



G A B R I E L
Roşia Montană

To the Stakeholders of Gabriel Resources Ltd:

For the past eighteen years, Gabriel Resources Ltd. (“Gabriel” or the “Company”) has focused its resources and efforts on the development of the Roşia Montană gold and silver project in Romania (the “Roşia Montană Project” or the “Project”). To this end, it set itself the highest standards of environmental and social performance and governance, while committing to developing the local economy and communities.

Throughout this period, Gabriel has demonstrated it is fully committed to sustainable and environmental practices as part of its overall aim to act responsibly. As in previous years, the Company remains committed to implementing the UN Global Compact’s ten principles, which are reflected in the Company’s policies, standards and guidance.

Despite the Company’s fulfilment of its legal obligations and its continuous commitment to open and transparent engagement with its stakeholders and the local communities and to the development of the Project as a high-quality, sustainable and environmentally-responsible mining project, using best available techniques recognised globally, Romania has blocked and prevented implementation of the Project without due process.

In light of the repeated failures of the Romanian authorities to address the regulatory assessment and permitting procedures for the Project, Gabriel was left with no alternative but to file for international arbitration in July 2015.

As a consequence of the current status of the Project and the advancement of the arbitration, the Company has had to implement a series of cost reduction initiatives over the past three years, including, amongst other things, a material reduction in the workforce of Gabriel and its subsidiaries (the “Group”) and its development activities in Romania. Throughout this difficult period, the Group has made every attempt to act responsibly and diligently towards its employees and contractors and to manage properly and sensitively the impacts of such decisions on the community and all affected stakeholders. Given these circumstances, the enclosed 2016 Communication on Progress has not changed or advanced substantially from previous communications.

While the Group’s primary objective has always been the development of the Project to operational status, in light of the continued absence of any positive engagement by the Romanian authorities since the filing of the arbitration request, the arbitration has become the core focus of the Company. This notwithstanding, the Group remains open to engagement with the Romanian authorities in order to achieve an amicable resolution of the dispute or a settlement of it in order to develop the Project for the benefit of all stakeholders.

The 2016 Communication on Progress enclosed herein demonstrates that the Group has continued to follow the UN Global Compact’s principles by acting responsibly through integrating the universal principles relating to human and labour rights, environmental standards and anti-corruption practices into its business strategies, operations and culture.

Signed,

Jonathan Henry
President & Chief Executive Officer
Gabriel Resources Ltd

2016 Communication on Progress

The UN Global Compact's ten principles requires that the Group's interests are aligned with those of its stakeholders – with local communities and environments as well as global customers and investors. In Romania, the national legislative framework is designed, as is the case with many other governments, to respects the Universal Declaration of Human Rights. Romania's Constitution states that all the constitutional provisions regarding human rights and liberties shall be interpreted and applied in conformity with the Universal Declaration of Human Rights.

Romanian national legislation also ensures people the right to a clean and safe environment; to proper information regarding environmental conditions and to be consulted in the decision-making process of proposed projects which may have potential social and environmental impacts.

Finally, Romanian national labour legislation is, in many aspects, more restrictive than the International Labour Organization's principles.

Complementary to national legal requirements, the Group has made numerous voluntary commitments such as respecting the Equator Principles, implementing the IFC's Performance Standards and being among the first European signatories to the International Cyanide Management Code.

Human Rights

The Group not only complies with all legal requirements in force as concerns human rights at national and international level (Bill of Human Rights; International Labour Organization's Declaration on Fundamental Principles and Rights at Work) but exceeds them by applying zero tolerance to non-compliance to any breach against human rights, customs and values when dealing with employees and others who are affected by the Group's activities.

The Group is fully committed not only to respecting human rights but also to identifying, preventing and mitigating any adverse impacts on human and the local communities' rights that may be caused by the Project through ongoing monitoring at all levels of the business, internal decision-making, budgetary allocations and oversight processes. This should provide for effective responses if such impacts occur, by drawing on feedback from both internal and external sources, including all affected stakeholders.

Labour, Health & Safety

As outlined in previous reports, the Group has always been committed to delivering sustainable benefits to the region where it operates and to enhance community capacity to become self-sustainable in its future development. In order to increase the benefits for the operational area, the Group has demonstrated a commitment to hire local workers and to partner with local businesses wherever possible and procured that its contractors do the same.

Over recent years, the Group has been left with no alternative but to implement a series of cost-saving measures (including a material reduction in the workforce of the Group) to align the cost base of the Group with the status of the Project in Romania. Notwithstanding, the Group remains open to engagement with the Romanian authorities in order to achieve an amicable resolution of the dispute or a settlement enabling it to develop the Project for the benefit of all stakeholders. If a positive resolution is found, the Group remains willing to invest significant financial resources to build a showcase mining project in Romania, a Project which could create over 3,600 jobs (2,300 direct jobs during the construction phase and more than 880 direct jobs during the operational phase).

Promoting safety as a value of the Group

The Group includes in its operations all necessary measures aimed at protecting the health and safety of employees, consultants and/or contractors, as well as of 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 employee safety at the heart of its daily activities and provides a working environment free of any discrimination or any other arbitrary barriers that would hold back professional development and progress within the Group.

Stakeholder Engagement

According to Romanian legislation, international standards and best practices and as part of its Social & Environment Management System, the Group has always sought to engage with a broad range of stakeholders, including, but not limited to, the local, regional and national authorities, the directly affected community and nearby communities, non-governmental organisations, as well as the general public and national and international media.

The dialogue carried out by the Group with its stakeholders is a continuous process aimed at raising, increasing and maintaining awareness of the Project and obtaining feedback in order to ensure continuous improvement and long-term planning efficiency. The Group's approach regarding dialogue with stakeholders is based on Romanian legislation and international standards which specify that stakeholders have a right to actively participate in gathering information, planning, establishing directions and making decisions as to the results which influence their lives. The information the Group receives from the stakeholders helps it to improve its activities, mitigate any possible adverse impacts and to strengthen those positive impacts in line with its sustainability objectives.

Over the years, the Group has engaged with all relevant stakeholders through multiple initiatives, including a series of public consultations during various permitting stages, public meetings for urban planning and development plans, community debates initiated by the Group and requested by affected people, site visits, community events and direct interaction with stakeholders. The Group has also participated in multi-stakeholder fora concerning the sustainable development of the operational area.

These intensive engagement efforts led to the foundation and consolidation of the "Rosia Montana Project Support Group", a civil society platform which represents mainly the voice of mining communities, with the objective of enhancing their efforts for restarting of mining activities in Romania. The Rosia Montana Project Support Group includes a significant number of stakeholders, including mayors from over 40 localities who represent approximately 18,500 people living in the Project area and local communities.

The Group has demonstrated an open-minded and responsive attitude in responding to NGO concerns.

Community

The Group has always been committed to developing a modern mining project in a traditional mining community where mining has been the main occupation for more than 1,800 years, and to setting itself the highest standards of environmental and social performance and governance, while developing the local economies and communities.

Should the Project proceed, the affected area would comprise approximately 25% of the total area of the Rosia Montana commune; the remainder would be available to non-mining socio-economic activities. Should the Project proceed, the Group is committed to promoting the sustainable development of the Rosia Montana community and to demonstrating the positive impacts the Project could have on the population of the Rosia Montana commune, a community beset by economic decline, poverty and unemployment.

The Project was planned and developed to contribute to the sustainable development of the community, to stimulate the economy, to protect the environment, to safeguard cultural heritage and to promote social development through its components and programmes:

- Direct and indirect job creation;
- Local business development;
- New local infrastructure;
- Improvements of environmental conditions, 'greening' of old abandoned mining sites;
- Research, restoration, maintenance and enhancement of cultural heritage;
- Development of new facilities for the community;
- Improved human capital through programmes and partnerships in health, social and cultural areas;
- Human capital development through professional training programmes;
- A new village for the commune with a new community centre and new institutions;
- A prosperous community able to offer a rich cultural and industrial tourist potential.

Community Relations Management

The local community represents a major stakeholder for the Group. Over the years, the Group has developed and implemented a complex set of policies, codes of conduct and instruments aimed at building and maintaining good and respectful relations with the community throughout the entire Project life-cycle.

Feedback obtained from dialogue with the community in the Project area has been recorded, reported, reviewed and considered in framing the decision-making processes of the Group. To this end, the Group has organised more than 50,000 individual and public consultations.

Community consultation in the Project area and surveys and monitoring carried out by the Group have consistently emphasised the negative impact on the community of the failure of the Romanian authorities to permit the resumption of mining activities in the Apuseni Mountains, where the potential for other economic activity is very low.

As a result of these efforts, and the intensive engagement of the Group in the community over the years, a strong level of support has been established in favour of the Project.

During 2016, the Group has continued to manage the community's concerns and complaints related to the cessation of development activities due to the current status of the Project and the ongoing arbitration. A community engagement programme with former employees of the Group has demonstrated that people feel understandably concerned and frustrated with the current status of the Project, seeking explanations as to why the Romanian authorities continue to refuse the permit a project which would provide a better quality of life for the local communities.

Monitoring of relocated and resettled families

In compliance with all legislation and international standards applied to land access and resettlement, the Group acquired, on a voluntary basis, the properties of 794 households, most of the residential properties needed for the Project.

Monitoring the relocated and resettled families is an obligation assumed by the Group under the Relocation and Resettlement Action Plan (“RRAP”). The RRAP sets out the approach that was adopted by the Group for the acquisition of surface rights and the resettlement and relocation of affected households in the Project-impacted area. In accordance with the monitoring obligations set out in the RRAP and other social management and sustainable development plans adopted by the Group, as well as the provisions of the Group’s ‘Environmental Impact Assessment Report’, the Group has carried out social impact monitoring of the affected households, undertaken evaluations of the efficiency of the measures proposed and adopted and subsequently implemented improvements thereto.

Community Sponsorship

As a consequence of the prevailing situation in Romania vis-à-vis the Project and the failure of the Romanian authorities to properly address the regulatory assessment and permitting procedures for the Project, the Group was left with no alternative but to cease all investment programs in 2014, including community sponsorship and support programs (including support to churches, a ‘Cultural and Living Traditions’ program, community infrastructure, schools and education, hospitals and health, the “Future of Mining” Union and medical transportation).

Cultural Heritage

The Group has demonstrated its commitment to the research, preservation, restoration, and promotion of the cultural heritage of Roșia Montană as an integral part of the development of the Project. Over the years, the Group defined strategies to preserve, restore and enhance the cultural heritage of Roșia Montană as part of the development of the Project and to develop potential tourism initiatives based on Roșia Montană’s cultural heritage as part of a program to foster sustainable development for the community beyond the Project itself.

Environment

The Company designed the Project in an environmentally responsible manner that would meet or exceed Romanian and European Union legislation and international environmental standards and would represent a model for large-scale mining projects. The Group’s environmental compliance program would also have rehabilitated in a sustainable manner the Project mine site in accordance with Romanian and European Union legislation and international standards; as well as remediating historical pollution in the Project area caused by past mining activities that pre-dated the Group’s involvement and did not meet these standards, including mining activities carried out by the Romanian State. The current site of the Project is a deeply and visibly scarred and polluted area that has been mined for more than 2,000 years, including by the Romanian State from the early 1960s to 2006. Remediation of the existing adverse environmental situation caused by the State and other historical operators will be expensive and the Project represents the only viable option for addressing such pollution. In this context, the Group committed to invest millions of dollars to tackle such legacy pollution problems and, as described in previous reports, it invested in a pilot water treatment facility to demonstrate the Group’s commitment to such remediation activities. In addition, in responding to the challenges of climate change the Company has over the years carried out numerous reviews to reduce the energy intensity of the proposed operations, as well as exploring the utilisation of renewable energy technologies as a means to reduce the carbon footprint of the Project.

Corporate Governance

As noted in previous reports, the board of directors and management of Gabriel believe that sound and effective corporate governance is essential to the Group’s performance and the Group seeks to achieve the highest standards of corporate governance. The Group has adopted certain practices and procedures to ensure that effective corporate governance practices are followed and that the board

functions independently of management. In addition, Gabriel's corporate governance committee reviews the Group's corporate governance practices and procedures on a regular basis to ensure that they address significant issues of corporate governance.

Through the application of these standards, the Project with its independent monitoring of compliance and transparency would have provided a 'model' for industrial projects in terms of sustainable development.

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

- International Council on Mining and Metals, 10 Principles for Sustainable Development (www.icmm.com)
- International Cyanide Management Code (ICMC) (www.cyanidecode.org)
- International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights to Work (www.ilo.org)
- Intergovernmental Panel on Climate Change – Best Available Techniques for the mining field (www.epa.ie)
- Organisation for Economic Co-operation and Development guidelines for multinational enterprises (www.oecd.org)
- United Nations Global Compact (www.unglobalcompact.org)
- World Bank Safeguard Policies and IFC Performance Standards on relevant issues such as environment, resettlement and relocation activities (www.ifc.org).