



G A B R I E L

*Rosia Montana*

**To the Stakeholders of the Rosia Montana Gold Corporation:**

The enclosed Summary from our 2012 Communication on Progress demonstrates our Company's on-going commitment towards the 10 principles of the UN Global Compact thus ensuring that human and labour rights, environmental protection and anti-corruption principles are fully integrated, implemented and aligned to the Company's strategies, operations and culture.

In 2012 we demonstrated this commitment even while the Company was still undergoing its permitting process for the Rosia Montana Project ("Project") in Romania with actions to enhance the triple bottom line and the implementation of the UN Global Compact 10 principles. The enclosed report provides a detailed overview and includes actions such as:

- Construction of 12 new additional homes at the Recea resettlement site and support for the "Living Traditions" programme aimed at increasing social cohesion, community identity and community participation amongst the Rosia Montana community.
- Through an independent consultant, the Company continues to monitor and update the area's biodiversity baseline. Besides regular biological surveys, the Company sub-contracted international expertise in May 2012 to undertake a preliminary assessment to analyse whether the Project could have a net positive biodiversity impact and how the Project delivers on the recently adopted IFC Performance Standard 6 on Biodiversity Conservation and Sustainable Management of Living Natural Resources (January 2012). The interim conclusions of this consultant showed that many of the mitigation measures proposed by the Company were appropriate and well-considered and that over time, the Project could demonstrate no net loss or even a net gain on biodiversity with respect to its residual impacts.
- The Company has made further investments in cleaning up past environmental legacies from previous operators. For instance, in 2012 the Company installed a water treatment pilot plant to clean up the acid rock drainage created by historical mining activities before the Company's involvement and flowing into the local river basin.
- Sponsoring the annual 'Miners Day', Mining Communities and Mining Traditions Festival in September 2012.
- As part of the Company's commitment to cultural heritage, 2012 saw the completed restoration of 16 houses in the historic and protected centre of Rosia Montana as well as the iconic old town hall and old school. Throughout the course of the year, the Company also continued maintenance work on 160 houses in the 'Protected Area' of Rosia Montana commune as well as archaeological work focused on opening up previously unexplored old underground mining galleries lying under the Protected Area at Catalina Monulesti.

In conclusion and on behalf of Gabriel Resources, I am pleased to submit the following Report to our stakeholders as a sign of our continuous commitment to engagement, openness and social responsibility.

Signed,

Jonathan Henry  
President & Chief Executive Officer  
Gabriel Resources Ltd

## **2012 Communication on Progress**

Romania entered the European Union (“EU”) in 2007 and as part of this process it has transposed the majority of EU legislation at a national level. The Project abides to this stringent EU legislation, which covers many of the 10 UNGC principles, in particular in the field of environment and transparency.

### **Human Rights:**

The Project complies with all human rights legal requirements in force at national and international level (Bill of Human Rights; International Labour Organization’s Declaration on Fundamental Principles and Rights at Work). The Company is fully committed not only to respecting human rights, but also to identifying, preventing and mitigating any adverse human rights’ impacts by the Project through ongoing monitoring at all levels of the business, through internal decision-making, budgetary allocations and oversight processes. This should enable effective responses should such impacts occur, by drawing on feedback from both internal and external sources, including affected stakeholders.

The Project includes all necessary measures aimed at protecting the health and safety of employees, consultants and/or contractors, as well as to people living and working in areas potentially affected by the Project’s implementation. Thus, all employees are properly trained to ensure their own safety, as well as the safety of the people around them.

The Project places professional ethics and employees’ safety at the heart of its everyday activities and provides a working environment free of any discrimination or other arbitrary barriers that would hold back professional development and progress within the Company.

### **Stakeholder Engagement:**

According to Romanian legislation, international standards and best practices and as a part of its Social and Environment Management System, Rosia Montana Gold Corporation (RMGC), engages with a large range of stakeholders: Decision-makers, local, regional and national authorities, the directly affected community and nearby communities, NGOs, as well as large public bodies and others as required.

The dialogue carried out by the Company with its stakeholders is a continuous process aimed at raising, increasing and maintaining awareness of the potential effects the Project will have on the local communities that will lead to an increase in the long-term planning efficiency.

Our approach regarding the dialogue with stakeholders is based on the ISO 26000 standard which specifies that stakeholders have a right to actively participate in gathering information, planning, establishing directions and making decisions on the results which are to influence their lives. The information we receive from the stakeholders helps us to improve our activity, mitigate any possible adverse impacts and to strengthen positive impacts in line with our sustainability objectives.

These intensive engagement efforts led in 2011 to the foundation of the “Rosia Montana Project Support Group”, which successfully grew in 2012 by the admittance of new members. Today, the Rosia Montana Project Support Group includes more than 18,570 members and adherents from a variety of stakeholders, from which there are mayors from over 40 entities representing their local communities and 18,500 adherents are people living in local communities in and around the Project.

The Company continued during 2012 to engage with authorities and the public in order to address all concerns.

In 2012 support for the Project increased favourably, amongst both the public at large throughout Romania and particularly amongst the local community in and around Rosia Montana.

## Community Engagement & Social Licence

The community represents a major stakeholder for RMGC. The Company is committed to fostering the sustainable development of the Rosia Montana community and demonstrating the positive impact the proposed Project will have on the region's residents, who today are isolated, in poverty and without jobs. This commitment includes a comprehensive set of programmes designed to improve living standards, addressing education, skills training, assisting the elderly, health issues, job and business creation and respect for the area's archaeological heritage.

By engaging with the affected community and the broader community at large, the Company keeps the community informed, collects feedback and involves it in the decision-making process. At the same time, the Company has taken all necessary measures to ensure the resettlement and relocation of families affected by the building of the mine is handled with care, empathy and protection for the cultural values of the region. Moreover, advancing education and skills is a major focus for the Project, together with maintaining a sense of community and preserving cultural heritage.

As part of its community engagement, the Company maintains dedicated Community Relations offices in Rosia Montana, Abrud, Campeni, Bucium and Alba Iulia – Recea resettlement site. Following the prior construction of 125 homes in the Alba Iulia resettlement site at Recea, in 2012 the Company completed the construction of 12 new houses in the neighbourhood.

In 2012, the Company continued to support the “Living Traditions” programme, aimed at regenerating the Rosia Montana community by increasing social cohesion, community identity and community participation. Safeguarding the intangible cultural heritage of Rosia Montana means designing and developing backgrounds to enable cultural transmission to the next generation and thus helps turn Rosia Montana’s traditional cultural institutions into a tourist attraction. This ensures respect for community values on behalf of the Company, leading to good relations between the Company and the local community.

In late 2012, Alba County Council (representing 35 localities) decided to organise a referendum on the resumption of mining in the Apuseni Mountain region and specifically at the Project. RMGC employees were involved in the information campaign organised by the “Viitorul Mineritului” trade union which allowed the local community to receive informed support on whether to vote in favour of mining at the referendum held on December 9, 2012.

More than 24,200 households were visited during the trade union’s door-to-door campaign and 26,500 stakeholders had the opportunity to become more informed on the Project. 40,000 copies of the community newspaper “Ziarul de Apuseni” were distributed weekly; 16,800 calls were made through a call centre and more than 6,000 people attended over 50 public events organised in the referendum area. In total, 15,000 signatures were gathered in favour of the Project.

Due to the exceptionally bad weather conditions persisting at the time of the referendum, voter turnout did not exceed 50% and consequently this public consultation was not officially validated. However, of those eligible voters who voted, 63% voted in favour for a resumption of mining activities.

In the commune of Rosia Montana itself, 66 % of the voters participated in the referendum and 79 % of these voted in favour for the resumption of mining activities, specifically at Rosia Montana. In the localities most affected by the Project (**Abrud, Baia de Aries, Bucium, Rosia Montana, Zlatna**), turnout exceeded 49 %, while favourability stood at 71 %.

Finally, RMGC is the main sponsor of the annual ‘Miners’ Day & Mining Communities and Mining Tradition Festival’, which in September 2012 involved all the communities in and around the Rosia Montana Project and attracted more than 5,000 participants.

Our commitment to the community is also reflected in the development of local employment, sourcing from local supply and diversification of the structure of the local economy through:

- Local employment – RMGC currently employs approximately 500 people directly and numerous others indirectly, with some 85% employed from the local community. The current status of the Project is to preserve jobs which was the most important social responsibility effort of the Company in 2012.
- Local suppliers - more than 600 local firms are suppliers/contractors to RMGC.

## Environment

In building a state-of-the-art mine and implementing the highest environmental standards, the Project is committed to remedying past environmental damage caused by over 2,000 years of previously poorly-regulated mining activity. Currently there are 100 hectares affected by 18 waste stockpiles and two pits with 140km of underground galleries generating acid rock water including heavy metal contamination up to 40 km downstream from the site. Remediation of this adverse environmental situation is expensive and has limited hope of being funded without implementation of the Project. In this context, the Company is planning to invest many millions of dollars to immediately and continuously tackle the pollution problems of this type.

The Company has implemented a number of environmental initiatives during the last period to show how the implementation of the Project can assist with cleaning up the legacy of local environmental degradation from historic and unregulated mining activities. One such initiative is a pilot water treatment plant located at the main source of the acid rock drainage at Adit 714. This pilot test work programme demonstrates the positive impact the Company can have on the clean-up of the mine water and local water systems which are contaminated with high levels of heavy metals and total dissolved solids which are well above EU and Romanian water standards. These tests have successfully shown that a full scale plant will be able to clean up any resulting water discharge from the Project to levels fully compliant with all regulations in place (and even to drinking water standard). The Company is now working with the Government to use the pilot plant for additional testing of a number of other contaminated old mine sites within Romania where water discharge needs to be brought to a level that is safe and compliant with EU and Romanian regulations.

The long-term development of the Company also depends on the capacity to establish new environmental responsibility standards. In this regard, the Company is striving to:

- Establish and maintain a management system to identify, monitor, control and improve the Company's environmental performance activities;
- Finance independent audits to assess the Company's environmental performance in relation to its objectives;
- Comply with all the applicable laws in Romania and the EU, subject to the reporting requirements and other obligations, such as those set out by the EU Directive on Mining Waste and the EU Water Directive;
- Use Best Available Techniques (BATs) in all Company operations and activities to enhance environmental protection during the operational phase of the mine and ensuring there are sufficient financial resources to fulfil all environmental obligations and commitments, including re-integration of the exploited areas in the natural circuit;
- Implement efficient and transparent communication with stakeholders with regard to the environmental aspects of the Company's activities, and to encourage public debate on environmental matters;
- Co-operate with national and international institutions and organisations in developing efficient, cost-effective and environmental-friendly measures.

The impact on biodiversity will be different in the construction, exploitation and closure phases of the Project. The Company's ecological restoration and rehabilitation efforts shall reflect these phases and shall focus on:

- Establishment of a network of protected areas to ensure the conservation of priority habitats;
- Establishment of a network of vegetal corridors within and between the protected areas, so as to allow for the migration of species;
- Planting of native species along the degraded river banks and other water courses, which should provide reproduction and migration corridors for wildlife;
- Establishment of micro-habitats; and
- Rehabilitation of watercourses.

An updated version of the Waste Management Plan to reflect legislative modification was provided to and approved by the authorities in the past year.

Through an independent consultant the Company continues to monitor and update the areas biodiversity baseline. Besides these regular biological surveys the Company sub-contracted international expertise in May 2012 to assess if the Project as it would be able to deliver a net positive biodiversity impact. The interim conclusions from the external experts noted that:

- From available information and the preliminary field visit, the risk of ‘non off-settable’ impacts for the Project appears to be low.
- Many of the mitigation measures proposed seem appropriate and well-considered.
- A first consideration of the regional context of the Project, the likely availability and condition of land with biodiversity which is ecologically equivalent to that affected by the Project and the likely willingness of key stakeholders to engage in offset design and implementation suggests that, with sufficient effort and investment, it should be possible for the Project, over time, to demonstrate no net loss or even a net gain of biodiversity with respect to its residual impacts.
- The Company’s management is prepared to undertake the fairly rigorous planning required in order to meet the recently adopted IFC Performance Standard 6.

Beyond these national and site-specific activities, in 2011 the Company also participated in an EU-wide effort convened by the European Commission to test-pilot the EC methodology for an Organisational and Product Environmental Footprint of the Project. In the course of 2012 the Company continued to be in dialogue with the European Commission on this matter.

Finally, the Company continues to engage with the Romanian Ministry of Environment and with the Technical Analysis Committee (“TAC”) on the review of the Environmental Impact Assessment. The Company's engagement with the TAC is aimed at clarifying all technical aspects of the Project.

### **Cultural Heritage**

The Company is fully committed to restoring, preserving and honouring Rosia Montana's valuable cultural heritage, through:

- Conservation of the community’s historic town centre; conservation of historic buildings and monuments by preserving their authenticity and integrity;
- Conservation of architectural decorations and aesthetics; and
- Recovery of cultural artifacts, symbols and intangible heritage by preserving cultural and social assets of the community and by the contribution to, and fostering of, the community’s regeneration and social development.

In 2012, the Company achieved the following goals:

- The restoration of 16 houses in the historic centre of Rosia Montana were completed;

- The restoration of two iconic buildings – the old town hall and the old school - which will be used for tourism initiatives were initiated in partnership with the local council of Rosia Montana with the old town hall work complete; and
- The work at old school advanced to the stage of the building being protected from further weather damage.

Further restoration work has been put on hold until such time as the Government further authorises the permitting of the Project.

In 2012, the Company continued maintenance work on 160 houses located in the historic centre of the village of Rosia Montana (the 'Protected Area') in order to prevent any further deterioration. This emergency conservation work will continue through a multi-year programme, which will run in parallel with the construction and the operational phases of the Project.

This is just one element of a commitment of approximately US\$70 million to be invested in local heritage and cultural aspects in and around Rosia Montana over all phases of the Project. This commitment also includes the proposed establishment of a special committee, to include independent experts, who will monitor the work undertaken by the Company.

Another part of patrimony research from 2012 was the archaeological work focused on opening up previously unexplored old underground mining galleries that lie under the Protected Area, such as Catalina Monulesti, which is in the process of being successfully and fully restored and has now been opened to the public.

Last but not least, the Company initiated design work to prioritise the restoration of more 111 houses located within the Protected Area and bring these back into functional use. To date the design work for the first phase of more than 50 houses has been completed with a view to obtaining the necessary permits and starting renovation activities.

### **Corporate Governance**

The Company seeks to achieve high standards of corporate governance. To that end, Gabriel Resources has adopted new and revised group policies and practices to meet these requirements for compliance such as those laid down by the UK Bribery Act which entered into force on July 1, 2011.

The Company is also committed to guarantee its undertakings regardless of the Project's financial status, by means of legally enforceable pre-funding of those undertakings. In addition, the Company is committed to insurance and arbitration in order to provide financial protection should there be an accident. With these standards, the Project with its independent monitoring of compliance and transparency will provide a 'model' for industrial projects in terms of sustainable development.

Finally, as noted in earlier reports the Company's commitment to sustainable development is demonstrated by its willingness to adopt and embrace key initiatives and processes that drive best practices. The Company recognises and supports, amongst others, the following external initiatives:

- International Council on Mining and Metals, 10 Principles for Sustainable Development ([www.icmm.com](http://www.icmm.com))
- International Cyanide Management Code (ICMC) ([www.cyanidecode.org](http://www.cyanidecode.org))
- International Finance Corporation (IFC) performance indicators for environmental and social protection ([www.ifc.org](http://www.ifc.org))
- International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights to Work ([www.ilo.org](http://www.ilo.org))
- Intergovernmental Panel on Climate Change – Best Available Techniques for the mining field ([www.epa.ie](http://www.epa.ie))

- Organisation for Economic Co-operation and Development guidelines for multinational enterprises ([www.oecd.org](http://www.oecd.org))
- United Nations Global Compact ([www.unglobalcompact.org](http://www.unglobalcompact.org))
- World Bank and IFC guide for resettlement and relocation activities ([www.ifc.org](http://www.ifc.org)).

\*\*\*