

Gabriel Resources Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)
For the period ended September 30, 2017

Condensed Consolidated Statement of Financial Position

As at September 30, 2017 and December 31, 2016

(Unaudited and expressed in thousands of Canadian dollars)

	Notes	September 30 2017	December 31 2016
Assets			
Current assets			
Cash and cash equivalents	7	37,816	60,267
Trade and other receivables		954	596
Prepaid expenses and supplies		425	523
Total current assets (excluding assets classified as held for sale)		39,195	61,386
Assets classified as held for sale	6	13,613	13,417
Total current assets		52,808	74,803
Non-current assets			
Restricted cash		528	506
Property, plant and equipment		125	149
Total non-current assets		653	655
TOTAL ASSETS		53,461	75,458
Liabilities			
Current liabilities			
Trade and other payables	8	4,871	3,375
Resettlement liabilities	9	524	742
Other current liabilities	10	1,618	1,211
Total current liabilities		7,013	5,328
Non-current liabilities			
Convertible, subordinated, unsecured notes	17	61,378	56,154
Total non-current liabilities		61,378	56,154
TOTAL LIABILITIES		68,391	61,482
Deficit			
Share capital		868,288	868,279
Other reserves		132,696	131,562
Currency translation adjustment		1,568	1,329
Accumulated deficit		(1,021,334)	(991,085)
Deficit attributable to owners of the parent		(18,782)	10,085
Non-controlling interest	11	3,852	3,891
TOTAL (DEFICIT) / EQUITY		(14,930)	13,976
TOTAL (DEFICIT) / EQUITY AND LIABILITIES		53,461	75,458

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		9 months ended September 30	
		2017	2016	2017	2016
Expenses					
Corporate, general and administrative	5	4,053	6,594	21,881	15,171
Severance costs		-	-	-	38
Share-based compensation		766	720	1,548	2,157
Depreciation		27	84	109	252
Operating loss		4,846	7,398	23,538	17,618
Other (income) / expense					
Interest received		(71)	(52)	(199)	(88)
Gain on disposal of assets		(36)	(816)	(36)	(816)
Debt extinguishment charge		-	-	-	4,710
Charge on issue of in-the-money equity instruments	17	-	34,366	-	34,366
Finance costs: convertible notes accretion	17	1,793	1,494	5,224	2,785
Foreign exchange loss / (gain)		715	(388)	1,722	(260)
Loss for the period attributable to owners of the parent		7,247	42,002	30,249	58,315
Basic and diluted loss per share	14	\$0.02	\$0.11	\$0.08	\$0.15

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		9 months ended September 30	
		2,017	2,016	2,017	2,016
Loss for the period		7,247	42,002	30,249	58,315
<i>Other comprehensive loss / (income)</i>					
<i>- may recycle to the Income Statement in future periods</i>					
Currency translation adjustment		230	(796)	(200)	338
Comprehensive loss for the period		7,477	41,206	30,049	58,653
Comprehensive loss / (gain) for the period attributable to:					
- Owners of the parent		7,433	41,360	30,088	58,588
- Non-controlling interest		44	(154)	(39)	65
Comprehensive loss for the period		7,477	41,206	30,049	58,653

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

Condensed Consolidated Statement of Changes in Shareholders' (Deficit) / Equity

For the nine-month period ended September 30

(Unaudited and expressed in thousands of Canadian dollars)

	Notes	2017	9 months ended September 30 2016
Common shares			
At January 1		868,279	868,086
Shares issued on the exercise of share options		5	17
Transfer from contributed surplus: exercise of share options		4	11
Shares issued on redemption of DSU's		-	165
At September 30		868,288	868,279
Other reserves			
At January 1		131,562	53,843
Share-based compensation		1,138	777
Exercise of share options		(4)	(11)
Equity component of convertible notes, net of issue costs		-	44,571
Warrants, net of issue costs		-	32,156
At September 30		132,696	131,336
Currency translation adjustment			
At January 1		1,329	2,254
Currency translation adjustment		239	(273)
At September 30		1,568	1,981
Accumulated deficit			
At January 1		(991,085)	(919,570)
Loss for the period		(30,249)	(58,315)
At September 30		(1,021,334)	(977,885)
Non-controlling interest			
At January 1		3,891	4,112
Currency translation adjustment		(39)	(65)
At September 30		3,852	4,047
Total shareholders' (deficit) / equity at September 30		(14,930)	27,758

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

Condensed Consolidated Statement of Cash Flows

For the nine-month period ended September 30

(Unaudited and expressed in thousands of Canadian dollars)

	9 months ended September 30	
	2017	2016
Cash flows used in operating activities		
Loss for the period	(30,249)	(58,315)
Adjusted for the following non-cash items:		
Depreciation	109	252
Share-based compensation	1,548	2,157
Gain on disposal of assets	(36)	(816)
Debt extinguishment charge	-	4,710
Charge on issue of in-the-money equity instruments	-	34,366
Finance costs - convertible note accretion	5,224	2,785
Unrealized foreign exchange (gain) / loss	(1,689)	1,186
	(25,093)	(13,675)
DSU/RSU cash settlement	-	(16)
Changes in operating working capital:		
Unrealized foreign exchange gain	(14)	(567)
Increase in accounts payable	1,255	1,583
Increase in accounts receivable	(260)	(366)
	(24,112)	(13,041)
Cash flows used in / provided by investing activities		
Purchase of property, plant and equipment	(46)	(35)
Proceeds from sale of long lead-time equipment	6	2,636
	(46)	2,601
Cash flows provided by financing activities		
Proceeds from issuance of private placement - net of issue costs	17	59,206
Proceeds from the exercise of share options	4	11
	4	59,217
(Decrease) / increase in cash and cash equivalents	(24,154)	48,777
Effect of foreign exchange on cash and cash equivalents	1,703	(618)
Cash and cash equivalents - beginning of period	60,267	18,567
Cash and cash equivalents - end of period	37,816	66,726

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

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2017

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

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 (“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 (“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 core focus of the Company is the progression of the ICSID Arbitration. The first Tribunal hearing took place on August 12, 2016. On January 10, 2017, the Tribunal issued its procedural calendar for the ICSID Arbitration process and required documents. On June 30, 2017 the Claimants delivered a memorial to ICSID on the merits and quantum of the ICSID Arbitration claim (“Memorial”).

The approved 2017 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. Management continues to review the Company’s activities in order to identify areas to rationalize 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 1Z4. The Company receives significant management services from its wholly-owned subsidiary, RM Gold (Services) Ltd. (“RMGS”). The principal place of business for RMGS is 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.

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2017

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

2. Basis of preparation

These Condensed Financial Statements for the three and nine-month periods ended September 30, 2017, 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 audited consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS.

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

The Board approved these Condensed Financial Statements on November 9, 2017.

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 the 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 period. 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, 2016.

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, 2016.

No new IFRS accounting standards have been adopted by the Company during the nine-month period ended September 30, 2017.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017, 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.

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2017

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

5. Corporate General and Administrative expenses

<i>in thousands of Canadian dollars</i>	3 months ended		9 months ended	
	September 30		September 30	
	2017	2016	2017	2016
Finance	314	265	767	602
External communications	36	13	140	145
Information technology	79	121	264	278
ICSID Arbitration related	708	3,966	12,108	6,316
Legal	202	129	705	480
Payroll	2,038	1,624	5,932	5,502
Long lead-time equipment storage costs	220	262	659	728
Other	456	214	1,306	1,120
Corporate, general and administrative expense	4,053	6,594	21,881	15,171

ICSID Arbitration related costs are legal and other advisory services provided to the Company in respect of the ICSID Arbitration.

Legal expenditures shown above are in respect of general corporate legal advisory services to the Group.

6. Assets held for sale

Balance - December 31, 2015	19,646
Disposal	(1,375)
Impairment charge	(3,856)
Currency translation adjustment	(998)
Balance - December 31, 2016	13,417
Currency translation adjustment	196
Balance - June 30, 2017	13,613

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, and the equipment was transferred to assets held for sale on December 31, 2015. 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.

At December 31, 2016, the value of the long-lead time equipment was assessed for indicators of impairment, and a charge of \$3.9 million was recognised in the income statement for the year.

The remaining long lead-time equipment comprises milling equipment, which is not yet assembled. These items are currently stored in various warehouse locations which, with non-material exceptions, are outside of Romania, the main location being the port of Antwerp, Belgium.

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2017

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

7. Cash and cash equivalents

As at	September 30 2017	December 31 2016
Cash at bank and on hand	6,238	6,143
Short-term bank deposits	31,578	54,124
	37,816	60,267

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, 2017, the Group held \$0.5 million equivalent in Romanian banks (December 2016: \$0.1 million).

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

8. Trade and other payables

As at	September 30 2017	December 31 2016
ICSID Arbitration related accruals and payables	3,715	2,019
Non ICSID Arbitration related accruals and accounts payable	395	420
Salaries and related taxes payable	487	713
Other payables	274	223
	4,871	3,375

Trade and other payables are accounted for at amortized cost and are categorized as other financial liabilities. The increase in ICSID Arbitration related accruals period on period is due to the increase in ICSID Arbitration related activities in the period leading up to the June 30, 2017 filing of the Memorial, and related post Memorial advisory services.

9. 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. The total balance at September 30, 2017 was \$0.5 million (December 31, 2017: \$0.7 million).

10. Other current liabilities

The Company has a Deferred Share Unit (“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 have received fifty per cent of their director fees payable in DSUs. Certain officers of the Company were issued Restricted Share Units (“RSUs”) during the second and third quarters of 2017 as part of re-negotiated employment contracts. DSUs and RSUs 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.

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2017

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

10. Other current liabilities (continued)

During the three month period ended September 30, 2017 an aggregate of 127,491 DSUs were issued to certain non-executive directors in lieu of fees for services provided during the prior quarter. The 2017 issuance of DSUs and RSUs has resulted in an aggregate increase in the DSU/RSU liability of \$0.4 million based on the reporting period end fair value calculation.

11. 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, 2017, 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.

12. 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 11. There have been no transactions with Minvest RM in 2017 (2016: no transactions).

13. Common share options

With effect from July 1, 2016, certain Company directors have received all of their director fees payable in 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, 2015	25,728	1.66
Options granted	4,961	0.46
Options forfeited	(360)	2.14
Options expired	(3,548)	6.62
Options exercised	(36)	0.46
Balance - December 31, 2016	26,745	0.77
Options granted	980	0.31
Options expired	(1,475)	1.88
Options exercised	(13)	0.40
Balance - September 30, 2017	26,237	0.69

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2017

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

14. Loss per share

	3 months ended September 30		9 months ended September 30	
	2017	2016	2017	2016
Loss for the period attributable to owners of the parent	7,247	42,002	30,249	58,315
Weighted-average number of common shares (000's)	384,453	384,353	384,451	384,218
Basic and diluted loss per share	\$0.02	\$0.11	\$0.08	\$0.15

15. Commitments and contingencies

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

	Total	2017	2018	2019	2020	2021	Thereafter
<i>Operating lease commitments</i>							
Long lead time equipment	9	9	-	-	-	-	-
Rosia Montana exploitation license	650	260	260	130	-	-	-
Surface concession rights	1,077	8	32	32	32	32	941
Property lease agreements	20	20	-	-	-	-	-
Total commitments	1,756	297	292	162	32	32	941

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2017

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

16. 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 (designated as "Romania"). The rest of the entities within the Group form part of a secondary segment (designated as "Corporate").

The segmental report is as follows:

	Romania		Corporate		Total	
	2017	2016	2017	2016	2017	2016
For the three-month period ended September 30,						
Reportable items in the Condensed Consolidated Income Statement and Comprehensive Income						
Interest received	-	-	(71)	(52)	(71)	(52)
Finance costs - convertible note accretion	-	-	1,793	1,494	1,793	1,494
Depreciation	17	66	10	18	27	84
Reportable segment loss	1,976	2,231	5,271	39,771	7,247	42,002
For the nine-month period ended September 30,						
Reportable items in the Condensed Consolidated Income Statement and Comprehensive Income						
Interest received	-	-	(199)	(88)	(199)	(88)
Finance costs - convertible note accretion	-	-	5,224	2,785	5,224	2,785
Depreciation	78	210	31	42	109	252
Reportable segment loss	5,534	5,791	24,715	52,524	30,249	58,315
As at September 30,						
Reportable segment in Condensed Consolidated Statement of Financial Position						
Reportable segment current assets and assets classified as held for sale	6,264	18,660	46,544	66,899	52,808	85,559
Reportable segment non - current assets	613	4,905	40	31	653	4,936
Reportable segment liabilities	(983)	(3,087)	(67,408)	(59,650)	(68,391)	(62,737)

The Group's assets classified as held for sale are predominantly located in various port facilities within the European Union.

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2017

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

17. Private placements

On July 14, 2016 the Company completed a private placement with one existing shareholder and a new investor (the “July 2016 Private Placement”). 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 60,625 units were issued pursuant to the 2016 Private Placements at a price of \$1,000 per unit to raise aggregate gross proceeds of \$60.625 million.

On May 30, 2014 the Company completed a private placement with a number of existing shareholders (the “2014 Private Placement” and together with the 2016 Private Placements, the “Private Placements”). 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, as per prior disclosure in the annual audited financial statements for the year ended December 31, 2016. Each of the issued units consist of a number of components.

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	32,694	567	32,127
Warrants	19,557	339	19,218
Charge on issue of in-the-money equity instruments	(34,366)	-	(34,366)
Arbitration value rights	-	-	-
Proceeds of private placement	40,625	1,300	39,325

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 May 2016 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

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2017

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

17 Private placements (continued)

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 Private Placements: 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 its 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.

The aggregate composition of the Private Placements is set out in the following table

	Gross allocation	Financing fees	Net allocation
Liability component of convertible debentures	52,205	461	51,744
Equity component of convertible debentures	45,213	642	44,571
Warrants	32,573	417	32,156
Charge on issue of in-the-money equity instruments	(34,366)	-	(34,366)
Proceeds of private placement	95,625	1,520	94,105

18 Contingent liabilities and Post Balance Sheet events

RMGC has been subject to an inspection by the Romanian tax authorities of the value added tax ("VAT") deductions it claimed in the period 2011 to 2016 (the "VAT Assessment").

The VAT Assessment follows the re-run of a prior VAT audit concluded by ANAF in July 2016 which assessed a liability for approximately the same amount, rising with interest and penalties to RON 42.9m (then approximately \$13.7 million) but which was successfully challenged by RMGC and partially quashed by ANAF in September 2016.

On July 5, 2017 RMGC received a further VAT Assessment of RON 27 million, approximately \$8.6 million at July 5, 2017. This amount does not include the assessment for interest and penalties discussed below.

The VAT Assessment was due for payment on August 5, 2017. On August 9, 2017 RMGC filed an administrative challenge before the Romanian tax authorities against the VAT Assessment which is ongoing. On August 10, 2017 RMGC filed a request for a stay of enforcement of the VAT Assessment before the Alba Iulia Court of Appeal. On October 2, 2017 the Alba Iulia Court of Appeal admitted RMGC's request for a stay of enforcement of the VAT Assessment, pending the determination of RMGC's administrative (and if necessary judicial) challenge of the VAT Assessment. This ruling may be appealed by ANAF within 5 days of notification in writing to the parties of the Court's decision and the legal basis thereof, which has yet to be received by RMGC.

Further to the VAT Assessment, on October 23, 2017 RMGC received a further demand from ANAF for RON 18.6 million, approximately \$6.0 million, in interest and penalties. As with the VAT Assessment, the Company believes the interest and penalties are totally unjustified and, along with RMGC, intends to challenge this decision through administrative and judicial processes. It is the Company's understanding that the interest and penalties are also subject to the judicial stay of enforcement. Gabriel considers that the outflow of economic resources in respect of the VAT Assessment is not probable, and consequently no liability has been recognized at September 30, 2017.