Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides a commentary to enable a reader to assess material changes in the financial condition and results of operations of Gabriel Resources Ltd. ("Gabriel" or the "Company") as at and for the years ended December 31, 2015 and 2014.

The MD&A should be read in conjunction with the audited consolidated financial statements and notes thereto of the Company as at and for the years ended December 31, 2015 and 2014 ("Financial Statements"). These Financial Statements have been prepared using accounting policies in accordance with International Financial Reporting Standards ("IFRS"). All amounts included in the MD&A are in Canadian dollars ("$"), unless otherwise specified. This report is dated as of March 29, 2016, and the Company's public filings, including its most recent Annual Information Form, can be reviewed on the SEDAR website (www.sedar.com).

Overview

Gabriel is a Toronto Stock Exchange listed Canadian resource company. The Company's principal focus has been the exploration and development of the Roșia Montană gold and silver project in Romania (the "Project"). The Project, one of the largest undeveloped gold deposits in Europe, is situated in the South Apuseni Mountains of Transylvania, Romania, an historic and prolific mining district that since pre-Roman times has been mined intermittently for over 2,000 years. The exploitation license for the Project ("License") is held by Roșia Montană Gold Corporation S.A. ("RMGC"), a Romanian company in which Gabriel owns an 80.69% equity interest, with the 19.31% balance held by Minvest Roșia Montană S.A. ("Minvest RM"), a Romanian state-owned mining company.

Since the grant of the License in June 1999, the Company has focused substantially all of its management and financial resources on the exploration, feasibility and subsequent development of the Project. Despite the Company's fulfilment of its legal obligations and its development of the Project as a high-quality, sustainable and environmentally-responsible mining project, using best available techniques, Romania has blocked and prevented implementation of the Project without due process and without compensation.

On July 21, 2015, the Company and its wholly-owned subsidiary, Gabriel Resources (Jersey) Ltd. (together "Claimants"), filed a request for arbitration ("Arbitration Request") before the World Bank's International Centre for Settlement of Investment Disputes ("ICSID") against the Romanian State pursuant to the bilateral investment protection treaties which the Romanian Government has entered into with each of the Government of Canada and the Government of the United Kingdom of Great Britain and Northern Ireland for the Promotion and Reciprocal Protection of Investments (together the "Treaties") ("ICSID Arbitration"). The ICSID Arbitration was commenced following the Romanian Government's failure to engage in discussions or to propose a resolution to the dispute notified by the Company on January 20, 2015. The Arbitration Request was registered by ICSID on July 30, 2015.

Whilst the Company's primary objective has always been the development of the Project to operational status, in the continued absence of any engagement by the Romanian State, the ICSID Arbitration has now become the core focus of the Company.

ICSID Arbitration

Status of the ICSID Arbitration

The ICSID Arbitration seeks compensation for all of the loss and damage resulting from the Romanian State's wrongful conduct and its breaches of the Treaties' protections against expropriation, unfair and inequitable treatment and discrimination in respect of the Project and the related licenses, as discussed further below.

The presiding tribunal for the ICSID Arbitration ("**Tribunal**") has yet to be fully constituted. To date the Tribunal consists of the following arbitrators: Dr. Horacio Grigera Naón (an Argentinian national appointed by the Claimants); and Mr. Zachary Douglas (an Australian national appointed by Romania). ICSID has been requested to appoint a President of the Tribunal following a period when the Claimants and Romania were unable to mutually agree on an appointee.

Following the constitution of the Tribunal, the next step in the arbitration process will be the establishment, among other things, of the procedural calendar for the ICSID Arbitration. The ICSID Arbitration procedure allows for the Company's filing of one or more applications for provisional/interim measures, filing of its written submission of the case against Romania and accompanying evidence; a response from Romania and accompanying evidence; a reply by the Company and a response to that reply by Romania, all prior to oral hearings and a written reasoned decision by the Tribunal, which will be final subject only to challenge by either party on the basis of limited procedural grounds.

Despite the initiation of the ICSID Arbitration, the Company continues to seek, and remains open to, engagement with the Romanian authorities in order to achieve an amicable resolution of the dispute.

Background to the Dispute

For over fifteen years, in reliance on numerous representations made and actions taken by the Romanian authorities, Gabriel invested over US$650 million to develop the Project in accordance with all applicable laws, regulations, licenses, and permits. The Company developed the Project as a productive, high-quality, sustainable, and environmentally responsible mining project utilizing state-of-the-art technologies and in accordance with European Union guidelines, international mining best practices, and sustainable development guidelines.

Having encouraged Gabriel's investment in the Project, as well as reasonable expectations that the Project would be evaluated on its merits, Romania has frustrated and prevented implementation of the Project, including by imposing unjustified administrative delays in the permitting process, imposing shifting and non-transparent legal requirements, politicizing applicable legal and administrative processes, and ultimately abdicating the responsibility to make decisions on the permitting of the Project in contravention of the applicable legal framework. At the same time, Romania has required Gabriel to expend significant amounts through RMGC on mining activities and fees and taxes in relation to the License and associated property rights.

The Romanian State's treatment of Gabriel and its investments in Romania is incompatible with Romania's obligations as established under the Treaties and gives rise to multiple claims by Gabriel under those Treaties. Romania's violations of the Treaties in its actions towards RMGC and Gabriel and its investments have caused very substantial losses and damage to Gabriel.

Impairment and Financing Arrangements

Impairment of Project Assets

As at December 31, 2015, the Company assessed the Project for asset impairment based on the guidance in IAS 36 *Impairment of Assets* and concluded that, despite its continued efforts to develop the Project and to seek an amicable resolution of the dispute, an impairment should be recorded. The Company determined that, among other things, the continued uncertainty regarding the development of the Project and whether an amicable resolution can be agreed with the Romanian Government had a significant impact on the estimated future net cash flows associated with the Project and therefore on the recoverable amount of the Company's assets. Accordingly, as at December 31, 2015, the Company recorded a non-cash write-down of $631.2 million relating to all mineral property and a material proportion of its property, plant and equipment (the "Impairment"). The Impairment is based on international accounting standards, and is thus without prejudice to the legal qualification that the Romanian assets may be given under Romanian or international law (including the Treaties). Given the nature of the assessed impairment indicators that have given rise to the Impairment, there is significant uncertainty over whether it will be appropriate to capitalize future expenditures that the Company may incur in preserving its assets in Romania.

Financing Arrangements

In order to strengthen and improve the financial position of the Company and provide funding to pursue the ICSID Arbitration, as well as for general working capital purposes, the Company has signed subscription agreements with a number of existing investors (the "Subscribers") pursuant to which the Company intends to raise up to $20 million by way of a non-brokered private placement (the "Private Placement"). In addition, the Company intends to enter into arrangements with certain existing securityholders to amend certain terms of the securities held by such holders (the "Restructuring"). The Private Placement and Restructuring are together referred to in this MD&A as the "Transactions". The Transactions are expected to close in April 2016 or such other date as agreed between the Company and the Subscribers, or as otherwise required under applicable securities laws and regulations. Closing of the Transactions is conditional upon the execution of definitive documentation with respect to the Private Placement and the Restructuring and upon satisfaction of customary closing conditions and deliveries, including receipt of all required regulatory approvals, as applicable, including the approval of the TSX.

In accordance with the requirements of the TSX Company Manual, the Company will be seeking shareholder approval for the Transactions from holders of over 50% of its Common Shares (excluding all of the Common Shares held by the Subscribers). There is no assurance that the Company will be successful in completing the Private Placement or the Restructuring to obtain the required financing.

Private Placement

Pursuant to the Private Placement, the Company intends to issue up to 20,000 Units, each Unit consisting of (i) $1,000 principal amount of zero-coupon convertible subordinated unsecured notes (the "New Notes"); (ii) 1,610 common share purchase warrants (the "New Warrants"); and (iii) one arbitration value right (the "New AVRs").The New Notes will mature on June 30, 2021 and will be convertible at any time prior to maturity, at the option of the holder, into common shares in the capital of the Company ("Common Shares") at a price of $0.3105 per Common Share. This conversion price represents a premium of 35% to the volume-weighted average closing price of the Common Shares on the Toronto Stock Exchange ("TSX") for the thirty trading days prior to March 29, 2016 ("Transaction Share Price"). At maturity, the Company will have the ability to repay the New Notes through issuing Common Shares. Each New Warrant will entitle the holder to acquire one Common Share at an exercise price of $0.46, representing a 100% premium to the Transaction Share Price, at any time prior to June 30, 2021. Each New AVR will entitle the holder thereof to its pro rata share of 7.5% of any proceeds arising from the ICSID Arbitration, subject to a maximum aggregate entitlement of $175 million among all holders of arbitration value rights issued by the Company ("AVRs"). The New Notes, New Warrants and New AVRs are together referred to as the "New Securities".

The Private Placement has been subscribed by certain existing shareholders of the Company, including shareholders who are deemed insiders as they each exercise control and direction over 10% or more of the issued and outstanding Common Shares of the Company immediately prior to the closing of the Private Placement.

Restructuring

In May 2014, the Company closed a non-brokered private placement with a number of existing shareholders of the Company to raise aggregate gross proceeds of $35 million (the "2014 Private Placement"). Pursuant to the 2014 Private Placement, the Company issued 35,000 units, each unit consisting of: (i) $1,000 principal amount of convertible subordinated unsecured notes with a coupon of 8% (the "2014 Notes"); (ii) 398 common share purchase warrants (the "2014 Warrants"); and (iii) one arbitration value right (the "2014 AVR"). The 2014 Notes, 2014 Warrants and 2014 AVRs are together referred to in this MD&A as the "Existing Securities" and holders thereof are referred to as "Existing Securityholders". None of the Existing Securities has been converted or exercised at the date of this document. All of the Subscribers are Existing Securityholders as they were also participants in the 2014 Private Placement.

Pursuant to the Restructuring, the Company is proposing to enter into one or more agreements with the Existing Securityholders and/or the note trustee under the existing indenture, as applicable, in order to amend certain terms of the Existing Securities and to align the principal terms of the Existing Securities with the terms of the New Securities. Pursuant to the Restructuring, among other things, it is proposed that: (i) the conversion price of the 2014 Notes will be reduced from $1.255 to $0.3105 (such reduced amount being a premium of 35% to the Transaction Share Price); (ii) the interest rate of 8% per annum payable in respect of the 2014 Notes will be eliminated with zero coupon payable with effect from January 1, 2016; (iii) the exercise price of the 2014 Warrants will be reduced from $1.674 to $0.46 (such reduced amount being a premium of 100% to the Transaction Share Price); each 2014 AVR will entitle the holder thereof to its pro rata share of 7.5% of any proceeds arising from the ICSID Arbitration (previously 5% under the 2014 AVR terms); the aggregate entitlement of all AVRs issued would be increased from $130 million to $175 million; and the maturity date of the 2014 Notes and 2014 Warrants will be extended until June 30, 2021.

Romanian Political Developments

During 2015 there were ongoing challenges to the then Romanian Prime Minister, Victor Ponta, including votes of no confidence in June and September which his government survived. Following street demonstrations in the aftermath of a fire at a night club in Bucharest that killed over 40 people, on November 4, 2015 Mr. Ponta tendered his resignation as Prime Minister, citing a view that he no longer enjoyed the support of the people.

On November 10, 2015 the President of Romania, Klaus Iohannis, proposed Dacian Cioloș, a former European Commissioner for Agriculture, for the permanent role of Prime Minister and on November 17, 2015 his new government was approved by the Romanian Parliament. Mr. Ciolos is described in the Romanian press as being an independent technocrat, and his cabinet is viewed in a similar light. The next general election is scheduled for late 2016.

The level of Government engagement on the Project has been extremely limited for an extended period of time.

Project Permitting Status and Legal Challenges

In the context of the above disclosures concerning the ICSID Arbitration, the information set out below and elsewhere in this MD&A relating to the Project, the License, the Company's exploration and development activities in Romania, the Project approval and permitting process, and reported gold and silver resources and reserves, is for background purposes only and should not be interpreted as being indicative of the Company's expectations as at the date of this MD&A regarding the future development of the Project.

Permitting Process

Overview

Since obtaining the rights to develop the Project, Gabriel, through RMGC, initiated and maintained necessary actions and undertakings in respect of the legislated permitting and approval processes for the development (and, where appropriate, the construction and operation) of the Project, including environmental, archaeological, and land use authorizations. These actions, as well as the acquisition of significant surface rights in the area of the Project footprint by Gabriel, were undertaken with the knowledge, acceptance and encouragement of successive Romanian Governments in order to comply with procedures laid down by the Romanian State with which to facilitate the commencement of the construction phase of the Project.

A brief summary of certain recent developments concerning the material permits, approvals and authorizations required for the Project is set forth below.

Environmental

One of the most significant permits required for the Project is the environmental permit ("EP"). Since the recommencement of the Project's environmental impact assessment ("EIA") review process in September 2010, following a period of three years of inactivity due to the over politicization of the Project, a procedure which forms the basis upon which the Government evaluates the Project's impacts and issues the EP, the Technical Assessment Committee ("TAC") of the Government (a committee convened by the Ministry of Environment for the purpose of substantively reviewing the EIA) met on twelve separate occasions.

As previously disclosed, it is the Company's understanding that the TAC had completed its review of all technical aspects of the EIA process and was ready to issue a recommendation to the Government in 2011. The TAC, however, failed to do so. The last TAC meeting was held in April 2015 and failed to issue any recommendation on the EP or otherwise take steps to complete the EIA process.

Ultimately, the Government has failed to act on the EP, thus making it impossible for the Project to proceed.

Urbanism Plans and Certificates

All land situated under the footprint of the proposed new mine at Roșia Montană must be zoned and/or classified for industrial uses including mining. Similar to other countries, Romania manages its land planning through several levels of zoning which include (i) general urbanism plans and accompanying local regulations ("PUGs") and (ii) zonal urbanism plans and accompanying local regulations ("PUZs").

As at the date of this document, in all material respects the urbanism plans required for the Project are in place. RMGC holds 18 out of the 23 endorsements necessary for the approval of the PUZ for the industrial area under the footprint of the proposed mine at Roșia Montană ("Industrial Area PUZ"), a proposed replacement for the existing Industrial Area PUZ. Following completion of the endorsement process, approval of the Industrial Area PUZ by the local councils of Roșia Montană, Abrud and Bucium will be required.

Also as at the date of this document, 9 out of the total of 13 endorsements necessary for the approval of the zonal urbanism plan for the Roșia Montană historical protected area have been obtained. Once the endorsement process is completed, approval of the local council of Roșia Montană would be required.

The local councils of Roșia Montană, Abrud and Bucium initiated the process in 2012 for new PUGs. These processes remain subject to a number of approvals, including public consultation. In July 2014, the existing PUGs for Roșia Montană and Abrud were extended, pending conclusion of the process for obtaining new PUGs, for a maximum further term of three years.

In Romania, urbanism certificates form part of the legal regime associated with obtaining a construction permit for any kind of construction undertaking and are not solely associated with the mining industry. An urbanism certificate is an informational document issued by a local or county council that sets out the legal, technical and economic status of a particular parcel of land and lists the documents that must be submitted in order to obtain a construction permit thereon.

On April 22, 2013 Alba County Council issued a new urbanism certificate (UC-47) for the Project, initially valid for 24 months, subject to extension for a further maximum of 12 months. During Q1 2015, following a request by the Company, extension of the validity of UC-47 was approved by Alba County Council until April 2016. RMGC is preparing the application for a new urbanism certificate to replace UC-47.

Dam Safety Permits

New five-year safety permits for the Project's Corna and Cetate dams (subject to construction of the Project commencing within two years) were issued in the second quarter of 2015 by the Ministry of Environment, dated December 2014.

Surface Rights

The Company owns approximately 78% of the homes and approximately 60% of the land by area in the Project footprint, comprising the industrial zone, the protected area and the buffer zone.

Whilst the Company had reason to believe it could acquire all necessary surface rights to permit the operation of the Project, the Company's ability to secure all surface rights within the Project footprint required for implementation of the Project were subject to a number of risk factors not within the Company's control.

Archaeology and Preservation of Cultural Heritage

Overview

To realize the Project a number of archaeological discharge certificates ("ADCs") for mining, construction and operation in various parts of the proposed Project footprint are needed. In order to obtain such certificates, RMGC conducted, at its sole cost, extensive programs of exploratory and preventative archaeology in order to ensure that valuable historical relics in the area are uncovered and preserved where appropriate.

The Company also funded a significant program of restoration and maintenance of houses, community buildings and previously unexplored old underground mining galleries, all located within, or beneath, the historical center of the village of Roșia Montană. Furthermore, and in the event that the Project were permitted to proceed, the Company committed significant further resources to preserve important archeological areas that it previously opened and restored.

List of Historical Monuments

Archaeological sites regarded as being of national historic significance are, following classification, included in an official document ("List of Historical Monuments" or "LHM") maintained by the Romanian National Institute of Patrimony, a part of the Ministry of Culture. A number of sites within the Project area have been designated as historical sites of national importance in successive Lists of Historical Monuments approved by the Ministry of Culture in 1992, 2004, 2010 and 2015. As previously disclosed, RMGC has over the years sought and obtained various ADCs to remove the protection regime for archaeological sites and historical monuments located within the Project area.

On January 9, 2016, the Minister of Culture, Vlad Alexandrescu, publicly announced on Facebook that he had executed a ministerial order on December 30, 2015 for the publication of a revised List of Historical Monuments pursuant to which the village of Roșia Montană, and the surrounding area within a radius of two kilometers, would be classified as a historical site of national importance ("2015 LHM"). On February 15, 2016, the order of the Minister of Culture was published in the Official Gazette designating, amongst other things, the village of Roșia Montană, and a radius of two kilometers, as a site of national historic interest. Management considers that such revised List of Historical Monuments further extends (without legal justification) the protection regime applicable to certain historical monuments, as compared to the 2004 LHM, and, in particular, fails to take into account, and is inconsistent with, the extensive programs of exploratory and preventative archaeology undertaken and financed by RMGC and the ADCs issued to RMGC by the Romanian authorities to date.

In 2010, the List of Historical Monuments was revised by the Ministry of Culture and National Institute of Patrimony ("2010 LHM"). As disclosed in the Company's Annual Information Form and prior MD&A's, the Company contested the validity of the 2010 LHM on the basis that it substantially extended (without legal justification) the protection regime applicable to certain monuments, as compared to a 2004 List of Historical Monuments, and requested the rectification by the National Institute of Patrimony and Ministry of Culture of the errors in the 2010 LHM. Furthermore, RMGC initiated several legal applications challenging the validity of the 2010 LHM, as further described below.

UNESCO World Heritage List

In February 2016, the Ministry of Culture publicly announced the inclusion of the Roșia Montană site on Romania's tentative list of UNESCO World Heritage sites, the first procedural step in having it included on the UNESCO World Heritage List ("UNESCO List"). Notwithstanding this announcement, as at the date of this MD&A, the Company has been unable to verify whether the Ministry of Culture has submitted documentation to UNESCO for the Project site's inclusion on the tentative list and whether the site has been included on such list.

The Company understands that the process for considering a site for inclusion on the UNESCO List includes: (i) detailed research to be undertaken to demonstrate the integrity and authenticity of the site with a report concluding that the site is worthy of inclusion on the UNESCO List; (ii) approval by the Ministry of Culture; and (iii) the support and approval of local stakeholders for the decision for inclusion on the UNESCO List.

It is the Company's understanding that the required consultation with the local community has not yet occurred and that the inclusion of Roșia Montană on the UNESCO List would be subject to a review process that may take several years, however should such inclusion be realized it would have a material adverse impact on the Company's business, assets and ability to carry out mining activities on the License. Pending the outcome of any consultation and review process, Management is not aware of any interim impact on the Project of the reported inclusion of the Roșia Montană site on Romania's tentative list of UNESCO World Heritage sites.

Legal Challenges

Over the years several foreign and domestically-funded NGOs have initiated legal challenges against local, regional and national Romanian authorities that hold the administrative or regulatory authority to grant licenses, permits, authorizations and approvals needed for various aspects of the Project.

In general, these legal challenges have claimed that such authorities were acting in violation of the laws of Romania and have sought suspension and/or cancellation of a particular license, authorization, permit or approval.

The publicly stated objective of the NGOs in initiating and maintaining these legal challenges has been to use the Romanian court system to delay permitting approval of the Project as much as possible and ultimately to stop the development of the Project. Legal actions relating to the same license, authorization, permit or approval often were initiated by the NGOs in several different regional court jurisdictions.

For further details of the material legal actions related to the Project, see the section entitled "*Legal Challenges relating to the Project*" in Part IV of Gabriel's Annual Information Form for the year ended December 31, 2015, a copy of which is filed on SEDAR at www.sedar.com. In addition, key developments in legal proceedings during 2015 to date have been reported in the relevant quarterly MD&A.

RMGC Withdrawal from Legal Proceedings

Over a number of years, the Company, through RMGC, intervened, or sought to intervene, in all material cases brought where it concluded that there was a need to ensure that the Romanian courts considering these actions were presented with a fair and balanced legal analysis as to why the various Romanian authorities' actions were in accordance with the relevant and applicable laws.

In the past year, Gabriel has re-evaluated RMGC's involvement in a number of litigation cases that remain pending before the Romanian courts, in which RMGC is acting as either plaintiff, third party intervenor or defendant in respect of disputes concerning the administrative documents, permits and/or authorizations issued for the Project. After taking into account, amongst other matters, the continued failure of the Romanian authorities to address the assessment procedures of the Project, the protracted and uncertain nature of the judicial process and the ongoing requirement for the Company to reduce its cost base and mitigate its losses, Gabriel determined in October 2015 that RMGC should withdraw from a number of pending litigation cases.

The majority of the legal proceedings from which RMGC has sought to withdraw concern the claims of third parties challenging administrative deeds issued by public authorities directly or indirectly related to the Project. RMGC appeared before the courts in these actions only as a third-party intervenor to support the position of the competent public authorities insofar as appropriate in view of the interests of RMGC as developer of the Project. Accordingly, the fact that RMGC will not continue as an intervenor will not, of itself, terminate the proceedings. The public authorities remain the defendant in those actions and as such remain bound to continue to defend their position.

Recent Developments

The following section outlines certain developments that occurred in legal proceedings concerning the Project during the fourth quarter of 2015 and the status of RMGC's withdrawal from such proceedings:

- On December 10, 2014, RMGC initiated a legal action before the Bucharest Court of Appeal challenging the validity of the 2010 LHM on the basis that it substantially extended (without legal justification) the protection regime applicable to certain monuments within the perimeter of the Project, as compared to a 2004 list, and sought the rectification of the 2010 LHM. While not an indication of its view of the strength or merits of the case, but for the reasons outlined above, on October 16, 2015, RMGC submitted a request to the Bucharest Court of Appeal to discontinue this legal action. The National Institute of Patrimony, a respondent to the claim, did not consent to the discontinuance of the action. On March 15, 2016, the Bucharest Court of Appeal dismissed the claim for lack of subject matter on the basis that the 2010 LHM had been superseded by the 2015 LHM.

- On April 15, 2014, the Covasna Tribunal admitted a request filed by two NGOs for the annulment of the Strategic Environmental Assessment endorsement ("SEA") issued by the Regional Agency for Environmental Protection of Sibiu in March 2011, one of a number of endorsements required for the approval of the new Industrial Area PUZ. The ruling was appealed by RMGC, as an intervening party, and others to the Brasov Court of Appeal. At a hearing of the appeal on January 22, 2015, the proceedings were temporarily suspended pending the outcome of a plea initiated by RMGC challenging the 2010 LHM. This plea was rejected by a panel of the Brasov Court of Appeal on May 28, 2015. RMGC submitted an appeal challenging this decision to the Romanian Supreme Court. On October 16, 2015, RMGC submitted a request to the Supreme Court to discontinue the appeal proceedings and to bring forward a hearing set for February 2016 in order to acknowledge the discontinuance of such proceedings. On November 27, 2015, the Supreme Court admitted RMGC's discontinuance request. In addition, on October 21, 2015, RMGC submitted an application to withdraw, as an intervening party, from the appeal case pending before the Brasov Court of Appeal. Following RMGC's withdrawal, the Brasov Court of Appeal settled the proceedings and, on March 10, 2016, rejected the appeal of the Environment Protection Agency Alba and the Environment Protection Agency Sibiu against the ruling of the Covasna Tribunal annulling the SEA. This decision is definitive and cannot be further appealed.

- On September 16, the Bacau Tribunal admitted a request filed by two NGOs for the suspension of the SEA endorsement. RMGC filed an appeal against this decision. On October 21, 2015, RMGC submitted a request to the Bacau Tribunal to give up the right to challenge the decision through appeal. On November 2, 2015, the Environment Protection Agency Alba, the defendant in the legal action, filed an appeal to the Bacau Court of Appeal against this decision of the Bacau Tribunal. The appeal was subsequently rejected by the Bacau Court of Appeal on January 19, 2016.

- On February 17, 2015, the Buzau Tribunal suspended the proceedings concerning a claim filed by three NGOs seeking the annulment of the Archaeological Discharge Certificate ("ADC") for the Carnic open-pit until a separate action initiated by RMGC before the Bucharest Court of Appeal challenging the validity of the 2010 LHM had been determined. This action before the Buzau Tribunal follows a decision of the Suceava Court of Appeal on April 15, 2014, which upheld an earlier court ruling that suspended the ADC. On October 27, 2015, RMGC submitted a request to the Buzau Tribunal to withdraw as an intervening party from the legal proceedings pending before it. The Buzau Tribunal ordered a suspension of the claim until the file concerning 2010 LHM had been judged by Bucharest Court of Appeal.

- On May 28, 2015, the Bistrita Tribunal dismissed a claim registered by three NGOs seeking the annulment of UC-47. This decision was appealed by the NGOs in September 2015. On October 19, 2015, RMGC requested permission from the Cluj Court of Appeal to withdraw as a defendant from the legal proceedings pending before it but for such proceedings to continue in its absence. On January 18, 2016, the Cluj Court of Appeal admitted the appeal filed by the NGOs and ordered that the file be returned to the Bistrita Tribunal. The Bistrita Tribunal has now scheduled a further hearing of the claim for May 19, 2016.

- In July 2014, three NGOs submitted a claim to the Cluj Tribunal seeking the revocation of two decisions of the local council, namely LCDs 45 and 46/2002, which approved the PUG for Roșia Montană and the 2002 Industrial Area PUZ. In September 2015, an intervening party in the case submitted a request for recusal of the presiding judge due to concerns of potential bias. The presiding judge subsequently filed an abstention request to the Cluj Tribunal for the approval of her withdrawal from the case, which was accepted by the President of the Cluj Tribunal. On October 19, 2015, RMGC requested permission from the Cluj Tribunal to withdraw as a defendant from the legal proceedings pending before it but for such proceedings to continue in its absence. On November 26, 2015, the Cluj Tribunal ordered the revocation of LCDs 45 and 46. The revocation of LCDs 45 and 46 effectively render the 2002 Industrial Area PUZ and 2002 PUG for Roșia Montană invalid. On January 29, 2016, the local council of Roșia Montană submitted an appeal against the decision of the Cluj Tribunal.

Other Legal Proceedings

In November 2013, RMGC was informed of an investigation by the Ploiesti Public Prosecutor's Office ("PPPO") into alleged tax evasion and money laundering on the part of the principals/key shareholder(s) of a group of companies including Kadok Interprest LLC ("Kadok Group"). The PPPO extended its investigation of the Kadok Group to 90 other companies, including RMGC, which had a short-term commercial relationship with the Kadok Group in 2012.

RMGC has lodged a challenge to the legality of a restriction order on the equivalent of $0.3 million held in one of RMGC's Romanian bank accounts pending the outcome of the PPPO investigation. RMGC has cooperated fully with the PPPO and provided evidence to the PPPO of its legitimate business dealings with the Kadok Group. Notwithstanding periodic enquiries, RMGC has received no formal contact on the progress of the case from the PPPO to date.

Following several rounds of redundancy initiated by RMGC as a result of the delay of the Government in progressing the permitting of the Project in 2014 and 2015, RMGC was served with statements of claim from a number of former employees for additional severance. In addition, a further claim has been issued against RMGC seeking damages for the impact of resettlement of some of the community on the claimant's business. The Company plans to vigorously defend against these claims. However, as the outcome of these claims cannot be determined at this time, the Company has made no provision for these contingencies in its Financial Statements as at December 31, 2015.

Outlook

Notwithstanding the commencement of the ICSID Arbitration, the Company continues to seek engagement with the Romanian authorities in order to achieve an amicable resolution of the dispute. In the meantime, the Company's immediate plans for the ensuing year are as follows:

- the advancement of the ICSID Arbitration, including the constitution of the Tribunal, the establishment of a procedural calendar, the filing of applications for provisional/interim measures and the preparation and filing of its memorial in support of its claim;
- the continued assessment of the Company's activities and reduction of costs to those that support the preservation of its core assets and rights;
- to carefully manage its cash resources (including the potential disposition of mining equipment acquired for the Project);
- the protection of its rights and interests in Romania (including, so far as reasonably practical and desirable, ensuring that existing licenses and permits remain in good standing); and
- the regulatory approval and closing of the Transactions.

Liquidity and Capital Resources

Cash and cash equivalents at December 31, 2015 amounted to $18.6 million.

The Company's average monthly net cash usage during Q4 2015 was $2.4 million, including legal services in respect of the ICSID Arbitration and the December coupon payment on the convertible, subordinated, unsecured notes issued by the Company in May 2014 ("Notes"); (Q3 2015: monthly average $2.1 million, 2014: monthly average $2.3 million, 2013: monthly average $3.9 million). Excluding legal and other advisory services in respect of the ICSID Arbitration and excluding the coupon on the Notes, the average monthly net cash usage during Q4 2015 was $1.3 million (Q3 2015: $1.3 million, H1 2015: monthly average $1.5 million).

Legal services aside, the ongoing cost-saving measures to align Gabriel's cost base with the prevailing situation in relation to the regulatory assessment and permitting procedures for the Project have as a goal of the Company having sufficient capital resources to meet its short to medium-term budgeted activities and commitments. As noted above, in order to advance the ICSID Arbitration, the Company has entered into the Transactions to raise additional gross funds of up to $20 million. Notwithstanding, it is likely that the Company will need to raise additional funding before the ICSID Arbitration is concluded.

Annual Summary

The annual summary is set out in the following table. The amounts are derived from the Financial Statements prepared under IFRS.

in thousands of Canadian dollars, except per share amounts		**2,015**		**2014**		2013
Operating loss	**$**	**644,131**	**$**	**4,923**	$	7,262
Other (income) / expenses		**3,623**		**1,903**		(585)
Loss - attributable to owners of the parent		**627,832**		**6,322**		2,490
Loss per share (basic and diluted)		**1.63**		**0.02**		0.01
Total assets		**44,415**		**648,074**		658,308
Non-current liabilities		**31,545**		**30,968**		3,119
Investment in exploration and development including working capital changes		**10,826**		**23,131**		41,310
Cash flows from financing activities	**$**	**(2,797)**	**$**	**32,908**	$	5,400

Results of operations

Operating loss in 2015 was $644.1 million, significantly higher than 2014 due to the Impairment of $631.1 million. The Impairment constitutes the full impairment of the Company's mineral property and a material impairment of its property, plant and equipment, (partially offset by the reversal of the non-controlling interest in the RMGC subsidiary of $19.9 million). Excluding the Impairment, the underlying loss of $13.0 million in 2015 was $8.1 million higher than in 2014 principally due to (i) higher legal costs ($5.5 million higher year-on-year) as a result of the initiation of the ICSID Arbitration, and (ii) higher stock-based compensation expense ($3.3 million higher year-on-year). This is partially offset by lower severance costs during 2015 ($1.8 million lower year-on-year). Stock based compensation is higher in 2015 than in 2014 as a result of a significant $4.6 million reversal of expenses in the prior 2014 period related to the re-evaluation of performance based option milestones to account for Project delays and the effects of a lower share price. While this price reduction trend continued into 2015, the impact on the expense was not as significant compared to the prior period. Severance costs have also been incurred upon the termination of the employment contracts of approximately 70 RMGC employees during 2015.

Other (income) / expenses include finance costs, finance income and foreign exchange losses. Finance costs during 2015 of $3.8 million reflected a full year of accretion on the debt component of the $35.0 million private placement, completed in May 2014 (the "2014 Private Placement") (2014: $2.2 million reflecting only seven months of the debt being in issue), whilst lower interest was generated on reduced average levels of cash and cash equivalents. The reduced holdings of foreign denominated currency has resulted in the Company having low exposure to currency fluctuations during the year and consequently modest impact of foreign exchange gains and losses.

The loss attributable to owners of the parent for 2015 was $621.5 million higher than the loss incurred in 2014, primarily due to the Impairment. The loss for 2014 was $3.8 million higher than that in 2013, primarily due to a Romanian tax recovery of $4.2 million received during 2013.

Total assets

Total assets decreased by $603.7 million in 2015, having decreased by $10.2 million from 2013 to 2014. Material changes in total assets in 2015 were due to the Impairment and the utilization of $25.6 million in operational and investment activities. The decrease in 2014 was as a result of expenditure on the Project along with negative currency translation adjustments of $25.1 million arising from the translation of foreign denominated assets, which together exceeded the proceeds from the 2014 Private Placement.

Non-current liabilities

Non-current liabilities are comprised of the debt component of the 2014 Private Placement of $30.4 million (2014: $29.4 million) plus an accrual for Romanian employees for long service awards and other benefits of $1.1 million (2014: $1.6 million; 2013: $3.1 million).

Investment in exploration and development

Expenditure in 2015 was $12.3 million lower than 2014, reflecting the continued cost containment measures across the Group's activities to preserve capital. In particular, these 2015 measures included the termination of employment contracts of approximately 70 RMGC employees as a consequence of stalled activities in permitting and project management.

Expenditure in 2014 was $18.2 million lower than 2013, with the termination of employment contracts of approximately 400 RMGC employees and a reduction in activity levels in permitting and project management.

Cash flows from financing activities

Two semi-annual coupon payments, in respect of Notes issued as part of the 2014 Private Placement, totaling $2.8 million were made in 2015; the first semi-annual coupon having been paid during December 2014. The proceeds received from the 2014 Private Placement in 2014 were $34.6 million, net of issuance costs. The Notes and related 2014 Private Placement are discussed below under *'Financing Activities'*.

The proceeds from the exercise of stock options during 2015 were not material (2014: proceeds of nil; 2013: proceeds of $5.4 million).

Results of Operations

The results of operations are summarized in the following tables. The amounts are derived from the Financial Statements prepared under IFRS.

in thousands of Canadian dollars, except per share amounts	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Income Statement				
Loss - attributable to owners of parent	$ 615,175	$ 4,630	$ 4,495	$ 3,531
Loss per share - basic and diluted	1.60	0.01	0.01	0.01
Statement of Financial Position				
Working capital	15,408	20,994	24,050	31,012
Total assets	-	693,225	631,331	636,620
Statement of Cash Flows				
Investments in development and exploration including working capital changes	2,249	3,322	1,954	3,301
Cash flows from financing activities	(1,412)	-	(1,388)	3

in thousands of Canadian dollars, except per share amounts	2014 Q4	2014 Q3	2014 Q2	2014 Q1
Income Statement				
(Income) / loss - attributable to owners of parent	$ 1,474	$ 1,984	$ (657)	$ 3,521
(Income) / loss per share - basic and diluted	0.00	0.01	(0.00)	0.01
Statement of Financial Position				
Working capital	37,220	42,958	48,178	19,395
Total assets	648,074	662,177	689,604	679,073
Statement of Cash Flows				
Investments in development and exploration including working capital changes	(169)	4,038	5,386	8,957
Cash flows from financing activities	(1,649)	-	34,557	-

Review of Financial Results

	3 months ended December 31		**12 months ended December 31**	
in thousands of Canadian dollars, except per share amounts	**2015**	2014	**2015**	2014
Operating loss for the period	**$ 634,052**	$ 555	**$ 644,131**	$ 4,923
Loss for the period	**634,992**	1,410	**647,754**	6,826
Loss for the period - attributable to owners of parent[1]	**615,175**	1,474	**627,832**	6,322
Loss per share - basic and diluted	**1.63**	0.00	**1.63**	0.02

[1] The transfer by the Company of equity in RMGC to Minvest RM during Q1, 2014 resulted in the presentation of a non-controlling interest, as set out in the Financial Statements. The non-controlling interest portion of the 2014 and 2015 RMGC employee severance costs was attributed to the non-controlling interest. Following the 2015 Impairment, the non-controlling interest was reversed in accordance with IFRS 3 – Business Combinations.

The operating loss in Q4 2015 was principally as a result of the Impairment.

RMGC costs incurred in the advancement of the Project were capitalized to mineral properties in 2015. This is further discussed below under *'Investing Activities'*.

Expenses

Corporate, General and Administrative

in thousands of Canadian dollars	3 months ended December 31 **2015**	3 months ended December 31 2014	12 months ended December 31 **2015**	12 months ended December 31 2014
Finance	**$ 129**	$ 120	**$ 575**	$ 527
External communications	**(5)**	4	**$ 156**	172
Information technology	**49**	1	**$ 145**	116
Legal	**1,209**	122	**$ 5,795**	336
Payroll	**782**	738	**$ 3,198**	3,009
Other	**272**	206	**$ 1,610**	835
Corporate, general and administrative expense	**$ 2,436**	$ 1,191	**$ 11,479**	$ 4,995

Corporate, general and administrative costs are those costs incurred by the management services operation in London, UK and at the Canadian parent.

The increase in information technology costs between the respective 2015 and 2014 periods is principally as a consequence of one-off equipment costs for the Q4 2015 relocation of the London-based management services operation to lower-cost office space. The small increase in payroll costs for management services in the respective 2015 periods are as a result of exchange rate movements between the British pound (the currency in which payroll costs are settled) and the Canadian dollar.

Advisory costs in respect of the ICSID Arbitration and its preparation incurred during the year to December 31, 2015 amount to approximately $6.1 million, split between Legal ($5.5 million) and Other ($0.6 million). Excluding such advisory costs, corporate, general and administrative costs for the respective 2015 periods are in line the corresponding 2014 periods.

Severance Costs

In 2015, following dialogue with relevant unions and other stakeholders, the employment contracts of approximately 70 RMGC employees were terminated. The aggregate severance cost for the affected employees was approximately $0.9 million and has been paid during 2015. This follows a similar 2014 restructuring of approximately 400 RMGC employees, on both permanent and temporary contracts, with an aggregate severance cost of $2.6 million (all paid in 2014).

Share Based Compensation

in thousands of Canadian dollars		**3 months ended December 31** **2015**		2014		**12 months ended December 31** **2015**		2014
DSUs and RSUs - (reversal) / expense	**$**	**(156)**	$	(747)	**$**	**(175)**	$	100
Stock option compensation - expense / (reversal)		**215**		417		**654**		(2,926)
Stock based compensation - expense / (reversal)	**$**	**59**	$	(330)	**$**	**479**	$	(2,826)
DSUs and RSUs - reversal	**$**	**-**	$	-	**$**	**(12)**	$	-
Stock option compensation - capitalization / (reversal)		**687**		571		**359**		(3,250)
Stock option compensation - capitalization / (reversal)	**$**	**687**	$	571	**$**	**347**	$	(3,250)

Initially valued at the five-day weighted average market price of the Company's shares at the date of issue, deferred share units ("DSUs") and restricted share units ("RSUs") are revalued each period end based on the period end closing share price. The initial valuation of the DSUs and RSUs, and the effect on the valuation of DSUs and RSUs of the period-on-period change in share price, has previously either been expensed or capitalized (the latter being for share units granted to personnel working on development projects). At December 31, 2015, the Company's share price was $0.14 (September 30, 2015: $0.26; December 31, 2014: $0.40), resulting in a reversal of DSU and RSU expense for the quarter.

The estimated fair value of share options is calculated using the Black Scholes method as at the date of issue and amortized over the period over which the options vest. For performance options, the fair value is expensed over the estimated vesting period from the time of grant. Once the performance conditions have been attained, which may result in the full vesting of the options, the remaining fair value (if any) is either expensed immediately or over the remaining vesting period, as appropriate. The expected performance dates are periodically reviewed and the expensing adjusted accordingly. The fair value of share options granted to personnel working on development projects was capitalized over the vesting period.

As noted above, there was a $4.6 million reversal, during the year ended December 31, 2014, of share option compensation previously expensed and capitalized is as a result of revised management expectations, given the lack of progress in permitting of the Project and the resulting delay, in the attainment of performance conditions for performance based options. This resulted in an expectation that a number of grants, with vesting scheduled to commence only after the performance conditions have been attained, will expire prior to vesting, resulting in a reversal of prior period expensing. There were similar reversals recorded in 2015 totaling a much smaller amount of $0.25 million, and hence resulting in an overall net expense during 2015 as shown above.

The expensing of share option compensation relating to performance based options, affected by the lack of progress in permitting of the Project has now been fully reversed. Consequently Management does not expect any further significant reversals in the future.

	3 months ended		12 months ended	
	December 31		December 31	
	2015	2014	**2015**	2014
Stock option compensation				
Number of stock options granted	**-**	3,100,000	**5,525,000**	10,675,000
Average value ascribed to each regular vesting option granted	**$ -**	$ 0.56	**$ 0.40**	$ 0.73
Options granted to corporate employees, officers, and directors	**-**	1,420,000	**2,775,000**	2,925,000
Options granted to development project employees and consultants	**-**	1,680,000	**2,750,000**	7,750,000
DSU compensation				
Number of DSUs issued	**167,255**	-	**727,255**	578,987
Average value ascribed to each DSU issued	**$ 0.15**	$ -	**$ 0.33**	$ 1.15
RSU compensation				
Number of RSUs issued	**-**	125,000	**-**	414,873
Average value ascribed to each RSU issued	**$ -**	$ 0.56	**$ -**	$ 0.72
Number of RSUs redeemed	**62,500**	25,418	**207,438**	25,418
Average value ascribed to each RSU redeemed	**$ 0.15**	$ 0.51	**$ 0.37**	$ 0.51

An aggregate of 727,255 DSUs were issued to Management and non-executive directors during 2015 (2014: 560,000 issued). Additionally, during Q1 2014, 18,987 DSUs were issued to a non-executive director, in lieu of Q4 2013 director's fees. DSUs vest on the date of issue.

A total of 289,873 RSUs were issued during 2014 to named executive officers as compensation for 2013 performance. All of the RSUs issued vest in two equal tranches, at the first and second anniversary of each grant.

Finance Income

	3 months ended		12 months ended	
	December 31		December 31	
in thousands of Canadian dollars	**2015**	2014	**2015**	2014
Interest income	**$ 17**	$ 98	**$ 207**	$ 361

Interest income reflects the average holdings of cash and cash equivalents during the respective periods. Returns on Canadian government guaranteed instruments, in which the Company continues to invest, remain low.

As at December 31, 2015, approximately 78% of the Company's cash and cash equivalents were invested in Canadian government guaranteed instruments, with the majority of the balance held as cash deposits with major Canadian banks.

Finance Costs

in thousands of Canadian dollars	3 months ended December 31 2015	2014	12 months ended December 31 2015	2014
Financing costs - convertible note accretion	**$ 967**	$ 947	**$ 3,784**	$ 2,164

Finance costs for the year ended December 31, 2015 relate to the accretion of the debt component of the Notes, which is measured at amortized cost using the effective interest rate method.

Foreign Exchange

The Company expects to report non-material foreign currency gains and losses in the future as a result of reduced exposure to non-functional currencies.

Taxes

All tax assessments have been paid and provided for in Financial Statements.

Investing Activities

Most of the expenditures to date have been for identifying and defining the size of the four ore bodies, for engineering to design the size and scope of the Project, for environmental assessment and permitting, social support to local communities, communications and public relations activities to support the permitting process, archeological and rehabilitation work to buildings, as well as surface rights, property acquisition and resettlement housing and infrastructure.

Mineral Properties

Since the technical feasibility and commercial viability of the Project was established, all costs incurred in Project exploration and development have been capitalized to mineral properties, including during 2015.

in thousands of Canadian dollars	3 months ended December 31 2015	2014	12 months ended December 31 2015	2014
Finance and administration	**$ 393**	1,064	**$ 2,700**	$ 3,958
External communications	**146**	591	**942**	3,277
Legal	**335**	732	**1,617**	4,055
Permitting	**172**	388	**699**	1,763
Community development	**306**	(16)	**1,159**	2,538
Project management and engineering	**421**	431	**1,480**	1,722
Exploration - Rosia Montană	**139**	383	**741**	1,304
Other	**(51)**	-	**159**	-
Total exploration and development expenditures	**$ 1,861**	**$ 3,573**	**$ 9,497**	**$ 18,617**

As a consequence of ongoing cost containment initiatives, total exploration and development expenditures are significantly lower for the year ended December 31, 2015 than in 2014.

Underlying finance and administration costs for the year ended December 31, 2015 were $2.7 million, a decrease year-on-year, due to the reduced employment costs at RMGC following the employee restructuring.

High levels of external communications and legal costs were incurred in early 2014 in response to the challenges to the Project arising in connection with a review of the Project by the Romanian parliament. There has since been a significant reduction in such communications activities.

The decrease in permitting, Project management and engineering expenditures, compared to the prior year, is as a result of undertaking only those activities that are necessary to preserve the Company's principal assets. Project management costs in 2015 (and 2014) are substantially made up of those costs associated with the storage and maintenance of the long-lead time equipment. Such costs will continue to be incurred until such time as the equipment is either put into use for the Project or sold.

The Company has scaled back community development activities, in line with the reduction in workforce and overall costs, whilst still aiming to deliver upon its core commitments to sustainable development and corporate social responsibility.

Legal activities in Romania have been ongoing in the year ended December 31, 2015, both supporting the Company's interests in various litigation matters and in maintaining good title to the licenses and permits that it currently holds. The costs associated with supporting the Company's interests in litigation matters are expected to reduce in the future following RMGC's 2015 withdrawal from certain legal proceedings.

Following the employee restructurings at RMGC, the Company's ongoing direct and indirect employee-related costs have reduced.

Other costs are in respect of the resettlement obligations at RMGC which in 2015 include a significant $3.0 million reduction to the provision for resettlement liabilities, offset by a $3.0 million aggregate movement in capitalized depreciation and asset disposals in respect of the close out of the majority of RMGC's resettlement contracts.

Purchase of Capital Assets

	3 months ended December 31		**12 months ended December 31**	
in thousands of Canadian dollars	**2015**	2014	**2015**	2014
Total investment in capital assets	**$ -**	$ (4)	**$ 92**	$ 44
Depreciation and disposal - expensed	**$ 64**	$ 24	**$ 137**	$ 142
Depreciation and disposal - capitalized to mineral properties	**$ 110**	$ 102	**$ 1,815**	$ 447

The purchase of capital assets remains low, in line with the Company's cost containment strategy.

Financing Activities

On May 30, 2014 the Company completed the 2014 Private Placement with a number of existing shareholders as follows:

in thousands of Canadian dollars	**Gross allocation**	**Financing fees**	**Net allocation**
Liability component of convertible debentures	29,272	371	28,901
Equity component of convertible debentures	1,716	21	1,695
Warrants	4,012	51	3,961
Arbitration value rights	-	-	-
Proceeds of private placement	35,000	443	34,557

The Company is using the proceeds of the 2014 Private Placement for general corporate purposes. The details of the 2014 Private Placement, accounting policies and valuation techniques are described in the Financial Statements.

Cash Flow Statement

Liquidity and Capital Resources

The main sources of liquidity are the Company's cash and cash equivalents, share option exercises and the equity and debt markets. At December 31, 2015, aggregate cash and cash equivalents were $18.6 million (December 31, 2014: $44.2 million).

Working Capital

At December 31, 2015, the Company had working capital, calculated as total current assets less total current liabilities, of $15.4 million (December 31, 2014: $37.2 million).

As at December 31, 2015, the Company had current liabilities of $4.1 million (December 31, 2014: $8.1 million). The decrease is primarily due to a reduction in the provision for resettlement claims upon finalization of the amounts due to the majority of the remaining claimants.

Related Party Transactions

In December 2013, the Group was required to recapitalize RMGC in order to comply with Romanian minimum capitalization company law requirements. The subscription to RMGC share capital by the Company was effected through a conversion of existing intercompany debt. In January 2014, the Group agreed to transfer to the non-controlling shareholder, Minvest RM, for nil consideration, a proportion of the shares subscribed to in December 2013, with a face value of $20.4 million, in order to preserve the respective shareholdings in RMGC. The transfer of shares to Minvest RM was reflected in the Financial Statements as a non-controlling interest and an increase in the accumulated deficit.

The Company advanced loans in the period 2004 to 2009 totaling US$39.5 million to the predecessor of Minvest RM (subsequently transferred to Minvest RM) to facilitate various statutory share capital increases in RMGC. The balance outstanding of the Minvest RM loans as at December 31, 2015 was US$39.5 million (December 31, 2014: US$39.5 million).

The Minvest RM loans are non-interest bearing and, according to their terms, are to be repaid as and when RMGC distributes dividends to its shareholders. The loans are accounted for as part of the Group's net investment in RMGC and have, accordingly, been set off against non-controlling interest in the Financial Statements. The loans will be reflected individually in the Financial Statements, in accordance with IFRS at such time as repayment of the loans is made possible.

The non-controlling interest component was reduced in 2015 upon recognition of the Impairment.

Resettlement Liabilities

RMGC had a program for purchasing homes in the Project area, which was suspended in February 2008 due to the suspension of the EIA review process in September 2007. Under the resettlement program residents were offered two choices; either to take the sale proceeds and move to a new location of their choosing, or exchange their properties for a new property to be built by RMGC at a new resettlement site. For those residents who chose the resettlement option, the Company increased its mineral properties on the balance sheet as well as resettlement liabilities for the anticipated construction costs of the resettlement houses. As the construction took place, the cost of newly built houses was capitalized as construction in progress. After the transfer of legal title of the property RMGC reduced the amounts capitalized as construction in progress and at the same time reduced its resettlement liabilities. All resettlement associated costs capitalized to mineral properties or as construction in progress form part of the Impairment.

At December 31, 2015 the Company had accrued resettlement liabilities totaling $nil (December 31, 2014: $4.2 million). In 2014 this amount represented the contractual cost of both building the remaining new homes for the local residents and outstanding delay penalties (approx. 20% of the agreed upon unpaid property value per year of delay). The 2015 reduction in this accrual from 2014 year end is due to the closure of the majority of the outstanding contracts during 2015, and the impairment of the whole of the remaining amount.

The five remaining homeowners who elected to be resettled in the Roșia Montană area had signed various extension contracts which expired in 2015, with discussions on closing out these remaining contracts ongoing.

Contractual Obligations

A summary of the Company's contractual capital and operating lease commitments as of December 31, 2015 is included within the Financial Statements.

The Company and its subsidiaries have a number of agreements with arms-length third parties who provide a wide range of goods and services. Typically, the service agreements are for a term of not more than one year and permit either party to terminate upon notice periods ranging from 15 to 90 days. At termination, the Company has to pay for services rendered, and costs incurred, to the date of termination.

Critical Accounting Estimates

The preparation of Financial Statements in conformity with IFRS requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amount of expenses and other income during the reporting period. Significant estimates and assumptions include those related to going concern, the recoverability or impairment of mineral properties, benefits of future income tax assets, estimated useful lives of capital assets, valuation of share based compensation, valuation of fidelity bonus and other benefits assumptions and determinations as to whether costs are expensed or capitalized, and the valuation and measurement of the components of the 2014 Private Placement. While Management believes that these estimates and assumptions are reasonable, actual results could vary significantly. With the exception of Management's considerations in respect of the Impairment, the critical accounting estimates are not significantly different from those reported in previous periods.

Going Concern

The underlying value of the Group's mineral properties, and in particular the Project, is dependent upon the existence and economic recovery of such proven ore body reserves in the future together with the ability of the Group to obtain all necessary permits and raise long-term financing to complete the development of the properties. In respect of the permitting process for the Project, as highlighted earlier in this document and in the Financial Statements, in July 2015, Gabriel and its subsidiary company, Gabriel Resources (Jersey) Limited, filed the ICSID Arbitration. The purpose of the ICSID Arbitration is for the Company to be compensated fully for its rights to develop the Project that have been denied by Romanian treaty violations. Notwithstanding the ICSID Arbitration, the Company still seeks discussions to resolve this dispute and believes that Romania can remedy its treaty violations and permit development of the Project, being the Company's preferred outcome.

The Company has so far been unable to reach an amicable resolution with Romania regarding the dispute, and the ICSID Arbitration process is ongoing. In these circumstances and given the passage of time since the filing of the ICSID Arbitration, the Company has decided that the likelihood of finding an amicable resolution to the dispute has diminished significantly. As a result of this, as at December 31, 2015 the Company has recognized the Impairment.

The ICSID Arbitration highlights certain risks, uncertainties and other factors which include, without limitation, the attitudes and actions of the Romanian Government related to the Company's investment in Romania, including the ability of the Company to realize value from its investments in Romania pursuant to the Treaties and the ICSID Arbitration; the advancement of the ICSID Arbitration proceedings in a customary manner; the outcome of the ICSID Arbitration before arbitration tribunals as provided in the Treaties, including the timing and value of any arbitral award or settlement; the Company's expectation with regards to the amount of costs, fees and other expenses and commitments payable in connection with the ICSID Arbitration; and any inability or delay in recovering from Romania the amount of any award or settlement.

In addition and insofar as the Company is able to reach an amicable resolution with Romania regarding the dispute that allows for the development of the Project, the business of the Group may be subject to certain existing and future risks including, but not limited to, sovereign risk, including political and economic instability, changes in existing fiscal regime, changes in existing government regulations, for example, an increase in royalty rates or state ownership applicable to the Project, a ban on the use of cyanide in mining, designation of the Project area as an archeological site of national importance, government regulations relating to mining, which may delay or preclude the receipt of required permits or impede the Group's ability to acquire the necessary surface rights, as well as litigation risk against permits and the Project, currency fluctuations and local inflation. Political, public, and NGO opposition to the Project, and the multitude of legal challenges to permits issued in the past in respect of the Project demonstrate the significant risks that the Project faces.

The types of risks summarized above, if realized, may result in material adverse events which could result in the further impairment or loss of all or part of the Group's remaining assets.

The approved 2016 budget includes those expenditures and commitments necessary to maintain the Company's assets, maintain the License and associated rights and permits, including material estimated costs associated the Company advancing the ICSID Arbitration. On the basis of the Company's balance of cash and cash equivalents as at December 31, 2015 and the Transactions referenced earlier in this MD&A, the Company has sufficient funding to satisfy all of the costs of its budgeted activities for the foreseeable future. Notwithstanding, the Company will require additional funding to finance the planned long-term ICSID Arbitration activities through to a successful conclusion. Management continues to review the Company's activities in order to identify areas to further reduce expenditures.

The Company has been successful in obtaining its required funding in the past, however there is no certainty that the Company will be able to raise additional funding on commercially acceptable terms in the future. Failure to obtain additional funding could result in the curtailment of the Company's activities and impact its ability to fund the arbitration claim through to completion.

Considering the risks listed above, and in the context of the Group's financial resources, Management's balanced assessment of the Company is that it remains a going concern. The Company has been accounted for as a going concern in the Financial Statements for the year ended December 31, 2015.

Recoverability of mineral properties

IFRS 6 permits all exploration costs incurred before a company has obtained the legal rights to explore a specific area, and before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, to be expensed in the year that they are incurred. Management had determined that, under IFRS, and following the completion of a satisfactory feasibility study on the Project (most recently in 2006), exploration expenditures should be capitalized to Mineral Properties.

As part of Management's periodic review process, Management reviews all aspects of Project advancement issues along with potential indicators of asset impairment when preparing the Financial Statements. When impairment indicators are identified, which are assessed at each reporting period, it is Management's policy to perform an impairment test in accordance with IAS 36 – Impairment of Assets.

As noted earlier in this MD&A, as at December 31, 2015 the Company believes impairment indicators are present and has recognized the Impairment.

Future income tax assets

Income taxes are calculated using the asset and liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Income tax assets are recognized to the extent that the recoverability of future income tax assets is considered probable.

The Company has subsidiaries in countries that have differing tax laws and rates, primarily Romania and the United Kingdom. The provision for income taxes is based on a number of estimates and assumptions made by Management, including its understanding of domestic and international tax rules. Advice is also sought from local professional tax advisors.

Tax authorities in Romania have regularly initiated various tax audits to assess the appropriateness of the Company's tax filing positions. Regulators may interpret tax regulations differently than the Company, which may cause changes to the estimates made.

All tax assessments which have been received have been paid and provided for in the Financial Statements.

Useful lives of capital assets

The Company's policy is to amortize capital assets over their useful lives once the assets are brought into production. Management assesses useful lives to ensure the useful lives of assets reflect the intended use of those assets.

Valuation of share based compensation

The Company utilizes share options, DSUs and RSUs as a means of compensation. Share options are valued using a Black Scholes valuation model, and are amortized over the expected vesting periods. Management reviews the assumptions used in the Black Scholes valuation on an annual basis to ensure appropriateness. DSUs and RSUs are initially valued at the five-day weighted average market price of the Company's common shares preceding the date of issue, and are subsequently recalculated to fair value based on the quoted market value of the Company's common shares at the end of each reporting period.

Valuation of fidelity bonus and other benefits

Pursuant to a collective bargaining agreement between RMGC and its employees, which is renewable from time-to-time, employees of RMGC are entitled, under certain conditions, to a bonus based on years of uninterrupted service as well as other benefits relating to death. The obligation is determined using an actuarial basis and is affected by a number of assumptions and estimates. The actuarial valuation is performed annually, and Management reviews the assumptions and estimates annually for appropriateness.

Valuation of the 2014 Private Placement

The units issued by the Company on May 30, 2014 pursuant to the 2014 Private Placement consisted of convertible, subordinated, unsecured notes, warrants and arbitration value rights. The Company utilized a Black Scholes valuation model to value the warrant component of the units and a discounted cash flow model to value the debt component of the Notes. The equity component of the Notes was recognized initially at the difference between the fair value of the 2014 Private Placement as a whole and the fair value of the debt and warrant components. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. A nil value was initially ascribed to the arbitration value rights and, given the current early stage of the arbitration process, a nil valuation remains applicable as at December 31, 2015. The 2014 Private Placement contains two embedded derivatives, both of which were initially valued at nil with no subsequent adjustment in value.

Financial instruments and other instruments

The recorded amounts for cash, cash equivalents, accounts receivable, accounts payable, accrued liabilities and other liabilities approximate fair values based on the nature of those instruments.

The Company's objective when managing capital is to safeguard its accumulated capital in order to be able to fund ongoing expenditures. The Company manages its capital structure and makes adjustments to it based on the level of funds on hand and anticipated future expenditures. The estimated long-term costs, including advisors fees and general corporate working capital, of pursuing the ICSID Arbitration through to a successful conclusion will be significantly higher than the amount of cash and cash equivalents held by the Company as of the date of this MD&A. Therefore, in order to successfully pursue its multiple claims, the Company will need to raise additional funding. In the event that the dispute is resolved and the Romanian Government issues the EP, the Company will initiate a review of its financing requirements over the short and medium term. While the Company expects that in that event it will be able to obtain equity, long-term debt and/or project-based financing sufficient to build and operate the Project, there are no assurances that such initiatives will be successful.

To safeguard capital the Company invests its surplus capital in liquid instruments with highly rated financial institutions.

The Group's risk exposures and the impact on the Group's financial instruments are summarized below:

Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents. The Group has adopted an investment strategy to minimize its credit risk by investing in Canadian sovereign debt with the balance of cash being invested on short-term overnight deposit with major Canadian banks.

The Group is exposed to the credit risk of domestic Romanian banks that hold and disburse cash on behalf of its Romanian subsidiaries. The Group manages its Romanian bank credit risk by centralizing custody, control and management of its surplus cash resources at the corporate office and only transferring money to its Romanian subsidiary based on near term cash requirements, thereby mitigating exposure to domestic Romanian banks.

The Group holds small cash balances in the United Kingdom to fund corporate office activities.

The Group's credit risk is also attributable to value-added taxes receivable. Value-added taxes receivable are primarily receivables from the Romanian Government and are currently within expected collection terms.

Liquidity risk

The Company has the ability to repay the convertible unsecured Notes at maturity through issuing common shares from treasury (as more fully described in the Financial Statements); these represent a significant portion of the long-term Group liabilities. Notwithstanding, as of the date of this MD&A, assuming the successful closing of the Transactions and taking account of the Group's existing treasury balances, the Group will have sufficient funds to settle all current and other long-term liabilities.

Market risk

(a) Interest rate risk

The Group has significant cash balances and fixed coupon debt. The Group maintains a short-term investment horizon, typically less than 3 months, for its cash and cash equivalents, and therefore minimizes the risk of interest rate volatility at investment maturity. Where yields on investments less than 90 days are not significantly lower than investments greater than 90 days but less than one year, the Group has elected to utilize the shorter term investments.

With a short-term investment horizon and the intent to hold all investments until maturity, the Group is only marginally exposed to capital erosion should interest rates rise and cause fixed yield investments to devalue.

The Group's primary objective with respect to cash and cash equivalents is to mitigate credit risk. The Group has elected to forego yield in favor of capital preservation.

(b) Foreign currency risk

The Group's presentation currency is the Canadian dollar and its activities expose it to fluctuations in foreign exchange rates. The Group has monetary assets and liabilities which are denominated in Romanian Leu, US dollars, UK pounds sterling and Euros and is, therefore, subject to exchange variations against both the functional and presentation currency.

The Group maintains cash and cash equivalents in various currencies and is therefore susceptible to market volatility as foreign cash balances are revalued to the functional currency of the entity and thereafter to the presentation currency of the Group. Therefore, the Group may report foreign exchange gains or losses during periods of significant economic and market volatility. At December 31, 2015 the Group held 98% of its cash and cash equivalents in Canadian dollars.

The Company has not entered into any derivatives hedging activities.

Sensitivity

Based on Management's knowledge and experience of the financial markets, the Company believes, based on its balance of cash and cash equivalents as at December 31, 2015, the following movements are "reasonably possible" over a twelve-month period:

- Cash and cash equivalents. A plus or minus 1% change in earned interest rates would affect net income by $0.2 million.

- The Company holds minor balances in foreign currencies and this gives rise to exposure to foreign exchange risk. A plus or minus 1% change in foreign exchange rates would affect net income by less than $0.1 million.

Risks

The following list details existing and future material risks to the business of the Group. The risks described below are not listed in any particular order and are not exhaustive. Additional risks and uncertainties not currently known to the Company, or those that it currently deems to be immaterial, may become material and adversely affect the Group's business. The realization of any of these risks may materially and adversely affect the Group's business, financial condition, results of operations and/or the market price of the Company's securities.

Each of these risk factors is discussed in more detail in the Company's Annual Information Form for the year ended December 31, 2015, which is filed for public inspection on www.sedar.com.

- ICSID Arbitration
- Ability to Continue as a Going Concern
- Ability to Secure Additional Funding
- Convertible Notes
- Political and Economic Uncertainty in Romania
- Permitting Process
- Acquisition of Surface Rights
- UNESCO List
- Mineral Tenure Rights
- Legal Proceedings
- Proposed Adverse Legislative Initiatives
- Minvest Mine Closure Plan
- Dependence on Management and Key Personnel
- Compliance with Anti-Corruption Laws
- Insurance and Uninsurable Risks
- Global Financial Condition
- Currency Fluctuations
- Market Price Volatility
- Dilution
- Enforcement of Civil Liabilities
- No History of Earnings or Dividends
- Accounting Policies and Internal Controls
- Conflict of Interest

CEO/CFO Certification

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings.*

ICFR is a framework designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. The Company's internal control over financial reporting framework includes those policies and procedures that (i) govern the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of Management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

DC&P form a broader framework designed to ensure that other financial information disclosed publicly fairly presents in all material respects the financial condition, results of operations and cash flows of the Company for the periods presented in this MD&A. The Company's disclosure controls and procedures framework includes processes designed to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to Management by others within those entities to allow timely decisions regarding required disclosure.

The CEO and CFO certify that, as at December 31, 2015 the Company's DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Due to the inherent limitations, internal control over financial reporting and disclosure may not prevent or detect all fraud or misstatements. Further, the effectiveness of internal control over financial reporting and disclosure is subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with policies or procedures may change. The CEO and CFO will continue to monitor the effectiveness of the Company's internal control over financial reporting and disclosure controls and may make modifications from time to time as considered necessary or desirable.

The control framework the Company's CEO and CFO used to design the Company's ICFR is the *Internal Control – Integrated Framework (Updated Framework)* published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013.

There is no limitation on scope of design as described in paragraph 5.3 of NI 52-109. There has been no change in the Company's ICFR that occurred during the three-month period ended December 31, 2015 which has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Outstanding Share Data

The Company's fully diluted share capital as at March 28, 2016 was:

	Outstanding
Common shares	384,149,500
Common stock options	25,728,333
Deferred share units - common shares	2,399,804
Restricted share units - common shares	62,500
Warrants	13,930,000
Convertible notes	27,895,000
Fully diluted share capital	**454,165,137**

Forward-Looking Statements

This MD&A contains "forward-looking information" (also referred to as "forward-looking statements") within the meaning of applicable Canadian securities legislation. Forward-looking statements are provided for the purpose of providing information about Management's current expectations and plans and allowing investors and others to get a better understanding of the Company's operating environment. All statements, other than statements of historical fact, are forward-looking statements.

In this MD&A, forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies that may cause the Company's actual financial results, performance, or achievements to be materially different from those expressed or implied herein. Some of the material factors or assumptions used to develop forward-looking statements include, without limitation, the uncertainties associated with: the ICSID Arbitration, actions by the Romanian Government, conditions or events impacting the Company's ability to fund its operations or service its debt, exploration, development and operation of mining properties and the overall impact of misjudgments made in good faith in the course of preparing forward-looking information.

Forward-looking statements involve risks, uncertainties, assumptions, and other factors including those set out below, that may never materialize, prove incorrect or materialize other than as currently contemplated which could cause the Company's results to differ materially from those expressed or implied by such forward-looking statements. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of fact and may be forward-looking statements.

Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including without limitation:

- the duration, required disclosure, costs, process and outcome of the ICSID Arbitration against Romania;
- changes in the Gabriel Group's liquidity and capital resources;
- access to funding to support the Gabriel Group's continued ICSID Arbitration and/or operating activities in the future;
- equity dilution resulting from the conversion of the Convertible Notes in part or in whole to Common Shares;
- the ability of the Company to maintain a continued listing on the TSX or any regulated public market for trading securities;
- the impact on business strategy and its implementation in Romania of: unforeseen historic acts of corruption, uncertain legal enforcement both for and against the Gabriel Group and political and social instability;
- regulatory, political and economic risks associated with operating in a foreign jurisdiction including changes in laws, governments and legal regimes;
- volatility of currency exchange rates, metal prices and metal production;
- the availability and continued participation in operational or other matters pertaining to the Gabriel Group of certain key employees and consultants; and
- risks normally incident to the exploration, development and operation of mining properties.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements.

Investors are cautioned not to put undue reliance on forward-looking statements, and investors should not infer that there has been no change in the Company's affairs since the date of this report that would warrant any modification of any forward-looking statement made in this document, other documents periodically filed with or furnished to the relevant securities regulators or documents presented on the Company's website. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice. The Company disclaims any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events or otherwise, subject to the Company's disclosure obligations under applicable Canadian securities regulations. Investors are urged to read the Company's filings with Canadian securities regulatory agencies including Gabriel's Annual Information Form for the year ended December 31, 2015, which can be viewed online at www.sedar.com.

Gabriel Resources Ltd.

Consolidated Financial Statements

For the year ended December 31, 2015

Management’s Responsibility for Financial Reporting

The accompanying consolidated financial statements of Gabriel Resources Ltd. (“Gabriel” or the “Company”) have been prepared by the Company’s management (“Management”) in accordance with International Financial Reporting Standards (“IFRS”). 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 maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

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

The Company’s independent auditor, PricewaterhouseCoopers LLP, has conducted an audit in accordance with generally accepted auditing standards, and its report follows.

(Signed) ***“Jonathan Henry”***

Jonathan Henry
President and Chief Executive Officer

(Signed) ***“Max Vaughan”***

Max Vaughan
Chief Financial Officer

March 29, 2016

March 29, 2016

Independent Auditor's Report

To the Shareholders of
Gabriel Resources Ltd.

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

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

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

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

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

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

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

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Consolidated Statement of Financial Position

As at December 31
(Expressed in thousands of Canadian dollars)

	Notes	**2015**	2014
Assets			
Current assets			
Cash and cash equivalents	8	**18,567**	44,156
Trade and other receivables	9	**117**	154
Prepaid expenses and supplies		**869**	990
Total current assets (excluding assets classified as held for sale)		**19,553**	45,300
Assets classified as held for sale	7	**19,646**	-
Total current assets		**39,199**	45,300
Non-current assets			
Restricted cash	8	**533**	493
Property, plant and equipment	10	**4,683**	55,447
Mineral properties	11	**-**	546,834
Total non-current assets		**5,216**	602,774
TOTAL ASSETS		**44,415**	648,074
Liabilities			
Current liabilities			
Trade and other payables	13	**2,595**	3,201
Resettlement liabilities	14	**1,162**	4,217
Other current liabilities	15	**388**	662
Total current liabilities		**4,145**	8,080
Non-current liabilities			
Convertible unsecured notes	16	**30,400**	29,416
Other non-current liabilities	15	**1,145**	1,552
Total non-current liabilities		**31,545**	30,968
TOTAL LIABILITIES		**35,690**	39,048
Equity			
Share capital	18	**868,086**	868,081
Other reserves		**53,843**	52,832
Currency translation adjustment		**2,254**	(35,216)
Accumulated deficit		**(919,570)**	(291,738)
Equity attributable to owners of the parent		**4,613**	593,959
Non-controlling interest	20	**4,112**	15,067
TOTAL EQUITY		**8,725**	609,026
TOTAL EQUITY AND LIABILITIES		**44,415**	648,074

Approved by the Board of Directors

(Signed) ***"Keith Hulley"***

Keith Hulley
Director

(Signed) ***"David Peat"***

David Peat
Director

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

Consolidated Income Statement

For the year ended December 31

(*Expressed in thousands of Canadian dollars, except per share data)*

	Notes	2015	2014
Expenses			
Corporate, general and administrative		**11,479**	4,995
Impairment of mineral properties and property plant and equipment	12	**631,178**	-
Severance costs	21	**858**	2,612
Share-based compensation	15,19	**479**	(2,826)
Depreciation		**137**	142
Operating loss		**644,131**	4,923
Other (income) / expense			
Finance income		**(207)**	(361)
Finance costs - convertible note interest accretion	16	**3,784**	2,164
Foreign exchange loss		**46**	100
Loss for the year		**647,754**	6,826
Loss for the year attributable to:			
- Owners of the parent		**627,832**	6,322
- Non-controlling interest	20	**19,922**	504
Loss for the year		**647,754**	6,826
Loss per share (basic and diluted)	24	**$ 1.63**	$ 0.02

Consolidated Statement of Comprehensive Income

For the year ended December 31

(*Expressed in thousands of Canadian dollars)*

	Note	2015	2014
Loss for the year		**647,754**	6,826
Other comprehensive (income) / loss			
- may recycle to the Income Statement in future years			
Currency translation adjustment		**(46,437)**	25,141
Comprehensive loss for the year		**601,317**	31,967
- Owners of the parent		**590,362**	26,608
- Non-controlling interest	20	**10,955**	5,359
Comprehensive loss for the year		**601,317**	31,967

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

Consolidated Statement of Changes in Shareholders’ Equity

For the year ended December 31

(Expressed in thousands of Canadian dollars)

	Notes	2015	2014
Common shares			
At January 1		**868,081**	868,081
Shares issued on the exercise of share options	18	**3**	-
Transfer from contributed surplus - exercise of share options		**2**	-
At December 31		**868,086**	868,081
Other reserves			
At January 1		**52,832**	53,352
Share-based compensation	18	**1,013**	(6,176)
Exercise of share options		**(2)**	-
Equity component of convertible notes, net of issue costs	15	**-**	1,695
Warrants, net of issue costs	15	**-**	3,961
At December 31		**53,843**	52,832
Currency translation adjustment			
At January 1		**(35,216)**	(14,930)
Currency translation adjustment		**37,470**	(20,286)
At December 31		**2,254**	(35,216)
Accumulated deficit			
At January 1		**(291,738)**	(264,990)
Loss for the year		**(627,832)**	(6,322)
Transfer of interest in Rosia Montana Gold Corporation	20	**-**	(20,426)
At December 31		**(919,570)**	(291,738)
Non-controlling interest			
At January 1		**15,067**	-
Transfer of interest in Rosia Montana Gold Corporation	20	**-**	20,426
Loss for the year		**(19,922)**	(504)
Currency translation adjustment		**8,967**	(4,855)
At December 31		**4,112**	15,067
Total shareholders' equity at December 31		**8,725**	609,026

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

Consolidated Statement of Cash Flows

For the year ended December 31
(Expressed in thousands of Canadian dollars)

	Notes	**2015**	2014
Cash flows used in operating activities			
Loss before income taxes		**(647,754)**	(6,826)
Items not affecting cash			
Depreciation		**137**	142
Share-based compensation		**479**	(2,826)
Impairment of mineral properties and property plant and equipment	11	**631,178**	-
Convertible note interest accretion	16	**3,784**	2,164
Unrealized foreign exchange gain		**(312)**	(73)
Cash used in operations		**(12,488)**	(7,419)
RSU cash settlement		**(68)**	(13)
Net changes in non-cash working capital	28	**768**	(229)
		(11,788)	(7,661)
Cash flows used in investing activities			
Exploration and development expenditures	28	**(9,497)**	(18,617)
Purchase of capital assets	10	**(138)**	(44)
Net changes in non-cash working capital	28	**(1,329)**	(4,514)
		(10,964)	(23,175)
Cash flows provided by financing activities			
Proceeds from issuance of private placement, net of issue costs	16	**-**	34,557
Finance charges on private placement	16	**(2,800)**	(1,649)
Proceeds from the exercise of share options	18	**3**	-
		(2,797)	32,908
Increase / (decrease) in cash and cash equivalents		**(25,549)**	2,072
Effect of foreign exchange on cash and cash equivalents		**(40)**	(39)
Cash and cash equivalents - beginning of year		**44,156**	42,123
Cash and cash equivalents - end of year	28	**18,567**	44,156

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

1. Nature of operations

Gabriel Resources Ltd. ("Gabriel" or the "Company") is a Toronto Stock Exchange listed Canadian resource company whose activities have been focused on permitting and developing the Roşia Montană gold and silver project (the "Project") in Romania. The exploitation license for the Project ("License") is held by Roşia Montană Gold Corporation S.A. ("RMGC"), a Romanian company in which Gabriel owns an 80.69% equity interest, with the 19.31% balance held by Minvest Roşia Montană S.A. ("Minvest RM"), a Romanian state-owned mining company.

Since obtaining the License in 1999, RMGC along with Gabriel and its subsidiary companies (together the "Group") have focused substantially all of their management and financial resources on identifying and defining the size of the four ore bodies, engineering to design the size and scope of the Project, surface rights acquisitions, rescue archaeology and environmental assessment and permitting.

Following many years of investment and despite the Company's fulfilment of its obligations under the License and Romanian law and its development of the Project as a high-quality, sustainable and environmentally-responsible mining project, using best available techniques, Romania has blocked and prevented implementation of the Project without due process and without compensation.

On January 20, 2015, the Company issued a formal notification to the President and Prime Minister of Romania on behalf of the Group to engage in a process of consultation ("Notice"). The Notice was issued pursuant to the provisions of international bilateral investment protection treaties, which the Romanian State has entered into with each of Canada and the United Kingdom of Great Britain and Northern Ireland for the Promotion and Reciprocal Protection of Investments (together the "Treaties").

During the course of 2015, and despite further subsequent letters seeking resolution discussions, the Company received no response from the Romanian State to the Notice. As a consequence, on July 21, 2015, Gabriel and its subsidiary company, Gabriel Resources (Jersey) Limited, submitted a request for arbitration ("Arbitration Request") before the World Bank's International Centre for Settlement of Investment Disputes ("ICSID") against the Romanian State pursuant to the Treaties ("ICSID Arbitration"). The ICSID Arbitration seeks compensation for all of the loss and damage resulting from the State's wrongful conduct and its breaches of the Treaties' protections against expropriation, unfair and inequitable treatment and discrimination in respect of the Project and the related licenses. The Arbitration Request was registered by ICSID on July 30, 2015. Notwithstanding the commencement of the ICSID Arbitration, the Company continues to seek, and remains open to, engagement with the Romanian authorities in order to achieve an amicable resolution of the dispute.

As of the date of these Financial Statements, the Company has been unable to reach an amicable resolution with Romania regarding the dispute that allows for the development of the Project. Furthermore, the ICSID Arbitration process is advancing. In these circumstances and given the passage of time since the Notice and Arbitration Request, the Company has decided that the likelihood of finding an amicable resolution to the dispute has diminished significantly. As a result, as at December 31, 2015 the Company has recognized the full impairment of its mineral property and a material impairment of its property, plant and equipment, as further described in Note 12.

1. Nature of operations (continued)

The approved 2016 budget includes those expenditures and commitments necessary to maintain the Company's assets, maintain the License and associated rights and permits, including material estimated costs associated the Company advancing the ICSID Arbitration. On the basis of the Company's balance of cash and cash equivalents as at December 31, 2015 and the Transactions referenced in Note 30, the Company has sufficient funding to satisfy all of the costs of its budgeted activities for the foreseeable future. Notwithstanding, the Company will require additional funding to finance the planned long-term ICSID Arbitration activities through to a successful conclusion. Management continues to review the Company's activities in order to identify areas to further reduce expenditures.

The Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future.

The Company's registered address is Suite 200 – 204 Lambert Street, Whitehorse, Yukon, Canada Y1A 3T2. The Company receives significant management services from its wholly-owned subsidiary, RM Gold (Services) Ltd. ("RMGS"). The principal place of business for RMGS is 1 Central Court, 25 Southampton Buildings, London WC2A 1AL, United Kingdom. The Company is the ultimate parent of the Group and does not have any controlling shareholders.

2. Statement of compliance

The Group prepares its consolidated financial statements in accordance with IFRS as issued by the International Accounting Standards Board.

The consolidated financial statements were approved by the Board of Directors on March 29, 2016.

3. Basis of preparation

The consolidated financial statements are prepared according to the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss.

The accounting policies applied in the presentation of the consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated.

(Amounts in thousands of Canadian dollars, unless otherwise stated)

4. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The consolidated financial statements include the accounts of the Company and the following subsidiaries, which are all part of the Group:

Entity name	**Group ownership**	**Place of incorporation**	**Functional currency**
Gabriel Resources (Barbados) Ltd.	100%	Barbados	Canadian dollar
Gabriel Resources (Netherlands) B.V.	100%	Netherlands	Canadian dollar
Gabriel Resources (Jersey) Ltd.	100%	Jersey	Canadian dollar
RM Gold (Services) Ltd.	100%	UK	UK pound sterling
Roșia Montană Gold Corporation S.A.	80.69%	Romania	Romanian leu
Rom AUR SRL	100%	Romania	Romanian leu
Gabriel Finance S.A.	100%	Romania	Romanian leu

There has been no change in the ownership structure of the Group entities during 2015.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Loans made by the Company to enable non-controlling interests to acquire their shareholding in RMGC are deemed to be part of the net investment in the subsidiary and are accordingly set off against non-controlling interest balances upon consolidation. See also Note 20.

5. Critical accounting estimates, risks and uncertainties

The Company performed an analysis of risk factors which, if any should materialize, could materially and adversely affect the results of operations and financial position of the Company.

The preparation of consolidated financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities, if any, at the date of the financial statements and the reported amount of expenses and other income for the year. These estimates and assumptions are based on Management's knowledge of the relevant facts and awareness of circumstances, having regard to prior experience. Significant estimates and assumptions include the following:

Recoverability of mineral properties and long-lead time equipment: Management tests the Project for indicators of impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, and has concluded that, as of December 31, 2015, an impairment indicator existed, and the best estimation of the recoverable amount of the mineral properties is nil. The critical judgement on which the indicator for this impairment relies is the continued lack of positive progress with the Romanian government added to the continuation of the ICSID Arbitration. Consideration was given to these risk factors (as more fully described in Note 1) and their adverse impact on the potential economics of the Project.

The same impairment indicators exist for the long lead-time equipment, however based on initial market valuation indications from specialist intermediaries, some value can be attached to these assets, as described in Note 12.

While Management believes that these estimates and assumptions are reasonable, actual results may differ from the amounts included in the consolidated financial statements.

6. Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents comprise readily available cash at banks, cash on hand and other highly liquid short-term investments with maturity dates less than ninety days.

Property, plant and equipment

Property, plant and equipment are recorded 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 Company and the cost can be measured reliably.

Depreciation of property, plant and equipment used for exploration and development is capitalized to mineral properties. The depreciation rates for each asset class are as follows:

Asset Class	**Depreciation method**
Vehicles	5 years, straight line basis
Office equipment	2 - 5 years, straight line basis
Leasehold improvements	Over term of lease, straight line basis
Buildings	50 years, straight line basis
Property plant and equipment in construction	Not depreciated until brought into use

Where parts (components) of an item of property, plant and equipment have different useful lives or for which different depreciation rates would be appropriate, they are accounted for as separate items of property, plant and equipment.

Exploration and evaluation costs

Exploration and evaluation costs are expensed as exploration costs in the Consolidated Income Statement until the determination of the technical feasibility and the commercial viability of the associated project. Exploration costs include costs directly related to exploration and evaluation activities in the area of interest. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when mineral reserves are determined to exist, the rights of tenure are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the property. This determination is normally evidenced by the completion of a technical feasibility study.

Mineral properties and development expenditures

After completion of the technical feasibility study, subsequent exploration and development expenses are capitalized in mineral properties. Engineering expenditures to design the size and scope of the Project, environmental assessment and permitting, rescue archaeology and surface rights acquisitions are capitalized in mineral properties. In addition, consultancy costs and other expenditures, including corporate costs that are directly related to the advancement of Project permitting, are also capitalized in mineral properties.

Associated with the mineral property, the Company has a resettlement program. Resettlement costs are transferred to mineral properties after the transfer of the legal title of the property is complete (Note 14).

6. Significant accounting policies (continued)

Impairment of non-financial assets

Non-financial assets to be held and used by the Group are reviewed for indicators of impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Non-financial assets in construction, including the long lead-time equipment, that are not yet available for use, are assessed for indicators of impairment at the end of each reporting period. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use, which is the present value of the future cash flows expected to be derived from an asset.

Impairment losses for non-financial assets or cash generating units are reversed if evidence exists of an indicator of that reversal, and there has been a consequent change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal of previously recognized impairment losses is limited to the original carrying value of the asset less any amortization which would have accrued since the last impairment loss was recognized.

Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. These provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax risk free discount rate. The increase in the provision due to passage of time is recognized as finance cost.

On recognition of a provision for environmental restoration, an addition is made to the asset category the provision relates to and amortized in the Consolidated Income Statement on a unit of production basis. The provision and related asset are adjusted for any change in estimates in subsequent periods.

At December 31, 2015 the Group has not incurred or committed to any provisions for environmental restoration related to the development of its mineral properties in Romania.

Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is the Canadian Dollar. The functional currency of each of the Company's subsidiaries is listed in Note 4. The consolidated financial statements are presented in Canadian dollars which is the Group's presentation currency.

(b) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities, expenses and other income arising from foreign currency transactions are translated at the exchange rate in effect at the date of the transaction. Exchange gains or losses arising from the translation are included in the determination of losses in the current year.

6. Significant accounting policies (continued)

(c) Group companies

The results and financial position of all entities in the Group that have a functional currency different from the Group's presentation currency are translated into the Group's presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- equity transactions are translated at the historical exchange rate;
- income and expenses for each income statement are translated at the exchange rate in effect on date of the transaction (or at average exchange rates for the reporting period); and
- all resulting exchange differences are recognized in other comprehensive (income) / loss and accumulated as a separate component of equity (currency translation adjustment).

Financial instruments

Financial assets and liabilities are recognized when the Group 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 Group has transferred substantially all risks and reward of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

At initial recognition, the Group classifies its financial instruments in the following categories:

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. Financial instruments in this category are recognized initially and subsequently at fair value.

Available-for-sale investments: Non-derivatives that are either designated in this category or not classified in any other category. Available-for-sale investments are initially recognized at fair value plus transaction costs and subsequently carried at fair value with changes in fair value recognized in other comprehensive loss.

Loans and receivables: Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise trade receivables, cash and cash equivalents and restricted cash, 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 amount to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest rate method less a provision for impairment.

Financial liabilities at amortized cost: Trade payables, accruals and other payables are classified as financial liabilities at amortized cost. Trade payables, accruals and other payables are initially recognized at the amount expected to be paid, less, when material, a discount to reduce the amount to fair value. Subsequently trade payables, accruals and other payables are measured at amortized cost using the effective interest rate method.

At each reporting date, the Group assesses whether there is objective evidence that a financial asset (other than a financial asset classified at fair value through profit or loss) is impaired. If such evidence exists, the Group recognizes an impairment loss as follows:

Financial assets carried at amortized cost: The impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate.

6. Significant accounting policies (continued)

Available-for-sale financial assets: The impairment loss is the difference between the acquisition cost of the asset and the fair value at the measurement date, less any prior impairment losses previously recognized in the statement of loss.

Impairment losses on financial assets carried at amortized cost and available-for-sale instruments are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Loss per share

Loss per share is calculated based on the weighted average number of common shares issued and outstanding. Diluted per share amounts are calculated using the treasury stock method whereby proceeds deemed to be received on the exercise of options and warrants in the per share calculation are assumed to be used to acquire common shares. Stock options not in-the-money at the time of calculation are deemed non-dilutive. Whilst the Group is in a loss position, the effect of potential issuances of shares under options and warrants would be anti-dilutive, and this has not been considered in the loss per share calculation.

Share based payments

The Company provides equity and cash settled share based compensation plans for the remuneration of its directors, officers, employees and consultants.

The fair value of the instruments granted is measured using a Black-Scholes model, taking into account the terms and conditions upon which the instruments are granted. The fair value of the awards is adjusted by the estimate of the number of awards that are expected to vest as a result of non-market conditions and is expensed over the vesting period using the graded vesting method of amortization. At the end of each reporting period, the Company reviews its estimates of the number of options that are expected to vest based on the non-market vesting conditions including the impact of the revision to original estimates, if any, with corresponding adjustments to equity.

Share-based compensation relating to share options is charged to the Consolidated Income Statement and Consolidated Statement of Comprehensive Income or, for costs relating to personnel employed in Romania, capitalized to mineral properties in the Consolidated Statement of Financial Position over the vesting periods, with corresponding adjustments to equity.

The Company has a Deferred Share Unit ("DSU") Plan under which qualifying participants receive certain compensation in the form of DSUs in lieu of cash. On retirement or departure from the Company participants may, at their discretion, redeem their DSUs for common shares of the Company ("Common Shares"), cash, or a combination of Common Shares and cash. If the holder elects to settle the DSU in Common Shares, then the Company, at its sole discretion, can elect to pay the amount in Common Shares either purchased in the open market or issued from treasury.

The Company also has a Restricted Share Unit ("RSU") Plan under which qualifying participants may receive a portion of their compensation in the form of RSUs. Upon vesting, participants may, at their discretion, redeem their RSUs for Common Shares, cash, or a combination of Common Shares and cash.

Share-based compensation relating to DSUs and RSUs is calculated based on the quoted market value of the Common Shares and charged to the Consolidated Income Statement and Consolidated Statement of Comprehensive Income or, for costs relating to Group personnel employed in Romania, capitalized to mineral properties in the Consolidated Statement of Financial Position. The compensation cost and liability is adjusted each reporting period for changes in the underlying share price.

6. Significant accounting policies (continued)

Income taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date, plus any adjustment to taxes payable in respect of previous years.

Deferred income taxes are recognized in respect of temporary differences arising between the financial reporting and tax basis of assets and liabilities, and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recognized only to the extent that it is probable the assets will be realized in the foreseeable future.

Deferred tax assets and liabilities, when recognized, are presented as non-current in the Consolidated Statement of Financial Position.

Lease payments

Payments made under operating leases are recognized in profit and loss on a straight-line basis over the term of the lease, or capitalized as part of mineral properties for leases directly related to projects in Romania.

Employee benefits

Under successive collective bargaining agreements, which have fallen due for renewal from time-to-time between RMGC and its employees, under certain conditions, employees of RMGC are entitled to a bonus when celebrating various years of uninterrupted service as well as certain other benefits. The obligation is determined on an actuarial basis and is affected by a number of assumptions and estimates. The obligation is recorded as a liability and the expense is recorded in the Consolidated Income Statement or, for personnel employed in Romania, capitalized as part of mineral properties. In periods between the expiry of a collective bargaining agreement and the execution of a replacement agreement, Management uses historical agreement terms for determining the appropriate liability and expense.

Accounting standards and amendments

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year ended December 31, 2015.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016, and have not been applied in preparing these consolidated financial statements. Management is assessing the possible impact of these standards and has not yet concluded as to the impact on the group. The standards being reviewed that are relevant to the group are:

- IFRS 9 - Financial Instruments. Replacement standard for IAS 39 Financial instruments: Recognition and Measurement. IFRS 9 retains (and simplifies) the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. This standard is mandatory effective from January 1, 2018.

- IFRS 16 – Leases. In January 2016, the IASB issued IFRS 16 *Leases*, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019.

(Amounts in thousands of Canadian dollars, unless otherwise stated)

7. Assets held for sale

	December 31 2015	December 31 2014
Balance - December 31, 2014	**-**	
Transfer from construction in progress	**19,646**	-
	19,646	-

Due to the combined status of the Project permitting and the ICSID Arbitration, the prospect of the long lead-time equipment being used in the future for the purpose it was purchased, is now considered remote. In December 2015 the Company formally engaged two specialist agents to broker the sale of this equipment. As the fair value less costs to sell, determined based on information provided by these agents, is lower than the book value of the assets, the Company has recognized an impairment of $33.0 million in 2015.

8. Cash and cash equivalents and restricted cash

	December 31 2015	December 31 2014
Cash at bank and on hand	**4,070**	8,897
Short-term bank deposits	**14,497**	35,259
Cash and cash equivalents	**18,567**	44,156
Restricted cash	**533**	493
	19,100	44,649

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates. Cash is readily available and is deposited at reputable financial institutions with high quality credit standings.

The Group manages its domestic Romanian bank credit risk by centralizing custody, control and management of its surplus cash resources from its corporate office and only transferring money to its Romanian subsidiary based on near term cash requirements, thereby mitigating exposure to domestic Romanian banks. At December 31, 2015, the Group held $0.6 million equivalent in Romanian banks (2014: $1.0 million).

Short-term bank deposits represent investments in government treasury bills, with maturities from the date of acquisition of less than 90 days.

Restricted cash represents cash collateralization of environmental guarantees for future clean-up costs. In addition, in late 2013 the Romanian regional prosecutor’s office in Ploiesti placed a restriction order on $0.3 million held in one of RMGC’s Romanian bank accounts pending the outcome of an investigation into a Group of companies of which one was a former supplier to RMGC. The restricted amount represents the value of the goods procured from the supplier during 2012. RMGC is challenging the legality of the restriction and is continuing to cooperate fully with the Ploiesti prosecutor’s office.

(Amounts in thousands of Canadian dollars, unless otherwise stated)

9. Trade and other receivables

	December 31 2015	December 31 2014
Trade and other receivables	**17**	17
VAT and sales taxes	**100**	137
	117	154

The carrying amounts of accounts receivable are denominated in the following currencies:

	December 31 2015	December 31 2014
UK pound sterling	**22**	33
Romanian leu	**95**	121
	117	154

(Amounts in thousands of Canadian dollars, unless otherwise stated)

10. Property, plant and equipment

	Office equipment	Building	Vehicles	Leasehold improvements	Construction in progress [1]	TOTAL
COST						
Balance - December 31, 2013	**4,781**	**3,389**	**1,592**	**293**	**52,781**	**62,836**
Additions	40	-	-	4	-	44
Disposals	(362)	(70)	(459)	-	(483)	(1,374)
Currency translation adjustment	(137)	(125)	(53)	-	(1,839)	(2,154)
Balance - December 31, 2014	**4,322**	**3,194**	**1,080**	**297**	**50,459**	**59,352**
Additions	67	-	43	6	22	138
Reclassifications	-	(127)	-	-	127	-
Disposals	(132)	(81)	(72)	-	(1,356)	(1,641)
Currency translation adjustment	206	204	70	-	3,382	3,862
Impairment charge	-	-	-	-	(32,988)	(32,988)
Transfer to assets held for sale	-	-	-	-	(19,646)	(19,646)
Balance - December 31, 2015	**4,463**	**3,190**	**1,121**	**303**	**-**	**9,077**
ACCUMULATED DEPRECIATION						
Balance - December 31, 2013	**2,919**	**108**	**1,166**	**139**	**-**	**4,332**
Depreciation	317	19	125	64	-	525
Disposals	(355)	(14)	(458)	-	-	(827)
Currency translation adjustment	(77)	(4)	(44)	-	-	(125)
Balance - December 31, 2014	**2,804**	**109**	**789**	**203**	**-**	**3,905**
Depreciation	166	20	157	100	-	443
Disposals	(92)	-	(41)	-	-	(133)
Currency translation adjustment	115	9	55	-	-	179
Balance - December 31, 2015	**2,993**	**138**	**960**	**303**	**-**	**4,394**
CARRYING AMOUNT						
At December 31, 2013	1,862	3,281	426	154	52,781	58,504
At December 31, 2014	1,518	3,085	291	94	50,459	55,447
At December 31, 2015	**1,470**	**3,052**	**161**	**-**	**-**	**4,683**

[1] *Amounts included in construction in progress are not subject to amortization. These assets were transferred to assets held for sale in the year, as described in Note 8.*

(Amounts in thousands of Canadian dollars, unless otherwise stated)

10. Property, plant and equipment (continued)

Construction in progress includes the following amounts:

	December 31 2015	December 31 2014
Resettlement site development costs	**-**	4,399
Long lead-time equipment	**19,646**	46,060
Transfer to assets held for sale	**(19,646)**	-
	-	50,459

Long lead-time equipment comprises crushing and milling equipment, which is not yet assembled. These items were procured in advance of expected production activities due to the nature of the procurement cycle and are currently stored in various warehouse locations which, with non-material exceptions, are outside of Romania, the main location being the port of Antwerp, Belgium. The storage is in accordance with both the original manufacturers' and current insurer's recommended storage requirements. As outlined in Note 8, the long lead-time equipment was transferred to assets held for sale on December 31, 2015. Refer to Note 12 for further disclosure on the impairment of the long lead-time equipment.

11. Mineral properties

	Rosia Montană
Balance - December 31, 2013	553,923
Development costs - additions [1]	**16,023**
Currency translation adjustment	(23,112)
Balance - December 31, 2014	546,834
Development costs - additions [1]	8,602
Currency translation adjustment	**42,752**
Impairment of mineral properties	**(598,188)**
Balance - December 31, 2015	**-**

[1] *Mineral property additions of $8.6 million (2014: $16.0 million) is $0.9 million lower than the amount reported in the Consolidated Statement of Cash Flows of $9.5 million (2014: $18.6 million). The difference is attributed to a net non-cash adjustment of resettlement liabilities, non-cash charges for share based compensation and amortization (see details in Note 27).*

At December 31, 2015, the Group still holds its 80.69% interest in the Project, indirectly through RMGC, which holds two mineral licenses in Romania, being the License for the Project and an expired exploration license for the Bucium property. The latter is subject to an application with the requisite authorities in order to upgrade into two separate exploitation licenses. Minvest RM, a Romanian state-owned mining company, holds the remaining 19.31% interest in RMGC.

The Group holds the pre-emptive right to acquire the 19.31% non-controlling interest. The Company is required to fund 100% of all expenditures related to the exploration and development of these properties and holds a preferential right to recover all funding plus interest (other than on non-interest bearing loans) from future cash flows prior to the non-controlling shareholders receiving dividends.

Pursuant to the Project License, RMGC has the exclusive right to conduct mining operations at the Roșia Montană property for an initial term of 20 years expiring in June 2019, and thereafter with successive five-year renewal periods.

As described in Notes 1 and 12, the Company has assessed the Project for impairment, and based on the stated impairment indicators, has determined that it is appropriate to record a full impairment of its mineral properties as at December 31, 2015.

(Amounts in thousands of Canadian dollars, unless otherwise stated)

12. Impairment of mineral properties and property plant and equipment

In accordance with the Group's accounting policy, assets are tested for impairment when events or changes in circumstances suggest that the carrying amount may not be recoverable.

The Company assessed the mineral properties and other long-lived assets for indicators of impairment and concluded that the continued uncertainty regarding the development of the Project and the progression of the ICSID Arbitration, including that the Company has been unable to reach an amicable resolution with Romania regarding the dispute and the appointment by the Romanian State of lawyers to defend the ICSID Arbitration, represent indicators of impairment that require a determination to be made of the Project's recoverable amount.

The recoverable amount relating to mineral properties has been determined as nil, based on both the FVLCD and VIU methods. The FVLCD is considered to be nil on the basis that no other market participant would likely be able to progress the Project in the face of the ICSID Arbitration and the current political environment in Romania. A market approach was used in estimating the FVLCD as an income approach would not be considered to provide a reliable estimate of fair value. The VIU of the Project is also considered to be nil due to the probability of resolving the dispute with the Romanian State, and therefore the likelihood of the Project being developed, being now considered to be remote, and therefore no future positive cash flows can be expected to be generated.

In respect of the resettlement site development costs, which are work-in-progress assets yet to be transferred to mineral properties, a full impairment has been recorded consistent with the treatment of mineral properties.

As at December 31, 2015, all of the Group's long lead-time equipment was classified as held for sale. A market approach was also used in estimating the FVLCD of the Group's long lead-time equipment. Based on initial market valuation indications from specialist intermediaries, whilst acknowledging the limited market for large engineering equipment, the Company has recorded a $33.0 million impairment of its long lead-time equipment as at December 31, 2015, and has classified these assets as held for sale within the Consolidated Statement of Financial Position, as described in Note 8.

In the event that the prospects for the development of the Project are enhanced in the future, an assessment of the recoverable amount of the Project will be performed at that time, which may lead to a reversal of part or all of the impairment that has been recognized in the current year.

13. Trade and other payables

	December 31 2015	December 31 2014
Trade payables	**704**	830
Payroll liabilities	**647**	1,013
Accrued expenses	**1,244**	1,358
	2,595	3,201

The carrying amounts of accounts payable and accrued liabilities are denominated in the following currencies:

	December 31 2015	December 31 2014
UK pound sterling	**164**	298
Canadian dollar	**199**	559
United States dollar	**497**	168
Euro	**349**	75
Romanian leu	**1,386**	2,101
	2,595	3,201

(Amounts in thousands of Canadian dollars, unless otherwise stated)

14. Resettlement liabilities

RMGC previously had a program for purchasing homes in the Project area, which was suspended in 2008. Under the resettlement program residents were offered two choices; either to take the sale proceeds and move to a new location of their choosing, or exchange their properties for a new property to be built by RMGC at a new resettlement site. For those residents who chose the resettlement option, the Company recorded a resettlement liability for the anticipated construction costs of the resettlement houses. As a result of the delay in delivery of these homes, RMGC pays a penalty of up to 20% of the agreed upon unpaid property value per year of delay as required by the resettlement contracts. The remaining penalty amount in the resettlement contract is also recorded within resettlement liabilities.

During the second half of 2015 the Company closed out the majority of resettlement contracts with residents through, for example, providing alternate homes that RMGC owned in Rosia Montană. As a consequence, there was a significant utilization of accrued resettlement liabilities during the period with the total balance as of December 31, 2015 reducing to $1.2 million (December 31, 2014: $4.2 million).

15. Other liabilities

(a) DSUs

	DSUs (000's)	**Price per common share (dollars)**	**Value**
Outstanding - December 31, 2013	534	0.78	416
Granted	**579**	**1.15**	**665**
Change in fair value			(636)
Outstanding - December 31, 2014	1,113	0.40	445
Granted	**727**	**0.33**	**243**
Change in fair value			**(431)**
Balance - December 31, 2015	**1,840**	**0.14**	**257**

During the year ended December 31, 2015 the Company recorded a net reversal of $0.2 million (2014: $nil) to share based compensation expense related to DSUs and capitalized $nil (2014: $nil). No DSUs were settled during the year (2014: $nil).

The Company has a DSU Plan under which qualifying participants can elect to receive certain compensation in the form of DSUs. DSUs are initially valued at the five-day weighted average market price of the Common Shares at the date of issue, and are subsequently recorded at fair value based on the closing common share price at the end of each reporting period. The initial value assigned to the DSUs plus any subsequent change in the fair market value of the DSU liability at the end of each reporting period has been recorded in share based compensation expense except for costs relating to personnel working on projects in Romania, which was capitalized to mineral properties.

(Amounts in thousands of Canadian dollars, unless otherwise stated)

15. Other liabilities (continued)

(b) RSUs

	RSUs (000's)	Price per common share (dollars)	Value
Outstanding - December 31, 2013	17	0.78	13
Amortized[1]	**233**	**0.96**	**225**
Settled	**(25)**	**0.51**	**(13)**
Change in fair value			(135)
Outstanding - December 31, 2014	225	0.40	90
Amortized[1]	**161**	**0.65**	**107**
Settled	**(207)**	**0.36**	**(77)**
Change in fair value			**(95)**
Balance - December 31, 2015	**179**	**0.14**	**25**

[1] *The Company has granted certain RSUs with vesting conditions. The expense associated with these issuances is amortized over the determined vesting period.*

The Company has an RSU Plan under which qualifying participants may receive a portion of their compensation in the form of RSUs. Upon vesting participants may, at their election, redeem their RSUs for Common Shares, cash, or a combination of Common Shares and cash. RSUs are measured and accounted for in the same way as DSUs.

During the year ended December 31, 2015 the Company recorded an expense of $nil (2014: $0.1 million) of share based compensation expense related to RSUs and capitalized $nil (2014: $nil). RSUs settled during the year, for cash, amounted to $0.08 million (2014: $0.01 million).

(c) Fidelity bonus and other benefits

	2015	2014
Balance accrued - January 1	**1,679**	3,145
Valuation adjustment	**-**	(956)
(Gain) / expense for the year		
- Interest cost	**67**	102
- Current service cost	**22**	130
- Curtailment	**(705)**	(682)
- Recognized actuarial loss	**93**	15
Total (gain) / expense for the year[1]	**(523)**	(1,391)
Payments	**-**	-
FX adjustment	**95**	(75)
Balance - December 31	**1,251**	1,679

[1] *Fidelity bonus and other benefits relate to RMGC. As a result, all actuarially determined adjustments were capitalized to mineral properties.*

(Amounts in thousands of Canadian dollars, unless otherwise stated)

15. Other liabilities (continued)

The fidelity bonus has formed part of collective bargaining agreements between RMGC and its employees. The key assumptions used in the annual actuarial evaluation to determine the fidelity bonus are as follows:

	December 31 2015	December 31 2014
Employee turnover rate (average based on model)	**0.0%**	1.2%
Years with full staff compliment	**18**	18
Years with 50% staff compliment	**6**	6
Weighted average inflation rate (applied discount rate)	**4.2%**	4.2%
Weighted average salary increase rates (above inflation)	**1.5%**	1.5%

The mortality and child birth rates utilized in the actuarial valuation for estimated male and female life expectancy and child birth benefits are the Romanian Mortality Tables 2013 and National Life-Birth Rates for 2011 as issued by the Romanian National Institute of Statistics.

	December 31 2015	December 31 2014
Deferred share units	**257**	445
Restricted share units	**25**	90
Fidelity bonus and other benefits	**1,251**	1,679
Total other liabilities	**1,533**	2,214

Other liabilities are disclosed as:

	December 31 2015	December 31 2014
Current liabilities - Other liabilities	**388**	662
Non-current liabilities - Other liabilities	**1,145**	1,552
Total other liabilities	**1,533**	2,214

16. 2014 Private placement

On May 30, 2014 the Company completed a private placement with a number of existing shareholders (the "2014 Private Placement"). A total of 35,000 units were issued at a price of $1,000 per unit to raise aggregate gross proceeds of $35.0 million. Each unit consists of:

- $1,000 principal amount of convertible, subordinated, unsecured notes with a coupon of 8% (the "Notes"). The Notes mature on June 30, 2019 and are convertible at any point prior to maturity, at the option of the holder, into Common Shares at a conversion price of $1.255 per common share;
- 398 common share purchase warrants ("Warrants"), each of which entitles the holder to purchase one Common Share at a price of $1.674 at any time prior to June 30, 2019; and
- one arbitration value right ("AVR"), which entitles the holder, subject to certain limitations and exclusions, to a pro-rata proportion of up to 5% (capped at an aggregate of $130 million) of any amounts received by the Group pursuant to any settlement or arbitral awards irrevocably made in favour of the Group.

The 2014 Private Placement was accounted for as a compound financial instrument. The debt component of the compound financial instrument was recognized initially at fair value of a similar liability that does not have an equity conversion option. The warrants were recorded at fair value.

(Amounts in thousands of Canadian dollars, unless otherwise stated)

16. 2014 Private placement (continued)

The equity component was recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the debt and warrant components. Any directly attributable transaction costs were allocated to the liability and equity components in proportion to their initial carrying amounts.

Initial recognition

The accounting treatment applied for the initial measurement of the 2014 Private Placement was as follows:

	Gross allocation	Financing fees	Net allocation
Liability component of convertible debentures	29,272	371	28,901
Equity component of convertible debentures	1,716	21	1,695
Warrants	4,012	51	3,961
Arbitration value rights	-	-	-
Proceeds of private placement	35,000	443	34,557

There are two derivatives that are embedded within the Notes: a ‘make-whole premium’ to protect holders of the Notes in a change of control event prior to maturity; and a ‘common share repayment right’ providing the Company with the right to repay the principal in Common Shares at a discounted amount of 95% of par at maturity. These two embedded derivatives were determined to have insignificant initial values and were accordingly not accounted for, but are reassessed at each reporting date. As at December 31, 2015, the value of these derivatives remains insignificant.

Subsequent recognition

Interest and transaction costs are recognized by accreting the debt component to its face value over the term of the Notes at an effective interest rate of 12.43%. The accounting for the various components of the 2014 Private Placement to December 31, 2015 is as follows:

	Note Debt	**Note Equity**	**Warrants**	**Arbitration Value Right**
Balance - December 31, 2013	-	-	-	-
Value on completion of Private Placement	28,901	1,695	3,961	-
Add: Debt component accretion	2,164			
Less: Interest payment	(1,649)			
Balance - December 31, 2014	**29,416**	**1,695**	**3,961**	**-**
Add: Debt component accretion	3,784			
Less: Interest payment	(2,800)			
Balance - December 31, 2015	**30,400**	**1,695**	**3,961**	**-**

Dilution of equity

As at the date of these Financial Statements, assuming both (i) conversion of all the Notes and (ii) exercise of all the Warrants respectively issued pursuant to the 2014 Private Placement, the number of issued and outstanding Common Shares will increase by approximately 11%. Furthermore, the Company has the option to (A) issue Common Shares from treasury in the market to raise funds towards the settlement of the semi-annual interest payments which are payable in cash, and (B) repay all or a proportion of the principal amount of the Notes outstanding at maturity by issuing Common Shares at 95% of the volume weighted average trading price of the shares on the Toronto Stock Exchange (“TSX”) for the 20 consecutive trading days ending five trading days preceding the date of maturity, which respectively may result in further dilution.

As further disclosed in Note 30, the Company is proposing to amend certain terms of the 2014 Private Placement, including a reduction in the Notes coupon from 8% to 0%.

(Amounts in thousands of Canadian dollars, unless otherwise stated)

17. Related party transactions

The Group had related party transactions, with associated persons or corporations, which were undertaken in the normal course of operations as follows:

(a) Key Management includes executive and non-executive directors and executive officers. The compensation paid or payable to key Management is as follows:

	December 31 2015	December 31 2014
Salaries and other short-term employee benefits	**1,663**	1,556
Directors' fees	**527**	527
DSUs and RSUs[1]	**318**	871
Share options[1]	**811**	1,448
Total	**3,319**	4,402

[1] *DSUs, RSUs and share options granted to key Management and non-executive directors are fair valued at the grant date.*

(b) Related party transactions with Minvest are disclosed in Note 20.

18. Share capital

Authorized:
Unlimited number of common shares without par value
Unlimited number of preferred shares, issuable in series, without par value

Issued:

	Number of shares (000's)	**Amount**
Balance - December 31, 2013 and 2014	384,145	868,081
Shares issued on the exercise of share options	5	3
Transfer from contributed surplus - exercise of share options		2
Balance - December 31, 2015	**384,150**	**868,086**

(Amounts in thousands of Canadian dollars, unless otherwise stated)

19. Common share options

The Company has an incentive stock option plan (the "Option Plan") which authorizes the Board of Directors to grant options to purchase Common Shares to directors, officers, employees and consultants. The exercise price of the options equals the five-day weighted average closing price of the Common Shares prior to the date of the option allotment. The majority of options granted vest over three years and are exercisable over five years from the date of issuance.

The maximum number of Common Shares issuable either as DSUs, RSUs or under the Option Plan is equal to 10% of the issued and outstanding Common Shares at any point in time.

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

	Outstanding			**Exercisable**		
Range of exercise prices (dollars)	**Number of options (thousands)**	**Weighted average exercise price (dollars)**	**Weighted average remaining contractual life (years)**	**Number of options (thousands)**	**Weighted average exercise price (dollars)**	**Weighted average remaining contractual life (years)**
0.40 - 1.00	18,260	0.64	5.2	10,714	0.74	3.5
1.01 - 2.00	3,845	1.81	1.9	3,655	1.81	1.9
4.01 - 6.00	1,873	5.77	1.0	1,873	5.77	1.0
6.01 - 8.13	1,750	7.52	0.3	1,250	7.29	0.4
	25,728	1.66	4.0	17,492	1.97	2.7

The estimated fair value of common share options is amortized using graded vesting over the period in which the options vest, which is normally three years. For those options which vest on a single date, either on issuance or on meeting milestones (the "measurement date"), the fair value of these options is amortized using graded vesting over the anticipated vesting period.

The fair value of common share options granted to personnel working on development projects was capitalized over the vesting period.

Certain historical option grants have performance vesting conditions. The fair value of these options that vest upon achievement of milestones will be recognized and expensed over the estimated vesting period of these options. Adjustments resulting from the recalculation of the estimated vesting periods are recorded in the Consolidated Income Statement.

Director, officer, employee and consultant common share options were granted, exercised and cancelled as follows:

	Number of options (thousands)	**Weighted average exercise price (dollars)**
Balance - December 31, 2013	22,139	4.71
Options granted	10,675	0.73
Options forfeited	(1,365)	5.81
Options expired	(2,809)	2.99
Balance - December 31, 2014	28,640	3.34
Options granted	**5,525**	**0.40**
Options forfeited	**(375)**	**7.27**
Options expired	**(8,057)**	**6.51**
Options exercised	**(5)**	**0.56**
Balance - December 31, 2015	**25,728**	**1.66**

(Amounts in thousands of Canadian dollars, unless otherwise stated)

19. Common share options (continued)

During the year ended December 31, 2015, 5.5 million options were granted at a weighted average exercise price of $0.40, of which 2.5 million vest on a milestone basis and the remaining 3.0 million vest over a three-year period. During the year ended December 31, 2014, 10.7 million options were granted at a weighted average exercise price of $0.73, of which 5.0 million vest on a milestone basis and the remaining 5.7 million vest over a three-year period.

The valuation of the common share options granted was calculated using a Black-Scholes valuation model with the following assumptions:

	December 31 2015	December 31 2014
Weighted average risk-free interest rate	**1.05%**	1.15%
Volatility of share price	**94%**	94%
Weighted average life of options (years)	**6.7**	2.5
Pre-vesting forfeiture rate	**10%**	5%
Weighted average fair value of awards ($)	**0.31**	0.39

As of December 31, 2015, the remaining fair value of options to be expensed is $1.4 million (2014: $1.2 million) and to be capitalized is $nil (2014: $2.4 million). The fair value of share options expensed and capitalized during the year is as follows:

	December 31 2015	December 31 2014
Expensed	**693**	(2,926)
Capitalized	**398**	(3,250)

The reversal of share option expense during the year ended December 31, 2014 is a result of the effects of Project delays on the assumed or actual timing for the performance vesting conditions of certain share options.

20. Non-controlling interest

	Rosia Montană Gold Corporation S.A.
Balance - December 31, 2013	-
Transfer of interest to Minvest	20,426
Loss for the year	(504)
Currency translation adjustment	(4,855)
Balance - December 31, 2014	15,067
Currency translation adjustment	8,967
Loss for the year	(19,922)
Balance - December 31, 2015	**4,112**

The Company has historically advanced loans totaling US$39.5 million to Minvest RM, the non-controlling shareholder of RMGC, to facilitate mandatory statutory share capital increases in RMGC in accordance with Romanian company law rules on capitalization. These loans, which remain outstanding at December 31, 2015, are non-interest bearing and according to their terms are to be repaid as and when RMGC distributes dividends to its shareholders. The loans are accounted for as part of the Group's net investment in RMGC and, accordingly, have been set-off against non-controlling interests in the Condensed Consolidated Statement of Financial Position. The loans and non-controlling interest components will be reflected individually at such time as repayment of the loans is made possible.

(Amounts in thousands of Canadian dollars, unless otherwise stated)

20. Non-controlling interest (continued)

In December 2013, the Group was required to recapitalize RMGC in order to comply with minimum company law requirements. The subscription to RMGC share capital by the Company was effected through a conversion of existing intercompany debt. On January 17, 2014 the Group agreed to transfer to Minvest RM, for nil consideration, a proportion of the shares subscribed to in December 2013, with a face value of $20.4 million, in order to preserve the respective shareholdings in RMGC. This transfer gave rise to the disclosed non-controlling interest and subsequent accounting.

21. Severance costs

In 2015, following dialogue with relevant unions, concerned authorities and other stakeholders, the employment contracts of approximately 65 RMGC employees were terminated. The aggregate severance cost for the affected employees, which is disclosed in the Financial Statements, was approximately $0.9 million and was paid during 2015. This follows a similar 2014 restructuring of approximately 400 RMGC employees, on both permanent and temporary contracts, with an aggregate severance cost of $2.6 million (all paid in 2014).

22. Income taxes

The following table reconciles the expected income tax at the Canadian statutory income tax rate to the amounts recognized in the Consolidated Income Statement.

	December 31 2015	December 31 2014
Loss before income taxes	**647,754**	6,826
Income tax rate [(1)]	**30%**	30%
Income tax at statutory rates	**(194,326)**	(2,048)
Tax effects of:		
- Impact of foreign tax rates [(2)]	**88,485**	366
- Non-deductable items / permanent differences	**155**	(848)
- Unrecognised deferred tax assets	**105,686**	2,530
Income tax recovery	**-**	-

[(1)] The Income tax rate reflects the combined federal and provincial tax rates in effect in Yukon, Canada for each period shown.
[(2)]The Company has operations based in Romania, which has a different tax rate to the Canadian statutory rate

The Group has the following unrecognized deductible temporary differences within Canada. The expected future cash flow will be determined by the future tax rates applicable in Canada when the assets are utilized.

		Canada	
	December 31 2015	December 31 2014	Expiry
Losses carried forward	**85,112**	74,432	2016-2035
Unclaimed share issue cost	**354**	354	No expiry
Capital assets	**1,414**	1,388	No expiry
Cumulative eligible capital expenditures	**13,328**	13,328	No expiry
Deductable temporary differences	**100,208**	89,502	

RM Gold (Services) Ltd has $4.6 million of unrecognized temporary differences in the United Kingdom (2014: $3.6 million), with no specified expiry date, to be carried forward for use against future profits. RMGC has unrecognized temporary differences in Romania of $816.5 million (2014: $68.9 million). These differences could give rise to deferred tax assets at a future date. Losses carried forward, which are a component of the deductible temporary differences, amounted to $121.6 million (2014: $107.7 million) and have expiry dates between 2016 and 2020.

The Group does not recognize deferred tax assets until such time as the recovery of the taxes is probable.

(Amounts in thousands of Canadian dollars, unless otherwise stated)

23. Commitments and contingencies

The following is a summary of contractual commitments of the Group including payments due for each of the next five years and thereafter.

	Note	Total	2016	2017	2018	2019	2020	Thereafter
Capital commitments								
Resettlement construction	a	83	24	59	-	-	-	-
Operating lease commitments								
Rosia Montană exploitation license	b	955	273	273	273	136	-	-
Surface concession rights	c	1,279	35	35	35	35	35	1,104
Lease agreements	d	128	128	-	-	-	-	-
Total commitments		2,445	460	367	308	171	35	1,104

(a) RMGC has contracted building services for the construction of houses in Recea, Alba Iulia for resettlement of residents of the Project area. Construction activities were largely completed as at December 31, 2015. The contracts are 'arms-length' agreements with unrelated third parties.

(b) Under the terms of the Group's exploitation mineral license for the Project, an annual fee is required to be paid to maintain the license in good standing. The current annual fee is approximately $0.3 million. These fees are indexed annually by the Romanian Government until expiry, which is currently June 2019 subject to further prospective renewals.

(c) RMGC has approximately 40 years remaining on concession agreements with the Local Councils of Roșia Montană and Abrud by which it is granted exploitation rights to property located on and around one of the Project's proposed open pits for an annual payment of approximately $35,000 (Romanian Leu equivalent).

(d) The Group has entered into agreements to lease premises for various periods. The annual rent of premises consists of minimum rent plus realty taxes, maintenance and in certain instances utilities.

RMGC is involved in various legal proceedings, arising in the ordinary course of its business. The amount of ultimate liability with respect to these actions will not, in the opinion of Management, materially affect the Company's financial position, results of operations or cash flows. As at December 31, 2015, the Company does not believe that the outcome of any of the matters not recorded in the financial statements, individually or in aggregate, would have a material adverse impact to the Company's financial position.

24. Loss per share

	December 31 2015	December 31 2014
Loss for the year attributable to owners of the parent	**627,910**	6,322
Weighted-average number of common shares (000's)		
Basic number of shares	**384,149**	384,145
Basic and diluted loss per share	**$ 1.63**	$ 0.02

While the Company is in a loss making position, the effect of potential share issuances under share options, deferred and restricted share units and warrants would be anti-dilutive. Diluted earnings per share are therefore deemed to be the same as basic earnings per share.

(Amounts in thousands of Canadian dollars, unless otherwise stated)

25. Segmented information

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Company's Chief Executive Officer.

The Group has one operating segment: the exploration, evaluation and development of precious metal mining projects located in Romania ("Mining"). The rest of the entities within the Group are Grouped into a secondary segment ("Corporate").

The segmental report is as follows:

	Mining		**Corporate**		**Total**	
For the year ended December 31,	**2015**	2014	**2015**	2014	**2015**	2014
Reportable items in the Consolidated Statements of Loss and Comprehensive Loss						
Finance income	-	-	**(207)**	(361)	**(207)**	(361)
Finance costs - convertible note accretion	-	-	**3,784**	2,164	**3,784**	2,164
Amortization	-	-	**137**	142	**137**	142
Reportable segment loss	**643,515**	2,612	**4,239**	4,214	**647,754**	6,826
As at December 31,	**2015**	2014	**2015**	2014	**2015**	2014
Reportable segment in Consolidated Statement of Financial Position						
Reportable segment current assets	**20,892**	1,711	**18,307**	43,589	**39,199**	45,300
Reportable segment non - current assets	**5,175**	602,671	**41**	103	**5,216**	602,774
Reportable segment liabilities	**(3,706)**	(7,997)	**(31,984)**	(31,051)	**(35,690)**	(39,048)

The Group's non-current assets are predominantly located in various port facilities within the European Union.

26. Financial instruments

The recorded amounts for cash, cash equivalents, short-term investments, accounts receivable, accounts payable, accrued liabilities and other liabilities approximate fair values based on the nature of those instruments. The Group's risk exposures and the impact on the Group's financial instruments are summarized below:

Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents that are held in investment accounts with Canadian banks and invested in Canadian sovereign debt. The Group has adopted an investment strategy to minimize its credit risk by investing in sovereign debt (primarily issued by Canada, subject to availability) with the balance of cash being invested on short-term overnight deposit with the major Canadian banks.

The Group is exposed to the credit risk of domestic Romanian banks that hold and disburse cash on behalf of its Romanian subsidiaries. The Group manages its Romanian bank credit risk by centralizing custody, control and management of its surplus cash resources at the corporate office and only transferring money to its Romanian subsidiary based on near term cash requirements, thereby mitigating exposure to domestic Romanian banks.

The Group holds small cash balances in the United Kingdom to fund corporate activities.

The Group's credit risk is also attributable to value-added taxes receivable. Value-added taxes receivable are primarily collectable from the Romanian government.

Liquidity risk

The Group has sufficient funds as at December 31, 2015 to settle all current and long-term liabilities. The Company has the option to repay all or a proportion of the principal amount of the Notes outstanding at maturity by issuing Common Shares, as further described in Note 16.

As at December 31, 2015 the Group had no sources of operating cash flows and does not have sufficient cash either to fund the development of the Project or to fund the ICSID Arbitration through to its long-term conclusion and therefore will require additional funding which, if not raised, would result in the further curtailment of activities.

Market risk

(a) Interest rate risk

The Group has significant cash balances and fixed interest rate debt in the form of convertible notes. With the Group maintaining a short-term investment horizon, typically less than 3 months, for its cash and cash equivalents, it minimizes the risk of interest rate volatility as investments mature and are rolled over.

With a short-term investment horizon and the intent to hold all investments until maturity, the Group is only marginally exposed to capital erosion should interest rates rise and cause fixed yield investments to devalue.

The Group's primary objective with respect to cash and cash equivalents is to mitigate credit risk. The Group has elected to forego yield in favour of capital preservation.

The interest rate attributable to the convertible notes is a fixed interest rate for the period of the instrument and is therefore not subject to market fluctuations.

(Amounts in thousands of Canadian dollars, unless otherwise stated)

26. Financial instruments (continued)

(b) Foreign currency risk

The Group's presentation currency is the Canadian dollar and its activities expose it to fluctuations in foreign exchange rates. The Group has monetary assets and liabilities denominated in Romanian Leu, US dollars, UK pounds sterling and Euros and is, therefore, subject to exchange variations against both the functional and presentation currency.

The Group maintains cash and cash equivalents in various currencies and is therefore susceptible to market volatility as foreign cash balances are revalued to the functional currency of the entity and thereafter to the presentation currency of the Group. Therefore, the Group may report foreign exchange gains or losses during periods of economic and market volatility. The Group currently endeavours to keep the majority of its cash, cash equivalents, and short-term investments in Canadian dollars.

Financial instruments

The Group's financial assets consist of cash and cash equivalents. The Group estimates that their fair values approximate their carrying values. The Group's financial liabilities consist of trade and other payables, resettlement liabilities, and convertible notes (Note 16), which are at amortized cost, and other liabilities which are fair valued through profit and loss (Note 15).

The following table illustrates the classification of the Group's financial instruments, which are measured at fair value on a recurring basis, within the fair value hierarchy as at December 31, 2015:

	Financial assets and liabilities at fair value as at December 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	19,100	-	-	**19,100**
Mineral properties	-	-	-	**-**
Long lead-time equipment	-	-	19,646	**19,646**
Other liabilities	(282)	-	(1,251)	**(1,533)**
	18,818	-	18,395	**37,213**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Long lead-time equipment, considered in the level 3 component of other liabilities, was valued according to the opinion of specialist third parties, as described in Note 8.

The Fidelity bonus, also considered in the level 3 component of other liabilities, is valued according to an annual actuarial evaluation. The assumptions used in the evaluation are listed in Note 15.

Sensitivity analysis

As of December 31, 2015 the carrying amount of the financial instruments equals fair market value. Based on Management's knowledge and experience of the financial markets, the Company believes, based on its balance of cash and cash equivalents as at December 31, 2015, the following movements are "reasonably possible" over a twelve-month period:

- Cash and cash equivalents. A plus or minus 1% change in earned interest rates would affect net interest income by $0.2 million.
- The Group holds foreign currency balances, giving rise to exposure to foreign exchange risk. A plus or minus 1% change in exchange rates would affect net income by less than $0.1 million.

(Amounts in thousands of Canadian dollars, unless otherwise stated)

27. Capital management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern, fund its planned activities and commitments and retain financial flexibility to respond to unforeseen future events and circumstances. The Group manages, and makes adjustments to its capital structure based on the level of funds on hand and anticipated future expenditures.

In order to maintain or adjust the capital structure, the Group has, when required, raised additional capital from shareholders. The Group has not paid dividends, nor returned capital to shareholders to date. At December 31, 2015 the Group's debt consisted of the Notes (Note 15) with an original maturity of five years. To safeguard capital the Group invests its surplus cash and cash equivalents in highly liquid, highly rated financial instruments.

With the exception of minimum capital requirements pursuant to general company law, the Group is not subject to any other externally imposed capital requirements.

28. Supplemental cash flow information

	December 31 2015	December 31 2014
(a) Net changes in non-cash working capital		
Operating activities:		
Accounts receivable, prepaid expenses and supplies	**100**	134
Accounts payable and accrued liabilities	**316**	(475)
Unrealized foreign exchange gain on working capital	**352**	112
	768	(229)
Investing activities:		
Accounts receivable, prepaid expenses and supplies	**58**	1,960
Accounts payable and accrued liabilities	**(1,387)**	(6,474)
	(1,329)	(4,514)
(b) Exploration and development expenditures		
Balance sheet change in mineral properties excluding CTA	**(8,642)**	(16,023)
Reclassification of mineral properties from work in progress	**-**	483
Decrease in resettlement liabilities	**(3,056)**	(293)
Non-cash depreciation and disposal capitalized	**1,815**	447
Share based compensation capitalized	**386**	(3,231)
Exploration and development expenditures per cash flow statement	**(9,497)**	(18,617)
(c) Cash and cash equivalents is comprised of:		
Cash	**4,070**	8,897
Short-term investments (less than 90 days) - weighted average interest of 0.46% (2014 - 0.87%).	**14,497**	35,259
	18,567	44,156

(Amounts in thousands of Canadian dollars, unless otherwise stated)

29. Summarized financial information of subsidiary with non-controlling interest

RMGC is the Group's only subsidiary with a non-controlling interest, as summarized further in Note 19. The summarized financial statements of RMGC are as follows:

Summarized statement of financial position

As at December 31	**2015**	2014
Current assets	**21,280**	958
Non-current assets	**4,640**	655,575
Total assets	**25,920**	656,533
Current liabilities	**(1,660)**	(2,234)
Non-current liabilities	**(702,126)**	(564,991)
Total liabilities	**(703,786)**	(567,225)

Summarized statement of comprehensive income

For the year ended December 31	**2015**	2014
Loss / (profit) for the year	**632,036**	2,612
Other comprehensive loss / (income) (Currency translation adjustment)	**(46,437)**	25,141
Comprehensive loss / (income) for the year	**585,599**	25,141

Figure 1

Summarized statement of cash flows

For the year ended December 31	**2015**	2014
Net cash (utilized) / provided by operating activities	**(858)**	(2,612)
Net cash utilized by investing activities	**(10,942)**	(6,005)
Net cash provided by financing activities	**11,994**	5,262
Net (decrease) / increase in cash and cash equivalents	**194**	(3,355)

30. Post balance sheet events

On March 29, 2016, the Company signed subscription agreements with a number of existing investors (the "Subscribers") pursuant to which the Company intends to raise up to $20 million by way of a non-brokered private placement (the "Private Placement"). In addition, the Company intends to enter into arrangements with certain existing securityholders to amend certain terms of the securities held by such holders (the "Restructuring" and together with the Private Placement, the "Transactions"). The Transactions are expected to close in April 2016. Closing of the Transactions is conditional upon the execution of definitive documentation and upon satisfaction of customary closing conditions and deliveries, including receipt of all required regulatory approvals, as applicable, including the approval of the TSX.

Private Placement

Pursuant to the Private Placement, the Company intends to issue up to 20,000 Units, each Unit consisting of (i) $1,000 principal amount of zero-coupon convertible subordinated unsecured notes (the "New Notes"); (ii) 1,610 common share purchase warrants (the "New Warrants"); and (iii) one arbitration value right (the "New AVRs", together with the New Notes and New Warrants, the "New Securities").

The New Notes will mature on June 30, 2021 and will be convertible at any time prior to maturity, at the option of the holder, into Common Shares at a price of $0.3105 per Common Share. This conversion price represents a premium of 35% to the volume-weighted average closing price of the Common Shares on the TSX for the thirty trading days prior to March 29, 2016 ("Transaction Share Price"). At maturity, the Company will have the ability to repay the New Notes through issuing Common Shares.

Each New Warrant will entitle the holder to acquire one Common Share at an exercise price of $0.46, representing a 100% premium to the Transaction Share Price, at any time prior to June 30, 2021. Each New AVR will entitle the holder thereof to its pro rata share of 7.5% of any proceeds arising from the ICSID Arbitration, subject to a maximum aggregate entitlement of $175 million among all holders of arbitration value rights issued by the Company.

Restructuring

In May 2014, the Company closed the 2014 Private Placement. None of the respective Notes, Warrants or AVRs have been converted or exercised at the date of these Financial Statements. Pursuant to the Restructuring, the Company is proposing to amend certain terms of the 2014 Private Placement to align the principal terms thereof with the terms of the New Securities.