Carpathian Gold Inc.

Consolidated Financial Statements
December 31, 2014 and 2013

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Corporation for the years ended December 31, 2014 and 2013 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 auditors 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 auditors, PricewaterhouseCoopers LLP, Chartered Accountants, are 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 29, 2015

April 29, 2015

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, 2014 and December 31, 2013 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 (IFRS), 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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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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, 2014 and December 31, 2013 and their financial performance and their cash flows for the years then ended in accordance with IFRS.

Emphasis of matter
Without qualifying our opinion, we draw your attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that 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, 2014 $**	December 31, 2013 $
Current assets			
Cash and cash equivalents		**310,736**	3,011,774
Restricted deposits	5	**1,248,017**	2,431,521
Derivative contracts	21 and 22	**5,221,708**	18,010,647
Trade receivables		**1,913,427**	-
Prepaid expenses and sundry receivables		**2,909,929**	625,179
Inventory	6	**25,271,591**	5,827,543
		36,875,408	29,906,664
Non-current assets			
Deposits and receivables		**3,483,837**	4,711,205
Property, plant and equipment	4 and 7	**27,853,937**	92,259,611
Software license costs	4 and 8	**662,442**	703,001
Derivative contracts	21 and 22	**5,557,391**	58,542,775
Exploration and evaluation assets	4 and 9	**-**	53,795,226
Mine development assets	4 and 9	**11,990,493**	34,433,849
Total Assets		**86,423,508**	274,352,331
Liabilities			
Current liabilities			
Trade and other payables	14	**16,241,500**	24,670,145
Project loan facility– short-term	15	**194,017,772**	122,738,454
Payables from Gold Stream transaction	16	**27,549,600**	-
Derivative contracts	21 and 22	**-**	8,613,628
Deferred income		**785,039**	-
		238,593,911	156,022,227
Non-current liabilities			
Rehabilitation provisions	20	**5,787,969**	5,125,296
Derivative contracts	21 and 22	**4,759,237**	53,901,516
Deferred income taxes	24	**-**	830,538
Total Liabilities		**249,141,117**	215,879,577
(Deficiency) Equity attributable to Shareholders			
Share capital	10	**196,773,069**	196,773,069
Warrants	10	**3,256,109**	3,256,109
Contributed surplus		**10,925,856**	10,894,939
Accumulated deficit		**(365,067,022)**	(150,598,613)
Accumulated other comprehensive loss		**(8,605,621)**	(1,852,750)
Total (Deficiency) Equity		**(162,717,609)**	58,472,754
Total Liabilities and (Deficiency) Equity		**86,423,508**	274,352,331

Going concern (Note 1)

Approved by the Board of Directors

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

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

Carpathian Gold Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2014 and 2013
(In United States Dollars)

	Note	**2014** **$**	2013 $
Revenues		**17,932,070**	-
Expenses			
Costs and expenses of mining operations			
Operating costs and mine site administrative expenses		**9,829,277**	-
Mine site depreciation and amortization		**5,740,732**	-
General and administrative expenses	11(a)	**10,044,879**	4,523,861
Depreciation and amortization		**97,942**	134,667
Employee compensation expense	11(b)	**3,177,436**	3,225,369
Impairment	4	**172,731,375**	116,177,638
Net (gain) loss on derivative contracts	21 and 22	**3,629,467**	(68,339,114)
Finance costs			
Interest		**7,707,407**	-
Accretion		**65,804**	-
Other income	11(c)	**(7,342,902)**	(6,171,308)
Loss on Gold Stream transaction	16	**27,549,600**	
Loss for the year before income tax provision		**(215,298,947)**	(49,551,113)
Income tax provision (recovery)	24	**(830,538)**	460,450
Loss for the year		**(214,468,409)**	(50,011,563)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Cumulative translation adjustments		**(6,752,871)**	(6,281,753)
Other comprehensive loss for the year		**(6,752,871)**	(6,281,753)
Total comprehensive loss for the year		**(221,221,280)**	(56,293,316)
Basic and diluted loss per share	12	**(0.31)**	(0.08)

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, 2014 and 2013
(In United States Dollars)

	Share capital (Note 10) $	Warrants (Note 10) $	Contributed surplus $	Accumulated deficit $	Total Accumulated other comprehensive income (loss) $	Total $
Balance, January 1, 2013	179,623,924	-	10,158,970	(100,587,050)	4,429,003	93,624,847
Comprehensive loss				(50,011,563)	(6,281,753)	(56,293,316)
Issue of common share						
Purchase warrants		3,256,109				3,256,109
Issue of common shares						
Private Placement (net of share issuance costs	17,149,145					17,149,145
Amortization of options			735,969			735,969
Balance, December 31, 2013	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)

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, 2014 and 2013
(In United States Dollars)

	2014 $	2013 $
Cash flows from operating activities		
Loss for the year	**(214,468,409)**	(50,011,563)
Depreciation and amortization	**5,838,674**	134,667
Accretion	**65,804**	-
Unrealized foreign exchange gain	**(7,379,663)**	(6,020,087)
Share-based payments	**27,363**	508,003
Impairment	**172,731,375**	116,177,638
Deferred income tax	**(830,538)**	460,450
Loss on sale of property, plant and equipment	**21,089**	25,031
Interest income	**(18,527)**	(247,669)
Deferred share unit costs	**(157,572)**	(511,746)
Unrealized loss (gain) on derivative contracts	**8,018,416**	(72,039,014)
Changes in non-cash working capital balances		
Deferred costs	**-**	319,631
Trade receivables	**(1,913,427)**	-
Prepaid expenses and sundry receivables	**(2,284,750)**	155,142
Inventories	**(19,444,048)**	(5,827,543)
Trade, other payables and payables from Gold Stream transaction [1]	**39,755,015**	2,527,202
Deferred revenues	**785,039**	
	(19,254,159)	(14,349,858)
Cash flows from investing activities		
Restricted deposits	**1,183,504**	(1,149,353)
Interest income	**18,527**	247,669
Acquisition of property, plant and equipment	**(31,923,536)**	(107,393,294)
Acquisition of software licensing	**(88,403)**	(384,535)
Exploration and evaluation assets	**(2,322,786)**	(4,527,756)
Mine development assets	**(19,336,363)**	(22,543,450)
	(52,469,057)	(135,750,719)
Cash flows from financing activities		
Proceeds from Project Loan Facility (net of costs)	**68,391,830**	117,213,979
Proceeds from Private Placement (net of costs)	**-**	17,149,145
	68,391,830	134,363,124
Effect of exchange rates on cash and cash equivalents	**630,348**	(207,423)
Decrease in cash and cash equivalents	**(2,701,038)**	(15,944,876)
Cash and cash equivalents – Beginning of year	**3,011,774**	18,956,650
Cash and cash equivalents – End of year	**310,736**	3,011,774
Supplemental information:		
Interest paid	**19,643,712**	1,961,032
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 $14,850,698 (2013 – $14,122,761).

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

1. Going Concern

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 as well as gold and copper exploration on its property in Romania.

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

These 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, 2014, the Corporation incurred a net loss $214,468,409 and as at December 31, 2014 reported an accumulated deficit of $365,067,022, and negative working capital of $201,718,503.

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) in 2013 defaulted 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 April 30, 2015. Under the terms of the Forbearance Agreement, Macquarie Bank agreed, at its discretion, to provide an additional Tranche 3 under the Project Facility (Note 15), the availability of which shall be in the absolute discretion of the Macquarie Bank. The events of defaults have resulted in the Corporation reclassifying all borrowings under the Project Facility as current liabilities as at December 31, 2014 and recording an impairment charge in 2013 and 2014. In addition, Macquarie Bank is not obligated to deliver or make payments in respect of the derivative contracts per the agreements. This has resulted in the Corporation not being able to settle its derivative contracts.

Subsequent to year-end, the amount of rain during the first quarter of 2015 has to date fallen considerably short of annual averages. Consequently, due to the restriction on the availability of water, which is required for the operations at MRDM, the Corporation, in consultation with Macquarie Bank, is assessing a temporary reduction in levels of mining and processing activities at MRDM for the next several months.

The Corporation has $310,736 in cash and cash equivalents. These available funds are not sufficient to fund the operations of Riacho dos Machados, the exploration in Romania, working capital requirements or corporate administration costs. The Corporation will need to secure significant additional financing in the immediate term in order to meet the Corporation's requirements for funding of operations and Project Facility repayments on an ongoing basis. Nevertheless, there is no assurance that these initiatives will be successful or sufficient. These circumstances lead to significant doubt as to the ability of the Corporation to meet its obligations as they become due and, accordingly, the ultimate appropriateness of use of the accounting principles applicable to a going concern.

These 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.

2. 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 29, 2015.

3. 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.

Principles of consolidation

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

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

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

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

Critical accounting estimates and judgments

The Corporation makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates and judgments applied by management that most significantly affect the Corporation's 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 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 impairment in value that is other than temporary has been determined.

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, 2014, there were a number of indicators of potential impairment of the carrying amount of the Corporation's net assets (Note 4). 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 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 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 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 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 end of each fiscal period to reflect the passage of time and 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 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 estimate 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. 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) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of loss as part of interest income. Dividends on available-for-sale equity instruments are recognized in the statement of loss as part of other gains and losses when the Corporation's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive loss to the statement of loss and are included in other gains and losses.

(iii) 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 a provision for impairment.

(iv) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade

payables, payables from Gold Stream transaction and Project Loan Facility. 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. Mine supplies are measured at the lower of average purchase 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.

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.

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. The Corporation uses the following factors to assess whether these criteria have been met:

- The level of capital expenditures compared to construction cost estimates;
- The completion of a reasonable period of testing of mine plant and equipment;
- The ability to produce minerals in saleable form (within specifications);
- The ability to sustain ongoing production of minerals; and
- The mine has reached a pre-determined percentage of design capacity.

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 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, 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 expensed to 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 costs 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 costs.

Mine Development Assets

Mine development assets are accumulated separately for each area of interest in which economically recoverable reserves have been identified. These costs comprise 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 30 days 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.

The transaction has been accounted for as a sale of a partial mineral property interest and the upfront payments are 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 balance sheets 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.

New Accounting Standards

The Corporation has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable provisions.

IAS 36 – Impairment of Assets clarifies the disclosure requirements of IAS 36, requiring disclosure, in certain instances, of the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs to disposal, when an impairment loss is recognized or when an impairment loss is subsequently reversed.

IAS 32 – Financial Instruments: Presentation clarifies the right of set off and disclosure requirements for offsetting of financial assets and financial liabilities.

Following amendment to the standards was not applied in preparing these consolidated financial statements by the Corporation.

IFRIC 21 – Levies sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligation event is that gives rise to pay a levy and when should a liability be recognized. Based on the Corporation's review, there was no material impact on the Corporation's consolidated financial statements upon the adoption of IFRIC 21.

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, 2017, with earlier application permitted. The Corporation is currently assessing the impact of adopting this standard on the consolidated financial statements.

IFRS 8 – Operating Segments

In December 2013, the IASB issued amendments to IFRS 8 Operating Segments, which requires (i) disclosure of judgements made by management in aggregating segments, and (ii) a reconciliation of segment assets to the entity's assets when segment assets are reported. The mandatory effective date of IFRS 8 would be annual periods beginning on or after July 1, 2014. The Corporation is currently assessing the impact of adopting this standard on the consolidated financial statements.

IAS 24 – Related Party Transactions

In December 2013, the IASB issued amendments to IAS 24 Related Party Transactions, which (i) revised definition of "related party" to include an entity that provides key management personnel services to the reporting entity or its parent, and (ii) clarified related disclosure requirements. The mandatory effective date of IAS 24 would be annual periods beginning on or after July 1, 2014. The Corporation is currently assessing the impact of adopting this standard on the consolidated financial statements.

4. Impairment

As at December 31, 2014, a number of impairment indicators were noted by the Corporation in accordance with IAS 36 for its property, plant and equipment and mine assets and in accordance with IFRS 6 for its exploration and evaluation assets. Consequently, the Corporation undertook an impairment test on each of its identified CGUs, focused on MRDM and Romania ("Rovina Valley Project"). A CGU is generally an individual operating mine or development project.

Romania

During 2014, 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 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 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, 2014, each of exploration and evaluation assets, property plant and equipment and software licenses were impaired by $51,723,360, $392,329 and $13,256 respectively. These impairment charges were included within the loss for the year in the statement of comprehensive loss. The fair value of the CGU was measured using market approach and Level 3 inputs.

MRDM

During 2014, the key impairment indicators noted for this CGU were the delays of the Company 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, and a significant debt facility with Macquarie repayable on demand due to the Corporation defaulting on covenants. Subsequent to year-end further indicators of impairment were identified a forecast significant reduction in planned production capacity due to shortfall in availability of water required for the production process.

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 $57,510,816.

For MRDM CGU, for the year ended December 31, 2014, impairment charges totaled $120,602,429, of which property, plant and equipment were written down by $81,940,336 (December 31, 2013: $84,043,979) exploration and evaluation assets were written down by $3,921,466 (December 31, 2013: $3,086,629) and mine development assets were written down by $34,740,628 (December 31, 2013: $29,047,030). These impairment charges were included within the loss for the year in the statement of comprehensive loss.

The fair value of the CGU was measured using a weighted probability method based on market approach and Level 3 inputs. At December 31, 2013, the fair value of the CGU was measured using discounted after-tax cash flows based on cash flow projections in the Corporation's current life of mine plans. There has been a change in the valuation technique as the Corporation expects to realize the value of the CGU from a sale rather than through continued operations of the CGU. Accordingly in 2014, Corporation has used a market approach to value the CGU.

The key assumptions and estimates used in determining the FVLCD were indicative offers received by the Corporation to purchase MRDM and forecast cash flows associated with the plan of operating the mine at a lower planned production capacity due to the identified forecasted water shortfall. The projected cash flows cover a 12 month period based on the latest expectation of future metal prices, future capital expenditures, production cost estimates and exchange rates. Based on observable market or publicly available data, including spot and forward metal prices, we make an assumption on future gold prices to estimate future revenues. The key assumptions used by the Corporation in the projected cash flows for their impairment testing are: a future gold price of $1,200 per ounce; a Brazilian Reais to US$ exchange rate of 3.2:1; and on ore grade of 1.8 g Au/t.

The key assumptions that impact the forecasted cash flows are commodity price, exchange rate and ore grade. A 10% decrease in the gold price holding all other assumptions constant would result in a decrease in the fair value of MRDM from $57,510,816 to $56,694,955 as at December 31, 2014. A

10% decrease in the exchange rate, holding all other assumptions constant, would result in a decrease in the fair value of MRDM from $57,510,816 to $56,056,783 as at December 31, 2014. A negative 30% change in the ore grade, holding other variables constant, reduces the fair value of MRDM to $55,766,927. Should there be a significant decline in commodity price, exchange rate or ore grade, the Corporation would take actions to assess the implications on carrying value of the assets, production plan and cost structure for MRDM.

5. Restricted Deposits

As at December 31, 2014 the Corporation's restricted deposits totaled $1,248,017 (December 31, 2013 - $2,431,521), representing an employee trust fund of $1,248,017 (December 31, 2013 - $Nil) and currency held in US$ which will be available to fund the operations of MRDM once it is converted to Brazilian Reais through execution of an exchange contract.

6. Inventory

	December 31, 2014	December 31, 2013
Finished products	**1,242,867**	344,197
Work-in-process	**19,557,191**	2,522,592
Stockpiles	**773,948**	2,937,679
Mine supplies	**3,697,585**	23,075
	25,271,591	5,827,543

7. Property, Plant and Equipment

Cost	**Land**	**Plant and Other Constructions**	**Buildings**	**Leasehold Improvements**	**Office Equipment**	**Computer Equipment**	**Vehicles**	**Machinery & Equipment**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance, December 31, 2012	398,226	38,190,368	424,261	363,299	593,956	453,725	481,956	14,092,028	54,997,819
Additions	-	125,604,832	25,563	87,963	44,158	59,499	-	718,139	126,540,154
Impairment (Note 4)	-	(84,043,979)	-	-	-	-	-	-	(84,043,979)
Disposals	-	-	-	(75,167)	(15,574)	-	-	-	(90,741)
Reclassification	-	(4,420,973)	-	19,493	176,445	29,494	119,173	4,036,332	(40,036)
Effect of changes in foreign exchange rates	-	-	-	(16,848)	(5,165)	(2,778)	-	(1,494)	(26,285)
Balance, December 31, 2013	**398,226**	**75,330,248**	**449,824**	**378,740**	**793,820**	**539,940**	**601,129**	**18,845,005**	**97,336,932**
Additions	**-**	**25,136,343**	**1,190,210**	**316**	**61,035**	**26,163**	**-**	**177,614**	**26,591,681**
Impairment (Note 4)	**(9,825)**	**(81,940,336)**	**(395,697)**	**-**	**(6,365)**	**(15,958)**	**(54,439)**	**(8,596)**	**(82,431,216)**
Disposals	**-**	**-**	**-**	**-**	**(30,239)**	**-**	**(44,624)**	**-**	**(74,863)**
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**

Accumulated depreciation	Land $	Plant and Other Constructions $	Buildings $	Leasehold Improvements $	Office Equipment $	Computer Equipment $	Vehicles $	Machinery & Equipment $	Total $
Balance, December 31, 2012	-	-	31,758	140,936	111,195	176,651	256,625	65,395	782,560
Depreciation		-	6,121	59,642	70,491	92,509	86,361	4,055,522	4,370,646
Disposals	-	-	-	(62,608)	(3,103)	-	-	-	(65,711)
Reclassification	-	-	-	-	-	184	-	-	184
Effect of changes in foreign exchange rates	-	-	-	(5,691)	(1,433)	(2,574)	-	(660)	(10,358)
Balance, December 31, 2013	**-**	**-**	**37,879**	**132,279**	**177,150**	**266,770**	**342,986**	**4,120,257**	**5,077,321**
Depreciation	**-**	**3,956,478**	**102,133**	**65,700**	**82,247**	**74,052**	**91,867**	**4,257,264**	**8,629,741**
Impairment (Note 4)	**-**	**-**	**(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**

Net book value	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	411,945	246,461	616,670	273,170	258,143	14,724,748	92,259,611
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**

As at December 31, 2014 the carrying value of property, plant and equipment is comprised of $144,641 in corporate and other (December 31, 2013 - $243,080), $27,709,296 in Brazil (December 31, 2013 - $91,621,795) and $Nil in Romania (December 31, 2013 - $394,736).

8. Software License Costs

	Cost $	Accumulated Amortization $	Net Book Value $
Balance, December 31, 2012	669,888	214,700	455,188
Additions	414,549	136,722	277,827
Reclassification	3,033	-	3,033
Effect of changes in foreign exchange rates	(22,173)	10,874	(33,047)
Balance, December 31, 2013	**1,065,297**	**362,296**	**703,001**
Additions	**98,245**	**115,706**	**(17,461)**
Impairment (Note 4)	**(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**

As at December 31, 2014 the carrying value of software licensing fees is comprised of $90,585 in corporate and other (December 31, 2013 - $136,990), $571,857 in Brazil (December 31, 2013 - $550,306) and $Nil in Romania (December 31, 2013 - $15,705).

9. Exploration and Evaluation and Mine Development Assets

Exploration and evaluation assets	Romania $	Brazil $	Total $
Balance at December 31, 2012	47,357,896	5,012,172	52,370,068
Additions	3,125,295	1,386,228	4,511,523
Reclassification	-	264	264
Impairment	-	(3,086,629)	(3,086,629)
Balance at December 31, 2013	**50,483,191**	**3,312,035**	**53,795,226**
Additions	**1,240,169**	**609,431**	**1,849,600**
Impairment (Note 4)	**(51,723,360)**	**(3,921,466)**	**(55,644,826)**
Balance at December 31, 2014	**-**	**-**	**-**

Mine development assets	Brazil $
Balance at December 31, 2012	**17,749,605**
Additions [1]	**45,694,271**
Impairment	**(29,047,030)**
Reclassification	**37,003**
Balance at December 31, 2013	**34,433,849**
Additions [2]	**13,706,977**
Amortization	**(1,409,705)**
Impairment	**(34,740,628)**
Balance at December 31, 2014	**11,990,493**

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

[2] $18,226,963 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 15). 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 Riacho dos Machados gold project located in Minas Gerais State, Brazil, which is held through its subsidiary Mineração Riacho dos Machados, and is comprised of seventeen exploration licenses and a mining concession.

10. Share Capital

(a) Authorized

Unlimited number of Common Shares, without par value.

Unlimited number of Preference Shares, without par value.

(b) Issued Common Shares

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

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

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

	Number of Options	Weighted Average Exercise Price Cdn$
Balance at December 31, 2012	**34,127,000**	0.42
Expired during the period	**(4,525,000)**	0.45
Forfeited during the period	**(165,000)**	0.51
Balance at December 31, 2013	**29,437,000**	0.43
Expired during the period	**(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

As at December 31, 2014, stock options held by directors, officers, employees and consultants are as follows:

	Options Outstanding	Fair Value at Grant Date	Exercise Price Cdn$	Remaining Contractual Life	Options Exercisable
Directors	200,000	71,579	0.56	303 days	200,000
Directors, officers and employees	5,241,000	1,810,603	0.58	1 year 229 days	5,241,000
Directors, officers and employees	3,520,000	327,527	0.40	2 years 226 days	3,520,000
Employee	300,000	41,849	0.40	2 years 283 days	300,000
Employees	1,400,000	27,115	0.03	4 years 171 days	466,667
Balance at December 31, 2014	10,661,000	2,278,673		2 years 126 days	9,727,667

As at December 31, 2014 the number of stock options available for exercise was 9,727,667 at a weighted average exercise price of Cdn$0.48 and the aggregate remaining unamortized value of unvested stock options granted was $10,819.

Using the fair value method, total share-based compensation for stock options issued and outstanding for the year ended December 31, 2014 was $30,917 (December 31, 2013 - $735,969), of which $Nil has been capitalized to exploration and development costs (December 31, 2013 - $205,989).

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

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

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

(e) Common Share Purchase Warrants

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

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

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

11. Expense Breakdown

(a) General and administrative expenses

	Year Ended December 31,	
	2014	2013
	$	$
Professional fees	**6,607,272**	1,228,788
Investor relations and advertising	**145,088**	520,063
Travel, business and development	**250,593**	471,920
Office and general	**3,041,926**	2,303,090
	10,044,879	4,523,861

(b) Employee compensation expense

	Year ended December 31,	
	2014	2013
	$	$
Salaries and benefits	**3,307,645**	3,229,112
Share-based payments	**27,363**	508,003
Deferred share unit costs	**(157,572)**	(511,746)
	3,177,436	3,225,369

(c) Other (income) expense

	Year ended December 31,	
	2014	2013
	$	$
Foreign exchange gain	**(7,379,663)**	(6,020,087)
Interest income	**(18,527)**	(247,669)
Loss on sale of property, plant and equipment	**21,089**	25,031
Other expense	**33,588**	71,399
Interest expense	**611**	18
	(7,342,902)	(6,171,308)

12. 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, 2014 is 694,169,911 (2013 - 601,385,938). Stock options and warrants are considered anti-dilutive and therefore are excluded from the calculation of diluted earnings per share.

13. Deferred Share Units

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

	December 31, 2014	December 31, 2013
Number of DSUs outstanding, beginning of period	**2,395,434**	2,395,434
Redeemed (at weighted average market price of Cdn$0.04)	**(1,446,765)**	-
Number of DSUs outstanding, end of period	**948,669**	2,395,434
Liability, end of period	**$8,975**	$201,598
Compensation recovery for the year	**(157,572)**	(511,746)

14. Trade and other payables

	December 31, 2014	December 31, 2013
Trade payables	**10,627,988**	14,098,848
Accrued liabilities	**5,613,512**	10,571,297
	16,241,500	24,670,145

15. Project Loan Facility

On January 11, 2013, the Corporation, through its wholly owned subsidiary, MRDM and Macquarie Bank signed a definitive agreement for a Project Facility loan with Macquarie Bank. The Project Facility agreement is a five year agreement with standard commercial terms as is customary in agreements of this nature. Subject only to interest breakage costs, the Corporation may repay the Project Facility at any time, with no adverse penalties. The Corporation has granted Macquarie Bank 20 million common share purchase warrants at an exercise price of Cdn$0.40 per warrant for a period of three years. The fair value of these warrants was estimated at $3,256,109 using a Black-Scholes

model. In addition, the Corporation granted Macquarie Bank a call option on 10,000 ounces of gold exercisable at $2,000 per ounce for a three year period from the date of commencement of operations (the "Gold Option A"). The Gold Option A had a fair value of $1,400,000 liability on the date of grant (Note 21). Total cost of debt issuance amounted to $7,097,513, which includes $1,800,000 fee to Macquarie and $641,404 of other costs and have been netted against the Project Facility balance.

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

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

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

The additional Gold Option B had a fair value of $1,525,000 liability on the date of the amendment and the previously issued Gold Option A had an additional fair value of $805,000 on the day of amendment (Note 21). Total cost of amended debt terms amounted to $2,378,200, which includes the increase in fair value of original 10,000 ounces of gold and the fair value of the options for the additional 10,000 ounces of gold, and $48,200 other costs and have been netted against the Project Facility balance. The cost of the amendment offset against the balance of the Project Facility as the extension was determined to be a modification of the existing agreement rather than an extinguishment for accounting purposes. As a result of delays in the completion of the construction at the Corporation's project MRDM, as borrower, and the Corporation (as guarantor) defaulted on certain covenants under the Project Facility arrangement with Macquarie Bank, as detailed in Note 1. Due to the Forbearance Agreement all deferred debt issuance costs were written off to Mine Development assets, resulting in financing costs of $9,475,713 for year ended December 31, 2013.

As at December 31, 2014, the principal balance outstanding on the Project Facility was $188,391,830. Interest accrued during the year ended December 31, 2014 were $22,515,951 (December 31, 2013 - $4,699,486) and facility fees paid for the year ended December 31, 2014 were $3,418,418 (December 31, 2013 - $1,500,000 and $305,438 in commitment fees). Interest paid for the year ended December 31, 2014 was $19,643,712 (December 31, 2013 - $1,961,032).

The Corporation entered into a Forbearance Agreement on October 18, 2013, whereby Macquarie Bank agreed to forebear exercising their rights and remedies under this facility agreement with respect to the defaults during the forbearance period from October 18, 2013 to October 31, 2013 (Note 1). This period was amended from time to time, with the last amendment providing for a forbearance period to April 30, 2015. Pursuant to the Forbearance Agreement, funds drawn under Tranche 3 of the Project Facility must be repaid by April 30, 2015.

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 $121.07 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 30, 2015 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.

As at December 31, 2014, the Corporation had drawn an aggregate of $188,391,830 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
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

Draw down date	Tranche 1	Tranche 2	Tranche 3	Total
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
	65,000,000	25,000,000	98,391,830	188,391,830

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

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 30, 2015.

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

17. Segmented Information

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

Operating Segment	Corporate and Other	Brazil	Romania	Total
Consolidated Statement of Financial Position				
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**
As at December 31, 2013				
Total Assets	985,766	222,437,109	50,929,456	274,352,331
Total Liabilities	1,216,147	213,414,877	1,248,553	215,879,577

Operating Segment	Corporate and Other	Brazil	Romania	Total
Consolidated Statements of (Income) Loss and Comprehensive (Income) Loss				
For the year ended December 31, 2014				
Revenues	**-**	**(17,932,070)**	**-**	**(17,932,070)**
Expenses				
Cost and expenses of mining operations				
Operating costs and mine site administrative expenses	**-**	**9,829,277**	**-**	**9,829,277**
Mine site depreciation and amortization	**-**	**5,740,732**	**-**	**5,740,732**
General and administrative expenses (Including depreciation and amortization)	**6,380,726**	**3,762,095**	**-**	**10,142,821**
Employee compensation costs	**891,225**	**2,286,211**	**-**	**3,177,436**
Impairment		**120,602,430**	**52,128,945**	**172,731,375**
Net (gain) loss on derivative contracts	**-**	**3,629,467**	**-**	**3,629,467**
Foreign exchange loss (gain)	**(6,736,800)**	**(648,115)**	**5,252**	**(7,379,663)**
Interest income, net of expenses	**(727)**	**(17,189)**	**-**	**(17,916)**
Finance costs				
Interest	**-**	**7,707,407**	**-**	**7,707,407**
Accretion	**-**	**65,804**	**-**	**65,804**
Other expense	**-**	**54,677**	**-**	**54,677**
Loss on Gold Stream transaction	**-**	**27,549,600**	**-**	**27,549,600**
Income tax recovery	**-**	**-**	**(830,538)**	**(830,538)**
Loss for the period	**534,424**	**162,630,326**	**51,303,659**	**214,468,409**
Other Comprehensive loss for the period	**6,752,871**	**-**	**-**	**6,752,871**
Total comprehensive loss for the period	**7,287,295**	**162,630,326**	**51,303,659**	**221,221,280**
For the year ended December 31, 2013				
General and administrative expenses (Including depreciation and amortization)	2,296,080	2,362,448	-	4,658,528
Employee compensation costs	1,832,834	1,392,535	-	3,225,369
Impairment	-	116,177,638	-	116,177,638
Realized loss on derivative contracts	-	3,699,900	-	3,699,900
Unrealized loss on derivative contracts	-	(72,039,014)	-	(72,039,014)
Foreign exchange (gain) loss	(6,372,849)	372,958	(20,196)	(6,020,087)
Interest income, net of expenses	(28,042)	(219,609)	-	(247,651)
Other expense	-	96,430	-	96,430
Income tax provision	-	-	460,450	460,450
Loss (income) for the period	(2,271,977)	51,843,286	440,254	50,011,563
Other Comprehensive loss for the period	6,281,753	-	-	6,281,753
Total comprehensive loss for the period	4,009,776	51,843,286	440,254	56,293,316

18. Related Parties

As at December 31, 2014 there were no amounts due to or from related parties (December 31, 2013 - $Nil). See Note 19 for key management compensation.

19. Key Management Compensation Disclosure

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

	2014	2013
Salaries and short term employee benefits	**1,061,610**	1,844,182
Share-based payments [1]	**(148,112)**	151,716
Termination benefits [2]	**340,355**	-
	1,253,853	1,995,898

[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.

20. 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, 2014	December 31, 2013
Balance at beginning of period	**5,125,296**	2,965,613
Provision	**320,195**	-
Accretion	**65,804**	-
Change in estimate	**276,674**	2,159,683
	5,787,969	5,125,296

As at December 31, 2014, the Corporation estimated the total undiscounted amount of the estimated cash flows required to settle the decommissioning and other rehabilitation obligations of the Corporation's Brazilian subsidiary to be approximately $8,200,000 with the most significant expected outflows commencing in approximately 8 years. As at December 31, 2014 the rehabilitation provision has been discounted using a discount rate of 4.60%. A 1% increase in the discount rate would result in a decrease of rehabilitation provision by $410,965 and a 1% decrease in the discount rate would result in an increase in the rehabilitation provision by $446,894, while holding the other assumptions constant.

21. Derivative Contracts

Currency and Commodity gold contracts

In conjunction with the Project Facility (Note 15), the Corporation through Macquarie Bank, also entered into price protection programs in the form of currency swaps for the Project's 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 193,800 ounces of gold at a price of $1,600 per ounce and 11,400 ounces of gold at a price of $1,211.

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$359,495,800. The Gold Contracts were arranged to mitigate the risk of fluctuations in the price of gold and has a notional amount of $323,885,970.

The Corporation is subject to an enforceable master netting arrangement in the form of an ISDA Master Agreement with derivative counterparty. Under the terms of this agreement, offsetting of the derivative contracts is permitted (Note 22).

Macquarie Bank is not obligated to deliver or make payments in respect of the derivative contracts per the agreements. This has resulted in the Corporation not being able to settle its derivative contracts.

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 15) was estimated at $460,000 liability on December 31, 2014 and is included in the long-term derivative liability.

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)

Summary of Derivatives at December 31, 2013

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

Fair Values of Derivative Instruments

	Balance Sheet Classification	**Fair Value as at December 31, 2014**	Fair Value as at December 31, 2013	Balance Sheet Classification	**Fair Value as at December 31, 2014**	Fair Value as at December 31, 2013
Currency contracts:						
OPEX contract		**-**	**-**	Current liabilities	**9,212,007**	8,613,628
OPEX contract		**-**	**-**	Non-current liabilities	**56,892,753**	52,351,516
Commodity contracts:						
Gold contract	Current assets	**14,433,715**	18,010,647	Current liabilities	**-**	-
Gold contract	Non-current assets	**58,150,907**	58,542,775	Non-current liabilities	**-**	-
Gold Options		-	**-**	Non-current liabilities	**460,000**	1,550,000

Changes in the fair value of the Gold Options derivative in the Agreement and the Currency and Gold Contract derivatives are recognized in the 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, 2014 amounted to a loss of $8,018,416 (December 31, 2013 – gain of $72,039,014). Realized gains or losses arising from settlement of currency and commodity contract derivatives for the year ended December 31, 2014 amounted to a gain of $4,388,949 (December 31, 2013 – loss of $3,699,900). 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, 2014 $	December 31, 2013 $
Currency contracts:		
CAPEX contract	**-**	(2,630,470)
OPEX contract	**9,680,613**	34,244,487
Commodity contracts:		
Gold contract	**(4,961,146)**	(97,773,131)
Gold Options	**(1,090,000)**	(2,180,000)

22. 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 2013, the Corporation and Macquarie Bank did not intend to settle net and therefore they do not meet the offsetting criteria. 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 [3]	1,612,684	3,944,707	**5,557,391**
December 31, 2013					
Derivative assets (Current)[1]	-	-	-	18,010,647	**18,010,647**
Derivative assets (Non- current)[2]	-	-	-	58,542,775	**58,542,775**

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**
December 31, 2013					
Derivative liabilities (Current)[1]	-	-	-	8,613,628	**8,613,628**
Derivative liabilities (Non- current)[4]	-	-	-	53,901,516	**53,901,516**

[1] Includes current Gold contracts of $14,433,715 (December 31, 2013 – $18,010,647) and current OPEX contracts of $9,212,007 (December 31, 2013 $8,613,628). (Note 21).
[2] Includes non- current Gold contracts of $58,150,907 (December 31, 2013 - $58,542,775). (Note 21)
[3] Includes non-current OPEX contracts of $56,892,753 and non-current Gold Options of $460,000. (Note 21).
[4] Includes non-current OPEX contracts of $52,351,516 and non-current Gold Options of $1,550,000 as at December 31, 2013. (Note 21)

23. Financial Instruments and fair values

Measurement categories

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

		December 31, 2014		December 31, 2013	
	Level	**Carrying amount**	**Estimated fair value**	Carrying amount	Estimated fair value
Financial Assets					
Loans and receivables					
Cash and cash equivalents[1]	**1**	**310,736**	**310,736**	3,011,774	3,011,774
Restricted deposits[1]	**1**	**1,248,017**	**1,248,017**	2,431,521	2,431,521
Trade receivables[1]	**2**	**1,913,427**	**1,913,427**	-	-
Sundry Receivables[1]	**2**	**52,207**	**52,207**	66,694	66,694
Financial Liabilities					
Amortized cost					
Trade and other payables[1]	**2**	**16,232,525**	**16,232,525**	24,468,548	24,468,548
Project Loan Facility[3]	**2**	**194,017,772**	**194,017,772**	122,738,454	122,738,454
Production shortfall payable[1]	**2**	**27,549,600**	**27,549,600**	-	-
Deferred revenues[1]	**2**	**785,039**	**785,039**	-	-
Fair value through profit and loss					
Derivative contracts	**2**	**6,019,862**	**6,019,862**	14,038,278	14,038,278
Deferred Share Units[2]	**1**	**8,975**	**8,975**	201,598	201,598

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

Assets measured at fair value on non-recurring basis

	December 31, 2014			
Financial Assets	**Quoted price in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Aggregate fair value**
Property, Plant and equipment[1]	**-**	**-**	**27,709,296**	**27,709,296**
Exploration and evaluation assets[2]	**-**	**-**	**-**	**-**
Mine development assets[3]	**-**	**-**	**11,990,493**	**11,990,493**

[1] MRDM's property, plant and equipment were written down by $81,940,336 which was included in the losses in this period to their fair value of $27,709,296. Romania's property, plant and equipment were written down by $405,585 which was included in losses in this period, to their fair value less costs of disposal of $Nil.
[2] MRDM's exploration and evaluation assets were written down by $3,921,466 which was included in losses in this period, to their value of $Nil. Romania's exploration and evaluation assets were written down by $51,723,360 which was included in losses in this period, to their fair value less costs of disposal of $Nil.
[3] MRDM's mine development assets were written down by $34,740,628 which was included in losses in this period, to their fair value less costs of disposal of $11,990,493.

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. The fair value of currency swap contracts is determined by discounting contracted cash flows using a discount rate derived from observed LIBOR and swap rate curves and CDS rates. In the case of currency contracts, the Corporation converts non-U.S. dollar cash flows into U.S. dollars using an exchange rate derived from currency swap curves and CDS rates. The fair value of commodity forward contracts is determined by discounting contractual cash flows using a discount rate derived from observed LIBOR and swap rate curves and CDS rates. Contractual cash flows are calculated using a forward pricing curve derived from observed forward prices for each commodity. Gold options are valued based on valuations taken from the CME Group Inc. gold options quote site using American options for strike range of $1,600 and expiry date of December 2016. Derivative instruments are classified within Level 2 of the fair value hierarchy.

24. Income taxes

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

	December 31, 2014	December 31, 2013
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	**(830,538)**	460,450
	(830,538)	460,450

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

	December 31, 2014	December 31, 2013
Combined statutory income tax rate	**26.50%**	26.50%
Expected tax recovery	**(57,054,220)**	(13,131,046)
Share issue costs	**-**	-
Non-deductible expenses	**1,058,423**	602,184
Imputed interest income	**78,183**	78,183
Tax rate differences	**(3,866,606)**	5,936,365
Benefits of tax attributes not recognized	**58,953,682**	6,974,764
	(830,538)	460,450

The following table summarizes the components of deferred income tax. All are expected to be recovered after more than 12 months.

	December 31, 2014	December 31, 2013
Deferred tax assets		
Accrued expenses and other	**-**	2,616,000
Loss carry-forwards	**-**	257,377
	-	2,873,377
Deferred tax liabilities		
Mineral properties	**-**	(1,087,915)
Property, plant and equipment	**-**	-
Derivative contracts	**-**	(2,616,000)
Deferred tax liabilities-net	**-**	(830,538)

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, 2014	December 31, 2013
Mineral properties	**24,196,208**	15,880,861
Derivative contracts	**-**	-
Share issue costs	**1,291,438**	2,965,804
Property, plant and equipment	**889,966**	382,464
Deferred share units compensation cost	**-**	119,877
Non-capital loss carry-forwards and other	**18,984,698**	22,028,167
Eligible capital property	**3,394,199**	-
Capital loss carry-forwards	**55,596**	60,446
	48,812,105	41,437,619

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	26,356,016	2015 – 2034

25. Commitments

Lease Commitment

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

	Within 1 year	**2 to 3 years**	**Total**
Construction and supply contracts	5,457,703	-	5,457,703
Office lease	157,895	157,895	315,790

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

26. Capital Disclosures

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

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 external financing to fund its activities. The Corporation will continue to assess new properties and continue to explore and develop existing properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Corporation's capital items are the following:

	December 31, 2014	December 31, 2013
Cash and cash equivalents	**310,736**	3,011,774
Restricted deposits	**1,248,017**	2,431,521
Project loan facility	**188,391,830**	120,000,000
Share capital	**196,773,069**	196,773,069
Warrants	**3,256,109**	3,256,109
	389,979,761	325,472,473

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

27. Financial Risk Factors

The Corporation's financial instruments are comprised of financial liabilities and financial assets. Financial liabilities include accounts payable, Project Facility, payables form 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 and sundry receivables. The main risks that could adversely affect Carpathian's financial assets, liabilities or future cash flows are as follows:

(a) Credit Risk

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

(b) Liquidity Risk

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due. As at December 31, 2014, the Corporation faces liquidity risk to the extent that it will be unable to settle current liabilities of $238,593,911 with cash and cash equivalents and restricted deposits totalling $1,558,753. Current liabilities consist of trade and other payables, payables from Gold Stream transaction, borrowings and fair value of derivative contracts that are predominantly due within three months to not later than a year. Commitments, consisting of construction contracts and supply contracts for fuel and other material are included in Note 25.

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

Due to the events of default and Forbearance Agreement, all borrowings under the Project Facility have been reclassified as current liabilities and borrowings under Tranche 3 of the Project Facility due on April 30, 2015 (Note 1).

The Corporation continues to pursue strategic alternatives, including a possible sale or financial restructuring. Negotiations are on-going and the Corporation is also considering potential new equity capital raising initiatives. However, no firm offers have been received, and there can be no assurance that any 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 endeavours to mitigate market risk through the use of currency and gold derivatives.

(i) Interest rate risk

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

As of December 31, 2014, management estimates that if interest rates had changed by 5% the impact on investment income and net loss for the period would have been approximately $8,459. 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 $7,936,050.

(ii) Foreign currency risk

The Parent's functional currency is the Canadian dollar. The Corporation is affected by currency transaction and translation risk. The Corporation funds its 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 settled in Brazilian Reais. As at December 31, 2014, the Corporation held cash and cash equivalents of $98,501 in Brazilian Reais, $64,910 in Canadian dollars, $126,887 in U.S dollars and $20,438 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. To further mitigate these inherent risks 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.

As of December 31, 2014, excluding the effect fluctuations in the R$/US$ exchange rate would have on the valuation of its currency derivatives, management estimates that if foreign exchange rates had changed by 10% against the U.S. dollar, the impact on net loss for the period would have been approximately $965,752.

(iii) Commodity price risk

The Corporation is exposed to price risk with respect to commodity pricing primarily for gold and copper. The Corporation has entered into a gold price protection program to mitigate a portion of the downside risk of changes in the market price of gold (Note 21).

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28. Subsequent Event

(a) Subsequent to December 31, 2014, Macquarie Bank has agreed to increase additional financing under Tranche 3 of the Facility to $121.07 million, resulting in a total Project Facility of $211.07 million and to extend the repayment date for any funds drawn under Tranche 3 of the Facility to April 30, 2015.

(b) As at April 29, 2015, the Corporation drew $119.14 million against the Project Facility's Tranche 3, resulting in a total Project Facility of $209.14 million, as amended by the Forbearance Agreement.

(c) Subsequent to December 31, 2014, 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 Daniel Kivari, the Corporation's former Chief Operating Officer, who has filed a Statement of Claim against the Corporation and MRDM at the Ontario Superior Court of Justice in respect of the termination of his employment. Mr. Kivari is seeking $1,278,601, plus interest and costs. The Corporation and MRDM intend to defend the action, and a Statement of Defence was filed on March 18, 2015.

(d) Subsequent to year-end, the amount of rain during the first quarter of 2015 has to date fallen considerably short of annual averages. Consequently, due to the restriction on the availability of water, which is required for the operations at MRDM, the Corporation, in consultation with Macquarie Bank, is assessing a temporary reduction in levels of mining and processing activities at MRDM for the next several months.