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 nine-month periods ended September 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 nine-month periods ended September 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 November 8, 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. Until recently, 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 light of the continued absence of any engagement by the Romanian State since the Arbitration Request, the ICSID Arbitration has become the core focus of the Company.

ICSID Arbitration

For over seventeen years, in reliance on numerous representations made and actions taken by the Romanian authorities and in the reasonable expectation that the Project would be evaluated in accordance with the law and reasonable technical standards and, ultimately, on its merits, Gabriel has invested over US$700 million to maintain and develop the Project in accordance with all applicable laws, regulations, licenses, and permits. However, having encouraged Gabriel's investment in the Project, the Romanian State has frustrated and prevented the implementation of the Project in an unlawful, discriminatory and non-transparent manner, 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 and its affiliates.

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 held its first session by teleconference on August 12, 2016 in order to ascertain the parties' agreements and views on certain procedural questions relating to the ICSID Arbitration. On August 26, the Tribunal issued Procedural Order No.1 establishing certain timelines and procedural rules to be followed during the course of the ICSID Arbitration; this included the position of the Tribunal that all hearings would be held in Washington, D.C. The Tribunal is still to issue a final procedural calendar with specific dates for the filing of submissions by the parties and other necessary procedural matters.

On September 23, 2016, the Tribunal held a hearing to consider requests for certain provisional measures submitted to the Tribunal by the Claimants (the "PM Hearing"). The provisional measures requests relate to (i) the use by the Claimants, their counsel and the Tribunal, among others, of certain categories of documents and information considered classified and/or confidential under Romanian law; (ii) various aspects of the value added tax ("VAT") assessment levied against RMGC by the Romanian National Agency for Fiscal Administration ("ANAF"), a government agency operating under the Ministry of Public Finance, a government department which is also charged with organizing and overseeing Romania's defense of the ICSID Arbitration; and (iii) certain investigations of RMGC being undertaken by ANAF, as further described below. The Tribunal did not indicate a timeframe for the issuance of its pending decisions in regard to the matters addressed during the PM Hearing.

RMGC Audits and Investigations

Since the filing of the ICSID Arbitration, RMGC has been subjected to numerous audits and investigations by ANAF. Gabriel considers that such audits and investigations are abusive in nature and have been initiated by the Romanian authorities in retaliation to the Claimants' filing of the ICSID Arbitration.

As previously announced by the Company, ANAF raised a VAT assessment against RMGC in July 2016 demanding the repayment of VAT deductions claimed by RMGC in the period 2011 to 2016 in the amount of RON 27m ($8.6m) (the "Assessment"). In mid-September 2016, ANAF issued a further demand against RMGC in respect of interest and penalties payable on the Assessment in the amount of RON 15.9 million ($5.1m). RMGC challenged the Assessment on the basis that it was contrary to well-established Romanian fiscal laws as well as European directives, and was issued despite it being contradictory to the results of eighteen prior VAT audits conducted by various divisions of ANAF in relation to RMGC's activities.

Immediately prior to the PM Hearing, through a filing made on behalf of Romania to the Tribunal, the Claimants were notified that the General Directorate for the Settlement of Challenges, a division of ANAF, had decided to 'partially quash' the Assessment. Pursuant to this decision, the Company is advised that neither the Assessment nor the associated interest and penalties are due for payment by RMGC, and that the VAT inspection will be re-run for the same period but using a new inspection team. The debt recovery actions against RMGC that had been initiated by ANAF have accordingly been withdrawn. As of October 12, 2016 a new VAT inspection commenced and is currently ongoing.

In parallel with the Assessment, a separate directorate of ANAF has continued to pursue an ad hoc investigation of a broad range of operational activities and transactions of RMGC over an extensive period spanning 1997 to 2016 (the "ANAF Investigation"). To date, ANAF has demanded that RMGC provide voluminous amounts of information and explanations in respect of, amongst other matters, transactions with its suppliers and financing transactions of RMGC. Although RMGC is cooperating in good faith with the ANAF Investigation, Gabriel believes that there is no justification for the ANAF Investigation, that the breadth and depth of ANAF's demands are intentionally abusive, and that it has been initiated in an attempt to harm RMGC and the Claimants in view of the dispute with the Romanian State and the Claimants' filing of the ICSID Arbitration. Accordingly, the Claimants have brought this matter to the attention of the Tribunal as Gabriel continues to consider that such actions further evidence the discriminatory acts and bad faith conduct of the Romanian authorities with regard to the Company's investment in Romania.

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 2016 (the "2016 Transactions"), 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.
- 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").

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 other 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.

Long Lead-Time Equipment

Long lead-time equipment comprised of crushing and milling equipment was originally procured by the Group between 2007 and 2009. Procurement was made in advance of expected construction activities due to the nature of the procurement cycle at that time requiring lead times in the region of over a year for the delivery of orders of large-scale mining equipment. Except as noted below, this equipment is currently stored in various warehouse locations which, with non-material exceptions, are outside of Romania. The principal storage location is the port of Antwerp, Belgium. The equipment is stored in accordance with both the original manufacturers' and current insurer's recommended storage requirements.

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 it was purchased is considered remote. In December 2015, the Company formally engaged two specialist agents to broker the sale of this equipment. As the fair value net of sale costs, determined based on information provided by these agents, was lower than the book value of the assets, the Company recognized an impairment of $33.0 million, forming part of the $631.2 million noted above. The remaining book value of the long lead-time equipment was transferred to assets held for sale on December 31, 2015.

During Q3 2016, the Group sold a gyratory crusher for gross proceeds of US$2.0 million (approx. $2.6 million) and, after sales commission, recorded a net gain on disposal of $0.6 million. The Company continues, through its agents, to procure the sale of the remaining long lead-time equipment.

United Nations Educational, Scientific and Cultural Organization ("UNESCO")

The annual meeting of UNESCO took place in Paris on October 24 to 26, 2016 where it was confirmed that the "Rosia Montana Mining Cultural Landscape", an area that includes the Project footprint, had been added to the UNESCO World Heritage Site tentative list. Neither the Company nor RMGC have been notified of, or consulted on, such matter.

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") published on March 29, 2016, 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. Except as disclosed in the Company's public filings thereafter, there has been no material change in that information from the date of publication 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 and ultimately to stop the development of the Project.

For further details concerning material legal actions related to the Project, see the section entitled "*Legal Challenges relating to the Project*" in the AIF and, for developments during the first two quarters of 2016, see the MD&A for the three-month and six-month periods ended March 31, 2016 and June 30, 2016, as filed on SEDAR.

Recent Developments

The following section outlines certain developments that occurred in legal proceedings related to the Project during the third 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 November 24, 2016.

- On May 28, 2015, the Bistrita Tribunal dismissed a claim registered by three NGOs seeking the annulment of an 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. On October 7, 2016 the Bistrita Tribunal admitted the plaintiffs’ request for the annulment of UC–47, which had already expired in April 2016.
- On October 24, RMGC was notified that the Prefect of Alba County had initiated a legal action before the Alba Tribunal requesting the annulment of an urbanism certificate issued by Alba County Council in April 2016 (“UC-98”).

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 subsequently extended its investigation of the Kadok Group to over 90 other companies, including RMGC, which had a short-term commercial relationship with the Kadok Group in 2012. In connection with this investigation, a restriction order was imposed by the PPPO on the equivalent of $0.3 million held in one of RMGC’s Romanian bank accounts pending the outcome of the aforementioned investigation.

Since learning of this investigation, RMGC has cooperated fully with the PPPO and provided evidence to the PPPO of its legitimate business dealings with the Kadok Group. In March 2014, RMGC filed a complaint with the PPPO challenging the legality of the investigation commenced against it, including the asset restriction order imposed on its bank accounts. Notwithstanding such complaint, the Company understands that the investigation is ongoing.

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 and the preparation and filing of its memorial in support of its claim;
- the continued assessment of the Company’s activities and resources necessary to 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 abusive, illegal, and retaliatory behavior of the Romanian 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 September 30, 2016 were $66.7 million.

Excluding cash flows from fundraising activities noted in “Financing Arrangements” above, and those from the sale of long lead-time equipment, the Company’s average monthly cash usage during Q3 2016 was $1.3 million, including costs in respect of the ICSID Arbitration (Q2 2016 monthly average: $2.0 million, Q1 2016 monthly average: $1.5 million). At the third quarter end, accruals for costs in respect of the ICSID Arbitration amounted to $3.4 million (Q2 2016 $1.0 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 Q3	2016 Q2	2016 Q1	2015 Q4
Income Statement				
Loss - attributable to owners of parent	$ 42,002	$ 8,943	$ 7,370	$ 615,175
Loss per share - basic and diluted	0.11	0.02	0.02	1.60
Statement of Financial Position				
Working capital	60,642	25,554	9,327	15,408
Total assets	90,495	53,736	39,298	44,415
Statement of Cash Flows				
Investments in development and exploration including working capital changes	-	-	-	2,249
Cash flows from financing activities	39,337	19,880	-	(1,412)

in thousands of Canadian dollars, except per share amounts	2015 Q3	2015 Q2	2015 Q1	2014 Q4
Income Statement				
Loss - attributable to owners of parent	$ 4,630	$ 4,495	$ 3,531	$ 1,474
Loss per share - basic and diluted	0.01	0.01	0.01	0.00
Statement of Financial Position				
Working capital	20,994	24,050	31,012	37,220
Total assets	693,225	631,331	636,620	648,074
Statement of Cash Flows				
Investments in development and exploration including working capital changes	3,322	1,954	3,301	(169)
Cash flows from financing activities	-	(1,388)	3	(1,649)

Review of Financial Results

	3 months ended September 30		**9 months ended September 30**	
in thousands of Canadian dollars, except per share amounts	**2016**	2015	**2016**	2015
Operating loss for the period	**$ 7,398**	$ 3,749	**$ 17,618**	$ 10,078
Loss for the period	**42,002**	4,636	**58,315**	12,761
Loss for the period - attributable to owners of parent[(1)]	**42,002**	4,630	**58,315**	12,656
Loss per share - basic and diluted	**0.11**	0.01	**0.15**	0.03

[(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 nine-month period ended September 30, 2016 increased from the corresponding period in 2015, primarily due to two factors. Firstly, following the Impairment at December 31, 2015, Management re-evaluated the treatment of various categories of expenditures (principally expenditures incurred by RMGC) and determined that such expenditures no longer meet the criteria for capitalization. In the nine-month period ended September 30, 2016, such expenditures were $6.3 million (in the same period in 2015 $7.6 million of these costs were capitalized). Secondly, the Company has incurred incremental legal and advisory costs during the nine-month period ended September 30, 2016 pursuant to the ICSID Arbitration.

The loss for the nine-month period ended September 30, 2016 is further impacted by two key additional expenses. Firstly, a $34.4 million one-off, non-cash, loss has been recorded in compliance with technical accounting rules applied to the July 2016 Private Placement. This arises as sizeable increases in the price of gold and global gold/mining indices were reflected in the Company's share price, which increased significantly during the documentation, finalization and closing period of the July 2016 Private Placement and resulted in the equity components (the warrants and convertible notes) being in-the-money on the date that the transaction closed (July 14, 2016) relative to the pricing negotiated with the investors and determined in accordance with price protection rules of the Toronto Stock Exchange. Secondly, there was a charge for debt extinguishment of $4.4 million, a non-cash expense arising following the restructuring of the 2014 Private Placement (see note 16 to the Financial Statements). The loss for the nine-month period ended September 30, 2016 also includes accreted finance charges of $2.8 million incurred in respect of the 2016 Transactions (Q3 2015: $2.8 million in respect of the 2014 Private Placement).

Expenses

Corporate, General and Administrative

	3 months ended September 30		9 months ended September 30	
in thousands of Canadian dollars	**2016**	2015	**2016**	2015
Finance	**$ 265**	$ 151	**$ 602**	$ 446
External communications	**13**	1	**145**	161
Information technology	**121**	44	**278**	96
ICSID Arbitration related	**3,474**	2,380	**6,316**	4,969
Legal	**329**	11	**480**	190
Payroll	**1,624**	814	**5,502**	2,416
Long lead-time equipment storage costs	**262**	-	**728**	-
Other	**506**	37	**1,120**	765
Corporate, general and administrative expense	**$ 6,594**	$ 3,438	**$ 15,171**	$ 9,043

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 and as noted above, all expenditures incurred by the Group, including those at RMGC, are included in corporate, general and administrative.

Legal expenses include ongoing corporate legal advice within the Group, including RMGC where such expenses were previously capitalized.

ICSID Arbitration related costs are in respect of legal and other services provided to the Company in respect of the ICSID Arbitration which, for the nine-month period ended September 30, 2016, amounted to approximately $6.3 million. In the corresponding 2015 period, such costs were lower as the Company had not at that time filed the Arbitration Request.

Payroll costs in the nine-month period ended September 30, 2016 include $3.2 million related to RMGC employees. Excluding RMGC, and taking into account the average 5% weakening of UK sterling against the Canadian dollar in 2016, 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 the 2016 review of capitalization criteria, such expenditures are recorded as corporate, general and administrative expense.

Other costs in the nine months to September 30, 2016 include $0.8 million related to corporate costs at RMGC, which were previously capitalized to mineral properties.

Share Based Compensation

	3 months ended September 30		9 months ended September 30	
in thousands of Canadian dollars	**2016**	2015	**2016**	2015
DSUs and RSUs - expense	**$ 491**	$ (63)	**$ 1,380**	$ (19)
Stock option compensation - expense	**229**	321	**777**	439
Stock based compensation - Income statement	**$ 720**	$ 258	**$ 2,157**	$ 420
DSUs and RSUs - reversal	**$ -**	$ (12)	**$ -**	$ (12)
Stock option compensation - expense	**-**	501	**-**	(328)
Stock option compensation - Mineral properties	**$ -**	$ 489	**$ -**	$ (340)

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, prior to December 31, 2015, being for share units granted to personnel working on development projects). At September 30, 2016, the Company's share price was $0.67 (December 31, 2015: $0.14), resulting in an increase in the expense recognized at the period 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 based 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 September 30		9 months ended September 30	
	2016	2015	**2016**	2015
Stock option compensation				
Number of stock options granted	**525,000**	5,525,000	**525,000**	5,525,000
Average value ascribed to each regular vesting option granted	**$ 0.65**	$ 0.40	**$ 0.65**	$ 0.40
Options granted to corporate employees, officers, and directors	**525,000**	2,775,000	**525,000**	2,775,000
Options granted to development project employees and consultants	**-**	2,750,000	**-**	2,750,000
DSU compensation				
Number of DSUs issued	**80,000**	-	**640,000**	560,000
Average value ascribed to each DSU issued	**0.65**	-	**$ 0.14**	$ 0.39
Number of DSUs redeemed	**256,000**	-	**256,000**	-
Average value ascribed to each DSU redeemed	**$ 0.66**	$ -	**0.66**	$ -
RSU compensation				
Number of RSUs redeemed	-	-	**144,935**	144,938
Average value ascribed to each RSU redeemed	-	-	**$ 0.14**	$ 0.47

In line with Company policy on the alignment of shareholder and director interests, 80,000 DSUs were issued in the three-month period ended September 30, 2016 to a new member of the board (2015: nil). Additionally an aggregate of 560,000 DSUs were issued to the other non-executive directors during the nine-month period ended September 30, 2016 (2015: 560,000). DSUs vest on the date of issue. With effect from July 1, 2016, certain Company directors will receive fifty per cent of their director fees payable in DSUs and others have elected to receive all of their director fees payable in share options[.

No RSUs vested in the three-month period ended September 30, 2016 (2015: nil). In the nine-month period ended September 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

in thousands of Canadian dollars	3 months ended September 30		9 months ended September 30	
	2016	2015	**2016**	2015
Interest income	**$ 52**	$ 88	**$ 88**	$ 190

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

As at September 30, 2016, approximately 87% of the Company's cash and cash equivalents were invested in either Canadian or US government guaranteed instruments, with the majority of the balance held as cash deposits with major Canadian banks.

Finance Costs

	3 months ended September 30		9 months ended September 30	
in thousands of Canadian dollars	**2016**	2015	**2016**	2015
Financing costs - convertible note accretion	**$ 1,494**	$ 939	**$ 2,785**	$ 2,817

Finance costs for the three-month and nine-month periods ended September 30, 2016 relate to the accretion of the debt component of the 2014, May 2016 and July 2016 Private Placements, which are measured at amortized cost using the effective interest rate method.

Foreign Exchange

The Company has experienced an increase in foreign currency gains and losses as a result of exposure to non-functional currencies. A significant portion of the funds raised in the July 2016 Private Placement were received in US dollars and the Company has retained these US dollars to fund its expected US dollar denominated ICSID Arbitration costs.

Taxes

All tax assessments received and validly existing prior to the end of the nine-month period ended September 30, 2016 have been paid and/or provided for in the Financial Statements.

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, 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

in thousands of Canadian dollars	3 months ended September 30 **2016**	2015	9 months ended September 30 **2016**	2015
Total investment in capital assets	**$ 8**	$ -	**$ 35**	$ 92
Depreciation and disposal - expensed	**$ 84**	$ 25	**$ 252**	$ 73
Depreciation and disposal - capitalized to mineral properties	**$ -**	$ 1,518	**$ -**	$ 1,705

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

Financing Activities

On July 14, 2016 the Company completed the July 2016 Private Placement with two subscribers as follows:

	Gross allocation	Financing fees	Net allocation
Liability component of convertible debentures	22,740	394	22,346
Equity component of convertible debentures	32,695	566	32,129
Warrants	19,556	339	19,217
Charge on issue of in-the-money equity instruments	(34,366)	-	(34,366)
Arbitration value rights	-	-	-
Proceeds of private placement	40,625	1,299	39,326

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 the 2014, May 2016 and July 2016 Private Placements to finance the costs of the continuing ICSID Arbitration and for general working capital purposes. The details of these 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 September 30, 2016, aggregate cash and cash equivalents were $66.7 million (December 31, 2015: $15.4 million).

Working Capital

At September 30, 2016, the Company had working capital, calculated as total current assets less total current liabilities, of $60.6 million (December 31, 2015: $15.4 million).

As at September 30, 2016, the Company had current liabilities of $7.1 million (December 31, 2015: $4.1 million). The increase in 2016 is due to an increase in accruals for ICSID Arbitration-related legal costs and the liability recognized for DSU compensation (further explained in notes 7 and 9 to the Financial Statements).

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 September 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 September 30, 2016 the Company had accrued resettlement liabilities totaling $0.8 million (December 31, 2015: $1.2 million).

Over the past 24 months, RMGC has sought to close-out various exchange contracts it had entered into with certain homeowners in Rosia Montana who had elected for resettlement in Roșia Montană if the Project proceeded. RMGC has, in accordance with the terms of such contracts, provided to the homeowners a range of options, including the restitution of their properties in Rosia Montana, in order to bring the contracts to an amicable and fair close. RMGC has successfully agreed terms with the majority of the relevant homeowners but it is still seeking discussions with certain landowners, two of whom have initiated legal action against RMGC.

Contractual Obligations

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

The Company and its subsidiaries have a number of arms-length agreements with 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 the 2014, May 2016, and July 2016 Private Placements. While Management believes that these estimates and assumptions are reasonable, actual results could vary significantly. With the exception of the expensing of Project-related expenditures (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 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 September 30, 2016, 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 is that the Company remains a going concern. The Company accordingly has been accounted for as a going concern in the Financial Statements for the quarter ended September 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 are expected to be in effect when the differences 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 in the respective countries where the Group does business.

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 previously disclosed, in July 2016 RMGC was issued with a tax assessment amounting to approximately RON 27 million (approximately $8.6 million). This assessment was in respect of VAT that RMGC had previously claimed on certain activities, despite the fact that 18 prior VAT audits by the Romanian tax authorities had accepted that VAT could be reclaimed on these types of activities. This assessment was subsequently 'partially quashed', with a re-performance of the VAT audit ordered (using a different inspection team) which was initiated on October 12, 2016.

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 that 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 and May 2016, and July 2016 Private Placements

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. For these two private placements, 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 September 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.

In the case of the July 2016 Private Placement, due to the increase in the share price during the period of the transaction documentation and closing, both the warrants and the convertible component of the July 2016 Notes were in-the-money at the time of issue. Consequently, the debt and equity components of the July 2016 Notes, a compound financial instrument, as well as the warrants, were recorded at fair value. The valuation of the equity components has resulted in a non-cash charge of $34.4 million being recognized in the income statement in Q3 2016. Any directly attributable transaction costs were allocated to the liability and equity components in proportion to their initial carrying amounts.

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. Following the closing of the July 2016 Private Placement (as outlined in note 16 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 would 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. However, the Company has invested 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. 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 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 September 30, 2016 the Group held 49% and 50% of its cash and cash equivalents in Canadian and US dollars, respectively.

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 September 30, 2016, that 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 $0.7 million.

- The Company holds 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 $0.3 million.

Risks

The ICSID Arbitration, which has become the core focus of the Company, entails certain risks, uncertainties and other factors which include, without limitation, the abusive behaviour of Romanian authorities leading to tax and other assessments, 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, including the timing and value of any arbitral award or settlement; the Company's expectation with regards to the 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 if 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 could face.

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
- 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 September 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 September 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 November 2, 2016 was:

	Outstanding
Common shares	384,440,280
Common stock options	24,218,410
Deferred share units - common shares	2,285,113
Restricted share units - common shares	62,500
Warrants	111,536,250
Convertible notes	307,912,500
Fully diluted share capital	**830,455,053**

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 September 30, 2016

Condensed Consolidated Statement of Financial Position

As at September 30, 2016 and December 31, 2015
(Unaudited and expressed in thousands of Canadian dollars)

	Notes	**September 30 2016**	December 31 2015
Assets			
Current assets			
Cash and cash equivalents	6	**66,726**	18,567
Trade and other receivables		**578**	117
Prepaid expenses and supplies		**421**	869
Total current assets (excluding assets classified as held for sale)		**67,725**	19,553
Assets classified as held for sale	5	**17,834**	19,646
Total current assets		**85,559**	39,199
Non-current assets			
Restricted cash		**536**	533
Property, plant and equipment		**4,400**	4,683
Total non-current assets		**4,936**	5,216
TOTAL ASSETS		**90,495**	44,415
Liabilities			
Current liabilities			
Trade and other payables	7	**4,694**	2,595
Resettlement liabilities	8	**809**	1,162
Other current liabilities	9	**1,580**	388
Total current liabilities		**7,083**	4,145
Non-current liabilities			
Convertible, subordinated, unsecured notes	16	**54,530**	30,400
Other non-current liabilities		**1,124**	1,145
Total non-current liabilities		**55,654**	31,545
TOTAL LIABILITIES		**62,737**	35,690
Equity			
Share capital		**868,279**	868,086
Other reserves	16	**131,336**	53,843
Currency translation adjustment		**1,981**	2,254
Accumulated deficit		**(977,885)**	(919,570)
Equity attributable to owners of the parent		**23,711**	4,613
Non-controlling interest	10	**4,047**	4,112
TOTAL EQUITY		**27,758**	8,725
TOTAL EQUITY AND LIABILITIES		**90,495**	44,415

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

Condensed Consolidated Income Statement

For the three and nine-month periods ended September 30

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

	Notes	3 months ended September 30 2016	3 months ended September 30 2015	9 months ended September 30 2016	9 months ended September 30 2015
Expenses					
Corporate, general and administrative		**6,594**	3,438	**15,171**	9,043
Severance costs		**-**	28	**38**	542
Share-based compensation		**720**	258	**2,157**	420
Depreciation		**84**	25	**252**	73
Operating loss		**7,398**	3,749	**17,618**	10,078
Other (income) / expense					
Interest received		**(52)**	(31)	**(88)**	(190)
Gain on disposal of assets		**(816)**	-	**(816)**	-
Debt extinguishment charge	16	**-**	-	**4,710**	-
Charge on issue of in-the-money equity instruments	16	**34,366**	-	**34,366**	-
Finance costs: convertible notes accretion	16	**1,494**	939	**2,785**	2,817
Foreign exchange (gain) / loss		**(388)**	(21)	**(260)**	56
Loss for the period attributable to owners of the parent		**42,002**	4,636	**58,315**	12,761
- Owners of the parent		**42,002**	4,630	**58,315**	12,656
- Non-controlling interest		**-**	6	**-**	105
Loss for the period		**42,002**	4,636	**58,315**	12,761
Basic and diluted loss per share	13	**$0.11**	$0.01	**$0.15**	$0.03

Condensed Consolidated Statement of Comprehensive Income

For the three and nine-month periods ended September 30

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

	3 months ended September 30 2016	3 months ended September 30 2015	9 months ended September 30 2016	9 months ended September 30 2015
Loss for the period	**42,002**	4,636	**58,315**	12,761
Other comprehensive loss / (income)				
- may recycle to the Income Statement in future periods				
Currency translation adjustment	**(796)**	(67,974)	**338**	(58,884)
Comprehensive loss / (income) for the period	**41,206**	(63,338)	**58,653**	(46,123)
Comprehensive loss / (income) for the period attributable to:				
- Owners of the parent	**41,206**	(50,218)	**58,588**	(34,857)
- Non-controlling interest	**-**	(13,120)	**65**	(11,266)
Comprehensive loss / (income) for the period	**41,206**	(63,338)	**58,653**	(46,123)

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

Condensed Consolidated Statement of Changes in Shareholders’ Equity

For the nine-month periods ended September 30

(Unaudited and expressed in thousands of Canadian dollars)

	Notes	9 months ended September 30 2016	2015
Common shares			
At January 1		**868,086**	868,081
Shares issued on the exercise of share options		**17**	3
Transfer from contributed surplus: exercise of share options		**11**	2
Shares issued on redemption of DSU's		**165**	-
At September 30		**868,279**	868,086
Other reserves			
At January 1		**53,843**	52,832
Share-based compensation		**777**	111
Exercise of share options		**(11)**	(2)
Equity component of convertible notes, net of issue costs	16	**44,571**	-
Warrants, net of issue costs	16	**32,156**	-
At September 30		**131,336**	52,941
Currency translation adjustment			
At January 1		**2,254**	(35,216)
Currency translation adjustment		**(273)**	47,513
At September 30		**1,981**	12,297
Accumulated deficit			
At January 1		**(919,570)**	(291,738)
Loss for the period		**(58,315)**	(12,656)
At September 30		**(977,885)**	(304,394)
Non-controlling interest			
At January 1		**4,112**	15,067
Loss for the period		**-**	(105)
Currency translation adjustment		**(65)**	11,371
At September 30		**4,047**	26,333
Total shareholders' equity at September 30		**27,758**	655,263

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

Condensed Consolidated Statement of Cash Flows

For the nine-month periods ended September 30

(Unaudited and expressed in thousands of Canadian dollars)

	Note	9 months ended September 30 2016	2015
Cash flows used in operating activities			
Loss for the period		**(58,315)**	(12,761)
Adjusted for the following non-cash items:			
Depreciation		**252**	73
Share-based compensation		**2,157**	420
Gain on disposal of assets		**(816)**	-
Debt extinguishment charge		**4,710**	-
Charge on issue of in-the-money equity instuments		**34,366**	-
Finance costs - convertible note accretion		**2,785**	2,817
Unrealized foreign exchange loss / (gain)		**1,186**	(562)
Cash used in operations		**(13,675)**	(10,013)
DSU/RSU cash settlement		**(16)**	(68)
Changes in operating working capital:		**650**	1,745
		(13,041)	(8,336)
Cash flows provided by / (used in) investing activities			
Exploration and development expenditures		**-**	(7,637)
Purchase of property, plant and equipment		**(35)**	(92)
Proceeds from sale of long lead-time equipment	5	**2,636**	-
Changes in investing working capital		**-**	(941)
		2,601	(8,670)
Cash flows provided by / (used in) financing activities			
Proceeds from issuance of private placement - net of issue costs	16	**59,206**	-
Interest paid on convertible unsecured notes	16	**-**	(1,388)
Proceeds from the exercise of share options		**11**	3
		59,217	(1,385)
Increase / (decrease) in cash and cash equivalents		**48,777**	(18,391)
Effect of foreign exchange on cash and cash equivalents		**(618)**	(54)
Cash and cash equivalents - beginning of period		**18,567**	44,156
Cash and cash equivalents - end of period		**66,726**	25,711

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 Roşia Montană gold and silver project (the “Project”) in Romania. The exploitation license for the Project (“License”) is held by Roşia Montană Gold Corporation S.A. (“RMGC”), a Romanian company in which Gabriel owns an 80.69% equity interest, with the 19.31% balance held by Minvest Roşia Montană S.A. (“Minvest RM”), a Romanian state-owned mining company.

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 known ore bodies, engineering to design the size and scope of the Project, surface rights acquisitions, rescue archaeology and environmental assessment and permitting.

On July 21, 2015, pursuant to the provisions of international bilateral investment protection treaties which the Romanian State entered into with each of Canada and the United Kingdom of Great Britain and Northern Ireland for the Promotion and Reciprocal Protection of Investments (together the “Treaties”), Gabriel and its subsidiary company, Gabriel Resources (Jersey) Limited, filed a request for arbitration (“Arbitration Request”) before the World Bank’s International Centre for Settlement of Investment Disputes (“ICSID”) against the Romanian State (“ICSID Arbitration”). The 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. 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.

Whilst the Company’s primary objective has always been the development of the Project to operational status, 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. The first Tribunal hearing took place on August 12, 2016, in order to ascertain the parties’ agreements and views on certain procedural questions relating to the ICSID Arbitration, with a second hearing held on September 23, 2016.

The approved 2016 budget includes those expenditures and commitments necessary to maintain the Company’s primary assets, its 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 September 30, 2016, 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 rationalise 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 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-month and nine-month periods ended September 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 Audit Committee approved these Condensed Financial Statements on November 8, 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, except 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 these 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 nine-month period ended September 30, 2016.

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 reached a conclusion 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

	September 30 2016
Balance - December 31, 2014	**-**
Transfer from construction in progress	19,646
Balance - December 31, 2015	**19,646**
Disposal	**(1,540)**
Currency translation adjustment	(272)
Balance - September 30, 2016	**17,834**

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 considered remote. In December 2015, the Company engaged two specialist agents to broker the sale of the long lead-time equipment. In August 2016, a gyratory crusher was sold for gross proceeds of $2.6 million. The agents' engagement is ongoing, with a view to a sale of the remaining equipment in the short-term.

6. Cash and cash equivalents

As at	**September 30 2016**	December 31 2015
Cash at bank and on hand	**8,778**	4,070
Short-term bank deposits	**57,948**	14,497
	66,726	18,567

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates. Cash is readily accessible and is deposited at reputable financial institutions with 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 September 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. Trade and other payables

As at	**September 30 2016**	December 31 2015
ICSID Arbitration related accruals and payables	**3,354**	841
RMGC accruals and payables	**580**	643
RMGC salaries and related taxes payable	**484**	647
Other payables	**276**	464
	4,694	2,595

Trade and other payables are accounted for at amortized cost and are categorized as other financial liabilities. The increase in ICSID Arbitration related accruals at September 30, 2016 is due to the increase in arbitration related activities following the formation of the Tribunal.

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 Roșia Montană. As a consequence, there was a utilization of accrued resettlement liabilities during the nine-month period ended September 30, 2016, with the total balance reduced 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. With effect from July 1, 2016, certain Company directors will receive fifty per cent of their director fees payable in DSUs. DSUs are initially valued at the five-day weighted average market price of the Company's common shares at the date of issue, with the value adjusted based on fair value on the closing common share price at the end of each subsequent reporting period.

During the nine-month period ended September 30, 2016 the Company's share price increased significantly, and accordingly an increase of $1.2 million has been recorded in the DSU liability in line with the fair value calculation outlined above.

10. Non-controlling interest

The Company 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 September 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.

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 10. 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 granted	525	0.65
Options forfeited	(280)	2.49
Options expired	(1,700)	7.54
Options exercised	(36)	0.46
Balance - September 30, 2016	**24,237**	**1.22**

13. Loss per share

	3 months ended September 30		9 months ended September 30	
	2016	2015	**2016**	2015
Loss for the period attributable to owners of the parent	**42,002**	4,630	**58,315**	12,656
Weighted-average number of common shares (000's)	**384,353**	384,150	**384,218**	384,149
Basic and diluted loss per share	**$0.11**	$0.01	**$0.15**	$0.03

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	80	23	57	-	-	-	-
Operating lease commitments							
Roșia Montană exploitation license	945	270	270	270	135	-	-
Surface concession rights	1,202	34	34	34	34	34	1,032
Property lease agreements	88	88	-	-	-	-	-
Total commitments	**2,315**	**415**	**361**	**304**	**169**	**34**	**1,032**

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 three-month period ended September 30,	**2016**	2015	**2016**	2015	**2016**	2015
Reportable items in the Condensed Consolidated Income Statement and Comprehensive Income						
Interest received	-	-	**(52)**	(31)	**(52)**	(31)
Finance costs - convertible note accretion	-	-	**1,494**	939	**1,494**	939
Depreciation	-	-	**10**	25	**10**	25
Reportable segment loss	514	28	**41,488**	4,608	**42,002**	4,636
For the nine-month period ended September 30,	**2016**	2015	**2016**	2015	**2016**	2015
Reportable items in the Condensed Consolidated Income Statement and Comprehensive Income						
Interest received	-	-	**(88)**	(190)	**(88)**	(190)
Finance costs - convertible note accretion	-	-	**2,785**	2,817	**2,785**	2,817
Depreciation	-	-	**32**	73	**32**	73
Reportable segment loss	**38**	542	**58,277**	12,219	**58,315**	12,761
As at September 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	**18,660**	1,366	**66,899**	25,463	**85,559**	26,829
Reportable segment non - current assets	**4,905**	666,328	**31**	68	**4,936**	666,396
Reportable segment liabilities	**(3,087)**	(4,465)	**(59,650)**	(33,497)	**(62,737)**	(37,962)

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

16. Private Placement

On July 14, 2016 the Company completed a private placement with one existing shareholder and a new investor (the "July 2016 Private Placement"). A total of 40,625 units were issued at a price of $1,000 per unit to raise aggregate gross proceeds of $40.625 million. Each unit consists of:

- $1,000 principal amount of convertible, subordinated, unsecured notes with a coupon of 0.025% (the "July 2016 Notes"). The July 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 (the "July 2016 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 5.54% (capped at an aggregate of $129.3 million) of any amounts received by the Group pursuant to any settlement or arbitral awards irrevocably made in favor of the Group.

On May 11, 2016 the Company completed a private placement with a number of existing shareholders (the "May 2016 Private Placement" and together with the July 2016 Private Placement, the "2016 Private Placements"). 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 (the "May 2016 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 to bring them into alignment with the May 2016 Private Placement, including a reduction in the coupon from 8% to 0.025% (the "Restructuring"). This change was effective as of January 1, 2016 with a waiver for any and all rights in respect of interest that had 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 required under IFRS. On extinguishment, a debt extinguishment charge of $4.2 million was recognized in the three-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-month period ended September 30, 2016 as an expense in the income statement.

16. Private Placement (continued)

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. Using the *'residual value'* method, 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.

The July 2016 Private Placement is also accounted for as a compound financial instrument. Due to the increase in the share price during the period of the transaction documentation and closing, both the warrants and the convertible component of the July 2016 Private Placement were in the money at the time of issue. Consequently, the 'residual value' method used for the 2014 Private Placement and May 2016 Private Placement is not applicable to the July 2016 Private Placement. The debt and equity components of the July 2016 Notes, a compound financial instrument, were initially recorded at fair value at the commitment date (the date of the subscription agreements). The July 2016 warrants were initially recorded at the fair value as at the closing date of the July 2016 Private Placement. The valuation of the equity components has resulted in a loss on recognition of $34.4 million being recognized in the income statement in the quarter ending September 30, 2016. Any directly attributable transaction costs were allocated to the liability and equity components in proportion to their initial carrying amounts.

The key inputs used in determining the value of the Notes and Warrants in the May 2016 Private Placement and 2014 Private Placement 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

The key inputs used in determining the value of the Notes and Warrants in the July 2016 Private Placement set out in these Condensed Financial Statements are as follows:

- Discount rate 12.5%
- Volatility (based on historic 23 month volatility adjusted for the S&P/TSX Mining Index volatility) 66.5%
- Remaining life (years) 5.0

July 2016 Private Placement – Initial recognition

	Gross allocation	Financing fees	Net allocation
Liability component of convertible debentures	22,740	394	22,346
Equity component of convertible debentures	32,695	566	32,129
Warrants	19,556	339	19,217
Charge on issue of in-the-money equity instruments	(34,366)	-	(34,366)
Arbitration value rights	-	-	-
Proceeds of private placement	40,625	1,299	39,326

16. Private Placement (continued)

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

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.

There are two derivatives that are embedded within the convertible notes to the 2014 Private Placement, the May 2016 Private Placement and the July 2016 Private Placement: a ‘make-whole premium’ to protect holders of the convertible 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 has been subject to inspection by the Romanian tax authorities ("ANAF") into the value added tax ("VAT") deductions it claimed in the period 2011 to 2015. The first formal inspection resulted in a tax assessment of RON 27 million (approximately $8.6 million) being communicated to RMGC in July 2016. Further to the assessment, in mid-September 2016, ANAF issued a further demand for RON 15.9 million ($5.1m) in interest and penalties. Following the challenges put forward by the Group, and immediately prior to the Tribunal hearing of September 23, 2016, the Group was notified that the General Directorate for the Settlement of Challenges, a division of ANAF, had decided to partially quash the tax assessment and to rerun the VAT inspection for the same period but using a new inspection team. The Company is advised that the previous assessment and the associated interest and penalties is no longer due for payment. The latest VAT inspection by ANAF started on October 12, 2016 and the Company is currently awaiting the outcome. Due to advice received and challenges put forward by the Group through various formal processes, the Company considered that the outflow of economic resources in respect of the assessment was not probable, and consequently no liability was recognized at June 30, 2016.