

Gabriel Resources Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)
For the period ended September 30, 2018

Condensed Consolidated Statement of Financial Position

As at September 30, 2018 and December 31, 2017

(Unaudited and expressed in thousands of Canadian dollars)

	Notes	September 30 2018	December 31 2017
Assets			
Current assets			
Cash and cash equivalents	7	11,565	31,220
Trade and other receivables		641	875
Prepaid expenses and supplies		418	520
Total current assets (excluding assets classified as held for sale)		12,624	32,615
Assets classified as held for sale	6	6,310	13,723
Total current assets		18,934	46,338
Non-current assets			
Restricted cash		540	850
Property, plant and equipment		141	112
Loan receivable	12	500	-
Total non-current assets		1,181	962
TOTAL ASSETS		20,115	47,300
Liabilities			
Current liabilities			
Trade and other payables	8	8,352	3,909
Resettlement liabilities	9	604	532
Other current liabilities	10	864	1,156
Total current liabilities		9,820	5,597
Non-current liabilities			
Convertible, subordinated, unsecured notes	17	69,080	63,201
Total non-current liabilities		69,080	63,201
TOTAL LIABILITIES		78,900	68,798
Deficit			
Share capital		868,288	868,288
Other reserves		133,987	133,449
Currency translation adjustment		1,640	1,579
Accumulated deficit		(1,066,666)	(1,028,765)
Deficit attributable to owners of the parent		(62,751)	(25,449)
Non-controlling interest	11	3,966	3,951
TOTAL DEFICIT		(58,785)	(21,498)
TOTAL DEFICIT AND LIABILITIES		20,115	47,300

Going concern – Note 1

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		9 months ended	
		2018	2017	2018	2017
Expenses					
Corporate, general and administrative	5	15,185	4,053	28,776	21,881
Impairment of LLTE	6	-	-	3,943	-
Share-based compensation		(239)	766	317	1,548
Depreciation		16	27	58	109
Operating loss	14	14,962	4,846	33,094	23,538
Other (income) / expense					
Interest received		(57)	(71)	(222)	(199)
Gain on disposal of assets		-	(36)	(724)	(36)
Finance costs: convertible notes accretion	17	2,018	1,793	5,879	5,224
Foreign exchange (gain) / loss		253	715	(126)	1,722
Loss for the period attributable to owners of the parent		17,176	7,247	37,901	30,249
Basic and diluted loss per share		\$0.04	\$0.02	\$0.10	\$0.08

Condensed Consolidated Statement of Comprehensive Loss

For the three and nine-month periods ended September 30

(Unaudited and expressed in thousands of Canadian dollars)

	3 months ended		9 months ended	
	2018	2017	2018	2017
Loss for the period	17,176	7,247	37,901	30,249
<i>Other comprehensive (income) / loss</i>				
<i>- may recycle to the Income Statement in future periods</i>				
Currency translation adjustment	(574)	230	(76)	(200)
Comprehensive loss for the period	16,602	7,477	37,825	30,049
Comprehensive loss / (gain) for the period attributable to:				
- Owners of the parent	16,713	7,433	37,840	30,088
- Non-controlling interest	(111)	44	(15)	(39)
Comprehensive loss for the period	16,602	7,477	37,825	30,049

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

Condensed Consolidated Statement of Changes in Shareholders' Deficit

For the nine month period ended September 30
(Unaudited and expressed in thousands of Canadian dollars)

	9 months ended September 30	
	2018	2017
Common shares		
At January 1	868,288	868,279
Shares issued on the exercise of share options	-	5
Transfer from contributed surplus: exercise of share options	-	4
At September 30	868,288	868,288
Other reserves		
At January 1	133,449	131,562
Share-based compensation	538	1,138
Exercise of share options	-	(4)
At September 30	133,987	132,696
Currency translation adjustment		
At January 1	1,579	1,329
Currency translation adjustment	61	239
At September 30	1,640	1,568
Accumulated deficit		
At January 1	(1,028,765)	(991,085)
Loss for the period	(37,901)	(30,249)
At September 30	(1,066,666)	(1,021,334)
Non-controlling interest		
At January 1	3,951	3,891
Currency translation adjustment	15	(39)
At September 30	3,966	3,852
Total shareholders' deficit at September 30	(58,785)	(14,930)

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	
	2018	2017
Cash flows used in operating activities		
Loss for the period	(37,901)	(30,249)
Adjusted for the following non-cash items:		
Depreciation	58	109
Share-based compensation	317	1,548
Gain on disposal of assets	(724)	(36)
Impairment of LLTE	3,943	-
Finance costs - convertible note accretion	5,879	5,224
Unrealized foreign exchange gain	(493)	(1,689)
	(28,921)	(25,093)
Changes in operating working capital:		
Unrealized foreign exchange gain	(27)	(14)
Increase in accounts payable	4,720	1,255
Increase in accounts receivable	(164)	(260)
	(24,392)	(24,112)
Cash flows provided by / (used in) investing activities		
Proceeds from sale of long lead-time equipment	4,256	-
Purchase of property, plant and equipment	(39)	(46)
	4,217	(46)
Cash flows provided by financing activities		
Proceeds from the exercise of share options	-	4
	-	4
Decrease in cash and cash equivalents	(20,175)	(24,154)
Effect of foreign exchange on cash and cash equivalents	520	1,703
Cash and cash equivalents - beginning of period	31,220	60,267
Cash and cash equivalents - end of period	11,565	37,816

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, 2018

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

1. Nature of operations and going concern

Gabriel Resources Ltd. (“Gabriel” or the “Company”) is a Canadian resource company whose common shares are listed on the TSX Venture Exchange (“Exchange”).

While Gabriel’s activities were previously focused on permitting and developing the Roşia Montană gold and silver project (the “Project”) in Romania, as of the date of these Condensed Interim Consolidated Financial Statements (“Condensed Financial Statements”) Gabriel and its subsidiary companies (together the “Group”) are now principally focused on their pursuit of an international bilateral investment treaty claim against Romania, as described further below. 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.

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.

Key milestones in the ICSID Arbitration proceedings to date include:

- The first Tribunal hearing took place on August 12, 2016.
- On January 10, 2017, the Tribunal issued Procedural Order No.4 establishing a procedural calendar for the ICSID Arbitration, including specific dates for the filing of submissions by the parties and other necessary procedural matters.
- On June 30, 2017, the Claimants delivered a memorial to ICSID on the merits and quantum of the ICSID Arbitration claim (“Memorial”).
- On February 7, 2018, the President of the Tribunal resigned and, in accordance with ICSID Arbitration rules, the ICSID Arbitration proceedings were suspended pending the appointment of a replacement President.
- On February 22, 2018, the Romanian State delivered a counter memorial (“Counter Memorial”) in response to the Memorial filed by the Claimants.
- On April 5, 2018 ICSID appointed a new President of the Tribunal and the suspension of the proceedings was lifted.
- On May 25, 2018 Romania supplemented the submission of its Counter-Memorial with a further preliminary objection to the jurisdiction of the Tribunal (“Jurisdictional Challenge”) which concerns the ability of Gabriel to utilize the United Kingdom-Romania bi-lateral investment treaty as a basis for claims in the ICSID Arbitration.
- On November 2, 2018 the Claimants filed with ICSID a reply in support of its claim (“Reply”) responding to the Respondent’s Counter-Memorial and Jurisdictional Challenge.
- On October 24, 2018, the Tribunal issued Procedural Order No.18 establishing a revised procedural calendar for the ICSID Arbitration (“Procedural Calendar”), which includes the following key dates:
 - Romania to file its response to the Reply (“Rejoinder”) and its reply on the Jurisdictional Challenge by May 10, 2019.
 - Gabriel to file its rejoinder with regard to the Jurisdictional Challenge by June 14, 2019.
 - A hearing on the merits of the claim before the Tribunal from December 2 to 13, 2019.

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2018

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

1. Nature of operations and going concern (continued)

The Company is in advanced discussions with its principal securityholders regarding additional long-term funding. As of the date of these Financial Statements, the Company believes that it has sufficient sources of funding to cover its planned activities through to the end of December 2018. While there can be no assurance of completion, Management is of the view that a further financing with existing securityholders will be completed by the end of 2018.

The 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. Pending the sale of the remaining long lead time equipment and the conclusion of additional financing, there is material uncertainty over the long-term funding available to the Company that may cast significant doubt about the Company's ability to continue as a going concern.

The Condensed Financial Statements do not reflect the adjustments to the carrying values of assets or liabilities and the reported expenses and condensed statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

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 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

The Condensed Financial Statements for the three-month period ended September 30, 2018, 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, 2017 (the "2017 Financial Statements"), which have been prepared in accordance with IFRS.

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

The Audit Committee of the Board approved the Condensed Financial Statements on November 27, 2018.

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 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 2017 Financial Statements.

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2018

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

4. Accounting policies

The material accounting policies followed in the Condensed Financial Statements are the same as those applied in the 2017 and Q2 2018 Financial Statements.

No new IFRS accounting standards have been adopted by the Company during the three-month period ended September 30, 2018.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2019. The new standard that is expected to be relevant to the consolidated financial statements of the Company is IFRS 16 – Leases.

- 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. Management is currently assessing the impact that this new standard will have on the consolidated financial statements of the Company. Management has not yet concluded as to the impact on the Group.

5. Corporate, General and Administrative expenses

<i>in thousands of Canadian dollars</i>	3 months ended		9 months ended	
	2018	2017	2018	2017
ICSID Arbitration related	8,837	708	16,471	12,108
Payroll	4,652	1,689	7,430	4,853
Long lead-time equipment storage costs	197	220	654	659
Legal	186	202	607	705
Finance	206	314	602	767
Property and exploration taxes	170	165	515	494
Community relations	115	124	361	392
Information technology	81	79	246	264
External communications	54	36	169	140
Other	687	516	1,721	1,499
Corporate, general and administrative expense	15,185	4,053	28,776	21,881

ICSID Arbitration related costs are legal and other advisory services provided to the Company in respect of the ICSID Arbitration. The increase compared to the corresponding 2017 periods is due to the significantly higher 2018 activity levels in preparation for the November 2, 2018 filing of the Reply.

Payroll is the total of salaries, bonuses and relevant taxes for all Group employees and in the three-month period ended September 30, 2018 includes expenses for total officer compensation of \$3.7m, of which \$3.5m was in respect of settlement expenses paid to the Former Chief Executive Officer of the Group (“Former CEO”); the expenses include compensation for the forfeiture of all stock options, RSUs and DSUs held by the Former CEO at the time of his leaving the Company. Legal expenditures are in respect of general corporate legal advisory services to the Group.

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2018

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

6. Assets held for sale

Balance - December 31, 2016	13,417
Currency translation adjustment	306
Balance - December 31, 2017	13,723
Disposal	(3,545)
Impairment charge	(3,943)
Currency translation adjustment	75
Balance - September 30, 2018	6,310

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 late 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 November 2017, the Company entered into an agreement to sell a ball mill for gross proceeds of \$5.3 million. The sale was completed in May 2018. The agents' engagement is ongoing, with a mandate to secure a sale of the remaining equipment in the short-term.

At June 30, 2018, 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 period. No further impairment was assessed at September 30, 2018.

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.

7. Cash and cash equivalents

As at	September 30 2018	December 31 2017
Cash at bank and on hand	5,050	2,737
Short-term bank deposits	6,515	28,483
	11,565	31,220

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 acceptable 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. At September 30, 2018, the Group held \$0.2 million in cash and cash equivalents in Romanian banks (December 2017: \$0.3 million).

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

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2018

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

8. Trade and other payables

As at	September 30 2018	December 31 2017
Trade payables	288	252
Payroll liabilities	1,205	2,702
Accruals and other payables	6,859	955
	8,352	3,909

Trade and other payables are accounted for at amortized cost and are categorized as other financial liabilities. The increase in accruals and other payables period on period is due to the increase in ICSID Arbitration related activities in the period leading up to the filing of the Reply, and related advisory services. Payroll liabilities have reduced since the beginning of the year as accrued 2017 performance related payments and contract renegotiation compensation amounts have been paid in 2018.

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, 2018 was \$0.6 million (December 31, 2017: \$0.5 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 non-executive directors have received fifty per cent of their director fees payable in DSUs. DSUs are initially valued at the higher of the five-day weighted average market price of the Company’s common shares at the date of issue and the closing market price on the day before the grant. The value of DSUs is adjusted based on the closing common share price at the end of each subsequent reporting period.

During the three-month period ended September 30, 2018, there was no DSU issuance. However, accruals have been made for the value of DSUs to be issued to certain non-executive directors in lieu of fees for services provided during the second and third quarters. The issuance and cancellation of DSUs and the reporting period end fair value calculation has resulted in an aggregate decrease in the DSU liability during the nine-month period to September 30, 2018 of \$0.3 million.

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, 2018, 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.

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2018

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

11. Non-controlling interest (continued)

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 ratio of 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, as well as the private placements described in Note 17.

Historical related party transactions with Minvest RM are disclosed in Note 11. There have been no transactions with Minvest RM in 2017 or 2018.

In June 2018, the Company entered into a facility agreement with [SC Total Business Land SRL (“TBL”)] an entity controlled by current and former employees of RMGC pursuant to which it agreed to lend \$0.9 million to TBL. The loan is repayable in 2028 and accrues interest at a rate of 1% per annum and is secured by a mortgage over certain assets of the borrower and personal guarantees in favour of the Company by the principals of TBL. TBL has drawn down an initial \$0.5 million against the facility.

Certain settlement expenses paid to the Former CEO are disclosed in Note 5.

13. Common share options and equity settled RSUs

With effect from July 1, 2016, certain Company non-executive directors have elected to receive all or some of their director fees payable in common share options. Director, officer, employee and consultant common share options were granted, exercised and cancelled during the period January 1, 2017 through September 30, 2018 as follows:

	Number of options (‘000)	Weighted average exercise price (dollars)
Balance - December 31, 2016	26,745	0.77
Options granted	1,056	0.31
Options expired	(1,475)	1.88
Options exercised	(13)	0.40
Balance - December 31, 2017	26,313	0.69
Options granted	315	0.35
Options cancelled/forfeited	(2,075)	0.56
Options expired	(3,950)	1.35
Balance - September 30 2018	20,603	0.57

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2018

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

13. Common share options and equity settled RSUs (continued)

2,148,748 RSUs were issued to certain officers and employees of the Company in December 2017, and in connection with that issuance 2,405,715 RSUs that had been issued earlier in 2017 were cancelled. In the three months ended September 30, 2018, 914,401 RSUs issued to the Former CEO were forfeited. The remaining RSUs have vesting dates related to the achievement of certain milestones and the expense relating to them is amortized over this period. At September 30, 2018, equity settled RSUs held by directors, officers and employees have been expensed as follows:

	Number of equity settled RSUs to have vested (000's)	Price per common share (dollars)	Value
Balance - December 31, 2016	-	-	-
Expense recognised	1,445	0.38	549
Cancelled	(404)	0.38	(153)
Balance - December 31, 2017	1,041	0.38	396
Expense recognised	1,108	0.37	413
Forfeited	(914)	0.38	(347)
Balance - September 30, 2018	1,234	0.37	461

14. Loss per share

	3 months ended September 30		9 months ended September 30	
	2018	2017	2018	2017
Loss for the period attributable to owners of the parent	17,176	7,247	37,901	30,249
Weighted-average number of common shares (000's)	384,453	384,453	384,453	384,451
Basic and diluted loss per share	\$ 0.04	\$ 0.02	\$ 0.10	\$ 0.08

15. Commitments

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	2018	2019	2020	2021	2022	Thereafter
<i>Operating lease commitments</i>							
Rosia Montana exploitation license	264	132	132	-	-	-	-
Surface concession rights	1,098	33	33	33	33	33	933
Property lease agreements	112	60	52	-	-	-	-
Total commitments	1,474	225	217	33	33	33	933

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2018

(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	
	2018	2017	2018	2017	2018	2017
For the three-month period ended September 30,	2018	2017	2018	2017	2018	2017
Reportable items in the Condensed Consolidated Income Statement and Comprehensive Income						
Interest received	-	-	(57)	(71)	(57)	(71)
Finance costs - convertible note accretion	-	-	2,018	1,793	2,018	1,793
Depreciation	5	17	11	10	16	27
Reportable segment loss	1,610	1,976	15,566	5,271	17,176	7,247
For the nine-month period ended September 30,	2018	2017	2018	2017	2018	2017
Reportable items in the Condensed Consolidated Income Statement and Comprehensive Income						
Interest received	-	-	(222)	(199)	(222)	(199)
Finance costs - convertible note accretion	-	-	5,879	5,224	5,879	5,224
Depreciation	19	78	39	31	58	109
Reportable segment loss	6,752	5,534	31,149	24,715	37,901	30,249
As at September 30,	2018	2017	2018	2017	2018	2017
Reportable segment in Condensed Consolidated Statement of Financial Position						
Reportable segment current assets and assets classified as held for sale	7,324	6,264	11,610	46,544	18,934	52,808
Reportable segment non - current assets	647	613	534	40	1,181	653
Reportable segment liabilities	(825)	(983)	(78,075)	(67,408)	(78,900)	(68,391)

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, 2018

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

17. Private placements

In 2014 and 2016, the Company completed private placements with existing shareholders and a new investor (the “Private Placements”). A total of 95,625 units were issued pursuant to the Private Placements at a price of \$1,000 per unit to raise aggregate gross proceeds of \$95.625 million.

Subsequent to initial measurement, the debt component of the Private Placements 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 as stated in the note indenture; 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. As at September 30, 2018, these two embedded derivatives were determined to have insignificant initial values and were accordingly not accounted for, but will be reassessed by Management 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

In accordance with IAS 7, changes in the value of the Private Placements are as follows:

Balance - December 31, 2016	56,154
Interest paid	(24)
Interest accretion	7,071
Balance - December 31, 2017	63,201
Interest accretion	5,879
Balance - September 30, 2018	69,080

18. Contingent liabilities

As at September 30, 2018, the Company does not believe that the outcome of any of the matters not recorded in the financial statements, individually or in aggregate, would have a material adverse impact to the Company’s financial position.

RMGC has been subject to two tax inspections by the Romanian National Agency for Fiscal Administration (the Agenția Națională de Administrare Fiscală – “ANAF”) in relation to the value added tax (“VAT”) refunds previously claimed by RMGC in respect of the purchase of goods and services in the period 2011 to 2016.

The first inspection was concluded by ANAF in July 2016 and assessed a liability with interest and penalties of RON 42.9m (then approximately \$13.7 million). This 2016 assessment was successfully challenged by RMGC and partially quashed in September 2016.

Following the partial quashing of the 2016 assessment, a repeat inspection was undertaken by ANAF and on July 5, 2017 RMGC was served with a decision by ANAF assessing a liability in the amount of RON 27 million (approximately \$8.6 million) (“VAT Assessment”). Again the VAT Assessment relates to VAT previously claimed and received by RMGC from the Romanian tax authorities in respect of RMGC’s purchase of goods and services from July 2011 to January 2016.

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2018

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

18. Contingent liabilities (continued)

The VAT Assessment was due for payment on August 5, 2017. On August 9, 2017, RMGC challenged the validity of the VAT Assessment before the ANAF Directorate-General for the Settlement of Complaints. On April 5, 2018, RMGC initiated an action before the Alba Iulia Court of Appeal (Division for Administrative and Tax Claims) seeking the annulment of the VAT Assessment. The next hearing date for such challenge has been set for January 16, 2018.

RMGC also filed a request for a stay of enforcement of the VAT Assessment before the Alba Iulia Court of Appeal on August 10, 2017. 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 annulment challenge of the VAT Assessment (as described above). RMGC received a copy of the Court of Appeal's written decision on March 2, 2018. ANAF subsequently filed an appeal against this decision with the High Court of Cassation and Justice, and a first hearing date for such appeal has been set for January 17, 2019. RMGC has filed a statement of defence in response to ANAF's appeal.

Further to the VAT Assessment, and notwithstanding the Court of Appeal's decision of October 2, 2017, RMGC received a further demand from ANAF for RON 18.6 million, approximately \$6.0 million, in interest and penalties on October 23, 2017. The Company is advised by counsel that the enforcement of such demand for interest and penalties is also stayed by the Court of Appeal's decision.

The Company believes that the procedure followed by ANAF to arrive at the VAT Assessment, and the subsequent interest and penalties, was improper and unlawful. The Company, along with RMGC, intends to pursue all available legal avenues to challenge the VAT Assessment along with the interest and penalties and to fully protect its rights and assets. The Company 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, 2018.