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, 2017 and 2016.

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, 2017 and 2016 (“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 14, 2018, and the Company’s public filings, can be reviewed on the SEDAR website (www.sedar.com).

This MD&A contains forward-looking statements about the Company’s objectives, strategies, financial condition, operations and businesses. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based upon the beliefs, expectations, reasonable investigation and opinions of Management as of the date of this report. All forward-looking statements, including those not specifically identified herein are made subject to the cautionary language beginning on page 23. Readers are advised to refer to the cautionary language when reading any forward looking statements.

Overview

Gabriel is a Canadian resource company listed on the TSX Venture Exchange (“Exchange”) which, for many years, was focused principally on the exploration and development of the Roșia Montană gold and silver project in Romania (the “Project”). The exploitation concession 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.

Upon obtaining the License in 1999, RMGC along with Gabriel and its subsidiary companies (together the “Group”) 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. 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, effectively depriving the Group entirely of the value of its investments.

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 (the "Respondent") 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 presiding tribunal for the ICSID Arbitration ("Tribunal") was constituted on June 21, 2016. In accordance with the procedural timetable determined by the Tribunal, on June 30, 2017, the Claimants submitted their memorial on the merits of the claim (the "Memorial"). In addition to factual and legal arguments supporting the claims against the Respondent, the Memorial also includes details of the US$4.4 billion of claimed damages sustained due to Romania's treaty breaches.

In light of the continued absence of any positive engagement by the Romanian State since the Arbitration Request, the ICSID Arbitration has become the Company's core focus. Accordingly, any information set out below and elsewhere in this MD&A relating to the Project, the License, the Group's exploration and development activities in Romania and the Project approval and permitting process is for background purposes only and should not be interpreted as being indicative of the Company's expectations as at the date of this document regarding the future development of the Project.

ICSID Arbitration

In reliance on numerous representations made and actions taken by the Romanian authorities and in the reasonable expectation that the Project would be evaluated in accordance with the law and reasonable technical standards and, ultimately, on its merits, the Claimants have invested over US$700 million to maintain and develop the Project in accordance with all applicable laws, regulations, licenses, and permits. However, having encouraged the Claimants' investment in the Project, and also in defining mineral deposits at the Rodu-Frasin (epithermal gold and silver) site and reviewing the Tarniţa (porphyry copper-gold) site, both within the Bucium area located in the vicinity of Roşia Montană ("Bucium Projects"), the Romanian State has frustrated and prevented the implementation of those developments in an unlawful, discriminatory and non-transparent manner, and ultimately abdicated the responsibility to make decisions on the permitting of the Project in contravention of the applicable legal framework.

As a consequence of Romania's acts and inactions, the Project has been stymied, depriving the Claimants of the use, benefit and entire value of their property rights associated with the Project and the Bucium Projects, which have effectively been taken without compensation in contravention of the applicable legal and administrative processes and requirements.

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 related licenses.

Status of the ICSID Arbitration

On January 10, 2017 the Tribunal issued Procedural Order No.4 setting out the expected calendar for the ICSID Arbitration process with specific dates for the filing of submissions by the parties and other necessary procedural matters ("Procedural Calendar"). In accordance with the Procedural Calendar, on June 30, 2017 the Claimants filed their Memorial. On February 22, 2018, the Respondent filed its counter-memorial ("Counter-Memorial") in response to the Memorial. Gabriel, together with its counsel, White & Case LLP, is currently analyzing the Counter-Memorial with a view to preparing its reply in support of its claim ("Reply"), which is due to be filed in September 2018.

A hearing on the merits of the claim before the Tribunal is currently scheduled to occur at ICSID's headquarters at the World Bank in Washington D.C. from September 9 to 20, 2019.

As previously announced by the Company, on February 8, 2018, Ms. Teresa Cheng tendered her resignation as President of the Tribunal following her appointment as Secretary for Justice of Hong Kong. The ICSID Arbitration proceeding is therefore suspended pending the appointment by ICSID of a replacement President, whereupon the proceeding shall continue from the point it had reached at the time the vacancy occurred. The Company has been advised that there is no set timeframe for the appointment of a successor to Ms. Cheng and will make further disclosure in regard to any effect of the suspension on the ICSID Arbitration as matters are clarified.

Certain procedural orders and decisions of the Tribunal, together with certain of the principal submissions filed by the parties during the ICSID Arbitration, have been and will continue to be published on the ICSID website at the following location:

https://icsid.worldbank.org/en/Pages/cases/casedetail.aspx?CaseNo=ARB/15/31

The Memorial and Romania's Counter-Memorial are subject to the confidentiality provisions of Procedural Orders No.3 and No.7 (as applicable) which can be found on the ICSID website. Gabriel anticipates that both the Memorial and Counter-Memorial will be published on the ICSID website in due course in accordance with those provisions and the further determination(s) of the Tribunal, once re-constituted, as appropriate.

RMGC Audits and Investigations

Since the filing of the ICSID Arbitration, RMGC has been subjected to several audits and investigations by the Romanian National Agency for Fiscal Administration ("ANAF"), a Romanian Government agency operating under the Ministry of Public Finance, a Romanian Government department which is also charged with organizing and overseeing Romania's defense of the ICSID Arbitration. Gabriel and RMGC management considers that such audits and investigations are abusive in nature and have been initiated by the Romanian authorities in retaliation to the Claimants' filing of the ICSID Arbitration.

RMGC was served with a decision by ANAF assessing a liability for value added tax ("VAT") in the amount of RON 27m (approximately $8.6m) on July 5, 2017 (the "VAT Assessment"). The liability relates to VAT previously claimed and received by RMGC from the Romanian tax authorities in respect of RMGC's purchase of goods and services from July 2011 to January 2016.

The VAT Assessment followed the re-run of a prior VAT audit concluded by ANAF in July 2016 which assessed a liability for approximately the same amount, rising with interest and penalties to RON 42.9m (then approximately $13.7m) (the "2016 VAT Assessment"). The 2016 VAT Assessment was successfully challenged by RMGC and partially quashed by ANAF in September 2016.

On August 9, 2017 RMGC filed an administrative challenge before the Romanian tax authorities against the VAT Assessment. It is the Company's understanding that such challenge should have been determined by ANAF within a six month period, however, to date, no decision has been issued.

RMGC also filed a request for a stay of enforcement of the VAT Assessment before the Alba Iulia Court of Appeal on August 10, 2017. On October 2, 2017 the Alba Iulia Court of Appeal admitted RMGC's request for a stay of enforcement of the VAT Assessment, pending the determination of RMGC's annulment challenge of the VAT Assessment. RMGC received a copy of the Court of Appeal's written decision on March 2, 2018. This ruling may be appealed by ANAF within 5 days of its receipt of such decision.

In its written decision, the Alba Court of Appeal stated that there were circumstances which gave rise to serious doubt as to the legality of the VAT Assessment and that the approach of the ANAF tax inspection team failed to meet the requirements set out under the Romanian Tax Procedure Code, resulting in a violation of the principle of the protection of the legitimate expectations of the tax payer. The Court of Appeal observed that there was a "sudden and unfounded change in the conduct of [ANAF]" (whereby it departed from the 23 prior RMGC tax inspection reports pursuant to which it had accepted the VAT deductibility for advertising services and media campaigns) and that the ANAF inspection team had failed to perform a comprehensive examination of the specific particularities of the 23 prior tax inspections and to specify the reasons for not taking into consideration the solutions adopted in those prior inspections.

Further to the VAT Assessment, and notwithstanding the Court of Appeal's decision of October 2, 2017, RMGC received a further demand from ANAF in respect of interest and penalties related to the VAT Assessment for RON 18.6 million (approximately $6.0 million) on October 23, 2017.

In common with the 2016 Assessment, the Company believes the VAT Assessment is fundamentally flawed and abusive. Further, the Company believes that the procedure followed by ANAF to arrive at the VAT Assessment, and the subsequent interest and penalties, was improper and unlawful and that the VAT Assessment conflicts with Romanian fiscal laws as well as the mandatory applicable principles of EU law. The Company intends to pursue all available legal avenues to challenge the VAT Assessment along with the interest and penalties and to fully protect its rights and assets.

In parallel with the VAT Assessment, and for over two years as of the date of this MD&A, a separate directorate of ANAF has continued to pursue an ad hoc investigation covering a broad range of operational activities and transactions of RMGC, and an increasing number of its suppliers, consultants and advisors, over an extensive period spanning 1997 to 2016 (the "ANAF Investigation"). ANAF has continually demanded, to short and often unachievable deadlines, that RMGC provide voluminous amounts of information and explanations in respect of, amongst other matters, transactions with many of its suppliers.

Although RMGC is co-operating in good faith with ANAF, Gabriel still awaits formal indication of the grounds for the ANAF Investigation. Gabriel believes that there is no justification for the ANAF Investigation, that the breadth and depth of ANAF's demands are intentionally abusive, and that it has been initiated in an attempt to intimidate and harm RMGC and the Claimants in view of the dispute with the Romanian State and the Claimants' filing of the ICSID Arbitration. Accordingly, Gabriel considers that such actions further evidence the discriminatory acts and bad faith conduct of the Romanian authorities with regard to the Claimants' investments in Romania. As at the date of this MD&A, neither the Company nor RMGC has received any feedback on the status of the ANAF Investigation.

Long Lead-Time Equipment

Long lead-time equipment comprised of crushing and milling equipment was originally procured by the Group between 2007 and 2009 for the operational phase of the Project. The prospect of the long lead-time equipment being used in the future for the purpose for which it was purchased is now considered remote.

In December 2015, the Company formally engaged two specialist agents to broker the sale of the long lead-time equipment ("LLTE"). Some of the LLTE was sold in July 2016 and in November 2017 an agreement was signed for the conditional sale of further LLTE, which is expected to be completed in Q2 2018. At December 31, 2017, the carrying amount of the remaining long-lead time equipment was assessed for indicators of impairment and no matters were noted.

Recent Developments

UNESCO World Heritage List

As previously disclosed, Romania submitted a nomination file ("Nomination File") for the inclusion of an area referred to as the "Roşia Montană Mining Cultural Landscape", an area which includes the Project footprint, on the UNESCO World Heritage List. Notwithstanding their significant interests in the nominated area, neither the Company nor RMGC were notified of, or consulted on, this proposal.

In late September 2017, the Ministry of Culture facilitated a visit of the nominated site by the International Council on Monuments and Sites (ICOMOS), a step in the evaluation of the Roşia Montană Mining Cultural Landscape.

The Company understands that ICOMOS will communicate a recommendation to the World Heritage Committee of UNESCO and that the World Heritage Committee will assess the Nomination File and adopt a decision on the nomination of the Roşia Montană Mining Cultural Landscape for inscription on the World Heritage List at its 42nd session in July 2018.

Legal Challenges in Romania

As previously disclosed, Gabriel determined in 2015 that RMGC should withdraw from a number of legal actions related to the Project, the majority of which concerned claims of third party NGOs challenging administrative deeds issued by public authorities, given, amongst other matters, the commencement of the ICSID Arbitration and the ongoing requirement for the Group to reduce its cost base. RMGC has now withdrawn from all such legal proceedings.

Notwithstanding the foregoing, RMGC has continued to defend a limited number of claims initiated by certain former employees seeking additional severance payments and certain individuals seeking damages allegedly arising from the impact of the resettlement of some of the community on such claimants' businesses and RMGC's activities in the area. The Company considers that these claims are without merit and to date the majority of these claims have been rejected by the Romanian courts.

During the final quarter of 2017 and save as disclosed above in the section entitled "*RMGC Audits and Investigations*", there were no material developments in any legal proceedings involving the Group.

Outlook

Notwithstanding the ongoing ICSID Arbitration, the Company remains open to engagement with the Romanian authorities in order to achieve an amicable resolution of the dispute or a settlement enabling the Group to develop the Project. In the meantime, the Company's current plans for the ensuing year are as follows:

- the advancement of the ICSID Arbitration, including, amongst other matters, the preparation and filing of the Reply;
- the continued assessment of the Company's activities and resources necessary to preserve its core assets;
- carefully managing its cash resources (including the disposition of the remaining long lead-time equipment acquired for the Project); and
- the protection of its rights and interests in Romania (including appropriate support to RMGC in respect of any further abusive, illegal, or retaliatory behavior of the Romanian authorities and, so far as reasonably practical and desirable, ensuring that existing licenses and permits remain in good standing).

Liquidity and Capital Resources

Cash and cash equivalents at December 31, 2017 were $31.2 million.

The Company's average monthly cash usage during Q4 2017, including costs in respect of the ICSID Arbitration, was $2.2 million mainly due to deferred payment of substantial costs incurred in Q2 regarding the ICSID Arbitration (Q3 2017 monthly average: $2.8 million, Q2 2017 monthly average: $3.0 million, Q1 2017 monthly average: $1.7 million). At the end of Q4 2017, accruals for costs in respect of the ICSID Arbitration amounted to $0.3 million (Q3 2017: $3.7 million, Q2 2017: $7.1 million, Q1 2017: $4.6 million). For Q1 and Q2 2018 the Company expects the costs to be incurred for the ICSID Arbitration to increase due to legal advisory services in respect of the review and response to the Counter-Memorial. Based on the approved budget the Company estimates it has sufficient sources of funding to cover its planned activities through to the second quarter of 2019. Management continues to review the Company's activities in order to identify areas to rationalize expenditures and has contracted to sell non-core assets such as elements of the remaining long-lead time equipment. Management is also in ongoing discussions about the provision of longer-term funding for the Company.

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		**2017**		2016		2015
Operating loss	**$**	**29,384**	$	30,031	$	644,131
Other expenses		**8,296**		41,484		3,623
Loss - attributable to owners of the parent		**37,680**		71,515		627,832
Loss per share (basic and diluted)		**0.10**		0.19		1.63
Total assets		**47,300**		75,458		44,415
Non-current liabilities		**63,201**		56,154		31,545
Investment in exploration and development including working capital changes		**-**		-		10,826
Cash flows from financing activities	**$**	**(20)**	$	59,200	$	(2,797)

Results of operations

Operating loss in 2017 was $29.4 million. In 2016 an impairment charge of $8.1 million relating to the remaining land and buildings and the LLTE owned by RMGC was recognized. Excluding the impairment charge in 2016, the 2017 loss was $7.5 million higher than in 2016 ($21.9 million) principally due to two main factors. First, 2017 ICSID Arbitration related costs of $12.2 million were $3.4 million higher than 2016 as a consequence of higher activity levels in preparation of the June 30, 2017 filing of the Memorial. Second, the 2017 payroll expense of $9.4 million was $3.6 million higher than in 2016 due to a number of factors further described below.

Other expenses include finance costs, finance income and foreign exchange gains and losses. Finance costs in 2017 include $7.1 million (2016: $4.4 million) of accreted interest costs in respect of the debt component of private placements completed in May 2014 (“the 2014 Private Placement”), May 2016 (“the May 2016 Private Placement”), and July 2016 (“the July 2016 Private Placement”), (together the “Private Placements”). The increase year-on-year is principally due to the element relating to the July 2016 Private Placement being accounted for in full for the first time in 2017. Finance costs during 2016 were impacted by two significant factors. First, a $34.4 million one-off, non-cash charge was recorded in compliance with technical accounting rules relating to the July 2016 Private Placement. Second, there was a non-cash charge for debt extinguishment of $4.7 million following the restructuring of the 2014 Private Placement, as described further in note 15 to the Financial Statements. Finance income of $0.3 million in 2017 is higher than 2016 ($0.2 million) due to rising interest rates on short term cash deposits. Exchange losses of $1.5 million were incurred in 2017 (2016: gain of $0.9 million) due to the depreciation of the US dollar against the Canadian dollar, having an adverse effect on US dollar cash balances when converted to functional currency, the Canadian dollar, at year end.

The loss attributable to owners of the parent for 2017 was $33.8 million lower than the loss incurred in 2016, primarily due to the 2016 finance costs described above. The loss for 2016 was $556.3 million lower than that in 2015, primarily due to a material impairment of assets at RMGC during 2015.

Total assets

Total assets decreased by $28.2 million in 2017 compared to 2016, principally due to use of cash to fund the Group's activities. In 2016, total assets increased by $31.1 million compared to 2015, due to a net inflow after issue costs of $59.2 million from the May 2016 and July 2016 Private Placements, offset partly by the utilization of $18.7 million in operational activities.

Non-current liabilities

Non-current liabilities are comprised of the debt component of the Private Placements of $63.2 million (2016: $56.2 million).

Cash flows from financing activities

One annual coupon payment in respect of the notes issued as part of the Private Placements, totaling less than $0.1 million, was made in 2017 (2016: less than $0.1 million). Cash flows from financing activities in 2016 reflect the net cash inflow after issue costs of $59.2 million from the May 2016 and July 2016 Private Placements.

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	**2017 Q4**	**2017 Q3**	**2017 Q2**	**2017 Q1**
Income Statement				
Loss - attributable to owners of parent	7,431	7,247	13,657	9,345
Loss per share - basic and diluted	0.02	0.02	0.04	0.02
Statement of Financial Position				
Working capital	27,018	32,182	37,347	48,846
Total assets	47,300	53,461	62,159	70,599
Statement of Cash Flows				
Cash flows from financing activities	(24)	-	-	4

in thousands of Canadian dollars, except per share amounts	**2016 Q4**	**2016 Q3**	**2016 Q2**	**2016 Q1**
Income Statement				
Loss - attributable to owners of parent	13,200	42,002	8,943	7,370
Loss per share - basic and diluted	0.03	0.11	0.02	0.02
Statement of Financial Position				
Working capital	56,058	60,642	25,554	9,327
Total assets	75,458	90,495	53,736	39,298
Statement of Cash Flows				
Cash flows from financing activities	(17)	39,337	19,880	-

Review of Financial Results

in thousands of Canadian dollars, except per share amounts	**3 months ended December 31** **2017**	2016	**12 months ended December 31** **2017**	2016
Operating loss for the period	**5,846**	12,413	**29,384**	30,031
Loss for the period				
- attributable to owners of parent[(1)]	**7,431**	13,200	**37,680**	71,515
Loss per share - basic and diluted	**0.02**	0.11	**0.10**	0.19

[(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. Following a material asset impairment at RMGC in 2015, the non-controlling interest was partially reversed in accordance with IFRS 3 – Business Combinations, leaving only the attributable residual currency translation adjustment.

Operating loss for the three-month period ended December 31, 2017 was lower when compared to 2016 principally as a result of a 2016 impairment charge partially offset by higher 2017 payroll related operating expenditures, both as further described below.

Operating loss for the year ended December 31, 2017 was principally as a result of operational expenditures of $27.4 million (2016: $19.4 million) including $12.2 million (2016: $8.8 million) of ICSID Arbitration related costs and $9.4 million (2016: $5.8 million) of payroll costs, as further described below. Included in the 2016 operating loss is an $8.1 million impairment of the remaining land and buildings owned by RMGC in the Project area, and the impairment of the LLTE.

Expenses

Corporate, General and Administrative

in thousands of Canadian dollars	**3 months ended December 31** **2017**	2016	**12 months ended December 31** **2017**	2016
ICSID Arbitration related	**120**	2,452	**12,228**	8,768
Payroll	**3,955**	1,003	**9,393**	5,774
Finance	**187**	234	**954**	836
Long lead-time equipment storage costs	**245**	194	**904**	922
Legal	**121**	223	**826**	703
Property and exploration taxes	**168**	177	**662**	907
Community relations	**189**	125	**581**	450
Information technology	**101**	84	**365**	362
External communications	**25**	12	**165**	157
Other	**441**	(242)	**1,355**	554
Corporate, general and administrative expense	**5,552**	4,262	**27,433**	19,433

Since January 1, 2016, all operating expenditures incurred by the Group are included in corporate, general and administrative.

ICSID Arbitration related costs are for legal and other services provided to the Company in respect of the ICSID Arbitration which, for the year ended December 31, 2017, amounted to approximately $12.2 million. The increase compared to the corresponding 2016 period is due to significantly higher activity levels in preparation for the June 30, 2017 filing of the Memorial.

Legal expenses include ongoing corporate legal advice within the Group, in particular in response to the ANAF investigations.

Payroll costs increased in 2017 compared to 2016 due to a number of factors including payments in lieu of a significant reduction in termination without cause notice periods for senior officers ($0.8 million), performance and retention bonuses relating to 2017 ($2.5 million), performance and retention bonuses relating to 2016 which were not accrued for in 2016 because completion of the annual compensation review was deferred into 2017 ($0.1 million) and payment in lieu of holiday accruals in Romania ($0.1 million)

Stock Based Compensation

	3 months ended December 31		12 months ended December 31	
in thousands of Canadian dollars	**2017**	2016	**2017**	2016
DSUs - (gain) / expense on revaluation	**(466)**	(199)	**(56)**	1,181
Stock option and RSU compensation - expense	**753**	226	**1,891**	1,003
Stock based compensation	**287**	27	**1,835**	2,184

Initially valued at the five-day weighted average market price of the Company's shares at the date of grant, deferred share units ("DSUs") are revalued each period end based on the period end closing share price. The initial valuation of the DSUs, and the effect on the valuation of DSUs of the period-on-period change in share price, is expensed. At December 31, 2017, the Company's share price was $0.42 (December 31, 2016: $0.53), resulting in a credit to the income statement recognized at the period end revaluation. This was partially offset by the expense recognized upon the issue in 2017 of DSUs to non-executive directors in lieu of cash remuneration and restricted share units ("RSUs") to officers and employees of the Company.

The estimated fair value of equity settled RSUs is calculated using the Black Scholes method as at the date of grant and amortized over the period over which the RSUs vest.

The estimated fair value of the Company's incentive stock options ("Options") is calculated using the Black Scholes method as at the date of grant and amortized over the period over which the options vest.

For performance Options and equity settled RSUs, 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 instruments, 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.

	3 months ended December 31		12 months ended December 31	
	2017	2016	**2017**	2016
Stock option compensation				
Number of stock options granted	**75,558**	4,436,334	**1,055,324**	4,961,334
Average value ascribed to each regular vesting option granted	**$ 0.46**	$ 0.43	**$ 0.32**	$ 0.46
DSU compensation				
Number of DSUs issued	**99,036**	61,309	**467,718**	701,309
Average value ascribed to each DSU issued	**$ 0.38**	$ 0.63	**$ 0.36**	$ 0.24
Number of DSUs redeemed	**-**	-	**-**	256,000
Average value ascribed to each DSU redeemed	**$ -**	$ -	**-**	$ 0.66
RSU compensation				
Number of RSUs issued	**146,832**	-	**2,148,748**	-
Average value ascribed to each RSU issued	**$ 0.32**	$ -	**$ 0.38**	$ -
Number of RSUs redeemed	**-**	62,500	**-**	207,435
Average value ascribed to each RSU redeemed	$ **-**	$ 0.44	**$ -**	$ 0.24
Number of RSUs cancelled	**403,799**	-	**403,799**	-
Average value ascribed to each RSU redeemed	**$ 0.38**	$ -	**$ 0.38**	$ -

With effect from July 1, 2016, non-executive directors are required to receive at least fifty per cent of their director fees payable in DSUs or Options. Certain non-executive directors have elected to receive all of their director fees payable in Options. A total of 101,684 Options were granted to certain non-executive directors during the three-month period ended December 31, 2017 in lieu of cash fees for services provided during the prior quarter (2016: 61,309), one-third of which vest on the first, second and third anniversary of the date of grant respectively.

An aggregate of 99,036 DSUs were issued to certain non-executive directors during the three-month period ended December 31, 2017 in lieu of cash fees for services provided during the prior quarter (2016: 61,309). DSUs vest on the date of issue.

An aggregate of 146,832 RSUs were issued to certain officers and employees of the company during the three-month period ended December 31, 2017. None of these RSUs had vested at December 31, 2017.

Finance Income

in thousands of Canadian dollars	**2017**	2016	**2017**	2016
Interest income	**$ 75**	$ 63	**$ 274**	$ 151

Interest income reflects the average holdings of cash and cash equivalents during the respective periods shown above.

As at December 31, 2017, approximately 91% of the Company’s cash and cash equivalents were invested in either Canadian government or US 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 **2017**	3 months ended December 31 2016	12 months ended December 31 **2017**	12 months ended December 31 2016
Financing costs - convertible note accretion	**$ 1,847**	$ 1,641	**$ 7,071**	$ 4,426

Finance costs relate to the accretion of the debt components of the Private Placements, which are measured at amortized cost using the effective interest rate method.

Foreign Exchange

The Company has experienced an increase in foreign currency gains and losses as a result of increased exposure to non-functional currencies, in particular the US dollar. A significant portion of the funds raised in the July 2016 Private Placement were received in US dollars and the Company retained these US dollars to fund its subsequent US dollar denominated working capital expenses.

Taxes

Except as described hereafter, all tax assessments received prior to December 31, 2017 have been paid or provided for in the Financial Statements. As noted, on July 5, 2017 RMGC received a tax assessment from the Romanian tax authorities in respect of VAT deductions claimed by RMGC in the period from July 2011 to January 2016. The amount of the tax assessed was RON 27 million, approximately $8.6 million at July 5, 2017. Furthermore, on October 23, 2017 RMGC received notification from the Romanian tax authorities of related interest and penalties of RON 18.6 million, approximately $6.0 million at October 23, 2017.

On August 9, 2017, RMGC filed an administrative challenge before the Romanian tax authorities against the VAT Assessment and, on August 10, 2017, RMGC filed a request for a stay of enforcement of the VAT Assessment before the Alba Iulia Court of Appeal. Further details of these challenges are set out above in the section entitled "*RMGC Audits and Investigations*".

Investing Activities

The majority of Group expenditures over the years through December 31, 2015 were for identifying and defining the size of the four ore bodies, for engineering to design the size and scope of the Project, 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 and property acquisition and resettlement housing and infrastructure. Since January 1, 2016, no significant expenditures have been incurred in these areas and any such expenditures are expensed in the income statement.

Purchase of Capital Assets

in thousands of Canadian dollars		December 31 2017		December 31 2016		December 31 2017		December 31 2016
Other		**7**		19		**51**		54
Total investment in capital assets	**$**	**7**	$	19	**$**	**51**	$	54
Depreciation and disposal - expensed	**$**	**34**	$	62	**$**	**116**	$	314

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

Financing Activities

The Private Placements since 2014 have raised gross aggregate proceeds of $95.6 million. The Company is using the proceeds of the Private Placements to finance the costs of the continuing ICSID Arbitration and for general working capital purposes. Further information on the Private Placements is provided in the Financial Statements and the Company's Annual Information Form for the year ended December 31, 2016 published on March 29, 2017, a copy of which is filed on SEDAR at www.sedar.com.

Cash Flow Statement

Liquidity and Capital Resources

The main sources of liquidity are the Company's cash and cash equivalents, and the equity and debt markets. At December 31, 2017, aggregate cash and cash equivalents were $31.2 million (December 31, 2016: $60.3 million).

Working Capital

At December 31, 2017, the Company had working capital, calculated as total current assets less total current liabilities, of $27.0 million (December 31, 2016: $56.1 million).

As at December 31, 2017, the Company had current liabilities of $5.6 million (December 31, 2016: $5.3 million).

Related Party Transactions

In December 2013, the Group was required to recapitalize RMGC in order to comply with Romanian 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 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, 2017 was US$39.5 million (December 31, 2016: 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 possible.

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.

At December 31, 2017 the Company had accrued resettlement liabilities totaling $0.5 million (December 31, 2016: $0.7 million).

RMGC has closed-out various exchange contracts it had entered into with certain homeowners in Roșia Montană who had elected for resettlement in Roșia Montană if the Project proceeded. RMGC has, in accordance with the terms of such contracts and in order to bring the contracts to an amicable and fair close, provided to the homeowners a range of options, including the restitution of their properties in Roșia Montană. RMGC has successfully agreed terms with the majority of the relevant homeowners.

Contractual Obligations

A summary of the Company's contractual capital and operating lease commitments as of December 31, 2017 is included within the Financial Statements.

The Company and its subsidiaries have a number of arms-length agreements with 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 stock based compensation and other benefits, assumptions and determinations as to whether costs are expensed or capitalized, and the valuation and measurement of the components of the Private Placements. While Management believes that these estimates and assumptions are reasonable, actual results could vary significantly. The critical accounting estimates are not significantly different from those reported in 2016.

Going Concern

The potential 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.

Notwithstanding the ongoing ICSID Arbitration, the Company remains open to engagement with the Romanian authorities in order to achieve an amicable resolution of the dispute or a settlement enabling the Group to develop the Project.

The approved 2018 budget includes estimates of expenditures and commitments necessary to maintain the Company's primary assets, as well as its License and associated rights and permits, and the material estimated costs associated with the Company advancing the ICSID Arbitration. Management continues to review the Company's activities in order to identify areas to further reduce expenditures.

Considering the matters noted above, and in the context of the Group's financial resources, Management's assessment is that the Company remains a going concern. However, as disclosed in the Financial Statements, there is significant uncertainty over the assessment of going concern. Notwithstanding, the Company has been accounted for as a going concern in the Financial Statements for the year ended December 31, 2017.

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 are expected to be in effect when the differences 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 in the respective countries where the Group does business.

Tax authorities in Romania have regularly initiated various tax audits to assess the appropriateness of RMGC's tax filing positions. Regulators may interpret tax regulations differently from the Company and its subsidiaries, which may cause changes to the estimates made. As noted above, on July 5, 2017 RMGC received the VAT Assessment from ANAF amounting to approximately RON 27 million (approximately $8.6 million) and, on October 23, 2017, notification of subsequent interest and penalties of approximately RON 18.6m (approximately $6.0 million). RMGC has initiated a formal challenge to the VAT Assessment through the Romanian courts and this legal process remains ongoing.

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 that the useful lives of assets reflect the intended use of those assets.

Valuation of stock-based compensation

The Company utilizes Options, DSUs and RSUs as means of compensation. Equity settled RSUs and 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 cash settled RSUs are initially valued at the five-day weighted average market price of the Company's common shares preceding the date of grant, 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 the Private Placements

The units issued by the Company in the 2014 Private Placement (as restructured in May 2016), and the May 2016 Private Placement, consisted of convertible subordinated unsecured notes, warrants and arbitration value rights. For these two private placements, 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 notes. The equity component of the notes was recognized initially at the difference between the fair value of each private placement 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. A nil value was initially ascribed to the arbitration value rights and, given the current initial pleadings stage of the arbitration process, a nil valuation remains applicable as at December 31, 2017. The 2014 Private Placement and the May 2016 Private Placement contain two embedded derivatives, both of which were initially valued at nil with no subsequent adjustment in value.

With respect to the July 2016 Private Placement, due to the increase in the share price during the period of the transaction documentation and closing, both the warrants and the convertible subordinated unsecured notes were in-the-money at the time of issue. Consequently, the debt and equity components of such notes, a compound financial instrument, as well as the warrants, were recorded at fair value. The valuation of the equity components resulted in a non-cash charge of $34.4 million being recognized in the income statement in Q3 2016. Any directly attributable transaction costs were allocated to the liability and equity components in proportion to their initial carrying amounts.

Financial instruments and management of financial risk

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 is to safeguard its cash and cash equivalents 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 long-term costs, including advisors' fees and general corporate working capital, of pursuing the ICSID Arbitration have been significant and are estimated to continue to be so.

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. Historically, 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. However, the Company has invested a significant portion of the funds raised in the July 2016 Private Placement in US sovereign debt to fund its expected US dollar-denominated working capital expenses.

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 which, prior to the recent ANAF VAT audits, were within expected collection terms. The collection times have subsequently become extended and the overdue amounts in question as at December 31, 2017 total approximately $0.5 million.

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. As of the date of this MD&A, taking account of the Group's existing treasury balances, the Group expects to have sufficient funds to settle all other existing and long-term contractual liabilities. For information on going concern see discussion above on liquidity and capital resources.

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 Lei, US dollars, UK pounds 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, 2017 the Group held 56% and 40% of its cash and cash equivalents in Canadian and US dollars, respectively.

The Company has not entered into any derivative hedging activities.

Sensitivity

Based on Management's knowledge and experience of the financial markets, in respect of the Company's balance of cash and cash equivalents as at December 31, 2017, the Company believes the following market movements are "reasonably possible" over a twelve-month period and would have the stated effects on net income:

- A plus or minus 1% change in earned interest rates; would affect net income by $0.3 million.
- A plus or minus 1% change in foreign exchange rates; would affect net income by $0.2 million.

Risks and uncertainties

An investment in the Company's common shares is subject to a number of risks and uncertainties. This section describes existing and future material risks to the business of the Group. The risks described below 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 Gabriel's securities.

ICSID Arbitration

The costs of pursuing the ICSID Arbitration are substantial and the amount of costs, fees and other expenses and commitments payable in connection with the ICSID Arbitration may differ materially from Management's expectations. Based on the case specific nature of arbitration and the inherent uncertainty in the process, timing or outcome of the ICSID Arbitration, there can be no assurances that the ICSID Arbitration will advance in a customary manner or be completed or settled within any specific or reasonable period of time.

There is no assurance that the Claimants will be successful in establishing Romania's liability in the ICSID Arbitration or, if successful, will collect an award of compensation from the Respondent in the amount requested or at all. Failure to prevail in the ICSID Arbitration and to obtain adequate compensation for the Group's investment and loss of opportunity would materially adversely affect the Group.

The pursuit by the Company of the ICSID Arbitration may lead to the commencement of further abusive fiscal and other investigations and assessments against RMGC by the Romanian State.

Need for additional funding

Further funding is required by the Company to continue as a going concern and to pursue the ICSID Arbitration to its conclusion, and for general working capital requirements. The Company will likely require additional funding in 2018 or early 2019.

Historically the Company has been financed through the issuance of its common shares, other equity based securities and convertible debt. Although Gabriel has been successful in the past in obtaining financing, the Company has limited access to financial resources as a direct result of the dispute concerning the Project and the core focus upon the ICSID Arbitration. There is a risk that sufficient additional financing may not be available to the Company on acceptable terms, or at all.

Whilst the Company has initiated a process to sell its long lead-time equipment which could, if completed, provide the Company with a reduced cost base and/or additional working capital, there are, however, no assurances regarding the success or otherwise of such a sale process or that any proceeds may be realized from the sale of equipment. The timing of the receipt of any such sales proceeds is also uncertain.

Refinancing of existing securities

The Company may need or desire to refinance all or a portion of the convertible notes issued pursuant to the Private Placements ("Convertible Notes") or any other future indebtedness that it may incur on or before the maturity of the Convertible Notes. There can be no assurance that the Company will be able to refinance any of its indebtedness or incur additional indebtedness.

Political and economic uncertainty in Romania

Gabriel's material operations, property rights and other interests are located in Romania. As such, the Company's activities are subject to a number of risks over which it has no control. These risks may include risks related to social, political, economic, legal and fiscal instability and changes of Romanian laws and regulations affecting foreign ownership, taxation, working conditions, rates of exchange, exchange control, exploration licensing, and export licensing and export duties.

In the event of a dispute arising in respect of the Company's activities in Romania (other than the ICSID Arbitration), the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada or elsewhere. Any adverse or arbitrary decision of a court, arbitrator or other governmental or regulatory body may have a material adverse impact on the Company's business, assets, prospects, financial condition and results of operations and/or the market price of its securities.

Mineral tenure rights

As described above, RMGC is the titleholder of the License, an exploitation concession license issued by the Romanian State in June 1999 with respect to the mineral resources and reserves at Roşia Montană, Romania. The License has an initial duration of 20 years and may be extended for additional five-year periods as may be needed to ensure rational exploitation of the mineral resources and reserves identified and approved by NAMR. Although RMGC retains "nominal ownership" of the License, the acts and omissions of the Romanian State have prevented RMGC from realizing any benefits of such ownership and thus have deprived the License entirely of its value.

Gabriel also holds the majority interest through RMGC in the concession for the Bucium Projects relating to the Rodu-Frasin and Tarniţa deposits, located in the vicinity of Roşia Montană, under an exploration concession license issued by the Romanian State in May 1999. It is the Company's understanding that, following the completion of extensive exploration at Bucium, which identified two feasible deposits, RMGC acquired a direct and exclusive legal right to obtain exploitation licenses for such deposits. However, in violation of RMGC's legal rights and of Romania's legal obligations, Romania has failed for the last 10 years to act on RMGC's applications for exploitation licenses for Rodu-Frasin and Tarniţa.

Legal proceedings

As previously disclosed, Gabriel has been party (directly and through RMGC) to a number of legal challenges in Romania and, in the course of its business, may from time to time become involved in the defence and initiation of legal claims, arbitration and other legal proceedings.

Due to the inherent uncertainties of the judicial process in Romania, the nature and results of any such legal proceedings cannot be predicted with any certainty. In addition, such claims, arbitration and other legal proceedings can be lengthy and involve the incurrence of substantial costs and resources by the Company. The initiation, pursuit and/or outcome of any particular claim, arbitration or legal proceeding could have a material adverse effect on the Company's financial position and results of operations, and on the Company's business, assets and prospects.

UNESCO World Heritage List

As described above, the Ministry of Culture submitted the Nomination File for the inclusion of the "Roşia Montană Mining Cultural Landscape" on the UNESCO World Heritage List on January 4, 2017. The Company understands that the World Heritage Committee will assess the Nomination File and adopt a decision on the nomination of the Roșia Montană Mining Cultural Landscape for inscription on the World Heritage List at its 42nd session in July 2018. The inclusion of Roșia Montană on the UNESCO World Heritage List would have a material adverse impact on the Company's business, assets and financial condition insofar as it would limit severely the terms upon which any mining in the Project area could be permitted and thus whether an amicable resolution of the dispute with the Romanian State could be reached.

Dependence on Management and key personnel

The Group is dependent on a relatively small number of key directors, officers and employees. Loss of any one of those persons could have an adverse effect on it. Recruiting and retaining qualified personnel is critical to the Company's success. However, there can be no assurance that the Gabriel Group will be successful in attracting and/or retaining qualified personnel.

Furthermore, the loss of key employees, in particular those who possess important historical knowledge related to the Project which could be relevant to the ICSID Arbitration, could have a material adverse effect on future operations of the Group.

Potential Dilution to existing shareholders

As described above, the Company will require additional financing in order to pursue the ICSID Arbitration to its conclusion and for general working capital requirements. The Company anticipates that it may sell additional equity securities including, but not limited to, its common stock, share purchase warrants or some form of convertible security. The effect of additional issuances of equity securities will result in dilution to existing shareholders.

In addition, the conversion of the Company's outstanding Convertible Notes and/or exercise of existing warrants could result in the issuance of a significant number of common shares causing significant dilution to the ownership of existing shareholders. Further, the Company's ability to meet its obligations as they fall due or redeem in whole or part or otherwise restructure the Convertible Notes will be limited to the Company's cash on hand and/or its ability to issue additional equity or debt securities in the future. Such transactions could potentially cause substantial dilution to the shareholders at that time.

Listing of the Company's Common Shares

The listing of the Company's Common Shares on the Exchange is conditional upon its ability to maintain the applicable continued listing requirements of the Exchange. In the event that Gabriel is not able to maintain a listing of its Common Shares on the Exchange or any substitute exchange, it may be extremely difficult or impossible for shareholders to sell their Common Shares. If the Company is delisted from the Exchange but obtains a substitute listing for the Common Shares, the Common Shares may have less liquidity and more price volatility than experienced on the Exchange. Shareholders may not be able to sell their Common Shares on any such substitute exchange in the quantities, at the times, or at the prices that could potentially be available on a more liquid trading market. As a result of these factors, if the Common Shares are delisted from the Exchange, the price of the Common Shares may decline and the Company's ability to obtain financing in the future could be materially impaired.

Insurance and uninsurable risks

Gabriel maintains insurance to protect it against certain risks related to its operations in type and amounts that it believes are reasonable depending upon the circumstances surrounding each identified risk and the advice of its retained insurance advisor. There are also risks against which the Company cannot insure or against which it may elect not to insure for various reasons. The potential costs associated with any liabilities not covered by insurance, or in excess of insurance coverage, or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future business, assets, prospects, financial condition and results of operations of the Company.

General economic and financial market conditions

Global economic and financial conditions may impact the ability of the Company to obtain loans, financing and other credit facilities in the future and, if obtained, on terms favourable to the Company. As a consequence, global financial conditions could adversely impact the Company's financial status and share price.

Market price volatility

Publicly quoted securities are subject to a relatively high degree of price volatility. It may be anticipated that the quoted market for the Common Shares of the Company will be subject to market trends generally and there may be significant fluctuations in the price of the Company's Common Shares.

Conflicts of interest

Some of the directors and officers of the Company are, or may be, on the boards of other natural resource companies from time to time resulting in conflicts of interests. Therefore, there is the potential for a conflict of interest between the Company and some of its directors and officers. Directors and officers of the Company with conflicts of interest will be subject to and will follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies.

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, 2017 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, 2017 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 12, 2018 was:

	Outstanding
Common shares	384,452,780
Common stock options	26,489,585
Deferred share units - common shares	2,864,178
Restricted share units - common shares	2,148,748
Warrants	111,536,250
Convertible notes	307,912,500
Fully diluted share capital	**835,404,041**

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 uncertainties associated with material factors or assumptions used to develop forward-looking statements include, without limitation: the progress of the ICSID Arbitration, actions by the Romanian Government or affiliates thereof, the impact of current or future litigation against the Group, conditions or events impacting the Company's ability to fund its operations or service its debt, the ability to progress 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 above and 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 Group's liquidity and capital resources;
- access to funding to support the Group's continued ICSID Arbitration and/or operating activities in the future;
- equity dilution resulting from the conversion of the Convertible Notes, or exercise of warrants, in part or in whole to common shares of the Company;
- the ability of the Company to maintain a continued listing on the Exchange 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 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 and fiscal regimes; and
- volatility of currency exchange rates;
- the availability and continued participation in operational or other matters pertaining to the Group of certain key employees and consultants.

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.

Gabriel Resources Ltd.

Consolidated Financial Statements

For the year ended December 31, 2017

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 14, 2018

March 14, 2018

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, 2017 and December 31, 2016 and the consolidated statements of loss and statements of comprehensive loss, changes in shareholders' (deficit) / 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, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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

(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	**2017**	2016
Assets			
Current assets			
Cash and cash equivalents	9	**31,220**	60,267
Other receivables	10	**875**	596
Prepaid expenses and supplies		**520**	523
Total current assets (excluding assets classified as held for sale)		**32,615**	61,386
Assets classified as held for sale	8	**13,723**	13,417
Total current assets		**46,338**	74,803
Non-current assets			
Restricted cash	9	**850**	506
Property, plant and equipment	11	**112**	149
Total non-current assets		**962**	655
TOTAL ASSETS		**47,300**	75,458
Liabilities			
Current liabilities			
Trade and other payables	12	**3,909**	3,375
Resettlement liabilities	13	**532**	742
Other current liabilities	14	**1,156**	1,211
Total current liabilities		**5,597**	5,328
Non-current liabilities			
Convertible unsecured notes	15	**63,201**	56,154
Total non-current liabilities		**63,201**	56,154
TOTAL LIABILITIES		**68,798**	61,482
Equity			
Share capital	17	**868,288**	868,279
Other reserves	15,17	**133,449**	131,562
Currency translation adjustment		**1,579**	1,329
Accumulated deficit		**(1,028,765)**	(991,085)
Equity attributable to owners of the parent		**(25,449)**	10,085
Non-controlling interest	19	**3,951**	3,891
TOTAL (DEFICIT) / EQUITY		**(21,498)**	13,976
TOTAL (DEFICIT) / EQUITY AND LIABILITIES		**47,300**	75,458

Going concern – Note 1

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 Statement of Loss

For the year ended December 31

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

	Notes	2017	2016
Expenses			
Corporate, general and administrative	7	**27,433**	19,471
Impairment of mineral properties and property plant and equipment	11	**-**	8,062
Share-based compensation	14,18	**1,835**	2,184
Depreciation		**116**	314
Operating loss		**29,384**	30,031
Other (income) / expense			
Finance income		**(274)**	(151)
Gain on disposal of fixed assets		**(25)**	(1,001)
Debt extinguishment charge		**-**	4,710
Charge on issue of in the money equity instuments		**-**	34,366
Finance costs - convertible note interest accretion	15	**7,071**	4,426
Foreign exchange loss / (gain)		**1,524**	(866)
Loss for the year		**37,680**	71,515
Loss for the year attributable to:			
- Owners of the parent		**37,680**	71,515
- Non-controlling interest	19	**-**	-
Loss for the year		**37,680**	71,515
Loss per share (basic and diluted)	22	**$ 0.10**	$ 0.19

Consolidated Statement of Comprehensive Loss

For the year ended December 31

(*Expressed in thousands of Canadian dollars)*

	Note	2017	2016
Loss for the year		**37,680**	71,515
Other comprehensive (income) / loss			
- may recycle to the Income Statement in future years			
Currency translation adjustment		**(310)**	1,146
Comprehensive loss for the year		**37,370**	72,661
- Owners of the parent		**37,430**	72,440
- Non-controlling interest	19	**(60)**	221
Comprehensive loss for the year		**37,370**	72,661

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

Consolidated Statement of Changes in Shareholders’ (Deficit) / Equity

For the year ended December 31

(Expressed in thousands of Canadian dollars)

	Notes	2017	2016
Common shares			
At January 1		**868,279**	868,086
Shares issued on the exercise of share options	17	**5**	17
Transfer from contributed surplus - exercise of share options	17	**4**	11
Shares issued on redemption of DSUs	17	**-**	165
At December 31		**868,288**	868,279
Other reserves			
At January 1		**131,562**	53,843
Share-based compensation	17	**1,891**	1,003
Exercise of share options		**(4)**	(11)
Equity component of convertible notes, net of issue costs	15	**-**	44,571
Warrants, net of issue costs	15	**-**	32,156
At December 31		**133,449**	131,562
Currency translation adjustment			
At January 1		**1,329**	2,254
Currency translation adjustment		**250**	(925)
At December 31		**1,579**	1,329
Accumulated deficit			
At January 1		**(991,085)**	(919,570)
Loss for the year		**(37,680)**	(71,515)
At December 31		**(1,028,765)**	(991,085)
Non-controlling interest			
At January 1		**3,891**	4,112
Loss for the year		**-**	-
Currency translation adjustment		**60**	(221)
At December 31		**3,951**	3,891
Total shareholders' (deficit) / equity at December 31		**(21,498)**	13,976

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	**2017**	2016
Cash flows used in operating activities			
Loss before income taxes		**(37,680)**	(71,515)
Items not affecting cash			
Depreciation		**116**	314
Share-based compensation		**1,835**	2,184
Gain on disposal of fixed assets		**(25)**	(1,001)
Debt extinguishment charge	15	**-**	4,710
Impairment of mineral properties and property plant and equipment		**-**	8,062
Charge on issue of in-the-money equity instruments	15	**-**	34,366
Finance costs - convertible note interest accretion	15	**7,071**	4,426
Unrealized foreign exchange loss / (gain)		**1,560**	(2,033)
		(27,123)	(20,487)
RSU cash settlement		**-**	(49)
Changes in operating working capital:			
Unrealized foreign exchange (gain) / loss		**(25)**	651
Increase in accounts payable		**(17)**	(1,583)
(Decrease) / Increase in accounts receivable		**(276)**	4
		(27,441)	(21,464)
Cash flows provided by / (used in) investing activities			
Purchase of capital assets	11	**(51)**	(54)
Proceeds from sale of long lead-time equipment		**-**	2,636
		(51)	2,582
Cash flows provided by / (used in) financing activities			
Proceeds from issuance of private placement, net of issue costs	15	**-**	59,206
Finance charges on private placement	15	**(24)**	(17)
Proceeds from the exercise of share options	17	**4**	11
		(20)	59,200
(Decrease) / increase in cash and cash equivalents		**(27,512)**	40,318
Effect of foreign exchange on cash and cash equivalents		**(1,535)**	1,382
Cash and cash equivalents - beginning of year		**60,267**	18,567
Cash and cash equivalents - end of year	26	**31,220**	60,267

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

1. Nature of operations and going concern

Gabriel Resources Ltd. ("Gabriel" or the "Company") was a TSX listed Canadian resource company as at December 31, 2017 (TSX Venture Exchange listed starting February 1, 2018), whose activities were previously focused on permitting and developing the Roșia Montană gold and silver project (the "Project") in Romania, and are now focused on an international bilateral investment treaty claim against Romania. 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.

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

On July 21, 2015, pursuant to the provisions of international bilateral investment protection treaties which the Romanian State 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"), Gabriel and its subsidiary company, Gabriel Resources (Jersey) Limited ("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 ("ICSID Arbitration"). The Arbitration Request was registered by ICSID on July 30, 2015 and the presiding tribunal for the ICSID Arbitration ("Tribunal") was constituted on June 21, 2016. 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.

Whilst the Company's primary objective has been the development of the Project to operational status, as of the date of these consolidated financial statements, the core focus of the Company is the progression of the ICSID Arbitration. The first Tribunal hearing took place on August 12, 2016. On January 10, 2017, the Tribunal issued its procedural calendar for the ICSID Arbitration process and required documents. On June 30, 2017, the Claimants delivered a memorial to ICSID on the merits and quantum of the ICSID Arbitration claim ("Memorial"). On February 8, 2018 the Company announced that the President of the Tribunal had resigned and, in accordance with ICSID Arbitration rules, the ICSID Arbitration proceedings were suspended pending the appointment of a replacement President. On February 22, 2018, the Romanian State delivered a counter memorial ("Counter Memorial") in response to the Memorial filed by the Claimants.

The approved 2018 budget includes those expenditures and commitments necessary to maintain the Company's primary assets, as well as its License and associated rights and permits, and the material estimated costs associated with the Company advancing the ICSID Arbitration. On the basis of the Company's balance of cash and cash equivalents as at December 31, 2017 and its budgeted activities, including the current schedule for the ICSID Arbitration, the Company estimates that it has sufficient sources of funding to cover its planned activities through to the second quarter of 2019. Management continues to review the Company's activities in order to identify areas to rationalize expenditures and has contracted to sell non-core assets such as elements of the remaining long-lead time equipment. Management is also in ongoing discussions about the provision of longer-term funding for the Company.

The consolidated 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. As noted above, pending completion of the sale of the remaining long lead time equipment and the conclusion of additional financing, there is material uncertainty over the long-term funding available to the Company that may cast significant doubt about the Company's ability to continue as a going concern.

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

1. Nature of operations and going concern (continued)

The consolidated financial statements do not reflect the adjustments to the carrying values of assets or liabilities and the reported expenses and consolidated statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

The Company's registered address is Suite 200 – 204 Lambert Street, Whitehorse, Yukon, Canada Y1A 1Z4. 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 14, 2018.

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.

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 or were part of the Group during the year ended December 31, 2017:

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
NFI Gabriel Finance S.A.	100%	Romania	Romanian leu

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 19.

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 consolidated financial statements and the reported amount of expenses and other income for the year, including the classification and measurement of assets as held for sale. These estimates and assumptions are based on Management's knowledge of the relevant facts and awareness of circumstances, having regard to prior experience and information available at the balance sheet date.

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.

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 ("FVLCD") and its value in use ("VIU"), which is the present value of the future cash flows expected to be derived from an asset.

6. Significant accounting policies (continued)

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 the passage of time is recognized as a 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, 2017 the Group has not incurred and is not deemed to have 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.

(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).

6. Significant accounting policies (continued)

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.

Financial assets within the scope of IAS 39 are initially recognized at fair value including directly attributable transaction costs, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

After initial recognition, the accounting treatment of financial assets is based on their classification. The only currently relevant classification for the Company is loans and receivables, which include cash and cash equivalents, restricted cash, trade and other receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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: The debt component of the convertible notes, trade payables, accruals and other payables are classified as financial liabilities at amortized cost. The debt component of the convertible notes, 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 these items 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.

Impairment losses on financial assets carried at amortized cost 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 of the Company ("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.

6. Significant accounting policies (continued)

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 instruments granted 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 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 may 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, 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. If the holder elects to settle the DSU in cash then the Company, at its sole discretion, can elect to pay the amount in Common Shares.

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 if not agreed otherwise, redeem their RSUs for Common Shares, cash, or a combination of Common Shares and cash. All RSUs outstanding at December 31, 2017 will be settled in Common Shares.

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 in the Consolidated Statement of Financial Position. The compensation cost and liability is adjusted each reporting period for changes in the underlying share price.

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.

6. Significant accounting policies (continued)

Lease payments

Payments made under operating leases are recognized in profit and loss on a straight-line basis over the term of the lease.

Accounting standards and amendments

Certain new standards and amendments became effective during the current fiscal year. The company has adopted these standards where they were applicable to the Company. The adoption of new standards and amendments did not have any impact on the amounts recognized in prior period and did not affect the current periods. The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities, see Note 15.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2018, and have not been applied in preparing these consolidated financial statements. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Management has not yet concluded as to the impact on the Group. The standards being reviewed that are relevant to the Group are:

- Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2018, the final version of IFRS 9 was issued in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses.

  It also includes changes in respect of the entity's own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss.

  The Company has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

  The financial assets held by the Company include debt instruments currently classified as loans and receivables and measured at amortized cost, which meet the conditions for classification at amortized cost under IFRS 9. Accordingly, the Company does not expect the new guidance to affect the classification and measurement of these financial assets.

  There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The de-recognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

  The Group's accounts payable and accrued liabilities and convertible unsecured notes are classified as financial liabilities to be subsequently measured at amortized cost.

6. Significant accounting policies (continued)

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Company does not expect a material impact on the loss allowance for its receivables.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

- 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. Management is currently assessing the impact that this new standard will have on the consolidated financial statements of the Company.

7. Corporate General and Administrative expenses

in thousands of Canadian dollars	**December 31 2017**	December 31 2016
ICSID Arbitration related	**12,228**	8,768
Payroll	**9,393**	5,774
Finance	**954**	836
Long lead-time equipment storage costs	**904**	922
Legal	**826**	703
Exploration taxes	**662**	907
Community relations	**581**	450
Information technology	**365**	362
External communications	**165**	157
Other	**1,355**	554
Corporate, general and administrative expense	**27,433**	19,433

ICSID Arbitration related costs are in respect of legal and other services provided to the Company in respect of the ICSID Arbitration and in 2017 reflect the increase in resources necessary to complete and file the Memorial and quantum of the ICSID Arbitration claim on June 30, 2017.

Legal expenditures shown above are in respect of general corporate legal advisory services to the Group.

Payroll costs in the year ended December 31, 2017 include $4.2 million related to RMGC employees (2016: $3.6 million), and are $3.6 million higher than in the prior year due to a combination of payments in lieu of a significant reduction in notice periods for senior officers ($0.8 million), performance and retention bonuses relating to 2017 ($2.5 million), performance and retention bonuses relating to 2016 which were not accrued for in 2016 because completion of the annual compensation review was deferred into 2017 ($0.1 million) and payment in lieu of holiday accruals in Romania ($0.1 million.

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

8. Assets held for sale

Balance - December 31, 2015	19,646
Disposal	(1,375)
Impairment charge	(3,856)
Currency translation adjustment	(998)
Balance - December 31, 2016	13,417
Currency translation adjustment	**306**
Balance - December 31, 2017	**13,723**

The prospect of the long lead-time equipment being used in the future for the purpose for which it was purchased is considered remote. In December 2015, the Company engaged two specialist agents to broker the sale of the long lead-time equipment, and the equipment was transferred to assets held for sale on December 31, 2015. In August 2016, a gyratory crusher was sold for gross proceeds of $2.6 million. In November 2017, the Company entered into an agreement to sell a ball mill for gross proceeds of $5.3 million, with a net carrying value of $2.8 million as at December 31, 2017 for which a refundable deposit of $0.3 million was received and accounted for as restricted cash as described in Note 9. This deposit became non-refundable in January 2018, and the agreement to purchase the mill is scheduled to conclude in May 2018. The agents' engagement is ongoing, with a view to a sale of the remaining equipment in the short-term.

At December 31, 2017, the value of the long-lead time equipment was assessed for indicators of impairment. No indicators were noted, and consequently no impairment charge has been recognised in the income statement for the year.

The remaining long lead-time equipment comprises milling equipment, which is not yet assembled. These items 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.

9. Cash and cash equivalents and restricted cash

	December 31 2017	December 31 2016
Cash at bank and on hand	**2,737**	6,143
Short-term bank deposits	**28,483**	54,124
Cash and cash equivalents	**31,220**	60,267
Restricted cash	**850**	506
	32,070	60,773

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates. Cash is readily accessible and is deposited at reputable financial institutions with high 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, 2017, the Group held $0.3 million in cash and cash equivalents in Romanian banks (2016: $0.1 million).

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

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

9. Cash and cash equivalents and restricted cash (continued)

Restricted cash represents cash collateralization of legally required environmental guarantees for future clean-up costs of $0.3 million and a $0.3 million deposit received in respect of the sale of a ball mill as described in Note 8. 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, one of which was a former supplier to RMGC. Management understands that this investigation remains ongoing. The restricted amount represents the value of the goods procured from the supplier during 2012. RMGC continues to challenge the legality of the restriction and to cooperate fully with the Ploiesti prosecutor's office.

10. Trade and other receivables

	December 31 2017	December 31 2016
Other receivables	**431**	309
VAT and sales taxes	**444**	287
	875	596

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

	December 31 2017	December 31 2016
UK pound sterling	**56**	9
Canadian dollar	**71**	4
Romanian leu	**748**	583
	875	596

Notes to Consolidated Financial Statements

For the year ended December 31, 2017
(Amounts in thousands of Canadian dollars, unless otherwise stated)

11. Property, plant and equipment

	Office equipment	Building	Vehicles	Leasehold improvements	TOTAL
COST					
Balance - December 31, 2015	**4,463**	**3,190**	**1,121**	**303**	**9,077**
Additions	54	-	-	-	54
Disposals	(15)	-	(32)	-	(47)
Currency translation adjustment	62	(209)	119	-	(28)
Impairment charge	(1,373)	(2,833)	-	-	(4,206)
Balance - December 31, 2016	**3,191**	**148**	**1,208**	**303**	**4,850**
Additions	51	-	-	-	51
Disposals	(16)	-	(17)	-	(33)
Currency translation adjustment	3	-	-	-	3
Balance - December 31, 2017	**3,229**	**148**	**1,191**	**303**	**4,871**
ACCUMULATED DEPRECIATION					
Balance - December 31, 2015	**2,993**	**138**	**960**	**303**	**4,394**
Depreciation	180	21	82	-	283
Disposals	-	-	-	-	-
Currency translation adjustment	(81)	(11)	116	-	24
Balance - December 31, 2016	**3,092**	**148**	**1,158**	**303**	**4,701**
Depreciation	67	-	64	-	131
Disposals	(28)	-	(45)	-	(73)
Currency translation adjustment	-	-	-	-	-
Balance - December 31, 2017	**3,131**	**148**	**1,177**	**303**	**4,759**
CARRYING AMOUNT					
At December 31, 2015	1,470	3,052	161	-	4,683
At December 31, 2016	99	-	50	-	149
At December 31, 2017	**98**	**-**	**14**	**-**	**112**

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

12. Trade and other payables

	December 31 2017	December 31 2016
Trade payables	**252**	348
Payroll liabilities	**1,772**	713
Accrued expenses	**1,885**	2,314
	3,909	3,375

Trade and other payables are accounted for at amortized cost and are categorized as other financial liabilities. Included in payroll liabilities for 2017 are payments in lieu of a significant reduction in notice periods for senior officers and performance related expenses described in Note 7, $0.9 million of which relate to Gabriel Resources employees and $1.4 million of which relate to employees of RMGC. These amounts were accrued following the annual review of compensation in December 2017. No similar accrual was made in 2016 as completion of the annual compensation review was deferred into 2017 following renegotiation of notice periods and other contract terms for senior officers of Gabriel. Included in accrued expenses are $0.2m of ICSID Arbitration related accruals (2016: $2.0m). The decrease in accrued expenses in 2017 is due to the decrease in ICSID Arbitration activities and related fees following the filing of the Memorial in June 2017. The carrying amounts of accounts payable and accrued liabilities are denominated in the following currencies:

	December 31 2017	December 31 2016
UK pound sterling	**1,044**	87
Canadian dollar	**194**	167
United States dollar	**82**	1,587
Euro	**129**	402
Romanian leu	**2,460**	1,132
	3,909	3,375

13. Resettlement liabilities

RMGC previously had a program for purchasing homes in the Project area. 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 new resettlement site option, the Company recorded a resettlement liability for the anticipated construction costs of the resettlement houses. The total balance at December 31, 2017 was $0.5 million (December 31, 2016: $0.7 million).

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

14. Other liabilities

	DSUs (000's)	Price per common share (dollars)	Value
Balance - December 31, 2015	1,840	0.14	257
Granted	**701**	**0.24**	**166**
Settled	**(255)**	**0.65**	**(165)**
Cancelled	**(1)**	**0.65**	**(1)**
Change in fair value			954
Balance - December 31, 2016	2,285	0.53	1,211
Granted	**468**	**0.36**	**167**
Change in fair value			(222)
Balance - December 31, 2017	**2,753**	**0.42**	**1,156**

During the year ended December 31, 2017, the Company recorded a net reversal of a prior expense of $0.1 million (2016: $1.1 million expense).

The Company has a DSU Plan under which qualifying participants can elect to receive certain compensation in the form of DSUs. With effect from July 1, 2016, certain Company directors have received fifty per cent of their director fees payable in DSUs. DSUs are initially valued at the five-day weighted average market price of the Common Shares at the date of issue, with the value adjusted based on fair value on the closing common share price at the end of each subsequent reporting period.

As part of its efforts to reduce the costs of directors, the Board agreed to cease the practice of awarding 80,000 DSUs annually to directors re-elected to the Board.

During the year ended December 31, 2017, the Company's share price decreased, and accordingly a fair value decrease of $0.2 million has been recorded in the DSU liability.

15. Private placements

On July 14, 2016, the Company completed a private placement with one existing shareholder and a new investor (the "July 2016 Private Placement"). On May 11, 2016, the Company completed a private placement with a number of existing shareholders (the "May 2016 Private Placement" and together with the July 2016 Private Placement, the "2016 Private Placements"). A total of 60,625 units were issued pursuant to the 2016 Private Placements at a price of $1,000 per unit to raise aggregate gross proceeds of $60.625 million.

On May 30, 2014 the Company completed a private placement with a number of existing shareholders (the "May 2014 Private Placement" and together with the 2016 Private Placements, the "Private Placements"). A total of 35,000 units were issued in 2014, at a price of $1,000 per unit, to raise aggregate gross proceeds of $35.0 million. In conjunction with the closing of the May 2016 Private Placement, certain terms of the May 2014 Private Placement were restructured to bring them into alignment with the May 2016 Private Placement. Each of the units issued in 2014 and 2016 consist of a number of components:

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

15. Private placements (continued)

- $1,000 principal amount of convertible, subordinated, unsecured notes with a coupon of 0.025%, maturing on June 30, 2021 and convertible at any point prior to maturity, at the option of the holder, into Common Shares at a conversion price of $0.3105 per common share;
- 1,610 common share purchase warrants, each of which entitles the holder to purchase one common share of the Company at a price of $0.46 at any time prior to June 30, 2021; and
- one arbitration value right ("AVR"), which entitles the holder, subject to certain limitations and exclusions, to a pro-rata proportion of any amounts received by the Group pursuant to any settlement or arbitral awards irrevocably made in favour of the Group. This liability is capped at an aggregate of $304.3 million, distributable between all AVRs issued by the Company pursuant to the Private Placements.

July 2016 Private Placement – Initial recognition

	Gross allocation	Financing fees	Net allocation
Liability component of convertible debentures	22,740	394	22,346
Equity component of convertible debentures	32,694	567	32,127
Warrants	19,557	339	19,218
Charge on issue of in-the-money equity instruments	(34,366)	-	(34,366)
Arbitration value rights	-	-	-
Proceeds of private placement	40,625	1,300	39,325

May 2016 Private Placement – Initial recognition

	Gross allocation	Financing fees	Net allocation
Liability component of convertible debentures	11,118	67	11,051
Equity component of convertible debentures	4,149	25	4,124
Warrants	4,733	28	4,705
Arbitration value rights	-	-	-
Proceeds of private placement	20,000	120	19,880

2014 Private Placement – Recognition subsequent to the May 2016 debt extinguishment

	Gross allocation	Financing fees	Net allocation
Liability component of convertible debentures	18,347	-	18,347
Equity component of convertible debentures	8,370	50	8,320
Warrants	8,283	50	8,233
Arbitration value rights	-	-	-
Proceeds of private placement	35,000	100	34,900

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

15. Private placements (continued)

Subsequent to initial measurement, the debt component of the Private Placements is measured at amortized cost using the effective interest rate method. The valuation of the equity component is not adjusted subsequent to the initial recognition except on conversion or expiry.

There are two derivatives that are embedded within the convertible notes to the Private Placements: a ‘make-whole premium’ to protect holders of the convertible notes in a change of control event as stated in the note indenture; 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 will be reassessed at each reporting date.

The aggregate composition of the Private Placements is set out in the following table:

	Gross allocation	Financing fees	Net allocation
Liability component of convertible debentures	52,205	461	51,744
Equity component of convertible debentures	45,213	642	44,571
Warrants	32,573	417	32,156
Charge on issue of in-the-money equity instruments	(34,366)	-	(34,366)
Proceeds of private placement	95,625	1,520	94,105

In accordance with IAS 7, changes in the value of the Private Placements are as follows:

Balance - December 31, 2015	**30,400**
Fair value of new borrowings	51,001
Interest paid	(17)
Interest accretion	4,426
Charge on issue of in-the-money equity instruments	(34,366)
Debt extiguishment charge	4,710
Balance - December 31, 2016	**56,154**
Interest paid	(24)
Interest accretion	7,071
Balance - December 31, 2017	**63,201**

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

16. 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 2017	December 31 2016
Salaries and other short-term employee benefits [1]	**2,930**	1,483
Directors' fees	**161**	338
DSUs and RSUs [2]	**713**	179
Share options [2]	**196**	545
Total	**3,999**	2,545

[1] *Included in salaries and other benefits are payments in lieu of a significant reduction in notice periods for senior officers ($0.8 million) and performance and retention bonuses relating to 2017 ($0.8 million).*

[1] *DSUs, RSUs and share options granted to key Management and non-executive directors are fair valued at the grant date and at each subsequent reporting date. 2017 was the first full financial year in which directors have agreed to receive 50% of fees in DSUs or options. RSUs were granted in 2017 to officers of the Company as compensation for the significant reduction in notice periods outlined above.*

(b) Related party transactions with Minvest are disclosed in Note 19.

17. 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, 2015	384,150	868,086
Shares issued on the exercise of share options	36	17
Shares issued on the exercise of DSUs	255	165
Transfer from contributed surplus - exercise of share options	-	11
Balance - December 31, 2016	384,441	868,279
Shares issued on the exercise of share options	13	5
Transfer from contributed surplus - exercise of share options	-	4
Balance - December 31, 2017	**384,454**	**868,288**

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

18. Common share options and equity settled RSUs

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 is determined as the five-day weighted average closing price of the Common Shares prior to the grant date of the option. The majority of options granted vest over three years and are exercisable over five years to ten 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, 2017, common share options held by directors, officers, employees and consultants were 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)
0.28 - 0.40	6,223	0.38	7.9	3,328	0.40	7.6
0.41 - 0.75	8,190	0.49	6.4	4,635	0.52	4.4
0.76 - 1.00	9,640	0.81	1.0	9,640	0.81	1.0
1.01 - 1.76	2,260	1.76	0.2	2,260	1.76	0.2
	26,313	0.69	4.2	19,863	0.78	2.8

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 achievement of milestones (the "measurement date"), the fair value of these options is amortized using graded vesting over the anticipated vesting period.

Certain 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 as follows:

	Number of options (thousands)	Weighted average exercise price (dollars)
Balance - December 31, 2015	25,728	1.66
Options granted	4,961	0.46
Options forfeited	(360)	2.14
Options expired	(3,548)	6.62
Options exercised	(36)	0.46
Balance - December 31, 2016	26,745	0.77
Options granted	**1,056**	**0.32**
Options expired	**(1,475)**	**1.88**
Options exercised	**(13)**	**0.40**
Balance - December 31, 2017	**26,313**	**0.69**

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

18. Common share options and equity settled RSUs (continued)

During the year ended December 31, 2017, 1.1 million options were granted to directors at a weighted average exercise price of $0.32, vesting over a three-year period. During the year ended December 31, 2016, 5.0 million options were granted at a weighted average exercise price of $0.46, of which 4.4 million vest on a milestone basis and the remaining 0.6 million vest over a three-year period. The valuation of the options granted was calculated using a Black-Scholes valuation model with the following assumptions:

	December 31 2017	December 31 2016
Weighted average risk-free interest rate	**1.55%**	1.00%
Volatility of share price	**100%**	107%
Weighted average life of options (years)	**6.0**	4.4
Pre-vesting forfeiture rate	**20%**	20%
Weighted average fair value of awards ($)	**0.25**	0.34

At December 31, 2017, the fair value of options to be expensed is $0.8 million (2016: $1.6 million).

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 unless agreed otherwise, redeem their RSUs for Common Shares, cash, or a combination of Common Shares and cash. Cash settled RSUs are measured and accounted for in the same way as DSUs. There are currently no cash settled RSUs outstanding, and no RSUs were settled for cash during 2017 (2016: $0.05 million).

At December 31, 2017 equity settled RSUs held by directors, officers and employees were as follows:

	Equity settled RSUs (000's)	**Price per common share (dollars)**	**Value**
Balance - December 31, 2016	-	-	-
Amortized	1,445	0.38	549
Cancelled	(404)	0.38	(153)
Balance - December 31, 2017	**1,041**	**0.38**	**396**

The valuation of equity settled RSUs was calculated using a Black Scholes model. Because the effective exercise price of the RSUs is zero, the expense per RSU is calculated to be the same as the five-day weighted average closing price of the Common Shares prior to the grant date of the option.

All current equity settled RSUs vest on achievement of milestones which are expected to be achieved in Q4 2018 and have a maximum vesting date of December 31, 2018, and the estimated fair value of these RSUs is amortized using graded vesting over the anticipated vesting period. Adjustments resulting from the recalculation of the estimated vesting periods are recorded in the Consolidated Income Statement.

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

19. Non-controlling interest

	Rosia Montană Gold Corporation S.A.
Balance - December 31, 2015	4,112
Currency translation adjustment	(221)
Loss for the year	-
Balance - December 31, 2016	3,891
Currency translation adjustment	**60**
Loss for the year	**-**
Balance - December 31, 2017	**3,951**

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, 2017, 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 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.

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.

20. 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 2017	December 31 2016
Loss before income taxes	**37,680**	71,515
Income tax rate [(1)]	**28.5%**	30.0%
Income tax at statutory rates	**(10,739)**	(21,455)
Tax effects of:		
- Impact of foreign tax rates [(2)]	**1,272**	2,220
- Non-deductable items / permanent differences	**560**	656
- Unrecognised deferred tax assets	**8,906**	18,579
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. Effective July 1, 2017 the income tax rate in Yukon reduced from 15% to 12%.*

[(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.

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

20. Income taxes (continued)

	Canada		
	December 31 2017	December 31 2016	Expiry
Losses carried forward	**58,536**	44,947	2026-2036
Unclaimed share issue cost	**1,057**	1,461	No expiry
Capital assets	**1,461**	1,440	No expiry
Cumulative eligible capital expenditures	**13,328**	13,328	No expiry
Deductable temporary differences	**74,382**	61,176	

RM Gold (Services) Ltd has $3.9 million of unrecognized deductible temporary differences in the United Kingdom (2016: $4.1 million), with no specified expiry date, to be carried forward for use against future profits.

RMGC has unrecognized temporary differences in Romania of $485.7 million (2016: $691.6 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 in Romania, amounted to $94.4 million (2016: $91.8 million) and have expiry dates between 2018 and 2024.

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

21. 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	2018	2019	2020	2021	2021	Thereafter
Operating lease commitments								
Rosia Montană exploitation license	b	394	263	131	-	-	-	-
Surface concession rights	c	1,077	32	32	32	32	32	917
Lease agreements	d	99	99	-	-	-	-	-
Total commitments		1,570	394	163	32	32	32	917

(a) Under the terms of the License, 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 five year renewal periods.

(b) 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).

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

RMGC is a party to, or involved in, a limited number of legal proceedings in which it has been named as a defendant and from which it cannot withdraw, proceedings which principally concern claims related to certain land and resettlement rights 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.

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

21. Commitments and contingencies (continued)

As at December 31, 2017, 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.

RMGC has been subject to an inspection by the Romanian tax authorities of the value added tax ("VAT") deductions it claimed in the period 2011 to 2016 (the "VAT Assessment").

The VAT Assessment follows the re-run of a prior VAT audit concluded by ANAF in July 2016 which assessed a liability for approximately the same amount, rising with interest and penalties to RON 42.9m (then approximately $13.7 million) but which was successfully challenged by RMGC and partially quashed by ANAF in September 2016.

On July 5, 2017 RMGC received a further VAT Assessment of RON 27 million, approximately $8.6 million at July 5, 2017. This amount does not include the assessment for interest and penalties discussed below.

The VAT Assessment was due for payment on August 5, 2017. On August 9, 2017, RMGC filed an administrative challenge before the Romanian tax authorities against the VAT Assessment. It is the Company's understanding that such challenge should have been determined by ANAF within a six month period, however, to date, no decision has been issued.

RMGC also filed a request for a stay of enforcement of the VAT Assessment before the Alba Iulia Court of Appeal on August 10, 2017. On October 2, 2017, the Alba Iulia Court of Appeal admitted RMGC's request for a stay of enforcement of the VAT Assessment, pending the determination of RMGC's annulment challenge of the VAT Assessment. RMGC received a copy of the Court of Appeal's written decision on March 2, 2018. The ruling may be appealed by ANAF within 5 days of its receipt of such written decision.

Further to the VAT Assessment, on October 23, 2017 RMGC received a further demand from ANAF for RON 18.6 million, approximately $6.0 million, in interest and penalties. As with the VAT Assessment, the Company believes the interest and penalties are totally unjustified and, along with RMGC, intends to challenge this decision through administrative and judicial processes and considers that the outflow of economic resources in respect of the VAT Assessment is not probable, and consequently no liability has been recognized at December 31, 2017.

22. Loss per share

		December 31 2017		December 31 2016
Loss for the year attributable to owners of the parent		**37,680**		71,515
Weighted-average number of Common Shares (000's)				
Basic number of shares		**384,451**		384,274
Basic and diluted loss per share	**$**	**0.10**	$	0.19

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

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

23. 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,	**2017**	2016	**2017**	2016	**2017**	2016
Reportable items in the Consolidated Statements of Income and Comprehensive Income						
Finance income	-	-	**(274)**	(151)	**(274)**	(151)
Finance costs - convertible note accretion	-	-	**7,071**	4,426	**7,071**	4,426
Amortization	-	-	**116**	314	**116**	314
Reportable segment loss	**8,789**	27,533	**28,891**	43,982	**37,680**	71,515

As at December 31,	**2017**	2016	**2017**	2016	**2017**	2016
Reportable segment in Consolidated Statement of Financial Position						
Reportable segment current assets	**6,551**	14,514	**39,787**	60,289	**46,338**	74,803
Reportable segment non - current assets	**928**	621	**34**	34	**962**	655
Reportable segment liabilities	**(2,728)**	(1,853)	**(66,070)**	(59,629)	**(68,798)**	(61,482)

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

24. 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 and United States sovereign debt. The Group has adopted an investment strategy to minimize its credit risk by investing in sovereign debt (primarily issued by Canada and the United States, 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, which are primarily collectable from the Romanian tax authorities.

Liquidity risk

The Group has sufficient funds as at December 31, 2017 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 convertible notes outstanding at maturity by issuing Common Shares, as further described in Note 16.

As at December 31, 2017 the Group had no sources of operating cash flows and does not have sufficient cash to fund either the development of the Project nor all the long-term activities required to see the ICSID Arbitration through to its conclusion. As such, the Company will require additional future funding as discussed in Note 1.

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)

24. 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 United States dollars and 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 15), which are at amortized cost, and other liabilities which are fair valued through profit and loss (Note 14).

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, 2017:

	Financial assets and liabilities at fair value as at December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	32,070	-	-	**32,070**
Long lead-time equipment	-	-	13,723	**13,723**
Other liabilities	(1,156)	-	-	**(1,156)**
	30,914	-	13,723	**44,637**

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.

Sensitivity analysis

As of December 31, 2017, 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, 2017, 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 \$0.3 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 \$0.2 million.

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

25. 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. The Group has not paid dividends, nor returned capital to shareholders to date. At December 31, 2017, the Group's debt consisted of convertible notes with an original maturity of five years (Note 15). 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.

26. Supplemental cash flow information

	December 31 2017	December 31 2016
(a) Net changes in non-cash working capital		
Operating activities:		
Accounts receivable, prepaid expenses and supplies	**(276)**	175
Accounts payable and accrued liabilities	**(17)**	(1,754)
Unrealized foreign exchange gain on working capital	**25**	(651)
	(268)	(2,230)
(b) Cash and cash equivalents is comprised of:		
Cash	**2,737**	6,143
Short-term investments (less than 90 days) - weighted average interest of 0.95% (2016 - 0.45%).	**28,483**	54,124
	31,220	60,267

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

27. 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 20. The summarized financial statements of RMGC are as follows:

As at December 31	2017	2016
Current assets	**2,366**	15,017
Non-current assets	**4,078**	4,078
Total assets	**6,444**	19,095
Current liabilities	**(2,891)**	(1,853)
Non-current liabilities	**(698,271)**	(711,207)
Total liabilities	**(701,162)**	(713,060)

Summarized statement of comprehensive income

For the year ended December 31	2017	2016
Loss for the year	**9,087**	15,855
Other comprehensive loss / (income) (Currency translation adjustment)	**(310)**	1,146
Comprehensive loss for the year	**8,777**	17,001

Summarized statement of cash flows

For the year ended December 31	2017	2016
Net cash utilized by operating activities	**(8,589)**	(8,210)
Net cash utilized by investing activities	**-**	-
Net cash provided by financing activities	**8,756**	7,811
Net (decrease) / increase in cash and cash equivalents	166	(399)