

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
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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

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

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

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

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)