Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides a commentary to enable a reader to assess material changes in the financial condition and results of operations of Gabriel Resources Ltd. ("Gabriel" or the "Company") as at and for the three-month and six-month periods ended June 30, 2016 and 2015.

The MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto of the Company as at and for the three-month and six-month periods ended June 30, 2016 and 2015 ("Financial Statements"). These Financial Statements have been prepared in condensed format in accordance with International Financial Reporting Standards ("IFRS") as applicable to the preparation of interim financial statements, including International Accounting Standard IAS 34 ('Interim Financial Reporting'). The Financial Statements should be read in conjunction with the audited consolidated financial statements and notes thereto of the Company as at and for the year ended December 31, 2015, which have been prepared in accordance with IFRS. All amounts included in the MD&A are in Canadian dollars ("$"), unless otherwise specified. This report is dated as of July 29, 2016, and the Company's public filings, including its most recent Annual Information Form, can be reviewed on the SEDAR website (www.sedar.com).

Overview

Gabriel is a Toronto Stock Exchange listed Canadian resource company. The Company's principal focus has been the exploration and development of the Roșia Montană gold and silver project in Romania (the "Project"). The exploitation license for the Project ("License") is held by Roșia Montană Gold Corporation S.A. ("RMGC"), a Romanian company in which Gabriel owns an 80.69% equity interest, with the 19.31% balance held by Minvest Roșia Montană S.A. ("Minvest RM"), a Romanian state-owned mining company.

Upon obtaining the License in 1999, RMGC along with Gabriel and its subsidiary companies (together the "Group") focused substantially all of their management and financial resources on identifying and defining the size of the four ore bodies, engineering to design the size and scope of the Project, surface rights acquisitions, rescue archaeology and environmental assessment and permitting. Despite the Company's fulfilment of its legal obligations and its development of the Project as a high-quality, sustainable and environmentally-responsible mining project, using best available techniques, Romania has blocked and prevented implementation of the Project without due process and without compensation.

On July 21, 2015, the Company and its wholly-owned subsidiary, Gabriel Resources (Jersey) Ltd. (together "Claimants"), filed a request for arbitration ("Arbitration Request") before the World Bank's International Centre for Settlement of Investment Disputes ("ICSID") against the Romanian State pursuant to the bilateral investment protection treaties which the Romanian Government has entered into with each of the Government of Canada and the Government of the United Kingdom of Great Britain and Northern Ireland for the Promotion and Reciprocal Protection of Investments (together the "Treaties") ("ICSID Arbitration"). The Arbitration Request was registered by ICSID on July 30, 2015, and the presiding tribunal for the ICSID Arbitration ("Tribunal") was constituted on June 21, 2016.

Whilst the Company's primary objective has always been the development of the Project to operational status, in the continued absence of any engagement by the Romanian State, the ICSID Arbitration is now the core focus of the Company.

ICSID Arbitration

For over fifteen years, in reliance on numerous representations made and actions taken by the Romanian authorities, Gabriel invested over US$650 million to develop the Project in accordance with all applicable laws, regulations, licenses, and permits. Having encouraged Gabriel's investment in the Project, as well as reasonable expectations that the Project would be evaluated on its merits, Romania has frustrated and prevented implementation of the Project, and ultimately abdicated the responsibility to make decisions on the permitting of the Project in contravention of the applicable legal framework. At the same time, Romania has required Gabriel to expend significant amounts through RMGC on mining activities and fees and taxes in relation to the License and associated property rights.

The Romanian State's treatment of Gabriel and its investments in Romania is incompatible with Romania's obligations as established under the Treaties and gives rise to multiple claims by Gabriel under those Treaties. Romania's violations of the Treaties in its actions towards RMGC, Gabriel and their investments have caused very substantial losses and damage to Gabriel.

Status of the ICSID Arbitration

The ICSID Arbitration seeks compensation for all of the loss and damage resulting from the Romanian State's wrongful conduct and its breaches of the Treaties' protections against expropriation, unfair and inequitable treatment and discrimination in respect of the Project and the related licenses, as discussed further below.

The Tribunal consists of the following arbitrators: Ms. Teresa Cheng as President of the Tribunal (a Chinese national appointed by the Secretary-General of ICSID), Dr. Horacio Grigera Naón (an Argentinian national appointed by the Claimants); and Mr. Zachary Douglas (an Australian national appointed by Romania).

The Tribunal has scheduled the first session with the parties for August 12, 2016 at which time the Tribunal will likely address, among other things, the procedural calendar for the ICSID Arbitration.

The Tribunal will consider, in due course, requests for provisional measures recently submitted to the Tribunal by the Claimants relating to (i) the use by Claimants, their counsel and the Tribunal, among others, of certain categories of documents and information considered classified and/or confidential by Romania and (ii) various aspects of the VAT assessment and a purported anti-fraud investigation of RMGC undertaken by Romanian authorities, described below.

RMGC Investigations

Recently, RMGC has been subjected to audits and investigations by Romanian authorities operating under the Ministry of Public Finance, which is also charged with organizing and overseeing the defense of Romania in the ICSID Arbitration. The main investigations have taken the form of a value added (purchase sales) tax ("VAT") audit and a purported anti-fraud investigation. Gabriel considers that such audits and investigations are biased, are abusive in scope, and/or execution, and particularly with respect to the anti-fraud investigation, have been initiated by the Romanian State in reaction to the ICSID Arbitration. These investigations are in addition to the impact on RMGC of the PPPO investigation into the Kadok Group (all as discussed further below under '*Other Legal Proceedings*').

On October 12, 2015, the National Agency for Fiscal Administration ("ANAF") initiated an unannounced, ad hoc investigation of transactions RMGC has had with various suppliers. RMGC has not received any formal notification of the purpose or scope of the investigation. Such investigation has required RMGC to provide voluminous amounts of information in respect of RMGC suppliers and respective transactions, particularly over the period 2007 to 2014, but has also included substantial amounts of documents and information dating back to 1997. Following ANAF's initial requests in October 2015, a period of approximately 6 months elapsed before, on April 21, 2016, ANAF again requested significant volumes of further supplier information. RMGC has been co-operating fully with ANAF. As of the date of this MD&A, there has been no report from ANAF to RMGC regarding the purpose or findings of this investigation.

On March 14, 2016, RMGC received a tax inspection notice from ANAF advising of the initiation of an audit primarily covering tax declarations in respect of VAT that RMGC has reclaimed over the period July 1, 2011 through January 31, 2016. Following RMGC's compliance with extensive information requests from ANAF, on July 7, 2016, RMGC received a final report from ANAF (the "Report") challenging the legitimacy of the reclaim of VAT by RMGC in respect of multiple suppliers of services related to public relations, advertising, promotion and consultancy advice. This challenge directly conflicts with 18 previous VAT audits into RMGC conducted by ANAF from January 2007 to June 2011, where the reclaim by RMGC of such VAT for the same types of activity, in many cases with the identical suppliers, had not been challenged.

The Report establishes the VAT assessment on RMGC amounting to approximately RON 27 million (approximately $8.6 million) to which may be added associated penalties and interest. Prior to finalization of the Report, RMGC responded in writing to preliminary conclusions received from ANAF, noting among other things the lack of basis in Romanian tax law, inconsistency with prior audits conducted by the same body and, overall, its fundamental disagreement with the preliminary conclusions. The Report notes RMGC's disagreement, but does not change ANAF's conclusions. RMGC intends to challenge vigorously the VAT assessment in Romania through appropriate administrative and legal means. Gabriel understands that the Romanian authorities have expressed their intention to take measures to enforce the VAT assessment against RMGC assets in Romania and already are taking steps to do so. Gabriel and RMGC intend to pursue options to seek a stay of such enforcement pending RMGC's challenge to the underlying VAT assessment, including through the above-mentioned provisional measures.

Financing Arrangements

In order to strengthen and improve the financial position of the Company and to provide funding to pursue the ICSID Arbitration, and for general working capital purposes, the Company closed the following transactions during the course of 2016, raising aggregate gross proceeds of $60.625 million:

- On May 11, 2016, the Company (i) closed a $20 million non-brokered private placement with a number of existing investors and (ii) completed an amendment to the terms of securities issued by the Company in June 2014 and held by certain existing security holders (together the "May 2016 Transactions").

- On July 14, 2016, the Company closed a non-brokered private placement with Enescu Investments, LLC, an entity managed by Tenor International & Commercial Arbitration Fund, L.P. ("Tenor") and Kopernik Global Investors, LLC, on behalf of certain of its managed funds, to raise $40.625 million (the "July 2016 Private Placement"). Additional details are provided in respective announcements available on the Company's website at www.gabrielresources.com and filed on www.sedar.com.

Board Appointment

With effect from July 29, 2016 and in accordance with the terms of the July 2016 Private Placement, Mr. David Kay was appointed to the Board of the Company. Mr. Kay is a partner and the portfolio manager of Tenor which he joined in 2009. Previously, Mr. Kay was an investment banker at Jefferies & Company and an attorney at Akin Gump Strauss Hauer & Feld LLP. Mr. Kay currently serves on multiple boards for companies in the mineral, mining and energy industries.

Impairment of Project Assets

As at December 31, 2015, the Company assessed the Project for asset impairment based on the guidance in IAS 36 *Impairment of Assets* and concluded that, despite its continued efforts to develop the Project and to seek an amicable resolution of the dispute, an impairment should be recorded. Accordingly, as at December 31, 2015, the Company recorded a non-cash write-down of $631.2 million relating to all mineral property and a material proportion of its property, plant and equipment (the "Impairment"). The Impairment is based on international accounting standards, and is thus without prejudice to the legal qualification that the Romanian assets may be given under Romanian or international law (including the Treaties). Given the nature of the assessed impairment indicators that have given rise to the Impairment, since January 1, 2016 the Company has determined that, absent any positive, material permitting developments, none of the Company's continuing expenditures meet the criteria for capitalization in the statement of financial position and all will be expensed to the income statement.

Project Permitting Status

In the context of the above disclosures concerning the ICSID Arbitration, the complete lack of Romanian Government engagement on the Project and the change in core focus of the Company, readers are advised to refer to the Annual Information Form of the Company for the year ended December 31, 2015 ("AIF"), a copy of which was filed on SEDAR at www.sedar.com, for information relating to the status of the Project, the License, the Company's exploration and development activities in Romania, the Project approval and permitting process, and reported gold and silver resources and reserves. There has been no material change in that information from the date of filing of the AIF to the date of this document.

Legal Challenges in Romania

Over the years several foreign and domestically-funded NGOs have initiated legal challenges against local, regional and national Romanian authorities. The publicly stated objective of the NGOs in initiating and maintaining these legal challenges has been to use the Romanian court system to delay permitting approval of the Project as much as possible and ultimately to stop the development of the Project.

For further details of the material legal actions related to the Project, see the section entitled "*Legal Challenges relating to the Project*" in the AIF and, for cases settled during the first quarter of 2016, see the MD&A for the three-month period ended March 31, 2016 as filed on May 12, 2016.

Recent Developments

The following section outlines certain developments that occurred in legal proceedings related to the Project during the second quarter of 2016 and the status of RMGC's withdrawal from such proceedings:

- On February 17, 2015, the Buzau Tribunal suspended the proceedings concerning a claim filed by three NGOs seeking the annulment of the Archaeological Discharge Certificate ("ADC") for the Carnic open-pit until a separate action initiated by RMGC before the Bucharest Court of Appeal challenging the validity of the 2010 LHM had been determined. This action before the Buzau Tribunal follows a decision of the Suceava Court of Appeal on April 15, 2014, which upheld an earlier court ruling that suspended the ADC. On October 27, 2015, RMGC submitted a request to the Buzau Tribunal to withdraw as an intervening party from the legal proceedings pending before it. The Buzau Tribunal ordered a suspension of the claim until the file concerning 2010 LHM had been judged by Bucharest Court of Appeal, following which a date has been set for the next hearing on September 13, 2016
- On May 28, 2015, the Bistrita Tribunal dismissed a claim registered by three NGOs seeking the annulment of an existing urbanism certificate ("UC-47"). This decision was appealed by the NGOs in September 2015. On October 19, 2015, RMGC requested permission from the Cluj Court of Appeal to withdraw as a defendant from the legal proceedings pending before it but for such proceedings to continue in its absence. On January 18, 2016, the Cluj Court of Appeal admitted the appeal filed by the NGOs and ordered that the file be returned to the Bistrita Tribunal. The Bistrita Tribunal has scheduled a further hearing of the claim for September 15, 2016.
- In July 2014, three NGOs submitted a claim to the Cluj Tribunal seeking the revocation of two decisions of the local council, namely LCDs 45 and 46/2002, which approved the general urbanism plan ("PUG") for Roșia Montană and the 2002 Industrial Area PUZ. In September 2015, an intervening party in the case submitted a request for recusal of the presiding judge due to concerns of potential bias. The presiding judge subsequently filed an abstention request to the Cluj Tribunal for the approval of her withdrawal from the case, which was accepted by the President of the Cluj Tribunal. On October 19, 2015, RMGC requested permission from the Cluj Tribunal to withdraw as a defendant from the legal proceedings pending before it but for such proceedings to continue in its absence. On November 26, 2015, the Cluj Tribunal ordered the revocation of LCDs 45 and 46. The revocation of LCDs 45 and 46 effectively render the 2002 Industrial Area PUZ and 2002 PUG for Roșia Montană invalid. On January 29, 2016, the local council of Roșia Montană submitted an appeal against the decision of the Cluj Tribunal. The appeal was heard before the Cluj Tribunal on May 9, 2016, and was rejected and therefore the revocation of LCDs 45 and 46 is definitive and irrevocable.

Other Legal Proceedings

In November 2013, RMGC was informed of an investigation by the Ploiesti Public Prosecutor's Office ("PPPO") into alleged tax evasion and money laundering on the part of the principals/key shareholder(s) of a group of companies including Kadok Interprest LLC ("Kadok Group"). The PPPO extended its investigation of the Kadok Group to 90 other companies, including RMGC, which had a short-term commercial relationship with the Kadok Group in 2012.

RMGC has lodged a challenge to the legality of a restriction order on the equivalent of $0.3 million held in one of RMGC's Romanian bank accounts pending the outcome of the PPPO investigation. RMGC has cooperated fully with the PPPO and provided evidence to the PPPO of its legitimate business dealings with the Kadok Group. Notwithstanding periodic enquiries, RMGC has received no formal contact on the progress of the case from the PPPO to date.

Outlook

Notwithstanding the commencement of the ICSID Arbitration, the Company continues to remain open to engagement with the Romanian authorities in order to achieve an amicable resolution of the dispute to develop the Project. In the meantime, the Company's immediate plans for the ensuing year are as follows:

- the advancement of the ICSID Arbitration, including the establishment of a procedural calendar, the filing of additional applications for provisional/interim measures, as applicable, and the preparation and filing of its memorial in support of its claim;
- the continued assessment of the Company's activities and reduction of costs to those that support the preservation of its core assets and rights;
- carefully managing its cash resources (including the potential disposition of mining equipment acquired for the Project); and
- the protection of its rights and interests in Romania (including support to RMGC in respect of any abusive, illegal, and retaliatory behavior of the Romanian fiscal authorities and, so far as reasonably practical and desirable, ensuring that existing licenses and permits remain in good standing).

Liquidity and Capital Resources

Cash and cash equivalents at June 30, 2016 amounted to $28.0 million.

The Company's average monthly cash usage during Q2 2016 was $2.0 million, including legal services in respect of the ICSID Arbitration (Q1 2016 monthly average $1.5 million, Q4 2015: monthly average $2.1 million). Excluding legal and other advisory services in respect of the ICSID Arbitration, the average monthly cash usage during Q2 2016 was $1.4 million (Q1 2016 monthly average: $1.3 million, Q4 2015 monthly average: $1.3 million).

In order to advance the ICSID Arbitration, during 2016 the Company has raised additional gross funds of $60.6 million.

Results of Operations

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

in thousands of Canadian dollars, except per share amounts	2016 Q2	2016 Q1	2015 Q4	2015 Q3
Income Statement				
Loss - attributable to owners of parent	$ 8,943	$ 7,370	$ 615,175	$ 4,630
Loss per share - basic and diluted	0.02	0.02	1.60	0.01
Statement of Financial Position				
Working capital	25,554	9,327	15,408	20,994
Total assets	53,736	39,298	44,415	693,225
Statement of Cash Flows				
Investments in development and exploration including working capital changes	-	-	2,249	3,322
Cash flows from financing activities	19,880	-	(1,412)	-

in thousands of Canadian dollars, except per share amounts	2015 Q2	2015 Q1	2014 Q4	2014 Q3
Income Statement				
Loss - attributable to owners of parent	$ 4,495	$ 3,531	$ 1,474	$ 1,984
Loss per share - basic and diluted	0.01	0.01	0.00	0.01
Statement of Financial Position				
Working capital	24,050	31,012	37,220	42,958
Total assets	631,331	636,620	648,074	662,177
Statement of Cash Flows				
Investments in development and exploration including working capital changes	1,954	3,301	(169)	4,038
Cash flows from financing activities	(1,388)	3	(1,649)	-

Review of Financial Results

	3 months ended June 30		**6 months ended June 30**	
in thousands of Canadian dollars, except per share amounts	**2016**	2015	**2016**	2015
Operating loss for the period	**$ 3,867**	$ 3,725	**$ 10,220**	$ 6,329
Loss for the period	**8,943**	4,594	**16,313**	8,125
Loss for the period - attributable to owners of parent[1]	**8,943**	4,495	**16,313**	8,026
Loss per share - basic and diluted	**0.02**	0.01	**0.04**	0.02

(1) The transfer by the Company of equity in RMGC to Minvest RM during Q1, 2014 resulted in the presentation of a non-controlling interest, as set out in the Financial Statements. The non-controlling interest portion of the 2014 and 2015 RMGC employee severance costs was attributed to the non-controlling interest. Following the Impairment, the non-controlling interest was reversed in accordance with IFRS 3 – Business Combinations.

Operating loss for the six-month period ended June 30, 2016 increased from the corresponding period in 2015, primarily due to two factors. Firstly, following the Impairment, Management re-evaluated the treatment of various categories of expenditure (principally expenditure incurred by RMGC) and determined that such expenditure no longer meets the criteria for capitalization. In the six month period ended June 30, 2016, such expenditures were $3.9 million (in the same period in 2015 $5.2 million of these costs were capitalized). Secondly, the Company has incurred incremental legal and advisory costs during the six-month period ended June 30, 2016 pursuant to the ICSID Arbitration.

The loss for the six-month period ended June 30, 2016 is impacted by a charge for debt extinguishment of $4.4 million, a non-cash expense arising following the restructuring of the 2014 Private Placement (as more fully described in note 16 to the Financial Statements). Additionally, the loss for the six-month period ended June 30, 2016 includes accreted finance charges of $1.3 million incurred in respect of the May 2016 Transactions (Q2 2015: $1.9 million in respect of the 2014 Private Placement). The reduction in such charges period-on-period is due to the significantly different terms agreed for the May 2016 Transactions.

Expenses

Corporate, General and Administrative

	3 months ended June 30		**6 months ended June 30**	
in thousands of Canadian dollars	**2016**	2015	**2016**	2015
Finance	**$ 188**	$ 155	**$ 337**	$ 295
External communications	**63**	43	**132**	160
Information technology	**70**	19	**157**	52
Legal	**268**	1,196	**2,701**	2,308
Payroll	**1,815**	808	**3,878**	1,602
Long lead-time equipment storage costs	**222**	-	**466**	-
Other	**191**	922	**906**	1,188
Corporate, general and administrative expense	**$ 2,817**	$ 3,143	**$ 8,577**	$ 5,605

Prior to December 31, 2015, corporate, general and administrative costs were principally those costs incurred by the management services operation in London, UK and at the Canadian parent.

Since January 1, 2016, following the Impairment, all expenditures incurred by the Group, including those at RMGC, are included in corporate, general and administrative.

Legal expenses include advisory costs in respect of the ICSID Arbitration which, for the six-month period ended June 30, 2016, amounted to approximately $2.8 million (six months 2015: $2.3 million). In the corresponding 2015 period, such costs were lower as the Company had not at that time filed the Arbitration Request. Legal costs of $0.9 million relating to the July 2016 Private Placement were recorded as a prepayment at June 30, 2016.

Payroll costs in the six-month period ended June 30, 2016 include $2.3 million related to RMGC employees. Excluding RMGC, payroll costs for management services were in line with the corresponding 2015 period.

Prior to December 31, 2015, the costs of storage and routine maintenance for the long lead-time equipment were capitalized to mineral properties. Since January 1, 2016, following the decision to cease capitalization, such expenditures are treated as corporate, general and administrative expense.

Other costs in the six months to June 30, 2016 include $0.6 million related to corporate costs at RMGC, which were previously capitalized to mineral properties.

Share Based Compensation

	3 months ended June 30		6 months ended June 30	
in thousands of Canadian dollars	**2016**	2015	**2016**	2015
DSUs and RSUs - expense	**$ 712**	$ (167)	**$ 889**	$ 44
Stock option compensation - expense	**259**	211	**548**	118
Stock based compensation - Income statement	**$ 971**	$ 44	**$ 1,437**	$ 162
DSUs and RSUs - reversal	**$ -**	$ 11	**$ -**	$ -
Stock option compensation - reversal	**-**	347	**-**	(829)
Stock option compensation - Mineral properties	**$ -**	$ 358	**$ -**	$ (829)

Initially valued at the five-day weighted average market price of the Company's shares at the date of issue, deferred share units ("DSUs") and restricted share units ("RSUs") are revalued each period end based on the period end closing share price. The initial valuation of the DSUs and RSUs, and the effect on the valuation of DSUs and RSUs of the period-on-period change in share price, has previously either been expensed or capitalized (the latter being for share units granted to personnel working on development projects). At June 30, 2016, the Company's share price was $0.47 (March 31, 2016: $0.18; December 31, 2015: $0.14) resulting in an increase in the expense recognized at revaluation.

The estimated fair value of share options is calculated using the Black Scholes method as at the date of issue and amortized over the period over which the options vest. For performance options, the fair value is expensed over the estimated vesting period from the time of grant. Once the performance conditions have been attained, which may result in the full vesting of the options, the remaining fair value (if any) is either expensed immediately or over the remaining vesting period, as appropriate. The expected performance dates are periodically reviewed and the expensing adjusted accordingly.

Prior to December 31, 2015, share option compensation for RMGC employees and other personnel working on development projects was capitalized. As noted above, this capitalization no longer takes place and the expense is recognized in the income statement.

	3 months ended June 30		6 months ended June 30	
	2016	2015	**2016**	2015
DSU compensation				
Number of DSUs issued	-	-	**560,000**	560,000
Average value ascribed to each DSU issued	-	-	**$ 0.14**	$ 0.39
RSU compensation				
Number of RSUs redeemed	-	-	**144,935**	144,938
Average value ascribed to each RSU redeemed	-	-	**$ 0.14**	$ 0.47

No DSUs were issued in the three-month period ended June 30, 2016 (2015: nil). An aggregate of 560,000 DSUs were issued to non-executive directors during the three-month period ended March 31, 2016 (2015: 560,000). DSUs vest on the date of issue.

No RSUs vested in the three-month period ended June 30, 2016 (2015: nil). In the three-month period ended June 30, 2016, 144,935 RSUs vested, being the second tranche of RSUs awarded during 2014 to named executive officers as compensation for 2013 performance. The first tranche of this 2014 award of 144,938 RSUs vested in Q1 2015.

Finance Income

	3 months ended June 30		6 months ended June 30	
in thousands of Canadian dollars	**2016**	2015	**2016**	2015
Interest income	**$ 23**	$ 88	**$ 36**	$ 159

Interest income reflects the average holdings of cash and cash equivalents during the respective quarterly periods.

As at June 30, 2016, approximately 87% of the Company's cash and cash equivalents were invested in Canadian government guaranteed instruments, with the majority of the balance held as cash deposits with major Canadian banks. Returns on Canadian government guaranteed instruments, in which the Company continues to invest, remain low.

Finance Costs

	3 months ended June 30		6 months ended June 30	
in thousands of Canadian dollars	**2016**	2015	**2016**	2015
Financing costs - convertible note accretion	**$ 336**	$ 953	**$ 1,291**	$ 1,878

Finance costs for the three-month period ended June 30, 2016 relate to the accretion of the debt component of the May 2016 Transactions, which is measured at amortized cost using the effective interest rate method.

Foreign Exchange

The Company expects to report foreign currency gains and losses in the future as a result of exposure to non-functional currencies, as the Company expects to invest a significant portion of the funds raised in the July 2016 Private Placement in US Dollar denominated instruments to fund its expected US Dollar denominated ICSID Arbitration legal costs.

Taxes

All tax assessments received prior to the three-month period ended June 30, 2016 have been paid and provided for in the Financial Statements. Notwithstanding, as noted, on July 7, 2016 RMGC received a final report from ANAF following an extended tax investigation into previously claimed VAT, which includes a tax assessment on RMGC amounting to approximately RON 27 million (approximately $8.6 million). The Company is investigating all options to challenge this assessment which it considers to be entirely without merit. The Financial Statements for the three-month period ended June 30, 2016 disclose a contingent liability in respect of this tax assessment.

Investing Activities

The majority of expenditures prior to the period ended December 31, 2015 were for identifying and defining the size of the four ore bodies, for engineering to design the size and scope of the Project, for environmental assessment and permitting, social support to local communities, communications and public relations activities to support the permitting process, archeological and rehabilitation work to buildings, as well as surface rights, property acquisition and resettlement housing and infrastructure. Subsequently, no significant expenditures have been incurred in these areas.

Mineral Properties

Historically, following the establishment of the technical feasibility and commercial viability of the Project, all costs incurred in Project exploration and development were capitalized to mineral properties. For 2016, Management assessed the capitalization of Project-related expenditure and determined that the criteria were not met and, consequently, no costs have been capitalized to mineral properties since December 31, 2015.

Purchase of Capital Assets

	3 months ended June 30		**6 months ended June 30**	
in thousands of Canadian dollars	**2016**	2015	**2016**	2015
Total investment in capital assets	**$ -**	$ 60	**$ 27**	$ 92
Depreciation and disposal - expensed	**$ 79**	$ 24	**$ 168**	$ 48
Depreciation and disposal - capitalized to mineral properties	**$ -**	$ 106	**$ -**	$ 187

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

Financing Activities

On May 11, 2016 the Company completed the May 2016 Private Placement with a number of existing shareholders as follows:

	Gross allocation	Financing fees	Net allocation
Liability component of convertible debentures	11,118	67	11,051
Equity component of convertible debentures	4,149	25	4,124
Warrants	4,733	28	4,705
Arbitration value rights	-	-	-
Proceeds of private placement	20,000	120	19,880

On May 30, 2014 the Company completed the 2014 Private Placement with a number of existing shareholders, which was subsequently restructured on May 11, 2016 as follows:

	Gross allocation	Financing fees	Net allocation
Liability component of convertible debentures	18,347	-	18,347
Equity component of convertible debentures	8,370	50	8,320
Warrants	8,283	50	8,233
Arbitration value rights	-	-	-
Proceeds of private placement	35,000	100	34,900

The Company is using the proceeds of both the 2014 Private Placement and the May 2016 Private Placement to finance the costs of its continuing arbitration case against Romania before ICSID and for general working capital requirements. The details of the Private Placements are further described in the Financial Statements.

Cash Flow Statement

Liquidity and Capital Resources

The main sources of liquidity are the Company's cash and cash equivalents, share option exercises and the equity and debt markets. At June 30, 2016, aggregate cash and cash equivalents were $28.0 million (March 31, 2016: $14.1 million).

Working Capital

At June 30, 2016, the Company had working capital, calculated as total current assets less total current liabilities, of $25.6 million (March 31, 2016: $9.3 million; December 31, 2015: $15.4 million).

As at June 30, 2016, the Company had current liabilities of $4.8 million (March 31, 2016: $5.6 million; December 31, 2015: $4.1 million). The increase in 2016 is due to an increase in the liability recognized for DSU compensation.

Related Party Transactions

In December 2013, the Group was required to recapitalize RMGC in order to comply with Romanian company law requirements. The subscription to RMGC share capital by the Company was effected through a conversion of existing intercompany debt. In January 2014, the Group agreed to transfer to the non-controlling shareholder, Minvest RM, for nil consideration, a proportion of the shares subscribed to in December 2013, with a face value of $20.4 million, in order to preserve the respective shareholdings in RMGC. The transfer of shares to Minvest RM was reflected in the Financial Statements as a non-controlling interest and an increase in the accumulated deficit.

The Company advanced loans in the period 2004 to 2009 totaling US$39.5 million to the predecessor of Minvest RM (subsequently transferred to Minvest RM) to facilitate various statutory share capital increases in RMGC. The balance outstanding of the Minvest RM loans as at June 30, 2016 was US$39.5 million (March 31, 2016: US$39.5 million; December 31, 2015: US$39.5 million).

The Minvest RM loans are non-interest bearing and, according to their terms, are to be repaid as and when RMGC distributes dividends to its shareholders. The loans are accounted for as part of the Group's net investment in RMGC and have, accordingly, been set off against non-controlling interest in the Financial Statements. The loans will be reflected individually in the Financial Statements, in accordance with IFRS at such time as repayment of the loans is possible.

The non-controlling interest component was reduced as at December 31, 2015 upon recognition of the Impairment.

Resettlement Liabilities

RMGC had a program for purchasing homes in the Project area, which was suspended in February 2008 due to the suspension of the EIA review process in September 2007. Under the resettlement program residents were offered two choices; either to take the sale proceeds and move to a new location of their choosing, or exchange their properties for a new property to be built by RMGC at a new resettlement site. For those residents who chose the resettlement option, the Company increased its mineral properties on the balance sheet as well as resettlement liabilities for the anticipated construction costs of the resettlement houses. As the construction took place, the cost of newly built houses was capitalized as construction in progress. After the transfer of legal title of the property RMGC reduced the amounts capitalized as construction-in-progress and at the same time reduced its resettlement liabilities. All resettlement associated costs capitalized to mineral properties or as construction-in-progress form part of the Impairment.

At June 30, 2016 the Company had accrued resettlement liabilities totaling $0.8 million (March 31, 2016: $1.1 million; December 31, 2015: $1.2 million).

There are four remaining homeowners who elected for resettlement in Roșia Montană and who have signed various extension contracts in respect of the construction of the resettlement houses. These contracts expired in 2015, and discussions on closing out these agreements remain ongoing.

Contractual Obligations

A summary of the Company’s contractual capital and operating lease commitments as of June 30, 2016 is included within the Financial Statements.

The Company and its subsidiaries have a number of agreements with arms-length third parties who provide a wide range of goods and services. Typically, the service agreements are for a term of not more than one year and permit either party to terminate upon notice periods ranging from 15 to 90 days. At termination, the Company has to pay for services rendered, and costs incurred, to the date of termination.

Critical Accounting Estimates

The preparation of Financial Statements in conformity with IFRS requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amount of expenses and other income during the reporting period. Significant estimates and assumptions include those related to going concern, the recoverability or impairment of mineral properties, benefits of future income tax assets, estimated useful lives of capital assets, valuation of share based compensation, valuation of fidelity bonus and other benefits assumptions and determinations as to whether costs are expensed or capitalized, and the valuation and measurement of the components of both the 2014 Private Placement and May 2016 Private Placement. While Management believes that these estimates and assumptions are reasonable, actual results could vary significantly. With the exception of Management’s considerations in respect of the expensing of Project-related expenditure (as opposed to capitalization, as was the case up to December 31, 2015), the critical accounting estimates are not significantly different from those reported in previous periods.

Going Concern

The underlying value of the Group’s mineral properties, and in particular the Project, is dependent upon the existence and economic recovery of such proven ore body reserves in the future together with the ability of the Group to obtain all necessary permits and raise long-term financing to complete the development of the properties. Notwithstanding the ICSID Arbitration, the Company continues to remain open to discussions to resolve this dispute and believes that Romania can remedy its treaty violations and permit development of the Project, being the Company’s preferred outcome.

The ICSID Arbitration highlights certain risks, uncertainties and other factors which include, without limitation, the attitudes and actions of the Romanian Government related to the Company’s investment in Romania, including the ability of the Company to realize value from its investments in Romania pursuant to the Treaties and the ICSID Arbitration; the advancement of the ICSID Arbitration proceedings in a customary manner; the outcome of the ICSID Arbitration as provided in the Treaties, including the timing and value of any arbitral award or settlement; the Company's expectation with regards to the amount of costs, fees and other expenses and commitments payable in connection with the ICSID Arbitration; and any inability or delay in recovering from Romania the amount of any award or settlement.

In addition and insofar as the Company is able to reach an amicable resolution with Romania regarding the dispute that allows for the development of the Project, the business of the Group may be subject to certain existing and future risks including, but not limited to, sovereign risk, including political and economic instability, changes in the existing fiscal regime, changes in existing government regulations, for example, an increase in royalty rates or state ownership applicable to the Project, a ban on the use of cyanide in mining, designation of the Project area as an archeological site of national importance, government regulations relating to mining, which may delay or preclude the receipt of required permits or impede the Group's ability to acquire the necessary surface rights, as well as litigation risk against permits and the Project, currency fluctuations and local inflation. Political, public, and NGO opposition to the Project, and the multitude of legal challenges to permits issued in the past in respect of the Project demonstrate certain significant risks that the Project faces.

The types of risks summarized above, if realized, may result in material adverse events which could result in the further impairment or loss of all or part of the Group's remaining assets.

The approved 2016 budget includes those expenditures and commitments necessary to maintain the Company's primary assets and the estimated costs associated with the Company advancing the ICSID Arbitration. On the basis of the Company's balance of cash and cash equivalents as at June 30, 2016 and the July 2016 Private Placement, the Company has sufficient funding to satisfy the budgeted 2016 costs and, based on the estimated costs of the planned long-term ICSID Arbitration activities, the Company estimates it has sufficient funds to see the ICSID Arbitration through to a successful conclusion. Management continues to review the Company's activities in order to identify areas to further reduce expenditures.

Considering the risks listed above, and in the context of the Group's financial resources, Management's assessment of the Company is that it remains a going concern. The Company has been accounted for as a going concern in the Financial Statements for the quarter ended June 30, 2016.

Future income tax assets

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

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

Tax authorities in Romania have regularly initiated various tax audits to assess the appropriateness of the Company's tax filing positions. Regulators may interpret tax regulations differently from the Company, which may cause changes to the estimates made. As noted, on July 7, 2016 RMGC was issued with a tax assessment amounting to approximately RON 27 million (approximately $8.6 million). This assessment is in respect of VAT that RMGC has previously claimed on certain activities, despite the fact that 18 prior VAT audits by the Romanian tax authorities accepted that VAT could be reclaimed on these types of activity.

Useful lives of capital assets

The Company's policy is to amortize capital assets over their useful lives once the assets are brought into production. Management assesses useful lives to ensure the useful lives of assets reflect the intended use of those assets.

Valuation of share based compensation

The Company utilizes share options, DSUs and RSUs as a means of compensation. Share options are valued using a Black Scholes valuation model, and are amortized over the expected vesting periods. Management reviews the assumptions used in the Black Scholes valuation on an annual basis to ensure appropriateness. DSUs and RSUs are initially valued at the five-day weighted average market price of the Company's common shares preceding the date of issue, and are subsequently recalculated to fair value based on the quoted market value of the Company's common shares at the end of each reporting period.

Valuation of fidelity bonus and other benefits

Pursuant to a collective bargaining agreement between RMGC and its employees, which was not renewed after its last expiry date, employees of RMGC were entitled, under certain conditions, to a bonus based on years of uninterrupted service as well as other benefits relating to death. The obligation is determined using an actuarial basis and is affected by a number of assumptions and estimates. The actuarial valuation is performed annually, and Management reviews the assumptions and estimates annually for appropriateness.

Valuation of the 2014 Private Placement and May 2016 Private Placement

The units issued by the Company in the May 2014 Private Placement (restructured on May 11, 2016), and the May 2016 Private Placement, consisted of convertible, subordinated, unsecured notes, warrants and arbitration value rights. The Company utilized a Black Scholes valuation model to value the warrant component of the units and a discounted cash flow model to value the debt component of the Notes. The equity component of the Notes was recognized initially at the difference between the fair value of each Private Placement as a whole and the fair value of the debt and warrant components. Any directly attributable transaction costs were allocated to the liability and equity components in proportion to their initial carrying amounts. A nil value was initially ascribed to the arbitration value rights and, given the current early stage of the arbitration process, a nil valuation remains applicable as at June 30, 2016. Both the 2014 Private Placement and the May 2016 Private Placement contain two embedded derivatives, both of which were initially valued at nil with no subsequent adjustment in value.

Financial instruments and other instruments

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

The Company's objective is to safeguard its accumulated capital in order to be able to fund ongoing expenditures. The Company manages its capital structure and makes adjustments to it based on the level of funds on hand and anticipated future expenditures. The estimated long-term costs, including advisors fees and general corporate working capital, of pursuing the ICSID Arbitration will be significant. With the closing of the July 2016 Private Placement (as outlined in note 18 of the Financial Statements), the Company believes it has sufficient funding to satisfy the budgeted costs of the currently projected, long-term ICSID Arbitration activities to see it through to a successful conclusion. In the event that the dispute is resolved and the Romanian Government issues the environmental permit for the Project, the Company will initiate a review of its financing requirements over the short and medium term. While the Company expects that in that event it will be able to obtain equity, long-term debt and/or project-based financing sufficient to build and operate the Project, there are no assurances that such initiatives will be successful.

To safeguard capital the Company invests its surplus capital in liquid instruments with highly rated financial institutions.

The Group's risk exposures and the impact on the Group's financial instruments are summarized below:

Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents. Historically, the Group has adopted an investment strategy to minimize its credit risk by investing in Canadian sovereign debt with the balance of cash being invested on short-term overnight deposit with major Canadian banks. The Company expects to invest a significant portion of the funds raised in the July 2016 Private Placement in US Dollar denominated instruments to fund its expected US Dollar denominated ICSID Arbitration legal costs.

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

The Group holds small cash balances in the United Kingdom to fund corporate office activities.

The Group's credit risk is also attributable to value-added taxes receivable. Value-added taxes receivable are primarily receivables from the Romanian Government, which prior to the recent VAT investigations, were within expected collection terms.

Liquidity risk

The Company has the ability to repay the convertible unsecured Notes at maturity through issuing common shares from treasury (as more fully described in the Financial Statements); these represent a significant portion of the long-term Group liabilities. Notwithstanding, as of the date of this MD&A, taking account of the Group's existing treasury balances, the Group expects to have sufficient funds to settle all existing and other long-term contractual liabilities.

Market risk

(a) Interest rate risk

The Group has significant cash balances and fixed coupon debt. The Group maintains a short-term investment horizon, typically less than 3 months, for its cash and cash equivalents, and therefore minimizes the risk of interest rate volatility at investment maturity. Where yields on investments less than 90 days are not significantly lower than investments greater than 90 days but less than one year, the Group has elected to utilize the shorter term investments.

With a short-term investment horizon and the intent to hold all investments until maturity, the Group is only marginally exposed to capital erosion should interest rates rise and cause fixed yield investments to devalue.

The Group's primary objective with respect to cash and cash equivalents is to mitigate credit risk. The Group has elected to forego yield in favor of capital preservation.

(b) Foreign currency risk

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

The Group maintains cash and cash equivalents in various currencies and is therefore susceptible to market volatility as foreign cash balances are revalued to the functional currency of the entity and thereafter to the presentation currency of the Group. Therefore, the Group may report foreign exchange gains or losses during periods of significant economic and market volatility. At June 30, 2016 the Group held 94% of its cash and cash equivalents in Canadian dollars but, as noted, expects to also hold US dollars in future quarters.

The Company has not entered into any derivatives hedging activities.

Sensitivity

Based on Management's knowledge and experience of the financial markets, the Company believes, based on its balance of cash and cash equivalents as at June 30, 2016, the following movements are "reasonably possible" over a twelve-month period:

- Cash and cash equivalents. A plus or minus 1% change in earned interest rates would affect net income by $0.3 million.

- The Company holds minor balances in foreign currencies and this gives rise to exposure to foreign exchange risk. A plus or minus 1% change in foreign exchange rates would affect net income by less than $0.1 million.

Risks

The following list identifies areas of existing and future material risks to the business of the Group. The risks noted below are not listed in any particular order and are not exhaustive. Additional risks and uncertainties not currently known to the Company, or those that it currently deems to be immaterial, may become material and adversely affect the Group's business. The realization of any of these risks may materially and adversely affect the Group's business, financial condition, results of operations and/or the market price of the Company's securities.

These risk factors are discussed in more detail in the Company's Annual Information Form dated March 29, 2016, which is filed for public inspection on www.sedar.com.

- ICSID Arbitration
- Abusive behaviour of Romanian authorities leading to tax and other assessments
- Ability to Continue as a Going Concern
- Ability to Secure Additional Funding
- Convertible Notes
- Political and Economic Uncertainty in Romania
- Permitting Process
- Acquisition of Surface Rights
- UNESCO List
- Mineral Tenure Rights
- Legal Proceedings
- Proposed Adverse Legislative Initiatives
- Minvest Mine Closure Plan
- Dependence on Management and Key Personnel
- Compliance with Anti-Corruption Laws
- Insurance and Uninsurable Risks
- Global Financial Condition
- Currency Fluctuations
- Market Price Volatility
- Dilution
- Enforcement of Civil Liabilities
- Enforcement of Tax Claims
- No History of Earnings or Dividends
- Accounting Policies and Internal Controls
- Conflict of Interest

CEO/CFO Certification

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings.*

The CEO and CFO certify that, as at June 30, 2016, the Company's DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Due to the inherent limitations, internal control over financial reporting and disclosure may not prevent or detect all fraud or misstatements. Further, the effectiveness of internal control over financial reporting and disclosure is subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with policies or procedures may change. The CEO and CFO will continue to monitor the effectiveness of the Company's internal control over financial reporting and disclosure controls and may make modifications from time to time as considered necessary or desirable.

The control framework the Company's CEO and CFO used to design the Company's ICFR is the *Internal Control – Integrated Framework (Updated Framework)* published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013.

There is no limitation on scope of design as described in paragraph 5.3 of NI 52-109. There has been no change in the Company's ICFR that occurred during the three-month period ended June 30, 2016 which has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Outstanding Share Data

The Company's fully diluted share capital as at July 26, 2016 was:

	Outstanding
Common shares	384,149,500
Common stock options	24,503,333
Deferred share units - common shares	2,399,804
Restricted share units - common shares	62,500
Warrants	111,536,250
Convertible notes	307,912,500
Fully diluted share capital	**830,563,887**

Forward-Looking Statements

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

In this MD&A, forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies that may cause the Company's actual financial results, performance, or achievements to be materially different from those expressed or implied herein. Some of the material factors or assumptions used to develop forward-looking statements include, without limitation, the uncertainties associated with: the ICSID Arbitration, actions by the Romanian Government, conditions or events impacting the Company's ability to fund its operations or service its debt, exploration, development and operation of mining properties and the overall impact of misjudgments made in good faith in the course of preparing forward-looking information.

Forward-looking statements involve risks, uncertainties, assumptions, and other factors including those set out below, that may never materialize, prove incorrect or materialize other than as currently contemplated which could cause the Company's results to differ materially from those expressed or implied by such forward-looking statements. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of fact and may be forward-looking statements.

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

- the duration, required disclosure, costs, process and outcome of the ICSID Arbitration against Romania;
- changes in the Gabriel Group's liquidity and capital resources;
- access to funding to support the Gabriel Group's continued ICSID Arbitration and/or operating activities in the future;
- equity dilution resulting from the conversion of the Convertible Notes, or exercise of warrants, in part or in whole to Common Shares;
- the ability of the Company to maintain a continued listing on the TSX or any regulated public market for trading securities;
- the impact on business strategy and its implementation in Romania of: unforeseen historic acts of corruption, uncertain legal enforcement both for and against the Gabriel Group and political and social instability;
- regulatory, political and economic risks associated with operating in a foreign jurisdiction including changes in laws, governments and legal regimes;
- volatility of currency exchange rates, metal prices and metal production;
- the availability and continued participation in operational or other matters pertaining to the Gabriel Group of certain key employees and consultants; and
- risks normally incident to the exploration, development and operation of mining properties.

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

Investors are cautioned not to put undue reliance on forward-looking statements, and investors should not infer that there has been no change in the Company's affairs since the date of this report that would warrant any modification of any forward-looking statement made in this document, other documents periodically filed with or furnished to the relevant securities regulators or documents presented on the Company's website. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice. The Company disclaims any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events or otherwise, subject to the Company's disclosure obligations under applicable Canadian securities regulations. Investors are urged to read the Company's filings with Canadian securities regulatory agencies including Gabriel's Annual Information Form dated March 29, 2016, which can be viewed online at www.sedar.com.

Gabriel Resources Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)
For the period ended June 30, 2016

Condensed Consolidated Statement of Financial Position

As at June 30, 2016 and December 31, 2015

(Unaudited and expressed in thousands of Canadian dollars)

	Notes	**June 30 2016**	December 31 2015
Assets			
Current assets			
Cash and cash equivalents	6	**28,014**	18,567
Trade and other receivables		**458**	117
Prepaid expenses and supplies	7	**1,853**	869
Total current assets (excluding assets classified as held for sale)		**30,325**	19,553
Assets classified as held for sale	5	**18,734**	19,646
Total current assets		**49,059**	39,199
Non-current assets			
Restricted cash		**505**	533
Property, plant and equipment		**4,172**	4,683
Total non-current assets		**4,677**	5,216
TOTAL ASSETS		**53,736**	44,415
Liabilities			
Current liabilities			
Trade and other payables		**2,727**	2,595
Resettlement liabilities	8	**792**	1,162
Other current liabilities	9	**1,252**	388
Total current liabilities		**4,771**	4,145
Non-current liabilities			
Convertible, subordinated, unsecured notes	16	**30,689**	30,400
Other non-current liabilities		**1,068**	1,145
Total non-current liabilities		**31,757**	31,545
TOTAL LIABILITIES		**36,528**	35,690
Equity			
Share capital		**868,086**	868,086
Other reserves	16	**79,773**	53,843
Currency translation adjustment		**1,339**	2,254
Accumulated deficit		**(935,883)**	(919,570)
Equity attributable to owners of the parent		**13,315**	4,613
Non-controlling interest	10	**3,893**	4,112
TOTAL EQUITY		**17,208**	8,725
TOTAL EQUITY AND LIABILITIES		**53,736**	44,415

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

Condensed Consolidated Income Statement

For the three and six-month periods ended June 30

(*Unaudited and expressed in thousands of Canadian dollars, except per share data)*

	Notes	3 months ended June 30 2016	3 months ended June 30 2015	6 months ended June 30 2016	6 months ended June 30 2015
Expenses					
Corporate, general and administrative		**2,817**	3,143	**8,577**	5,605
Severance costs		**-**	514	**38**	514
Share-based compensation		**971**	44	**1,437**	162
Depreciation		**79**	24	**168**	48
Operating loss		**3,867**	3,725	**10,220**	6,329
Other (income) / expense					
Interest received		**(23)**	(88)	**(36)**	(159)
Debt extinguishment charge	16	**4,710**	-	**4,710**	-
Finance costs - convertible notes accretion	16	**336**	953	**1,291**	1,878
Foreign exchange loss		**53**	4	**128**	77
Loss for the period attributable to owners of the parent		**8,943**	4,594	**16,313**	8,125
- Owners of the parent		**8,943**	4,495	**16,313**	8,026
- Non-controlling interest		**-**	99	**-**	99
Loss for the period		**8,943**	4,594	**16,313**	8,125
Basic and diluted loss per share	13	**$0.02**	$0.01	**$0.04**	$0.02

Condensed Consolidated Statement of Comprehensive Income

For the three and six-month periods ended June 30

(*Unaudited and expressed in thousands of Canadian dollars)*

	3 months ended June 30 2016	3 months ended June 30 2015	6 months ended June 30 2016	6 months ended June 30 2015
Loss for the period	**8,943**	4,594	**16,313**	8,125
Other comprehensive loss				
- may recycle to the Income Statement in future periods				
Currency translation adjustment	**730**	520	**1,134**	9,090
Comprehensive loss for the period	**9,673**	5,114	**17,447**	17,215
Comprehensive loss for the period attributable to:				
- Owners of the parent	**9,532**	4,915	**17,228**	15,361
- Non-controlling interest	**141**	199	**219**	1,854
Comprehensive loss for the period	**9,673**	5,114	**17,447**	17,215

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

Condensed Consolidated Statement of Changes in Shareholders’ Equity

For the six-month periods ended June 30

(Unaudited and expressed in thousands of Canadian dollars)

	Notes	6 months ended June 30 2016	2015
Common shares			
At January 1		**868,086**	868,081
Shares issued on the exercise of share options		**-**	3
Transfer from contributed surplus - exercise of share options		**-**	2
At June 30		**868,086**	868,086
Other reserves			
At January 1		**53,843**	52,832
Share-based compensation		**548**	(711)
Exercise of share options		**-**	(2)
Equity component of convertible notes, net of issue costs	16	**12,444**	-
Warrants, net of issue costs	16	**12,938**	-
At June 30		**79,773**	52,119
Currency translation adjustment			
At January 1		**2,254**	(35,216)
Currency translation adjustment		**(915)**	(7,335)
At June 30		**1,339**	(42,551)
Accumulated deficit			
At January 1		**(919,570)**	(291,738)
Loss for the period		**(16,313)**	(8,026)
At June 30		**(935,883)**	(299,764)
Non-controlling interest			
At January 1		**4,112**	15,067
Loss for the period		**-**	(99)
Currency translation adjustment		**(219)**	(1,755)
At June 30		**3,893**	13,213
Total shareholders' equity at June 30		**17,208**	591,103

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

Condensed Consolidated Statement of Cash Flows

For the six-month periods ended June 30

(Unaudited and expressed in thousands of Canadian dollars)

	Note	6 months ended June 30 2016	6 months ended June 30 2015
Cash flows used in operating activities			
Loss for the period		**(16,313)**	(8,125)
Adjusted for the following non-cash items:			
Depreciation		**168**	48
Share-based compensation		**1,437**	162
Non-cash loss on disposal of fixed assets		**149**	-
Debt extinguishment charge		**4,710**	-
Finance costs - convertible note accretion		**1,291**	1,878
Unrealized foreign exchange loss / (gain)		**10**	(341)
Cash utilized in operations		**(8,548)**	(6,378)
DSU/RSU cash settlement		**(16)**	(68)
Changes in operating working capital:		**(1,853)**	1,168
		(10,417)	(5,278)
Cash flows used in investing activities			
Exploration and development expenditures		**-**	(4,974)
Purchase of property, plant and equipment		**(27)**	(92)
Changes in investing working capital		**-**	(281)
		(27)	(5,347)
Cash flows provided by financing activities			
Proceeds from issuance of private placement - net of issue costs	16	**19,880**	-
Interest paid on convertible unsecured notes	16	**-**	(1,388)
Proceeds from the exercise of share options		**-**	3
		19,880	(1,385)
Increase / (Decrease) in cash and cash equivalents		**9,436**	(12,010)
Effect of foreign exchange on cash and cash equivalents		**11**	(43)
Cash and cash equivalents - beginning of period		**18,567**	44,156
Cash and cash equivalents - end of period		**28,014**	32,103

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

1. Nature of operations

Gabriel Resources Ltd. ("Gabriel" or the "Company") is a Toronto Stock Exchange listed Canadian resource company whose activities have been focused on permitting and developing the Roșia Montană gold and silver project (the "Project") in Romania. The exploitation license for the Project ("License") is held by Roșia Montană Gold Corporation S.A. ("RMGC"), a Romanian company in which Gabriel owns an 80.69% equity interest, with the 19.31% balance held by Minvest Roșia Montană S.A. ("Minvest RM"), a Romanian state-owned mining company.

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

Following many years of investment and despite the Company's fulfilment of its obligations under the License and Romanian law and its development of the Project as a high-quality, sustainable and environmentally-responsible mining project, using best available techniques, Romania has blocked and prevented implementation of the Project without due process and without compensation.

On July 21, 2015, pursuant to the provisions of international bilateral investment protection treaties which the Romanian State has entered into with each of Canada and the United Kingdom of Great Britain and Northern Ireland for the Promotion and Reciprocal Protection of Investments (together the "Treaties"), Gabriel and its subsidiary company, Gabriel Resources (Jersey) Limited, submitted a request for arbitration ("Arbitration Request") before the World Bank's International Centre for Settlement of Investment Disputes ("ICSID") against the Romanian State ("ICSID Arbitration"). The Arbitration Request was registered by ICSID on July 30, 2015. The ICSID Arbitration seeks compensation for all of the loss and damage resulting from the State's wrongful conduct and its breaches of the Treaties' protections against expropriation, unfair and inequitable treatment and discrimination in respect of the Project and the related licenses.

Notwithstanding the commencement of the ICSID Arbitration, the Company remains open to engagement with the Romanian authorities. However, as of the date of these unaudited condensed, interim, consolidated financial statements ("Condensed Financial Statements"), the Company has not been afforded the opportunity to discuss an amicable resolution with Romania regarding the dispute that would allow for the development of the Project. Meanwhile the ICSID Arbitration process is advancing, with the tribunal panel having been finalized in June 2016 and a first meeting of the panel due to take place on August 12, 2016.

The approved 2016 budget includes those expenditures and commitments necessary to maintain the Company's primary assets, that is to maintain the License and associated rights and permits, and the material estimated costs associated with the Company advancing the ICSID Arbitration. On the basis of the Company's balance of cash and cash equivalents as at June 30, 2016 and the July 2016 Private Placement (see Note 15), the Company has sufficient funding to satisfy the budgeted costs of the planned long-term ICSID Arbitration activities currently projected to see it through to a successful conclusion. Management continues to review the Company's activities in order to identify areas to further reduce expenditures.

These Condensed Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future.

The Company's registered address is Suite 200 – 204 Lambert Street, Whitehorse, Yukon, Canada Y1A 3T2. The Company receives significant management services from its wholly-owned subsidiary, RM Gold (Services) Ltd. ("RMGS"). The principal place of business for RMGS is 1 Central Court, 25 Southampton Buildings, London WC2A 1AL, United Kingdom. The Company is the ultimate parent of the Group and does not have any controlling shareholders.

2. Basis of preparation

These Condensed Financial Statements, for the three and six-month periods ended June 30, 2016, have been prepared in accordance with IFRS as applicable to the preparation of interim financial statements, including International Accounting Standard 34 Interim Financial Reporting. The Condensed Financial Statements should be read in conjunction with the annual audited financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRS.

The Condensed Financial Statements have been prepared according to the historical cost convention.

The Board of Directors approved these Condensed Financial Statements on July 29, 2016.

3. Critical accounting estimates, risks and uncertainties

The Company performed an analysis of risk factors which, if any should materialize, could materially and adversely affect the results of operations and financial position of the Company.

The preparation of consolidated financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities, if any, at the date of the financial statements and the reported amount of expenses and other income for the year. These estimates and assumptions are based on Management's knowledge of the relevant facts and awareness of circumstances, having regard to prior experience. The significant estimates and assumptions are not materially different from those disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2015, with the exception of the treatment of RMGC expenditures which, since January 1, 2016, no longer meet the requirements of the Company's policy for capitalization as an asset and therefore have been expensed within the interim financial statements.

4. Accounting policies

The material accounting policies followed in these Condensed Financial Statements are the same as those applied in the Company's audited consolidated financial statements for the year ended December 31, 2015, save for the following addition. The Company incurs costs on the refinancing, replacement and re-pricing of its long-term debt and credit facilities. The treatment of such costs is dependent on the assessment of whether the refinancing, replacement or re-pricing was an extinguishment or a modification of the original financial instruments. In the case of an extinguishment, the costs incurred are charged to the income statement whereas in the case of a modification, the costs are capitalized as a part of the existing carrying amount of the financial instrument and amortized to the income statement over the term of the financial instrument using effective interest method. When the terms and conditions of a refinancing, replacement and re-pricing are substantially different, it is generally considered an extinguishment. The assessment requires the exercise of significant judgement involving comparing qualitative and quantitative factors of the credit agreement before and after the refinancing, replacement or re-pricing.

No new IFRS accounting standards have been adopted by the Company during the six-month period ended June 30, 2016.

(Unaudited, tabular amounts in thousands of Canadian dollars, unless otherwise stated)

4. Accounting policies (continued)

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016, and have not been applied in preparing these Condensed Financial Statements. Management is assessing the possible impact of these standards and has not yet concluded as to the impact on the Group. The standards being reviewed that are relevant to the Group are:

- IFRS 9 - Financial Instruments. Replacement standard for IAS 39 Financial instruments: Recognition and Measurement. IFRS 9 retains (and simplifies) the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. This standard is mandatory effective from January 1, 2018.

- IFRS 16 – Leases. In January 2016, the IASB issued IFRS 16 *Leases*, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019.

5. Assets held for sale

	June 30 2016
Balance - December 31, 2014	-
Transfer from construction in progress	19,646
Balance - December 31, 2015	**19,646**
Currency translation adjustment	(912)
Balance - June 30, 2016	**18,734**

Due to the combined status of the Project permitting and the ICSID Arbitration, the prospect of the long lead-time equipment being used in the future for the purpose for which it was purchased is now considered remote. In December 2015, the Company formally engaged two specialist agents to broker the sale of the long lead-time equipment. This engagement is ongoing, and the equipment is expected to be sold in the forseeable future.

6. Cash and cash equivalents

As at	**June 30 2016**	December 31 2015
Cash at bank and on hand	**4,013**	4,070
Short-term bank deposits	**24,001**	14,497
	28,014	18,567

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates. Cash is readily available and is deposited at reputable financial institutions with high credit standings.

The Group manages its domestic Romanian bank credit risk by centralizing custody, control and management of its surplus cash resources from its corporate office and only transferring money to its Romanian subsidiary based on near term cash requirements, thereby mitigating exposure to domestic Romanian banks. At June 30, 2016, the Group held $0.4 million equivalent in Romanian banks (December 2015: $0.6 million).

Short-term bank deposits represent investments in government treasury bills, with maturities from the date of acquisition of less than 90 days.

7. Prepaid expenses

During the six-month period ended June 30, 2016 the Company incurred expenses totaling $1.1 million relating to the non-brokered private placement which closed on July 14, 2016 (see Note 18). These expenses will be used to reduce the outstanding carrying value of the liability upon recognition in July 2016, and will be amortized over the term of the loan in accordance with IFRS.

8. Resettlement liabilities

RMGC previously had a program for purchasing homes in the Project area. Under the resettlement program residents were offered two choices; either to take the sale proceeds and move to a new location of their choosing, or exchange their properties for a new property to be built by RMGC at a new resettlement site. For those residents who chose the new resettlement site option, the Company recorded a resettlement liability for the anticipated construction costs of the resettlement houses. As a result of the delay in delivery of some of these homes, RMGC pays a penalty of up to 20% of the agreed upon unpaid property value per year of delay as required by the resettlement contracts. The remaining penalty amount in the resettlement contract is also recorded within resettlement liabilities.

During the second quarter of 2016 the Company closed out one resettlement contract through the provision of an alternate home that RMGC owned in Rosia Montană. As a consequence, there was a utilization of accrued resettlement liabilities during the period with the total balance as of June 30, 2016 reducing to $0.8 million (December 31, 2015: $1.2 million).

9. Other current liabilities

The Company has a DSU Plan under which qualifying participants can elect to receive certain compensation in the form of DSUs. DSUs are initially valued at the five-day weighted average market price of the Company's common shares at the date of issue, and are subsequently recorded at fair value based on the closing common share price at the end of each reporting period.

During the six-month period ended June 30, 2016 the Company's share price increased significantly, and accordingly an increase of $0.9 million has been recorded in the DSU liability in line with the fair value calculation outlined above.

10. Non-controlling interest

The Company has historically advanced loans totaling US$39.5 million to Minvest RM, the non-controlling shareholder of RMGC, to facilitate mandatory statutory share capital increases in RMGC in accordance with Romanian company law rules on capitalization. These loans, which remain outstanding at June 30, 2016, are non-interest bearing and according to their terms are to be repaid as and when RMGC distributes dividends to its shareholders. The loans are accounted for as part of the Group's net investment in RMGC and, accordingly, have been set-off against non-controlling interests in the Condensed Consolidated Statement of Financial Position. The loans and non-controlling interest components will be reflected individually at such time as repayment of the loans is possible.

In December 2013, the Group was required to recapitalize RMGC in order to comply with Romanian minimum capitalization company law requirements. The subscription to RMGC share capital by the Company was effected through a conversion of existing intercompany debt. On January 17, 2014 the Group agreed to transfer to Minvest RM, for nil consideration, a proportion of the shares subscribed to in December 2013, with a face value of $20.4 million, in order to preserve the respective shareholdings in RMGC. This transfer gave rise to the disclosed non-controlling interest and subsequent accounting.

(Unaudited, tabular amounts in thousands of Canadian dollars, unless otherwise stated)

11. Related party transactions

The Group had related party transactions with associated persons or corporations which were undertaken in the normal course of operations.

Historical related party transactions with Minvest RM are disclosed in Note 8. There have been no transactions with Minvest RM in 2016.

12. Common share options

Director, officer, employee and consultant common share options were granted, exercised and cancelled as follows:

	Number of options ('000)	**Weighted average exercise price (dollars)**
Balance - December 31, 2014	28,640	3.34
Options granted	5,525	0.40
Options forfeited	(375)	7.27
Options expired	(8,057)	6.51
Options exercised	(5)	0.56
Balance - December 31, 2015	25,728	1.66
Options expired	(1,225)	7.55
Balance - June 30, 2016	**24,503**	**1.36**

13. Loss per share

	3 months ended June 30		6 months ended June 30	
	2016	2015	**2016**	2015
Loss for the period attributable to owners of the parent	**8,943**	4,495	**16,313**	8,026
Weighted-average number of common shares (000's)	**384,150**	384,145	**384,150**	384,145
Basic and diluted loss per share	**$0.02**	$0.01	**$0.04**	$0.02

14. Commitments and contingencies

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

	Total	**2016**	**2017**	**2018**	**2019**	**2020**	**Thereafter**
Capital commitments							
Resettlement	79	23	56	-	-	-	-
Operating lease commitments							
Roşia Montană exploitation license	907	259	259	259	130	-	-
Surface concession rights	1,198	33	33	33	33	33	1,033
Property lease agreements	81	81	-	-	-	-	-
Total commitments	**2,265**	**396**	**348**	**292**	**163**	**33**	**1,033**

(Unaudited, tabular amounts in thousands of Canadian dollars, unless otherwise stated)

15. Segmental information

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Company's Chief Executive Officer.

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

The segmental report is as follows:

	Romania		**Corporate**		**Total**	
For the six-month period ended June 30,	**2016**	2015	**2016**	2015	**2016**	2015
Reportable items in the Condensed Consolidated Income Statement and Comprehensive Income						
Interest received	-	-	**(36)**	(159)	**(36)**	(159)
Finance costs - convertible note accretion	-	-	**1,291**	1,878	**1,291**	1,878
Depreciation	-	-	**168**	48	**168**	48
Reportable segment loss	514	514	**15,799**	7,611	**16,313**	8,125

As at June 30,	**2016**	2015	**2016**	2015	**2016**	2015
Reportable segment in Condensed Consolidated Statement of Financial Position						
Reportable segment current assets and assets classified as held for sale	**20,107**	738	**28,952**	32,468	**49,059**	33,206
Reportable segment non - current assets	**4,633**	598,035	**44**	90	**4,677**	598,125
Reportable segment liabilities	**(3,073)**	(7,686)	**(33,455)**	(32,542)	**(36,528)**	(40,228)

The Group's non-current assets are predominantly located in various port facilities within the European Union.

(Unaudited, tabular amounts in thousands of Canadian dollars, unless otherwise stated)

16. Private Placement

On May 11, 2016 the Company completed a private placement with a number of existing shareholders (the "May 2016 Private Placement"). A total of 20,000 units were issued at a price of $1,000 per unit to raise aggregate gross proceeds of $20.0 million. Each unit consists of:

- $1,000 principal amount of convertible, subordinated, unsecured notes with a coupon of 0.025% (the "May 2016 Notes"). The May 2016 Notes mature on June 30, 2021 and are convertible at any point prior to maturity, at the option of the holder, into common shares of the Company at a conversion price of $0.3105 per common share;
- 1,610 common share purchase warrants, each of which entitles the holder to purchase one common share of the Company at a price of $0.46 at any time prior to June 30, 2021; and
- one arbitration value right, which entitles the holder, subject to certain limitations and exclusions, to a pro-rata proportion of up to 7.5% (capped at an aggregate, which includes all 2014 and May 2016 AVRs issued by the Company, of $175 million) of any amounts received by the Group pursuant to any settlement or arbitral awards irrevocably made in favor of the Group.

On May 30, 2014 the Company completed a private placement with a number of existing shareholders (the "2014 Private Placement"). A total of 35,000 units were issued at a price of $1,000 per unit to raise aggregate gross proceeds of $35.0 million. In conjunction with the closing of the May 2016 Private Placement, certain terms of the 2014 Private Placement were restructured, as follows (the "Restructuring"):

Term	Initial	Renegotiated
Coupon	8 percent	0.025 percent
Conversion price (notes)	$1.255	$0.3105
Share purchase price (warrants)	$1.674	$0.46
Warrants issued per note	398	1,610
AVR percentage	5 percent	7.5 percent
AVR cap	$130 million	$175 million

This change was effective as of January 1, 2016 with a waiver for any and all right in respect of interest that has previously been accrued at a rate of 8% since January 2016.

The change to the terms of the 2014 Private Placement pursuant to the Restructuring has been accounted for as an extinguishment rather than a modification, as permitted under IFRS. On extinguishment a debt extinguishment charge of $4.2 million was recognized in the three and six-month period ended June 30, 2016 as a non-cash expense in the income statement. Further, deferred financing costs of $0.2 million, capitalized in 2014 and financing costs of $0.1 million related to the extinguishment were recognized in the three and six-month period ended June 30, 2016 as an expense in the income statement.

Both the 2014 Private Placement and May 2016 Private Placement are accounted for as compound financial instruments. The debt component of the compound financial instruments was recognized initially at fair value of a similar liability that does not have an equity conversion option. The warrants were recorded at fair value. The equity component was recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the debt and warrant components. Any directly attributable transaction costs were allocated to the liability and equity components in proportion to their initial carrying amounts.

(Unaudited, tabular amounts in thousands of Canadian dollars, unless otherwise stated)

16. Private Placement (continued)

The key inputs used in determining the value of the Notes and Warrants set out in these Condensed Financial Statements are as follows:

- Discount rate 12.5%
- Volatility (based on historic 23 month volatility) 98.0%
- Remaining life (years) 5.0

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

May 2016 Private Placement – Initial recognition

	Gross allocation	Financing fees	Net allocation
Liability component of convertible debentures	11,118	67	11,051
Equity component of convertible debentures	4,149	25	4,124
Warrants	4,733	28	4,705
Arbitration value rights	-	-	-
Proceeds of private placement	20,000	120	19,880

2014 Private Placement – Recognition subsequent to the debt extinguishment

	Gross allocation	Financing fees	Net allocation
Liability component of convertible debentures	18,347	-	18,347
Equity component of convertible debentures	8,370	50	8,320
Warrants	8,283	50	8,233
Arbitration value rights	-	-	-
Proceeds of private placement	35,000	100	34,900

There are two derivatives that are embedded within the Notes to both the 2014 Private Placement and May 2016 Private Placement: a ‘make-whole premium’ to protect holders of the Notes in a change of control event prior to maturity; and a ‘common share repayment right’ providing the Company with the right to repay the principal in Common Shares at a discounted amount of 95% of par at maturity. These two embedded derivatives were determined to have insignificant initial values and were accordingly not accounted for, but will be reassessed at each reporting date.

17. Contingent liabilities

During 2016, RMGC was subject to an inspection by the Romanian tax authorities of the value added tax (“VAT”) deductions it claimed in the period 2011 to 2015. This inspection resulted in a tax assessment of RON 27 million (approximately $8.6 million) being communicated to RMGC in July 2016, as further described in Note 18. As at the date of these Condensed Financial Statements, the Group is challenging the tax assessment through various formal processes and considers that the outflow of economic resources in respect of the assessment is not probable, and consequently no liability has been recognized at June 30, 2016.

18. Post Balance Sheet Events

$40.625 million non-brokered private placement

On July 14, 2016, the Company announced that it had closed a non-brokered private placement with Enescu Investments, LLC, an entity managed by Tenor International & Commercial Arbitration Fund, L.P. and Kopernik Global Investors, LLC, on behalf of certain of its managed funds, to raise $40.625 million (the “July 2016 Private Placement”).

Pursuant to the July 2016 Private Placement, the Company issued 40,625 Units, each Unit consisting of (i) $1,000 principal amount of 0.025% convertible subordinated unsecured notes (the “New Notes”); (ii) 1,610 common share purchase warrants (the “New Warrants”) with an exercise price of $0.46; and (iii) one arbitration value right (the “New AVRs”) entitling the holder to a pro rata share of 5.54% of any proceeds arising from any ICSID Award, subject to a maximum aggregate entitlement of $129.3 million among all holders of such AVRs.

The New Notes will mature on June 30, 2021 and will be convertible at any time prior to maturity, at the option of the holder, into common shares in the capital of the Company (“Common Shares”) at a price of $0.3105 per Common Share. At maturity, the Company will have the ability to repay the New Notes through issuing Common Shares.

Each New Warrant will entitle the holder to acquire one Common Share at an exercise price of $0.46, and each New AVR will entitle the holder thereof to its pro rata share of 5.54% of any proceeds arising from the ICSID Arbitration, subject to a maximum aggregate entitlement of $129.3 million among all holders of New AVRs issued by the Company.

RMGC VAT assessment

On July 14, 2016 RMGC received a tax assessment from the Romanian tax authorities in respect of VAT deductions claimed by RMGC in the period 2011 to 2015. The amount of the tax assessed was RON 27 million, approximately $8.6 million at June 30, 2016, and payment is demanded by August 5, 2016. This amount does not include any penalties or fines which the Company understands may also be levied, but cannot currently be estimated.

The Company will contest the conclusions and decisions of the tax authorities and believes that the Assessment is fundamentally flawed.

The Company and RMGC are exploring the avenues by which the Assessment can be challenged, suspended, set aside or annulled.