

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides a commentary to enable a reader to assess material changes in the financial condition and results of operations of Gabriel Resources Ltd. ("Gabriel" or the "Company") and its subsidiary companies (together the "Group") as at and for the years ended December 31, 2020 and 2019.

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, 2020 and 2019 ("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 ("C\$"), unless otherwise specified. This report is dated as of March 11, 2021, and the Company's public filings can be reviewed on the SEDAR website (www.sedar.com).

This MD&A contains forward-looking statements about the Company's objectives, strategies, financial condition, operations and businesses within the Group. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based upon the beliefs, expectations, reasonable investigation and opinions of Management as of the date of this MD&A. All forward-looking statements, including those not specifically identified herein are made subject to (i) the impact, if any, of the coronavirus pandemic as considered on pages 5, 20 and 21 and (ii) the cautionary language beginning on page 28. Readers are advised to refer to the cautionary language when reading any forward-looking statements.

Overview

Gabriel is a Canadian resource company with its common shares ("Common Shares") listed on the TSX Venture Exchange ("Exchange"). Gabriel's activities over many years were previously focused principally on the exploration, permitting and development of the Roşia Montană gold and silver project in Romania (the "Project"). The Project, one of the largest undeveloped gold deposits in Europe, is situated in an area known as the Golden Quadrilateral in the South Apuseni Mountains of Transylvania, Romania, an historic and prolific mining district that has been mined intermittently for over 2,000 years.

The exploitation concession license for the Project ("License") is held by Roşia Montană Gold Corporation S.A. ("RMGC"), a Romanian company in which Gabriel owns an 80.69% equity interest, with the 19.31% balance held by Minvest Roşia Montană S.A. ("Minvest RM"), a Romanian State-owned mining company.

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

In reliance on numerous representations made and actions taken by the Romanian authorities and in the reasonable expectation that the Company's projects would be evaluated in accordance with the law and reasonable technical standards and, ultimately, on its merits, over US\$700 million was invested to maintain and develop the Project and to define two valuable mineral deposits at the Rodu-Frasin (epithermal gold and silver) site and Tarnița (porphyry copper-gold) site, both within the Bucium area located in the vicinity of Roșia Montană ("Bucium Projects"), in accordance with all applicable laws, regulations, licenses, and permits.

Having encouraged that investment, and despite the Group's fulfilment of its legal obligations and its development of the Project as a high-quality, sustainable and environmentally-responsible mining project, using best available techniques, the Romanian State has frustrated and prevented the implementation of the Project and the Bucium Projects in an unlawful, discriminatory and non-transparent manner by refusing to make permitting and other administrative decisions in accordance with the established procedures required by law.

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

Since the Arbitration Request, the ICSID Arbitration has become the Company's core focus. Accordingly, any information set out in this MD&A relating to the Project, the License, and the Group's development activities in Romania 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

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

The ICSID Arbitration seeks compensation for all of the loss and damage resulting from the Romanian State's wrongful conduct and its breaches of the Treaties' protections, including expropriation, unfair and inequitable treatment, discrimination, and other unlawful treatment in respect of the Project, the Bucium Projects and related licenses.

Status of the ICSID Arbitration and Recent Developments

The ICSID Arbitration process is well advanced. To date, and in accordance with the procedural timelines established by the presiding tribunal for the ICSID Arbitration ("Tribunal"), the parties have delivered to ICSID a number of substantial written submissions and participated in two hearings on the merits of the claim, each as summarized below:

- On June 30, 2017, the Claimants filed their memorial on the merits of the claim (“Memorial”) detailing, amongst other things, the factual and legal arguments supporting their claim against Romania and the quantum of the damages sustained;
- On February 22, 2018, the Respondent filed its counter-memorial (“Counter-Memorial”) in response to the Memorial;
- On May 25, 2018, the Respondent filed a supplementary further preliminary objection with ICSID (“Jurisdictional Challenge”) challenging the jurisdiction of the Tribunal to hear the claims presented by Gabriel Resources (Jersey) Limited;
- On November 2, 2018, the Claimants submitted their reply in support of the claims (“Reply”) and responding to the Counter-Memorial and Jurisdictional Challenge;
- On February 28, 2019, the Claimants and the Respondent filed its comments on an *amicus curiae* submission to the Tribunal made by certain non-governmental organizations (or “non-disputing parties”) who have opposed the Project for many years;
- On May 24, 2019, the Respondent filed its response to the Reply (“Rejoinder”) and its reply on the Jurisdictional Challenge, the Respondent’s final substantive submission;
- On June 28, 2019, the Claimants filed a surrejoinder on the Jurisdictional Challenge, responding to the reply thereon from the Respondent;
- An oral hearing on the merits of the claim was held in Washington D.C. between December 2 and December 13, 2019 (“Hearing”) to address the evidentiary record in the case, issues on liability and jurisdiction and to hear testimony from certain of the parties’ fact and expert witnesses;
- On March 10, 2020, the Tribunal issued a list of further questions arising from the evidence presented during the Hearing (“Tribunal Questions”);
- On April 10, 2020, the Claimants and the Respondent filed their comments on a written submission to the Tribunal by the European Commission as a “non-disputing party” in the ICSID Arbitration;
- On May 11, 2020, the Claimants provided their answers to the Tribunal Questions;
- On July 13, 2020, the Respondent provided its answers to the Tribunal Questions;
- A second oral hearing on the merits of the claim was held virtually from September 28 to October 4, 2020 (“Second Hearing”) which focused on the technical and feasibility-related aspects of the Project and the Bucium Projects and the quantum of the damages claimed, including testimony from certain of the parties’ fact and expert witnesses.

Subsequent to the Second Hearing, the Tribunal confirmed that Claimants and Respondent may make two further simultaneous written submissions in order to comment in conclusion on the evidentiary record (“Post-Hearing Briefs”). The first submissions were filed with ICSID on February 18, 2021 and the second submissions are currently scheduled to be filed on April 23, 2021, after which the Tribunal may pose further questions, as was the case following the Hearing, or the Tribunal may focus on its deliberations ahead of a final decision.

There is no specified timeframe in the ICSID Rules in which a final decision is to be made by the Tribunal. The Company, however, is informed that it is typical for tribunals in this type of arbitration to require twelve to eighteen months to finalize and issue a decision after Post-Hearing Briefs are submitted. Furthermore, that decision may be subject to a request for annulment (albeit such request can only be submitted on very limited grounds) and there can be no assurances that the ICSID Arbitration will advance in a customary or predictable manner or be completed or settled within any specific or reasonable period of time.

A summary of the procedural aspects of the ICSID Arbitration, together with copies of the procedural orders of the Tribunal and the principal submissions, including the Memorial, the Counter-Memorial, the Reply, the Rejoinder and redacted versions of the transcript of the Hearing and Second Hearing are available on ICSID's website.

UNESCO World Heritage

On January 31, 2020, the Ministry of Culture submitted a letter to UNESCO conveying the Romanian Government's official request for the "reactivation" of its nomination of the "Roşia Montană Mining Landscape" as a UNESCO World Heritage site. Gabriel understands that, in light of the COVID-19 global pandemic, it was decided that the 44th session of the World Heritage Committee, initially scheduled for 29 June - 9 July 2020 has been postponed and is now to take place in June/July 2021 in Fuzhou, China (the exact dates are yet to be determined).

The act of applying to UNESCO for such designation is wholly incompatible with development of the Project. The application itself is an undertaking by Romania to stop development of the subject area and preclude mining, as would a decision by the World Heritage Committee formally approving the application. Notwithstanding, Romania raised an objection in the ICSID Arbitration that breaches of the Treaties relating to its UNESCO application purportedly fall outside the scope of the Tribunal's jurisdiction (which objection the Company understands is without merit and is not legally supported).

In light of these developments and, for the avoidance of doubt, on February 21, 2020, Gabriel provided notice to Romania of a dispute under the Treaties with regard to Romania's application to UNESCO in relation to Roşia Montană and has reserved its right to commence a further arbitration if warranted accordingly (the "Notice").

In the Notice, Gabriel confirmed that it is prepared to cooperate in good faith at a senior level with the Romanian Government and other authorities in a process of consultation with regard to the UNESCO application. To date, there has been no official response from the Romanian Government. Gabriel is hopeful that Romania will engage constructively and that it will withdraw its UNESCO application in order to preserve the possibility that Romania, and in particular the local communities in and around Rosia Montana, can enjoy the significant wide-ranging benefits from the sustainable development of the Project, as part of an amicable resolution of the dispute regarding Gabriel's investments in Romania. The inclusion of the "Roşia Montană Mining Landscape" on the UNESCO World Heritage List would have a material adverse impact on the Company's business insofar as it would undermine the possibility of an amicable resolution of the dispute with Romania that would allow for the development of the Project.

The issuance of the Notice does not in any way interfere with Gabriel's pursuit of the ICSID Arbitration.

Other Recent Developments

Impact of Coronavirus

With respect to the outbreak of the novel coronavirus (COVID-19), Gabriel continues to consider carefully the impact, noting the widespread disruption to normal activities and the uncertainty over the duration of this disruption. The highest priority of the Board of Directors is the health, safety and welfare of the Group's employees and contractors. Gabriel recognizes that the situation is extremely fluid and is monitoring the relevant recommendations and restrictions on work practices and travel. At this time, these recommendations and restrictions do not significantly impact Gabriel's ability to continue the ICSID Arbitration process or conduct the limited operations in Romania, nor has there been a significant impact on the Group's results or operations in 2020.

As noted below in "Future Financing Requirement", the Group will seek new short and longer term investment and the Group is also looking to sell its remaining long lead-time equipment. The market and timing for each initiative may be adversely affected by the effects of COVID-19. As a result, Gabriel will react to circumstances as they arise and will make the necessary adjustments to the work processes required, including to maintain the ICSID Arbitration calendar, and, should any material disruption from COVID-19 affect the Group for an extended duration, Gabriel will review certain planned activities in Romania and take remedial actions, if it is determined to be necessary or prudent to do so.

Board Changes

Following a request of certain of the major shareholders for ongoing Board renewal, Mr. Walter Segsworth, Mr. David Peat and Ms. Janice Stairs resigned as directors of Gabriel effective December 11, 2020.

On January 21, 2021 Gabriel announced the appointment to the Board of Mr. Jeffrey Couch, Ms. Anna El-Erian and Mr. James Lieber as independent non-executive directors, effective immediately. Following these appointments, the Board is composed of seven members, of which three are independent directors and Ms. Anna El-Erian has been appointed as the Chair of the Board. Furthermore, the Board has resolved to form the following standing committees:

- Mr. Couch has been appointed as Chair of the Audit Committee and Mr. Lieber and Ms. El-Erian have been appointed as additional members of the Audit Committee.
- Ms. El-Erian has been appointed as Chair of the Corporate Governance and Nominating Committee and Mr. Lieber and Mr. Kochav have been appointed as additional members of the Corporate Governance and Nominating Committee.
- Mr. Couch has been appointed as Chair of the Compensation Committee and Ms. El-Erian and Mr. Cramer have been appointed as additional members of the Compensation Committee.

The new Board members will work with Gabriel's existing Board and Management team as the Company advances its ICSID Arbitration case against the Government of Romania.

RMGC - Government Audits and Investigations

Romanian National Agency for Fiscal Administration (“ANAF”) Investigations

Since the filing of the ICSID Arbitration, RMGC has been subjected to several audits and investigations by 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.

RMGC was served with a decision by ANAF assessing a liability for value-added-tax (“VAT”) in the amount of RON 27 million (approximately \$8.6 million) on July 5, 2017 (the “VAT Assessment”). On October 20, 2017, RMGC received an additional demand from ANAF in respect of interest and penalties related to the VAT Assessment for RON 18.6 million (approximately \$6.0 million).

On February 6, 2019, the Alba Court of Appeal (Division for Administrative and Tax Claims) ruled in favor of RMGC’s annulment challenge of the VAT Assessment. ANAF subsequently filed an appeal against this decision with the High Court of Cassation and Justice. Following a December 2, 2020 hearing, the High Court of Cassation and Justice handed down judgment dismissing ANAF’s appeal and upholding the annulment of the VAT Assessment. This decision is final and conclusive.

In parallel with the VAT Assessment, and for five years as of the date of this MD&A, a separate directorate of ANAF has continued to pursue an ad hoc investigation covering a broad range of operational activities and transactions of RMGC, and a number of its suppliers, consultants and advisors, covering an extensive period spanning 1997 to 2016, then subsequently extended to September 2019 (the “ANAF Investigation”). RMGC is co-operating in good faith with ANAF, however as at the date of this MD&A Gabriel still awaits formal indication of the grounds for the ANAF Investigation and neither the Company nor RMGC has received any feedback on its status.

Prosecutor Office Investigation

As previously disclosed, in November 2013, RMGC was informed of an investigation by the Ploiesti Public Prosecutor's Office (“PPPO”) into the principals/key shareholder(s) of a group of companies including Kadok Interpret LLC (“Kadok Group”). In March 2020, RMGC was informed that the authorities had closed the file in relation to the commercial relationship between RMGC and the Kadok Group but the Alba Public Prosecutor’s Office is continuing its investigation of the commercial relations between RMGC and a list of service providers.

In April 2020, RMGC filed a request with the Prahova prosecutor’s office, amongst other things, for the removal of a restriction order on the equivalent of \$0.3 million held in one of RMGC’s Romanian bank accounts and removal of a notation on RMGC’s file at the Romanian Trade Registry that the Company was “under criminal investigation”. The Prahova prosecutor’s office subsequently admitted RMGC’s requests and confirmed the release of the restricted cash.

Long Lead-Time Equipment

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

Since 2015, the Group has sold a majority of the LLTE, most recently concluding the sale of the remaining ball mill in the fourth quarter of 2019 for aggregate net proceeds of US\$2.3 million (approx. \$3.0 million).

The Company continues, through its agents, to procure the sale of the remaining LLTE, comprising predominantly a SAG mill together with a gearless motor drive, ball mill motors and SAG mill/ball mill spares. During the quarter ended December 31, 2020, the carrying amount of the remaining LLTE was assessed for indicators of impairment and Management deemed it appropriate to record an impairment charge of \$0.4 million.

Liquidity

Cash and cash equivalents at December 31, 2020 were \$6.4 million.

The Company's average monthly cash usage during Q4 2020 was \$2.5 million (Q3 2020: \$2.1 million), the increase primarily reflecting the payment of significant ICSID Arbitration related costs accrued in the prior quarter, where activities focused on preparation and attendance at the Second Hearing.

At the end of Q4 2020, accruals for costs in respect of the ICSID Arbitration amounted to \$1.5 million (Q3 2020: \$4.6 million), the significant reduction primarily reflecting limited activities in the final quarter of 2020 with a focus on Post-Hearing Briefs in the period.

The Group had sufficient funds as at December 31, 2020 to settle all then current and existing long-term liabilities, after taking into account that the Company has the option to repay all or a proportion of the principal amount of the convertible notes outstanding at maturity by issuing Common Shares. Management continues to review the Company's activities in order to identify areas to rationalize expenditures.

Capital Resources

Completion of Private Placement

As previously announced, on December 23, 2020, the Company closed a non-brokered private placement (the "2020 Private Placement") of 25,326,972 units of the Company (the "Units") for gross proceeds of US\$5 million (approximately \$6.6 million). Each Unit consists of one Common Share and half of one Common Share purchase warrant (each whole warrant a "Warrant") and was issued by the Company at a price of \$0.26 per Unit. Each Warrant entitles the holder to acquire one Common Share at an exercise price of \$0.39 at any time within three years of issuance. The new Common Shares and new Warrants issued were subject to a statutory four-month hold period.

Future Financing Requirements

The Company believes that it has sufficient sources of funding to enable the Group to maintain its primary assets, including its License and associated rights and permits, and to fund general working capital requirements together with the material estimated costs associated with the Company advancing the ICSID Arbitration through to May 2021. Gabriel is currently planning to raise additional financing in the short-term to maintain its primary assets while it awaits a decision from the Tribunal.

There can be no assurances that the ICSID Arbitration will advance in a customary or predictable manner or within any specific or reasonable period of time. The Group does not have sufficient cash to fund either the development of the Project or all the long-term activities required to see the ICSID Arbitration through to its conclusion. Accordingly, further to the necessary short-term financing, the Group will require additional funding to pursue the ICSID Arbitration as appropriate following the Tribunal's decision, including in any potential annulment proceeding and/or litigation to enforce any arbitral award. Notwithstanding the Company's recent and historic funding, there is a risk that sufficient additional short or long-term financing may not be available to the Company on acceptable terms, or at all.

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 and the Bucium Projects.

In the meantime, the Company's current plans for the ensuing year are as follows:

- the advancement of the final procedural stages of the ICSID Arbitration prior to the issuance of an arbitral award, including the submission of the Post-Hearing Briefs;
- securing additional funding during the second quarter of 2021;
- carefully managing its cash resources (including the disposition of the remaining LLTE acquired for the Project); and
- the protection of its rights and interests in Romania (including, so far as reasonably practical and desirable, ensuring that existing licenses and permits remain in good standing).

Annual Summary

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

<i>in thousands of Canadian dollars, except per share amounts</i>	2020		2019		2018
Operating loss	\$	25,608	\$	36,221	\$ 44,413
Other expenses		9,091		8,310	6,153
Loss - attributable to owners of the parent		34,699		44,531	50,566
Loss per share (basic and diluted)		0.06		0.09	0.13
Total assets		11,007		31,183	26,893
Non-current liabilities		-		80,070	71,136
Cash flows from financing activities	\$	10,180	\$	32,953	\$ 19,828

Results of Operations

Operating loss in 2020 was \$25.6 million, \$10.6 million lower than in 2019 (\$36.2 million) with the decrease arising from three main factors:

- First, as described in the “Expenses” section below, 2020 corporate, general and administrative costs of \$22.9 million were \$9.3 million lower than 2019, including \$6.1 million lower costs related to the ongoing ICSID Arbitration, \$2.3 million lower payroll costs, and a further \$0.7m reduction in overall corporate, general and administrative costs. This gain was offset by \$0.7 million of severance costs incurred at RMGC and the partial forgiveness of a related party loan (as more fully described in the Financial Statements) also related to the severance (\$0.1 million) which arose only in the year ended December 31, 2020.
- Second, the \$0.4 million impairment charge recognized in 2020 is lower than the \$1.0 million charge recognized in 2019.
- Third, as set out in the “Expenses” section below, stock-based compensation was \$1.5 million lower in 2020 compared to \$3.0 million in 2019.

Other expenses increased year-on-year by \$0.8 million and include finance costs, finance income, gains on disposal of assets and foreign exchange gains and losses:

- Finance costs in 2020 of \$9.8 million (2019: \$9.0 million) reflect the accretion of the debt component of the convertible subordinated unsecured notes (“Convertible Notes”) issued in 2014 and 2016. The increase year-on-year is due to the accretion rising as the liability to repay the Convertible Notes increases over the period to maturity. This cost was reduced from June 2020 by the partial conversion of some of those instruments.
- Lower interest rates on reducing short-term deposit cash balances through 2020 resulted in lower finance income (\$0.1 million) when compared to 2019 (\$0.4 million).
- Exchange gains of \$0.6 million were recognized in 2020 (2019: loss of \$0.7 million) due to the appreciation of the US dollar against the Canadian dollar having a favorable effect on US dollar cash balances when converted at period end to the presentation currency, the Canadian dollar.
- A \$1.2 million gain on disposal of the ball mill in 2019 was not repeated in 2020.
- A \$0.3 million write down of a receivable in 2019 was not repeated in 2020.

Total Assets

Total assets decreased by \$20.2 million in 2020, reflecting the utilization of \$30.0 million of cash to (i) fund the Group’s 2020 activities (\$23.1 million) and (ii) pay 2019 trade payables and accrued liabilities (\$6.9 million), offset by net cash inflows from financing activities described below.

Total assets increased by \$4.3 million in 2019, reflecting the utilization of \$28.1 million of cash to fund the Group’s 2019 activities and the \$3.3 million reduction in value of LLTE following proceeds of \$3.8 million received from the sale of a ball mill. Net cash outflows were offset by the \$32.6 million net proceeds received in aggregate from closing private placements conducted in 2018 and 2019 during the year.

Current and Non-Current Liabilities

In 2019 Non-current liabilities were comprised of the debt components of the Convertible Notes of \$80.1 million). As the Convertible Notes are due to mature on June 30, 2021, these have now been moved to current liabilities as at December 31, 2020.

Cash Flows from Financing Activities

Cash flows from financing activities in 2020 primarily reflect the net cash inflow after issue costs of \$6.5 million from the 2020 Private Placement, \$3.5 million from the exercise of warrants and \$0.2 million from the exercise of incentive stock options (“Options”). As noted above, 2019 benefitted from \$32.6 million of financing cash inflows.

Results of Operations

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

<i>in thousands of Canadian dollars, except per share amounts</i>	2020 Q4	2020 Q3	2020 Q2	2020 Q1
Income Statement				
Loss - attributable to owners of parent	7,381	11,742	8,820	6,756
Loss per share - basic and diluted	0.01	0.02	0.02	0.01
Statement of Financial Position				
Working capital	3,506	1,162	9,936	11,981
Total assets	11,007	12,844	19,362	21,629
Statement of Cash Flows				
Cash flows from financing activities	6,469	-	3,711	-

<i>in thousands of Canadian dollars, except per share amounts</i>	2019 Q4	2019 Q3	2019 Q2	2019 Q1
Income Statement				
Loss - attributable to owners of parent	18,263	11,128	7,408	7,732
Loss per share - basic and diluted	0.03	0.02	0.02	0.02
Statement of Financial Position				
Working capital	15,146	27,242	9,365	13,858
Total assets	31,183	42,791	21,755	26,153
Statement of Cash Flows				
Cash flows from financing activities	401	26,228	-	6,324

Review of Financial Results

<i>in thousands of Canadian dollars, except per share amounts</i>	3 months ended December 31		12 months ended December 31	
	2020	2019	2020	2019
Operating loss for the period	4,678	16,611	25,608	36,221
Loss for the period				
- attributable to owners of parent ⁽¹⁾	7,381	18,263	34,699	44,531
Loss per share - basic and diluted	0.01	0.03	0.06	0.09

⁽¹⁾ The transfer by the Company of equity in RMGC to Minvest RM during Q1 2014 resulted in the presentation of a non-controlling interest, as set out in the Financial Statements.

Operating and overall loss for the 12 months ended December 31 in 2020 and 2019 are described in the Annual Summary section above.

Operating loss for the three-month period ended December 31, 2020 of \$4.7 million was \$11.9 million lower when compared to the corresponding 2019 period (\$16.6 million) primarily reflecting \$8.4 million lower costs related to the ongoing ICSID Arbitration and \$2.3 million lower costs related to payroll, each as explained in the Corporate, General and Administrative costs analysis below, a \$0.4 million impairment charge recognized in 2020 being lower than the \$1.0 million charge recognized in 2019, and a \$0.3 million net reversal in stock-based compensation when compared to the three-month period to December 31, 2019.

Loss for the three-month period ended December 31, 2020 was \$7.4 million, approximately \$2.7 million higher than the operating loss, compared to an overall \$18.3 million loss for the same period in the prior year which was \$1.7 million higher than the 2019 fourth quarter operating loss. Principal reasons for the \$1.0 million increase in non-operating expenses between the corresponding periods included (i) a \$0.3 million write down of a receivable in 2019 not repeated in 2020; (ii) a \$1.2 million gain on disposal of the ball mill in 2019, not repeated in 2020 and (iii) \$0.1 million higher finance costs in 2020.

Expenses

Corporate, General and Administrative

	3 months ended December 31		12 months ended December 31	
<i>in thousands of Canadian dollars</i>	2020	2019	2020	2019
ICSID Arbitration related	1,932	10,335	12,158	18,337
Payroll	924	3,227	4,715	7,080
Finance	242	186	817	878
Community relations	188	173	775	803
Property and exploration taxes	180	169	715	689
Travel and transportation	95	359	504	1,043
Long lead-time equipment storage costs	121	120	486	557
Office rental and utilities	113	138	476	506
Information technology	94	113	379	468
Legal	45	216	366	568
External communications	43	20	168	147
Other	574	533	1,337	1,127
Corporate, general and administrative expense	4,551	15,589	22,896	32,203

All operating expenditures incurred by the Group are included in corporate, general and administrative expenses.

ICSID Arbitration related expenses are for legal and other advisory services provided to the Company in respect of the ICSID Arbitration - summary details of the substantial written submissions and hearings which required these services and were principal drivers of related costs in 2019 and 2020 are set out in "Status of the ICSID Arbitration and Recent Developments" above. For the three-month period ended December 31, 2020, such costs were approximately \$1.9 million, primarily reflecting initial preparation of the Post-Hearing Briefs. ICSID Arbitration related expenses in the corresponding quarter of 2019 of \$10.3 million reflects more intense activity in respect of work on rebuttal evidence and preparing for and attending the two-week Hearing in December 2019.

Payroll is the total of salaries, bonuses and relevant taxes for all Group employees. Full year payroll costs for 2020, and fourth quarter costs in particular, are materially lower than 2019 which reflect that (i) Management initiated a program of retrenchment in September 2020, leading to payroll costs reduced accordingly from the third quarter, offset by the \$0.7 million of related severance costs noted separately in the Financial Statements; and (ii) 2020 performance reviews and any related bonus awards are yet to be determined, whereas in 2019 employee bonuses were determined and accrued for at the year-end.

Travel and transportation costs are lower in the three-month period and full year ended December 31, 2020 due to the reduced mobility of personnel resulting from the Covid-19 restrictions and precautions taken.

LLTE costs for the three-month period ended December 31, 2020 are equivalent to the corresponding 2019 period but decreased overall in the full year ended December 31, 2020 as a result of reduced storage and other holding costs following the sale of the remaining ball mill in the fourth quarter of 2019.

Legal expenses include ongoing corporate legal advice within the Group, in particular with regard to matters such as the VAT Assessment and the ANAF investigations, and are also reduced in the corresponding 2019 period reflecting more limited activity on those matters.

Stock-Based Compensation

	3 months ended December 31		12 months ended December 31	
	2020	2019	2020	2019
Stock option compensation				
Number of stock options granted	-	88,290	6,206,536	6,068,070
Average value ascribed to each option granted	\$ -	\$ 0.57	\$ 0.46	\$ 0.37
Number of stock options exercised	-	853,000	525,339	853,000
Average value ascribed to each option exercised	\$ -	\$ 0.50	\$ 0.35	\$ 0.50
Number of stock options expired/cancelled	-	-	2,081,827	2,325,000
Average value ascribed to each option expired/cancelled	\$ -	\$ -	\$ 0.56	\$ 0.84
DSU compensation				
Number of DSUs issued	4,049	99,672	318,702	524,250
Average value ascribed to each DSU issued	\$ -	\$ 0.57	\$ 0.47	\$ 0.53
Number of DSUs cancelled	-	-	115,165	-
Average value ascribed to each DSU cancelled	\$ -	\$ -	\$ 0.41	\$ -

Stock Based Compensation

	3 months ended December 31		12 months ended December 31	
	2020	2019	2020	2019
<i>in thousands of Canadian dollars</i>				
DSUs - (reversal) / expense	(584)	(267)	(685)	569
Stock option - expense	282	317	2,153	2,389
Stock based compensation	(302)	50	1,468	2,958

The estimated fair value of the Options is calculated using the Black-Scholes method as at the date of grant and amortized over the period during which the Options vest.

With effect from July 1, 2016, non-executive directors receive at least fifty per cent of their director's fees payable in deferred share units ("DSUs") or, at their election, Options in lieu of cash. Certain non-executive directors have elected to receive all of their director's fees payable in DSUs or Options.

No Options or DSUs were granted to any non-executive directors during the three-month period ended December 31, 2020 in lieu of director's fees for services provided during the third quarter of 2020 due to a blackout being in place throughout the fourth quarter of 2020, when such instruments would ordinarily be priced and granted. The cost of these instruments has been accrued at year end and the issue took place in the first quarter of 2021, in tandem with Options and DSUs granted to certain non-executive directors in lieu of director's fees for services provided during the fourth quarter of 2020. The Company has accrued \$0.1 million for the cost of future issuance of Options and DSUs for fees for services provided during the third and fourth quarters of 2020.

A total of 88,290 Options were issued in lieu of director's fees for services provided during the third quarter of 2019 during the three-month period ended December 31, 2019 to certain non-executive directors. At December 31, 2019 the Company accrued \$0.1 million for the cost of future issuance of Options and DSUs for fees for services provided during the fourth quarter of 2019.

DSUs are revalued each period end based on the period end closing share price. The initial value of the DSUs on grant, and the effect on the valuation of DSUs of the period-on-period change in share price, is expensed. At December 31, 2020, the Company's share price was \$0.23 (September 30, 2020: \$0.40), resulting in a DSU revaluation gain of \$0.6 million for the three-month period ended December 31, 2020.

Finance Income

<i>in thousands of Canadian dollars</i>	3 months ended		12 months ended	
	December 31		December 31	
	2020	2019	2020	2019
Interest income	2	121	71	395

Interest income reflects the average holdings of cash and cash equivalents during the respective periods shown above. Interest income has reduced significantly since the start of the second quarter of 2020, in line with the significant reduction in available cash balances through the year and reduced North American treasury yields in the period.

As at December 31, 2020, approximately 29% of the Company's cash and cash equivalents were invested in US government guaranteed instruments, with the majority of the balance held as cash deposits with major Canadian banks.

Finance Costs

<i>in thousands of Canadian dollars</i>	3 months ended		12 months ended	
	December 31		December 31	
	2020	2019	2020	2019
Financing costs - convertible note accretion	2,503	2,340	9,784	8,958

Finance costs relate to the accretion of the debt components of the Convertible Notes issued in private placements closed in 2014 and 2016, which are measured at amortized cost using the effective interest rate method. On June 3, 2020, Kopernik Global Investors, LLC elected, on behalf of certain funds, to convert \$4,763,000 aggregate principal amount of Convertible Notes (approximately 5% of those in issue) into approximately 15.4m Common Shares.

Foreign Exchange

The Company has experienced an increase in foreign currency gains and losses as a result of increased exposure to the US dollar. All of the funds raised in the three private placements of equity and warrants since 2018 were received in US dollars and the Company retained these US dollars to fund its subsequent US dollar-denominated working capital expenses, principally costs related to the ICSID Arbitration.

Taxes

All tax assessments received prior to December 31, 2020 have been paid or provided for in the Financial Statements.

Investing Activities

The majority of Group expenditures over the years through December 31, 2015 were for identifying and defining the size of the four ore bodies, for engineering to design the size and scope of the Project, environmental assessment and permitting, social support to local communities, communications and public relations activities to support the permitting process, archeological and rehabilitation work to buildings, as well as surface rights and property acquisition and resettlement housing and infrastructure.

Since January 1, 2016, no significant expenditures apart from building maintenance have been incurred in these areas and any such expenditures are expensed in the income statement.

Purchase of Capital Assets

	3 months ended		12 months ended	
	December 31		December 31	
<i>in thousands of Canadian dollars</i>	2020	2019	2020	2019
Total investment in capital assets	4	22	10	63
Depreciation and disposal - expensed	8	16	39	104

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

Financing Activities

The Company has raised funds since 2014 through private placements of Convertible Notes, Common Shares and warrants (together "Private Placements") amounting to gross aggregate proceeds of \$154.7 million. The Company has used and is continuing to use the proceeds of the Private Placements to finance the costs of the ongoing ICSID Arbitration and for general working capital purposes. Further information on the Private Placements is provided in the Financial Statements.

Cash Flow Statement

Liquidity and Capital Resources

The main sources of liquidity are the Company's cash and cash equivalents, and the equity and debt markets. At December 31, 2020, aggregate cash and cash equivalents were \$6.5 million (December 31, 2019: \$25.7 million).

Working Capital

At December 31, 2020, the Company had working capital, calculated as total current assets less assets held for sale less total current liabilities (after adjusting for the Convertible Notes which are redeemable in shares and therefore do not affect the ability of the Company to meet its liabilities), of \$3.5 million (December 31, 2019: \$15.1 million). This period-on-period decrease is reflective of a \$19.2 million higher cash balance at the 2019 year end (following the \$26.4 million financing concluded in the third quarter of 2019) offset by higher 2019 current liabilities, noted below.

After adjusting for the Convertible Notes, at December 31, 2020, the Company had current liabilities of \$3.7 million (December 31, 2019: \$11.3 million). This period-on-period decrease is primarily due to the significantly higher ICSID Arbitration cost accruals at December 31, 2019 for work performed in preparation for, and attendance at, the Hearing.

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 environmental review process in September 2007.

At December 31, 2020 the Company had accrued resettlement liabilities totaling \$0.6 million (December 31, 2019: \$0.6 million).

Contractual Obligations

A summary of the Company's contractual capital and operating lease commitments as of December 31, 2020 is included within the Financial Statements.

The Company and its subsidiaries have a number of arm's-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 certain assets, benefits of future income tax assets, estimated useful lives of capital assets, valuation of stock based compensation and other benefits, assumptions and determinations as to whether costs are expensed or capitalized, and the valuation and measurement of the components of the Private Placements.

While Management believes that these estimates and assumptions are reasonable, actual results could vary significantly therefrom. The critical accounting estimates are not significantly different from those reported in the Financial Statements as at, and for the year ended, December 31, 2019.

Going Concern

On the basis of the Company's balance of cash and cash equivalents as at December 31, 2020, the Company has sufficient funding necessary to maintain the Group's primary assets and to fund general working capital requirements together with the material estimated costs associated with the Company advancing the ICSID Arbitration through to May 2021. There can be no assurances that the ICSID Arbitration will advance in a customary or predictable manner or within any specific or reasonable period of time.

As at December 31, 2020, the Group had no sources of operating cash flows and does not have sufficient cash to fund either the development of the Project or all the long-term activities required to see the ICSID Arbitration through to its conclusion, including in any potential annulment proceeding and/or litigation to enforce any arbitral award. Accordingly, the Group will require additional funding in the short-term to maintain its primary assets, including its License and associated rights and permits while it then awaits the decision of the Tribunal, and further financing to pursue the ICSID Arbitration to its conclusion. Notwithstanding the Company's recent and historic funding, there is a risk that sufficient additional financing may not be available to the Company on acceptable terms, or at all.

Future Income Tax Assets

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

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

Tax authorities in Romania have regularly initiated various tax audits to assess the appropriateness of RMGC's tax filing positions. Regulators may interpret tax regulations differently from the Company and its subsidiaries, which may cause changes to the estimates made. As noted above, in 2017 RMGC received the VAT Assessment from ANAF which, with interest and penalties, amounted to approximately RON 45.6 million (approximately \$14.6 million). RMGC initiated a formal challenge to the VAT Assessment through the Romanian courts, with a favorable ruling from the Alba Iulia Court of Appeal which was appealed by ANAF. At the hearing before Romania's High Court of Cassation and Justice on December 2, 2020 the appeal against the decision in favor of RMGC was dismissed which is final and conclusive. The Group no longer recognizes a contingent liability related to this VAT Assessment in the Financial Statements.

Valuation of the Private Placements

The units issued by the Company in Private Placements in 2014 and 2016 consisted of Convertible Notes, warrants and arbitration value rights. The Company utilized the Black-Scholes model to value the warrant component of the units (each of which entitle the holder to acquire one Common Share at an exercise price of \$0.46) and a discounted cash flow model to value the debt component of notes. The equity component of the notes was recognized initially at the difference between the fair value of each Private Placement as a whole and the fair value of the debt and warrant components. Any directly attributable transaction costs were allocated to the liability and equity components in proportion to their initial carrying amounts. A nil value was initially ascribed to the arbitration value rights and, given the current stage of the ICSID Arbitration process, a nil valuation remains applicable as at December 31, 2020. The Private Placements in 2014 and 2016 contain two embedded derivatives, both of which were initially valued at nil with no subsequent adjustment in value.

The units issued by the Company in the 2018, 2019 and 2020 Private Placements consisted of Common Shares and warrants each of which entitles the holder to acquire one Common Share at an exercise price of \$0.49, \$0.645 and \$0.39 respectively, at any time in the five years following issuance (in the case of the 2018 and 2019 Private Placements) and at any time in the three years following issuance (in the case of the 2020 Private Placement). The Company utilized the Black-Scholes model to value the warrant component of the units and allocated the remainder of the value to the equity component. Any directly attributable transaction costs were allocated to the equity and warrant components in proportion to their initial carrying amounts.

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 of assets to ensure that they reflect the intended use of those assets.

Valuation of Stock-Based Compensation

The Company utilizes Options, DSUs and restricted share units ("RSUs") as means of compensation. Equity settled RSUs and Options are valued using the Black-Scholes model, and are amortized over the expected vesting periods. Management reviews the assumptions used in the Black-Scholes valuation on an annual basis to ensure appropriateness.

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

Financial Instruments and Management of Financial Risk

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

The Company's objective is to safeguard its cash and cash equivalents in order to be able to fund ongoing expenditures. The Company manages its capital structure and makes adjustments to it based on the level of funds on hand and anticipated future expenditures. The long-term costs, including advisors' fees of pursuing the ICSID Arbitration and general corporate working capital, have been material and are estimated to continue to be significant.

To safeguard cash the Company invests its surplus capital in liquid instruments at reputable financial institutions with acceptable credit standings.

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 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 outside of Romania 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 cash balances in the United Kingdom to fund corporate office activities and is therefore exposed to the credit risks of these major UK banks.

The Group's credit risk is also attributable to value-added taxes receivable. Value-added taxes receivable are primarily receivables from the Romanian Government, which are more recent and not subject to challenge pursuant to the VAT Assessment. As at December 31, 2020, overdue VAT receivable amounts claimed by RMGC total approximately \$0.3 million.

Liquidity Risk

The Company has the ability to repay all or a proportion of the principal amount of the Convertible Notes at maturity by issuing Common Shares from treasury (as more fully described in the Financial Statements); these Convertible Notes represent a significant portion of the long-term Group liabilities. As of the date of this MD&A, the Group had no sources of operating cash flows and does not have sufficient cash to fund either the development of the Project or all the long-term activities required to see the ICSID Arbitration through to its conclusion, including any annulment process and enforcement. Taking account of the Group's existing treasury balances, and subject to raising additional funding as described above, the Group expects to have sufficient funds to settle all other current and existing long-term contractual liabilities as they fall due.

Market Risk

(a) Interest rate risk

The Group has cash balances and significant fixed-coupon debt in the form of Convertible Notes. The Group maintains a short-term investment horizon, typically less than three months, for its cash and cash equivalents, and therefore minimizes the risk of interest rate volatility at investment maturity.

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.

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.

(b) Foreign currency risk

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

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, 2020, the Group held 58% and 26% of its cash and cash equivalents in US and Canadian dollars, respectively.

The Company has not entered into any derivative hedging activities.

Sensitivity

As of December 31, 2020, the carrying amount of the financial instruments equals fair market value. 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, 2020, 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 interest income by \$0.1 million.
- A plus or minus 1% change in foreign exchange rates; would affect net income by \$0.1 million.

Risks and Uncertainties

An investment in the Common Shares is subject to a number of risks and uncertainties. This section describes existing and future material risks to the business of the Group. The risks described below are not exhaustive. Additional risks and uncertainties not currently known to the Company, or those that it currently deems to be immaterial, may become material and adversely affect the Group's business. The realization of any of these risks may materially and adversely affect the Group's business, financial condition, results of operations and/or the market price of Gabriel's securities.

The Outbreak of the Coronavirus (COVID-19)

The Company faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt the Group's operations, including, but not limited to, the advancement of the ICSID Arbitration, and the effects of the coronavirus or other epidemics may materially and adversely affect its business and financial conditions.

The extent to which the coronavirus impacts the Group's business and operations, and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the outbreak and the actions taken to contain or treat the coronavirus outbreak.

In particular, the continued spread of the coronavirus and travel and other restrictions established to curb the spread of the coronavirus, could materially and adversely impact the Group's business including, without limitation, the progress of the ICSID Arbitration (for example the availability of the Tribunal, legal counsel, industry experts and ICSID personnel), the Project work program, employee health, limitations on travel, and other factors that will depend on future developments beyond the Company's control, which may have a material and adverse effect on the its business, financial condition and results of operations. There can be no assurance that the Group's personnel will not be impacted by these pandemic diseases and ultimately the Group may see its workforce productivity reduced or incur increased medical costs or insurance premiums as a result of these health risks.

ICSID Arbitration

The resources necessary to pursue the ICSID Arbitration are substantial and the costs, fees and other expenses and commitments payable in connection with the ICSID Arbitration may differ materially from Management's expectations. In view of the case-specific nature of arbitration, and the inherent uncertainty in the actions of the Respondent and in the process, timing and outcome of the ICSID Arbitration, there can be no assurances that the ICSID Arbitration will advance in a customary or predictable manner or be completed or settled within any specific or reasonable period of time.

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

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

UNESCO World Heritage List

As described above, on January 31, 2020, the Romanian Government indicated that it had taken steps to resume the procedure to list the “Roșia Montană Mining Landscape” as a UNESCO World Heritage site.

The act of applying to UNESCO for such designation is wholly incompatible with the development of the Project. The application itself is an undertaking by Romania to stop development of the subject area and preclude mining, as would a decision by the World Heritage Committee formally approving the application. The inclusion of the “Roșia Montană Mining Landscape” on the UNESCO World Heritage List would have a material adverse impact on the Company’s business insofar as it would undermine the possibility of an amicable resolution of the dispute with Romania that would allow for the development of the Project.

Additional Funding

Further funding will be required by the Company to pursue the ICSID Arbitration to its conclusion, including the enforcement of any award, and for general working capital requirements.

Historically, the Company has been financed through the issuance of its Common Shares, Convertible Notes and other equity-based securities. Although the Company has been successful in the past in obtaining financing, it has limited access to financial resources as a direct result of the dispute concerning the Project and the core focus of the Company upon the ICSID Arbitration. Notwithstanding the Company’s historic funding, there is a risk that sufficient additional financing may not be available to the Company on acceptable terms, or at all. In addition, the current outbreak of COVID-19 has had a negative impact on global economies and financial markets. The continued spread of COVID-19 and any future emergence and spread of similar pathogens could have an adverse impact on global economic conditions, which may adversely impact the Company’s ability to obtain financing.

While, as disclosed above, the Company is continuing a process to sell its remaining LLTE which would, if completed, provide the Company with a reduced cost base and additional working capital, there are no assurances regarding the success of such a sale process or that any proceeds may be realized from the sale of the remaining equipment. The timing of the receipt of any such sales proceeds is also uncertain.

Refinancing of Existing Securities

The Company may need or desire to refinance all or a portion of the Convertible Notes or warrants issued and outstanding pursuant to the Private Placements. There can be no assurance that the Company will be able to refinance any of its indebtedness or incur additional indebtedness.

Political and Economic Uncertainty in Romania

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

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

Mineral Tenure Rights

RMGC is the titleholder of the License, which had an initial duration of 20 years and was due to expire on June 21, 2019. RMGC has the right to extend the term of the License for successive subsequent five-year periods as may be needed to ensure rational exploitation of the mineral resources and reserves identified and approved by the Romanian National Agency for Mineral Resources ("NAMR"). An addendum providing for the extension of the term of the License to June 20, 2024, and including a revised royalty rate to 6% on mineral production value, was concluded on June 18, 2019.

Although RMGC retains "nominal ownership" of the License, the acts and omissions of the Romanian State have prevented RMGC from realizing any benefits of such ownership and thus have deprived the License entirely of its value.

Pursuant to an exploration concession license issued by the Romanian State in May 1999 relating to the Bucium perimeter located in the vicinity of Roșia Montană, and following the completion of extensive exploration at Bucium which identified two feasible deposits, RMGC acquired a direct and exclusive legal right to obtain exploitation licenses for the Rodu-Frasin and Tarnița deposits. However, in violation of RMGC's legal rights and of Romania's legal obligations, Romania has failed for the last 13 years to act on RMGC's applications for exploitation licenses for Rodu-Frasin and Tarnița.

Any adverse or arbitrary decision of NAMR may have a material adverse impact on the Company's business, assets, prospects, financial condition and results of operations and/or the market price of its securities.

Legal Proceedings

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

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

Dependence on Management and Key Personnel

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

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

Minvest RM Mine Closure Plan and Environmental Liabilities

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

There can be no assurance that the activities contemplated by such mine closure plan will be implemented in a timely fashion, and no such action has been undertaken to date within the Roșia Montană license area. Until the mine closure plan has been fully implemented, there can be no assurance that such activities will not attract liability to RMGC, as the titleholder of the License, under the current or future laws, rules and regulations applicable to mining activities in Romania. Likewise, there can be no assurance that the legally binding assumption by the Romanian State-owned operator of all liabilities associated with its past mining operations or any indemnification of RMGC from such liabilities will be fulfilled by, or be enforceable against, such entity.

Mining exploration activities conducted by RMGC, as titleholder of the License, are also subject to potential environmental risks and liabilities. It is the Company's belief that RMGC has met its obligations under the License and applicable Romanian laws to perform environmental rehabilitation within the areas of the tenement affected by its exploration activities. To the extent that RMGC becomes subject to material unforeseen and uninsured environmental liabilities, the payment of such costs would reduce funds otherwise available to the Company and could have a material adverse effect on the Company.

Potential Dilution to Existing Shareholders

As described above, the Company will require additional financing in order to pursue the ICSID Arbitration to its conclusion and for general working capital requirements. In order to raise such financing, the Company may sell additional equity or equity-related securities including, but not limited to, Common Shares, share purchase warrants or some form of convertible security. The additional issuances of equity securities, if made, will result in dilution to existing shareholders.

The conversion and/or exercise (as applicable) of the Company's outstanding Convertible Notes and existing warrants could result in the issuance of a significant number of Common Shares causing significant dilution to the ownership of existing shareholders. Unless and until the Company successfully permits the Project or collects an arbitral award, if any, or acquires and/or develops other operating properties which provide positive cash flow, the Company's ability to meet its obligations as they fall due or redeem in whole or part or otherwise restructure the Convertible Notes will be limited to the Company's cash on hand and/or its ability to issue additional equity or debt securities in the future. Such transactions could potentially cause substantial dilution to the shareholders at that time.

Continued Listing of the Common Shares

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

As a result of these factors, if the Common Shares are delisted from the Exchange, the price of the Common Shares may decline and the Company's ability to obtain financing in the future could be materially impaired.

Compliance with Anti-Corruption Laws

Gabriel is subject to various anti-corruption laws and regulations including, but not limited to, the Canadian Corruption of Foreign Public Officials Act 1999 and the UK Bribery Act 2010. In general, these laws prohibit a company and its employees and intermediaries from bribing or making other prohibited payments to foreign officials or other persons to obtain or retain business or gain some other business advantage. Gabriel's primary operations are located in Romania, a country which, according to Transparency International, is perceived as having fairly high levels of corruption relative to the rest of Europe (Romania ranks 69th out of 180 countries in terms of corruption, according to a 2020 index published in January 2021 by Transparency International). Gabriel cannot predict the nature, scope or effect of future anti-corruption regulatory requirements to which Gabriel's operations might be subject or the manner in which existing laws might be administered or interpreted.

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

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

Insurance and Uninsurable Risks

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

Global Economic and Financial Market Conditions

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

Currency Fluctuations

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

Market Price Volatility

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

No History of Earnings or Dividends

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

Accounting Policies and Internal Controls

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

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

Enforcement of Civil Liabilities

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

Conflicts of Interest

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

CEO/CFO Certification

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated Financial Statements; and (ii) the consolidated Financial Statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

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

- I. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with the issuer's GAAP.

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

Outstanding Share Data

The Company's fully diluted share capital as at March 9, 2021 was:

	Outstanding
Common shares	623,507,830
Common stock options	31,964,713
Deferred share units - Common Shares	3,979,468
Warrants	304,687,386
Convertible notes (maturing June 2021)	292,631,239
Fully diluted share capital	1,256,770,636

The impact on the fully diluted share capital of conversion of the Convertible Notes has been calculated based upon the conversion price of \$0.3105. The Company has the right to repay the principal in whole or in part in Common Shares at a conversion price of 95% of the market price at the maturity date.

Forward-Looking Statements

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

In this MD&A, forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies that may cause the Company’s actual financial results, performance, or achievements to be materially different from those expressed or implied herein.

Some of the uncertainties associated with material factors or assumptions used to develop forward-looking statements include, without limitation: the progress of the ICSID Arbitration, actions by the Romanian Government or affiliates thereof, the impact of current or future litigation against the Group, conditions or events impacting the Company’s ability to fund its operations (including but not limited to the completion of additional funding noted above) or service its debt, the ability to progress exploration, development and operation of mining properties and the overall impact of misjudgments made in good faith in the course of preparing forward-looking information.

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

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

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

- the outbreak of the coronavirus (COVID-19) may affect the Company’s operations and/or the anticipated timeline for the ICSID Arbitration;
- the duration, costs, process and outcome of the ICSID Arbitration;
- the advancement of Romania’s nomination of the “Roşia Montană Mining Landscape” as a UNESCO World Heritage site;
- changes in the Group’s liquidity and capital resources;
- access to funding to support the Group’s continued ICSID Arbitration and/or operating activities in the future;
- equity dilution resulting from the conversion of the Convertible Notes, or exercise of warrants, in part or in whole to Common Shares;
- the ability of the Company to maintain a continued listing on the Exchange or any regulated public market for trading securities;

- the impact on business strategy and its implementation in Romania of: any allegations of 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;
- global economic and financial market conditions;
- volatility of currency exchange rates; and
- the availability and continued participation in operational or other matters pertaining to the Group of certain key employees and consultants.

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

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

Gabriel Resources Ltd.

Consolidated Financial Statements

For the year ended December 31, 2020

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") as issued by the International Accounting Standards Board. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and, where relevant, the choice of accounting principles. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

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

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

(Signed) "Dragos Tanase"

Dragos Tanase
President and Chief Executive Officer

(Signed) "Richard Brown"

Richard Brown
Chief Financial Officer

March 11, 2021



Independent auditor's report

To the Shareholders of Gabriel Resources Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Gabriel Resources Ltd. and its subsidiaries (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of loss for the years then ended;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' deficit for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Material uncertainty related to going concern

We draw attention to note 1 in the consolidated financial statements, which describes matters or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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



Other information

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 11, 2021

Consolidated Statement of Financial Position

As at December 31

(Expressed in thousands of Canadian dollars)

	Notes	2020	2019
Assets			
Current assets			
Cash and cash equivalents	9	6,482	25,730
Other receivables	10	276	368
Prepaid expenses and supplies		447	395
Total current assets (excluding assets classified as held for sale)		7,205	26,493
Assets classified as held for sale	8	2,848	3,210
Total current assets		10,053	29,703
Non-current assets			
Restricted cash	9	230	526
Property, plant and equipment	11	117	142
Loan receivable	15	607	812
Total non-current assets		954	1,480
TOTAL ASSETS		11,007	31,183
Liabilities			
Current liabilities			
Trade and other payables	12	2,350	9,241
Resettlement liabilities	13	558	563
Convertible unsecured notes	16	85,640	-
Other current liabilities	14	791	1,543
Total current liabilities		89,339	11,347
Non-current liabilities			
Convertible unsecured notes	16	-	80,070
Total non-current liabilities		-	80,070
TOTAL LIABILITIES		89,339	91,417
Deficit			
Share capital	17	916,000	900,583
Other reserves		158,591	157,461
Currency translation adjustment		1,666	1,623
Accumulated deficit		(1,158,561)	(1,123,862)
Deficit attributable to owners of the parent		(82,304)	(64,195)
Non-controlling interest	18	3,972	3,961
TOTAL DEFICIT		(78,332)	(60,234)
TOTAL DEFICIT AND LIABILITIES		11,007	31,183

Going concern – Note 1

Approved by the Board of Directors

(Signed) “Anna El-Erian”

Anna El-Erian
Director

(Signed) “Jeffrey Couch”

Jeffrey Couch
Director

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

Consolidated Statement of Loss

For the year ended December 31

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

	Notes	2020	2019
Expenses			
Corporate, general and administrative	7	22,896	32,203
Severance costs		655	-
Impairment of LLTE	8	421	956
Related party loan forgiveness	15	129	-
Share-based compensation	14,17	1,468	2,958
Depreciation		39	104
Operating loss		25,608	36,221
Other (income) / expense			
Interest received		(71)	(395)
Write down of receivable		-	276
Gain on disposal of assets	8,10	(19)	(1,246)
Finance costs: lease liability accretion		-	34
Finance costs - convertible note accretion	16	9,784	8,958
Foreign exchange (gain) / loss		(603)	683
Loss for the year		34,699	44,531
Loss per share (basic and diluted)	21	\$ 0.06	\$ 0.09

Consolidated Statement of Comprehensive Loss

For the year ended December 31

(Expressed in thousands of Canadian dollars)

	Note	2020	2019
Loss for the year		34,699	44,531
<i>Other comprehensive income</i>			
<i>- may recycle to the Income Statement in future years</i>			
Currency translation adjustment		(53)	264
Comprehensive loss for the year		34,646	44,795
Owners of the parent		34,657	44,744
Non-controlling interest	18	(11)	51
Comprehensive loss for the year		34,646	44,795

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

Consolidated Statement of Changes in Shareholders' Deficit

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

	Notes	2020	2019
Common shares			
At January 1		900,583	880,197
Shares issued in private placement	16	4,660	19,687
Shares issued on the exercise of share options		184	-
Transfer from contributed surplus - exercise of share options	16	142	425
Shares issued on exercise of warrants	16	3,528	274
Transfer from contributed surplus - exercise of warrants	16	323	-
Shares issued on conversion of convertible notes	16	4,191	-
Transfer from contributed surplus - conversion of convertible notes	16	2,389	-
At December 31		916,000	900,583
Other reserves			
At January 1		157,461	142,481
Share-based compensation		2,153	2,389
Exercise of share options		(142)	(274)
Equity component of warrants issued	16	(323)	-
Equity component of convertible notes, net of issue costs	16	(2,389)	12,865
Warrants, net of issue costs	16	1,831	-
At December 31		158,591	157,461
Currency translation adjustment			
At January 1		1,623	1,836
Currency translation adjustment		43	(213)
At December 31		1,666	1,623
Accumulated deficit			
At January 1		(1,123,862)	(1,079,331)
Loss for the year		(34,699)	(44,531)
At December 31		(1,158,561)	(1,123,862)
Non-controlling interest			
At January 1		3,961	4,012
Currency translation adjustment		11	(51)
At December 31		3,972	3,961
Total shareholders' deficit at December 31		(78,332)	(60,234)

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	2020	2019
Cash flows used in operating activities			
Loss before income taxes		(34,699)	(44,531)
Items not affecting cash			
Depreciation		39	104
Share-based compensation	14,17	1,468	2,958
Gain on disposal of fixed assets	8	(19)	(1,246)
Impairment of assets classified as held for sale	8	421	956
Finance costs - convertible note interest accretion	16	9,784	8,958
Unrealized foreign exchange (gain) / loss		(441)	507
		(23,447)	(32,294)
Changes in operating working capital:			
Unrealized foreign exchange (gain) / loss		(81)	63
(Decrease) / increase in accounts payable		(6,669)	4,269
Decrease / (increase) in accounts receivable		257	(108)
		(29,940)	(28,070)
Cash flows (used in) / provided by investing activities			
Proceeds from sale of fixed assets		-	290
Purchase of capital assets	11	(10)	(63)
Proceeds from sale of assets classified as held for sale	8	-	3,074
		(10)	3,301
Cash flows provided by / (used in) financing activities			
Proceeds from issuance of private placement, net of issue costs	16	6,491	32,552
Proceeds from exercise of warrants	16	3,528	-
Coupon interest on convertible debt	16	(23)	(24)
Proceeds from the exercise of share options	17	184	425
		10,180	32,953
(Decrease) / increase in cash and cash equivalents		(19,770)	8,184
Effect of foreign exchange on cash and cash equivalents		522	(570)
Cash and cash equivalents - beginning of year		25,730	18,116
Cash and cash equivalents - end of year		6,482	25,730

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

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

1. Nature of operations and going concern

Nature of operations

Gabriel Resources Ltd. (“Gabriel” or the “Company”) is a Canadian resource company whose common shares (“Common Shares”) are listed on the TSX Venture Exchange (“Exchange”).

Gabriel’s activities over many years were previously focused on permitting and developing the Roşia Montană gold and silver project (the “Project”) in Romania. The exploitation license for the Project (“License”) is held by Roşia Montană Gold Corporation S.A. (“RMGC”), a Romanian company in which Gabriel owns an 80.69% equity interest, with the 19.31% balance held by Minvest Roşia Montană S.A. (“Minvest RM”), a Romanian state-owned mining company.

Over US\$700 million has been invested to maintain and develop the Project in accordance with all applicable laws, regulations, licenses, and permits and also in defining two valuable mineral deposits at the Rodu-Frasin (epithermal gold and silver) site and the Tarniţa (porphyry copper-gold) site, both within the Bucium area located in the vicinity of Roşia Montană (“Bucium Projects”). The Romanian State has, however, frustrated and prevented the implementation of those developments in an unlawful manner, ultimately depriving the Claimants (defined below) of the use, benefit and entire value of their property rights associated with the Project and the Bucium Projects.

These consolidated financial statements for the year ended December 31, 2020 (“Financial Statements”) reflect the principal focus of Gabriel and its subsidiary companies (together the “Group”) on the pursuit of international bilateral investment treaty claims against Romania, as described further below, which seek compensation resulting from the Romanian State’s expropriation, unfair and inequitable treatment, discrimination, and other unlawful treatment in respect of the Project and the Bucium Projects.

On July 21, 2015, pursuant to the provisions of international bilateral investment protection treaties which the Romanian State entered into with each of Canada and the United Kingdom of Great Britain and Northern Ireland for the Promotion and Reciprocal Protection of Investments (together the “Treaties”), Gabriel and its subsidiary company, Gabriel Resources (Jersey) Limited (“Claimants”), filed a request for arbitration (“Arbitration Request”) before the World Bank’s International Centre for Settlement of Investment Disputes (“ICSID”) against the Romanian State (“ICSID Arbitration”). The presiding tribunal for the ICSID Arbitration (“Tribunal”) was originally constituted on June 21, 2016. 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.

The ICSID Arbitration process is well advanced, the parties have delivered to ICSID a number of substantial written submissions and participated in two hearings on the merits of the claim. Key milestones in the ICSID Arbitration proceedings to date include:

- On June 30, 2017, the Claimants filed their memorial on the merits and quantum of the ICSID Arbitration claims (“Memorial”).
- On February 22, 2018, the Romanian State (“Respondent”) filed a counter memorial (“Counter Memorial”) in response to the Memorial.
- On May 25, 2018, the Respondent supplemented the submission of its Counter-Memorial with a further preliminary objection to the jurisdiction of the Tribunal to hear the claims presented by Gabriel Resources (Jersey) Limited (“Jurisdictional Challenge”).
- On November 2, 2018, the Claimants filed a reply in support of the claims (“Reply”) responding to the Respondent’s Counter-Memorial and Jurisdictional Challenge.
- On February 28, 2019, the Claimants and the Respondent filed their comments on a submission to the Tribunal by certain non-governmental organizations (or “non-disputing parties”) who opposed the Project for many years.
- On May 24, 2019, the Respondent filed its response to the Reply (“Rejoinder”) and its reply on the Jurisdictional Challenge, the Respondent’s final substantive submission.
- On June 28, 2019, the Claimants filed a surrejoinder on the Jurisdictional Challenge (“Surrejoinder”).

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

1 Nature of operations and going concern (continued)

- An oral hearing on the merits of the claim was held in Washington D.C. between December 2 and December 13, 2019 (“Hearing”) to address the evidentiary record in the case, issues on liability and jurisdiction and to hear testimony from certain of the parties’ fact and expert witnesses.
- On March 10, 2020, the Tribunal issued a list of further questions arising from the evidence presented during the Hearing (“Tribunal Questions”);
- On April 10, 2020, the Claimants and the Respondent filed their comments on a written submission to the Tribunal by the European Commission as a “non-disputing party” in the ICSID Arbitration.
- On May 11, 2020, the Claimants provided their answers to the Tribunal Questions;
- On July 13, 2020, the Respondent provided its answers to the Tribunal Questions; and
- A second oral hearing was held virtually from September 28 to October 4, 2020 (“Second Hearing”) which focused on technical and feasibility-related aspects of the Projects and the quantum of the damages claimed, including testimony from certain of the parties’ fact and expert witnesses.

Subsequent to the Second Hearing, the Tribunal confirmed that Claimants and Respondent may make two further simultaneous written submissions in order to comment in conclusion on the evidentiary record (“Post-Hearing Briefs”). The first submissions were filed on February 18, 2021 and the second submissions are currently scheduled to be filed on April 23, 2021, after which the Tribunal may pose further questions, as was the case following the Hearing, or the Tribunal may focus its deliberations ahead of a final decision.

There is no specified timeframe in the ICSID Rules in which a final decision is to be made by the Tribunal. The Company is informed, however, that it is typical for tribunals in this type of arbitration to require twelve to eighteen months to finalize and issue a decision after Post-Hearing Briefs are submitted. Furthermore, that decision may be subject to a request for annulment (albeit such request can only be on very limited grounds).

There can be no assurances that the ICSID Arbitration will advance in a customary or predictable manner or be completed or settled within any specific or reasonable period of time. The resources necessary in pursuing the ICSID Arbitration are substantial and the costs, fees and other expenses and commitments payable in connection with the ICSID Arbitration may differ materially from Management’s expectations. Further funding will be required by the Company to pursue the ICSID Arbitration to its conclusion, including any potential annulment proceeding and/or litigation to enforce any award.

Impact of the Coronavirus

With respect to the outbreak of the novel coronavirus (COVID - 19), Gabriel continues to consider carefully the impact, noting the widespread disruption to normal activities and the uncertainty over the duration of this disruption. The highest priority of the Board of Directors is the health, safety and welfare of the Group’s employees and contractors. Gabriel recognizes that the situation is extremely fluid and is monitoring the relevant recommendations and restrictions on work practices and travel. At this time, these recommendations and restrictions do not significantly impact Gabriel’s ability to continue the ICSID Arbitration process or conduct the limited operations in Romania, nor has there been a significant impact on the Group’s results or operations in 2020.

As previously announced, the Group will require further new investment and is also looking to sell its long lead-time equipment. The market and timing for each initiative may be adversely affected by the developing impact of COVID-19. As a result, Gabriel will react to circumstances as they arise and make any necessary adjustments to the work processes required, including to maintain the ICSID Arbitration calendar, and, should the disruption last for an extended duration, Gabriel will review certain planned activities in Romania and take remedial actions if it is determined to be necessary or prudent to do so.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

1 Nature of operations and going concern (continued)

Going concern

The Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future. On the basis of the Company's balance of cash and cash equivalents as at December 31, 2020, the Company has sufficient funding necessary to maintain the Group's primary assets and to fund general working capital requirements together with the material estimated costs associated with addressing the Post-Hearing Briefs and advancing the ICSID Arbitration through to May 2021. The Group will require additional funding in the short-term to maintain its primary assets, including its License and associated rights and permits while it then awaits the decision of the Tribunal, and further financing to pursue the ICSID Arbitration to its conclusion. Notwithstanding the Company's recent and historic funding, there is a risk that sufficient additional financing may not be available to the Company on acceptable terms, or at all. This material uncertainty may cast significant doubt about the Company's ability to continue as a going concern.

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

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

2. Statement of compliance

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

The Financial Statements were approved by the Board of Directors on March 11, 2021.

3. Basis of preparation

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

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

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

4. Basis of consolidation

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

The Financial Statements include the accounts of the Company and the following subsidiaries, which are or were part of the Group during the year ended December 31, 2020:

<i>Entity name</i>	<i>Group ownership</i>	<i>Place of incorporation</i>	<i>Functional currency</i>
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
Roşia Montană Gold Corporation S.A.	80.69%	Romania	Romanian leu

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

Loans made by the Company to enable entities with non-controlling interests to acquire their shareholding in RMGC are deemed to be part of the net investment in the subsidiary and are accordingly set off against non-controlling interest balances upon consolidation. See also Note 18.

5. Critical accounting estimates, risks and uncertainties

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

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

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.

The depreciation rates for each asset class are as follows:

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

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

Impairment of non-financial assets

Non-financial assets to be held and used by the Group are reviewed for indicators of impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Non-financial assets, including 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 would be 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.

The Company believes that RMGC has satisfied its obligations under the License and applicable Romanian laws to perform environmental rehabilitation within the areas of the tenement affected by its exploration activities. Accordingly, at December 31, 2020, the Group has not incurred and is not deemed to have committed to any provisions under its accounting policies for environmental restoration related to the development of its mineral properties in Romania.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

6. Significant accounting policies (continued)

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

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

Financial instruments

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

The Company classifies and provides for financial assets as follows:

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

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

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

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

6. Significant accounting policies (continued)

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

The Company derecognizes:

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

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

Loss per share

Loss per share is calculated based on the weighted average number of Common Shares issued and outstanding. The Company has an incentive stock option plan (the "Option Plan") which authorizes the Board of Directors to grant options to purchase Common Shares ("Share Options") to directors, officers, employees and consultants. Diluted per share amounts are calculated using the treasury stock method whereby proceeds deemed to be received on the exercise of Share Options and warrants in the per share calculation are assumed to be used to acquire Common Shares. Share 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 Share Options and warrants would be anti-dilutive, and this has not been considered in the loss per share calculation.

Share based payments

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

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

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

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

6. Significant accounting policies (continued)

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

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

Income taxes

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

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

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

Accounting standards and amendments

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2020, and have been reviewed and adopted by management where they were applicable to the Company. The adoption of new standards and amendments did not have any impact on the amounts recognized in prior periods. There are no other standards, amendments or interpretations that are considered to be relevant to the Company’s operations.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

7. Corporate General and Administrative expenses

<i>in thousands of Canadian dollars</i>	December 31 2020	December 31 2019
ICSID Arbitration related	12,158	18,337
Payroll	4,715	7,080
Finance	817	878
Community relations	775	803
Property and exploration taxes	715	689
Travel and transportation	504	1,043
Long lead-time equipment storage costs	486	557
Office rental and utilities	476	506
Information technology	379	468
Legal	366	568
External communications	168	147
Other	1,337	1,127
Corporate, general and administrative expense	22,896	32,203

ICSID Arbitration related costs reflect fees for legal and other advisory services provided to the Company in respect of the ICSID Arbitration. The decrease in costs incurred in the year ended December 31, 2020 compared to the year ended December 31, 2019 is due to the decreased activity levels required in 2020 to prepare responses to questions of the Tribunal arising from the 2019 Hearing and to prepare for, and attend, the shorter virtual second hearing. The 2019 ICSID Arbitration related costs reflects greater resources and activity in respect of review of Romania's Rejoinder filed on May 24, 2019, preparing the Surrejoinder filed in June 2019, responding to various procedural matters in the second half of 2019 along with intense activity preparing for and attending the Hearing in December 2019.

Payroll is the total of salaries, bonuses and relevant employment taxes for all Group employees. Payroll costs in the year ended December 31, 2020 include \$2.7 million related to RMGC employees (2019: \$4.4 million), and are \$2.4 million lower than in the prior year primarily reflecting reduced employee numbers and year-on-year differences in performance bonus award accruals, as described in Note 12 below.

8. Assets held for sale

Balance - December 31, 2018	6,554
Disposal	(2,120)
Impairment charge	(956)
Currency translation adjustment	(268)
Balance - December 31, 2019	3,210
Impairment charge	(421)
Currency translation adjustment	59
Balance - December 31, 2020	2,848

The prospect of the long lead-time equipment being used in the future for the purpose for which it was purchased is considered remote. In late 2015, the Company engaged two specialist agents to broker the sale of the long lead-time equipment, and the equipment was transferred to assets held for sale on December 31, 2015. Piecemeal sales of the majority (in book value) of the long lead-time equipment have completed since that time and on October 18, 2019, RMGC concluded the sale of the remaining ball mill, excluding motors, for net proceeds of approximately \$3.1 million). The agents' engagement is ongoing for the sale of the remaining long lead-time equipment, which consists of milling equipment, predominantly a SAG mill, together with a gearless motor drive and ball mill motors. These items are currently stored in warehouses in the port of Antwerp, Belgium. During the year ended December 31, 2020, the value of the long lead-time equipment was assessed for indicators of impairment and a charge of \$0.4 million was recognised in the statement of loss for the year ended December 31 2020 (2019: \$1.0million).

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

9. Cash and cash equivalents and restricted cash

	December 31	December 31
	2020	2019
Cash at bank and on hand	4,571	7,501
Short-term bank deposits	1,911	18,229
Cash and cash equivalents	6,482	25,730
Restricted cash	230	526
	6,712	26,256

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 acceptable 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, 2020, the Group held \$0.4 million in unrestricted cash and cash equivalents in Romanian banks (2019: \$0.3 million).

Short-term bank deposits represent investments in government treasury bills with maturities of less than 90 days.

Restricted cash represents cash collateralization of legally required environmental guarantees for future clean-up costs of \$0.1 million and supplier deposits of \$0.1 million. A restriction order in place since 2013 on \$0.3 million held in one of RMGC's Romanian bank accounts was lifted during 2020.

10. Other receivables

Other receivables of \$0.3 million at December 31, 2020 (December 31, 2019: \$0.4 million) is comprised of group VAT receivable at the period end. The carrying amounts of accounts receivable are denominated in the following currencies:

	December 31	December 31
	2020	2019
UK pound sterling	25	10
Canadian dollar	10	12
Romanian leu	241	346
	276	368

Other receivables written down in 2019 related to an area of land in the Project footprint that was deemed unlikely to be recovered in the period.

11. Property, plant and equipment

Property plant and equipment consists of office equipment, vehicles and right of use assets with a carrying value of \$0.1 million (2019: \$0.1 million).

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

12. Trade and other payables

	December 31	December 31
	2020	2019
Trade payables	192	90
Payroll liabilities	203	2,365
Accruals and other payables	1,955	6,786
	2,350	9,241

Trade and other payables are accounted for at amortized cost and are categorized as other financial liabilities. Lower payroll liabilities at December 31, 2020 compared to December 31, 2019 reflect that 2020 performance reviews and any related bonus awards are yet to be determined, whereas employee bonuses determined after the 2019 annual review by the Board of Directors were accrued at December 31, 2019. The decrease in accruals and other payables between balance sheet dates reflects the difference in phasing of activity in the ICSID Arbitration, the costs accrued in 2019 relating to the scope and resources necessary in preparation for and attendance at the two-week Hearing held in December 2019 as opposed to work in preparation of the Post-Hearing Briefs accrued at the end of 2020.

	December 31	December 31
	2020	2019
UK pound sterling	103	977
Canadian dollar	286	252
United States dollar	1,460	5,448
Euro	65	991
Romanian leu	436	1,573
	2,350	9,241

13. Resettlement liabilities

RMGC previously had a program for purchasing homes in the Project area. Under the resettlement program residents were offered two choices; either to take the sale proceeds and move to a new location of their choosing, or exchange their properties for a new property to be built by RMGC at a new resettlement site. For those residents who chose the new resettlement site alternative, the Company recorded a resettlement liability for the anticipated construction costs of the resettlement houses. The total resettlement liability balance at December 31, 2020 was \$0.6 million (December 31, 2019:\$0.6 million).

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

14. Other liabilities

	DSUs (000's)	Average price per common share (dollars)	Value
Balance - December 31, 2018	2,803	0.34	953
Granted	524	0.43	226
Redeemed	(89)	0.37	(33)
Change in fair value	-	-	376
Balance - December 31, 2019	3,238	0.47	1,522
Granted	319	0.47	150
Redeemed	(115)	0.41	(47)
Change in fair value	-	-	(834)
Balance - December 31, 2020	3,442	0.23	791

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

As at December 31, 2020, the Company's share price had decreased from \$0.47 to \$0.23 in comparison to December 31, 2019 and, accordingly, a fair value decrease of \$0.8 million has been recorded in the DSU liability and as a net reversal (2019:\$0.4 million increase and net expense).

As at December 31, 2019 lease liabilities of less than \$0.1 million relating to right of use assets were also contained within other liabilities. During 2020 these leases all became due in less than one year and consequently the lease liabilities have been derecognized.

15. 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) Related party transactions with Minvest RM, the non-controlling shareholder of RMGC, are disclosed in Note 18.
- (b) In June 2018, the Company entered into a facility agreement with SC Total Business Land SRL ("TBL"), an entity controlled by current and former employees of RMGC, pursuant to which it agreed to lend \$0.9 million to TBL. The loan is repayable in 2028, accrues interest at a rate of 1% per annum and is secured by a mortgage over certain assets of the borrower and personal guarantees in favor of the Company by the principals of TBL. By February 2019, TBL had drawn down the entire \$0.9 million facility. Partial payments of principal on the loan were received in 2019, and during the year ended December 31, 2020. The balance of the loan at December 31, 2020 was \$0.6 million (December 31, 2019: \$0.8 million). In September 2020 \$0.1 million of the loan was forgiven, and certain related personal guarantees released, as part of the severance agreement with certain RMGC employees.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

15. Related party transactions (continued)

(c) In the following table “Key Management” represents all non-executive directors and executive officers of the Company. The compensation paid or payable to Key Management is as follows:

	December 31 2020	December 31 2019
Salaries and other short-term employee benefits ⁽¹⁾	1,203	1,667
Directors' fees	173	222
DSUs and RSUs ⁽²⁾	193	226
Share options ⁽²⁾	157	320
Total	1,726	2,435

⁽¹⁾ Salaries and other benefits reflect compensation due and payable for the time period those personnel held a position of director or officer during each year. Consequently changes in such personnel may affect the comparator.

⁽²⁾ DSUs and Options represent compensation paid to non-executive directors and are stated as the fair value as at the date of grant of the instrument.

16. Private placements – issuance of convertible notes, warrants and equity

In recent years the Company has concluded a number of private placements, as summarized below, in order to fund the costs of the ICSID Arbitration and the continuance of operations in Romania.

2014 and 2016 Private Placements

In 2014 and 2016, the Company completed private placements in which a total of 95,625 units were issued at a price of \$1,000 per unit to raise aggregate gross proceeds of \$95.625 million (the “2014 and 2016 Private Placements”).

The units issued in the 2014 and 2016 Private Placements consisted, in aggregate, of:

- \$95,625,000 of convertible subordinated unsecured notes, with an annual coupon of 0.025%, a conversion price of \$0.3105 and a maturity date of June 30, 2021 (“Notes”);
- 111,536,250 Common Share purchase warrants which are exercisable at a price of \$0.46 at any time prior to June 30, 2021; and
- 95,625 arbitration value rights (“AVRs”), comprising, in aggregate, of an entitlement to a pro rata share of 13.04% of any proceeds received in relation to the ICSID Arbitration, subject to a maximum aggregate entitlement of \$304.3 million among all holders of such AVRs.

In June 2020, a total of \$4,763,000 of the Notes were converted into 15,339,773 Common Shares of the Company and 7,668,430 of the Common Share purchase warrants were exercised at \$0.46 with the Company receiving proceeds of \$3,527,478.

Subsequent to initial measurement, the debt component of the 2014 and 2016 Private Placements is measured at amortized cost using the effective interest rate method. The valuation of the equity component is not adjusted subsequent to the initial recognition except on conversion or expiry.

There are two derivatives that are embedded within the Notes to the 2014 and 2016 Private Placements: a ‘make-whole premium’ to protect holders of the Notes in a change of control event as stated in the note indenture; and a ‘common share repayment right’ providing the Company with the right to repay the principal in whole or in part in Common Shares at a conversion price of 95% of the market price at the maturity date. As at December 31, 2020, these two embedded derivatives were determined to have insignificant values and were accordingly not accounted for, but will be reassessed by Management at each reporting date.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

16. Private placements (continued)

The aggregate composition of the 2014 and 2016 Private Placements is set out in the following table:

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

In accordance with IFRS 7, changes in the value of the 2014 and 2016 Private Placements are as follows:

Balance - December 31, 2018	71,136
Interest paid	(24)
Accretion of debt component	8,958
Balance - December 31, 2019	80,070
Interest paid	(23)
Accretion of debt component	9,784
Conversion	(4,191)
Balance - December 31, 2020	85,640

2018 Private Placement

On December 13, 2018, the Company announced it had entered into definitive subscription agreements in connection with a non-brokered private placement of up to 106,425,846 units at a price of \$0.2475 per unit to raise gross proceeds of up to US\$20 million (approximately \$26.3 million), subject to stock exchange and other approvals as applicable (the “2018 Private Placement”).

Each unit of the 2018 Private Placement consists of:

- One Common Share; and
- One Common Share purchase warrant, which entitles the holder to acquire one Common Share at an exercise price of \$0.49 at any time prior to the date that is five years following the date of issue.

The 2018 Private Placement was completed in two tranches closed on December 24, 2018, for a total of 80,702,475 units, and on January 15, 2019, by issuing a further 25,723,372 units, to raise aggregate gross proceeds of approximately \$26.3 million.

2019 Private Placement

On August 6, 2019, the Company announced it had entered into definitive subscription agreements in connection with a non-brokered private placement of up to 81,730,233 units at a price of \$0.3225 per unit to raise gross proceeds of up to US\$20 million (approximately \$26.3 million), subject to stock exchange and other approvals as applicable (the “2019 Private Placement”).

Each unit of the 2019 Private Placement consists of:

- One Common Share; and
- One Common Share purchase warrant, which entitles the holder to acquire one Common Share at an exercise price of \$0.645 at any time prior to the date that is five years following the date of issue.

The 2019 Private Placement was completed in two tranches closed on August 23, 2019, for a total of 76,504,263 units, and on September 13, 2019, by issuing the remaining 5,225,970 units, to raise aggregate gross proceeds of approximately \$26.3 million.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

16. Private placements (continued)

2020 Private Placement

On December 3, 2020, the Company announced it had entered into definitive subscription agreements in connection with a non-brokered private placement of up to 25,326,972 units at a price of \$0.26 per unit to raise gross proceeds of up to US\$5 million (approximately \$6.6 million), subject to stock exchange and other approvals as applicable (the “2020 Private Placement”).

Each unit of the 2020 Private Placement consists of:

- One Common Share; and
- One half of a Common Share purchase warrant, which entitles the holder to acquire one half of one Common Share (one Common Share per whole warrant) at an exercise price of \$0.39 at any time prior to the date that is three years following the date of issue.

The 2020 Private Placement was completed in two tranches closed on December 18, 2020, for a total of 23,584,172 units, and on December 23, 2020, by issuing a further 1,742,800, to raise aggregate gross proceeds of approximately \$6.6 million.

17. Share capital

Authorized:

Unlimited number of Common Shares without par value.

Unlimited number of preferred shares, issuable in series, without par value (none outstanding).

Issued:

	Number of shares (000's)	Amount
Balance - December 31, 2018	465,156	880,197
Shares issued in private placement	107,454	19,687
Shares issued on the exercise of RSUs	694	-
Shares issued on the exercise of DSUs	89	-
Shares issued on the exercise of share options	853	425
Transfer from contributed surplus - exercise of share options	-	274
Balance - December 31, 2019	574,246	900,583
Shares issued in private placement	25,327	4,660
Shares issued on the conversion of convertible notes	15,340	6,580
Shares issued on the exercise of warrants	7,669	3,851
Shares issued on the exercise of DSUs	-	-
Shares issued on the exercise of share options	525	326
Transfer from contributed surplus - exercise of share options	-	-
Balance - December 31, 2020	623,107	916,000

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

17. Share capital (continued)

Common Share purchase warrants

In June 2020, a total of 7,668,430 warrants with an expiry date of June 30, 2021 were exercised, resulting in a cash inflow to the Company of approximately \$3.5 million. A summary of Common Share purchase warrants issued and outstanding as at December 31, 2020, along with their exercise prices, is as follows:

Expiry date	Number of warrants	Exercise price (dollars)
June 30, 2021	103,867,820	0.460
December 21, 2023	80,702,475	0.490
January 15, 2024	25,723,372	0.490
August 23, 2024	76,504,263	0.645
September 13, 2024	5,225,970	0.645
December 18, 2023	11,792,086	0.390
December 23, 2023	871,400	0.390

Share Options

The exercise price of incentive stock options (“Share Options”) is determined as the higher of the five-day weighted average closing price of the Common Shares prior to the grant date of the Share Option and the closing price of the Common Shares on the day before the grant date of the Share Option. Share Options granted vest in accordance with milestones or vesting periods set by the Board at the grant date and are exercisable over ten years from the date of issuance.

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

As at December 31, 2020, Share Options held by directors, officers, employees and consultants were as follows:

Range of exercise prices (dollars)	Outstanding			Exercisable		
	Number of options (thousands)	Weighted average exercise price (dollars)	Weighted average remaining contractual life (years)	Number of options (thousands)	Weighted average exercise price (dollars)	Weighted average remaining contractual life (years)
0.28 - 0.40	14,486	0.36	6.8	13,373	0.35	7.0
0.41 - 0.50	11,054	0.45	7.9	8,129	0.44	7.5
0.51 - 0.60	88	0.57	8.8	88	0.57	8.8
0.61 - 0.70	481	0.65	5.6	481	0.65	5.6
0.71 - 0.80	5,000	0.79	3.0	5,000	0.79	3.0
	31,109	0.46	6.6	27,071	0.47	6.4

The estimated fair value of Share Options is amortized using graded vesting over the period in which the Share Options vest. For those Share Options which vest on a single date, either on issuance or on achievement of milestones (the “measurement date”), the fair value of these Share Options is amortized using graded vesting over the anticipated vesting period.

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

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

17. Share capital (continued)

Movements in the number and exercise price of Director, officer, employee and consultant Share Options were as follows:

	Number of options (thousands)	Weighted average exercise price (dollars)
Balance - December 31, 2018	24,619	0.53
Options granted	6,068	0.37
Options expired	(2,325)	0.84
Options exercised	(853)	0.50
Balance - December 31, 2019	27,509	0.47
Options granted	6,207	0.46
Options expired	(2,082)	0.56
Options exercised	(525)	0.46
Balance - December 31, 2020	31,109	0.46

During the year ended December 31, 2020, 6.2 million Share Options were granted at a weighted average exercise price across all grants of \$0.46, of which 3.3 million vested immediately and the remaining 2.9 million vest on the first anniversary of the grant. A total of 2.1 million Share Options lapsed unexercised in the period. Of the 6.2 million Share Options granted, 102,704 were granted in January 2020 relating to payment for services in Q4 2019. In January 2021, 856,176 Share Options were granted related to payment for services in 2020.

In the corresponding year ended December 31, 2019, 6.1 million Share Options were granted at a weighted average exercise price across all grants of \$0.37, of which 3.3 million vested immediately and the remaining 2.8 million vested on the first anniversary of the grant. A total of 2.3 million Share Options lapsed unexercised in the period. Of the 6.1 million Share Options granted, 131,029 were granted in January 2020 relating to payment for services in Q4 2019.

The valuation of the Share Options granted was calculated using a Black-Scholes valuation model with the following assumptions:

	December 31 2020	December 31 2019
Weighted average risk-free interest rate	1.49%	1.93%
Volatility of share price	90%	96%
Weighted average life of options (years)	5.2	5.3
Pre-vesting forfeiture rate	10%	20%
Weighted average fair value of awards (\$)	0.33	0.23

At December 31, 2020, the fair value of Share Options to be expensed is \$0.1 million (December 2019: \$0.9 million).

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

18 Non-controlling interest

	Rosia Montană Gold Corporation S.A.
Balance - December 31, 2018	4,012
Currency translation adjustment	(51)
Balance - December 31, 2019	3,961
Currency translation adjustment	11
Balance - December 31, 2020	3,972

In December 2013, the Group was required to recapitalize RMGC in order to ensure compliance with Romanian 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 for 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.

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, 2020, 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.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

19 Income taxes

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

	December 31 2020	December 31 2019
Loss before income taxes	34,699	44,531
Income tax rate ⁽¹⁾	27.0%	27.0%
Income tax at statutory rates	(9,369)	(12,023)
Tax effects of:		
- Impact of foreign tax rates ⁽²⁾	(83)	1,318
- Non-deductible items / permanent differences	397	799
- Unrecognised deferred tax assets	9,056	9,906
Income tax recovery	-	-

⁽¹⁾ The income tax rate reflects the combined federal and provincial tax rates in effect in Yukon, Canada for each period shown. Effective July 1, 2017 the income tax rate in Yukon was reduced from 15% to 12%.

⁽²⁾ The Company has operations based in Romania, which has a different tax rate to the Canadian statutory rate.

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

	December 31 2020	December 31 2019	Expiry
Losses carried forward	99,185	93,425	2026-2038
Unclaimed share issue cost	602	900	No expiry
Capital assets	1,526	1,501	No expiry
Cumulative eligible capital expenditures	13,328	13,328	No expiry
Deductible temporary differences	114,641	109,154	

RM Gold (Services) Ltd has \$3.2 million of unrecognized deductible temporary differences in the United Kingdom (2019: \$3.4 million), with no specified expiry date, to be carried forward for use against future profits.

RMGC has unrecognized temporary differences in Romania of \$535.0 million (2019: \$530.0 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 \$62.4 million (2019: \$59.0 million) and have expiry dates between 2020 and 2026.

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

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

20 Commitments

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

	Note	Total	2021	2022	2023	2024	2025	Thereafter
<i>Operating lease commitments</i>								
Rosia Montană exploitation license	a	690	276	276	138	-	-	-
Surface concession rights	b	1,038	33	33	33	33	33	873
Lease agreements	c	142	142	-	-	-	-	-
Total commitments		1,870	451	309	171	33	33	873

- (a) Under the terms of the License, an annual fee is required to be paid to maintain the License in good standing. The current annual fee is approximately \$0.3 million. These fees are indexed annually by the Romanian Government until expiry, which is currently June 2024, subject to further prospective five year renewal periods.
- (b) 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 \$33,000 (Romanian Leu equivalent).
- (c) The Group has entered into agreements to lease premises for various periods. The annual rent of premises consists of minimum rent plus taxes, maintenance and, in certain instances, utilities.

21. Loss per share

	December 31 2020	December 31 2019
Loss for the year attributable to owners of the parent	34,699	44,531
Weighted-average number of Common Shares (000's)		
Basic number of shares	588,712	519,167
Basic and diluted loss per share	\$ 0.06	\$ 0.09

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

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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22. 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 two segments: the first being the Romanian operating company, the principal activity of which was formerly the exploration, evaluation and development of precious metal mining projects in the country (designated as "Romania"). The rest of the entities within the Group form part of a secondary segment (designated as "Corporate").

The segmental report is as follows:

	Romania		Corporate		Total	
	2020	2019	2020	2019	2020	2019
For the year ended December 31,	2020	2019	2020	2019	2020	2019
Reportable items in the Consolidated Statements of Income and Comprehensive Income						
Interest received	-	-	(71)	(395)	(71)	(395)
Finance costs - convertible note accretion	-	-	9,784	8,958	9,784	8,958
Depreciation	31	36	8	68	39	104
Reportable segment loss	(595)	9,412	35,294	35,119	34,699	44,531
As at December 31,	2020	2019	2020	2019	2020	2019
Reportable segment in Consolidated Statement of Financial Position						
Reportable segment current assets and assets classified as held for sale	3,770	4,094	6,283	25,609	10,053	29,703
Reportable segment non - current assets	335	643	619	837	954	1,480
Reportable segment liabilities	(1,013)	(1,581)	(88,326)	(89,836)	(89,339)	(91,417)

The Group's non-current assets classified as held for sale are predominantly located in port facilities within the European Union.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

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

The Group holds small cash balances in the United Kingdom with a major UK bank to fund corporate activities.

The Group's credit risk is also attributable to value-added taxes receivable, which are primarily collectable from the Romanian tax authorities.

Liquidity risk

The Company has the option to repay all or a proportion of the principal amount of the convertible notes outstanding at maturity by issuing Common Shares, as further described in Note 16. Accordingly, the Group has sufficient funds as at December 31, 2020 to settle all current and existing long-term liabilities.

As at December 31, 2020 the Group had no sources of operating cash flows and does not have sufficient cash to fund either the development of the Project or all the long-term activities required to see the ICSID Arbitration through to its conclusion, including enforcement. As such, the Company will require additional future funding as discussed in Note 1.

Market risk

(a) Interest rate risk

The Group has cash balances and significant 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.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

23. Financial instruments (continued)

(b) Foreign currency risk

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

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

Financial instruments

The Group's financial assets consist of cash and cash equivalents; the estimated fair value is considered to approximate the carrying value. The Group's financial liabilities consist of trade and other payables, resettlement liabilities, and convertible notes (Note 16), which are at amortized cost, and other liabilities which are fair valued through profit and loss (Note 14).

The following table illustrates the classification of the Group's financial instruments, which are measured at fair value on a recurring basis, within the fair value hierarchy as at December 31, 2020:

Financial assets and liabilities at fair value as at December 31, 2020				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	6,712	-	-	6,712
Long lead-time equipment	-	-	2,848	2,848
Other liabilities	791	-	-	791
	7,503	-	2,848	10,351

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by the stated 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 estimated for fair value with the assistance of specialist third parties, as described in Note 8.

Sensitivity analysis

As of December 31, 2020, 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, 2020, 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 \$0.1 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 \$0.1 million.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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24. Capital management

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

In order to maintain or adjust the capital structure, the Group has, when required, raised additional capital. The Group has not paid dividends, nor returned capital to shareholders to date. At December 31, 2020, the Group's debt consisted of convertible notes with an original maturity of five years (Note 16). 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.

25. Supplemental cash flow information

	December 31 2020	December 31 2019
<hr/>		
(a) Net changes in non-cash working capital		
Operating activities:		
Accounts receivable, prepaid expenses and supplies	257	(108)
Accounts payable and accrued liabilities	(6,669)	4,269
Unrealized foreign exchange gain on working capital	(81)	63
	<hr/> (6,493)	<hr/> 4,224
<hr/>		
(b) Cash and cash equivalents is comprised of:		
Cash	4,571	7,501
Short-term investments (less than 90 days) - weighted average interest of 0.07% (2019 - 1.64%).	1,911	18,229
	<hr/> 6,482	<hr/> 25,730
<hr/>		

Notes to Consolidated Financial Statements

For the year ended December 31, 2020

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

26. 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 18. The summarized financial statements of RMGC, which are unaudited and are derived from the consolidation workings for these Financial Statements, are as follows:

As at December 31	2020	2019
Current assets	3,770	4,094
Non-current assets	335	643
Total assets	4,105	4,737
Current liabilities	(1,013)	(1,986)
Non-current liabilities	(842,833)	(813,738)
Total liabilities	(843,846)	(815,724)

Summarized statement of comprehensive income

For the year ended December 31	2020	2019
Loss for the year	(595)	9,412
Other comprehensive loss / (income) (Currency translation adjustment)	(53)	264
Comprehensive loss for the year	(648)	9,676

Summarized statement of cash flows

For the year ended December 31	2020	2019
Net cash utilized by operating activities	(7,314)	(9,359)
Net cash provided by financing activities	7,369	9,264
Net (decrease) / increase in cash and cash equivalents	55	(96)