Carpathian Gold Inc.

Consolidated Financial Statements
December 31, 2015 and 2014

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Corporation for the years ended December 31, 2015 and 2014 have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and, where relevant, the choice of accounting principles. Management develops and maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records are maintained.

The Audit Committee of the Board of Directors has met with the Corporation's independent auditor to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The Corporation's independent auditor, PricewaterhouseCoopers LLP, Chartered Professional Accountants, is appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada, and their report follows.

(signed)

Guy Charette - Interim Chief Executive Officer

(signed)

Carlos Pinglo - Chief Financial Officer

Toronto, Canada
April 28, 2016

April 28, 2016

Independent Auditor's Report

To the Shareholders of
Carpathian Gold Inc.

We have audited the accompanying consolidated financial statements of Carpathian Gold Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014 and the consolidated statements of loss and comprehensive loss, changes in shareholders' (deficiency) equity, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Carpathian Gold Inc. and its subsidiaries as at December 31, 2015 and 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 in these consolidated financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Carpathian Gold Inc.'s ability to continue as a going concern.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

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

As at

Assets	Note	**December 31, 2015 $**	December 31, 2014 $
Current assets			
Cash and cash equivalents		**549,076**	310,736
Restricted deposits	7	**903,951**	1,248,017
Derivative contracts	23	**-**	5,221,708
Trades receivable		**-**	1,913,427
Prepaid expenses and sundry receivables		**464,433**	2,909,929
Inventory	8	**-**	25,271,591
Total Current assets		**1,917,460**	36,875,408
Assets classified as held for sale	5	**62,412,194**	-
Non-current assets			
Deposits and receivables		**-**	3,483,837
Property, plant and equipment	9	**84,820**	27,853,937
Software license costs	10	**24,536**	662,442
Derivative contracts	23	**-**	5,557,391
Mine development assets	11		11,990,493
Total Assets		**64,439,010**	86,423,508
Liabilities			
Current liabilities			
Trade and other payables	16	**703,369**	16,241,500
Project loan facility – short term	17	**-**	194,017,772
Payables from Gold Stream transaction	18	**-**	27,549,600
Derivative contracts	23	**-**	785,039
Total Liabilities		**703,369**	238,593,911
Liabilities classified as held for sale	5	**312,967,459**	-
Rehabilitation provisions	22	-	5,787,969
Derivative contracts	23	-	4,759,237
		313,670,828	249,141,117
(Deficiency) Equity attributable to Shareholders			
Share capital	12	**196,773,069**	196,773,069
Warrants	12	**3,256,109**	3,256,109
Contributed surplus		**10,931,572**	10,925,856
Accumulated deficit		**(438,696,828)**	(365,067,022)
Accumulated other comprehensive loss		**(21,495,740)**	(8,605,621)
Total Deficiency		**(249,231,818)**	(162,717,609)
Total Liabilities and Deficiency		**64,439,010**	86,423,508

Nature of operations and going concern (Note 1and Note 2)
Subsequent events (Note 31)
Approved by the Board of Directors

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

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

Carpathian Gold Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2015 and 2014
(In United States Dollars)

	Note	2015 $	2014 $
General and administrative expenses	13(a)	**5,767,853**	6,282,784
Depreciation and amortization		**95,310**	97,942
Employee compensation expense	13(b)	**896,264**	891,226
Impairment	6	**939,349**	52,128,946
Other income	13(c)	**(13,277,996)**	(6,732,276)
Income (loss) for the year before income tax provision		**5,579,220**	(52,668,622)
Income tax recovery of continuing operations	26	**-**	(830,538)
Income (loss) for the year from continuing operations		**5,579,220**	(51,838,084)
Loss for the year from discontinued operations		**(79,209,026)**	(162,630,325)
Loss for the year		**(73,629,806)**	(214,468,409)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Cumulative translation adjustments		**(12,890,119)**	(6,752,871)
Other comprehensive loss for the year from continuing operations		**(12,890,119)**	(6,752,871)
Other comprehensive loss for the year from discontinued operations		**-**	-
Total comprehensive loss for the year from continuing operations		**(7,310,899)**	(58,590,955)
Total comprehensive loss for the year from discontinued operations		**(79,209,026)**	(162,630,325)
Total comprehensive loss for the year		**(86,519,925)**	(221,221,280)
Basic and diluted income (loss) per share – continuing operations	14	**0.01**	(0.08)
Basic and diluted income (loss) per share – discontinued operations	5 and 14	**(0.11)**	(0.23)
Total basic and diluted loss per share		**(0.10)**	(0.31)

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

Carpathian Gold Inc.
Consolidated Statements of Changes in Shareholders' (Deficiency) Equity
For the years ended December 31, 2015 and 2014
(In United States Dollars)

	Share capital (Note 12) $	Warrants (Note 12) $	Contributed surplus $	Accumulated deficit $	Total Accumulated other comprehensive loss $	Total $
Balance, January 1, 2014	196,773,069	3,256,109	10,894,939	(150,598,613)	(1,852,750)	58,472,754
Comprehensive loss				(214,468,409)	(6,752,871)	(221,221,280)
Amortization of options			30,917			30,917
Balance, December 31, 2014	196,773,069	3,256,109	10,925,856	(365,067,022)	(8,605,621)	(162,717,609)
Comprehensive loss				(73,629,806)	(12,890,119)	(86,519,925)
Amortization of options			5,716			5,716
Balance, December 31, 2015	196,773,069	3,256,109	10,931,572	(438,696,828)	(21,495,740)	(249,231,818)

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

Carpathian Gold Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2015 and 2014
(In United States Dollars)

	2015 $	2014 $
Cash flows from operating activities		
Income (loss) for the year	**(73,629,806)**	(214,468,409)
Depreciation and amortization	**3,276,647**	5,838,674
Accretion	**263,220**	65,804
Unrealized foreign exchange gain	**(14,405,305)**	(7,379,663)
Share-based payments	**5,716**	27,363
Impairment	**34,101,267**	172,731,375
Deferred income tax	**-**	(830,538)
(Gain) loss on sale of property, plant and equipment	**(17,431)**	21,089
Interest income	**(9,370)**	(18,527)
Deferred share unit costs	**1,484**	(157,572)
Unrealized loss on derivative contracts	**6,019,862**	8,018,416
Changes in non-cash working capital balances		
Trade receivables	**(1,008,009)**	(1,913,427)
Prepaid expenses and sundry receivables	**2,100,312**	(2,284,750)
Inventories	**(17,587,141)**	(19,444,048)
Trade, other payables and payable from Gold Stream transaction [1]	**(8,760,294)**	39,755,015
Deferred revenues	**(785,039)**	785,039
	(70,433,887)	(19,254,159)
Cash flows from investing activities		
Restricted deposits	**17**	1,183,504
Interest income	**9,370**	18,527
Acquisition of property, plant and equipment	**(10,808,882)**	(31,923,536)
Proceeds from sale of property, plant and equipment	**22,163**	-
Acquisition of software licensing	**(15,117)**	(88,403)
Exploration and evaluation assets	**(943,387)**	(2,322,786)
Mine development assets	**(1,413,130)**	(19,336,363)
	(13,148,966)	(52,469,057)
Cash flows from financing activities		
Proceeds from Project Loan Facility (net of costs)	**82,378,346**	68,391,830
	82,378,346	68,391,830
Effect of exchange rates on cash and cash equivalents	**1,515,181**	630,348
Increase (decrease) in cash and cash equivalents	**310,674**	(2,701,038)
Cash and cash equivalents at beginning of year	**310,736**	3,011,774
Cash and cash equivalents at the end of the year	**621,410**	310,736
Cash and cash equivalents at the end of the year	**621,412**	310,736
Included in cash and cash equivalents per statement of financial position	549,076	212,235
Included in assets classified as held for sale (Note 5)	72,336	98,501
Supplemental information:		
Interest paid	**37,037,617**	19,643,712
Income taxes paid	**-**	-

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

[1] Included in trade and other payables are net of items related capital expenditure for Property, plant and equipment, Exploration and evaluation assets and Mine development assets totaling $3,413,604 (2014 – $14,850,698.

1. Nature of operations

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

Carpathian Gold Inc. was incorporated under the federal laws of Canada (the *Canada Business Corporations Act*) on January 17, 2003, is domiciled in Canada and its common shares were listed on the Toronto Stock Exchange ("TSX") trading under the symbol "CPN" as at December 31, 2014. The common shares were de-listed from the TSX at the close of business on July 21, 2015. On July 22, 2015, the common shares were posted for trading and listed on the Canadian Securities Exchange. The address of its registered office is 36 Toronto Street, Suite 1000, Toronto, Ontario, M5C 2C5.

These audited 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 year ended December 31, 2015, the Corporation incurred a net loss $73,629,806 and as at December 31, 2015 reported an accumulated deficit of $438,696,828.

As a result of delays in the completion of the construction at the RDM Project in 2013, Mineração Riacho dos Machados Ltda. ("MRDM"), as borrower, and the Corporation (as guarantor) defaulted in 2013 on certain covenants under the Project Loan Facility (the "Project Facility") arrangement with Macquarie Bank Limited ("Macquarie Bank"). These covenant defaults related to financial and operational difficulties experienced by the Corporation, including delays in commencement of production and unplanned cost overruns. As a result, on October 18, 2013, MRDM and the Corporation entered into a Forbearance and Amendment Agreement, as amended, (the "Forbearance Agreement") with Macquarie Bank, under which the lenders agreed to continue forbearing from exercising their rights under the Project Facility through February 15, 2016. Under the terms of the Forbearance Agreement, Macquarie Bank agreed, at its discretion, to provide an additional Tranche 3 under the Project Facility (Note 17), the availability of which shall be in the absolute discretion of Macquarie Bank. The events of defaults have resulted in the Corporation reclassifying all borrowings under the Project Facility as current liabilities as at December 31, 2015 and December 31, 2014 and recording impairment charges in 2013, 2014 and 2015. In addition, Macquarie Bank is not obligated to deliver or make payments in respect of the derivative contracts per the agreements. On September 22, 2015, Macquarie Bank settled all of the Corporation's derivative contracts (Note 23).

The RDM Project is situated in a semi-arid region of Brazil and is heavily dependent on the annual rainy season for its supply of water. However, the amount of rain during the most recent season has, like in many other parts of Brazil, fallen considerably short of annual averages. Consequently, the restriction on the availability of water, which is required for operations at MRDM, has caused a temporary reduction in the levels of mining and processing activities at MRDM from April 2015. During this time, the RDM Project moved toward minimal production levels, depending on the availability of water. Subsequent to year end normal production has resumed. On November 20, 2015, the Corporation announced that it has entered into an agreement for the disposal of RDM (See Note 5).

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

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

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

Furthermore, the Corporation has entered into an agreement with Brio and Macquarie Bank (the "Restructuring Agreement") whereby the Corporation and Brio have agreed that, in the event Brio acquires the Financial Assets from Macquarie Bank, the Corporation will work with Brio with respect to a restructuring procedure to be initiated by Brio with the objective of transferring 100% ownership of the RDM project to Brio (the "Restructuring"). Pursuant to the Restructuring Agreement, Brio will deliver to the Corporation and its directors a full release and discharge with respect to any liability under the Financial Assets, including the Corporation's guarantee thereof. Following the Restructuring, the Corporation shall continue to own its Romanian assets, but shall have no ownership or interest in, or liabilities in respect of, MRDM or the RDM project.

As well, upon closing of the Restructuring, Brio has agreed to a US$1 million subscription of common shares of the Corporation, the whole at a price to be mutually agreed and subject to the requirements of the Canadian Securities Exchange.

On March 31, 2016, the Corporation announced that the assignment of the Financial Assets from Macquarie Bank to Brio was completed (see Note 31).

2. Going concern

The Corporation has $549,076 in cash and cash equivalents from continuing operations and anticipated future proceeds of US$1 million from the Brio subscription referred to in Note 1. These available funds may not be sufficient to fund the continuing operations of the exploration in Romania, working capital requirements or corporate administration costs. The Corporation will need to secure additional financing in the future in order to meet the Corporation's requirements for funding of continuing operations. In addition, should the transaction not occur, the Corporation will require additional funding to repay its debt obligations. Nevertheless, there is no assurance that these initiatives will be successful or sufficient. These circumstances lead to material uncertainties and therefore significant doubts as to the ability of the Corporation to meet its obligations as they become due and, accordingly, the ultimate appropriateness of use of the accounting principles applicable to a going concern. (See Note 31).

These audited 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.

(In United States Dollars unless otherwise indicated)

3. Basis of Preparation

The Corporation prepares its consolidated financial statements, including comparatives, using accounting policies in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved by the Board of Directors on April 28, 2016.

4. Significant accounting policies

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

Basis of measurement

The 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 up until their settlement in September 2015.

Principles of consolidation

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

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

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

Name of entity	Country of incorporation	Ownership
Ore-Leave Capital (Brazil) Limited	Barbados	100%
OLV Cooperatie U.A.	The Netherlands	100%
OLC Holdings B.V.	The Netherlands	100%
Mineração Riacho dos Machados Ltda. ("MRDM")	Brazil	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")[1]	Hungary	100%
SAMAX Romania Limited	British Virgin Islands	100%
SAMAX Romania S.R.L.	Romania	100%

[1] Discontinued (wound up) in 2015

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 consolidated 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.

Critical accounting estimates or judgments

(i) Carrying value of mineral properties and exploration and development properties

The Corporation carries its mineral properties at cost less depreciation and any impairment losses. The Corporation capitalizes exploration costs, which are related to specific projects, until the commercial feasibility of the project is determinable or the project is determined to be impaired. The costs of each property and related capitalized exploration and development expenditures are amortized over the economic life of the property on a units-of-production basis. Costs are charged to operations when a property is abandoned or when otherwise impaired.

The Corporation reviews the carrying values of mining properties and related expenditures whenever events or changes in circumstances indicate that their carrying values may not be recoverable. In undertaking this review, management is required to make significant estimates of, amongst other things, future production and sale values, unit sales prices, future operating and capital costs and reclamation costs to the end of the mine's life. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mining properties and related expenditures.

The Corporation performs impairment testing when an indicator of impairment is considered to exist. As at December 31, 2015 and 2014, there were a number of indicators of potential impairment of the carrying amount of the Corporation's net assets (Note 5). For the purposes of completing the Corporation's impairment tests, assets are grouped at the lowest levels for which there are largely independent cash flows. Accordingly, the Corporation assessed the recoverable amounts of each of its cash-generating unit ("CGU").

The fair value less costs of disposal ("FVLCD") method was used to determine the recoverable amount of each CGU as it was determined to be higher than each CGU's value in use. FVLCD was calculated by the Corporation for each CGU using a market approach.

(ii) Commencement of commercial production

Management considered several factors in determining when MRDM reached levels of operating capacity intended by management, including:

- When the mine was substantially complete and ready for its intended use;
- The ability to produce a saleable product;
- The ability to sustain ongoing production at a steady or increasing level;
- When the mine had reached a level of pre-determined percentage of design capacity;
- When the mineral recoveries were at or near the expected production level, and;

- The completion of a reasonable period of testing of the mine plant and equipment.

The results of operations of the Corporation during the periods presented in these consolidated financial statements have been impacted by management's determination that its MRDM mine had reached the commercial production phase on October 1, 2014. When a mine development project moves into the production stage, the capitalization of certain mine development and construction costs ceases. Subsequent costs are either regarded as forming part of the cost of inventory or directly expensed. However, any costs relating to mining asset additions or improvements or mineable reserve development are assessed to determine whether capitalization is appropriate.

(iii) Property, plant and equipment

Estimated useful lives

Management estimates the useful lives of property, plant and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization of property, plant and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at each reporting date and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Corporation's property, plant and equipment in the future.

(vi) Financial Instruments

Fair value of derivatives

Management estimates the fair values of its derivatives using valuation techniques which determine their present value based on available market data including expected future gold prices, future exchange rates and interest rates.

(v) Rehabilitation provisions

The Corporation records Management's best estimate of the present value of the future cash requirements of any rehabilitation obligation as a long-term liability in the period in which the related environmental disturbance occurs based on the net present value of the estimated future costs. This obligation is adjusted at the each period end to reflect the passage of time and any changes in the estimated future costs underlying the obligation. In determining this obligation, management must make a number of assumptions about the amount and timing of future cash flows and discount rate to be used. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

(vi) Share-based payments

The Corporation grants stock options to directors, officers, employees and consultants of the Corporation under its incentive stock option plan. The fair value of stock options is estimated using the Black-Scholes option pricing model and are expensed over their vesting periods. In estimating fair value, Management is required to make certain assumptions and estimates such as the life of options, volatility and forfeiture rates. Changes in assumptions used to estimate fair value could result in materially different results.

(vii) Reserves and resources

Estimates of the quantities of proven and probable mineral reserves and mineral resource estimates, form the basis of the Corporation's life of mine plan, which is used for a number of important business and accounting purposes, including: the calculation of depreciation expense, the capitalization of production phase stripping costs and forecasting and timing of the payments related to the environmental rehabilitation provision. The Corporation estimates its ore reserves and mineral resources based on information compiled by qualified persons as defined in accordance with the Canadian Securities Administrators' National Instrument 43-101 Standards of Disclosure for Mineral Projects requirements.

(viii) Income taxes

Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.

The determination of the ability of the Corporation to utilize loss carry-forwards to offset deferred tax payable requires management to exercise judgment and make certain assumptions about the future performance of the Corporation. Management is required to assess whether it is "probable" that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

Translation of Foreign Currency

These consolidated financial statements are presented in U.S. dollars, which is the Corporation's presentation currency.

Items included in the financial statements of Carpathian Gold Inc. (the "Parent") and each of the Corporation's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the statement of loss and comprehensive loss.

The functional currency of the Parent is the Canadian dollar and the functional currency of each of its subsidiaries is the U.S. dollar.

Assets and liabilities of entities with functional currencies other than the U.S. dollar are translated into the presentation currency at the period end rates of exchange, and the results of their operations are translated at the average rates of exchange for the period. The resulting translation adjustments are recognized in other comprehensive loss as cumulative translation adjustments. There is no tax impact on this translation.

Financial Instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is recorded in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Corporation classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges for accounting purposes.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of loss. Gains and losses arising from changes in fair value are presented in the statement of loss in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

(ii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. The Corporation's loans and receivables comprise trade receivables and cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less any provision for impairment.

(iii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables, payables from Gold Stream transaction and Project Loan Facility (Note 17 and 18). Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Revenue recognition

Revenues include sales of refined gold and silver and dore, which are generally physically delivered to the buyer in the period in which they are produced, with their sales price based on prevailing spot market metal prices. Revenue from metal sale is recognized when all of the following conditions have been satisfied:

- The significant risks and reward of ownership of the product have been transferred to the buyer;
- Neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, has been retained;
- The amount of revenue can be reliably measured;
- It is probable that the economic benefits associated with the sale will flow to the Corporation; and
- The costs incurred or to be incurred in respect of the sales can be reliably measured.

These conditions are generally satisfied when title passes to the customer.

Pre-production sales of refined gold and silver and dore are recognized as on offset to Mine development assets.

Inventories

Gold production inventories, concentrate inventory and ore stockpiles are measured at the lower of weighted average production cost and net realizable value. Net realizable value is calculated as the difference between the estimated selling price and estimated costs to complete processing into a saleable form and variable selling expenses. Mine supplies are measured at the lower of average purchase cost and net realizable value.

Production costs include the cost of materials, labour, mine site production overheads and depreciation to the applicable stage of processing.

The cost of ore stockpiles is increased based on the related current cost of production for the period, and decreases in stockpiles are charged to cost of sales using the weighted average cost per tonne.

Provisions are recorded to reduce the carrying amount of inventory to net realizable value to reflect changes in grades, quantity or other economic factors and to reflect current intentions for the use of redundant or slow-moving items. Provisions for redundant and slow-moving items are made by reference to specific items of inventory. The Corporation reverses write-downs where there is a subsequent increase in net realizable value and where the inventory is still on hand.

Spare parts, stand-by and servicing equipment and consumable material held are generally classified as inventories. Major capital spare parts are classified as a component of Property, plant and equipment.

Non-current Assets Held for Sale and Discontinued Operations

Non-current assets and disposal groups are classified as assets held for sale if it is highly probable that the value of these assets will be recovered primarily through sale rather than through continuing use. They are recorded at the lower of carrying amount and fair value less cost of disposal. Impairment losses on initial classification as assets held for sale and subsequent gains and losses on re-measurement are recognized in the statement of comprehensive loss. Once classified as held-for sale, property, plant and equipment is no longer amortized. The assets and liabilities are presented as held for sale in the consolidated statements of financial position when the sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and management is committed to the sale, which should be expected to be completed within one year from the date of classification.

A discontinued operation is a component of the Corporation that can be clearly distinguished from the rest of the Corporation, both operationally and for financial reporting purposes, and the value of this component is expected to be recovered primarily through sale rather than continuing use.

Results of operations and any gain of loss form disposal are excluded from income from continuing operations and are reported separately as income/loss from discontinued operations.

Production Stage

A mine that is under construction is determined to enter the production stage when the project is in the location and condition necessary for it to be capable of operating in the manner intended by management.

When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either capitalized to inventory or expensed, except for capitalizable costs related to property, plant and equipment additions or improvements, open pit stripping activities that provide a future benefit or expenditures that meet the criteria for capitalization in accordance with International Accounting Standard 16 (“IAS”) IAS 16 Property, Plant and Equipment.

Pre-production stripping costs are capitalized until an ”other than de minimis” level of mineral is extracted, after which time such costs are either expenses, capitalized to inventory or, if it qualifies as an open pit stripping activity that provides a future benefit, capitalized to property, plant and equipment. We consider various relevant criteria to assess when an “other than de minimis” level of mineral is produced. Some of the criteria considered would include, but not limited to, the following:

- The amount of minerals mined versus total ounces in the life of mine;
- The amount of ore tons mined versus total life of mine expected ore tons mined;
- The current stripping ratio versus the life of mine ratio; and
- The ore grade versus the life of mine grade.

Stripping costs incurred during the production stage of a pit are accounted for as costs of inventory produced during the period that the stripping costs are incurred, unless these costs are expected to provide future economic benefit to the identifiable component of the ore body. Components of the ore body are based on the distinct development phases identified by the mine planning engineers when determining the optimal development plan for the open pit. Production phase stripping costs generate a future economic benefit when the related stripping activity:

- Improves access to a component of the ore body to be mined in the future;
- Increases the fair value of the mine (or pit) as access to future mineral reserves becomes less costly; and
- Increases the production capacity or extends stripping costs that are expected to generate a future economic benefit are capitalized as open pit mine development costs.

Mine development costs are depreciated on a unit of production basis whereby the denominator is the estimated ounces of gold in proven and probable reserves and the portion of resources considered probable of economic extraction based on the current life of mine plan in the current component of the ore body that has been made more accessible through the strip activity and all future components in the current plan that benefit from the particular stripping activity. Mine development assets are depreciated once the open pit has entered production and the future economic benefit is being derived.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of loss during the period in which they are incurred.

During the year the Corporation depreciated property, plant and equipment on the straight line depreciation method. The assets' useful lives are as follows:

Buildings	-	10-25 years
Office Equipment	-	4-10 years
Computer Equipment	-	5-10 years
Machinery & Equipment	-	4-10 years
Vehicles	-	4-5 years
Leasehold Improvements	-	1-10 years

Software Licensing Costs

Software licensing costs are stated at cost less accumulated depreciation and accumulated impairment losses. The costs of assets are amortized over their useful life which is 2-10 years.

Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statement of loss in the period in which they are incurred.

Share-based Payments

The Corporation has established a stock option plan (the "Plan") to grant non-transferable equity settled options to purchase Common Shares to directors, officers, employees of and consultants to the Corporation. The number of Common Shares reserved for issuance will not exceed 10% of the total issued and outstanding Common Shares of the Corporation. The Corporation has the ability to grant for a maximum period of ten years from the date of grant.

Stock options vest over periods ranging from one to two years. The fair value of each option is measured at the date of grant using the Black-Scholes option pricing model and recorded as a compensation expense or capitalized to exploration and development costs, as appropriate, in the period the options are vested or the performance is complete. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately. Any consideration paid by directors, officers, employees and consultants on exercise of stock options or purchases of shares is credited to share capital.

Deferred Costs

Costs incurred to raise capital are written off as a charge to capital upon completion of each capital raising. Costs incurred on debt financings are netted against the carrying value of the loans and charged to the consolidated statement of loss over the term of the related loans. If the Corporation is in default, costs are immediately expensed to the statement of loss.

Exploration and Evaluation Assets

Exploration and evaluation activities involve the search for mineral resources/reserves, the assessment of technical and operational feasibility and the determination of an identified mineral reserve's commercial viability. Once the legal right to explore has been acquired, exploration and evaluation expenditures less recoveries are capitalized by property.

Exploration properties that contain estimated proven and probable ore reserves, but for which a development decision has not yet been made, are subject to periodic review for impairment when events or changes in circumstances indicate the project's carrying value may not be recoverable.

Exploration and evaluation assets are reclassified to mine development assets when the technical feasibility and commercial viability of extracting a mineral reserve are demonstrable. Exploration and evaluation assets are assessed for impairment, and the impairment loss, if any, is recognized before reclassification to mine development assets.

Mine Development Assets

Mine development assets are accumulated separately for each area of interest in which economically recoverable reserves have been identified. These assets are comprised of expenditures directly attributable to the construction of a mine and the related infrastructure.

General and administration costs are allocated to a development asset only to the extent that those costs can be related directly to development activities in the relevant areas of interest.

No amortization is recognized in respect of development properties until they are at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management.

Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss, which may differ from earnings reported in the statement of loss due to items of income or expense that are not currently taxable or deductible for tax purposes, using tax rates substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Corporation and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

The Corporation records foreign exchange gains or losses representing the impacts of movements in foreign exchange rates on the tax bases of non-monetary assets and liabilities which are denominated in foreign currencies. Foreign exchange gains and losses relating to deferred income taxes are included in deferred income tax expense or recovery in the statement of loss and comprehensive loss.

The Corporation recognizes uncertain tax positions in its financial statements when it is considered more likely than not that the tax position shall be sustained.

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments, such as guaranteed investment certificates and deposit accounts with Canadian chartered banks and Brazilian banks, cashable within three months of the date of original issue.

Gold Stream transaction

The Corporation has entered into an agreement with Macquarie Bank which has resulted in the receipt of upfront payments of cash from Macquarie Bank (see Note 18).

The transaction has been accounted for as a sale of a partial mineral property interest and the upfront payments were accounted for as a recovery of exploration and development costs upon receipt. Upon delivering the gold to Macquarie Bank under the agreement, the Corporation will recognize revenue for services provided based on the cash received as defined in the Gold Stream agreement.

Derivatives

The Corporation may enter into derivative instruments to mitigate economic exposures to commodity price and currency exchange rate fluctuations. Unless the derivative instruments qualify for hedge accounting, and management undertakes appropriate steps to designate them as such, they are designated as fair value through profit or loss and recorded at their fair value with realized gains or losses arising from changes in the fair value recorded in the statement of loss in the period they occur. Fair values for derivative instruments classified as fair value through profit or loss are determined using valuation techniques. The valuations use assumptions based on prevailing market conditions on the reporting date.

Embedded derivatives identified in non-derivative instrument contracts are recognized separately unless closely related to the host contract. All derivative instruments, including certain embedded derivatives that are separated from their host contracts, are recorded on the consolidated statement of financial position at fair value and mark–to–market adjustments on these instruments are included in the consolidated statement of loss.

Deferred Share Unit Plan

Non-executive directors and executives are granted Deferred Share Units ("DSUs") under the terms of the Corporation's DSU Plan. The fair value of DSUs at the time of conversion or award, as applicable, is determined with reference to the weighted average trading price of the Corporation's common shares over the five trading days immediately preceding the date of conversion or award, as applicable. The fair value of the DSUs, which are settled in cash, is recognized as a share based compensation expense with a corresponding increase in liabilities, over the period from the grant date to settlement date. The fair value of the DSUs is marked to the quoted market price of the Corporation's common shares at each reporting date with a corresponding change in the statement of loss and comprehensive loss.

Loss per Share

Basic loss per share is calculated by dividing net loss attributable to equity owners of the Corporation by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated using the treasury stock method, whereby the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive.

Provisions

(a) General

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Corporation expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of loss and comprehensive loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance expense in the statement of loss and comprehensive loss.

(b) Decommissioning and site rehabilitation

The Corporation records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The liability incorporates consideration of risk by way of adjusting the cash flows and is discounted using a risk free discount rate. The nature of these restoration activities include dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas.

The obligation is generally considered to have been incurred when the mine assets are constructed or the environment is disturbed at the Corporation's operations. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased based on the unwind of the discount rate.

The periodic unwinding of the discount is recognized in the statement of loss and comprehensive loss as a finance cost. Additional disturbances or changes in rehabilitation costs attributable to development will be recognized as changes to the corresponding assets and rehabilitation liability when they occur.

Where a closure and environmental obligation arises from production activities, the costs are expensed as incurred because there are no associated economic benefits.

Future Accounting Standards issued but not yet effective

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 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 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, 2018, with earlier application permitted. The Corporation is currently assessing the impact of adopting this standard on the consolidated financial statements.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 Leases, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting period beginning on or after January 1, 2019, with earlier adoption permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied or is applied at the same date as IFRS 16. The Corporation is currently assessing the impact of adopting this standard on the consolidated financial statements

There are no other standards/amendments or interpretations that are expected to have a significant effect on the consolidated financial statements of the Corporation.

5. Non-current assets Held for Sale and Discontinued operations

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

(In United States Dollars unless otherwise indicated)

On February 17, 2016, Macquarie Bank and Brio entered into a definitive Assignment and Assumption Agreement in respect of the Financial Assets.

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

Furthermore, the Corporation has entered into a Restructuring Agreement with Brio and Macquarie Bank whereby the Corporation and Brio have agreed that, in the event Brio acquires the Financial Assets from Macquarie Bank, the Corporation will work with Brio with respect to a restructuring procedure to be initiated by Brio with the objective of transferring 100% ownership of the RDM project to Brio. Pursuant to the Restructuring Agreement, Brio will deliver to the Corporation and its directors a full release and discharge with respect to any liability under the Financial Assets, including the Corporation's guarantee thereof. Following the Restructuring, the Corporation shall continue to own its Romanian assets, but shall have no ownership or interest in, or liabilities in respect of, MRDM or the RDM project, including the subsidiaries above MRDM in the organizational chart below:

Name of entity	**Country of incorporation**	**Ownership**
Ore-Leave Capital (Brazil) Limited	Barbados	100%
OLV Cooperatie U.A.	The Netherlands	100%
OLC Holdings B.V.	The Netherlands	100%
Mineração Riacho dos Machados Ltda. ("MRDM")	Brazil	100%

As well, upon closing of the Restructuring, Brio has agreed to a US$1 million subscription of common shares of the Corporation, the whole at a price to be mutually agreed and subject to the requirements of the Canadian Securities Exchange.

On March 31, 2016, the Corporation announced that the assignment of the Financial Assets from Macquarie Bank to Brio was completed (see Note 31).

As at December 31, 2015, all of the assets and liabilities of MRDM (refer to the table below) were classified as held for sales as this transition is expected to be completed by May 2016 and will result in a loss of control. As the agreed selling price is lower than the previously recorded book values, the Corporation recorded an impairment of $ 34,101,267 in the fourth quarter of 2015. Refer to Note 6 for further details of the impairment loss.

(In United States Dollars unless otherwise indicated)

	December 31, 2015
Assets	**$**
Current assets	
Cash and cash equivalents	72,335
Restricted deposits	344,049
Trade receivables	2,921,436
Prepaid expenses and sundry receivables	345,184
Inventory	42,858,731
	46,541,735
Non-current assets	
Deposits and receivables	5,637,090
Property, plant and equipment	4,352,587
Mine development assets	5,880,782
Total Assets	62,412,194
Liabilities	
Current liabilities	
Trade and other payables	8,991,658
Project loan facility – short-term	270,770,175
Payables from Gold Stream transaction	27,549,600
	307,311,433
Non-current liabilities	
Rehabilitation provisions	5,656,025
Total Liabilities	312,967,458

The following table presents summarized financial information related to the discontinued operations of MRDM.

Statements of loss and comprehensive loss for the discontinued operations for the year ended December 31, 2015:

	2015	2014
	$	$
Revenues	**47,915,768**	17,932,070
Expenses		
Costs and expenses of mining operations		
Operating costs and mine site administrative expenses	**23,734,755**	9,829,277
Mine site depreciation and amortization	**3,276,647**	5,740,732
General and administrative expenses	**10,597,604**	3,762,096
Employee compensation expense	**2,440,974**	2,286,211
Impairment	**34,101,267**	120,602,428
Net loss on derivative contracts	**18,609,398**	3,629,467
Finance costs		
Interest and facility fees	**35,253,756**	7,707,407
Accretion	**263,220**	65,804
Other income	**(1,152,827)**	(610,627)
Loss on Gold Stream transaction	**-**	27,549,600
Loss from discontinued operations	**(79,209,026)**	(162,630,325)

(In United States Dollars unless otherwise indicated)

Statement of cash flows for the discontinued operation for the year ended December 31, 2015:

	2015 **$**	2014 $
Cash flows from operating activities of discontinued operations [1]	**(62,799,681)**	(10,995,810)
Cash flows from investing activities of discontinued operations	**(10,808,882)**	(49,982,225)
Cash flows from financing activities of discontinued operation	**74,744,529**	57,861,848
Effect of exchange rates on cash and cash equivalents	**1,135,966**	596,324
Increase (decrease) in cash and cash equivalents	**(26,165)**	(2,519,863)
Cash and cash equivalents at beginning of year	**98,501**	2,618,364
Cash and cash equivalents at the end of the year	**72,336**	98,501
Supplemental information:		
Interest paid	**37,037,617**	19,643,712
Income taxes paid	**-**	-

[1] Included in trade and other payables are net of items related capital expenditure for Property, plant and equipment, Exploration and evaluation assets and Mine development assets totaling $3,413,604 (2014 – $14,850,698.

6. Impairment

As at December 31, 2015, a number of impairment indicators were noted by the Corporation in accordance with IAS 36, Impairment of Assets (“IAS 36”) for its property, plant and equipment and mine assets and in accordance with IFRS 6, Exploration for and Evaluation of Mineral Resources (“IFRS 6”) for its exploration and evaluation assets. Consequently, the Corporation undertook an impairment test on each of its identified CGUs, being MRDM and Romania (“Rovina Valley Project”).

Romania

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

The FVLCD method was used to determine the recoverable amount as this was determined to be a higher valuation than a value in use calculation. The recoverable amount as determined by the Corporation for the CGU was $Nil.

The key assumptions and estimates used in determining the FVLCD were the probability of the mining law being passed in Romania and estimate of value a market participant would be willing to pay for the CGU based on recent marketing efforts by the Corporation.

Based on the test described above, as at December 31, 2015, exploration and evaluation assets were impaired by $939,349 (December 31, 2014: $52,128,946). The impairment charges were included within the income from continuing operations for the year in the statement of comprehensive loss. The fair value of the CGU was measured using market approach and Level 3 inputs.

(In United States Dollars unless otherwise indicated)

MRDM

During 2015, the key impairment indicators noted for this CGU were the continued delays of the RDM Project to achieve production levels in accordance with its initial life of mine plan, market capitalization below the carrying value of the net assets of the Corporation as a whole, negative cash flows from operating activities, a significant debt facility with Macquarie repayable on demand due to the Corporation defaulting on related covenants and expected disposal of the MRDM project.

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

For MRDM CGU, for the year ended December 31, 2015, impairment charges totaled $34,101,267 (December 31, 2014: $120,602,429), of which property, plant and equipment were written down by $26,554,195 (December 31, 2014: $81,940,336), software licenses were written down by $Nil (December 31, 2014: $Nil), exploration and evaluation assets were written down by $Nil (December 31, 2014: $3,921,466) and mine development assets were written down by $10,194,277 (December 31, 2014: $34,740,628). These impairment charges were included within the losses from discontinued operations for the year in the statement of comprehensive loss.

7. Restricted Deposits

As at December 31, 2015 the Corporation's restricted deposits totaled $1,248,000, of $344,049 are included as assets classified as held for sale (December 31, 2014 - $1,248,017), representing an employee trust fund of $1,248,000 (December 31, 2014 - $1,248,000) and currency held in US$ which will be available to fund the operations of MRDM once it is converted to Brazilian Reais through execution of an exchange contract.

8. Inventory

	December 31, 2015	December 31, 2014
Finished products	**2,523,093**	1,242,867
Work-in-process	**35,785,712**	19,557,191
Stockpiles	**522,786**	773,948
Mine supplies	**4,027,140**	3,697,585
Transferred to assets classified as held for sale (Note 5)	**(42,858,731)**	-
	-	25,271,591

(In United States Dollars unless otherwise indicated)

9. Property, Plant and Equipment

Cost	Land $	Plant and Other Constructions	Buildings $	Leasehold Improvements $	Office Equipment $	Computer Equipment $	Vehicles $	Machinery & Equipment $	Total $
Balance, December 31, 2013	398,226	75,330,248	449,824	378,740	798,820	539,940	601,129	18,845,005	97,336,9327
Additions	-	25,136,343	1,190,210	316	61,035	26,163	-	177,614	25,591,681
Impairment (Note 6)	(9,825)	(81,940,336)	(395,697)	-	(6,365)	(15,958)	(54,439)	(8,596)	(82,431,216)
Disposals	-	-	-	(75,167)	(15,574)	-	-	-	(90,741)
Effect of changes in foreign exchange rates	-	-	-	(18,507)	(5,673)	(3,053)	-	(1,641)	(28,874)
Balance, December 31, 2014	**388,401**	**18,526,255**	**1,244,337**	**360,549**	**812,578**	**547,092**	**502,066**	**19,012,382**	**41,393,660**
Additions		**5,261,169**	**639,175**	**-**	**12,307**	**38,191**	**-**	**350,317**	**6,301,159**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**(158,568)**	**-**	**(158,568)**
Impairment (Note 6)	**-**	**(23,787,424)**	**-**	**-**	**-**	**-**	**-**	**(2,766,771)**	**(26,554,195)**
Transferred to assets classified as held for sale (Note 5)	**(388,401)**	**-**	**(1,883,512)**	**(148,418)**	**(759,858)**	**(550,303)**	**(343,498)**	**(16,577,116)**	**(20,651,106)**
Effect of changes in foreign exchange rates	**-**	**-**	**-**	**(34,292)**	**(10,512)**	**(5,655)**	**-**	**(3,042)**	**(53,501)**
Balance, December 31, 2015	**-**	**-**	**-**	**177,839**	**54,515**	**29,325**	**-**	**15,770**	**277,449**

Accumulated depreciation	Land $	Plant and Other Constructions	Buildings $	Leasehold Improvements $	Office Equipment $	Computer Equipment $	Vehicles $	Machinery & Equipment $	Total $
Balance, December 31, 2013	-	-	37,879	132,279	177,150	266,770	342,986	4,120,257	5,077,321
Depreciation	-	3,956,478	102,133	65,700	82,247	74,052	91,867	4,257,264	8,629,741
Impairment (Note 6)	-	-	(37,515)	-	(1,146)	(10,941)	(44,830)	(4,119)	(98,551)
Disposals	-	-	-	-	(9,150)	-	(44,624)	-	(53,774)
Effect of changes in foreign exchange rates	-	-	-	(9,178)	(2,157)	(2,599)	-	(1,080)	(15,014)
Balance, December 31, 2014	**-**	**3,956,478**	**102,497**	**188,801**	**246,944**	**327,282**	**345,399**	**8,372,322**	**13,539,723**
Depreciation	**-**	**1,036,929**	**199,817**	**54,404**	**85,215**	**75,114**	**79,949**	**1,541,063**	**3,072,491**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**(153,835)**	**-**	**(153,835)**
Impairment (Note 6)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transferred to assets classified as held for sale (Note 5)	**-**	**(4,993,407)**	**(302,314)**	**(98,244)**	**(299,436)**	**(371,516)**	**(271,513)**	**(9,896,104)**	**(16,232,534)**
Effect of changes in foreign exchange rates	**-**	**-**	**-**	**(21,150)**	**(4,817)**	**(4,741)**	**-**	**(2,508)**	**(33,216)**
Balance, December 31, 2015	**-**	**-**	**-**	**123,811**	**27,906**	**26,139**	**-**	**14,773**	**192,629**

(In United States Dollars unless otherwise indicated)

Net book value	Land $	Plant and Other Constructions	Buildings $	Leasehold Improvements $	Office Equipment $	Computer Equipment $	Vehicles $	Machinery & Equipment $	Total $
Balance, December 31, 2014	388,401	14,569,777	1,141,840	171,748	565,634	219,810	156,667	10,640,060	27,853,937
Balance, December 31, 2015	**-**		**-**	**54,028**	**26,609**	**3,186**	**-**	**997**	**84,820**

As at December 31, 2015 the carrying value of property, plant and equipment is comprised of $84,820 in corporate and other (December 31, 2014 - $144,640), $Nil in Brazil (December 31, 2014 - $27,709,296) and $Nil in Romania (December 31, 2014 - $Nil).

10. Software License Costs

	Cost $	Accumulated Amortization $	Net Book Value $
Balance, December 31, 2013	1,065,297	362,296	703,001
Additions	98,245	115,706	(17,461)
Impairment (Note 6)	(24,500)	(11,244)	(13,256)
Effect of changes in foreign exchange rates	(30,454)	(20,612)	(9,842)
Balance, December 31, 2014	**1,108,588**	**446,146**	**662,442**
Additions	**25,392**	**144,418**	**(119,026)**
Transferred to assets classified as held for sale (Note 5)	**(784,081)**	**(275,475)**	**(508,606)**
Effect of changes in foreign exchange rates	**(56,427)**	**(46,153)**	**(10,274)**
Balance, December 31, 2015	**293,472**	**268,936**	**24,536**

As at December 31, 2015 the carrying value of software licensing fees is comprised of $24,536 in corporate and other (December 31, 2014 - $90,585), $Nil in Brazil (December 31, 2014 - $571,857) and $Nil in Romania (December 31, 2014 - $Nil).

11. Exploration and Evaluation and Mine Development Assets

Exploration and evaluation assets	Romania $	Brazil $	Total $
Balance at December 31, 2013	50,483,191	3,312,035	53,795,226
Additions	1,240,169	609,431	1,849,600
Impairment (Note 6)	(51,723,360)	(3,921,466)	(55,644,826)
Balance at December 31, 2014	-	-	-
Additions	**939,349**	**-**	**939,349**
Impairment (Note 6)	**(939,349)**	**-**	**(939,349)**
Balance at December 31, 2015	**-**	**-**	**-**

(In United States Dollars unless otherwise indicated)

Mine development assets	**Brazil $**
Balance at December 31, 2013	**34,433,849**
Additions [1]	**13,706,977**
Amortization	**(1,409,705)**
Impairment (Note 6)	**(34,740,628)**
Balance at December 31, 2014	**11,990,493**
Additions	**3,887,382**
Amortization	**(150,021)**
Impairment (Note 6)	**(9,847,072)**
Transferred to assets classified as held for sale (Note 5)	**(5,880,782)**
Balance at December 31, 2015	**-**

[1] $18,226,963 in borrowing costs were capitalized in Development assets during the year ended December 31, 2014, of which $15,728,136 related to interest on the Project Facility and $2,498,827 facility fees related to the Project Facility (Note 17). Pre-production revenues and associated costs have been capitalized in Development assets.

Romania

The Corporation owns 100% of the Rovina Valley Project, which is held through its subsidiary SAMAX Romania S.R.L.

Brazil

The Corporation owns 100% of the RDM 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.

12. 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, 2014 and 2015	694,169,911	196,773,069

(In United States Dollars unless otherwise indicated)

(c) 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, 2013	**29,437,000**	0.43
Expired during the period	**(4,870,000)**	0.26
Forfeited during the period	**(15,306,000)**	0.43
Granted during the period	**1,400,000**	0.03
Balance at December 31, 2014	**10,661,000**	0.44
Expired during the period	**(200,000)**	0.56
Forfeited during the period	**(200,000)**	0.03
Balance at December 31, 2015	**10,261,000**	0.45

As at December 31, 2015, stock options held by directors, officers, employees and consultants are as follows:

	Options Outstanding	Fair Value at Grant Date	Exercise Price Cdn$	Remaining Contractual Life	Options Exercisable
Directors, officers and employees	5,241,000	1,810,603	0.58	229 days	5,241,000
Directors, officers and employees	3,520,000	327,527	0.40	1 years 226 days	3,520,000
Employee	300,000	41,849	0.40	1 years 283 days	300,000
Employees	1,200,000	23,241	0.03	3 years 171 days	800,000
Balance at December 31, 2015	10,261,000	2,203,220		1 years 122 days	9,861,000

As at December 31, 2015 the number of stock options available for exercise was 9,861,000 at a weighted average exercise price of Cdn$0.47 and the aggregate remaining unamortized value of unvested stock options granted was $1,828.

Using the fair value method, total share-based compensation for stock options issued and outstanding for the year ended December 31, 2015 was $7,833 (December 31, 2014 - $30,917).

(d) Common Share Purchase Warrants

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

	Number of Warrants	Weighted Average Exercise Price Cdn$
Balance at December 31, 2014 and 2015	**20,000,000**	**0.40**

The fair value of the Common share purchase warrants granted to Macquarie Bank was estimated at $3,256,109 using the Black Scholes valuation model using the exercise price of Cdn$0.40, expiry of

(In United States Dollars unless otherwise indicated)

January 11, 2016 and volatility of 65.0%. Subsequent to December 31, 2015, these warrants expired unexercised.

13. Expense Breakdown

(a) General and administrative expenses

	Year Ended December 31, **2015** $	2014 $
Professional fees	**5,239,834**	5,550,416
Investor relations and advertising	**118,754**	145,088
Travel, business and development	**92,845**	126,342
Office and general	**316,420**	460,938
	5,767,853	6,282,784

(b) Employee compensation expense

	Year ended December 31, **2015** $	2014 $
Salaries and benefits	**889,064**	1,021,435
Share-based payments	**5,716**	27,363
Deferred share unit costs	**1,484**	(157,572)
	896,264	891,226

(c) Other income

	Year ended December 31, **2015** $	2014 $
Foreign exchange gain	**(13,238,778)**	(6,731,549)
Interest income	**(1,207)**	(1,338)
Other income	**(38,012)**	-
Interest expense	**-**	611
	(13,277,997)	(6,732,276)

14. Loss per Share

Basic 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 year ended December 31, 2015 is 694,169,911 (2014 - 694,169,911). Stock options and warrants are considered anti-dilutive and therefore are excluded from the calculation of diluted earnings per share. For the year ended December 31, 2015 basic and diluted income per share for continuing operations was $0.01 (December 31, 2014 – loss of $0.08). For the year ended December 31, 2015 basic and diluted loss per share for discontinued operations was $0.11 (December 31, 2014 – loss of $0.23).

(In United States Dollars unless otherwise indicated)

15. 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:

	December 31, 2015	December 31, 2014
Number of DSUs outstanding, beginning of period	**948,669**	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**	948,669
Liability, end of period	**$8,892**	$8,975
Expense (recovery) for the year	**1,484**	(157,572)

16. Trade and other payables

	December 31, 2015	December 31, 2014
Trade payables	**5,692,714**	10,627,988
Accrued liabilities	**4,002,314**	5,613,512
Transferred to liabilities classified as held for sale (Note 5)	**(8,991,659)**	-
	703,369	16,241,500

17. Project Loan Facility

As at December 31, 2015, the principal balance outstanding on the Project Facility was $270,770,175 classified within liabilities classified as held for sale. Interest accrued during the year ended December 31, 2015 were $31,373,631 (December 31, 2014 - $22,515,951) and facility fees paid for the year ended December 31, 2015 were $3,880,124 (December 31, 2014 - $3,418,418). Interest paid for the year ended December 31, 2015 was $37,037,617 (December 31, 2014 - $19,643,712).

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).

(In United States Dollars unless otherwise indicated)

This period was amended from time to time, with the last amendment providing for a forbearance period to April 1, 2016. Pursuant to this amendment, funds drawn under Tranche 3 of the Project Facility are to be repaid by April 1, 2016.

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 $184 million, at its discretion, of additional financing under a “Tranche 3” of the Project Facility. Tranche 3 of the Project Facility is repayable on April 1, 2016 and bears interest at 20% 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.

On March 31, 2016, Brio acquired from Macquarie all of Macquarie’s rights and interest in the Project Facility (See Note 31).

As at December 31, 2015, the Corporation had drawn an aggregate of $270,770,175 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
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

(In United States Dollars unless otherwise indicated)

Draw down date	Tranche 1	Tranche 2	Tranche 3	Total
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	535,392
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	-	-	241,310	241,310
August 28, 2014	-	-	269,623	269,623
October 2, 2014	-	-	1,473,684	1,473,684
October 22, 2014	-	-	9,010,170	9,010,170
October 31, 2014	-	-	735,068	735,068
November 7, 2014	-	-	358,006	358,006
November 28, 2014	-	-	3,000,000	3,000,000
December 3, 2014	-	-	1,106,303	1,106,303
December 12, 2014	-	-	1,417,515	1,417,515
December 19, 2014	-	-	851,083	851,083
December 24, 2014	-	-	440,000	440,000
January 9, 2015	-	-	1,067,686	1,067,686
January 30, 2015	-	-	803,979	803,979
February 20, 2015	-	-	619,128	619,128
February 27, 2015	-	-	717,378	717,378
March 6, 2015	-	-	12,812,869	12,812,869
March 31, 2015	-	-	800,000	800,000
April 9, 2015	-	-	2,526,018	2,526,018
April 10, 2015	-	-	205,000	205,000
April 22, 2015	-	-	241,053	241,053
April 28, 2015	-	-	952,632	952,632
May 5, 2015	-	-	1,700,000	1,700,000
May 12, 2015	-	-	1,132,647	1,132,647
May 26, 2015	-	-	1,051,883	1,051,883
June 1, 2015	-	-	7,183,261	7,183,261
June 9, 2015	-	-	494,637	494,637
June 15, 2015	-	-	529,865	529,865
June 22, 2015	-	-	899,695	899,695
July 6, 2015	-	-	4,014,124	4,014,124
July 28, 2015	-	-	551,525	551,525
August 4, 2015	-	-	640,654	640,654
August 10, 2015	-	-	4,999,694	4,999,694
August 17, 2015	-	-	147,000	147,000
August 31, 2015	-	-	724,047	724,047
September 8, 2015	-	-	3,219,204	3,219,204
September 14, 2015	-	-	1,737,502	1,737,502
September 21, 2015	-	-	876,783	876,783
September 21, 2015	-	-	777,838	777,838
September 28, 2015	-	-	15,747,388	15,747,388
October 6, 2015	-	-	2,050,990	2,050,990
October 13, 2015	-	-	669,459	669,459
October 19, 2015	-	-	2,475,239	2,475,239

(In United States Dollars unless otherwise indicated)

Draw down date	Tranche 1	Tranche 2	Tranche 3	Total
October 26, 2015	-	-	610,526	610,526
October 27, 2015	-	-	573,480	573,480
November 3, 2015	-	-	1,978,034	1,978,034
November 10, 2015	-	-	991,270	991,270
November 18, 2015	-	-	1,090,000	1,090,000
November 24, 2015	-	-	1,057,475	1,057,475
December 22, 2015	-	-	3,394,062	3,394,062
December 29, 2015	-	-	324,320	324,4320
	65,000,000	25,000,000	180,770,175	270,770,175

18. Payables form Gold Stream Transaction

Gold Stream Transaction

On May 20, 2010, the Corporation closed the gold stream transaction for $30 million with Macquarie Bank for its RDM 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, 2014, the full $30 million had been received as Upfront Payment.

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 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.

(In United States Dollars unless otherwise indicated)

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 April 1, 2016. On March 31, 2016, Brio acquired from Macquarie all of Macquarie's rights and interest in the Project Facility (See Note 31).

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.

19. Segmented Information

The Corporation has two operating segments: a producing as well as exploration and development of mineral property focused primarily on gold production on Brazil and gold and copper exploration in Romania.

Operating Segment	**Corporate and Other**	**Brazil**	**Romania**	**Total**
Consolidated Statement of Financial Position				
As at December 31, 2015				
Total Assets	**2,011,404**	**62,412,194**	**15,412**	**64,439,010**
Total Liabilities	**692,124**	**312,967,459**	**11,245**	**313,670,828**
As at December 31, 2014				
Total Assets	2,349,192	84,039,313	35,003	86,423,508
Total Liabilities	948,327	248,177,506	15,284	249,141,117

(In United States Dollars unless otherwise indicated)

Operating Segment	Corporate and Other	Brazil	Romania	Total
Consolidated Statements of (Income) Loss and Comprehensive (Income) Loss				
For the year ended December 31, 2015				
Expenses				
General and administrative expenses	5,863,163	-	-	5,863,163
(Including depreciation and amortization)		-		
Employee compensation costs	896,264	-	-	896,264
Impairment	-	-	939,349	939,349
Foreign exchange loss (gain)	(13,221,335)	-	(17,443)	(13,238,778)
Interest income, net of expenses	(1,207)	-	-	(1,207)
Other expense	(38,011)	-	-	(38,011)
(Income) loss for the year from continuing operations	(6,501,126)	-	921,906	(5,579,220)
Loss for the year from discontinued operations	-	79,209,026	-	79,209,026
Loss for the year	(6,501,126)	79,209,026	921,906	73,629,808
Other Comprehensive loss for the period	12,890,119	-	-	12,890,119
Total comprehensive loss for the period	6,388,993	79,209,026	921,906	86,519,926

Operating Segment	Corporate and Other	Brazil	Romania	Total
Consolidated Statements of (Income) Loss and Comprehensive (Income) Loss				
For the year ended December 31, 2014				
Expenses				
General and administrative expenses	6,380,726	-	-	6,380,726
(Including depreciation and amortization)		-		
Employee compensation costs	891,226	-	-	891,226
Impairment	-	-	52,128,946	52,128,946
Foreign exchange loss (gain)	(6,736,801)	-	5,252	(6,731,549)
Interest income, net of expenses	(727)	-	-	(727)
Income tax recovery	-	-	(830,538)	(830,538)
Loss for the period from continuing operations	534,424	-	51,303,660	51,838,084
Loss for the year from discontinued operations	-	162,630,325	-	162,630,325
Loss for the year	-	163,630,325	51,303,660	214,468,409
Other Comprehensive loss for the period	6,752,871	-	-	6,752,871
Total comprehensive loss for the period	7,287,295	163,630,325	51,303,660	221,221,280

(In United States Dollars unless otherwise indicated)

20. Related Parties

As at December 31, 2015 there were no other amounts due to or from related parties not included in Notes 17 and 18 (December 31, 2014 - $Nil). See Note 21 for key management compensation.

21. Key Management Compensation Disclosure

Key management includes the Corporation's directors and the executive officers. Compensation awarded to key management included:

	2015	2014
Salaries and short term employee benefits	**853,691**	1,061,610
Share-based payments [1]	**1,484**	(148,112)
Termination benefits [2]	**-**	340,355
	855,175	1,253,853

[1] Share-based payments include the mark-to-market adjustments on DSUs.

[2] Termination benefits include payments for the Corporation's former Chief Executive Officer, Executive Vice President and Chief Operating Officer who ceased to be employees of the Corporation on January 24, 2014 and for the Corporation's former Chief Financial Officer who ceased to be an employee of the Corporation on July 3, 2014.

22. 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:

	December 31, 2015	December 31, 2014
Balance at beginning of period	**5,787,969**	5,125,296
Provision	**-**	320,195
Accretion	**263,220**	65,804
Change in estimate	**(395,164)**	276,674
Transferred to liabilities classified as held for sale	**(5,656,025)**	-
	-	5,787,969

As at December 31, 2015, the Corporation estimated the total undiscounted amount of the estimated cash flows required to settle the decommissioning and other rehabilitation obligations of the Corporation's Brazilian subsidiary to be approximately $8,200,000 with the most significant expected outflows commencing in approximately 7 years. As at December 31, 2015 the rehabilitation provision has been discounted using a discount rate of 5.65%. A 1% increase in the discount rate would result in a decrease of rehabilitation provision by $348,552 and a 1% decrease in the discount rate would result in an increase in the rehabilitation provision by $375,076, while holding the other assumptions constant.

(In United States Dollars unless otherwise indicated)

23. Derivative Contracts

Currency and Commodity gold contracts

In conjunction with the Project Facility (Note 17), the Corporation through Macquarie Bank, also entered into price protection programs in the form of currency swaps for the RDM Project's capital expenditures ("CAPEX") (R$1.9 to US$1.00) and estimated operating expenditures ("OPEX") (R$1.983 to US$1.00) as well as a gold price protection program ("Gold Contracts") comprised of 216,600 ounces of gold at varying prices of from $1,177 to $1,600 per ounce. The fair value of the Gold Contracts was a liability of $92,727,754 prior to settlement on September 22, 2015.

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$317,202,176. The fair value of the OPEX currency swaps was an asset of $78,815,543 prior to settlement on September 22, 2015.

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".

Gold options

The fair value of the Gold Option A granted to Macquarie Bank in 2013 and the Gold Option B (Note 17) was estimated was a liability of $162,934 prior to settlement on September 22, 2015.

Summary of Derivatives at December 31, 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	31,992,151	85,312,402	63,984,302	181,288,855	(66,104,760)
Commodity contracts:					
Gold contract	68,525,970	145,920,000	109,440,000	323,885,970	72,584,622
Gold Options	-	32,000,000	-	32,000,000	(460,000)

Fair Values of Derivative Instruments

	Balance Sheet Classification	Fair Value as at December 31, 2015	Fair Value as at December 31, 2014	Balance Sheet Classification	**Fair Value as at December 31, 2015**	Fair Value as at December 31, 2014
Currency contracts:						
OPEX contract		-	-	Current liabilities	-	9,212,007
OPEX contract		-	-	Non-current liabilities	-	56,892,753
Commodity contracts:						
Gold contract	Current assets	-	14,433,715	Current liabilities	-	-
Gold contract	Non-current assets	-	58,150,907	Non-current liabilities	-	-
Gold Options		-	-	Non-current liabilities	-	460,000

(In United States Dollars unless otherwise indicated)

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 loss as net gains or losses on non-hedge derivatives.

Unrealized gains or losses arising from the changes in fair value of the Gold Options derivatives and currency and commodity contracts derivatives for the year ended December 31, 2015 prior to settlement amounted to a loss of $6,019,889 (December 31, 2014 – loss of $8,018,416). Realized gains or losses arising from settlement of all currency and commodity contract derivatives for the year ended December 31, 2015 amounted to a loss of $12,589,509 (December 31, 2014 – gain of $4,388,949). These realized and unrealized gains and losses are recognized in the consolidated statement of loss as net gains or losses on derivative contracts.

Net realized and unrealized (gains) losses on Derivatives

	December 31, 2015 $	December 31, 2014 $
Currency contracts:		
OPEX contract	**(15,698,051)**	9,680,613
Commodity contracts:		
Gold contract	**34,173,317**	(4,961,146)
Gold Options	**134,132**	(1,090,000)

24. Offsetting financial assets and financial liabilities

The Corporation is subject to enforceable ISDA for Multiple Payment Netting with the derivative counterparty. Under the terms of this agreement, offsetting of the derivative contracts is permitted in respect of two or more transactions and a net amount and payment obligation is determined in respect of all amounts payable on the same date in the same currency in respect of those transactions, regardless of whether such amounts are payable in respect of the same transaction.

The Corporation has Gold and OPEX contracts, majority of which have the same maturity dates and therefore subject to this netting arrangement. Gold Options A and B are not subject to this netting arrangement as they do not have the same maturity date.

(In United States Dollars unless otherwise indicated)

The following table presents the financial instruments that are offset as at December 31, 2014, financial instruments that cannot be offset and total amount recognized on the Corporation's statement of financial position:

Financial Assets	**Amounts subject to offsetting**			**Amounts not subject to offsetting**	**Total amount recognized on the statement of financial position**
	Gross assets	**Gross liabilities offset**		**Financial assets**	
December 31, 2014					
Derivative assets (current)[1]	14,130,058	9,212,007	4,918,051	303,657	**5,221,708**
Derivative assets (Non- current)[2]	54,206,200	52,593,516	1,612,684	3,944,707	**5,557,391**

Financial Liabilities	**Amounts subject to offsetting**			**Amounts not subject to offsetting**	**Total amount recognized on the statement of financial position**
	Gross assets	**Gross liabilities offset**		**Financial liabilities**	
December 31, 2014					
Derivative liabilities (Current)	-	-	-	-	**-**
Derivative liabilities (Non- current)[3]	-	-	-	4,759,237	**4,759,237**

[1] Includes current Gold contracts of $14,433,715 and current OPEX contracts of $9,212,007. (Note 23).
[2] Includes non- current Gold contracts of $58,150,907 (Note 22)
[3] Includes non-current OPEX contracts of $56,892,753 and non-current Gold Options of $460,000. (Note 23).

25. 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.

(In United States Dollars unless otherwise indicated)

The following table shows the carrying amounts and fair values of assets and liabilities for each of these categories at December 31, 2015 and 2014.

		December 31, 2015		December 31, 2014	
	Level	**Carrying amount**	**Estimated fair value**	Carrying amount	Estimated fair value
Financial Assets					
Loans and receivables					
Cash and cash equivalents[1]	**1**	**549,076**	**549,076**	212,235	212,235
Restricted deposits[1]	**1**	**903,951**	**903,951**	1,248,000	1,248,000
Sundry Receivables[1]	**2**	**91,791**	**91,791**	52,207	52,207
Assets classified as held for sale[1]	**3**	**3,337,820**	**3,337,820**	2,011,945	2,011,945
Financial Liabilities					
Amortized cost					
Trade and other payables[1]	**2**	**694,477**	**694,477**	963,696	963,696
Liabilities classified as held for sale[1 and 2]	**1 and 2**	**307,311,433**	**307,311,458**	236,836,201	236,836,201
Fair value through profit and loss					
Derivative contracts				6,019,862	6,019,862

[1] Fair value approximates the carrying amount due to the short-term nature.
[2] 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 a market 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.

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 to value these instruments. 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. Prior to the settlement of the Gold Options on September 222, 2015, Gold Options are valued based on valuations taken from the CME Group Inc. gold options quote site using American options for strike price of $1,600 and expiry date of December 2016. Derivative instruments are classified within Level 2 of the fair value hierarchy.

(In United States Dollars unless otherwise indicated)

26. Income taxes

The following table shows the components of the current and deferred tax expense:

	December 31, 2015	December 31, 2014
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	**-**	(830,538)
	-	(830,538)

The reconciliation of the combined federal and provincial statutory income tax rate to the effective tax rate is as follows:

	December 31, 2015	December 31, 2014
Combined statutory income tax rate	**26.50%**	26.50%
Expected tax recovery	**(21,357,114)**	(57,054,220)
Non-deductible expenses	**3,984,877**	1,058,423
Imputed interest income	**-**	78,183
Tax rate differences	**(7,238,169)**	(3,866,606)
Benefits of tax attributes not recognized	**24,610,406**	58,953,682
	-	(830,538)

There are no deferred tax assets or liabilities expected to be recovered after more than 12 months.

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Corporation has a legal right and intent to offset.

The following table summarizes the deductible temporary differences for which no deferred tax asset has been recognized:

	December 31, 2015	December 31, 2014
Mineral properties	**21,909,627**	24,196,208
Derivative contracts	**-**	-
Share issue costs	**388,993**	1,291,438
Property, plant and equipment	**460,722**	889,966
Deferred share units compensation cost	**(33,263)**	-
Non-capital loss carry-forwards and other	**20,781,167**	18,984,698
Eligible capital property	**6,559,902**	3,394,199
Capital loss carry-forwards	**46,608**	55,596
	50,113,757	48,812,105

During 2015, SAMAX was registered a micro-company with the tax authorities which has the effectively eliminates corporate tax on profits from certain mining activities. For SAMAX, this will reduce the corporate tax rate to 0%, but increase revenue tax rate to 3%. As a result of this change, the Corporation is no longer subject to income tax in Romania and any tax attributes accumulated prior to December 31, 2014 has effectively expired and has been reduced to $Nil.

(In United States Dollars unless otherwise indicated)

The following table summarizes the Corporation's non-capital losses that can be applied against future taxable profit:

	Type	Amount	Expiry Date
Canada	Non-capital losses	20,781,167	2016 – 2035

27. Commitments

Lease Commitment

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

As at December 31, 2015, MRDM 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	2,902,736	-	2,902,736
Office lease	75,811	6,318	82,129

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

28. Capital Disclosures

The Corporation manages its capital structure, defined as cash and cash equivalents, restricted deposits, share capital and warrants, 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, Brazilian banks and Romanian banks.

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

(In United States Dollars unless otherwise indicated)

The Corporation's capital items are the following:

	December 31, 2015	December 31, 2014
Cash and cash equivalents	**621,411**	310,736
Restricted deposits	**1,248,000**	1,248,017
Project loan facility	**270,770,175**	188,391,830
Share capital	**196,773,069**	196,773,069
Warrants	**3,256,109**	3,256,109
	472,668,764	389,979,761

In accordance with the terms of the Project Facility (Note 17), the Corporation is required to maintain certain covenants. These covenants relate to financial and operational 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 17.

29. Financial Risk Factors

The Corporation's financial instruments are comprised of financial liabilities and financial assets. Financial liabilities include accounts payable, Project Facility, payables from Gold Stream transaction 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 (prior to settlement) 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 exposure to credit risk is primarily relating to its financial assets consisting of 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, Brazilian and Romanian chartered banks, from which management believes the risk of loss to be remote. For derivatives with a positive fair value (prior to their settlement in September 2015), 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 December 31, 2015, the Corporation faces liquidity risk to the extent that it will be unable to settle current liabilities of $313,670,828 with cash and cash equivalents and restricted deposits totalling $1,869,411. Current liabilities consist of trade and other payables, payables from Gold Stream transaction and borrowings. Commitments, consisting of construction contracts and supply contracts for fuel and other material are included in Note 27.

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.

Pursuant to the agreement with Brio (see Note 31), upon closing of the Restructuring, Brio agreed to a US$1 million subscription of common shares of the Corporation. 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 completed 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 has endeavored to mitigate market risk through the use of currency and gold derivatives prior to their settlement in September 2015.

(i) Interest rate risk

The Corporation's short term investments are interest bearing deposit accounts held at Canadian chartered banks. The Corporation regularly monitors the investments it makes, including amounts of cash funds held in bank accounts and is satisfied with the credit ratings of its banks. The Corporation is also exposed to interest rate risk with regard to the Project Facility.

As of December 31, 2015, management estimates that if interest rates had changed by 5% the impact on interest income and net loss for the period would have been approximately $10,527. In addition, if interest rates had changed by 5% the impact of the Project Facility interest and net loss for the period would have been approximately $9,818,872.

(ii) Foreign currency risk

The Parent's functional currency is the Canadian dollar. The Corporation is affected by currency transaction and translation risk. During 2015 the Corporation funds its Romanian exploration and development activities using U.S. dollar currency received from MRDM. 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 primarily settled in Brazilian Reais. As at December 31, 2015, the Corporation held cash and cash equivalents of $72,335 in Brazilian Reais, $138,307 in Canadian dollars, $397,571 in U.S dollars and $13,197 in various European currencies. Consequently, fluctuations in the U.S. dollar currency against these currencies directly affect the cost of property, plant and equipment assets and operating expenditures for various subsidiaries. Management closely monitors variations in the exchange rates of the currencies in which it transacts business. Prior to the settlement of the currency swaps in September 2015, the Corporation had entered into certain currency swap arrangements effective December 15, 2011, which were amended as of December 24, 2013, covering a substantial portion of its OPEX on the RDM Project in Brazil to mitigate these inherent risks the Corporation (Note 22).

As of December 31, 2015, excluding the effect that 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 10% against the U.S. dollar, the impact on net loss for the period would have been approximately $522,214 (Note 23).

(iii) Commodity price risk

The Corporation is exposed to price risk with respect to commodity pricing primarily for gold and copper. The Corporation had previously entered into a gold price protection program to mitigate a portion of the downside risk of changes in the market price of gold which were settled during 2015. The Corporation has not entered into any other gold protection program subsequent to the settlement (Note 23).

30. Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

31. Subsequent Event

(a) Subsequent to December 31, 2015, Macquarie Bank has agreed to increase additional financing under Tranche 3 of the Facility to $184.00 million, resulting in a total Project Facility of $274.00 million and to extend the repayment date for any funds drawn under Tranche 3 of the Facility to April 1, 2016.

(b) As at April 21, 2016, the Corporation drew $182.84 million against the Project Facility's Tranche 3, resulting in a total Project Facility of $272.84 million, as amended by the Forbearance Agreement.

(c) Subsequent to December 31, 2015, to the knowledge of management, no legal proceedings of a material nature involving the Corporation are contemplated by any individuals, entities or governmental authorities, other than Rishi Tibriwal, the Corporation's former Chief Financial Officer, who has filed a Statement of Claim against the Corporation at the Ontario Superior Court of Justice in respect of the termination of his employment. Mr. Tibriwal is seeking CAD$560,000, plus interest and costs. The Corporation believes that, in accordance with Mr. Tibriwal's contract, he is not entitled to any further contractual payments at this time. Accordingly, the Corporation intends to fight the claim, and a Statement of Defense was filed on or about March 21, 2016.

(d) On March 31, 2016, the Corporation announced that Brio has (i) acquired from Macquarie all of Macquarie's rights and interests in the project loan facility, the gold purchase agreement and the gold sale and purchase agreement and related guarantees previously entered into by Macquarie and the Corporation, MRDM and certain other subsidiaries of the Corporation, and (ii) received from Macquarie an assignment of Macquarie's security in respect of the foregoing agreements. Pursuant to a Restructuring Agreement entered to by the Corporation with Brio and Macquarie Bank , the Corporation is working with Brio with respect to a restructuring procedure to be initiated by Brio with the objective of transferring 100% ownership of the RDM project to Brio. Pursuant to the Restructuring Agreement, Brio will deliver to the Corporation and its directors a full release and discharge with respect to any liability under the Financial Assets, including the Corporation's guarantee thereof. Following the Restructuring, the Corporation shall continue to own its

Romanian assets, but shall have no ownership or interest in, or liabilities in respect of, MRDM or the RDM project. Upon closing of the Restructuring, Brio has agreed to a $1 million subscription of common shares of the Corporation, the whole at a price to be mutually agreed and subject to the requirements of the Canadian Securities Exchange.