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”) and its subsidiary companies (together the “Group”) *as at, and for the years ended, December 31, 2018 and 2017.*

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, 2018 and 2017 (“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, 2019, 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 within the Group. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of the Group 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 MD&A. All forward-looking statements, including those not specifically identified herein are made subject to the cautionary language beginning on page 25. Readers are advised to refer to the cautionary language when reading any forward looking statements.

Overview

Gabriel is a Canadian resource company with its common shares (“Common Shares”) 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 Project, one of the largest undeveloped gold deposits in Europe, is situated in an area known as the Golden Quadrilateral in the South Apuseni Mountains of Transylvania, Romania, an historic and prolific mining district that since Roman times has been mined intermittently for over 2,000 years.

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 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 Group’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. Information on the key milestones to-date in the ICSID Arbitration process are given below.

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.

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, including against expropriation, unfair and inequitable treatment and discrimination in respect of the Project and related licenses.

Status of the ICSID Arbitration

On November 2, 2018, the Claimants submitted their reply ("Reply") to Romania's counter-memorial submission of February 22, 2018 ("Counter-Memorial") and Romania's supplemental preliminary objection to the jurisdiction of the Tribunal ("Jurisdictional Challenge"). The Reply sets out a comprehensive rebuttal of the legal and factual contentions raised in the Counter-Memorial and includes Gabriel's response to the Jurisdictional Challenge.

The Reply was filed in accordance with a schedule established by procedural orders of the Tribunal ("Procedural Orders"), including a revision to the procedural calendar ("Procedural Calendar") that prescribed the following key dates:

- Romania to file its response to the Reply ("Rejoinder") and its reply on the Jurisdictional Challenge by May 10, 2019.
- Gabriel to file its surrejoinder on the Jurisdictional Challenge by June 14, 2019.
- The Tribunal will hold a hearing on the merits of the claim from December 2 to 13, 2019.

The latest stage of the ICSID Arbitration proceedings has involved a process whereby certain non-disputing parties (referred to as *amici curiae*) have sought leave from the Tribunal to make written or oral observations in the proceedings.

In November 2018, the Claimants were notified by ICSID that certain non-governmental organizations ("non-disputing parties") who have opposed the Project for many years had submitted a petition to the Tribunal for leave to file a written *amicus curiae* submission and to participate in the oral hearings of the ICSID Arbitration claim in December 2019.In accordance with the Procedural Calendar, the Claimants and the Respondent provided comments on the non-disputing parties' petition on November 23, 2018.

On December 7, 2018, the Tribunal issued Procedural Order No. 19 whereby it granted the non-disputing parties' request to file an *amicus curiae* submission but restricted the submission to commenting on certain factual issues while excluding the legal arguments and testimonies which the non-disputing parties had sought to present. The Tribunal also denied the non-disputing parties' request to participate in the hearings of the ICSID Arbitration and noted that it had "serious doubts" as to whether the non-disputing parties would assist the Tribunal by bringing a new perspective or particular knowledge or insight to the ICSID Arbitration. In accordance with the Procedural Calendar, on February 28, 2019, the Claimants and the Respondent filed their comments on the *amicus* submission with ICSID.

Following a process prescribed by the Procedural Orders, redacted versions of the memorial submitted by the Claimants on June 30, 2017 regarding the merits and quantum of the claim ("Memorial"), the Counter-Memorial and the Reply were published on the ICSID website on July 11, 2018, October 2, 2018 and February 8, 2019, respectively. A copy of the Jurisdictional Challenge submission is also available on the ICSID website.

A summary of the procedural aspects of the ICSID Arbitration, together with copies of the Procedural Orders issued by the Tribunal, are available on ICSID's website.

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. Management of Gabriel and RMGC consider 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 assessment relates to VAT refunds 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 December 2015.

On August 9, 2017, RMGC challenged the validity of the VAT Assessment before the ANAF Directorate-General for the Settlement of Complaints. The Company is advised by counsel that such challenge should have been determined by the ANAF Director-General, pursuant to the Fiscal Procedure Code, within six months of the date of the lodging of RMGC's challenge application, however no decision was issued by ANAF within such period, or since. On April 5, 2018, RMGC initiated an action before the Alba Iulia Court of Appeal (Division for Administrative and Tax Claims) seeking the annulment of the VAT Assessment. On February 6, 2019, the Alba Court of Appeal ruled in favour of RMGC's annulment challenge of the VAT Assessment. On February 28, 2019, RMGC received a copy of the Alba Iulia Court of Appeal's written decision. ANAF subsequently filed an appeal against this decision with the High Court of Cassation and Justice, however no hearing date has yet been set.

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. ANAF subsequently filed an appeal against this decision with the High Court of Cassation and Justice. On February 28, 2019, the High Court of Cassation and Justice dismissed ANAF's appeal and the stay of enforcement remains in effect.

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. The Company is advised by counsel that the enforcement of such demand for interest and penalties is also stayed by the Court of Appeal's decision.

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. Following notification that ANAF has filed an appeal against the February 6, 2019 decision of the Alba Court of Appeal, 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 three 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 a number of its suppliers, consultants and advisors, over an extensive period spanning 1997 to 2016 (the "ANAF Investigation"). Although RMGC is co-operating in good faith with ANAF, as at the date of this MD&A Gabriel still awaits formal indication of the grounds for the ANAF Investigation and neither the Company nor RMGC has received any feedback on its status.

Other Recent Developments

Funding

As previously announced, on January 15, 2019, the Company completed closing of a non-brokered private placement (the “December 2018 Private Placement”) of 106,425,847 units of the Company (the “Units”) to certain existing securityholders. Each Unit consists of one Common Share and one Common Share purchase warrant (Warrant”) and was issued by the Company at a price of $0.2475 per Unit for gross proceeds of US$20 million (approximately $26.3 million). Each Warrant entitles the holder to acquire one Common Share at an exercise price of $0.49 at any time within five years of issuance. Gross proceeds of US$15.2 million were received in December 2018 with the balance of US$4.8 million received in January 2019. Notwithstanding, the Group will require additional funding in the medium-term to maintain its primary assets, including its License and associated rights and permits, and to fund the costs associated with the Company advancing the ICSID Arbitration.

Chief Executive Officer

On July 10, 2018 the Company announced that the former President and Chief Executive Officer, Jonathan Henry, resigned from his position. Mr. Henry has signed an agreement with the Company to act as a consultant in connection with the ICSID Arbitration claim against Romania.

On August 8, 2018, the Company appointed Dragos Tanase as President and Chief Executive Officer. Mr Tanase has been the managing director of RMGC for 10 years, a position in which he continues to serve.

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.

Due to the status of the Project and the ongoing ICSID Arbitration, in December 2015, the Company formally engaged two specialist agents to broker the sale of this equipment (“LLTE”).

During Q3 2016, the Group sold a gyratory crusher plus spares for net proceeds of US$1.5 million (approx. $2.0 million). On May 4, 2018 the Group sold a ball mill plus spares for net proceeds of US$3.3 million (approx. $4.3 million). The Company continues, through its agents, to procure the sale of the remaining long lead-time equipment.

During the year ended December 31, 2018, the carrying amount of the remaining long-lead time equipment was assessed for indicators of impairment and Management deemed it appropriate to record an impairment charge of $3.9 million.

UNESCO World Heritage List

In February 2016, the Romanian Ministry of Culture submitted an initial application to the United Nations Educational, Scientific and Cultural Organization (UNESCO) for the placing of an area referred to as the "Roşia Montană Mining Cultural Landscape", an area which includes the Project footprint, on UNESCO's "Tentative List" to be declared a UNESCO World Heritage site.

On January 4, 2017, the Ministry of Culture submitted the nomination file ("Nomination File") for the inclusion of the "Roşia Montană Mining Cultural Landscape" 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.

At its meeting on July 2, 2018, the UNESCO World Heritage Committee considered a late request of the Romanian Government to postpone its decision on the inclusion of the Roșia Montană Mining Cultural Landscape on the UNESCO World Heritage List due to the ongoing ICSID Arbitration. The World Heritage Committee thereafter postponed a decision on the Nomination file for up to three years due to the "ongoing international arbitration" in accordance with the operational guidelines for the implementation of the World Heritage Convention.

The Minister of Culture subsequently confirmed that the Romanian Government had not withdrawn the Nomination File but requested the postponement of a decision on the file until such time as the ICSID Arbitration is settled in order to "to protect the national assets and financial interests of the Romanian state".

Legal Challenges in Romania

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 non-governmental organisations 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 fourth quarter of 2018, 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;
- securing additional, medium and long-term funding;
- 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, 2018 were $18.1 million.

The Company's average monthly cash usage during Q4 2018 was $4.8 million (Q3 2018: $4.3 million). At the end of Q4 2018, accruals for costs in respect of the ICSID Arbitration amounted to $1.8 million (Q3 2018: $6.2 million). The build-up in accruals in Q3 2018 was due principally to the significant legal and other advisory services required by the Company for the preparation and submission of the Reply, which were substantially invoiced and paid by the end of Q4 2018.

The Company believes that it has sufficient sources of funding to cover its planned activities through to November 2019. Management is currently planning to raise additional financing in 2019 and continues to review the Company's activities in order to identify areas to rationalize expenditures.

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		**2018**		**2017**		2016
Operating loss	**$**	**44,413**	**$**	**29,384**	$	30,031
Other expenses		**6,153**		**8,296**		41,484
Loss - attributable to owners of the parent		**50,566**		**37,680**		71,515
Loss per share (basic and diluted)		**0.13**		**0.10**		0.19
Total assets		**26,893**		**47,300**		75,458
Non-current liabilities		**77,698**		**63,201**		56,154
Cash flows from financing activities	**$**	**19,828**	**$**	**(20)**	$	59,200

Results of operations

Operating loss in 2018 was $44.4 million, $15.0 million higher than in 2017 ($29.4 million) principally due to three main factors. First, 2018 ICSID Arbitration related costs of $22.0 million were $9.8 million higher than 2017 as a consequence of higher activity levels following receipt of Romania's Counter-Memorial and in preparation of the November 2, 2018 filing of the Reply. Second, in 2018 an impairment charge of $3.9 million relating to the LLTE was recognized. Third, the 2018 payroll expense of $10.7 million was $2.1 million higher than in 2017 due to a number of factors further described in commentary on corporate, general and administrative expenses below.

Other expenses include finance costs, finance income and foreign exchange gains and losses. Finance costs in 2018 include $8.0 million (2017: $7.1 million) of accreted interest costs in respect of the debt components 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 "2016 Private Placements"). The increase year-on-year is due to the interest component increasing as the liability to repay the convertible notes issued in the 2016 Private Placements increases over the period to maturity. Higher interest rates on a diminishing short term deposit cash balance results in finance income ($0.2 million) in 2018 being similar to 2017 ($0.3 million). Exchange gains of $0.9 million were recognized in 2018 (2017: loss of $1.5 million) due to the appreciation of the US dollar against the Canadian dollar, having a favorable effect on US dollar cash balances when converted at period end to the presentation currency, the Canadian dollar.

The loss attributable to owners of the parent for 2018 was $12.9 million higher than the loss incurred in 2017, primarily due to the Arbitration related and impairment costs described above.

Total assets

Total assets decreased by $20.4 million in 2018. Net inflow from the December 2018 Private Placement was $19.9 million, which was offset by the utilization of $37.2 million of cash to fund the Group's 2018 activities. In 2017, total assets decreased by $28.2 million compared to 2016, due to the utilization of $18.7 million to fund the Group's 2017 activities.

Non-current liabilities

Non-current liabilities are comprised of the debt components of the 2016 Private Placements of $71.1 million (2017: $63.2 million).

Cash flows from financing activities

Cash flows from financing activities in 2018 primarily reflect the net cash inflow after issue costs of $19.9 million from the December 2018 Private Placement.

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	**2018 Q4**	**2018 Q3**	**2018 Q2**	**2018 Q1**
Income Statement				
Loss - attributable to owners of parent	12,665	17,176	13,794	6,931
Loss per share - basic and diluted	0.03	0.04	0.04	0.02
Statement of Financial Position				
Working capital	12,573	2,804	18,090	22,625
Total assets	26,893	20,115	33,464	44,410
Statement of Cash Flows				
Cash flows from financing activities	19,828	-	-	-

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

Review of Financial Results

in thousands of Canadian dollars, except per share amounts	**3 months ended December 31** **2018**	2017	**12 months ended December 31** **2018**	2017
Operating loss for the period	**11,319**	5,846	**44,413**	29,384
Loss for the period				
- attributable to owners of parent[1]	**12,665**	7,431	**50,566**	37,680
Loss per share - basic and diluted	**0.03**	0.02	**0.13**	0.10

[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.

Operating loss for the three-month period ended December 31, 2018 was impacted by higher costs related to the ongoing ICSID Arbitration, which were $5.6 million in the current quarter in the lead up to the November 2, 2018 filing of the Reply versus $0.1 million in 2017 comparable quarter.

Operating loss for the year ended December 31, 2018 was principally as a result of operational expenditures of $39.5 million (2017: $27.4 million) including $22.0 million (2017: $12.2 million) of ICSID Arbitration related costs and $10.7 million (2017: $8.6 million) of Group payroll costs, as further described in commentary on corporate, general and administrative expenses below. The 2018 operating loss also includes a $3.9 million impairment of the LLTE.

Expenses

Corporate, General and Administrative

in thousands of Canadian dollars	**3 months ended December 31** **2018**	2017	**12 months ended December 31** **2018**	2017
ICSID Arbitration related	**5,564**	120	**22,035**	12,228
Payroll	**3,303**	3,732	**10,733**	8,585
Long lead-time equipment storage costs	**480**	245	**1,134**	904
Finance	**223**	249	**830**	954
Property and exploration taxes	**145**	(105)	**747**	662
Legal	**109**	332	**624**	826
Community relations	**147**	189	**508**	581
Information technology	**83**	101	**329**	365
External communications	**44**	25	**213**	165
Other	**639**	664	**2,360**	2,163
Corporate, general and administrative expense	**10,737**	5,552	**39,513**	27,433

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

ICSID Arbitration related expenses are for legal and other services provided to the Company in respect of the ICSID Arbitration which, for the year ended December 31, 2018, were approximately $22.0 million. The increase compared to the corresponding 2017 period is due to the significantly higher activity levels throughout 2018 in the review of the Respondent's Counter-Memorial and subsequent preparation of the November 2, 2018 filing of the Claimant's Reply, as compared to ICSID Arbitration activity in the prior year being principally devoted to the preparation and filing of the Claimant's Memorial in June 2017.

Total payroll costs for the year ended December 31, 2018 are higher than the corresponding 2017 period due principally to settlement expenses of $3.5 million paid to the former President and CEO of the Company ("Former CEO") in July 2018, which included compensation for the forfeiture of all stock options, RSUs and DSUs held by the Former CEO at the time of his departure from the Company.

Long lead time equipment costs for the year ended December 31, 2018 are higher than the corresponding 2017 period as a result of costs of the relocation of certain assets previously stored in Turkey and Romania to Belgium in Q4 2018.

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

Stock Based Compensation

	3 months ended December 31		12 months ended December 31	
	2018	2017	**2018**	2017
Stock option compensation				
Number of stock options granted	**4,016,077**	75,558	**4,256,196**	1,055,324
Average value ascribed to each regular vesting option granted	**$ 0.31**	$ 0.46	**$ 0.31**	$ 0.32
DSU compensation				
Number of DSUs issued	**262,502**	99,036	**472,145**	467,718
Average value ascribed to each DSU issued	**$ 0.29**	$ 0.38	**$ 0.32**	$ 0.36
Number of DSUs cancelled	**-**	-	**422,243**	-
Average value ascribed to each DSU cancelled	**$ -**	$ -	**0.30**	$ -
RSU compensation				
Number of RSUs issued	**-**	146,836	**-**	2,148,748
Average value ascribed to each RSU issued	**$ -**	$ 0.32	**$ -**	$ 0.38
Number of RSUs cancelled	**-**	403,799	**914,401**	403,799
Average value ascribed to each RSU cancelled	**$ -**	$ 0.38	**$ 0.38**	$ 0.38

With effect from July 1, 2016, non-executive directors receive at least fifty per cent of their director's fees payable in deferred share units ("DSUs") or incentive stock options ("Options"). Certain non-executive directors have elected to receive all of their director's fees payable in Options. A total of 291,077 Options were granted to certain non-executive directors during the three-month period ended December 31, 2018 in lieu of cash fees for services provided during the prior two quarters (2017: 101,684 relating to the third quarter only), all of which vest immediately. The Company has accrued $0.1 million for the cost of future issuance of Options and DSUs for fees for services provided during Q4 2018.

A total of 600,000 Options were issued to certain non-executive directors during the three-month period ended December 31, 2018 as part of their annual compensation package. A further 3,125,000 Options were issued to employees of the Company in the three-month period ended December 31, 2018.

	3 months ended December 31		12 months ended December 31	
in thousands of Canadian dollars	**2018**	2017	**2018**	2017
DSUs - expense / (gain)	**18**	(466)	**(203)**	(56)
Stock option / RSU compensation - expense	**551**	753	**1,089**	1,891
Stock based compensation	**569**	287	**886**	1,835

DSUs are revalued each period end based on the period end closing share price. The initial value of the DSUs on grant, and the effect on the valuation of DSUs of the period-on-period change in share price, is expensed. At December 31, 2018, the Company's share price was $0.34 (December 31, 2017: $0.42), resulting in a credit to the income statement recognized at the period end revaluation. Also, during the year ending December 31, 2018, the Company cancelled the DSUs allocated to the Former CEO upon his resignation, resulting in a further credit to the income statement.

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 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, 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. During the year ending December 31, 2018, the Company cancelled the RSUs allocated to the Former CEO upon his resignation. The expense related to these RSUs has been reversed.

Finance Income

	3 months ended December 31		12 months ended December 31	
in thousands of Canadian dollars	**2018**	2017	**2018**	2017
Interest income	**22**	75	**244**	274

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

As at December 31, 2018, the majority of the Company's cash and cash equivalents were held as cash deposits with major Canadian banks.

Finance Costs

in thousands of Canadian dollars	**3 months ended December 31** **2018**	2017	**12 months ended December 31** **2018**	2017
Financing costs - convertible note accretion	**2,080**	1,847	**7,959**	7,071

Finance costs relate to the accretion of the debt components of the 2014 and 2016 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 both the 2016 Private Placements and the December 2018 Private Placement (together "the Private Placements") 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, 2018 have been paid or provided for in the Financial Statements. On July 5, 2017, RMGC received the VAT Assessment from ANAF in respect of VAT refunds claimed by RMGC in the period from July 2011 to December 2015. 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 ANAF 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. On February 6, 2019, the Alba Court of Appeal ruled in favour of RMGC's annulment challenge of the VAT Assessment, although such ruling could be open to appeal by ANAF. 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 apart from building maintenance have been incurred in these areas and any such expenditures are expensed in the income statement.

Purchase of Capital Assets

	3 months ended December 31		12 months ended December 31	
in thousands of Canadian dollars	**2018**	2017	**2018**	2017
Total investment in capital assets	**15**	7	**54**	51
Depreciation and disposal - expensed	**13**	34	**71**	116

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

Financing Activities

The Private Placements raised gross aggregate proceeds of $115.6 million. The Company is using the balance of 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.

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, 2018, aggregate cash and cash equivalents were $18.1 million (December 31, 2017: $31.2 million).

Working Capital

At December 31, 2018, the Company had working capital, calculated as total current assets less total current liabilities, of $12.6 million (December 31, 2017: $27.0 million).

As at December 31, 2018, the Company had current liabilities of $6.6 million (December 31, 2017: $5.6 million). This period on period increase is due to the increase in ICSID Arbitration related activities in the period leading up to the filing of the Reply, and related advisory services.

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, 2018 the Company had accrued resettlement liabilities totaling $0.6 million (December 31, 2017: $0.5 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. 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, 2018 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 therefrom. The critical accounting estimates are not significantly different from those reported in the financial statements as at, and for the year ended, December 31, 2017.

Going Concern

As disclosed above, the Company has identified a need to raise additional funding which is necessary to maintain the Group's License and associated rights and permits, and to fund the costs associated with the advancement of the ICSID Arbitration. Management continues to review the Company's activities in order to identify areas to further reduce non-core expenditures.

Considering the matters noted above, 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, 2018.

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 tax 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 operates.

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, in 2017 RMGC received the VAT Assessment from ANAF which, with interest and penalties, amounted to approximately RON 45.6 million (approximately $14.6 million). RMGC initiated a formal challenge to the VAT Assessment through the Romanian courts, with a recent favourable ruling from the Alba Iulia Court of Appeal which is now subject to appeal by ANAF.

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 are initially issued at the five-day weighted average market price of the Common Shares at the date of issue, and the value thereof is subsequently recalculated to fair value based on the quoted market value of the Common Shares at the end of each reporting period.

Valuation of the Private Placements

The units issued by the Company in the 2016 Private Placements, consisted of convertible subordinated unsecured notes ("Convertible Notes"), warrants and arbitration value rights. The Company utilized a Black Scholes valuation model to value the warrant component of the units and a discounted cash flow model to value the debt component of 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 stage of the ICSID Arbitration process, a nil valuation remains applicable as at December 31, 2018. The 2016 Private Placements contain two embedded derivatives, both of which were initially valued at nil with no subsequent adjustment in value.

The Units issued by the Company in the December 2018 Private Placement, consisted of Common Shares and Warrants each of which entitle the holder to acquire one Common Share at an exercise price of $0.49 at any time in the five years following issuance. The Company utilized a Black Scholes valuation model to value the Warrant component of the Units and allocated the remainder of the value to the equity component. Any directly attributable transaction costs were allocated to the equity and Warrant 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 material and are estimated to continue to be significant.

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 also invested some of the funds raised in the Private Placements 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 are more recent and not subject to challenge pursuant to the VAT Assessment. As at December 31, 2018, overdue VAT receivable amounts claimed by RMGC total approximately $0.3 million.

Liquidity risk

The Company has the ability to repay the Convertible Notes at maturity by issuing Common Shares from treasury (as more fully described in the Financial Statements); these notes 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 and financing discussions with its shareholders and noteholders, the Group expects to have sufficient funds to settle all other existing and long-term contractual liabilities as they fall due. For further information see discussion above on *Going Concern*.

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, 2018 the Group held 88% and 5% of its cash and cash equivalents in US and Canadian 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, 2018, 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 income by $0.2 million.
- A plus or minus 1% change in foreign exchange rates; would affect income by $0.2 million.

Risks and uncertainties

An investment in the 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 resources necessary in 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 actions of the Respondent, or the process, timing or outcome of the ICSID Arbitration, there can be no assurances that the ICSID Arbitration will advance in a customary or predictable 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 or to obtain adequate compensation for the loss in value of the Group's investment 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 or its staff or employees by the Romanian State.

Additional Funding

Further funding, including medium-term 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.

Historically the Company has been financed through the issuance of its Common Shares, other equity based securities and convertible debt. Although the Company has been successful in the past in obtaining financing, it has limited access to financial resources as a direct result of the dispute concerning the Project and the core focus of the Company upon the ICSID Arbitration. Notwithstanding the Company's historic and intended discussions with its securityholders on the requirement for additional funding, there is a risk that sufficient additional financing may not be available to the Company on acceptable terms, or at all.

Whilst, as disclosed above, the Company has initiated a process to sell its long lead-time equipment which would, if completed, provide the Company with a reduced cost base and additional working capital, there are no assurances regarding the success 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 and outstanding pursuant to the Private Placements. 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 country specific 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 mining, 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. 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. Notwithstanding, the License expires in June 2019 and, in order to protect fully its rights and assets, an application for renewal was filed by RMGC on March 8, 2019, within the legal requirement of no less than 90 days prior to the expiry.

Pursuant to an exploration concession license issued by the Romanian State in May 1999 relating to the Rodu-Frasin and Tarniţa deposits located in the vicinity of Roşia Montană, and 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 11 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

In July 2018, the World Heritage Committee postponed a decision on the inclusion of the Roșia Montană Mining Cultural Landscape on the UNESCO World Heritage List for up to three years. The inclusion of Roșia Montană on the UNESCO World Heritage List has a material adverse impact on the Company's business, assets and financial condition insofar as it effectively prevents any mining in the Project area 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. Retaining qualified and experienced personnel is critical to the Company's success. However, there can be no assurance that the Group will be successful in so doing.

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 the outcome of the ICSID Arbitration and future operations of the Group.

Minvest mine closure plan

In May 2006, Minvest permanently ceased all of its mining operations at Roșia Montană. As a result, a mine closure plan was developed, which, Gabriel understands, was approved by the Romanian Ministry of Economy and NAMR. The mine closure plan was developed to integrate into RMGC's development plans for Roșia Montană in order to avoid any conflict between the Romanian State's closure activities and RMGC's development activities. A state-owned company under the coordination of the Ministry of Economy, S.C. CONVERSMIN S.A., has responsibility for the mine closure plan.

There can be no assurance that the activities contemplated by such mine closure plan will be implemented in a timely fashion, and no such action has been undertaken to date. Until the mine closure plan has been fully implemented, there can be no assurance that such activities will not attract liability to RMGC, as the titleholder of the License, under the current or future laws, rules and regulations applicable to mining activities in Romania. Likewise, there can be no assurance that the legally binding assumption by the Romanian State-owned operator of all liabilities associated with its past mining operations and the indemnification of RMGC from such liabilities will be fulfilled by, or be enforceable against, such entity. However, CONVERSMIN is currently seeking funding from the EU, through the Operational Programme for Large Infrastructure (POIM), for several mine closures including Rosia Montana.

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. In order to raise such financing, the Company anticipates that it may sell additional equity securities including, but not limited to, its Common Shares, share purchase warrants or some form of convertible security. The effect of additional issuances of equity securities will result in dilution to existing shareholders.

The conversion and/or exercise (as applicable) of the Company’s outstanding Convertible Notes and existing warrants could result in the issuance of a significant number of Common Shares causing significant dilution to the ownership of existing shareholders. Unless and until the Company successfully permits the Project or collects an arbitral award, if any, or acquires and/or develops other operating properties which provide positive cash flow, 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.

Continued Listing of the Common Shares

The continued listing of the Common Shares on the Exchange is conditional upon its ability to meet 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.

Compliance with Anti-Corruption Laws

Gabriel is subject to various anti-corruption laws and regulations including, but not limited to, the Canadian Corruption of Foreign Public Officials Act 1999 and the UK Bribery Act 2010. In general, these laws prohibit a company and its employees and intermediaries from bribing or making other prohibited payments to foreign officials or other persons to obtain or retain business or gain some other business advantage. Gabriel’s primary operations are located in Romania, a country which, according to Transparency International, is perceived as having fairly high levels of corruption relative to the rest of Europe (Romania ranks 61st out of 180 countries in terms of corruption, according to a 2018 index published in January 2019 by Transparency International). Gabriel cannot predict the nature, scope or effect of future anti-corruption regulatory requirements to which Gabriel’s operations might be subject or the manner in which existing laws might be administered or interpreted.

Failure to comply with the applicable legislation and other similar foreign laws could expose Gabriel and/or its senior management to civil and/or criminal penalties, other sanctions and remedial measures, legal expenses and reputational damage, all of which could materially and adversely affect Gabriel’s business, financial condition and results of operations. Likewise, any investigation of any potential violations of the applicable anti-corruption legislation by UK, Canadian or foreign authorities could also have an adverse impact on Gabriel’s ability to develop the Project or its business, financial condition and results of operations.

As a consequence of these legal and regulatory requirements, Gabriel has instituted policies and procedures with regard to business ethics, which have been designed to ensure that Gabriel and its employees comply with applicable anti-corruption laws and regulations. However, there can be no assurance or guarantee that such efforts have been and will be completely effective in ensuring Gabriel's compliance, and the compliance of its employees, consultants, contractors and other agents, with all applicable anti-corruption laws and regulations.

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 to its operations 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 will be subject to market trends generally and there may be significant fluctuations in the price of the Common Shares.

Currency fluctuations

The Company's reporting currency is the Canadian dollar, which is exposed to fluctuations against other currencies. The Company's primary operations are located in Romania and many of its expenditures and obligations are denominated in Romanian Lei. In addition, the Company has and/or will have expenditures and obligations denominated in other currencies including, but not limited to, Canadian dollars, US dollars, EUROs and United Kingdom pounds sterling ("GBP"). The Company maintains active cash accounts in Canadian dollars, US dollars, GBP and RON and has either monetary assets and/or liabilities in currencies including US dollars, Canadian dollars, EUROs, GBP and RON. As such, the Company's results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Company. The Company does not currently use any derivative products to actively manage or mitigate any foreign exchange exposure.

No history of earnings or dividends

The Company has no history of earnings and as such the Company has not paid dividends on its Common Shares since incorporation. The Company does not intend to declare or pay cash dividends at present.

Accounting policies and internal controls

Since January 1, 2011, the Company has prepared its financial reports in accordance with International Financial Reporting Standards. In preparation of financial reports, Management of Gabriel may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies are described in more detail in the Company's audited financial statements.

In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported, the Company has implemented and continues to analyze its internal control systems for financial reporting. Although the Company believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance.

Enforcement of civil liabilities

As substantially all of the assets of Gabriel and its subsidiaries are located outside of Canada, and certain of its directors and officers are resident outside of Canada, it may be difficult or impossible to enforce judgements granted by a court in Canada against the assets of Gabriel or its subsidiaries or its directors and officers residing outside of Canada.

Conflicts of interest

Some of the directors and officers of the Company are, or may be, on the boards of other natural resource companies, or other providers of finance, 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") have established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the corresponding certificate for venture issuers does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers of the Company do not make any representations relating to the establishment and maintenance of:

I controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

II a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The Company's CEO and CFO are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the corresponding certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Outstanding Share Data

The Company's fully diluted share capital as at March 13, 2019 was:

	Outstanding
Common shares	491,034,890
Common stock options	28,150,126
Deferred share units - Common Shares	2,844,314
Restricted share units - Common Shares	1,167,373
Warrants	217,962,097
Convertible notes	307,912,500
Fully diluted share capital	**1,049,071,300**

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 (including but not limited to the completion of additional funding noted above) 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", "is of the view" "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;
- 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;
- 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 MD&A 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, 2018

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 as issued by IASB (“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) ***“Dragos Tanase”***

Dragos Tanase
President and Chief Executive Officer

(Signed) ***“Max Vaughan”***

Max Vaughan
Chief Financial Officer

March 14, 2019

Independent auditor's report

To the Shareholders of Gabriel Resources Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Gabriel Resources Ltd. and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of loss for the years then ended;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' deficit for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Material uncertainty related to going concern

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. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Craig Moffat.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 14, 2019

Consolidated Statement of Financial Position

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

	Notes	**2018**	2017
Assets			
Current assets			
Cash and cash equivalents	9	**18,116**	31,220
Other receivables	10	**731**	875
Prepaid expenses and supplies		**288**	520
Total current assets (excluding assets classified as held for sale)		**19,135**	32,615
Assets classified as held for sale	8	**6,554**	13,723
Total current assets		**25,689**	46,338
Non-current assets			
Restricted cash	9	**570**	850
Property, plant and equipment	11	**134**	112
Loan receivable	16	**500**	-
Total non-current assets		**1,204**	962
TOTAL ASSETS		**26,893**	47,300
Liabilities			
Current liabilities			
Trade and other payables	12	**4,969**	3,909
Resettlement liabilities	13	**640**	532
Other current liabilities	14	**953**	1,156
Total current liabilities		**6,562**	5,597
Non-current liabilities			
Convertible unsecured notes	15	**71,136**	63,201
Total non-current liabilities		**71,136**	63,201
TOTAL LIABILITIES		**77,698**	68,798
Deficit			
Share capital	17	**880,197**	868,288
Other reserves	15,17	**142,481**	133,449
Currency translation adjustment		**1,836**	1,579
Accumulated deficit		**(1,079,331)**	(1,028,765)
Deficit attributable to owners of the parent		**(54,817)**	(25,449)
Non-controlling interest	19	**4,012**	3,951
TOTAL DEFICIT		**(50,805)**	(21,498)
TOTAL DEFICIT AND LIABILITIES		**26,893**	47,300

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	2018	2017
Expenses			
Corporate, general and administrative	7	**39,513**	27,433
Impairment of LLTE	8	**3,943**	-
Share-based compensation	14,18	**886**	1,835
Depreciation		**71**	116
Operating loss		**44,413**	29,384
Other (income) / expense			
Finance income		**(244)**	(274)
Gain on disposal of fixed assets		**(724)**	(25)
Finance costs - convertible note interest accretion	15	**7,959**	7,071
Foreign exchange (gain) / loss		**(838)**	1,524
Loss for the year		**50,566**	37,680
Loss for the year attributable to:			
- Owners of the parent		**50,566**	37,680
- Non-controlling interest	19	**-**	-
Loss for the year		**50,566**	37,680
Loss per share (basic and diluted)	22	**$ 0.13**	$ 0.10

Consolidated Statement of Comprehensive Loss

For the year ended December 31

(*Expressed in thousands of Canadian dollars)*

	Note	2018	2017
Loss for the year		**50,566**	37,680
Other comprehensive income			
- may recycle to the Income Statement in future years			
Currency translation adjustment		**(319)**	(310)
Comprehensive loss for the year		**50,247**	37,370
- Owners of the parent		**50,308**	37,430
- Non-controlling interest	19	**(61)**	(60)
Comprehensive loss for the year		**50,247**	37,370

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

Consolidated Statement of Changes in Shareholders' Deficit

For the year ended December 31

(Expressed in thousands of Canadian dollars)

	Notes	2018	2017
Common shares			
At January 1		**868,288**	868,279
Shares issued in private placement	17	**11,909**	-
Shares issued on the exercise of share options	17	**-**	5
Transfer from contributed surplus - exercise of share options	17	**-**	4
At December 31		**880,197**	868,288
Other reserves			
At January 1		**133,449**	131,562
Share-based compensation		**1,089**	1,891
Exercise of share options		**-**	(4)
Warrants, net of issue costs	15	**7,943**	-
At December 31		**142,481**	133,449
Currency translation adjustment			
At January 1		**1,579**	1,329
Currency translation adjustment		**257**	250
At December 31		**1,836**	1,579
Accumulated deficit			
At January 1		**(1,028,765)**	(991,085)
Loss for the year		**(50,566)**	(37,680)
At December 31		**(1,079,331)**	(1,028,765)
Non-controlling interest			
At January 1		**3,951**	3,891
Currency translation adjustment		**61**	60
At December 31		**4,012**	3,951
Total shareholders' deficit at December 31		**(50,805)**	(21,498)

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	**2018**	2017
Cash flows used in operating activities			
Loss before income taxes		**(50,566)**	(37,680)
Items not affecting cash			
Depreciation		**71**	116
Share-based compensation		**886**	1,835
Gain on disposal of fixed assets	8	**(724)**	(25)
Impairment of assets classified as held for sale	8	**3,943**	-
Finance costs - convertible note interest accretion	15	**7,959**	7,071
Unrealized foreign exchange (gain) / loss		**(817)**	1,560
		(39,248)	(27,123)
Changes in operating working capital:			
Unrealized foreign exchange gain		**(35)**	(25)
Increase / (Decrease) in accounts payable		**1,407**	(17)
Decrease in accounts receivable		**(124)**	(276)
		(38,000)	(27,441)
Cash flows provided by / (used in) investing activities			
Purchase of capital assets	11	**(54)**	(51)
Proceeds from sale of assets classified as held for sale	8	**4,270**	-
		4,216	(51)
Cash flows provided by / (used in) financing activities			
Proceeds from issuance of private placement, net of issue costs	15	**19,852**	-
Finance charges on private placement	15	**(24)**	(24)
Proceeds from the exercise of share options	17	**-**	4
		19,828	(20)
Decrease in cash and cash equivalents		**(13,956)**	(27,512)
Effect of foreign exchange on cash and cash equivalents		**852**	(1,535)
Cash and cash equivalents - beginning of year		**31,220**	60,267
Cash and cash equivalents - end of year		**18,116**	31,220

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") is a Canadian resource company whose common shares are listed on the TSX Venture Exchange ("Exchange").

While Gabriel's activities were previously focused on permitting and developing the Roșia Montană gold and silver project (the "Project") in Romania, as of the date of these Consolidated Financial Statements ("Financial Statements") Gabriel and its subsidiary companies (together the "Group") is now principally focused on the pursuit of an international bilateral investment treaty claim against Romania, as described further below. 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.

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.

Key milestones in the ICSID Arbitration proceedings to date include:

- The first Tribunal hearing took place on August 12, 2016.
- On January 10, 2017, the Tribunal issued Procedural Order No.4 establishing a procedural calendar for the ICSID Arbitration, including specific dates for the filing of submissions by the parties and other necessary procedural matters.
- On June 30, 2017, the Claimants delivered a memorial to ICSID on the merits and quantum of the ICSID Arbitration claim ("Memorial").
- On February 22, 2018, the Romanian State delivered a counter memorial ("Counter Memorial") in response to the Memorial filed by the Claimants.
- On May 25, 2018, Romania supplemented the submission of its Counter-Memorial with a further preliminary objection to the jurisdiction of the Tribunal ("Jurisdictional Challenge"), which concerns the ability of Gabriel to utilize the United Kingdom-Romania bi-lateral investment treaty as a basis for claims in the ICSID Arbitration.
- On November 2, 2018, the Claimants filed with ICSID a reply in support of its claim ("Reply") responding to the Respondent's Counter-Memorial and Jurisdictional Challenge.

On October 24, 2018, the Tribunal issued Procedural Order No.18 establishing a revised procedural calendar for the ICSID Arbitration ("Procedural Calendar"), which includes the following key dates:

- Romania to file its response to the Reply ("Rejoinder") and its reply on the Jurisdictional Challenge by May 10, 2019.
- Gabriel to file its rejoinder with regard to the Jurisdictional Challenge by June 14, 2019.
- A hearing on the merits of the claim to take place before the Tribunal from December 2 to 13, 2019.

1 Nature of operations and going concern (continued)

The Company is in ongoing discussions with its principal securityholders regarding additional long-term funding. As of the date of these Financial Statements, the Company believes that it has sufficient sources of funding to cover its planned activities through to November 2019. Management is currently focused on securing additional financing and continues to review the Company's activities in order to identify areas to rationalize expenditures.

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

The 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 has prepared its Financial Statements in accordance with IFRS as issued by the International Accounting Standards Board.

The Financial Statements were approved by the Board of Directors on March 14, 2019.

3. Basis of preparation

The 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 Financial Statements have been consistently applied to all the years presented, unless otherwise stated.

4. Basis of consolidation

The 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.

4. Basis of consolidation (continued)

The 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, 2018:

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

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

Loans made by the Company to enable entities with 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 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.

6. Significant accounting policies (continued)

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, 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.

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.

At December 31, 2018 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.

6. Significant accounting policies (continued)

Foreign currency translation

(a) Functional and presentation currency

Items included in the 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 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).

Financial instruments

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value, through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Subsequent measurement of debt instruments depends on the classification of financial assets determined at initial recognition. Classification of financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Company classifies and provides for financial assets as follows:

Financial assets at fair value through profit or loss include principally the Company's cash and cash equivalents. A financial asset is classified in this category if it does not meet the criteria for amortized cost or fair value through other comprehensive income, or is a derivative instrument not designated for hedging. Gains and losses arising from changes in fair value are presented in the statements of loss in the period in which they arise.

Financial assets at amortized cost are financial assets with the objective to hold assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This includes the company's other receivables.

At each balance sheet date, on a forward looking basis, the Corporation assesses the expected credit losses associated with its financial assets carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

6. Significant accounting policies (continued)

Financial Liabilities at Amortized Cost are measured at amortized cost using the effective interest method, unless they are required to be measured at fair value through profit or loss, or the Company has opted to measure them at fair value through profit or loss. Convertible debentures are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership. Gains and losses on derecognition are generally recognized in the consolidated statement of loss.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expelled. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of loss.

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.

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 Statement of Loss and Consolidated Statement of Comprehensive Loss, with corresponding adjustments to equity in the Consolidated Statement of Financial Position over the vesting periods.

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. In a one off exception to the plan, some DSUs held by management are to be redeemed early.

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, 2018 will be settled in Common Shares.

6. Significant accounting policies (continued)

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 Statement of Loss and Consolidated Statement of Comprehensive Loss. 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.

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 periods and did not affect the current periods.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2019, and have been reviewed by management and have not been early adopted. Other than the below, there are no other standards, amendments or interpretations that are considered to be relevant to the Company's operations. The standard being reviewed that is relevant to the Group is:

- 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 in the process of completing its assessment of the impact that this new standard will have on the Financial Statements of the Company. The preliminary conclusion is that the impact will not be material.

7. Corporate General and Administrative expenses

in thousands of Canadian dollars	**December 31 2018**	December 31 2017
ICSID Arbitration related	**22,035**	12,228
Payroll	**10,733**	8,585
Long lead-time equipment storage costs	**1,134**	904
Finance	**830**	954
Property and exploration taxes	**747**	662
Legal	**624**	826
Community relations	**508**	581
Information technology	**329**	365
External communications	**213**	165
Other	**2,360**	2,163
Corporate, general and administrative expense	**39,513**	27,433

ICSID Arbitration related costs are in respect of legal and other services provided to the Company in respect of the ICSID Arbitration and in 2018 reflect the increase in resources necessary to complete and file the Reply (filed on November 2, 2018) to Romania's Counter Memorial.

Payroll costs in the year ended December 31, 2018 include $4.3 million related to RMGC employees (2017: $4.2 million), and are $1.4 million lower than in the prior year when excluding $3.5m of settlement expenses relating to the resignation of the former Chief Executive Officer of the Company ("former CEO") in July 2018.

8. Assets held for sale

Balance - December 31, 2016	13,417
Currency translation adjustment	**306**
Balance - December 31, 2017	**13,723**
Disposal	**(3,546)**
Impairment charge	**(3,943)**
Currency translation adjustment	**320**
Balance - December 31, 2018	**6,554**

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 late 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 November 2017, the Company entered into an agreement to sell a ball mill for gross proceeds of $5.3 million. The sale was completed in May 2018. The agents' engagement is ongoing, with a mandate to secure a sale of the remaining equipment in the short-term.

The remaining long lead-time equipment comprises milling equipment, which is not yet assembled. These items are currently stored in warehouse locations outside of Romania, the main location being the port of Antwerp, Belgium. During 2018, the value of the long-lead time equipment was assessed for indicators of impairment, and a charge of $3.9 million was recognised in the statement of loss for the year ended December 31, 2018.

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

9. Cash and cash equivalents and restricted cash

	December 31 2018	December 31 2017
Cash at bank and on hand	**18,116**	2,737
Short-term bank deposits	**-**	28,483
Cash and cash equivalents	**18,116**	31,220
Restricted cash	**570**	850
	18,686	32,070

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, 2018, the Group held $0.4 million in cash and cash equivalents in Romanian banks (2017: $0.3 million).

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

Restricted cash represents cash collateralization of legally required environmental guarantees for future clean-up costs of $0.3 million. 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.

At December 31, 2017, restricted cash also included the deposit received in the amount of $0.3 million in respect of the sale of the ball mill. The sale completed in 2018 and the restricted cash was released at that time.

10. Other receivables

	December 31 2018	December 31 2017
Other receivables	**307**	431
VAT and sales taxes	**424**	444
	731	875

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

	December 31 2018	December 31 2017
UK pound sterling	**14**	56
Canadian dollar	**12**	71
Romanian leu	**705**	748
	731	875

(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, 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**
Additions	55	-	-	-	55
Disposals	(18)	-	(155)	-	(173)
Currency translation adjustment	2	-	-	-	2
Balance - December 31, 2018	**3,268**	**148**	**1,036**	**303**	**4,755**
ACCUMULATED DEPRECIATION					
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**
Depreciation	63	-	13	-	76
Disposals	(3)	-	(211)	-	(214)
Currency translation adjustment	-	-	-	-	-
Balance - December 31, 2018	**3,191**	**148**	**979**	**303**	**4,621**
CARRYING AMOUNT					
At December 31, 2016	99	-	50	-	149
At December 31, 2017	98	-	14	-	112
At December 31, 2018	**77**	**-**	**57**	**-**	**134**

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

12. Trade and other payables

	December 31 2018	December 31 2017
Trade payables	**390**	252
Payroll liabilities	**2,421**	2,702
Accruals and other payables	**2,158**	955
	4,969	3,909

Trade and other payables are accounted for at amortized cost and are categorized as other financial liabilities. Included in payroll liabilities for 2018 are performance related bonuses relating to 2018, $0.6 million of which relate to employees of Gabriel Resources (2017: $0.9 million) and $1.5 million of which relate to employees of RMGC (2017: $1.4 million). Also included in payroll liabilities for 2017 are payments in lieu of a significant reduction in notice periods for senior officers. The payroll liabilities were accrued following the annual review of compensation by the Board of Directors (in January 2019 and December 2017, respectively). Included in accrued expenses are $1.8m of ICSID Arbitration related accruals (2017: $0.2 million). The increase in accrued expenses in 2018 is due to the increase in ICSID Arbitration activities and related fees in respect of the filing of the Reply in November 2018 when compared to the second half of 2017 when no material ICSID Arbitration related activities were undertaken. The carrying amounts of accounts payable and accrued liabilities are denominated in the following currencies:

	December 31 2018	December 31 2017
UK pound sterling	**1,052**	1,044
Canadian dollar	**289**	194
United States dollar	**1,497**	82
Euro	**85**	129
Romanian leu	**2,046**	2,460
	4,969	3,909

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 resettlement liability balance at December 31, 2018 was $0.6 million (December 31, 2017: $0.5 million).

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

14. Other liabilities

	DSUs (000's)	Average price per common share (dollars)	Value
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
Granted	**472**	**0.32**	**151**
Cancelled	**(422)**	**0.31**	**(131)**
Change in fair value	**-**	**-**	**(223)**
Balance - December 31, 2018	**2,803**	**0.34**	**953**

During the year ended December 31, 2018, the Company recorded a net reversal of a prior expense of $0.2 million (2017: $0.1 million net reversal).

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.

During the year ended December 31, 2018, the Company's share price decreased, and accordingly a fair value decrease of $0.4 million has been recorded in the DSU liability.

15. Private placements

On December 24, 2018, the Company announced it had completed an initial closing of a private placement, explained in note 17.

In 2014 and 2016, the Company completed private placements with existing shareholders and a new investor (the "2014 and 2016 Private Placements"). A total of 95,625 units (comprising convertible notes, warrants and arbitration value rights) were issued pursuant to the Private Placements at a price of $1,000 per unit to raise aggregate gross proceeds of $95.625 million.

Subsequent to initial measurement, the debt component of the 2014 and 2016 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 2014 and 2016 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. As at December 31, 2018, these two embedded derivatives were determined to have insignificant values and were accordingly not accounted for, but will be reassessed by Management at each reporting date.

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

15. Private placements (continued)

The aggregate composition of the 2014 and 2016 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 2014 and 2016 Private Placements are as follows:

Balance - December 31, 2016	**56,154**
Interest paid	(24)
Accretion of debt component	7,071
Balance - December 31, 2017	**63,201**
Interest paid	(24)
Accretion of debt component	7,959
Balance - December 31, 2018	**71,136**

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 represents all executive and non-executive directors and executive officers. The compensation paid or payable to Key Management is as follows:

	December 31 2018	December 31 2017
Salaries and other short-term employee benefits [(1)]	**2,151**	2,930
Former CEO settlement [(2)]	**3,468**	-
Directors' fees	**292**	161
DSUs and RSUs [(3)]	**39**	713
Share options	**214**	196
Total	**6,164**	4,000

[(1)] *Included in salaries and other benefits are payments in lieu of a significant reduction in notice periods and other contractual termination payments for senior officers of $0.4million (2017:$0.8 million) and performance and retention bonuses of $0.3 million (2017:$0.8 million).*

[(2)] *Settlement expenses relating to the Former CEO include compensation for forfeiture of stock options, RSUs and DSUs (as disclosed in note 7)*

[(3)] *DSUs, RSUs and share options granted to Key Management and non-executive directors are stated as the fair value as at the reporting date. 2017 was the first full financial year in which directors elected to receive 50% of their fees in DSUs or options. RSUs were granted in 2017 to officers of the Company as compensation for the significant reduction in notice periods and other contractual termination payments outlined above.*

(b) Related party transactions with Minvest RM, the non-controlling shareholder of RMGC, are disclosed in Note 19.

(c) In June 2018, the Company entered into a facility agreement with SC Total Business Land SRL ("TBL") an entity controlled by current and former employees of RMGC pursuant to which it agreed to lend $0.9 million to TBL. The loan is repayable in 2028 and accrues interest at a rate of 1% per annum and is secured by a mortgage over certain assets of the borrower and personal guarantees in favour of the Company by the principals of TBL. TBL has drawn down an initial $0.5 million against the facility.

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

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, 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**
Shares issued in private placement	80,702	11,917
Balance - December 31, 2018	**465,156**	**880,205**

On December 24, 2018, the Company announced it had completed an initial closing of a private placement of up to 106,425,846 units ("Units") with a number of existing securityholders (the "December 2018 Private Placement"). At the initial closing, a total of 80,702,475 Units were issued at a price of $0.2475 per Unit to raise aggregate gross proceeds of approximately $20 million. Each Unit consists of:

- One Common Share of the Company; and
- One Common Share purchase warrant ("Warrant"), which entitles the holder to acquire one Common Share at an exercise price of $0.49 at any time prior to December 21, 2023.

The key inputs used in determining the value of the December 2018 Private Placement set out in these consolidated financial statements are as follows:

- Volatility (based on historic 60 month volatility of the Gabriel Resources stock price) 94.49%
- Remaining life (years) 5.0
- Risk free rate (5 year Government of Canada benchmark bond) 2.14%

The aggregate composition of the December 2018 Private Placement is set out in the following table:

	Gross allocation	Financing fees	Net allocation
Common shares	11,982	74	11,908
Warrants	7,991	49	7,942
Proceeds of private placement	19,973	123	19,850

On January 15, 2019, a further 25,723,372 Units were issued on the same terms as above, raising gross proceeds of $6.4 million.

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

18 Common Share options

The Company has an incentive stock option plan (the "Option Plan") which authorizes the Board of Directors to grant options to purchase Common Shares to directors, officers, employees and consultants. The exercise price of the options is determined as the higher of the five-day weighted average closing price of the Common Shares prior to the grant date of the option and the closing price of the Common Shares on the day before the grant date of the option. Options granted vest in accordance with milestones or vesting periods set by the Board at the grant date and are exercisable over five years to ten years from the date of issuance.

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

As at December 31, 2018, 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	10,054	0.35	8.2	5,735	0.36	7.8
0.41 - 0.60	6,654	0.48	5.3	5,197	0.49	4.5
0.61 - 0.80	7,186	0.78	4.1	6,991	0.78	4.0
0.81 - 0.95	725	0.95	0.5	725	0.95	0.5
	24,619	0.53	6.0	18,648	0.58	5.2

The estimated fair value of Common Share options is amortized using graded vesting over the period in which the options vest. 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 Statement of Loss.

Director, officer, employee and consultant Common Share options were as follows:

	Number of options (thousands)	**Weighted average exercise price (dollars)**
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
Options granted	**4,331**	**0.31**
Options forfeited	**(2,075)**	**0.56**
Options expired	**(3,950)**	**1.36**
Balance - December 31, 2018	**24,619**	**0.53**

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

18 Common Share options (continued)

During the year ended December 31, 2018, 4.3 million options were granted at a weighted average exercise price of $0.31, of which 3.1 million vest on a milestone basis and the remaining 1.2 million vest over a three-year period. During the year ended December 31, 2017, 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 2018	December 31 2017
Weighted average risk-free interest rate	**1.93%**	1.55%
Volatility of share price	**96%**	100%
Weighted average life of options (years)	**5.3**	6.0
Pre-vesting forfeiture rate	**20%**	20%
Weighted average fair value of awards ($)	**0.23**	0.25

At December 31, 2018, the fair value of options to be expensed is $0.8 million (2017: $0.8 million).

19 Non-controlling interest

	Rosia Montană Gold Corporation S.A.
Balance - December 31, 2016	3,891
Currency translation adjustment	**60**
Balance - December 31, 2017	**3,951**
Currency translation adjustment	**61**
Balance - December 31, 2018	**4,012**

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, 2018, 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.

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

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 Statement of Losses.

	December 31 2018	December 31 2017
Loss before income taxes	**50,566**	37,680
Income tax rate [(1)]	**27.0%**	28.5%
Income tax at statutory rates	**(13,653)**	(10,739)
Tax effects of:		
- Impact of foreign tax rates [(2)]	**1,337**	1,273
- Non-deductable items / permanent differences	**241**	560
- Unrecognised deferred tax assets	**12,075**	8,906
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 was 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.

	Canada		
	December 31 2018	December 31 2017	Expiry
Losses carried forward	**76,077**	58,536	2026-2037
Unclaimed share issue cost	**1,057**	1,057	No expiry
Capital assets	**1,461**	1,461	No expiry
Cumulative eligible capital expenditures	**13,328**	13,328	No expiry
Deductable temporary differences	**91,922**	74,382	

RM Gold (Services) Ltd has $3.6 million of unrecognized deductible temporary differences in the United Kingdom (2016: $3.9 million), with no specified expiry date, to be carried forward for use against future profits.

RMGC has unrecognized temporary differences in Romania of $526.0 million (2017: $485.7 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 $82.0 million (2017: $94.4 million) and have expiry dates between 2019 and 2025.

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

Notes to Consolidated Financial Statements

For the year ended December 31, 2018

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

21 Commitments

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	2019	2020	2021	2022	2021	Thereafter
Operating lease commitments								
Rosia Montană exploitation license	a	136	136	-	-	-	-	-
Surface concession rights	b	1,137	35	35	35	35	35	962
Lease agreements	c	156	114	31	11	-	-	-
Total commitments		1,429	285	66	46	35	35	962

(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.

22. Loss per share

	December 31 2018	December 31 2017
Loss for the year attributable to owners of the parent	**50,566**	37,680
Weighted-average number of Common Shares (000's)		
Basic number of shares	**386,670**	384,451
Basic and diluted loss per share	**$ 0.13**	$ 0.10

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 designated to be 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,	**2018**	2017	**2018**	2017	**2018**	2017
Reportable items in the Consolidated Statements of Income and Comprehensive Income						
Interest received	-	-	**(244)**	(274)	**(244)**	(274)
Finance costs - convertible note accretion	-	-	**7,959**	7,071	**7,959**	7,071
Depreciation	-	-	**71**	116	**71**	116
Reportable segment loss	**9,551**	8,789	**41,015**	28,891	**50,566**	37,680
As at December 31,	**2018**	2017	**2018**	2017	**2018**	2017
Reportable segment in Consolidated Statement of Financial Position						
Reportable segment current assets and assets classified as held for sale	**7,478**	6,551	**18,211**	39,787	**25,689**	46,338
Reportable segment non - current assets	**678**	928	**526**	34	**1,204**	962
Reportable segment liabilities	**(2,099)**	(2,728)	**(75,599)**	(66,070)	**(77,698)**	(68,798)

The Group's non-current assets classified as held for sale are predominantly located in 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 with a major UK bank 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, 2018 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 15.

As at December 31, 2018 the Group had no sources of operating cash flows and does not have sufficient cash to fund either the development of the Project or 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 estimated fair value is considered to approximate the carrying value. 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, 2018:

	Financial assets and liabilities at fair value as at December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	18,686	-	-	**18,686**
Long lead-time equipment	-	-	6,554	**6,554**
Other liabilities	953	-	-	**953**
	19,639	-	6,554	**26,193**

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, 2018, 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, 2018, the following movements are "reasonably possible" over a twelve-month period:

- Cash and cash equivalents. A plus or minus 1% change in earned interest rates would affect net interest income by $0.2 million.
- The Group holds foreign currency balances, giving rise to exposure to foreign exchange risk. A plus or minus 1% change in exchange rates would affect net income by $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, 2018, 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 2018	December 31 2017
(a) Net changes in non-cash working capital		
Operating activities:		
Accounts receivable, prepaid expenses and supplies	**(124)**	(276)
Accounts payable and accrued liabilities	**1,407**	(17)
Unrealized foreign exchange gain on working capital	**35**	25
	1,318	(268)
(b) Cash and cash equivalents is comprised of:		
Cash	**18,116**	2,737
Short-term investments (less than 90 days) - weighted average interest of n/a (2017 - 0.95%).	-	28,483
	18,116	31,220

(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 19. The summarized financial statements of RMGC are as follows:

As at December 31	**2018**	2017
Current assets	**7,478**	2,366
Non-current assets	**678**	4,078
Total assets	**8,156**	6,444
Current liabilities	**(2,099)**	(2,891)
Non-current liabilities	**(796,011)**	(698,271)
Total liabilities	**(798,110)**	(701,162)

Summarized statement of comprehensive income

For the year ended December 31	**2018**	2018
Loss for the year	**9,551**	9,087
Other comprehensive income (Currency translation adjustment)	**(319)**	(310)
Comprehensive loss for the year	**9,232**	8,777

Summarized statement of cash flows

For the year ended December 31	**2018**	2018
Net cash utilized by operating activities	**(9,731)**	(8,589)
Net cash provided by financing activities	**9,877**	8,756
Net increase in cash and cash equivalents	146	166

28. Contingent liabilities

As at December 31, 2018, 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 two tax inspections by the Romanian National Agency for Fiscal Administration (the Agenția Națională de Administrare Fiscală – "ANAF") in relation to the value added tax ("VAT") previously claimed by RMGC in respect of the purchase of goods and services in the period 2011 to 2016.

The first inspection was concluded by ANAF in July 2016 and assessed a liability with interest and penalties of RON 42.9m (then approximately $13.7 million). This 2016 assessment was successfully challenged by RMGC and partially quashed in September 2016.

Following the partial quashing of the 2016 assessment, a repeat inspection was undertaken by ANAF and on July 5, 2017 RMGC was served with a decision by ANAF assessing a liability in the amount of RON 27 million (approximately $8.6 million) ("VAT Assessment"). Again the VAT Assessment 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.

28. Contingent liabilities (continued)

The VAT Assessment was due for payment on August 5, 2017. On August 9, 2017, RMGC challenged the validity of the VAT Assessment before the ANAF Directorate-General for the Settlement of Complaints. On April 5, 2018, RMGC initiated an action before the Alba Iulia Court of Appeal (Division for Administrative and Tax Claims) seeking the annulment of the VAT Assessment. On February 6, 2019 the Alba Iulia Court of Appeal ruled in favour of the RMGC annulment challenge to the VAT Assessment. On February 28, 2019, RMGC received a copy of the Alba Iulia Court of Appeal's written decision. ANAF subsequently filed an appeal against this decision with the High Court of Cassation and Justice, however no hearing date has yet been set.

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 (as described above). RMGC received a copy of the Court of Appeal's written decision on March 2, 2018. ANAF subsequently filed an appeal against this decision with the High Court of Cassation and Justice. On February 28, 2019, the High Court of Cassation and Justice dismissed ANAF's appeal and the stay of enforcement remains in effect.

Further to the VAT Assessment, and notwithstanding the Court of Appeal's decision of October 2, 2017, RMGC received a further demand from ANAF for RON 18.6 million, approximately $6.0 million, in interest and penalties on October 23, 2017. The Company is advised by counsel that the enforcement of such demand for interest and penalties is also stayed by the Court of Appeal's decision.

Particularly in light of the February 6, 2019 Alba Iulia Court of Appeal decision in its favour, 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. The Company, along with RMGC, 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. The Company 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, 2018.