Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides a commentary to enable a reader to assess material changes in the financial condition and results of operations of Gabriel Resources Ltd. ("Gabriel" or the "Company") as at and for the years ended December 31, 2016 and 2015.

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, 2016 and 2015 ("Financial Statements"). These Financial Statements have been prepared using accounting policies in accordance with International Financial Reporting Standards ("IFRS"). All amounts included in the MD&A are in Canadian dollars ("$"), unless otherwise specified. This report is dated as of March 29, 2017, and the Company's public filings, including its most recent Annual Information Form, can be reviewed on the SEDAR website (www.sedar.com).

Overview

Gabriel is a Toronto Stock Exchange listed Canadian resource company which for the past eighteen years has been principally focused on the exploration and development of the Roșia Montană gold and silver project in Romania (the "Project"). The exploitation concession license for the Project ("License") is held by Roșia Montană Gold Corporation S.A. ("RMGC"), a Romanian company in which Gabriel owns an 80.69% equity interest, with the 19.31% balance held by Minvest Roșia Montană S.A. ("Minvest RM"), a Romanian state-owned mining company.

Upon obtaining the License in 1999, RMGC along with Gabriel and its subsidiary companies (together the "Group") focused substantially all of their management and financial resources on identifying and defining the size of the four ore bodies, engineering to design the size and scope of the Project, surface rights acquisitions, rescue archaeology and environmental assessment and permitting. Despite the Company's fulfilment of its legal obligations and its development of the Project as a high-quality, sustainable and environmentally-responsible mining project, using best available techniques, Romania has blocked and prevented implementation of the Project without due process and without compensation, effectively depriving the Group entirely of the value of its investments.

On July 21, 2015, the Company and its wholly-owned subsidiary, Gabriel Resources (Jersey) Ltd. (together "Claimants"), filed a request for arbitration ("Arbitration Request") before the World Bank's International Centre for Settlement of Investment Disputes ("ICSID") against the Romanian State 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 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.

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

In the context of the above, the 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, the Project approval and permitting process and reported gold and silver resources and reserves is for background purposes only and should not be interpreted as being indicative of the Company's expectations as at the date of this 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, the Romanian State has frustrated and prevented the implementation of the Project in an unlawful, discriminatory and non-transparent manner, and ultimately abdicated the responsibility to make decisions on the permitting of the Project in contravention of the applicable legal framework. At the same time, Romania has required the Group to expend significant cash resources through RMGC on mining related activities and fees and taxes in relation to the License and associated property rights, and also in defining mineral deposits at the Rodu-Frasin (epithermal gold and silver) and reviewing the Tarniţa (porphyry copper-gold) sites within the Bucium area located in the vicinity of Roşia Montană ("Bucium Projects").

As a result of Romania's conduct, the Project has been stymied and the Claimants' and their affiliates' property rights effectively have been taken without compensation in contravention of the applicable legal and administrative processes and requirements. The Romanian State's treatment of the Claimants and their investments in Romania is incompatible with Romania's obligations as established under the Treaties and such violations have caused very substantial losses and damage to the Claimants and their affiliates. These losses and damages arise not only due to the enormous wasted costs associated with the Project, but also to the loss of value of the Claimants' investments as a consequence of Romania's acts and inactions which have substantially deprived the Claimants of the use, benefit and value of their property rights associated with the Project and the Bucium Projects.

Status of the ICSID Arbitration

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

The Tribunal consists of the following arbitrators: Ms. Teresa Cheng as President of the Tribunal (a Chinese national appointed by the Secretary-General of ICSID), Dr. Horacio Grigera Naón (an Argentinian national appointed by the Claimants); and Mr. Zachary Douglas (an Australian national appointed by Romania). The Tribunal held its first session by teleconference on August 12, 2016. On August 26, 2016 the Tribunal issued Procedural Order No.1 establishing certain timelines and procedural rules to be followed during the course of the ICSID Arbitration; including that all hearings would be held in Washington, D.C.

On September 23, 2016, the Tribunal held a hearing to consider requests for certain provisional measures submitted to the Tribunal by the Claimants (the "PM Hearing"). The provisional measures requests related to (i) the use by the Claimants, their counsel and the Tribunal, among others, of certain categories of documents and information considered classified and/or confidential under Romanian law; (ii) various aspects of the value added tax ("VAT") assessment levied against RMGC 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; and (iii) certain investigations of RMGC being undertaken by ANAF, as further described below.

Since the PM Hearing, the Tribunal has issued a decision on one aspect of the PM requests and a further three Procedural Orders as follows:

- *Procedural Order No.2 issued on October 29, 2016*; a direction to the Claimants and the Respondent to report back to the Tribunal on the issues discussed at the PM Hearing;
- *Procedural Order No.3 issued on November 14, 2016*; establishing what documentation will be classified and confidential and how such documents should be protected and exchanged between the parties; and
- *Procedural Order No.4 issued on January 10, 2017*; being the procedural calendar with specific dates for the filing of submissions by the parties and other necessary procedural matters ("Procedural Calendar").

In accordance with Procedural Order No.4, the Claimants are required to submit their Memorial on the Merits (the "Memorial") no later than June 30, 2017, wherein factual and legal arguments supporting their claims against the Respondent will be detailed. The Memorial will also include details of the claimed quantum of the damages sustained due to Romania's treaty breaches.

The Memorial will be followed by the following key submissions:

- The Respondent to file its response to the Memorial ("Counter-Memorial") by February 15, 2018.
- The Claimants and the Respondent to file their requests for the production of documents by March 15, 2018. The Tribunal shall issue a decision on the requests for the production of documents on May 10, 2018.
- The Claimants to file their reply to the Counter-Memorial ("Reply") by September 5, 2018.
- The Respondent to file their response to the Reply ("Rejoinder") by February 19, 2019.
- The Tribunal to issue a decision on whether to admit submissions from the Non-Disputing Parties on October 17, 2018. If the Tribunal admits submissions from Non-Disputing Parties, the parties shall file their comments on the Non-Disputing Party submissions by November 14, 2018.

A hearing on the merits of the claim before the Tribunal is scheduled to occur at ICSID's headquarters at the World Bank in Washington D.C. from September 9 to 20, 2019. All dates should be considered indicative and subject to change in the future should the Tribunal determine amendment to be appropriate in the circumstances.

A summary of the procedural aspects of the ICSID Arbitration is available on ICSID's website at the address given below. In addition, certain procedural orders and decisions of the Tribunal, together with certain of the principal submissions filed by the parties during the course of the ICSID Arbitration, will be published on the ICSID website and available at the following location: https://icsid.worldbank.org/en/Pages/cases/casedetail.aspx?CaseNo=ARB/15/31.

RMGC Audits and Investigations

Since the filing of the ICSID Arbitration, RMGC has been subjected to several audits and investigations by ANAF. Gabriel considers that such audits and investigations are abusive in nature and have been initiated by the Romanian authorities in retaliation to the Claimants' filing of the ICSID Arbitration.

As previously announced by the Company, ANAF raised a VAT assessment against RMGC in July 2016 demanding the repayment of VAT deductions claimed by RMGC in the period 2011 to 2016 in the amount of RON 27m (approximately $8.6m) (the "Assessment"). In mid-September 2016, ANAF issued a further demand against RMGC in respect of interest and penalties payable on the Assessment in the amount of RON 15.9 million (approximately $5.1m). RMGC challenged the Assessment on the basis that it was contrary to well-established Romanian fiscal laws as well as European directives, and was issued despite it being contradictory to the results of eighteen prior VAT audits conducted by various divisions of ANAF in relation to RMGC's activities.

Immediately prior to the PM Hearing, through a filing made on behalf of Romania to the Tribunal, the Claimants were made aware that the General Directorate for the Settlement of Challenges, a division of ANAF, had decided to 'partially quash' the Assessment and to re-run the VAT inspection for the same period but using a new inspection team. The Company understands that neither the Assessment nor the associated interest and penalties are due for payment by RMGC. The debt recovery actions against RMGC that had been initiated by ANAF have accordingly been withdrawn. On October 12, 2016 ANAF commenced a new VAT inspection which has recently recommenced following a period of suspension while ANAF awaited a response from the Ministry of Environment on the background behind the environmental permitting process.

In parallel with the Assessment, a separate directorate of ANAF has continued to pursue an ad hoc investigation of a broad range of operational activities and transactions of RMGC and a number of its consultants and advisors over an extensive period spanning 1997 to 2016 (the "ANAF Investigation"). To date, ANAF has demanded that RMGC provide voluminous amounts of information and explanations in respect of, amongst other matters, transactions with its suppliers and financing transactions of RMGC. Although RMGC is co-operating in good faith with the ANAF Investigation, Gabriel believes that there is no justification for the ANAF Investigation, that the breadth and depth of ANAF's demands are intentionally abusive, and that it has been initiated in an attempt to intimidate and harm RMGC and the Claimants in view of the dispute with the Romanian State and the Claimants' filing of the ICSID Arbitration. Accordingly, the Claimants have sought to bring this matter to the attention of the Tribunal as Gabriel considers that such actions further evidence the discriminatory acts and bad faith conduct of the Romanian authorities with regard to the Claimants' investments in Romania. As at the date of this MD&A, neither the Company nor RMGC has received any feedback on the status of the ANAF Investigation.

Financing Arrangements

In order to strengthen and improve the financial position of the Group, Gabriel closed the following transactions during 2016 (the "2016 Transactions"), raising aggregate gross proceeds of $60.625 million to be used by the Company for working capital to support its continuing operations, including, but not limited to, the advancement of the ICSID Arbitration:

- On May 11, 2016, the Company (i) closed a $20 million non-brokered private placement with a number of existing investors and (ii) completed an amendment to the terms of securities issued by the Company in June 2014 and held by certain existing security holders (the "May 2016 Private Placement").
- On July 14, 2016, the Company closed a non-brokered private placement with Enescu Investments, LLC, an entity managed by Tenor International & Commercial Arbitration Fund, L.P. ("Tenor"), and Kopernik Global Investors, LLC, on behalf of certain of its managed funds, to raise $40.625 million (the "July 2016 Private Placement").

Impairment of Project Assets

As at December 31, 2015, the Company assessed the Project for asset impairment based on the guidance in IAS 36 *Impairment of Assets* and concluded that, despite its continued efforts to develop the Project and to seek an amicable resolution of the dispute in arbitration, an impairment should be recorded. Accordingly, as at December 31, 2015, the Company recorded a non-cash write-down of $631.2 million relating to all mineral property and a material proportion of its other property, plant and equipment (the "2015 Impairment"). The 2015 Impairment is based on international accounting standards, and is thus without prejudice to the legal qualification that the Romanian assets may be given under Romanian or international law (including the Treaties).

Given the nature of the assessed impairment indicators that have given rise to the 2015 Impairment, since January 1, 2016 the Company has determined that, absent any positive, material permitting developments, none of the Company's continuing expenditures meet the criteria for capitalization in the statement of financial position and all will be expensed to the income statement. In Q4 2016, following a further assessment of certain residual assets owned by RMGC in the Project area, a further impairment charge of $4.2 million has been recorded.

Long Lead-Time Equipment

Long lead-time equipment comprised of crushing and milling equipment was originally procured by the Group between 2007 and 2009. Procurement of such equipment was made in advance of expected construction activities due to the nature of the procurement cycle at that time requiring lead times in the region of over a year for the delivery of orders of large-scale mining equipment. This equipment is currently stored in various warehouse locations which, with non-material exceptions, are outside of Romania. The principal storage location is the port of Antwerp, Belgium. The equipment is stored in accordance with both the original manufacturers' and current insurer's recommended storage requirements.

Due to the combined status of the Project permitting and the ICSID Arbitration, the prospect of the long lead-time equipment being used in the future for the purpose it was purchased is considered remote.

In December 2015, the Company formally engaged two specialist agents to broker the sale of this equipment. As the fair value, net of sale costs, determined based on information provided by these agents, was lower than the book value of the assets, the Company recognized an impairment of $33.0 million, forming part of the $631.2 million 2015 Impairment noted above. The remaining book value of the long lead-time equipment was transferred to assets held for sale.

During Q3 2016, the Group sold a gyratory crusher for gross proceeds of US$2.0 million (approx. $2.6 million) and, after sales commission, recorded a net gain on disposal of $0.6 million. The Company continues, through its agents, to procure the sale of the remaining long lead-time equipment.

At December 31, 2016, the value of the long-lead time equipment was assessed for indicators of impairment, and a charge of $3.9 million was recognized in the income statement for the year. The assets continue to meet the criteria to remain classified as held for sale in accordance with IFRS 5.

Project Permitting Status

In the context of the above disclosures concerning the ICSID Arbitration, the complete lack of positive Romanian Government engagement on the Project and the change in core focus of the Group, readers are advised to refer to the Annual Information Form of the Company for the year ended December 31, 2016 ("AIF") published on March 29, 2017, a copy of which is filed on SEDAR at www.sedar.com, for information relating to the status of the Project, the License, the Company's exploration and development activities in Romania, the Project approval and permitting process, and reported gold and silver resources and reserves.

Parliamentary Elections

On November 10, 2015 Dacian Cioloș, a former European Commissioner for Agriculture, was appointed Prime Minister and on November 17, 2015 his technocratic government was approved by the Parliament.

Parliamentary elections were held in Romania on December 11, 2016, the first to be held under a new electoral code adopted in 2015, which saw a return to the proportional electoral system last used in the 2004 elections. The Social Democrat Party (PSD) obtained 45 percent of the vote, enabling them to form a coalition government with the Liberal Democratic Alliance (ALDE). Together, the PSD and ALDE account for 250 of the combined 465 parliamentary seats in the two-house assembly. The PSD-ALDE coalition government led by Prime Minister Sorin Grindeanu was approved by the Parliament on January 4, 2017.

Recent Political Events

On January 18, 2017, the Grindeanu Government approved an emergency ordinance to modify the Penal Code and Penal Procedure Code with a view to, inter alia, align the wording of certain criminal offences with the requirements of previous decisions issued by Romania's Constitutional Court. The passing of the emergency ordinance triggered significant protests across Romania. In the face of such public opposition, the Romanian Government subsequently announced that it would revoke the ordinance and passed a further emergency ordinance to repeal the proposed modifications of the Penal Code and Penal Procedure Code.

UNESCO World Heritage List

On February 18, 2016, the Ministry of Culture filed an application for inclusion of the “Roșia Montană Mining Cultural Landscape”, an area which includes the Project footprint, on Romania’s ‘Tentative List’, the first procedural step in having the site inscribed on the United Nations Educational, Scientific and Cultural Organization’s (UNESCO) World Heritage List.

At the annual meeting of UNESCO in Paris in October 2016, it was confirmed that the “Roșia Montană Mining Cultural Landscape” had been added to Romania’s ‘Tentative List’.

Notwithstanding statements by the outgoing Prime Minister, Dacian Ciolos, that the Romanian Government did not intend to send an official file to UNESCO, the departing Minister of Culture, Corina Suteu, issued an announcement on January 5, 2017 confirming that she had submitted the nomination file for the “Roșia Montană Mining Cultural Landscape” to the UNESCO World Heritage Centre on January 4, 2017.

Neither the Company nor RMGC have been notified of, or consulted on, any of the above matters.

Legal Challenges in Romania

Over the years several foreign and domestically-funded NGOs have initiated legal challenges against local, regional and national Romanian authorities. The publicly stated objective of the NGOs in initiating and maintaining these legal challenges has been to use the Romanian court system to delay permitting approval of the Project and ultimately to stop the development of the Project.

During the course of 2015, Gabriel re-evaluated RMGC’s involvement in a number of such litigation cases pending before the Romanian courts. After taking into account, amongst other matters, the continued failure of the Romanian authorities to address the Project, the ICSID Arbitration, the protracted and uncertain nature of the judicial process in Romania and the ongoing requirement for the Group to reduce its cost base and mitigate its losses, Gabriel determined that RMGC should withdraw from a number of pending litigation cases. The majority of the legal proceedings from which RMGC has sought to withdraw concern the claims of third parties challenging administrative deeds, permits and/or authorizations issued by public authorities directly or indirectly related to the Project and in which RMGC appeared only as a third-party intervenor to support the position of the competent public authorities.

For further details concerning material legal actions related to the Project, see the section entitled "*Legal Challenges relating to the Project*" in the AIF and, for developments during the first three quarters of 2016, see the MD&A for the three-month, six-month and nine-month periods ended March 31, 2016, June 30, 2016 and September 30, 2016 as filed on SEDAR.

Recent Developments

The following section outlines certain developments that occurred in legal proceedings related to the Project during Q4 2016 and the status of RMGC's withdrawal from such proceedings:

- On February 17, 2015, the Buzau Tribunal suspended the proceedings concerning a claim filed by three NGOs seeking the annulment of the Archaeological Discharge Certificate ("ADC") for the Carnic Massif (underground) until a separate action initiated by RMGC before the Bucharest Court of Appeal challenging the validity of the 2010 'list of historical monuments' had been determined. This action before the Buzau Tribunal followed a decision of the Suceava Court of Appeal on April 15, 2014, which upheld an earlier court ruling that suspended the ADC. On October 27, 2015, RMGC submitted a request to the Buzau Tribunal to withdraw as an intervening party from the legal proceedings pending before it. On September 13, 2016, the Buzau Tribunal determined that the proceedings in the case should recommence and subsequently accepted RMGC's request to withdraw from the proceedings. The next hearing is scheduled for April 27, 2017.
- On October 18, 2016, the Prefect of Alba County Council initiated proceedings before the Alba Tribunal seeking the annulment of the existing urbanism certificate with respect to the industrial footprint of the Project (UC-98) due to the revocation by a Romanian court of two decisions of the local council of Roșia Montană, namely LCDs 45 and 46/2002, in May 2016. RMGC chose not to intervene in these proceedings. On February 8, 2017, the Alba Tribunal rejected the Prefect's claim for the annulment of UC-98, a decision which may be subject to appeal.

Other Legal Proceedings

Kadok Investigation

In November 2013, RMGC was informed of an investigation by the Ploiesti Public Prosecutor's Office ("PPPO") into alleged tax evasion and money laundering on the part of the principals/key shareholder(s) of a group of companies including Kadok Interprest LLC ("Kadok Group"). The PPPO subsequently extended its investigation of the Kadok Group to 90 other companies, including RMGC, which had a short-term commercial relationship with the Kadok Group in 2012. In connection with this investigation, a restriction order was imposed by the PPPO on the equivalent of $0.3 million held in one of RMGC's Romanian bank accounts pending the outcome of the aforementioned investigation.

Since learning of this investigation, RMGC has cooperated fully with the PPPO and provided evidence to the PPPO of its legitimate business dealings with the Kadok Group including evidence of the receipt of goods from the Kadok Group and the payment for such goods by RMGC. In March 2014, RMGC filed a complaint with the PPPO challenging the legality of the investigation commenced against it and seeking its annulment, including the asset restriction order imposed on its bank accounts. Notwithstanding such complaint, the funds remain frozen and the Company understands that the investigation is ongoing.

Recapitalization of RMGC

Romanian Company Law requires a company to maintain a net asset value of not less than half of its share capital.

Due to the repeated delays in the development of the Project and the continued funding of RMGC by the Gabriel Group by way of inter-company loans, RMGC has had to undertake adjustments to its share capital on a number of occasions in order to rectify the under-capitalizations identified by its audited financial statements. Mandatory statutory share capital increases of RMGC have been implemented in 2004, 2009 and 2013.

In 2015, the board of RMGC determined that RMGC would need to implement a mandatory share capital increase by the end of December 2016 to address the under-capitalization identified by its 2014 audited financial statements. Further to correspondence sent to Minvest RM and the Ministry of Economy, the Romanian State authority controlling the mandate of Minvest RM, on a number of occasions through 2016 and after convening several board and shareholder meetings to discuss the matter, on October 21, 2016, a general meeting of the shareholders of RMGC was convened to consider and, if considered appropriate, to approve an increase in the registered share capital of RMGC. At this meeting, the proposal to increase the share capital was approved by Gabriel Resources (Jersey) Ltd., however, Minvest RM, pursuant to a mandate from the Ministry of Economy, chose not to vote in favour or against the proposal.

On November 8, 2016, the Ministry of Economy, through Minvest RM, initiated legal proceedings against RMGC before the Alba Tribunal seeking the annulment of the decision of the shareholders meeting of RMGC held on October 21, 2016.

In light of the continued failure of the Ministry of Economy and Minvest RM to engage in consultations regarding the mandatory requirement to address the under-capitalization, and the commencement of the legal proceedings against the shareholders' decision, Gabriel Resources (Jersey) Ltd. determined not to subscribe for the new shares to be issued pursuant to the shareholders' decision of October 21, 2016. In these circumstances, it is the Company's understanding that the aforementioned claim seeking the annulment of the shareholders' decision is moot. On March 15, 2017 the Alba Tribunal rejected the annulment claim, a decision which may be subject to appeal.

On March 14, 2017, a further general meeting of the shareholders of RMGC was convened to consider and to approve an increase in the registered share capital of RMGC to address the above-noted undercapitalization. This proposal was approved by Gabriel Resources (Jersey) Ltd. with Minvest RM once again choosing not to vote in favour or against the proposal

Outlook

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

- the advancement of the ICSID Arbitration, including the preparation and filing of the Memorial no later than June 30, 2017;
- the continued assessment of the Company's activities and resources necessary to support the preservation of its core assets and rights;
- carefully managing its cash resources (including the potential disposition of the remaining long lead-time equipment acquired for the Project); and

- the protection of its rights and interests in Romania (including support to RMGC in respect of any further abusive, illegal, and 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, 2016 were $60.3 million.

Excluding cash flows from fundraising activities noted in "Financing Arrangements" above, and those from the sale of long lead-time equipment, the Company's average monthly cash usage during Q4 2016 was $2.1 million, including costs in respect of the ICSID Arbitration (Q3 2016 monthly average: $1.3 million, Q2 2016 monthly average: $2.0 million, Q1 2016 monthly average: $1.5 million). At the end of Q4 2016, accruals for costs in respect of the ICSID Arbitration amounted to $1.9 million (Q4 2015 $0.8 million).

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	**2016**	**2015**	2014
Operating loss	**$ 30,031**	**$ 644,131**	$ 4,923
Other expenses	**41,484**	**3,623**	1,903
Loss - attributable to owners of the parent	**71,515**	**627,832**	6,322
Loss per share (basic and diluted)	**0.19**	**1.63**	0.02
Total assets	**75,458**	**44,415**	648,074
Non-current liabilities	**56,154**	**31,545**	30,968
Investment in exploration and development including working capital changes	**-**	**10,826**	23,131
Cash flows from financing activities	**$ 59,200**	**$ (2,797)**	$ 32,908

Results of operations

Operating loss in 2016 was $30.0 million, significantly lower than 2015 in which the 2015 Impairment led to recognition of the full impairment of the Company's mineral property and a material impairment of its property, plant and equipment totaling $631.1 million. The loss of $30.0 million in 2016 includes an impairment charge of $8.1 million relating to the remaining land and buildings owned by RMGC in the Project area ($4.2 million) and the further impairment recognized in respect of the LLTE ($3.9 million).

Excluding the respective impairment charges in both years, the underlying 2016 loss of $21.9 million was $8.9 million higher than in 2015 ($13.0 million) principally due to three main factors. Firstly, following the 2015 Impairment, Management re-evaluated the treatment of various categories of expenditures (principally expenditures incurred by RMGC to advance the Project development) and determined that, with effect from January 1, 2016, such expenditures no longer meet the criteria for capitalization. In the year ended December 31, 2016, such expenditures were $6.6 million (in 2015 $9.9 million of such expenditures were capitalized). Secondly, ICSID Arbitration related costs of $8.8 million were $2.6 million higher in 2016 and thirdly the stock-based compensation expense was $1.7 million higher year-on-year, all partly offset by lower severance costs during 2016 ($0.8 million lower year-on-year).

Other expenses include finance costs, finance income and foreign exchange gains and losses. Finance costs during 2016 were impacted by three main factors. Firstly, a $34.4 million one-off, non-cash charge was recorded in compliance with technical accounting rules relating to the July 2016 Private Placement. This charge reflects sizeable increases in the price of gold and global gold/mining indices, and the positive market reaction to the private placement, which led to a significant increase in the Company's share price during the documentation, finalization and closing period of the July 2016 Private Placement. As a result of the increase in the Company's share price, the equity components of the private placement (the warrants and convertible notes) were in-the-money on the date the transaction closed. Secondly, there was a non-cash charge for debt extinguishment of $4.7 million following the restructuring of the private placement which closed in May 2014 ("2014 Private Placement"), as described further in note 16 to the Financial Statements. Thirdly, interest costs of $4.4 million reflected a full year of accretion on the debt component of the 2014 Private Placement, the May 2016 Private Placement and the July 2016 Private Placement (together the "Private Placements") (2015: $3.8 million). These expenses are partly offset by a foreign exchange gain of $1.0 million (2015: loss of less than $0.1 million) due to increased holdings of US$ denominated currency and the 2016 disposal of certain assets which resulted in a gain of $0.8 million (2015: $nil).

The loss attributable to owners of the parent for 2016 was $556.3 million lower than the loss incurred in 2015, primarily due to the 2015 Impairment but offset by the finance costs described above. The loss for 2015 was $621.5 million higher than that in 2014, primarily due to the 2015 Impairment.

Total assets

Total assets increased by $31.1 million in 2016, having decreased by $603.7 million from 2014 to 2015. Material changes in total assets in 2016 were due to a net cash inflow after issue costs of $59.2 million from the May and July 2016 Private Placements, offset partly by the utilization of $18.7 million in operational activities. The decrease in 2015 was due to the 2015 Impairment and the utilization of $25.6 million in operational and investment activities.

Non-current liabilities

Non-current liabilities are comprised of the debt component of the Private Placements of $56.2 million (2015: $30.4 million). In 2016, a provision for RMGC employees for long service awards and other benefits was reversed due to the expiry of the underlying collective bargaining agreement (2015: $1.1 million; 2014: $1.6 million), as described further in note 15 of the Financial Statements.

Investment in exploration and development

Throughout 2016 the Company was no longer making material Project investments, due to the ongoing ICSID Arbitration and any expenditures which were made were expensed in the income statement.

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

Cash flows from financing activities

Cash flows from financing activities reflect the net cash inflow after issue costs of $59.2 million from the May and July 2016 Private Placements. One annual coupon payment in respect of the notes issued as part of the Private Placements, totaling less than $0.1 million, was made in 2016. In 2015, two semi-annual coupon payments totaling $2.8 million were made in respect of notes issued as part of the 2014 Private Placement.

The proceeds from the exercise of stock options during 2016 were not material (2015: not material; 2014: $nil).

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

in thousands of Canadian dollars, except per share amounts	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Income Statement				
Loss - attributable to owners of parent	$ 615,175	$ 4,630	$ 4,495	$ 3,531
Loss per share - basic and diluted	1.60	0.01	0.01	0.01
Statement of Financial Position				
Working capital	15,408	20,994	24,050	31,012
Total assets	44,415	693,225	631,331	636,620
Statement of Cash Flows				
Investments in development and exploration including working capital changes	2,249	3,322	1,954	3,301
Cash flows from financing activities	(1,412)	-	(1,388)	3

Review of Financial Results

in thousands of Canadian dollars, except per share amounts	3 months ended December 31		12 months ended December 31	
	2016	2015	**2016**	2015
Operating loss for the period	**$ 12,413**	$ 634,052	**$ 30,031**	$ 644,131
Loss for the period	**13,200**	634,992	**71,515**	647,754
Loss for the period				
- attributable to owners of parent[1]	**13,200**	615,175	**71,515**	627,832
Loss per share - basic and diluted	**0.11**	1.63	**0.19**	1.63

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

Operating loss in the three-month period to December 31, 2016 was principally as a result of operational expenditures of $4.5 million (2015: $2.4 million), including $2.5 million (2015: $1.2 million) of ICSID Arbitration related costs and the recognition of the $8.1 million impairment of the remaining land and buildings owned by RMGC in the Project area and the impairment of the LLTE.

Operating loss for the year ended December 31, 2016 was principally as a result of operational expenditures of $19.7 million (2015: $11.5 million), including $8.9 million (2015: $6.1 million) of ICSID Arbitration related costs, share-based compensation of $2.2 million (2015: $0.5 million), and the recognition of an $8.1 million impairment of the remaining land and buildings owned by RMGC in the Project area and the impairment of the LLTE.

Operational expenditures in both the three-month and twelve-month periods ended December 31, 2016 were higher than in the corresponding prior periods due to Management's decision to no longer capitalize certain expenditures incurred by RMGC.

Expenses

Corporate, General and Administrative

in thousands of Canadian dollars	3 months ended December 31		12 months ended December 31	
	2016	2015	**2016**	2015
Finance	**$ 234**	$ 129	**$ 836**	$ 575
External communications	**12**	(5)	**157**	156
Information technology	**84**	49	**362**	145
ICSID Arbitration related	**2,452**	1,163	**8,768**	6,132
Legal	**141**	46	**621**	248
Payroll	**1,179**	782	**6,681**	3,198
Long lead-time equipment storage costs	**194**	-	**922**	-
Other	**(34)**	272	**1,086**	1,025
Corporate, general and administrative expense	**$ 4,262**	$ 2,436	**$ 19,433**	$ 11,479

Prior to December 31, 2015, corporate, general and administrative costs were principally those costs incurred by the management services operation in London, UK and at the Canadian parent.

Since January 1, 2016, as noted above, all expenditures incurred by the Group, including those at RMGC, are included in corporate, general and administrative.

Legal expenses include ongoing corporate legal advice within the Group, including RMGC where such expenses were previously capitalized.

ICSID Arbitration related costs are in respect of legal and other services provided to the Company in respect of the ICSID Arbitration which, for year ended December 31, 2016, amounted to approximately $8.8 million. In the corresponding 2015 period, such costs were lower as the Company did not file its request for arbitration until Q3 2015.

Payroll costs in the year ended December 31, 2016 include a net $3.6 million related to RMGC employees, after taking into account the effect of the reversal of the provision for long service awards and other benefits totaling $1.1 million. Excluding RMGC, and taking into account the average 7% weakening of UK sterling against the Canadian dollar in 2016, payroll costs for management services were in line with the corresponding 2015 period.

Prior to December 31, 2015, the costs of storage and routine maintenance for the long lead-time equipment were capitalized to mineral properties. Since the 2016 review of capitalization criteria, such expenditures are recorded as corporate, general and administrative expense.

Other costs in the year ended December 31, 2016 include $0.9 million related to corporate costs at RMGC, which were previously capitalized to mineral properties.

Share Based Compensation

	3 months ended December 31		12 months ended December 31	
in thousands of Canadian dollars	**2016**	2015	**2016**	2015
DSUs and RSUs - expense / (gain on revaluation)	**$ (199)**	$ (156)	**$ 1,181**	$ (175)
Stock option compensation - expense	**226**	215	**1,003**	654
Stock based compensation - Income statement	**$ 27**	$ 59	**$ 2,184**	$ 479
Stock option compensation - Mineral properties	**$ -**	$ 687	**$ -**	$ 347

Initially valued at the five-day weighted average market price of the Company's shares at the date of grant, deferred share units ("DSUs") and restricted share units ("RSUs") are revalued each period end based on the period end closing share price. The initial valuation of the DSUs and RSUs, and the effect on the valuation of DSUs and RSUs of the period-on-period change in share price, has previously either been expensed or capitalized (the latter, prior to December 31, 2015, being for share units granted to personnel working on development projects). At December 31, 2016, the Company's share price was $0.53 (December 31, 2015: $0.14), resulting in an increase in the expense recognized at the period end revaluation.

The estimated fair value of share 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 options, the remaining fair value (if any) is either expensed immediately or over the remaining vesting period, as appropriate. The expected performance dates are periodically reviewed and the expensing adjusted accordingly.

Prior to December 31, 2015, share based compensation for RMGC employees and other personnel working on development projects was capitalized. As noted above, the conditions for capitalization are no longer met and the expense is therefore recognized in the income statement.

	3 months ended				12 months ended			
	December 31				December 31			
		2016		2015		**2016**		2015
Stock option compensation								
Number of stock options granted		**4,436,334**		-		**4,961,334**		5,525,000
Average value ascribed to each regular vesting option granted	**$**	**0.43**	$	-	**$**	**0.46**	$	0.40
Options granted to corporate employees, officers, and directors		**2,086,334**		-		**2,611,334**		2,775,000
Options granted to development project employees and consultants		**2,350,000**		-		**2,350,000**		2,750,000
DSU compensation								
Number of DSUs issued		**61,309**		167,255		**701,309**		727,255
Average value ascribed to each DSU issued		**0.63**		0	**$**	**0.24**	$	0.33
Number of DSUs redeemed		**-**		-		**256,000**		-
Average value ascribed to each DSU redeemed	**$**	**-**	$	-		**0.66**	$	-
RSU compensation								
Number of RSUs redeemed		62,500		62,500		**207,435**		207,438
Average value ascribed to each RSU redeemed	**$**	**0.44**	$	0.15	**$**	**0.24**	$	0.37

A total of 4.9 million stock options were granted during 2016, of which 4.4 million vest on a performance basis, the remainder vesting on a time basis over a three-year period. All of the performance based options were granted during Q4 2016.

An aggregate of 701,309 DSUs were issued to non-executive directors during the year ended December 31, 2016 (2015: 727,255). DSUs vest on the date of issue. With effect from July 1, 2016, non-executive directors are required to receive at least fifty per cent of their director fees payable in DSUs. Certain non-executive directors have elected to receive all of their director fees payable in share options.

In the year ended December 31, 2016, 207,437 RSUs vested. These RSUs were awarded during 2014 to named executive officers as compensation for 2013 performance. There are no RSUs outstanding at December 31, 2016.

Finance Income

Finance Income

in thousands of Canadian dollars	3 months ended December 31 **2016**	2015	12 months ended December 31 **2016**	2015
Interest income	**$ 63**	$ 17	**$ 151**	$ 207

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

As at December 31, 2016, approximately 90% of the Company's cash and cash equivalents were invested in either Canadian or US government guaranteed instruments, with the majority of the balance held as cash deposits with major Canadian banks.

Finance Costs

in thousands of Canadian dollars	3 months ended December 31 **2016**	2015	12 months ended December 31 **2016**	2015
Financing costs - convertible note accretion	**$ 1,641**	$ 967	**$ 4,426**	$ 3,784

Finance costs for the year ended December 31, 2016 relate to the accretion of the debt component of the Private Placements, which are measured at amortized cost using the effective interest rate method.

Foreign Exchange

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

Taxes

All tax assessments received and validly existing prior to the end of the year ended December 31, 2016 have been paid and/or provided for in the Financial Statements.

Investing Activities

The majority of Group expenditures over the years ended 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, property acquisition and resettlement housing and infrastructure. Since January 1, 2016 no significant expenditures have been incurred in these areas and any such expenditures are expensed in the income statement.

Mineral Properties

Historically, following the establishment of the technical feasibility and commercial viability of the Project, all costs incurred in Project exploration and development were capitalized to mineral properties. For 2016, Management assessed the capitalization of Project-related expenditures and determined that the criteria were not met and, consequently, no costs have been capitalized to mineral properties since December 31, 2015.

Purchase of Capital Assets

		3 months ended December 31				12 months ended December 31		
in thousands of Canadian dollars		**2016**		2015		**2016**		2015
Total investment in capital assets	**$**	**19**	$	-	**$**	**54**	$	92
Depreciation and disposal - expensed	**$**	**62**	$	64	**$**	**314**	$	137
Depreciation and disposal - capitalized to mineral properties	**$**	**-**	$	110	**$**	**-**	$	1,815

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

Financing Activities

On July 14, 2016 the Company completed the July 2016 Private Placement with two subscribers as follows:

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

On May 11, 2016 the Company completed the May 2016 Private Placement with a number of existing shareholders as follows:

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

On May 30, 2014 the Company completed the 2014 Private Placement with a number of existing investors, which was subsequently restructured on May 11, 2016 as follows:

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

The Company is using the proceeds of the Private Placements to finance the costs of the continuing ICSID Arbitration and for general working capital purposes. The details of the Private Placements are further described below under *Critical Accounting Estimates* and in the Financial Statements.

Cash Flow Statement

Liquidity and Capital Resources

The main sources of liquidity are the Company's cash and cash equivalents, share option exercises and the equity and debt markets. At December 31, 2016, aggregate cash and cash equivalents were $60.3 million (December 31, 2015: $15.4 million).

Working Capital

At December 31, 2016, the Company had working capital, calculated as total current assets less total current liabilities, of $56.1 million (December 31, 2015: $15.4 million).

As at December 31, 2016, the Company had current liabilities of $5.3 million (December 31, 2015: $4.1 million). The increase in 2016 is due to an increase in accruals for ICSID Arbitration-related legal costs and the liability recognized for DSU compensation (see notes 13 and 15 to the Financial Statements).

Related Party Transactions

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

The Company advanced loans in the period 2004 to 2009 totaling US$39.5 million to the predecessor of Minvest RM (subsequently transferred to Minvest RM) to facilitate various statutory share capital increases in RMGC. The balance outstanding of the Minvest RM loans as at December 31, 2016 was US$39.5 million (December 31, 2015: US$39.5 million).

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

Resettlement Liabilities

RMGC had a program for purchasing homes in the Project area, which was suspended in February 2008 due to the suspension of the EIA review process in September 2007. Under the resettlement program, residents were offered two choices: either to take the sale proceeds and move to a new location of their choosing; or exchange their properties for a new property to be built by RMGC at a new resettlement site. For those residents who chose the resettlement option, the Company increased its mineral properties on the balance sheet as well as resettlement liabilities for the anticipated construction costs of the resettlement houses. As the construction took place, the cost of newly-built houses was capitalized as construction-in-progress. After the transfer of legal title of the property, RMGC reduced the amounts capitalized as construction-in-progress and at the same time reduced its resettlement liabilities. All resettlement-associated costs capitalized to mineral properties or as construction-in-progress form part of the 2015 Impairment.

At December 31, 2016 the Company had accrued resettlement liabilities totaling $0.7 million (December 31, 2015: $1.2 million).

During 2016, RMGC has continued to close-out various exchange contracts it had entered into with certain homeowners in Roșia Montană who had elected for resettlement in Roșia Montană if the Project proceeded. RMGC has, in accordance with the terms of such contracts and in order to bring the contracts to an amicable and fair close, provided to the homeowners a range of options, including the restitution of their properties in Roșia Montană. RMGC has successfully agreed terms with the majority of the relevant homeowners but it is still seeking discussions with a small number of homeowners, two of whom have initiated legal action against RMGC.

Contractual Obligations

A summary of the Company's contractual capital and operating lease commitments as of December 31, 2016 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 share based compensation, valuation of fidelity bonus and other benefits assumptions and determinations as to whether costs are expensed or capitalized, and the valuation and measurement of the components of the Private Placements. While Management believes that these estimates and assumptions are reasonable, actual results could vary significantly. With the exception of the expensing of Project-related expenditures (as opposed to capitalization, as was the case up to December 31, 2015), the critical accounting estimates are not significantly different from those reported in previous periods.

Going Concern

The underlying value of the Group's mineral properties, and in particular the Project, is dependent upon the existence and economic recovery of such proven ore body reserves in the future together with the ability of the Group to obtain all necessary permits and raise long-term financing to complete the development of the properties. Notwithstanding the ongoing ICSID Arbitration, the Company remains open to engagement with the Romanian authorities in order to achieve an amicable resolution of the dispute or a settlement enabling the Group to develop the Project.

The approved 2017 budget includes those expenditures and commitments necessary to maintain the Company's primary assets and the estimated costs associated with the Company advancing the ICSID Arbitration. On the basis of the Company's balance of cash and cash equivalents as at December 31, 2016, the Company has sufficient funding to satisfy the budgeted 2017 costs and, based on the estimated costs of the planned long-term ICSID Arbitration activities, the Company estimates it has sufficient funds to see the ICSID Arbitration through to its conclusion. Management continues to review the Company's activities in order to identify areas to further reduce expenditures.

Considering the risks listed above, and in the context of the Group's financial resources, Management's assessment is that the Company remains a going concern. The Company accordingly has been accounted for as a going concern in the Financial Statements for the year ended December 31, 2016.

Future income tax assets

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

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

Tax authorities in Romania have regularly initiated various tax audits to assess the appropriateness of the Company's tax filing positions. Regulators may interpret tax regulations differently from the Company, which may cause changes to the estimates made. As previously disclosed, in July 2016 RMGC was issued with the Assessment in respect of VAT that RMGC had previously claimed on certain activities, despite the fact that 18 prior VAT audits by the Romanian tax authorities had accepted that VAT could be reclaimed on these types of activities. The Assessment was subsequently 'partially quashed', with a re-performance of the VAT audit ordered (using a different inspection team) which was initiated on October 12, 2016 and, as at the date of this MD&A, has yet to be completed.

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 share-based compensation

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

Valuation of long-service and other benefits

Pursuant to a collective bargaining agreement between RMGC and its employees, which was not renewed after its last expiry date, employees of RMGC were entitled, under certain conditions, to a bonus based on years of uninterrupted service as well as other life assurance benefits. There is no intention to renew the collective bargaining agreement and hence as at December 31, 2016 the provision has been reversed.

Valuation of the Private Placements

The units issued by the Company in the 2014 Private Placement (restructured on May 11, 2016), and the May 2016 Private Placement, consisted of convertible, subordinated, unsecured notes, warrants and arbitration value rights. For these two private placements, the Company utilized a Black Scholes valuation model to value the warrant component of the units and a discounted cash flow model to value the debt component of the 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 early stage of the arbitration process, a nil valuation remains applicable as at December 31, 2016. Both the 2014 Private Placement and the May 2016 Private Placement contain two embedded derivatives, both of which were initially valued at nil with no subsequent adjustment in value.

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

Financial instruments and other instruments

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

The Company's objective is to safeguard its accumulated capital in order to be able to fund ongoing expenditures. The Company manages its capital structure and makes adjustments to it based on the level of funds on hand and anticipated future expenditures. The estimated long-term costs, including advisors' fees and general corporate working capital, of pursuing the ICSID Arbitration will be significant. Following the closing of the July 2016 Private Placement (as outlined in note 16 of the Financial Statements), the Company believes it has sufficient funding to satisfy the budgeted costs of the currently projected, long-term ICSID Arbitration activities to see it through to its conclusion. In the event that the dispute is resolved and the Romanian Government issues the environmental permit for the Project, the Company will initiate a review of its financing requirements over the short and medium term. While the Company expects that in that event it will be able to obtain equity, long-term debt and/or project-based financing sufficient to build and operate the Project, there are no assurances that such initiatives would be successful.

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

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

Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents. Historically, the Group has adopted an investment strategy to minimize its credit risk by investing in Canadian sovereign debt with the balance of cash being invested on short-term overnight deposit with major Canadian banks. However, the Company has invested a significant portion of the funds raised in the July 2016 Private Placement in US sovereign debt to fund its expected US dollar-denominated ICSID Arbitration legal costs.

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

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

The Group's credit risk is also attributable to value-added taxes receivable. Value-added taxes receivable are primarily receivables from the Romanian Government which, prior to the recent 2016 VAT audits, were within expected collection terms. The collection times have subsequently become extended but the amounts in question as at December 31, 2016 are not material.

Liquidity risk

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

Market risk

(a) Interest rate risk

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

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

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

(b) Foreign currency risk

The Group's presentation currency is the Canadian dollar and its activities expose it to fluctuations in foreign exchange rates. The Group has monetary assets and liabilities which are denominated in Romanian Leu, US dollars, UK pounds 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, 2016 the Group held 52% and 47% of its cash and cash equivalents in Canadian and US dollars, respectively.

The Company has not entered into any derivative hedging activities.

Sensitivity

Based on Management's knowledge and experience of the financial markets, in respect of the Company's balance of cash and cash equivalents as at December 31, 2016, the Company believes the following market movements are "reasonably possible" over a twelve-month period and would have the stated effects on net income:

- A plus or minus 1% change in earned interest rates; would affect net income by $0.6 million.
- A plus or minus 1% change in foreign exchange rates; would affect net income by $0.3 million.

Risks

The ICSID Arbitration, which has become the core focus of the Company, entails certain risks, uncertainties and other factors which include, without limitation, the abusive behavior of Romanian authorities leading to tax and other investigations and assessments, the attitudes and actions of the Romanian Government related to the Company's investment in Romania, including the ability of the Company to realize value from its investments in Romania pursuant to the Treaties and the ICSID Arbitration; the advancement of the ICSID Arbitration proceedings in a customary manner; the outcome of the ICSID Arbitration, including the timing and value of any arbitral award or settlement; the Company's expectation with regards to the costs, fees and other expenses and commitments payable in connection with the ICSID Arbitration; and any inability or delay in recovering from Romania the amount of any award or settlement.

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

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

These risk factors are discussed in more detail in the Company's Annual Information Form dated March 29, 2017, which is filed for public inspection on www.sedar.com.

- ICSID Arbitration
- Ability to Secure Additional Funding
- Convertible Notes and Warrants
- Political and Economic Uncertainty in Romania
- Permitting Process
- Acquisition of Surface Rights
- UNESCO World Heritage List
- Mineral Tenure Rights
- Legal Proceedings
- Proposed Adverse Romanian Legislative Initiatives
- Minvest Mine Closure Plan
- Dependence on Management and Key Personnel
- Compliance with Anti-Corruption Laws
- Insurance and Uninsurable Risks
- Global Financial Condition
- Currency Fluctuations

- Market Price Volatility
- Dilution
- Enforcement of Civil Liabilities
- No History of Earnings or Dividends
- Accounting Policies and Internal Controls
- Conflict of Interest

CEO/CFO Certification

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

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

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

The CEO and CFO certify that, as at December 31, 2016 the Company's DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

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

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

There is no limitation on scope of design as described in paragraph 5.3 of NI 52-109. There has been no change in the Company's ICFR that occurred during the three-month period ended December 31, 2016 which has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Outstanding Share Data

The Company's fully diluted share capital as at March 27, 2017 was:

	Outstanding
Common shares	384,452,780
Common stock options	26,809,857
Deferred share units - common shares	2,357,738
Restricted share units - common shares	-
Warrants	111,536,250
Convertible notes	307,912,500
Fully diluted share capital	**833,069,125**

Forward-Looking Statements

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

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

Forward-looking statements involve risks, uncertainties, assumptions, and other factors including those set out above and below, that may never materialize, prove incorrect or materialize other than as currently contemplated which could cause the Company's results to differ materially from those expressed or implied by such forward-looking statements.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as “expects”, “is expected”, “anticipates”, “believes”, “plans”, “projects”, “estimates”, “assumes”, “intends”, “strategy”, “goals”, “objectives”, “potential”, “possible” or variations thereof or stating that certain actions, events, conditions or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of fact and may be forward-looking statements.

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

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

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

Investors are cautioned not to put undue reliance on forward-looking statements, and investors should not infer that there has been no change in the Company’s affairs since the date of this report that would warrant any modification of any forward-looking statement made in this document, other documents periodically filed with or furnished to the relevant securities regulators or documents presented on the Company’s website. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice. The Company disclaims any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events or otherwise, subject to the Company’s disclosure obligations under applicable Canadian securities regulations. Investors are urged to read the Company’s filings with Canadian securities regulatory agencies including Gabriel’s Annual Information Form dated March 29, 2017, which can be viewed online at www.sedar.com.

Gabriel Resources Ltd.

Consolidated Financial Statements

For the year ended December 31, 2016

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Gabriel Resources Ltd. ("Gabriel" or the "Company") have been prepared by the Company's management ("Management") in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and, where relevant, the choice of accounting principles. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

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

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

(Signed) ***"Jonathan Henry"***

Jonathan Henry
President and Chief Executive Officer

(Signed) ***"Max Vaughan"***

Max Vaughan
Chief Financial Officer

March 29, 2017

March 29, 2017

Independent Auditor's Report

To the Shareholders of
Gabriel Resources Ltd.

We have audited the accompanying consolidated financial statements of Gabriel Resources Ltd. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated income statements and statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

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

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gabriel Resources Ltd. and its subsidiaries as at December 31, 2016 and December 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Consolidated Statement of Financial Position

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

	Notes	**2016**	2015
Assets			
Current assets			
Cash and cash equivalents	9	**60,267**	18,567
Trade and other receivables	10	**596**	117
Prepaid expenses and supplies		**523**	869
Total current assets (excluding assets classified as held for sale)		**61,386**	19,553
Assets classified as held for sale	8	**13,417**	19,646
Total current assets		**74,803**	39,199
Non-current assets			
Restricted cash	9	**506**	533
Property, plant and equipment	11	**149**	4,683
Total non-current assets		**655**	5,216
TOTAL ASSETS		**75,458**	44,415
Liabilities			
Current liabilities			
Trade and other payables	13	**3,375**	2,595
Resettlement liabilities	14	**742**	1,162
Other current liabilities	15	**1,211**	388
Total current liabilities		**5,328**	4,145
Non-current liabilities			
Convertible unsecured notes	16	**56,154**	30,400
Other non-current liabilities	15	**-**	1,145
Total non-current liabilities		**56,154**	31,545
TOTAL LIABILITIES		**61,482**	35,690
Equity			
Share capital	18	**868,279**	868,086
Other reserves	16,18	**131,562**	53,843
Currency translation adjustment		**1,329**	2,254
Accumulated deficit		**(991,085)**	(919,570)
Equity attributable to owners of the parent		**10,085**	4,613
Non-controlling interest	20	**3,891**	4,112
TOTAL EQUITY		**13,976**	8,725
TOTAL EQUITY AND LIABILITIES		**75,458**	44,415

Approved by the Board of Directors

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

Keith Hulley
Director

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

David Peat
Director

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

Consolidated Income Statement

For the year ended December 31

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

	Notes	2016	2015
Expenses			
Corporate, general and administrative	7	**19,433**	11,479
Impairment of mineral properties and property plant and equipment	11,12	**8,062**	631,178
Severance costs		**38**	858
Share-based compensation	15,19	**2,184**	479
Depreciation		**314**	137
Operating loss		**30,031**	644,131
Other (income) / expense			
Finance income		**(151)**	(207)
Gain on disposal of fixed assets		**(1,001)**	-
Debt extinguishment charge	16	**4,710**	-
Charge on issue of in the money equity instuments	16	**34,366**	-
Finance costs - convertible note interest accretion	16	**4,426**	3,784
Foreign exchange (gain) / loss		**(866)**	46
Loss for the year		**71,515**	647,754
Loss for the year attributable to:			
- Owners of the parent		**71,515**	627,832
- Non-controlling interest	20	**-**	19,922
Loss for the year		**71,515**	647,754
Loss per share (basic and diluted)	23	**$ 0.19**	$ 1.63

Consolidated Statement of Comprehensive Income

For the year ended December 31

(*Expressed in thousands of Canadian dollars)*

	Note	2016	2015
Loss for the year		**71,515**	647,754
Other comprehensive (income) / loss			
- may recycle to the Income Statement in future years			
Currency translation adjustment		**1,146**	(46,437)
Comprehensive loss for the year		**72,661**	601,317
- Owners of the parent		**72,882**	590,362
- Non-controlling interest	20	**(221)**	10,955
Comprehensive loss for the year		**72,661**	601,317

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

Consolidated Statement of Changes in Shareholders' Equity

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

	Notes	2016	2015
Common shares			
At January 1		**868,086**	868,081
Shares issued on the exercise of share options	18	**17**	3
Transfer from contributed surplus - exercise of share options	18	**11**	2
Shares issued on redemption of DSUs	18	**165**	-
At December 31		**868,279**	868,086
Other reserves			
At January 1		**53,843**	52,832
Share-based compensation	18	**1,003**	1,013
Exercise of share options		**(11)**	(2)
Equity component of convertible notes, net of issue costs	16	**44,571**	-
Warrants, net of issue costs	16	**32,156**	-
At December 31		**131,562**	53,843
Currency translation adjustment			
At January 1		**2,254**	(35,216)
Currency translation adjustment		**(925)**	37,470
At December 31		**1,329**	2,254
Accumulated deficit			
At January 1		**(919,570)**	(291,738)
Loss for the year		**(71,515)**	(627,832)
At December 31		**(991,085)**	(919,570)
Non-controlling interest			
At January 1		**4,112**	15,067
Loss for the year		**-**	(19,922)
Currency translation adjustment		**(221)**	8,967
At December 31		**3,891**	4,112
Total shareholders' equity at December 31		**13,976**	8,725

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	**2016**	2015
Cash flows used in operating activities			
Loss before income taxes		**(71,515)**	(647,754)
Items not affecting cash			
Depreciation		**314**	137
Share-based compensation		**2,184**	479
Gain on disposal of fixed assets		**(1,001)**	-
Debt extinguishment charge	16	**4,710**	-
Impairment of mineral properties and property plant and equipment	12	**8,062**	631,178
Charge on issue of in-the-money equity instruments	16	**34,366**	-
Finance costs - convertible note interest accretion	16	**4,426**	3,784
Unrealized foreign exchange loss / (gain)		**2,033**	(312)
Cash used in operations		**(16,421)**	(12,488)
RSU cash settlement		**(49)**	(68)
Net changes in non-cash working capital	27	**(2,230)**	768
		(18,700)	(11,788)
Cash flows provided by / (used in) investing activities			
Exploration and development expenditures	27	**-**	(9,497)
Purchase of capital assets	11	**(54)**	(138)
Proceeds from sale of long lead-time equipment		**2,636**	-
Net changes in non-cash working capital	27	**-**	(1,329)
		2,582	(10,964)
Cash flows provided by / (used in) financing activities			
Proceeds from issuance of private placement, net of issue costs	16	**59,206**	-
Finance charges on private placement	16	**(17)**	(2,800)
Proceeds from the exercise of share options	18	**11**	3
		59,200	(2,797)
Increase / (decrease) in cash and cash equivalents		**43,082**	(25,549)
Effect of foreign exchange on cash and cash equivalents		**(1,382)**	(40)
Cash and cash equivalents - beginning of year		**18,567**	44,156
Cash and cash equivalents - end of year	27	**60,267**	18,567

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

Notes to Consolidated Financial Statements

For the year ended December 31, 2016
(Amounts in thousands of Canadian dollars, unless otherwise stated)

1. Nature of operations

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

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

On July 21, 2015, pursuant to the provisions of international bilateral investment protection treaties which the Romanian State entered into with each of Canada and the United Kingdom of Great Britain and Northern Ireland for the Promotion and Reciprocal Protection of Investments (together the "Treaties"), Gabriel and its subsidiary company, Gabriel Resources (Jersey) Limited, filed a request for arbitration ("Arbitration Request") before the World Bank's International Centre for Settlement of Investment Disputes ("ICSID") against the Romanian State ("ICSID Arbitration"). The Arbitration Request was registered by ICSID on July 30, 2015 and the presiding tribunal for the ICSID Arbitration ("Tribunal") was constituted on June 21, 2016. The ICSID Arbitration seeks compensation for all of the loss and damage resulting from the State's wrongful conduct and its breaches of the Treaties' protections against expropriation, unfair and inequitable treatment and discrimination in respect of the Project and the related licenses.

Whilst the Company's primary objective has always been the development of the Project to operational status, as of the date of these audited consolidated financial statements, the Company has not been afforded the opportunity to discuss an amicable resolution with Romania regarding the dispute that would allow for the development of the Project. Meanwhile the ICSID Arbitration process is advancing. The first Tribunal hearing took place on August 12, 2016. On January 10, 2017, the Tribunal issued its procedural calendar for the ICSID Arbitration process and required documents. The first significant date is June 30, 2017 by which date Gabriel, as claimant, has to deliver its memorial.

The approved 2017 budget includes those expenditures and commitments necessary to maintain the Company's primary assets, its License and associated rights and permits, and the material estimated costs associated with the Company advancing the ICSID Arbitration. On the basis of the Company's balance of cash and cash equivalents as at December 31, 2016, the Company has sufficient funding to satisfy the budgeted costs of the planned long-term ICSID Arbitration activities currently projected to see it through to its conclusion. Management continues to review the Company's activities in order to identify areas to rationalize expenditures.

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

The Company's registered address is Suite 200 – 204 Lambert Street, Whitehorse, Yukon, Canada Y1A 1Z4. The Company receives significant management services from its wholly-owned subsidiary, RM Gold (Services) Ltd. ("RMGS"). The principal place of business for RMGS is 1 Central Court, 25 Southampton Buildings, London WC2A 1AL, United Kingdom. The Company is the ultimate parent of the Group and does not have any controlling shareholders.

2. Statement of compliance

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

The consolidated financial statements were approved by the Board of Directors on March 29, 2017.

3. Basis of preparation

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

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

4. Basis of consolidation

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

The consolidated financial statements include the accounts of the Company and the following subsidiaries, which are or were part of the Group during the year ended December 31, 2016:

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

During 2016 Rom AUR SRL, a subsidiary of Gabriel Resources (Netherlands) B.V., was dissolved and therefore no longer forms part of the Group.

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

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

5. Critical accounting estimates, risks and uncertainties

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

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

6. Significant accounting policies

Cash and cash equivalents

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

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

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

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

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

Exploration and evaluation costs

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

Mineral properties and development expenditures

After completion of the technical feasibility study, subsequent exploration and development expenses, engineering expenditures to design the size and scope of the Project, environmental assessment and permitting, rescue archaeology, surface rights acquisitions, consultancy costs and other expenditures, including corporate costs directly related to the advancement of Project permitting were also capitalized in mineral properties. However since the impairment in December 31, 2015 these expenses no longer meet the criteria for capitalization under the Company's accounting policy, and are now recognized in the Consolidated Income Statement.

6. Significant accounting policies (continued)

Impairment of non-financial assets

Non-financial assets to be held and used by the Group are reviewed for indicators of impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Non-financial assets in construction, including the long lead-time equipment, that are not yet available for use, are assessed for indicators of impairment at the end of each reporting period. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal ("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. These provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax risk free discount rate. The increase in the provision due to the passage of time is recognized as a finance cost.

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

At December 31, 2016 the Group has not incurred and is not deemed to have committed to any provisions for environmental restoration related to the development of its mineral properties in Romania.

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

6. Significant accounting policies (continued)

(c) Group companies

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

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

Financial instruments

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and reward of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

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

Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. Financial instruments in this category are recognized initially and subsequently at fair value.

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

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

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

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

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

6. Significant accounting policies (continued)

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

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

Loss per share

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

Share based payments

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

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

Share-based compensation relating to share options is charged to the Consolidated Income Statement and Consolidated Statement of Comprehensive Income in the Consolidated Statement of Financial Position over the vesting periods, with corresponding adjustments to equity.

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

The Company also has a Restricted Share Unit ("RSU") Plan under which qualifying participants may receive a portion of their compensation in the form of RSUs. Upon vesting, participants may, at their discretion if not agreed otherwise, redeem their RSUs for Common Shares, cash, or a combination of Common Shares and cash.

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

6. Significant accounting policies (continued)

Income taxes

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

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

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

Lease payments

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

Accounting standards and amendments

There are no new standards, amendments to standards, or IFRIC interpretations that are effective for the first time for the financial year ended December 31, 2016 and applicable to the Company's operations.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2017, and have not been applied in preparing these consolidated financial statements. Management has not yet concluded as to the impact on the Group. The standards being reviewed that are relevant to the Group are:

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

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

7. Corporate General and Administrative expenses

in thousands of Canadian dollars	December 31 2016	December 31 2015
Finance	**836**	575
External communications	**157**	156
Information technology	**362**	145
ICSID Arbitration related	**8,768**	6,132
Legal	**621**	248
Payroll	**6,681**	3,198
Long lead-time equipment storage costs	**922**	-
Other	**1,086**	1,025
Corporate, general and administrative expense	**19,433**	11,479

ICSID Arbitration related costs are in respect of legal and other services provided to the Company in respect of the ICSID Arbitration.

Payroll costs in the year ended December 31, 2016 include a net $3.6 million related to RMGC employees, after taking into account the effect of the reversal of the provision for long service awards and other benefits totalling $1.1 million.

Prior to December 31, 2015, the costs of storage and routine maintenance for the long lead-time equipment were capitalized to mineral properties. Since the 2016 review of capitalization criteria, such expenditures are recorded as corporate, general and administrative expense.

8. Assets held for sale

	December 31 2016
Balance - December 31, 2014	**-**
Transfer from construction in progress	19,646
Balance - December 31, 2015	**19,646**
Disposal	**(1,375)**
Impairment charge	**(3,856)**
Currency translation adjustment	(998)
Balance - December 31, 2016	**13,417**

Due to the combination of the status of the Project permitting and the ICSID Arbitration, the prospect of the long lead-time equipment being used in the future for the purpose for which it was purchased is considered remote. In December 2015, the Company engaged two specialist agents to broker the sale of the long lead-time equipment. In August 2016, a gyratory crusher was sold for gross proceeds of $2.6 million. The agents' engagement is ongoing, with a view to a sale of the remaining equipment in the short-term.

At December 31, 2016, 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 income statement for the year.

The remaining long lead-time equipment comprises milling equipment, which is not yet assembled. These items are currently stored in various warehouse locations which, with non-material exceptions, are outside of Romania, the main location being the port of Antwerp, Belgium. The storage is in accordance with the original manufacturers' and current insurer's recommended storage requirements. The long lead-time equipment was transferred to assets held for sale on December 31, 2015.

9. Cash and cash equivalents and restricted cash

	December 31 2016	December 31 2015
Cash at bank and on hand	**6,143**	4,070
Short-term bank deposits	**54,124**	14,497
Cash and cash equivalents	**60,267**	18,567
Restricted cash	**506**	533
	60,773	19,100

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, 2016, the Group held $0.1 million equivalent in Romanian banks (2015: $0.6 million).

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

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

10. Trade and other receivables

	December 31 2016	December 31 2015
Trade and other receivables	**309**	17
VAT and sales taxes	**287**	100
	596	117

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

	December 31 2016	December 31 2015
UK pound sterling	**9**	22
Canadian dollar	**4**	-
Romanian leu	**583**	95
	596	117

11. Property, plant and equipment

	Office equipment	Building	Vehicles	Leasehold improvements	Construction in progress [1]	TOTAL
COST						
Balance - December 31, 2014	**4,322**	**3,194**	**1,080**	**297**	**50,459**	**59,352**
Additions	67	-	43	6	22	138
Reclassifications	-	(127)	-	-	127	-
Disposals	(132)	(81)	(72)	-	(1,356)	(1,641)
Currency translation adjustment	206	204	70	-	3,382	3,862
Impairment charge	-	-	-	-	(32,988)	(32,988)
Transfer to assets held for sale	-	-	-	-	(19,646)	(19,646)
Balance - December 31, 2015	**4,463**	**3,190**	**1,121**	**303**	**-**	**9,077**
Additions	54	-	-	-	-	54
Disposals	(15)	-	(32)	-	-	(47)
Currency translation adjustment	62	(209)	119	-	-	(28)
Impairment charge	(1,373)	(2,833)	-	-	-	(4,206)
Balance - December 31, 2016	**3,191**	**148**	**1,208**	**303**	**-**	**4,850**
ACCUMULATED DEPRECIATION						
Balance - December 31, 2014	**2,804**	**109**	**789**	**203**	**-**	**3,905**
Depreciation	166	20	157	100	-	443
Disposals	(92)	-	(41)	-	-	(133)
Currency translation adjustment	115	9	55	-	-	179
Balance - December 31, 2015	**2,993**	**138**	**960**	**303**	**-**	**4,394**
Depreciation	180	21	82	-	-	283
Disposals	-	-	-	-	-	-
Currency translation adjustment	(81)	(11)	116	-	-	24
Balance - December 31, 2016	**3,092**	**148**	**1,158**	**303**	**-**	**4,701**
CARRYING AMOUNT						
At December 31, 2014	1,518	3,085	291	94	50,459	55,447
At December 31, 2015	1,470	3,052	161	-	-	4,683
At December 31, 2016	**99**	**-**	**50**	**-**	**-**	**149**

[1] Amounts included in construction in progress are not subject to amortization. These assets were transferred to assets held for sale in 2015, as described in Note 8.

12. Impairment of mineral properties and property plant and equipment

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

At December 31, 2015, the Company assessed the mineral properties and other long-lived assets for indicators of impairment and concluded that the continued uncertainty regarding the development of the Project and the progression of the ICSID Arbitration, including that the Company had been unable to reach an amicable resolution with Romania regarding the dispute and the appointment by the Romanian State of lawyers to defend the ICSID Arbitration, represented indicators of impairment that required a determination to be made of the Project's recoverable amount.

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

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

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

At December 31, 2016, the Company again assessed fixed assets for indicators of impairment. The remaining land and buildings, and the majority of the other office equipment owned by RMGC in the Project area were tested for impairment. Due to the progression of the ICSID Arbitration, the likelihood of any value being realized in the disposal of these assets is now remote. Save for certain office equipment and vehicles, the residual value of these assets is now considered by the Company to be zero, and the balance has been written down accordingly.

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

13. Trade and other payables

	December 31 2016	December 31 2015
Trade payables	**348**	704
Payroll liabilities	**713**	647
Accrued expenses	**2,314**	1,244
	3,375	2,595

Included in accrued expenses are $2.0m of ICSID Arbitration related accruals (2015: $0.7m). This increase is due to the increase in ICSID Arbitration activities and related fees following the formation of the Tribunal in mid-2016.

13. Trade and other payables (continued)

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

	December 31 2016	December 31 2015
UK pound sterling	**87**	164
Canadian dollar	**167**	199
United States dollar	**1,587**	497
Euro	**402**	349
Romanian leu	**1,132**	1,386
	3,375	2,595

14. 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. As a result of the delay in delivery of some of these homes, RMGC pays a penalty of up to 20% of the agreed upon unpaid property value per year of delay as required by the resettlement contracts. The remaining penalty amount in the resettlement contract is also recorded within resettlement liabilities.

During the second quarter of 2016, the Company closed out one resettlement contract through the provision of an alternate home that RMGC owned in Roșia Montană, reducing the year end accrued resettlement liabilities to $0.7 million (December 31, 2015: $1.2 million).

15. Other liabilities

DSUs

	DSUs (000's)	**Price per common share (dollars)**	**Value**
Outstanding - December 31, 2014	1,113	0.40	445
Granted	**727**	**0.33**	**243**
Change in fair value			(431)
Balance - December 31, 2015	1,840	0.14	257
Granted	**701**	**0.24**	**166**
Settled	**(255)**	**0.65**	**(165)**
Cancelled	**(1)**	**0.65**	**(1)**
Change in fair value			**954**
Balance - December 31, 2016	**2,285**	**0.53**	**1,211**

During the year ended December 31, 2016, the Company recorded an expense of $1.1 million (2015: $0.2m net reversal). 256,000 DSUs were settled during the year (2015: $nil).

15. Other liabilities (continued)

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 will receive fifty per cent of their director fees payable in DSUs. DSUs are initially valued at the five-day weighted average market price of the Company's 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, 2016, the Company's share price increased significantly, and accordingly an increase of $0.8 million has been recorded in the DSU liability in line with the fair value calculation outlined above.

(b) RSUs

	RSUs (000's)	**Price per common share (dollars)**	**Value**
Outstanding - December 31, 2014	225	0.40	90
Amortized[(1)]	**161**	**0.65**	**107**
Settled	**(207)**	**0.36**	**(77)**
Change in fair value			**(95)**
Outstanding - December 31, 2015	179	0.14	25
Amortized[(1)]	**28**	**0.56**	**16**
Settled	**(207)**	**0.23**	**(49)**
Change in fair value			**8**
Balance - December 31, 2016	**-**	**-**	**-**

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

The Company has an RSU Plan under which qualifying participants may receive a portion of their compensation in the form of RSUs. Upon vesting participants may, at their election unless agreed otherwise, redeem their RSUs for Common Shares, cash, or a combination of Common Shares and cash. RSUs are measured and accounted for in the same way as DSUs. There are currently no RSUs outstanding.

During the year ended December 31, 2016, the Company recorded an expense of $nil (2015: $nil) of share based compensation expense related to RSUs. RSUs settled during the year, for cash, amounted to $0.05 million (2015: $0.08 million).

	December 31 2016	December 31 2015
Deferred share units	**1,211**	257
Restricted share units	**-**	25
Fidelity bonus and other benefits	**-**	1,251
Total other liabilities	**1,211**	1,533

15. Other liabilities (continued)

Other liabilities are disclosed as:

	December 31 2016	December 31 2015
Current liabilities - Other liabilities	**1,211**	388
Non-current liabilities - Other liabilities	**-**	1,145
Total other liabilities	**1,211**	1,533

The criteria for the recognition of the fidelity bonus as a liability were evaluated during 2016. It was concluded that as a consequence of the expiry and non-renewal of the collective bargaining agreement between RMGC and its employees, there is no ongoing liability to support the carrying value of the provision and, consequently, the balance has been reversed at December 31, 2016.

16. Private placements

On July 14, 2016 the Company completed a private placement with one existing shareholder and a new investor (the “July 2016 Private Placement”). A total of 40,625 units were issued at a price of $1,000 per unit to raise aggregate gross proceeds of $40.625 million. Each unit consists of:

- $1,000 principal amount of convertible, subordinated, unsecured notes with a coupon of 0.025% (the “July 2016 Notes”). The July 2016 Notes mature on June 30, 2021 and are convertible at any point prior to maturity, at the option of the holder, into common shares of the Company at a conversion price of $0.3105 per common share;
- 1,610 common share purchase warrants (the “July 2016 Warrants”), each of which entitles the holder to purchase one common share of the Company at a price of $0.46 at any time prior to June 30, 2021; and
- one arbitration value right, which entitles the holder, subject to certain limitations and exclusions, to a pro-rata proportion of up to 5.54% (capped at an aggregate of $129.3 million) of any amounts received by the Group pursuant to any settlement or arbitral awards irrevocably made in favor of the Group.

On May 11, 2016 the Company completed a private placement with a number of existing shareholders (the “May 2016 Private Placement” and together with the July 2016 Private Placement, the “2016 Private Placements”). A total of 20,000 units were issued at a price of $1,000 per unit to raise aggregate gross proceeds of $20.0 million. Each unit consists of:

- $1,000 principal amount of convertible, subordinated, unsecured notes with a coupon of 0.025% (the “May 2016 Notes”). The May 2016 Notes mature on June 30, 2021 and are convertible at any point prior to maturity, at the option of the holder, into common shares of the Company at a conversion price of $0.3105 per common share;
- 1,610 common share purchase warrants (the “May 2016 Warrants”), each of which entitles the holder to purchase one common share of the Company at a price of $0.46 at any time prior to June 30, 2021; and
- one arbitration value right, which entitles the holder, subject to certain limitations and exclusions, to a pro-rata proportion of up to 7.5% of any amounts received by the Group pursuant to any settlement or arbitral awards irrevocably made in favor of the Group. This liability is capped at an aggregate of $175 million, distributable between all AVRs issued by the Company pursuant to the private placement completed in May 2014, described below, together with the May 2016 private placement.

16. Private placements (continued)

On May 30, 2014 the Company completed a private placement with a number of existing shareholders (the "2014 Private Placement"). A total of 35,000 units were issued at a price of $1,000 per unit to raise aggregate gross proceeds of $35.0 million. Each unit consisted of $1,000 principal amount of convertible, subordinated, unsecured notes, 398 common share purchase warrants and one arbitration value right. In conjunction with the closing of the May 2016 Private Placement, certain terms of the 2014 Private Placement were restructured to bring them into alignment with the May 2016 Private Placement, including a reduction in the coupon from 8% to 0.025% and the share purchase price of the warrants (the "Restructuring"). This change was effective as of January 1, 2016 with a waiver for any and all rights in respect of interest that had previously been accrued at a rate of 8% since January 1, 2016.

The change to the terms of the 2014 Private Placement pursuant to the Restructuring has been accounted for as an extinguishment rather than a modification, as required under IFRS. On extinguishment, a debt extinguishment charge of $4.2 million was recognized in 2016 as a non-cash expense in the income statement. Further, deferred financing costs of $0.2 million, capitalized in 2014, and financing costs of $0.1 million related to the extinguishment were recognized in 2016 as an expense in the income statement.

The July 2016 Private Placement is accounted for as a compound financial instrument. Due to the increase in the share price during the period between announcement and finalization of the transaction documentation and closing, both the warrants and the convertible component of the July 2016 Private Placement were in the money at the time of issue. Consequently, the 'residual value' method used for the 2014 Private Placement and May 2016 Private Placement is not applicable to the July 2016 Private Placement. The debt and equity components of the July 2016 Notes, a compound financial instrument, were initially recorded at fair value at the commitment date (the date of the subscription agreements). The July 2016 warrants were initially recorded at the fair value as at the closing date of the July 2016 Private Placement. The valuation of the equity components has resulted in a non-cash loss on recognition of $34.4 million being recognized in the income statement in the year ended December 31, 2016. Any directly attributable transaction costs were allocated to the liability and equity components in proportion to their initial carrying amounts.

The 2014 Private Placement and May 2016 Private Placement are also accounted for as compound financial instruments. The debt component of the compound financial instruments was recognized initially at fair value of a similar liability that does not have an equity conversion option. The warrants were recorded at fair value. Using the *'residual value'* method, the equity component was recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the debt and warrant components. Any directly attributable transaction costs were allocated to the liability and equity components in proportion to their initial carrying amounts.

The key inputs used in determining the value of the July 2016 Notes and July 2016 Warrants in the July 2016 Private Placement set out in these consolidated financial statements are as follows:

- Discount rate 12.5%
- Volatility (based on historic 23 month volatility adjusted for the S&P/TSX Mining Index volatility) 66.5%
- Remaining life (years) 5.0

The key inputs used in determining the value of the May 2016 Notes and May 2016 Warrants in the May 2016 Private Placement and 2014 Private Placement set out in these consolidated financial statements are as follows:

- Discount rate 12.5%
- Volatility (based on historic 23 month volatility) 98.0%
- Remaining life (years) 5.0

16. Private placements (continued)

July 2016 Private Placement – Initial recognition

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

May 2016 Private Placement – Initial recognition

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

2014 Private Placement – Recognition subsequent to the debt extinguishment

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

Subsequent to initial measurement, the debt component 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 Private Placement, the May 2016 Private Placement and the July 2016 Private Placement: a ‘make-whole premium’ to protect holders of the convertible notes in a change of control event prior to maturity; and a ‘common share repayment right’ providing the Company with the right to repay the principal in Common Shares at a discounted amount of 95% of par at maturity. These two embedded derivatives were determined to have insignificant initial values and were accordingly not accounted for, but will be reassessed at each reporting date.

16. Private placements (continued)

The aggregate composition of the three 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

17. Related party transactions

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

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

	December 31 2016	December 31 2015
Salaries and other short-term employee benefits	**1,483**	1,663
Directors' fees	**338**	527
DSUs and RSUs[(1)]	**179**	318
Share options[(1)]	**545**	811
Total	**2,545**	3,319

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

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

18. Share capital

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

Issued:

	Number of shares (000's)	**Amount**
Balance - December 31, 2014	384,145	868,081
Shares issued on the exercise of share options	5	3
Transfer from contributed surplus - exercise of share options	-	2
Balance - December 31, 2015	384,150	868,086
Shares issued on the exercise of share options	36	17
Shares issued on the exercise of DSUs	255	165
Transfer from contributed surplus - exercise of share options	-	11
Balance - December 31, 2016	**384,441**	**868,279**

19. Common share options

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

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

As at December 31, 2016 common share options held by directors, officers, employees and consultants are as follows:

	Outstanding			Exercisable		
Range of exercise prices (dollars)	**Number of options (thousands)**	**Weighted average exercise price (dollars)**	**Weighted average remaining contractual life (years)**	**Number of options (thousands)**	**Weighted average exercise price (dollars)**	**Weighted average remaining contractual life (years)**
0.40 - 0.75	13,370	0.46	7.8	4,670	0.50	5.0
0.76 - 1.00	9,640	0.81	2.0	9,468	0.81	2.0
1.01 - 1.92	3,735	1.81	0.9	3,735	1.81	0.9
	26,745	0.77	4.8	17,873	0.94	2.5

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

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

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

	Number of options (thousands)	**Weighted average exercise price (dollars)**
Balance - December 31, 2014	28,640	3.34
Options granted	5,525	0.40
Options forfeited	(375)	7.27
Options expired	(8,057)	6.51
Options exercised	(5)	0.56
Balance - December 31, 2015	25,728	1.66
Options granted	**4,961**	**0.46**
Options forfeited	**(360)**	**2.14**
Options expired	**(3,548)**	**6.62**
Options exercised	**(36)**	**0.46**
Balance - December 31, 2016	**26,745**	**0.77**

19. Common share options (continued)

During the year ended December 31, 2016, 5.0 million options were granted at a weighted average exercise price of $0.46, of which 4.4 million vest on a milestone basis and the remaining 0.6 million vest over a three-year period. During the year ended December 31, 2015, 5.5 million options were granted at a weighted average exercise price of $0.40, of which 2.5 million vest on a milestone basis and the remaining 3.0 million vest over a three-year period.

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

	December 31 2016	December 31 2015
Weighted average risk-free interest rate	**1.00%**	1.05%
Volatility of share price	**107%**	94%
Weighted average life of options (years)	**4.4**	6.7
Pre-vesting forfeiture rate	**20%**	10%
Weighted average fair value of awards ($)	**0.34**	0.31

As of December 31, 2016, the remaining fair value of options to be expensed is $1.6 million (2015: $1.4 million). Prior to 2016, amounts relating to options granted to employees of RMGC were capitalized to Mineral Properties, but since the 2015 impairment all options have been expensed. During the year this expense is as follows:

	December 31 2016	December 31 2015
Expensed	**1,003**	654
Capitalized	**-**	359

20. Non-controlling interest

	Rosia Montană Gold Corporation S.A.
Balance - December 31, 2014	15,067
Currency translation adjustment	8,967
Loss for the year	(19,922)
Balance - December 31, 2015	4,112
Currency translation adjustment	(221)
Loss for the year	-
Balance - December 31, 2016	**3,891**

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, 2016, 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.

21. Income taxes

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

	December 31 2016	December 31 2015
Loss before income taxes	**71,515**	647,754
Income tax rate [(1)]	**30%**	30%
Income tax at statutory rates	**(21,455)**	(194,326)
Tax effects of:		
- Impact of foreign tax rates [(2)]	**2,220**	88,485
- Non-deductable items / permanent differences	**656**	155
- Unrecognised deferred tax assets	**18,579**	105,686
Income tax recovery	**-**	-

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

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

	December 31 2016	December 31 2015	Expiry
Losses carried forward	**44,947**	85,112	2026-2035
Unclaimed share issue cost	**1,461**	354	No expiry
Capital assets	**1,440**	1,414	No expiry
Cumulative eligible capital expenditures	**13,328**	13,328	No expiry
Deductable temporary differences	**61,176**	100,208	

RM Gold (Services) Ltd has $4.1 million of unrecognized deductible temporary differences in the United Kingdom (2015: $4.6 million), with no specified expiry date, to be carried forward for use against future profits.

RMGC has unrecognized temporary differences in Romania of $691.6 million (2015: $816.5 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 $91.8 million (2015: $121.6 million) and have expiry dates between 2017 and 2022.

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

22. Commitments and contingencies

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

	Note	**Total**	**2017**	**2018**	**2019**	**2020**	**2021**	**Thereafter**
Capital commitments								
Resettlement construction	a	78	78	-	-	-	-	-
Operating lease commitments								
Rosia Montană exploitation license	b	640	256	256	128	-	-	-
Surface concession rights	c	1,153	34	34	34	34	34	983
Lease agreements	d	23	23	-	-	-	-	-
Total commitments		1,894	391	290	162	34	34	983

22. Commitments and contingencies (continued)

(a) RMGC has contracted building services for the construction of houses in Recea, Alba Iulia for resettlement of residents of the Project area. Construction activities were largely completed as at December 31, 2016. The contracts are ‘arms-length’ agreements with unrelated third parties.

(b) 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.

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

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

RMGC is acting in a limited number of legal proceedings in which it has been named as a defendant and from which it cannot withdraw, proceedings which principally concern claims related to certain land and resettlement rights, arising in the ordinary course of its business. The amount of ultimate liability with respect to these actions will not, in the opinion of Management, materially affect the Company's financial position, results of operations or cash flows. As at December 31, 2016, 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.

23. Loss per share

	December 31 2016	December 31 2015
Loss for the year attributable to owners of the parent	**71,515**	627,910
Weighted-average number of common shares (000's)		
Basic number of shares	**384,274**	384,149
Basic and diluted loss per share	**$ 0.19**	$ 1.63

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

24. Segmented information

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

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

The segmental report is as follows:

	Mining		**Corporate**		**Total**	
For the year ended December 31,	**2016**	2015	**2016**	2015	**2016**	2015
Reportable items in the Consolidated Statements of Loss and Comprehensive Loss						
Finance income	-	-	**(151)**	(207)	**(151)**	(207)
Finance costs - convertible note accretion	-	-	**4,426**	3,784	**4,426**	3,784
Amortization	-	-	**314**	137	**314**	137
Reportable segment loss	**27,533**	643,515	**43,982**	4,239	**71,515**	647,754

As at December 31,	**2016**	2015	**2016**	2015	**2016**	2015
Reportable segment in Consolidated Statement of Financial Position						
Reportable segment current assets	**14,514**	20,892	**60,289**	18,307	**74,803**	39,199
Reportable segment non - current assets	**621**	5,175	**34**	41	**655**	5,216
Reportable segment liabilities	**(1,853)**	(3,706)	**(59,629)**	(31,984)	**(61,482)**	(35,690)

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

25. Financial instruments

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

Credit risk

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

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

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

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

Liquidity risk

The Group has sufficient funds as at December 31, 2016 to settle all current and long-term liabilities. The Company has the option to repay all or a proportion of the principal amount of the Notes outstanding at maturity by issuing Common Shares, as further described in Note 16.

As at December 31, 2016 the Group had no sources of operating cash flows and does not have sufficient cash to fund the development of the Project. However the Group does have sufficient funds to fund the ICSID Arbitration through to its long-term conclusion and, given this is now the main focus of the Group, does not require additional funding for the foreseeable future.

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.

25. Financial instruments (continued)

(b) Foreign currency risk

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

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

Financial instruments

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

The following table illustrates the classification of the Group's financial instruments, which are measured at fair value on a recurring basis, within the fair value hierarchy as at December 31, 2016:

	Financial assets and liabilities at fair value as at December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	60,773	-	-	**60,773**
Long lead-time equipment	-	-	13,417	**13,417**
Other liabilities	(1,211)	-	-	**(1,211)**
	59,562	-	13,417	**72,979**

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, 2016, 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, 2016, 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 $0.6 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 $0.3 million.

26. Capital management

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

In order to maintain or adjust the capital structure, the Group has, when required, raised additional capital from shareholders. The Group has not paid dividends, nor returned capital to shareholders to date. At December 31, 2016, the Group's debt consisted of the Notes (Note 16) with an original maturity of five years. To safeguard capital the Group invests its surplus cash and cash equivalents in highly liquid, highly rated financial instruments.

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

27. Supplemental cash flow information

	December 31 2016	December 31 2015
(a) Net changes in non-cash working capital		
Operating activities:		
Accounts receivable, prepaid expenses and supplies	**175**	100
Accounts payable and accrued liabilities	**(1,754)**	316
Unrealized foreign exchange gain on working capital	**(651)**	352
	(2,230)	768
Investing activities:		
Accounts receivable, prepaid expenses and supplies	-	58
Accounts payable and accrued liabilities	-	(1,387)
	-	(1,329)
(b) Exploration and development expenditures		
Balance sheet change in mineral properties excluding CTA	-	(8,642)
Decrease in resettlement liabilities	-	(3,056)
Non-cash depreciation and disposal capitalized	-	1,815
Share based compensation capitalized	-	386
Exploration and development expenditures per cash flow statement	-	(9,497)
(c) Cash and cash equivalents is comprised of:		
Cash	**6,143**	4,070
Short-term investments (less than 90 days) - weighted average interest of 0.45% (2015 - 0.46%).	**54,124**	14,497
	60,267	**18,567**

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

RMGC is the Group's only subsidiary with a non-controlling interest, as summarized further in Note 20. The summarized financial statements of RMGC are as follows:

Summarized statement of financial position

As at December 31	**2016**	2015
Current assets	**15,017**	21,280
Non-current assets	**4,078**	4,640
Total assets	**19,096**	25,920
Current liabilities	**(1,853)**	(1,660)
Non-current liabilities	**(711,207)**	(702,126)
Total liabilities	**(713,060)**	(703,786)

Summarized statement of comprehensive income

For the year ended December 31	**2016**	2015
Loss for the year	**15,855**	632,036
Other comprehensive loss / (income) (Currency translation adjustment)	**1,146**	(46,437)
Comprehensive loss for the year	**17,001**	585,599

Summarized statement of cash flows

For the year ended December 31	**2016**	2015
Net cash utilized by operating activities	**(8,210)**	(858)
Net cash utilized by investing activities	**-**	(10,942)
Net cash provided by financing activities	**7,811**	11,994
Net (decrease) / increase in cash and cash equivalents	(399)	194