

Anticipating Surprise - Assessing Risk

INVESTORS GUIDE TO
GABRIEL RESOURCES
ROSIA MONTANA MINE PROPOSAL
(TSX:GBU)

Prepared by
Alburnus Maior

In Association With
Terra Mileniul III
Strawberry Net
Romanian Environmental Partnership Foundation
Liga Pro Europa
PATRIR
Ecotop Oradea
National Society of Conservationists Hungary
BankWatch CEE
Greenpeace CEE
Pro Regenwald
MiningWatch Canada

October 2004

Anticipating Surprise - Assessing Risk

October 2004

About Alburnus Maior

Alburnus Maior is an NGO based in Rosia Montana. It represents the interest of over 350 families from Rosia Montana and 100 families from Bucium. Local property owners opposing the involuntary resettlement that Gabriel's project entails founded this association in September 2000. Alburnus Maior objects to Gabriel Resources' Rosia Montana mining proposal on social, environmental, cultural and economic grounds.

Contact:

Francoise Heidebroek
Alburnus Maior
Str. Berk 361
Rosia Montana
Alba County / Romania
Tel/Fax: +40 723 230 790
e-mail: alburnusmaior@ngo.ro
www.rosiamontana.org

About Terra Mileniul III

The TERRA Mileniul III Foundation is an apolitical, non governmental and non profit organization for environmental protection. It's mission is to develop ecological programs for raising public awareness on climate change issues and to promote programs for sustainable development on a national, regional and global level.

Contact:

Lavinia Andrei
President
TERRA Mileniul III
1-3 Walter Maracineanu Square, Entrance 2, 2nd Floor, Room 171,
Bucharest / Romania
Tel/fax: +4021 312 68 70; +40 722 155 110
e-mail: terram3@b.astral.ro; terramileniul@xnet.ro
terraIII.ngo.ro

About Strawberry Net

StrawberryNet is an NGO network which is promoting the protection of the environment, sustainable development, democracy and human rights in Romania, using electronic telecommunication. It is organized as a self-coordination body of NGOs providing or using information and communication services. StrawberryNet's legal status is that of a foundation.

Contact:

Dan Craioveanu
StrawberryNet Foundation
OP.1, cp. 24
4000 Sfantu Gheorghe / Romania
Phone: +40 (0) 267 312 238
Mobile: +40 (0) 788 416 409
e-mail: dan@ngo.ro
www.sbnet.ro

Anticipating Surprise - Assessing Risk

October 2004

About the *Romanian Environmental Partnership Foundation (Fundatia pentru Parteneriat)*

The Romanian Environmental Partnership Foundation (Fundatia pentru Parteneriat) was established in 1998 as an independent foundation and is part of the Environmental Partnership Consortium (EPCE), which supports community based environmental improvement projects in five CEE countries. The activities of the foundation are based on the principles of sustainable development. The grant making and operational programs are designed and implemented to fit within the framework of these principles. The programs target and cover almost all the stakeholders of society: communities, local authorities, NGOs, business sector, media etc.

Contact:

László Potozky

Director

Fundatia pentru Parteneriat

Str. Harghita 7/A/6

530151 Miercurea - Ciuc / Romania

Tel: +40 (0) 266 310.678, Fax: +40 (0)266 310.686

e-mail: office@fpc.topnet.ro

www.epce.ro

About *Pro Europa League*

The Pro Europa League is an NGO that was founded immediately after the fall of communism by a group of twenty intellectuals from different ethnic, religious and linguistic backgrounds, sharing the common commitment to support Romania's transition from totalitarianism to democracy. The central programs of the PEL, implemented predominantly in Transylvania, are based on the promotion of interculturalism, human rights and minority rights through civic education and conflict prevention. During its fifteen years of existence this NGO has become one of Romania's most active and influential civic groups.

Contact:

Judit-Andrea Kasco

Program Coordinator

Liga Pro Europa

P-ta Trandafirilor nr. 5 et. III.

540049 Tîrgu-Mures / Romania

Phone/fax:+40-265-250182

e-mail: senache@proeuropa.ro

www.proeuropa.ro

About *PATRIR*

PATRIR is an organization working for the promotion of peace by peaceful means, the strengthening of solidarity and the celebration of diversity between peoples and communities.

Contact:

Sabin Muresan

Program Coordinator

PATRIR

Bd. 1 Decembrie 1918 nr. 26

Anticipating Surprise - Assessing Risk

October 2004

Cluj-Napoca
Cluj County / Romania
Tel/Fax: +40 (0) 264 420 298
sabin@patriri.ro
www.patriri.ro

About *Ecotop Oradea*

ECOTOP Oradea is a non-governmental organization working on environmental protection and sustainable development issues.

Contact:

Ciprian Maghiar
Coordonator programe turistice
Ecotop Oradea
Piata Independentei nr.39, I
Oradea, 3700
Bihar County / Romania
tel/fax:+40 (0) 259 472434
e-mail: ciprian@apusenixperience.ro
www.apusenixperience.ro

About the *National Society of Conservationists Hungary*

The National Society of Conservationists was established in April 1989. It counts 92 local and regional organizations with altogether twenty eight thousand members. It is a member of Friends of the Earth, the World Conservation Union, Environmental Liaison Centre International, the Central-Eastern European Working Group on Biodiversity, and is a corresponding member of the European Environmental Bureau. The overall objective of its activities is to contribute actively to the conservation of nature to achieve sustainable development.

Contact:

Teodora Dönsz
National Society of Conservationists
Friends of the Earth Hungary
Ulloi ut 91/b, 1091 Budapest / Hungary
Tel/Fax: +36 1 2167297
e-mail: info@mtvsz.hu
www.mtvsz.hu

About *BankWatch CEE*

The Bankwatch CEE Network is an international non-governmental organization (NGO) with member organizations from 12 countries of the CEE and CIS region. The network's mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation.

Contact:

Petr Hlobil
International Campaign Coordinator
BankWatch CEE

Anticipating Surprise - Assessing Risk

October 2004

Kratka 26
100 00 Praha 10 / Czech Republic
Tel/ Fax:+420 2 748 16 571
e-mail: petr.hlobil@ecn.cz
www.bankwatch.org

About Greenpeace CEE

Greenpeace is a non-profit organization, with a presence in 40 countries across Europe, the Americas, Asia and the Pacific. To maintain its independence, Greenpeace does not accept donations from governments or corporations but relies on contributions from individual supporters and foundation grants. As a global organization, Greenpeace focuses on the most crucial worldwide threats to the planet's biodiversity and environment.

Contact:

Dipl.-Ing. Herwig Schuster
Greenpeace in Central & Eastern Europe
Siebenbrunnengasse 44
A-1050 Vienna / Wien / Austria
Tel.: +43 1 5454580
Fax.: +43 1 5454580-98
e-mail: Herwig.Schuster@greenpeace.at
www.greenpeace.at

About Pro Regenwald

Pro Regenwald is an NGO based in Germany. It works towards the protection of forests and tropical rainforests in particular. As such it supports indigenous peoples' strive for self-determination. Through research and lobby Pro Regenwald aims to discourage the massive exploitation of natural resources for short term economic gains.

Contact:

László Maráz
Project Coordinator
Pro Regenwald
Frohschammerstr. 14
80807 München / Germany
Tel.: +49 (0) 89 359 8650
Fax: +49 (0) 89359 6622
e-mail: info@pro-regenwald.de
www.pro-regenwald.org

About MiningWatch Canada

MiningWatch Canada is a pan-Canadian initiative supported by environmental, social justice, Aboriginal and labor organizations from across the country. It addresses the urgent need for a coordinated public interest response to the threats to public health, water and air quality, fish and wildlife habitat and community interests posed by irresponsible mineral policies and practices in Canada and around the world. MiningWatch Canada is a direct response to industry and government failures to protect the public and the environment from destructive mining practices and to deliver on their sustainability rhetoric.

Anticipating Surprise - Assessing Risk
October 2004

Contact:

Jamie Kneen and Joan Kuyek
MiningWatch Canada
Suite 508, City Centre Building
880 Wellington St.
Ottawa, Ontario K1R 6K7 Canada
Tel. +1 613 569-3439
Fax: +1 613 569-5138
e-mail: canada@miningwatch.ca
www.miningwatch.ca

DISCLAIMER: The information contained herein is believed to be accurate but does not purport to be complete. Some information obtained for this report was supplied by individuals who requested anonymity.

Anticipating Surprise - Assessing Risk

October 2004



Source: www.tsx.com

Francoise Heidebroek

+40 (0) 723 230 790

alburnusmaior@ngo.ro

Dan Craioveanu

+40 (0) 788 416 409

dan@ngo.ro

Laszlo Maraz

+49 (0) 89 359 8650

info@pro-regenwald.de

Jamie Kneen

+1 (0) 613 569-3439

canada@miningwatch.ca

Event

Just over one month before national elections Romania's Prime Minister Adrian Nastase sharply criticizes Gabriel Resources' gold mining project.

Investment Opinion

- On September 21, 2004 Romania's Prime Minister Adrian Nastase declared that "the point of view expressed has always been very clear, namely against this project. Regarding the claim that the Rosia Montana mining development will save Romania from poverty; this is but a fairy tale. They will take the gold and leave the cyanide."ⁱ Adrian Nastase has sharply criticized Gabriel Resources Rosia Montana project on two previous occasions during 2003. His latest statement comes just over one month before national elections.
- With significant increases in capital costsⁱⁱ, a share price as low as Cdn\$1.20 during July/August 2004ⁱⁱⁱ, continued opposition^{iv}, delays including on-going difficulties in securing permits, Gabriel's decision to keep up the relocation and construction of a new village of Rosia Montana drew protests from analysts at its AGM in June 2004.^v
- Finding it increasingly difficult to meet operational costs Gabriel announced in August 2004 to have entered an agreement with Quest Capital Corp. for a Cdn\$6.5 million bridge debt financing facility for working capital purposes until November 30, 2004.^{vi} Having at the same time the need to secure long-term financing Gabriel entered in late August 2004 a 10 percent subscription agreement with Newmont Mining Corp. of Canada Limited a subsidiary of Newmont Mining Corp. (15,000,000 units at Cdn\$1.65 per unit).^{vii} According to Alex Sasso, vice-president and portfolio manager at Altamira Investment Services Inc. "Gabriel was down to just a few million left of cash, burning quite a bit per quarter."^{viii}
- Newmont claims to be satisfied that "environmental and social responsibility standards" are being met for the Rosia Montana development.^{ix} This is worth considering given that no gold mining project has to date been evaluated under the norms that will be applied for assessing the impact of Gabriel Resources Rosia Montana project; this amongst others, due to its 'transboundary' nature.^x
- Newmont has no operations within EU member states and the Environmental Impact Assessment (EIA) procedure for the Rosia Montana project alone has been estimated to take up to three years.^{xi}
- During August and September 2004 alone, Newmont experienced significant difficulties at numerous of its global operations.^{xii} In Turkey, Newmont's Ovacik mine was closed after the Turkish high court ruled that it had been operating under an illegal government decree for years. This decision calls into question the validity of the EIA for the Ovacik mine. In Indonesia, Newmont may face criminal charges for dumping thousands of tons of wastes containing arsenic, mercury, and other toxics into Buyat Bay on the island of North Sulawesi, site of the company's Minahasa Raya mine. Residents allege that toxic pollution from the mine has led to a decline in fish stocks in the bay, and contributed to skin disease, tumors, and birth defects among villagers. The Indonesian police have named Newmont a main suspect for causing the pollution in Buyat Bay and are completing their investigation of the company. They recently detained several executives of Newmont's Indonesian subsidiary, PT Newmont Minahasa Raya, for questioning about their possible involvement in the dumping and local villagers have sued Newmont for more than \$540 million in damages.^{xiii} In September 2004, the Peruvian government responding to local protests effectively rescinded a permit that would have allowed Newmont to expand its Yanacocha mining operation to nearby Mount Quilish. According to an article published in the *Denver Post*^{xiv}, a court case brought forward against Newmont by Peruvian villages regarding a mercury spill at the Yanacocha mine will now be heard at a US Court. In Cajamarca, Peru, more than 10,000 residents had gone on strike and gathered for several days in the town's main square to protest mining on Mount Quilish, a principal source of water for the area. In the state of Nevada in the US, Newmont lost a water permit allowing Newmont to discharge mine waste in violation of state environmental laws. Front page articles in international and American newspapers such as the *Financial Times* and the *New York Times* only confirm Newmont's increasing operating problems^{xv} caused by difficulties in obtaining community consent.
- **Valuation.** According to a research comment by RBC Capital Markets^{xvi} using a 5 percent discount rate the project's NPV (2005) is of \$600 million and IRR of 23 percent. A discount factor of 5 percent is inappropriate for assessing the NPV of a high risk project.^{xvii} A minimum of a 10 percent discount should be applied which takes the NVP from \$600 million down to \$320 million. Initial capital costs are likely to further increase for reasons that to date have been underestimated or even ignored. So far Gabriel Resources has not appraised investment costs and delays (including resettlement and environmental protection works).
- Current production costs estimates are low mainly because they exclude predictable price escalations following Romania's entry into the EU in 2007 (i.e. labor costs) as well as the country's commitment towards the privatization of sectors such as water, electricity, fuel etc.

Anticipating Surprise - Assessing Risk

October 2004

Introduction

Gabriel Resources Ltd. (TSX: GBU) is attempting to secure financing for its proposed open-pit gold mine in the Apuseni Mountains of western Romania. The proposed mine project has come under serious criticism from scientists, archeologists, economists, and environmental and human rights groups around the world due to a significant number of risks. This guide aims to inform investors about the most pertinent risks associated with the Rosia Montana gold project and to highlight some of the less evident factors that have an influence on GBU's share price.

The Proposal

Gabriel Resources Ltd. ('Gabriel') has established Rosia Montana Gold Corporation S.A. (RMGC), a Romanian incorporated company that holds the exploration concession title to the Rosia Montana project. Through a joint venture agreement, the state-owned enterprise, Minvest S.A., holds a 19.3 percent interest in RMGC. Other investors collectively hold 0.7 percent, and Gabriel Resources, Ltd. has an 80 percent interest with preemptive rights to the other 20 percent.^{xxviii}

The Mining Project

Plans for the 13Mt per annum mine project call for the densely inhabited valley of Rosia Montana to be turned into four open pit mines (totaling 722 hectares),^{xix} while the neighboring, equally inhabited Corna Valley would be converted into an unlined tailings pond covering an additional surface of 800-hectares.^{xx} Gabriel intends to employ the cyanide leaching method^{xxi} meaning that the tailings or heavy metal sludge will contain cyanide. The development would be situated along the so-called Aries River, which eventually flows into the Danube river; thus putting at risk neighboring countries such as Hungary, Bulgaria, Serbia, the Ukraine; this especially in the event of an accident.

The Deposit

Given the low grade of the deposit, which Gabriel estimates at 1.52 grams per ton for gold^{xxii}, the mine will be sensitive to market fluctuations, meaning that it could close temporarily, or prematurely, due to a drop in the price of gold. The low grade of the deposit also makes the project more susceptible to changes in gold recovery rate, changes between estimated and actual ore grade, or other operating assumptions that have been made in the economic calculations.^{xxiii} Rio Narcea/ Spain until recently considered developing the so-called Corcoesto heap-leach gold project. Metallurgical test results indicated 1.45 grams per ton for gold. The Corcoesto deposit is not a priority for Rio Narcea; this amongst others because "additional independent testing confirmed the lower recoveries thus indicating marginal returns for the project".^{xxiv} By comparison Rio Narcea's El Valle pit has a grade of 5.50 grams per ton for gold and the Carles Open Pit produces 4.08 grams per ton for gold.^{xxv}

Financial Risks

- The project's current production costs estimates are low mainly because they exclude predictable price escalations following Romania's entry into EU in 2007 (i.e. labor costs) as well as the country's commitment towards the privatization of sectors such as water, electricity, fuel etc.
- The project's capital costs now are at \$437million; ^{xxvi} compared to \$253million^{xxvii} in 2002. This latest estimate is largely based on a study completed in 2003. SNC Lavalin's Basic Engineering

Anticipating Surprise - Assessing Risk

October 2004

Study^{xxviii} shows an internal rate of return (IRR) at 20.4 percent, assuming gold price at 375 \$/oz, and 100 percent equity capital. With a corresponding net present value (NPV) at \$483 million (assuming 5 percent discount rate), it is not feasible for Gabriel to finance the whole project by raising 100 percent equity funds. In these conditions, Gabriel will need to obtain commercial financing at prevailing interest rates on the market for high risk investments. The financial cost of the project has not been accounted for, and could well bring the projected IRR down to 11 -12 percent. This is much too low for any mining project with such inherent risks. It is generally considered that the IRR should be above 40 percent for a mining project to be profitable.

- Investors should re-assess the risks as detailed in the 2004 'Renewal Annual Information Form' available on SEDAR.^{xxix}
- Gabriel Resources Ltd. is a junior mining company that has never operated or developed any type of mine.^{xxx} It was incorporated in 1997 for the Rosia Montana project, which was reportedly passed over by numerous mining companies.
- The project was initially scheduled to commence ore commissioning in May 2004.^{xxxi} To date there exist no definite feasibility study, no environmental impact assessment (the EIA was originally scheduled for submission in October 2002)^{xxxii} and Gabriel's difficulty in securing permits has added to considerable delays. In January 2004, the regional planning authority refused the granting of the Urbanistic Certificate, due to "significant dissimilarities between the documentation submitted by RMGC in order to obtain the Urbanistic Certificate and the Urbanistic Zoning Plan (PUZ) or RMGC's industrial development area."^{xxxiii} The regional authority thus asked for a new PUZ; a procedure that - under normal circumstances - is costly and takes considerable time.
- In order to develop the Rosia Montana project, Gabriel must acquire all necessary surface rights, which include the resettlement and relocation of a total of 2150 property owners.^{xxxiv} Gabriel is encountering considerable opposition from property owners,^{xxxv} which whilst adding to delays, are likely to never be resolved at all. This is indicated by the stagnation of Gabriel's resettlement and relocation program. The company's Second Quarter Project Update dated August 28, 2003 states that it had acquired "more than 30% of all necessary residential properties".^{xxxvi} The figure was at 38%^{xxxvii} in Gabriel Resources' First Quarter Corporate and Project Update dated May 12, 2004.
- The Orthodox, Catholic, Protestant and Unitarian Churches count amongst Rosia Montana's largest landowners in terms of surface. The refusal of Church authorities to surrender their properties to Gabriel Resources is official and definite.^{xxxviii}
- Investors should be clear about the meaning of Gabriel's claim that "over 95% of all required properties have now been surveyed."^{xxxix} The emphasis is 'surveyed' in terms of mapped.
- According to Gabriel "title to and the area of mining concessions may be disputed."^{xl}
- In April 2004, Gabriel launched the EIA procedure to obtain the environmental license for exploration works at the Rosia Montana deposit. Gabriel's proposal was contested and to date no permit has been granted.^{xli} Currently there are no exploration works at Rosia Montana.
- In July 2004 RMGC was fined by the regional county council for drilling and building access roads in unauthorized places situated in an area of Bucium known as Rodu-Frasin^{xlii} Currently there are no exploration works at Bucium; including Rodu-Frasin.

Anticipating Surprise - Assessing Risk

October 2004

- Gabriel had been in talks with the World Bank Group to secure 25 percent of the total funds for the project—\$100 million—through the International Finance Corporation (IFC), the private sector arm of the World Bank. In early October 2002, the IFC announced that it would not financially support the project.^{xliii} According to Bloomberg News, the IFC was concerned about the lack of planned pollution controls, revenue management, and the relocation of hundreds of residents. IFC Spokesperson Corrie Shanahan explained that “there were significant environmental and social issues connected with the project.”^{xliiv} Since the announcement major commercial banks have either refrained from getting involved or withdrawn their involvement. According to Merrill Lynch the volatility risk is high.^{xlv}
- There exist concerns regarding the volatility of Gabriel Resources management team. In general such issues can provoke delays and instability and in Gabriel's incidence they reflected on GBU's share price.^{xlvi} In April 2003, four members of Gabriel's senior management team resigned en-bloc.^{xlvii} One of them, Robin J. Hickson, President and Chief Operating Officer accused Gabriel and RMGC of improper corporate governance and management practices, including alleged illegal and unethical conduct by Gabriel and RMGC.^{xlviii} Significant shifts have also occurred on Gabriel Resources Board of Directors.^{xlix} This is worth considering in light of the on-going delays^l and given that the company has no experience in placing resource properties into production.^{li} For the year ended December 31, 2003 Gabriel incurred a loss of \$16.7million. Corporate, general and administrative expenses increased significantly primarily to two independent investigations and a \$2million severance payment made to Frank Vasile Timis, the company's controversial founder.^{lii}

Political Risks

- Adrian Nastase, Romania's Prime Minister has publicly criticized the project on three occasions. In a statement dated July 2003 he said: “Until now one has tended to hide the truth with regards to the Rosia Montana project. ... The truth is that this mining project is not a priority in the sense of obligatory for Romania, this ever more so in light of the fact that the environmental impact and associated risks for the whole region are far too high.”^{liiii} Adrian Nastase's latest statement is dated September 21, 2004. It goes as follows: “The point of view expressed has always been very clear, namely against this project. Regarding the claim that the Rosia Montana mining development will save Romania from poverty; this is but a fairy tale. They will take the gold and leave the cyanide.”
- In August 2004 Theodor Stolojan, the former President of Romania's Liberal Party, the strongest political opposition to the ruling party, declared that: “It is very sad that this project goes on in Romania in violation of the country's laws; that it is being let to advance without an environmental accord. My position is very clear: nobody can touch upon its nature and archeological treasures, which have to be preserved *in situ*.”^{liiv}
- In July 2004 Romania's highest scientific body, the Romanian Academy reaffirmed its opposition to Gabriel's project; requesting official authorities (presidency, parliament, government and the law courts) to analyze all aspects of the project with great attention.^{liv}
- According to Gabriel the report by the Special Joint Committee, which visited Rosia Montana in May 2003 to investigate the project for the Romanian parliament, “will be considered by both the Chamber of Deputies and the Senate upon Parliament's return from its summer recess in September and that the full Report will be made public at that time.”^{livi} To date the report has not

Anticipating Surprise - Assessing Risk

October 2004

been made public and the committee has been confronted with internal disputes. Parliament will now debate the subject in 2005 at the earliest - following the national elections.^{lvii}

- In November 2002, the Romanian Minister for the Environment set up a PHARE Commission to advise on the European Union (EU) procedures and conditions that Gabriel's environmental impact assessment (EIA) would need to meet. Releasing its findings in December 2003, the PHARE Commission confirmed amongst others, that the impact of Gabriel's project will be trans-boundary and that the Danube and Espoo Conventions therefore are applicable.^{lviii} Serbia, Bulgaria, Ukraine and Hungary will be consulted and can legally challenge the EIA under the Espoo Convention. Such challenges could take up considerable time until resolved.
- EU authorities are closely monitoring Rosia Montana with the European Parliament and the European Parliament's Committee for the Environment (EPCE) having made visits to Rosia Montana. In December 2003, Marie Isler-Béguin, Member of the European Parliament (MEP), and part of the EPCE's^{lix} fact-finding mission to Rosia Montana (lead by MEP Jonas Sjöstedt) said the following: "The EU Commission has the responsibility to ask the Romanian government to clearly commit itself to the enforcement of the laws with regards to the environment."^{lx} "The population here would like to stay and I am under the impression that a foreign company is hindering the functioning of local democracy,"^{lxi} she concluded.
- In an interview dated August 13, 2004 EU Commissioner for Environment, Margot Wallstrom declared: "The latest information we have from the Romanian authorities is that the request to start workings has been retrieved by Rosia Montana Gold Corporation. In case the request is renewed, it will be critically analyzed."^{lxii}
- The European Parliament's latest Country Report on Romania is dated March 2004.^{lxiii} It "draws attention in particular to the planned gold-mining project in Rosia Montana and demands that environmental impact assessments be carefully conducted to evaluate the risks involved; notably as regards potential cyanide contamination and rehabilitation after closure...(36)" and "expects projects initiated by the Romanian authorities before accession not to prejudge the effectiveness of EU environmental legislation upon Romania's accession to the EU (37)."
- On February 19, 2004 the EU's Foreign Affairs Committee sharply criticized the Romanian government for lack of progress in the transposition of EU environmental legislation. MEPs specifically mentioned the planned gold-mining project in Rosia Montana; demanding an environmental impact assessment.^{lxiv}
- In April 2004, Members of the European Parliament (MEP's) voted for a huge tightening of draft EU rules on cleaning up waste at existing and abandoned mining facilities. Rapporteur MEP Jonas Sjöstedt said mining spoil accounts for well over a quarter of EU waste and that the amendments would slow down the rate of accidents such as recent disasters in Spain and Romania. "Operators will now be forced to clean up sites once they have finished mining a particular area. Toxic lagoons in disused mines should now be a thing of the past,"^{lxv} he said. Amongst the parliament's key demands lies a bigger emphasis on waste prevention, stronger links to the EU water framework directive, more explicit mention of the need to avoid damaging protected areas, and more measures to prevent pollution from the flooding of underground mining "voids" and from temporarily removed topsoil.^{lxvi} In a separate vote, MEPs adopted a non-binding resolution on the World Bank's extractive industries' review.^{lxvii}

Anticipating Surprise - Assessing Risk

October 2004

- In June 2004, the Hungarian Minister for the Environment and Water declared: "The Hungarian government would be glad not to see this investment go ahead; because this is how all the risks would be completely eliminated."^{lxviii}

Legal Risks

Alburnus Maior is an NGO based in Rosia Montana. It represents the interest of over 350 families from Rosia Montana and 100 families from Bucium. Local property owners opposing the involuntary resettlement that Gabriel's project entails founded this association in September 2000. Alburnus Maior objects to Gabriel Resources' Rosia Montana mining proposal on social, environmental, cultural and economic grounds. In addition to Alburnus Maior members there exist further property owners refusing to leave.

- The involuntary resettlement/ relocation of people refusing to sell their properties risks to implicate the Romanian State with cases at Strasbourg's European Court for Human Rights. This could have implications, which at present have not been sufficiently evaluated.^{lxix}
- According to Romania's Constitution; Art 44(2) "the private property is guaranteed and protected by law, (3) No one can be expropriated except for a cause of public utility." Gabriel's Rosia Montana project is a commercial mining operation and thus does not constitute a public utility.^{lxx} And indeed, "in order to develop the Rosia Montana project, Gabriel must acquire all necessary surface rights, which will include the need to relocate and resettle the communities. Gabriel may encounter difficulties in acquiring proper titles to those surface rights," writes the project sponsor.^{lxxi}

Open cast mining at four pits and the construction of a tailings pond with a 180 meter high dam will seriously mutilate the region's landscape and contradicts European legislation (for example the European Landscape Convention ratified by Romania with law 451/2002; as well as EU directives No. 85/337/CC, 2001/42/CEE, 80/68/CEE, 94/43/EEC).

- Alburnus Maior has submitted a challenge to the cultural rapporteur of the Council of Europe, the later of which is responsible for promoting the European Landscape Convention. Alburnus Maior claims that several of Gabriel's preparatory works already violate the European Landscape Convention.^{lxxii} These violations concern the following:
 - The participation of the general public in the legal recognition of landscape and in the establishment and implementation of landscape policies;
 - The integration of landscape into spatial and urban planning;
 - The incorporation in spatial and urban planning policies of historical, geological and geomorphologic data and the cultural and natural heritage.

Gabriel's development will destroy the archaeological zone of *Alburnus Maior* (Rosia Montana's Roman name), Romania's oldest documented mining settlement. It is of great cultural value and has a unique character. The mining development thus contravenes the Convention on the Protection of World Cultural and Natural Heritage adopted at UNESCO's General Assembly on 16. November 1972 - transcribed into Romanian law with decree 187/1990; Governmental Order Nr. 43 dated January 30, 2000 regarding the protection of archaeological patrimony as well as National Law 5/2000 which declared Rosia Montana to be a protected zone.

- Amongst others, Alburnus Maior is legally contesting an archaeological discharge certificate granted in favor of Gabriel's project. According to the French mining archaeologists responsible for the excavations at Rosia Montana: "in Carnic, antic mining networks (from Dacian times, identified as such for the first time, and from Roman times as well) remain of a striking coherence and in a

Anticipating Surprise - Assessing Risk

October 2004

remarkable state of conservation....^{lxxiii} Without this archeological discharge certificate Gabriel will be unable to mine the so-called Carnic/Cirnic Massif; containing the highest concentration of gold.

In January 2000 a cyanide spill at Esmeralda's Aurul S.A. Baia Mare gold operation in northern Romania released some 100,000 tons of contaminated wastewater into the Tisza River, and eventually into the Danube—destroying 1,240 tons of fish and polluting the drinking water supplies of 2.5 million people.^{lxxiv}

- On July 8, 2004, the European Court of Human Rights accepted a legal challenge brought forward by a citizen of Baia Mare/ Romania against the Romanian government (Requete no. 67021/01). This challenge is likely to have an impact on the Rosia Montana mining project.^{lxxv} Amongst the questions the court requested the Romanian government to reply to are the following:
 - Which is the authority responsible for effectively assuring the citizen's right to life?
 - Do you consider that the employment of sodium cyanide in close proximity to inhabited settlements constitutes a direct risk to people's lives?
 - Which is the authority granting exploitation licenses for such mining projects and which are the specific conditions in the exploitation license for the use of sodium cyanide?

EU Council Directive 80/68/CEE of December 17, 1979 on ground water demands a zero percent of toxic waste (cyanide included but also: sulfur, arsenic, lead, mercury, copper, zinc, heavy metals, etc. and their byproducts) in ground water.

- Gabriel Resources' intends to employ the cyanide leaching method, meaning that the tailings will contain cyanide. Importantly the tailings will also contain sulfur, lead, iron, mercury, copper, zinc, heavy metals, etc. and their byproducts. Gabriel's Rosia Montana project is situated along groundwater sources and the tailings are to be placed in an unlined pond in a valley riddled with rivers and rivulets; situated close to the town of Abrud.^{lxxvi} According to *The Compatibility of the Rosia Montana Mining Project in Romania with the Principles and Norms of EU and EC Legislation* by Univ. Prof. Dr. Peter Fischer and Univ. Ass. Dr. Alina Lengauer, LL.M, Institute of European Law, Vienna, Austria, Gabriel's mine development thus contravenes EU Council Directive 80/68/CEE of 17 December 1979.^{lxxvii}

Environmental Risks

- Gabriel Resources Ltd. has still not completed any of the required environmental studies required by the Romanian government and the European Union.
- Gabriel's project proposes to transform the densely inhabited valley of Rosia Montana into four open-pit mines (totaling 722 hectares). By the end of mine life Corna Valley will be filled with 250 million tons of unconsolidated tailings covering a surface area of ~4 km long by ~2 km wide, contained by a rock-fill dam over 1 km long and 180m high.^{lxxviii} The tailings management facility (TMF) consists amongst others, of an unlined^{lxxix} basin.
- The ore grade at Rosia Montana is extremely low; Gabriel estimates it at 1.52 grams per ton for gold.^{lxxx} The ore would be processed using the cyanide-leaching method,^{lxxxi} which is controversial, because it has led to the contamination of rivers, streams and aquifers and to wildlife deaths and fish kills. If Gabriel Resources were to mine such low-grade ore using the cyanide process, the environmental consequences would likely be severe.

Anticipating Surprise - Assessing Risk

October 2004

- Romanian authorities currently lack the facilities to monitor the safe use of the cyanide and its by-products, and cannot guarantee that cyanide and heavy metals will not leak into the soil, rivers and groundwater.^{lxxxii}
- According to Professor John Monhemius who analyzed Gabriel's project as part of the PHARE Commission to advise on the European Union (EU) procedures and conditions that Gabriel's environmental impact assessment (EIA) would need to meet; this "is a very large mining operation. In full production about 26 million tons of ore and waste will be excavated per year or 500,000t/week. The tailings management facility (TMF) is sited immediately above the town of Abrud^{lxxxiii} - potential for catastrophic consequences in the event of failure."^{lxxxiv}
- Water will be recovered from the TMF for recycling to the process by pumps mounted on a barge floating on the tailing pond. This can cause serious operational problems in stormy weather or icy conditions. If the barge should sink, or otherwise become inoperable, then all pumping capacity will be lost. The massive surface areas of the TMF will likely lead to significant dust problems in dry weather. In view of the proximity of the town of Abrud, this problem is significant.^{lxxxv}
- Acid Mine Drainage (AMD) is the greatest potential environmental problem associated with mining.^{lxxxvi} According to Dr. Dave Chambers, geophysicist and Executive Director of the Center of Science in Public Participation an overall mean sulfur grade of 1.9 percent S has been calculated for the ore coming from all the deposits.^{lxxxvii} In general, material with sulfur grades greater than 1 percent S can be expected to produce metals as a result of AMD.^{lxxxviii}
- According to Dr. Chambers "We can assume that the sulfide content of the waste will be similar to that of the ore, and that there will be a significant potential for acid mine drainage in the waste rock."^{lxxxix} "AMD potential of the mineralization will require careful management of waste rock to minimize acid generation," concludes Prof. Monhemius.^{xc}
- The tailings alone "will contain 2 wt percent sulfur (in sulfide minerals). This is an AMD source which could last for decades, perhaps centuries (5 Mt SO)."^{xcii}
- "In the process, sulfide minerals are separated and then later mixed back into the tailings before disposal. This is bad practice. Sulfides should be treated separately and disposed into a special lined tailings dam, thus minimizing AMD potential,"^{xciii} concludes Monhemius.
- The project requires clear-cutting local forests to access the mine site, compounding the pollution threats with dangers of mudslides, flash floods, siltation of streams, and increased runoff.
- Closure costs for Rosia Montana were initially estimated at \$19.53 million^{xciii}, which did not include any costs for water treatment. According to Dr. Chambers costs for mines of a similar size in the United States have been in the \$30- \$60 million range; long- term water treatment costs could be an additional \$30- \$60 million.^{xciv}

Social risks

- In an interview with the Romanian Press in June 2002, Mr. Lificiu, the then Romanian minister for the Environment stated, "the Rosia Montana project will not receive approval unless it is accepted by the public, NGOs and the European Commission."^{xcv}

Anticipating Surprise - Assessing Risk

October 2004

- The campaign to save Rosia Montana has given rise to the largest civil society movement in modern-day Romania. It enjoys the support of some Romania's most prestigious NGOs and is aided by a great number Romanian environmental NGOs. It is also endorsed by experts and expert institutions, such as the Romanian Academy and Bucharest's Academy for Economic Studies; to name but two.^{xcvi}
- Given that Gabriel's project foresees the destruction of ten churches and nine cemeteries, Romania's churches have taken official positions; refusing to sell their properties in Rosia Montana.^{xcvii} The Orthodox Church, which is the country's largest, has in addition taken a strong position against Gabriel's project; and this because of the environmental, social and cultural destruction inherent to the realization of the development.^{xcviii}
- A poll made by Romania's 'Ziua' daily newspaper on April 4, 2004 showed that 92% of its readers oppose Gabriel's project.^{xcix} The widespread opinion is that this development embodies the worst corruption of the political class.
- According to a recent poll conducted on July 27, 2004 during prime-airing time on OTV a main Romanian TV channel, 94% of the callers expressed their opposition to Gabriel's project.
- During two weeks in June 2004 alone, Greenpeace CEE collected 25000 signatures; asking Adrian Nastase, Romania's Prime Minister, to put a halt to Gabriel's project.
- On the international front the campaign is supported by eminent environmental NGOs, including Friends of the Earth, Greenpeace, Earthworks, Bankwatch CEE and MiningWatch Canada.
- Given that Gabriel's project would destroy Romania's oldest documented mining settlement and with it unique archaeological treasures, numerous members of Romania's and the international archaeological community are opposing the development. Over 1000 archaeologists, classicists, historians and institutions have written in protest to Romania's minister for Culture.^c
- The International Committee for Monuments and Sites (ICOMOS), Unesco's^{ci} archaeological consultant, passed two resolutions (13th and 14th General Assembly) to warn about the threat Gabriel's project poses to Rosia Montana's archaeological treasures.^{cii}
- Gabriel claims that its operation will bring significant employment benefits to the region. However, labor requirements for mining and maintenance during mine life slowly rise peaking with 248 employees during optimal production (year 8) and decrease again thereafter.^{ciii} Salaried staff requirements including expatriates average 30 during mine life.^{civ}

Other Risks

- According to Berlin-based Transparency International, Romania is one of the world's most corrupt nations.^{cv} It ranked at 77 among 102 countries surveyed, scoring 2.8 on a scale of 1 to 10, with 1 being "most corrupt."^{cvii}
- Key Romanian persons that initiated the project and still may have a direct or indirect involvement in Gabriel Resources or RMGC have close connections with political and criminal milieus that are under investigation by the European Anti-Fraud Investigation Office (OLAF).^{cvii}

Anticipating Surprise - Assessing Risk

October 2004

- Ovidiu Tender, who has been investigated by OLAF, was until summer 2004 on Gabriel's Board of Directors. He is also implicated in an investigation concerning the attempt of a company called VGB Invest to take over Romania's oil sector. According to a recent article published in "Ziua", this company's aim is to drain Romania's oil market and to acquire as much as possible of it. These attempts have given rise to some of the country's most notorious scandals (i.e. privatisation of Oltchim, CAROM, RAFO Onesti) causing the Romanian economy damages in the amount of billions of dollars.^{cviii}
- Stephen Roman, who was one of the main actors behind the Oltchim privatization scandal in his function as Exall's president, today is a Director of European Goldfields and a financial consultant of Regal Petroleum.^{cxix} Both these companies were founded by Frank Vasile Timis who is also the founder of Gabriel Resources and a close partner of Ovidiu Tender.
- As late as 2003 Frank Vasile Timis was giving via Regal Petroleum Plc financial assistance to Gabriel Resources and European Goldfields^{cx}.
- Regal Petroleum itself enjoys a controversial past. It has been accused by Gazprom of Russia of cooperating with the Ukrainian mafia in stealing gas from its pipelines crossing the Ukraine.^{cxii} Frank Vasile Timis is the founder and executive chairman of Regal Petroleum.^{cxii}

Conclusion

Since initial presentation Gabriel Resources' Rosia Montana project has undergone changes, also reflected in the significant increase of initial capital costs. Investors should be aware that capital and production costs will at least be double the current estimates and that projected revenues are based on hazardous and unverified projections, both in terms of productions and prices.

At a time when the Rosia Montana mine development is far from having obtained all approvals Gabriel, in promoting a particular project with particular characteristics, is already carrying out important project related works whose financial burden are on the part of the shareholders.

Mitigation attempts tend to be conditioned by cost and effectiveness. EU legislation is changing in increasingly conditioning the quality of 'effectiveness'. Romania in being an EU accession country is no exception in having to implement EU legislation, including environmental, into domestic legislation. This in return will increase costs and poses risks investors may not be fully aware of; as was shown with the example of the recent EU Parliamentary vote on mining waste. Due to stringent EU regulations, any incident during the mine operations can lead to the immediate and definitive closure of the mine, in which case the return on equity for daring investors will be a huge disappointment.

The cases depicting Newmont's operating difficulties illustrate amongst other, that legal challenges based on social, environmental, cultural and health issues have the capacity to close or suspend workings of a mine. This brief lists some of the legal actions already challenging the Rosia Montana development.

The local, national and international coalition that has grown in opposition demonstrates the broad range of environmental, cultural, social etc. liabilities attached to the Rosia Montana project.

The price of an investment also tends reflect the risk involved. This might explain why in the case of Rosia Montana, Gabriel's decision to continue to relocate and build a new village of Rosia Montana drew protests from analysts at its AGM in June 2004.^{cxiii} Whilst these costs are unlikely to decrease, there exist property owners including Alburnus Maior members and the Churches refusing to sell at all. This poses significant risks; more than just in terms of time.

Investors should be aware that this project is unlikely to be approved by the Romanian authorities. But, as long as investors are willing to back this investment, unscrupulous officials will take advantage and insist on further conditions, investigations, research and bureaucratic paper work. This contributes to additional costs and delays for Gabriel. In addition to the notable increase in initial costs Gabriel's project is also significantly delayed; this amongst others due to the slow progress made in the authorization procedure.

The fact that the IFC has passed on this project illustrates more than just the significance of purely social and environmental factors towards the project's economic precariousness. As is the case with the relocation alone, this guide's aim has been to contribute to a better understanding of the complexities of risks attached to this mining development and investors should be extremely cautious of backing Gabriel Resources' Rosia Montana project.

Annex 1. Excerpts from EU's Report on Romania dated March 11, 2004^{cxiv}

1. ... becoming a member in 2007 would not be possible unless Romania fully implement the following: anti-corruption measures, especially addressing corruption at the political level and implementing anti-corruption laws; independence and functioning of the judiciary, especially limiting the powers of the Ministry of Justice and providing more resources to the judiciary; freedom of the media, especially taking decisive action against the harassment and intimidation of journalists and curbing the economic control of the media which has resulted in self-censorship;
3. ... demands that the government refrain from using emergency ordinances and use the normal channels of legislation through parliament which are designed to provide consultation, proper debate and effective parliamentary control;
4. ... calls on the authorities, however, to actually implement these laws and to open up their procedures;
7. ... is, however, concerned that in general the services within the administration responsible for corruption appear to be too passive in investigating such cases;
9. Asks the Commission to carry out a study of the working conditions and the security of journalists in Romania in order to assess the degree of freedom of the press.

36. [The EU Parliament] calls on Romania substantially to improve administrative capacity in the area of environment where legislative alignment is quite advanced but enforcement remains inadequate; draws attention in particular to the planned gold-mining project in Rosia Montana and demands that environmental impact assessments be carefully conducted in order to evaluate the risks involved, notably as regards potential cyanide contamination and rehabilitation after closure;
37. Expects projects initiated by the Romanian authorities before accession not to prejudge the effectiveness of EU environmental legislation upon Romania's accession to the EU

Anticipating Surprise - Assessing Risk

October 2004

References

- ⁱ *Guvernul pune cruce investitiei de la Rosia Montana*, Adrian Horincar, Curentul, Anul VIII, Serie noua, Nr 222 (2009), September 24, 2004; www.curentul.ro/curentul.php?numar=20040924&cat=1&subcat=100&subart=4996, *Nastase, pe fata impotriva proiectului Rosia Montana*, Ziar.com, www.ziar.com/stiri/040922-Ro-10.html and *They will take the gold and leave the cyanide*, www.rosiamontana.org, 'press' section, September 23, 2004.
- ⁱⁱ See www.gabrielresources.com/s/RosiaMontanaProject.asp?ReportID=70115, *SNC Lavalin Basic Engineering Study*.
- ⁱⁱⁱ See www.tsx.com and www.gabrielresources.com/s/StockInfo.asp
- ^{iv} See www.rosiamontana.org
- ^v *Rosia Montana Setback mauls Gabriel Stock*, Dorothy Kosich, May 14, 2004; www.mineweb.net/sections/junior_mining/322953.htm
- ^{vi} See *Second Quarter Corporate and Project Update*, August 13, 2004 on www.gabrielresources.com/s/News-2004.asp?ReportID=86472&_Type=News-Releases-2004&_Title=SECOND-QUARTER-CORPORATE-AND-PROJECT-UPDATE
- ^{vii} Ibid.
- ^{viii} *Gabriel Resources stock soars after \$24.75M private placement with Newmont*, John Valorzi, August 30, 2004; www.canadaeast.com/apps/pbcs.dll/article?AID=/20040830/CPB/37531023
- ^{ix} *Spurred by Illness, Indonesians Lash Out at U.S. Mining Giant – 'Troubled Mines'*, Jane Perlez and Evelyn Rusli, The New York Times, September 8, 2004 on www.nytimes.com/2004/09/08/international/asia/08indo.html?ex=1095647238&ei=1&en=0a394bed70cd56d2
- ^x In December 2003 a PHARE study laying out the EU norms applicable for assessing Gabriel's Rosia Montana project was released by the Romanian Ministry for the Environment and Waters. Access on www.rosiamontana.org/documents/english/press/effectively.htm
- ^{xi} See www.rosiamontana.org/documents/english/press/noproject062004.htm
- ^{xii} *Spurred by Illness, Indonesians Lash Out at U.S. Mining Giant*, Jane Perlez and Evelyn Rusli, The New York Times, September 8, 2004 on www.nytimes.com/2004/09/08/international/asia/08indo.html?ex=1095647238&ei=1&en=0a394bed70cd56d2
- ^{xiii} *Newmont president director named suspect in Buyat case*, Abdul Khalik, The Jakarta Post, September 21, 2004.
- ^{xiv} *Newmont allows US Court to hear Peru toxic-spill suit*, Michael Riley and Greg Griffin, Denver Post, September 30, 2004.
- ^{xv} www.nytimes.com/2004/09/08/international/asia/08indo.html?ex=1095647238&ei=1&en=0a394bed70cd56d2
www.rockymountainnews.com/drmn/business/article/0,1299,DRMN_4_3166781,00.html
www.boston.com/news/globe/editorial_opinion/editorials/articles/2004/09/13/poison_control/
www.denverpost.com/Stories/0,1413,36~33~2399565,00.html and
Indonesian Pollution Battle Poisons Investment Climate, Shawn Donnan and Taufan Hidayat, Financial Times, October 1, 2004.
- ^{xvi} *Gabriel Closes Financing with Newmont*, Paul Burchell, Research Comment, RBC Capital Markets, September 9, 2004.
- ^{xvii} Please note that RBC provides investment banking services for both Newmont Mining Corp and Gabriel Resources.
- ^{xviii} See www.gabrielresources.com/s/OrganisationChart.asp
- ^{xix} *Rosia Montana Project Description*, 30. September 2002; G2856: RMGC. Project desc.doc. on www.rosiamontana.org/documents/pdf/textProjectDescription-2.pdf
- ^{xx} *"Rosia Montana Project Technical Issues – Highlights"*, Professor John Monhemius, Royal School of Mines, Imperial College London; Scoping Workshop, Marriott Hotel, Bucharest, November 28, 2003.
- ^{xxi} *Rosia Montana Project Description*, September 30, 2002; G2856: RMGC Project desc.doc. on www.rosiamontana.org/documents/pdf/textProjectDescription-2.pdf
- ^{xxii} www.gabrielresources.com/s/RosiaMontanaProject.asp?ReportID=72281, click 'Resources/Reserves'
- ^{xxiii} David Chambers, *"Comments on RMGC's Rosia Montana Definitive Feasibility Study"*, September 18, 2002, www.rosiamontana.org/documents/pdf/Project%20Description%20Comments.pdf; David Chambers, *"Technical Comments on the Rosia Montana Feasibility Study and Rosia Montana Project Description"*, January 13, 2003, www.rosiamontana.org/resources section – 'documents' subsection.
- ^{xxiv} *Rio Narcea 2003 Annual Report*, page 15, www.rionarcea.com/i/pdf/2003AR.pdf
- ^{xxv} See www.rionarcea.com/s/Reserves.asp
- ^{xxvi} See www.gabrielresources.com/s/RosiaMontanaProject.asp?ReportID=70115, *SNC Lavalin Basic Engineering Study*.
- ^{xxvii} See www.mineweb.net/sections/gold_silver/75057.htm
- ^{xxviii} See www.gabrielresources.com/s/RosiaMontanaProject.asp?ReportID=70115, *SNC Lavalin Basic Engineering Study*.
- ^{xxix} Gabriel Resources 2004 *Renewal Annual Information Form* at www.sedar.com/csfsprod/data44/filings/00628827/00000001/j%3A%5CTor_Data%5C2004%5CLegal%5CFilings%5CSEDA%5CAIF%5C2004RenewalAIF.pdf
- ^{xxx} Ibid.
- ^{xxxi} Rosia Montana Gold Corporation (RMGC), Minproc, *"Rosia Montana Definitive Feasibility Study"*, p.115.

Anticipating Surprise - Assessing Risk

October 2004

- ^{xxxii} Visit the Romanian Ministry for the Environment and Water 'Rosia Montana' section in English on www.mappm.ro/legislatie/rosiamontana.html
- ^{xxxiii} Letter by the Alba County Council/ Planning Division to RMGC; Reference No. 533, dated January 23, 2004.
- ^{xxxiv} Gabriel Resources 2004 *Renewal Annual Information Form* at www.sedar.com/csfsprod/data44/filings/00628827/00000001/j%3A%5CTor_Data%5C2004%5CLegal%5CFilings%5CSEDA%5CAIF%5C2004RenewalAIF.pdf
- ^{xxxv} The international press has extensively covered the subject; including statements made by property owners. Please visit the 'press' section on www.rosiamontana.org. Also read the statement by *Alburnus Maior* to GBU shareholders July 17, 2003 on www.rosiamontana.org/documents/english/press/amstatement.htm
- ^{xxxvi} www.gabrielresources.com/s/News-2003.asp?ReportID=68165&_Type=News-Releases-2003&_Title=Second-Quarter-Project-Update
- ^{xxxvii} www.gabrielresources.com/s/News-2004.asp?ReportID=80498&_Type=News-Releases-2004&_Title=First-Quarter-Corporate-and-Project-Update
- ^{xxxviii} For the official declaration visit the Orthodox's Church's website and access the *Sfintul Sinod* press release No.4457 of November 12, 2003 at www.patriarhia.ro/hotararisinod.htm or contact E-mail: patriarhia.presa@dnt.ro Also visit *Romania's latest Gabriel Resources Rebel: The Orthodox Church*, November 12, 2003 on www.rosiamontana.org/documents/english/press/sinodrelease.htm and www.ziua.ro/q.php?data=2004-04-05
- ^{xxxix} *First Quarter Corporate Update*, May 12, 2004, www.gabrielresources.com/s/News-2004.asp?ReportID=80498&_Type=News-Releases-2004&_Title=First-Quarter-Corporate-and-Project-Update
- ^{xl} Gabriel Resources 2004 *Renewal Annual Information Form* at www.sedar.com/csfsprod/data44/filings/00628827/00000001/j%3A%5CTor_Data%5C2004%5CLegal%5CFilings%5CSEDA%5CAIF%5C2004RenewalAIF.pdf
- ^{xli} *Drilling on RMGC's last nerve*, April 16, 2004 on www.rosiamontana.org or directly via www.rosiamontana.org/documents/english/press/lastdrill042004.htm For the reply of the County's Environmental Protection to citizens' written challenges regarding the EIA procedure visit www.apm-alba.ro/Rosia_Montana/raspuns_06iulie2004.htm
- ^{xlii} *About those positive drilling results*, July 28, 2004, www.rosiamontana.org/documents/english/posdrill2004.htm. For Romanian press coverage on the fine visit www.evz.ro/transilvania/?news_id=161781
- ^{xliii} Neil King Jr., "*Romanian Gold-Mine Loan is Blocked by Wolfensohn*", Wall Street Journal, 11 October 2002. http://online.wsj.com/article_print/0,,SB1034285853548371156,00.html
- ^{xliv} Bloomberg News, October 11, 2002, "*World Bank halts talks on Gabriel's Romanian Mine*" on www.rosiamontana.org/documents/english/press/bloomberg.htm
- ^{xlv} Merrill Lynch, February 26, 2003, RC#20105754
- ^{xlvi} See www.tsx.com and www.gabrielresources.com/s/StockInfo.asp
- ^{xlvii} *Gabriel Resources' management team: High Volatility*, April 12, 2003 on www.rosiamontana.org/documents/english/press/volatility.htm as well as the subsequent press release by Gabriel Resources; *Management Reorganization*, April 14, 2003 on www.gabrielresources.com/s/News-2003.asp?ReportID=68158&_Type=News-Releases-2003&_Title=MANAGEMENT-REORGANIZATION
- ^{xlviii} *Second Quarter Project Update*, August 28, 2003 on www.gabrielresources.com/s/News-2004.asp?ReportID=86472&_Type=News-Releases-2004&_Title=SECOND-QUARTER-CORPORATE-AND-PROJECT-UPDATE
- ^{xlix} I.e. the controversial Romanian businessman Ovidiu Tender is not any more listed on Gabriel's Board of Directors since summer 2004, see www.gabrielresources.com/s/CorporateDirectory.asp
- ^l *First Quarter Corporate and Project Update*, May 12, 2004 on www.gabrielresources.com/s/News-2004.asp?ReportID=80498&_Type=News-Releases-2004&_Title=First-Quarter-Corporate-and-Project-Update
- ^{li} Gabriel Resources 2004 *Renewal Annual Information Form* at www.sedar.com/csfsprod/data44/filings/00628827/00000001/j%3A%5CTor_Data%5C2004%5CLegal%5CFilings%5CSEDA%5CAIF%5C2004RenewalAIF.pdf
- ^{lii} *Ibid.*
- ^{liii} *Romania's latest Gabriel Resource Rebel: Prime Minister Adrian Nastase*, July 5, 2003 on www.rosiamontana.org/documents/english/press/nastasepr.htm
- ^{liiv} See www.formula-as.ro/articol.php?nrrev=631&&idart=5560&&numecap=Spectator&&cc=Rosia%20Montana
- ^{liv} *Romania's insistent Gabriel Resource Rebel: The Romanian Academy*, July, 16 2004 on www.rosiamontana.org, www.rosiamontana.org/documents/english/romacad2.htm and www.rosiamontana.org/photos/Academie_RMfin1.jpg
- ^{lvi} See www.gabrielresources.com/s/News-2003.asp?ReportID=68162&_Type=News-Releases-2003&_Title=Rosia-Montana-Project-Positive-Romanian-Parliamentary-Commission-Report
- ^{lvii} "*Parliament doesn't have time for Rosia Montana*", Ziua, April 27, 2004 at www.ziua.ro/display.php?id=11600&data=2004-04-27
- ^{lviii} The English and Romanian PHARE Manuals for the Rosia Montana EIA procedure are included in *Gabriel's Rosia Montana Project: Effectively Dead*, February 19, 2004 on www.rosiamontana.org/documents/english/press/effectively.htm

Anticipating Surprise - Assessing Risk

October 2004

- ^{lix} The European Parliament's Committee for the Environment
- ^{lx} *Gabriel's Rosia Montana gold mining project: An obstacle to EU accession*, December 12, 2004 on www.rosiamontana.org/documents/english/press/prEuparl2003.htm
- ^{lxi} Ibid.
- ^{lxii} See www.ngo.ro/rosiamontana/masmediaro.shtml?AA_SL_Session=c5f685451286f6e679dc96caf19d49c2&x=18172)
- ^{lxiii} See www3.europarl.eu.int/omk/omnsapir.so/pv2?LISTING=AfficheTout&PRG=CALDOC&FILE=20040311&LANGUE=EN&TPV=PROV
- ^{lxiv} A summary of the European Parliament's Foreign Policy Committee's Report on the progress in fulfilling the political criteria for EU membership is included in *Gabriel's Rosia Montana Project: Effectively Dead*, February 19, 2004 on www.rosiamontana.org/documents/english/press/effectively.htm
- ^{lxv} *Parliament demands mine waste crack-down*, Environment Daily, April 2004, www.environmentdaily.com/articles/index.cfm?action=article&ref=16411
- ^{lxvi} Ibid.
- ^{lxvii} Ibid.
- ^{lxviii} See www.rosiamontana.org/documents/english/press/noproject062004.htm
- ^{lxix} *Romania's insistent Gabriel Resource Rebel: The Romanian Academy*, July, 16 2004 on www.rosiamontana.org/documents/english/romacad2.htm
- ^{lxx} *The Compatibility of the Rosia Montana Mining Project in Romania with the Principles and Norms of EU and EC Legislation* by Univ. Prof. Dr. Peter Fischer and Univ. Ass. Dr. Alina Lengauer, LL.M, Institute of European Law, Vienna, Austria can be downloaded on www.rosiamontana.org/documents/pdf/rosia_montana_expert_engl.pdf
- ^{lxxi} Gabriel Resources 2004 *Renewal Annual Information Form*, p.32 at www.sedar.com/csfsprod/data44/filings/00628827/00000001/j%3A%5CTor_Data%5C2004%5CLegal%5CFilings%5CSEDAR%5CAIF%5C2004RenewalAIF.pdf
- ^{lxxii} http://campanii.ngo.ro/rosiamontana/Eugen_David_presentation_to_the_EC.doc
- ^{lxxiii} *Communique from the UMR 5608 (UTAH, Unit6 Mixte de Recherche CNRS-Le Mirail University of Toulouse -Ministry of Culture)*, Toulouse, France; February 4, 2003 on www.rosiamontana.org/archaeology section.
- ^{lxxiv} For a comprehensive collection of data, see www.mineralresourcesforum.org/incidents/BaiaMare/
- ^{lxxv} See "*Gold Corporation shows tiredness and desperation signs*" in Curierul National no. 619 at www.curierulnational.ro/?page=articol&editie=619&art=45367;
- ^{lxxvi} The town of Abrud has a population of approximately 13000.
- ^{lxxvii} *The Compatibility of the Rosia Montana Mining Project in Romania with the Principles and Norms of EU and EC Legislation* by Univ. Prof. Dr. Peter Fischer and Univ. Ass. Dr. Alina Lengauer, LL.M, Institute of European Law, Vienna, Austria can be downloaded on www.rosiamontana.org/documents/pdf/rosia_montana_expert_engl.pdf
- ^{lxxviii} "*Rosia Montana Project Technical Issues – Highlights*", Professor John Monhemius, Royal School of Mines, Imperial College London; Scoping Workshop, Marriott Hotel, Bucharest, November 28, 2003
- ^{lxxix} *Rosia Montana Project Description*, p. 25, September 30, 2002, www.rosiamontana.org/documents/pdf/textProjectDescription-2.pdf
- ^{lxxx} www.gabrielresources.com/s/RosiaMontanaProject.asp?ReportID=72281, click 'Resources/Reserves'
- ^{lxxxi} *Rosia Montana Project Description*, September 30, 2002 www.rosiamontana.org/documents/pdf/textProjectDescription-2.pdf
- ^{lxxxii} *Toxic River Spill at Baia Borsa*, Reuters, Bucharest, September 5, 2004; *New contamination of the Aries*, Budapest, September 12, 2004, www.jobbik.hu/veszprem/index.php?oldal=hir&hirkat_id=6&hir_id=2129, *New spill at Aries*, Budapest, September 14, 2004, www.hirek.ro/news.php?id=5310
- ^{lxxxiii} The Town of Abrud has a population of approximately 13000.
- ^{lxxxiv} "*Rosia Montana Project Technical Issues – Highlights*", Professor John Monhemius, Royal School of Mines, Imperial College London; Scoping Workshop, Marriott Hotel, Bucharest, November 28, 2003.
- ^{lxxxv} Ibid.
- ^{lxxxvi} AMD occurs when sulfide minerals are exposed to air and water. This causes the sulfide minerals, which are unstable in a surface environment, to break down into a weak hydrosulfuric acid, while simultaneously making the metals in the sulfides available for mobilization in the water.
- ^{lxxxvii} David Chambers, "*Comments on RMGC's Rosia Montana Definitive Feasibility Study*", September 18, 2002, www.rosiamontana.org/documents/pdf/Project%20Description%20Comments.pdf; David Chambers, "*Technical Comments on the Rosia Montana Feasibility Study and Rosia Montana Project Description*", January 13, 2003, www.rosiamontana.org/resources section – 'documents' subsection.
- ^{lxxxviii} Ibid.
- ^{lxxxix} Ibid.
- ^{xc} "*Rosia Montana Project Technical Issues – Highlights*", Professor John Monhemius, Royal School of Mines, Imperial College London; Scoping Workshop, Marriott Hotel, Bucharest, November 28, 2003.

Anticipating Surprise - Assessing Risk

October 2004

^{xc} Ibid.

^{xcii} Ibid.

^{xciii} Rosia Montana Gold Corporation (RMGC), “*Rosia Montana Definitive Feasibility Study*”, Table 1.1.1, p. 5. According to the SNC- Lavalin *Basic Engineering Study - 30MB* (www.gabrielresources.com), February 24, 2003, p11-3: “A draft Closure Plan document was prepared and submitted for RMGC review in early July 2002. No further work was conducted on this document following RMGC direction later in July 2002 to also stop all work on the Closure Plan, and assign the task to others.”

^{xciv} David Chambers, “*Comments on RMGC’s Rosia Montana Definitive Feasibility Study*”, September 18, 2002, www.rosiamontana.org/documents/pdf/Project%20Description%20Comments.pdf; David Chambers, “*Technical Comments on the Rosia Montana Feasibility Study and Rosia Montana Project Description*”, January 13, 2003, www.rosiamontana.org ‘resources’ section – ‘documents’ subsection.

^{xcv} Ion Longin Popescu, *Interview with Petru Lificiu*, “*Formula AS*,” No. 522, July 18, 2002. Access on www.formula-as.ro/articol.php?nrrev=522&&idart=3405&&numecap=Spectator&&cc=Rosia%20Montana

^{xcvi} See www.rosiamontana.org

^{xcvii} *Churches stand against Gabriel Resources Rosia Montana gold mining project*, October 30, 2002 on www.rosiamontana.org/documents/english/press/churchPR.htm

^{xcviii} For the official declaration visit the Orthodox’s Church’s website and access the *Sfintul Sinod* press release No.4457 of November 12, 2003 at www.patriarhia.ro/hotararisinod.htm or contact E-mail: patriarhia.presa@dnt.ro Also visit *Romania’s latest Gabriel Resources Rebel: The Orthodox Church*, November 12, 2003 on www.rosiamontana.org/documents/english/press/sinodrelease.htm and www.ziua.ro/q.php?data=2004-04-05

^{xcix} See www.ziua.ro/q.php?data=2004-04-05

^c *How many more experts will it take?*, April, 25 2003 on www.rosiamontana.org/documents/english/press/experts1000.htm

^{ci} United Nations’ Educational, Scientific and Cultural Organization

^{cii} see www.rosiamontana.org ‘Archaeology’ section and www.international.icomos.org/risk/2002/romania2002.htm, www.international.icomos.org/madrid2002/eng/resol_eng.htm

^{ciii} *Executive Summary of Mine Plan, Mine Capital and Operating Costs* prepared by ‘Independent Mining Consultants’, September 2003 on www.gabrielresources.com/li/pdf/IMCSummary.pdf

^{civ} Ibid.

^{cv} See www.transparency.org/pressreleases_archive/2002/2002.08.28.cpi.en.html

^{cvi} Ibid.

^{cvi} “*The oil conspiracy – Talpes, Tender, Timis*”, *Jurnalul National*, June 3, 2004 mentioning Timis as still active with Rosia Montana; *The RAFO trick*, *Jurnalul National*, June 29, 2004 connecting Timis and Tender with the “Bacau group”; and *The Bacau white collar Mafia*, *Evenimentul Zilei*, May 28, 2004 mentioning the Bacau group under investigation of Anti-Fraud European Office. Direct sources:

www.expres.ro/topstory/?news_id=155993&PHPSESSID=610f404ef854c9fa2301a22629d1ad04

www.expres.ro/topstory/?news_id=156254 and

www.jurnalul.ro/modules.php?op=modload&name=News&file=article&sid=6104

www.jurnalul.ro/modules.php?op=modload&name=News&file=article&sid=7961

^{cviii} *Reteaua Nufarul*, Petre Niteanu, *Dezvaluiri*, *Ziua*, September 23, 2004. See www.ziua.net/display.php?id=26549&data=2004-09-23&keyword=vgb+nufarul+marian+iancu+ovidiu+tender+rafo

^{cix} *Reteaua Nufarul*, Petre Niteanu, *Dezvaluiri*, *Ziua*, September 23, 2004. See www.ziua.net/display.php?id=26549&data=2004-09-23&keyword=vgb+nufarul+marian+iancu+ovidiu+tender+rafo

^{cx} *Conspiratia Petrolului - Timis-Tender-Talpes*, Paul Cristian Radu, *Jurnalul National*, June 3, 2004, See

www.jurnalul.ro/modules.php?op=modload&name=News&file=article&sid=6104

^{cx} *Reteaua Nufarul*, Petre Niteanu, *Dezvaluiri*, *Ziua*, September 23, 2004. See

www.ziua.net/display.php?id=26549&data=2004-09-23&keyword=vgb+nufarul+marian+iancu+ovidiu+tender+rafo

^{cxii} www.regalpetroleum.com

^{cxiii} *Rosia Montana Setback mauls Gabriel Stock*, Dorothy Kosich, May 14, 2004;

www.mineweb.net/sections/junior_mining/322953.htm

^{cxiv} The full report can be accessed on

www3.europarl.eu.int/omk/omnsapir.so/pv2?LISTING=AfficheTout&PRG=CALDOC&FILE=20040311&LANGUE=EN&TPV=PROV