,180,618 and $15,528,135, respectively. Facility fees paid for the three and nine months ended September 30, 2014 were $549,424 and $3,079,319, respectively. Interest paid for the three and nine months ended September 30, 2014 were $3,459,272 and $11,084,051, respectively.

The Corporation entered into a Forbearance Agreement on October 18, 2013, whereby Macquarie Bank agreed to forebear exercising their rights and remedies under this facility agreement with respect to the defaults during the forbearance period from October 18, 2013 to October 31, 2013 (Note 1). This period was amended from time to time, with the last amendment providing for a forbearance period to November 28, 2014. Pursuant to the Forbearance Agreement, funds drawn under Tranche 3 of the Project Facility must be repaid by December 31, 2014.

This Project Facility bore interest at LIBOR plus a margin of 5.5% for Tranche 2 and 5.0% for Tranche 1 prior to entering into the Forbearance Agreement on October 18, 2013. These 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 from time to time, Macquarie Bank has agreed to provide up to $101.6 million, at its discretion, of additional financing under a "Tranche 3" of the Project Facility. Tranche 3 of the Project Facility is repayable on December 31, 2014 and bears interest at 19.8% 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 Project Facility (Note 1), the interest rate payable for the $90 million drawn under Tranche 1 and 2 has been increased to LIBOR plus margins of 9.0% and 9.5%, respectively until such defaults are remedied.

As at September 30, 2014, the Corporation had drawn an aggregate of $170,000,000 against the Project Facility as follows:

Draw down date	**Tranche 1**	**Tranche 2**	**Tranche 3**	**Total**
February 2, 2013	-	25,000,000	-	25,000,000
March 20, 2013	10,000,000	-	-	10,000,000
April 22, 2013	10,000,000	-	-	10,000,000
May18, 2013	10,000,000	-	-	10,000,000
May 31, 2013	7,500,000	-	-	7,500,000
June 19, 2013	16,000,000	-	-	16,000,000
July 17, 2013	10,000,000	-	-	10,000,000
July 31, 2013	1,500,000	-	-	1,500,000
October 23, 2013	-	-	4,000,000	4,000,000
October 31, 2013	-	-	3,000,000	3,000,000

(In United States Dollars unless otherwise indicated)

Draw down date	Tranche 1	Tranche 2	Tranche 3	Total
November 4, 2013	-	-	1,000,000	1,000,000
November 7, 2013	-	-	3,000,000	3,000,000
November 13, 2013	-	-	3,000,000	3,000,000
November 20, 2013	-	-	2,000,000	2,000,000
November 27, 2013	-	-	1,000,000	1,000,000
November 29, 2013	-	-	2,000,000	2,000,000
December 4, 2013	-	-	3,000,000	3,000,000
December 11, 2013	-	-	3,250,000	3,250,000
December 20, 2013	-	-	2,250,000	2,250,000
December 31, 2013	-	-	2,500,000	2,500,000
January 27, 2014	-	-	2,800,000	2,800,000
January 31, 2014	-	-	387,822	387,822
February 6, 2014	-	-	1,310,400	1,310,400
February 7, 2014	-	-	3,860,853	3,860,853
February 18, 2014	-	-	7,475,308	7,475,308
February 25, 2014	-	-	486,473	486,473
February 28, 2014	-	-	614,249	614,249
March 4, 2014	-	-	1,970,578	1,970,578
March 11, 2014	-	-	2,344,186	2,344,186
March 18, 2014	-	-	2,011,889	2,011,889
March 25, 2014	-	-	1,918,397	1,918,397
March 28, 2014	-	-	1,138,982	1,138,982
April 2, 2014	-	-	2,272,465	2,272,465
April 8, 2014	-	-	1,471,886	1,471,886
April 15, 2014	-	-	2,440,928	2,440,928
April 22, 2014	-	-	283,720	283,720
April 23, 2014	-	-	1,564,565	1,564,565
April 30, 2014	-	-	535,392	535,565
May 15, 2014	-	-	3,114,359	3,114,359
May 22, 2014	-	-	1,625,146	1,625,146
May 28, 2014	-	-	747,500	747,500
June 3, 2014	-	-	933,076	933,076
June 11, 2014	-	-	95,327	95,327
June 19, 2014	-	-	1,547,770	1,547,770
June 26, 2014	-	-	1,554,493	1,554,493
July 7, 2014	-	-	3,641,339	3,641,339
July 18, 2014	-	-	613,473	613,473
July 31, 2014	-	-	60,298	60,298
August 8, 2014	-	-	210,072	210,072
August 13, 2014	-	-	458,122	458,122
August 21, 2014	-	-	241,309	241,309
August 28, 2014	-	-	269,623	269,623
	65,000,000	25,000,000	80,000,000	170,000,000

16. Production Shortfall Payable

Gold Stream Transaction

In addition, the Agreement provides that, if during the period from July 1, 2013 to June 30, 2014, MRDM has not produced a minimum of 80,000 ounces of refined gold (of which 10,000 ounces would be deliverable to Macquarie Bank), then Macquarie Bank, shall have the right to require MRDM and the Corporation, jointly and severally, to refund to Macquarie Bank an amount (the “Production

(In United States Dollars unless otherwise indicated)

Shortfall Payment") equal to that percentage of the Upfront Payments which is equal to the percentage of underproduction of refined gold over such 12-month period compared with that which was projected for such 12-month period as set out in the life of mine plan agreed at the time of closing of these transactions. MRDM and the Corporation have received notice from Macquarie Bank for payment of the Production Shortfall Payment. During said 12-month period, MRDM produced a total of 8,168 ounces of refined gold, compared to the 100,000 ounces of refined gold that was projected to be produced under the life of mine plan that was agreed to at the time of closing of the gold stream transactions. Given the forgoing, the underproduction of refined gold during the 12-month period ending June 30, 2014 is equal to 91.8% and, therefore, a Production Shortfall Payment of US$27,549,600 is owed to Macquarie under the gold stream transactions.

Notwithstanding the foregoing, if any Production Shortfall Payment becomes due to Macquarie Bank under the Agreement, and at such time both the Corporation and MRDM are in violation or default of any debt covenant under the credit, debt or loan facility for the Project debt, or the payment of such amounts by the Corporation and/or MRDM would each constitute a default under such credit, debt or loan facility, then MRDM and the Corporation shall have the right to defer payment of such Production Shortfall Payment to Macquarie Bank until the later of the date upon which such violation or default of such credit, debt or loan facility has been remedied and the date on which the amount owing to Macquarie Bank may be paid by the Corporation and/or MRDM without constituting a default under such credit, debt or loan facility. MRDM and the Corporation have elected to defer payment of the Production Shortfall Payment accordingly. Until paid in full to Macquarie Bank, the Production Shortfall Payment shall bear interest at the Default Rate (as defined in the Agreement). In respect of MRDM, Macquarie Bank has agreed to forebear its rights to charge or accrue interest on the refund amount or exercise any such rights with respect to interest until November 28, 2014.

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

17. Segmented Information

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

Operating Segment	**Corporate and Other**	**Brazil**	**Romania**	**Total**
Condensed Consolidated Statement of Financial Position				
For the period ended September 30, 2014				
Total Assets	**2,040,689**	**258,957,308**	**14,005,420**	**275,003,417**
Total Liabilities	**545,046**	**289,070,769**	**1,495,283**	**291,111,098**
For the year ended December 31, 2013				
Total Assets	985,766	222,437,109	50,929,456	274,352,331
Total Liabilities	1,216,147	213,414,877	1,248,553	215,879,577

(In United States Dollars unless otherwise indicated)

Operating Segment	**Corporate and Other**	**Brazil**	**Romania**	**Total**
Condensed Consolidated Statements of (Income) Loss and Comprehensive (Income) Loss				
For the three months ended September 30, 2014				
Operating costs and mine site administrative expenses	**-**	**(11,310,133)**	**-**	**(11,310,133)**
General and administrative expenses (Including depreciation and amortization)	**1,093,322**	**2,388,247**	**-**	**3,481,569**
Employee compensation costs	**268,403**	**1,274,106**	**-**	**1,542,509**
Impairment			**10,812,720**	**10,812,720**
Realized gains on derivative contracts	**-**	**(2,559,068)**	**-**	**(2,559,068)**
Unrealized gains on derivative contracts	**-**	**(8,528,141)**	**-**	**(8,528,141)**
Foreign exchange gain	**(3,432,277)**	**(984,444)**	**(931)**	**(4,417,653)**
Interest income, net of expenses	**(175)**	**-**	**-**	**(175)**
Other expense	**-**	**10,657**	**-**	**10,657**
Income tax provision	**-**	**-**	**612,013**	**612,013**
Loss (income) for the period	**(2,070,727)**	**(19,708,776)**	**11,423,803**	**(10,355,702)**
Other Comprehensive income for the period	**3,435,788**	**-**	**-**	**3,435,788**
Total comprehensive loss (income) for the period	**1,365,061**	**(19,708,776)**	**11,423,803**	**(6,619,912)**
For the three months ended September 30, 2013				
General and administrative expenses (Including depreciation and amortization)	368,971	181,517	-	550,488
Employee compensation costs	471,138	317,737	-	788,875
impairment	-	56,769,875	-	56,769,875
Unrealized gain on derivative contracts	-	17,371,465	-	17,371,465
Foreign exchange (gain) loss	1,055,390	1,607,471	(3,362)	2,659,499
Interest income, net of expenses	(3,698)	(42,554)	-	(46,252)
Other expense	-	50,689	-	50,689
Income tax provision	-	-	26,138	26,138
Loss for the period	1,891,801	76,256,200	22,776	78,170,777
Other Comprehensive loss for the period	(1,144,881)	-	-	(1,144,881)
Total comprehensive loss for the period	746,920	76,256,200	22,776	77,025,896

(In United States Dollars unless otherwise indicated)

Operating Segment	Corporate and Other	Brazil	Romania	Total
Condensed Consolidated Statements of (Income) Loss and Comprehensive (Income) Loss				
For the nine months ended September 30, 2014				
Operating costs and mine site administrative expenses	**-**	**20,855,789**	**-**	**20,855,789**
General and administrative expenses (Including depreciation and amortization)	**5,371,038**	**4,452,186**	**-**	**9,823,224**
Employee compensation costs	**666,326**	**2,134,444**	**-**	**2,800,770**
Impairment			**37,908,220**	**37,908,220**
Realized gains on derivative contracts	**-**	**(2,559,068)**	**-**	**(2,559,068)**
Unrealized loss on derivative contracts	**-**	**5,361,586**	**-**	**5,361,586**
Foreign exchange loss (gain)	**(3,023,310)**	**(224,304)**	**(14,615)**	**(3,262,229)**
Interest income, net of expenses	**(498)**	**(16,699)**	**-**	**(17,197)**
Other expense	**-**	**52,962**	**-**	**52,962**
Income tax provision	**-**	**-**	**563,831**	**563,831**
Loss for the period	**3,013,556**	**30,056,896**	**38,457,436**	**71,527,888**
Other Comprehensive income for the period	**3,079,864**	**-**	**-**	**3,079,864**
Total comprehensive loss for the period	**6,093,420**	**30,056,896**	**38,457,436**	**74,607,752**
For the nine months ended September 30, 2013				
General and administrative expenses (Including depreciation and amortization)	1,602,062	805,170	-	2,407,232
Employee compensation costs	1,457,310	1,067,801	-	2,525,111
Impairment	-	56,769,875	-	56,769,875
Realized loss on derivative contracts	-	2,745,632	-	2,745,632
Unrealized loss on derivative contracts	-	(57,246,285)	-	(57,246,285)
Foreign exchange (gain) loss	(3,351,813)	1,236,352	(25,374)	(2,140,835)
Interest income, net of expenses	(24,952)	(209,136)	-	(234,088)
Other expense	-	51,802	-	51,802
Income tax provision	-	-	192,815	192,815
Loss (income) for the period	(317,393)	5,221,211	167,441	5,071,259
Other Comprehensive income for the period	3,494,265	-	-	3,494,265
Total comprehensive loss for the period	3,176,872	5,221,211	167,441	8,565,524

18. Related Parties

As at September 30, 2014 there were no amounts due to or from related parties (December 31, 2013 - $Nil).

(In United States Dollars unless otherwise indicated)

19. Rehabilitation Provisions

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

	September 30, 2014	December 31, 2013
Balance at beginning of period	**5,125,296**	2,965,613
Provision	**-**	-
Change in estimate	**-**	2,159,683
	5,125,296	5,125,296

As at September 30, 2014, the Corporation estimated the total undiscounted amount of the estimated cash flows required to settle the decommissioning and other rehabilitation obligations of the Corporation's Brazilian subsidiary to be approximately $8,200,000 with the most significant expected outflows commencing in approximately 8.5 years. As at September 30, 2014 the rehabilitation provision has been discounted using a discount rate of 5.25%. The Corporation has recorded the rehabilitation provision based on the percentage of completion at 94% of the construction project as at September 30, 2014. A 1% increase in the discount rate would result in a decrease of rehabilitation provision by $373,429 and a 1% increase in the discount rate would result in an increase in the rehabilitation provision by $432,181, while holding the other assumptions constant.

20. Derivative Contracts

Currency and Commodity gold contracts

In conjunction with the Project Facility (Note 15), the Corporation through Macquarie Bank, also entered into price protection programs in the form of currency swaps for the Project's estimated operating expenditures ("OPEX") (R$1.983 to US$1.00) as well as a gold price protection program ("Gold Contracts") comprised of 205,200 ounces of gold at a price of $1,600 per ounce and 11,400 ounces of gold at a price of $1,215.

The CAPEX currency swap was arranged to mitigate the risk associated with fluctuations in the Brazilian Reais (R$) during the mine construction period relative to the US$. The 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$380,642,612. The Gold Contracts were arranged to mitigate the risk of fluctuations in the price of gold and has a notional amount of $342,167,808.

The Corporation is subject to an enforceable master netting arrangement in the form of an ISDA Master Agreement with derivative counterparty. Under the terms of this agreement, offsetting of the derivative contracts is permitted only in the event of bankruptcy or default of either party to the agreement.

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

(In United States Dollars unless otherwise indicated)

Gold options

The fair value of the Gold Option A granted to Macquarie Bank in 2013 and the Gold Option B (Note 15) was estimated at $596,000 liability on September 30, 2014 and is included in the long-term derivative liability.

Summary of Derivatives at September 30, 2014

	Notional Amount by Term to Maturity ($)				Fair Value ($)
	Within 1 year	2 to 3 years	4 to 5 years	Total	
Currency contracts:					
OPEX contract	42,656,201	85,312,402	63,984,302	191,952,905	(61,237,699)
Commodity contracts:					
Gold contract	86,807,808	145,920,000	109,440,000	342,167,808	70,510,391
Gold Options	-	32,000,000	-	32,000,000	(596,000)

Summary of Derivatives at December 31, 2013

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

Fair Values of Derivative Instruments

	Balance Sheet Classification	**Fair Value as at September 30, 2014**	Fair Value as at December 31, 2013	Balance Sheet Classification	**Fair Value as at September 30, 2014**	Fair Value as at December 31, 2013
Currency contracts:						
OPEX contract		**-**	**-**	Current liabilities	**7,240,869**	8,613,628
OPEX contract		**-**	**-**	Non-current liabilities	**53,996,830**	52,351,516
Commodity contracts:						
Gold contract	Current assets	**13,387,642**	18,010,647	Current liabilities	**-**	-
Gold contract	Non-current assets	**57,122,749**	58,542,775	Non-current liabilities	**-**	-
Gold Options		-	**-**	Non-current liabilities	**596,000**	1,550,000

Changes in the fair value of the Gold Options derivative in the Agreement and the Currency and Gold Contract derivatives are recognized in the condensed consolidated statement of loss (income) as gains or losses on non-hedge derivatives.

(In United States Dollars unless otherwise indicated)

Net realized and unrealized (gains) losses on Derivatives

	Three-Month Period Ended September 30,		Nine-Month Period Ended September 30,	
	2014	2013	**2014**	2013
Currency contracts:				
CAPEX contract	**-**	(26,905)	**-**	(260,891)
OPEX contract	**26,071,781**	1,178,900	**2,095,908**	14,585,742
Commodity contracts:				
Gold contract	**(36,832,990)**	15,975,470	**1,660,610**	(68,019,504)
Gold Options	**(326,000)**	244,000	**(954,000)**	(806,000)

21. Financial Instruments and fair values

Measurement categories

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of loss or comprehensive loss. The following table shows the carrying amounts and fair values of assets and liabilities for each of these categories at September 30, 2014 and December 31, 2013.

	Level	September 30, 2014		December 31, 2013	
		Carrying amount	**Estimated fair value**	Carrying amount	Estimated fair value
Financial Assets					
Loans and receivables					
Cash and cash equivalents[1]		**1,145,656**	**597,090**	3,011,774	3,011,774
Restricted deposits[1]		**1,516,495**	**1,248,000**	2,431,521	2,431,521
Sundry Receivables[1]		**93,984**	**114,453**	66,694	66,694
Financial Liabilities					
Amortized cost					
Trade and other payables[1]		**17,793,338**	**14,355,353**	24,468,548	24,468,548
Project Loan Facility[3]		**177,397,788**	**169,182,206**	122,738,454	122,738,454
Production shortfall payable[1]		**27,549,600**	**27,549,600**	-	-
Fair value through profit and loss					
Derivative contracts	**2**	**8,676,692**	**148,550**	14,038,278	14,038,278
Deferred Share Units[2]	**1**	**17,003**	**67,407**	201,598	201,598

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

Fair value hierarchy

The fair value hierarchy establishes three levels to classify inputs to valuation techniques used to measure fair value. Level 1 inputs are valued at quoted prices in active markets for identical assets or liabilities. Level 2 inputs are valued at quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market data or other means. The fair value of Property, plant and equipment, Exploration and evaluation and Mine development assets are determined primarily using an income approach based on unobservable cash flows and a market multiples approach where applicable and as a result is classified within Level 3 of the fair value hierarchy.

(In United States Dollars unless otherwise indicated)

Valuation techniques

The fair value of derivative instruments is determined using either present value techniques or option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. Currency contracts and commodity forward contracts were in a net asset position and therefore, the Corporation used credit default swap (the “CDS”) spread of Macquarie Bank. The fair value of currency swap contracts is determined by discounting contracted cash flows using a discount rate derived from observed LIBOR and swap rate curves and CDS rates. In the case of currency contracts, the Corporation converts non-U.S. dollar cash flows into U.S. dollars using an exchange rate derived from currency swap curves and CDS rates. The fair value of commodity forward contracts is determined by discounting contractual cash flows using a discount rate derived from observed LIBOR and swap rate curves and CDS rates. Contractual cash flows are calculated using a forward pricing curve derived from observed forward prices for each commodity. Gold options are valued based on valuations taken from the CME group gold options quote site using American options for strike range of $1,600 and expiry date of December 2016. Derivative instruments are classified within Level 2 of the fair value hierarchy.

22. Commitments

Lease Commitment

The Corporation has entered into a Sub-Lease Agreement from December 1, 2010 and expiring on March 31, 2018 for office space. The minimum annual rent is Cdn$35,640 for the entire term of the sub-let plus applicable expenses. In addition, the Corporation has a lease agreement from June 1, 2012 to March 31, 2018 for additional office space. The minimum annual rent is Cdn$39,618, increasing to Cdn$44,020 on October 1, 2014 plus applicable expenses. As at September 30, 2014, the Corporation has finalized and signed contracts for the construction, development and operating activities in Brazil as follows:

	Within 1 year	**2 to 3 years**	**Total**
Construction and supply contracts	5,901,905	-	5,901,905
Office lease	157,895	197,368	355,263

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

23. Capital Disclosures

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

(In United States Dollars unless otherwise indicated)

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

The Corporation's capital items are the following:

	September 30, 2014	December 31, 2013
Cash and cash equivalents	**1,145,656**	3,011,774
Restricted deposits	**1,516,495**	2,431,521
Project loan facility	**170,000,000**	120,000,000
Share capital	**196,773,069**	196,773,069
Warrants	**3,256,109**	3,256,109
	372,691,329	325,472,473

In accordance with the terms of the Project Facility (Note 15), the Corporation is required to maintain certain covenants, most of which will become effective on commencement of production. These covenants relate to financial and operational, including delays in commencement of production and unplanned cost overruns. Due to the delays in the completion of the construction at the RDM Project, the Corporation has defaulted on these covenants. As a result, on October 18, 2013, MRDM and the corporation entered into a Forbearance Agreement as outlined in Note 15.

24. Financial Risk Factors

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

(a) Credit Risk

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

(b) Liquidity Risk

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due. As at September 30, 2014, the Corporation faces liquidity risk to the extent that it will be unable to settle current liabilities of $229,998,602 with cash and cash equivalents and restricted deposits totalling $2,662,151. Current liabilities consist of trade and other payables, borrowings and fair value of derivative contracts that are predominantly due within three months to not later than a year. Commitments, consisting of construction contracts and supply contracts for fuel and other material are included in Note 22.

In order to manage this risk, management monitors rolling forecasts of the Corporation's liquidity reserve on the basis of expected cash flows and expenditures.

Due to the events of default and Forbearance Agreement, all borrowings under the Project Facility have been reclassified as current liabilities and borrowings under Tranche 3 of the Project Facility due on December 31, 2014 (Note 1).

The Corporation continues to pursue strategic alternatives, including a possible sale or financial restructuring. Negotiations are on-going and the Corporation is also considering potential new equity capital raising initiatives. However, no firm offers have been received, and there can be no assurance that any transaction will result (Note 1).

(c) Market Risk

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

(i) Interest rate risk

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

As of September 30, 2014, management estimates that if interest rates had changed by 0.5% the impact on investment income and net loss for the period would have been approximately $4,917. In addition, if interest rates had changed by 0.5% the impact of the Project Facility interest and net loss for the period would have been approximately $1,007,568.

(ii) Foreign currency risk

The Parent's functional currency is the Canadian dollar. The Corporation is affected by currency transaction and translation risk. The Corporation funds its European and Brazilian exploration and development activities using U.S. dollar currency converted from its Canadian dollar bank accounts. The Corporation's liabilities incurred in Canada are primarily payable in Canadian dollars. Liabilities incurred in Romania are settled in Romanian Lei or Euros and liabilities incurred in Brazil are settled in Brazilian Reais. As at September 30, 2014, the Corporation held cash and cash equivalents of $925,831 in Brazilian Reais, $555,042 in Canadian dollars, $132,505 in U.S dollars and $32,278 in various European currencies. Consequently, fluctuations in the U.S. dollar currency against these currencies directly affect the cost of our property, plant and equipment assets and operating expenditures for our various subsidiaries. Management closely monitors variations in the exchange rates of the currencies in which it transacts business. To further mitigate these inherent risks the Corporation has entered into certain currency swap arrangements effective December 15, 2011 covering a substantial portion of its CAPEX and OPEX on the RDM Project in Brazil and amended OPEX effective December 24, 2013.

As of September 30, 2014, excluding the effect fluctuations in the R$/US$ exchange rate would have on the valuation of its currency derivatives, management estimates that if foreign exchange rates had changed by 1% against the U.S. dollar, the impact on net loss for the period would have been approximately $108,361.

(iii) Commodity price risk

The Corporation is exposed to price risk with respect to commodity pricing primarily for gold and copper. The Corporation has entered into a gold price protection program to mitigate a portion of the downside risk of changes in the market price of gold (Note 20).

25. Subsequent Event

(a) Subsequent to September 30, 2014, Macquarie Bank has agreed to increase additional financing under Tranche 3 of the Facility to $101.6 million, resulting in a total Project Facility of $191.6 million. And pursuant to the Forbearance Agreement, funds drawn under Tranche 3 of the Facility must be repaid by December 31, 2014.

(b) As at November 14, 2014, the Corporation drew $81.8 million against the Project Facility's Tranche 3, as amended by the Forbearance Agreement.