

Gabriel Resources Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)
For the period ended September 30, 2020

Condensed Consolidated Statement of Financial Position

As at September 30, 2020 and December 31, 2019

(Unaudited and expressed in thousands of Canadian dollars)

	Notes	September 30 2020	December 31 2019
Assets			
Current assets			
Cash and cash equivalents	7	7,747	25,730
Trade and other receivables		391	368
Prepaid expenses and supplies		426	395
Total current assets (excluding assets classified as held for sale)		8,564	26,493
Assets held for sale	6	3,274	3,210
Total current assets		11,838	29,703
Non-current assets			
Restricted cash	7	231	526
Property, plant and equipment		128	142
Loan receivable	12	647	812
Total non-current assets		1,006	1,480
TOTAL ASSETS		12,844	31,183
Liabilities			
Current liabilities			
Trade and other payables	8	5,424	9,241
Resettlement liabilities	9	582	563
Other current liabilities	10	1,396	1,543
Total current liabilities		7,402	11,347
Non-current liabilities			
Convertible, subordinated, unsecured notes	13	83,160	80,070
Total non-current liabilities		83,160	80,070
TOTAL LIABILITIES		90,562	91,417
Deficit			
Share capital	14	911,340	900,583
Other reserves		156,478	157,461
Currency translation adjustment		1,671	1,623
Accumulated deficit		(1,151,180)	(1,123,862)
Deficit attributable to owners of the parent		(81,691)	(64,195)
Non-controlling interest	11	3,973	3,961
TOTAL DEFICIT		(77,718)	(60,234)
TOTAL DEFICIT AND LIABILITIES		12,844	31,183

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	
		September 30		September 30	
		2020	2019	2020	2019
Expenses					
Corporate, general and administrative	5	8,248	7,814	18,345	16,614
Related party loan forgiveness	12	129	-	129	-
Severance costs		655	-	655	-
Share-based compensation		172	1,031	1,770	2,908
Depreciation		10	17	31	88
Operating loss	15	9,214	8,862	20,930	19,610
Other (income) / expense					
Interest received		(5)	(90)	(69)	(274)
Write down of receivable		-	276	-	276
Gain on disposal of assets		-	-	(19)	(290)
Finance costs: lease liability accretion		-	1	-	32
Finance costs: convertible notes accretion	13	2,389	2,272	7,281	6,618
Foreign exchange loss / (gain)		144	(193)	(805)	296
Loss for the period attributable to owners of the parent		11,742	11,128	27,318	26,268
Basic and diluted loss per share		\$0.02	\$0.02	\$0.05	\$0.05

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	
	September 30		September 30	
	2020	2019	2020	2019
Loss for the period	11,742	11,128	27,318	26,268
<i>Other comprehensive (income) / loss</i>				
<i>- may recycle to the Income Statement in future periods</i>				
Currency translation adjustment	(19)	(1)	(60)	275
Comprehensive loss for the period	11,723	11,127	27,258	26,543
Comprehensive (gain) / loss for the period attributable to:				
- Owners of the parent	11,727	11,127	27,270	26,490
- Non-controlling interest	(4)	-	(12)	53
Comprehensive loss for the period	11,723	11,127	27,258	26,543

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)

	Note	9 months ended September 30	
		2020	2019
Common shares			
At January 1	14	900,583	880,197
Shares issued in private placement		-	19,687
Shares issued on the exercise of share options	14	184	-
Transfer from contributed surplus: exercise of share options	14	142	-
Shares issued on exercise of warrants	14	3,528	-
Transfer from contributed surplus - exercise of warrants	14	323	-
Shares issued on conversion of convertible notes	14	4,191	-
Transfer from contributed surplus - conversion of convertible notes	14	2,389	-
At September 30		911,340	899,884
Other reserves			
At January 1		157,461	142,481
Share-based compensation		1,871	2,072
Exercise of share options	14	(142)	-
Equity component of warrants exercised	14	(323)	-
Equity component of convertible notes converted	14	(2,389)	-
Issue of Warrants, net of issue costs		-	12,865
At September 30		156,478	157,418
Currency translation adjustment			
At January 1		1,623	1,836
Currency translation adjustment		48	(222)
At September 30		1,671	1,614
Accumulated deficit			
At January 1		(1,123,862)	(1,079,331)
Loss for the period	15	(27,318)	(26,268)
At September 30		(1,151,180)	(1,105,599)
Non-controlling interest			
At January 1		3,961	4,012
Currency translation adjustment		12	(53)
At September 30		3,973	3,959
Total shareholders' deficit at September 30		(77,718)	(42,724)

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)

	Notes	9 months ended September 30	
		2020	2019
Cash flows used in operating activities			
Loss for the period		(27,318)	(26,268)
Adjusted for the following non-cash items:			
Depreciation		31	88
Share-based compensation		1,770	2,908
Gain on disposal of assets		(19)	(290)
Finance costs: convertible notes accretion	13	7,281	6,618
Unrealized foreign exchange (gain) / loss		(763)	98
		(19,018)	(16,846)
Changes in operating working capital:			
Unrealized foreign exchange (gain) / loss		(21)	286
(Decrease) / increase in accounts payable		(3,546)	704
Decrease / (increase) in accounts receivable		112	(42)
		(22,473)	(15,898)
Cash flows used in investing activities			
Purchase of property, plant and equipment		(6)	(41)
		(6)	(41)
Cash flows provided by financing activities			
Proceeds from exercise of warrants	13	3,528	-
Proceeds from August 2019 private placement, net of costs	13	-	26,228
Proceeds from the exercise of share options		184	-
Proceeds from December 2018 private placement, received in January 2019, net of costs	13	-	6,324
		3,712	32,552
(Decrease) / increase in cash and cash equivalents		(18,767)	16,613
Effect of foreign exchange on cash and cash equivalents		784	(384)
Cash and cash equivalents - beginning of period		25,730	18,116
Cash and cash equivalents - end of period		7,747	34,345

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, 2020

(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 (“Common Shares”) are listed on the TSX Venture Exchange (“Exchange”).

Gabriel’s activities over many years were previously 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.

Over US\$700 million has been invested to maintain and develop the Project in accordance with all applicable laws, regulations, licenses, and permits and also in defining two valuable mineral deposits at the Rodu-Frasin (epithermal gold and silver) site and the Tarniţa (porphyry copper-gold) site, both within the Bucium area located in the vicinity of Roşia Montană (“Bucium Projects”). The Romanian State has, however, frustrated and prevented the implementation of those developments in an unlawful manner, ultimately depriving the Claimants (defined below) of the use, benefit and entire value of their property rights associated with the Project and the Bucium Projects.

These Condensed Interim Consolidated Financial Statements (“Condensed Financial Statements”) reflect the principal focus of Gabriel and its subsidiary companies (together the “Group”) on the pursuit of international bilateral investment treaty claims against Romania, as described further below, which seek compensation resulting from the Romanian State’s expropriation, unfair and inequitable treatment, discrimination, and other unlawful treatment in respect of the Project and the Bucium Projects.

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 presiding tribunal for the ICSID Arbitration (“Tribunal”) was originally constituted on June 21, 2016. 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.

The Company is well advanced in the ICSID Arbitration process. Key milestones in the ICSID Arbitration proceedings to date include:

- On June 30, 2017, the Claimants delivered a memorial to ICSID on the merits and quantum of the ICSID Arbitration claims (“Memorial”).
- On February 22, 2018, the Romanian State (“Respondent”) delivered a counter memorial (“Counter Memorial”) in response to the Memorial filed by the Claimants.
- On May 25, 2018, the Respondent supplemented the submission of its Counter-Memorial with a further preliminary objection to the jurisdiction of the Tribunal to hear the claims presented by Gabriel Resources (Jersey) Limited (“Jurisdictional Challenge”).
- On November 2, 2018, the Claimants filed with ICSID a reply in support of the claims (“Reply”) responding to the Respondent’s Counter-Memorial and Jurisdictional Challenge.
- On February 28, 2019, the Claimants and the Respondent filed their comments on a submission to the Tribunal by certain non-governmental organizations (or “non-disputing parties”) who opposed the Project for many years.
- On May 24, 2019, the Respondent filed its response to the Reply (“Rejoinder”) and its reply on the Jurisdictional Challenge, the Respondent’s final substantive submission.
- On June 28, 2019, the Claimants filed a surrejoinder on the Jurisdictional Challenge (“Surrejoinder”).

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2020

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

1. Nature of operations and going concern (continued)

- An oral hearing on the merits of the claim was held in Washington D.C. between December 2 and December 13, 2019 (“Hearing”) to address the evidentiary record in the case, issues on liability and jurisdiction and to hear testimony from certain of the parties’ fact and expert witnesses.
- On March 10, 2020, the Tribunal issued a list of further questions arising from the evidence presented during the Hearing (“Tribunal Questions”) followed by directions on the timing and manner of responses expected while reserving the possibility of having an additional round of answers to the relevant questions;
- On April 10, 2020, the Claimants and the Respondent filed their comments on a written submission to the Tribunal by the European Commission as a “non-disputing party” in the ICSID Arbitration.
- On May 11, 2020, the Claimants provided their answers to the Tribunal Questions;
- On July 13, 2020, the Respondent provided its answers to the Tribunal Questions; and
- A second one week oral hearing was held virtually from September 28 to October 4, 2020 (“Second Hearing”) which focused on the technical and feasibility-related aspects of the Projects and the quantum of the damages claimed, and allowed counsel for both parties to address related issues. The Second Hearing also afforded the Tribunal the opportunity to hear testimony from certain of the parties’ fact and expert witnesses, as well as to address questions to each of the parties.

Subsequent to the Second Hearing, the Tribunal confirmed that Claimants and Respondent may make two further simultaneous written submissions in order to comment in conclusion on the full evidentiary record, on February 4, 2021 and March 26, 2021, respectively (“Post-Hearing Briefs”), after which the Tribunal may pose further questions, as was the case following the Hearing, or focus on deliberations ahead of its decision.

There is no specified timeframe in the ICSID Rules in which a final decision is to be made by the Tribunal. The Company is informed, however, that it is typical for tribunals in this type of arbitration to require twelve to eighteen months to finalize and issue a decision after Post-Hearing Briefs are submitted. Furthermore, that decision may be subject to a request for annulment (albeit such request can only be on very limited grounds).

There can be no assurances that the ICSID Arbitration will advance in a customary or predictable manner or be completed or settled within any specific or reasonable period of time. The resources necessary in pursuing the ICSID Arbitration are substantial and the costs, fees and other expenses and commitments payable in connection with the ICSID Arbitration may differ materially from Management’s expectations. Further funding will be required by the Company to pursue the ICSID Arbitration to its conclusion, including any potential annulment proceeding and/or litigation to enforce any award.

Impact of the Coronavirus

With respect to the outbreak of the novel coronavirus (COVID - 19), Gabriel continues to carefully consider the impact, noting the widespread disruption to normal activities and the uncertainty over the duration of this disruption. The highest priority of the Board of Directors is the health, safety and welfare of the Group’s employees, contractors and community members. Gabriel recognizes that the situation is extremely fluid and is monitoring the relevant recommendations and restrictions on travel. At this time, these recommendations and restrictions do not significantly impact Gabriel’s ability to continue the ICSID Arbitration process or conduct the limited operations in Romania

As previously announced, the Group is currently seeking new investment and is also looking to sell its long lead-time equipment. The market and timing for each initiative may be adversely affected by the effects of COVID-19. As a result, Gabriel will make any necessary adjustments to the work processes required to maintain the ICSID Arbitration calendar and, should the disruption last for an extended duration, review certain planned activities in Romania and take remedial actions if it is determined to be necessary or prudent to do so.

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2020

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

1. Nature of operations and going concern (continued)

Going concern

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. On the basis of the Company's balance of cash and cash equivalents as at September 30, 2020, the Company has sufficient funding necessary to maintain the Group's primary assets and to fund general working capital requirements together with the material estimated costs associated with the Company advancing the ICSID Arbitration through to January 2021. The Group will require additional funding in the short-term to maintain its primary assets, including its License and associated rights and permits while it addresses the Post-Hearing Briefs and then awaits the decision of the Tribunal, and further financing to pursue the ICSID Arbitration to its conclusion. Notwithstanding the Company's historic funding, there is a risk that sufficient additional financing may not be available to the Company on acceptable terms, or at all. This material uncertainty 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 consolidated 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 or as a result of any adverse conclusion to the ICSID Arbitration. 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 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, 2020 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, 2019 (the "2019 Financial Statements"), which have been prepared in accordance with IFRS. The Condensed Financial Statements have been prepared according to the historical cost convention and were approved by the Board of Directors on November 10, 2020.

3. Critical accounting estimates, risks and uncertainties

The preparation of the Condensed Financial Statements in conformity with IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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, including the classification and measurement of assets as held for sale. These estimates and assumptions are based on Management's knowledge of the relevant facts and awareness of circumstances, having regard to prior experience and information available at the balance sheet date. The significant estimates and assumptions are not materially different from those disclosed in the 2019 Financial Statements.

4. Accounting policies

The material accounting policies followed in the Condensed Financial Statements are the same as those applied in the 2019 Financial Statements.

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2020

(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	
	2020	2019	2020	2019
ICSID Arbitration related	5,773	5,280	10,226	8,002
Payroll	1,116	1,178	3,791	3,853
Community relations	209	170	587	630
Finance	171	257	575	692
Property and exploration taxes	182	171	535	520
Travel and transportation	110	190	409	684
Long lead-time equipment storage costs	128	141	365	437
Office rental and utilities	120	117	363	368
Legal	88	77	321	352
Information technology	92	121	285	355
External communications	35	52	125	127
Other	224	60	763	594
Corporate, general and administrative expense	8,248	7,814	18,345	16,614

ICSID Arbitration related costs are legal and other advisory services provided to the Company in respect of the ICSID Arbitration. The higher level of expenses in the 2020 third quarter reflect significant resources focused on preparation and attendance at the Second Hearing whereas the 2019 period reflects activity in respect of review of Romania's Rejoinder along with work on rebuttal evidence and some initial preparation for the two-week Hearing in December 2019.

Payroll is the total of salaries, bonuses and relevant taxes for all Group employees. Management has initiated a program of retrenchment and related severance costs in the quarter are noted separately in the Condensed Consolidated Income Statement.

6. Assets held for sale

Balance - December 31, 2018	6,554
Disposal	(2,120)
Impairment charge	(956)
Currency translation adjustment	(268)
Balance - December 31, 2019	3,210
Currency translation adjustment	64
Balance - September 30, 2020	3,274

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. Piecemeal sales of the equipment have completed since that time and the agents' engagement is ongoing.

On October 18, 2019, RMGC concluded the sale of the remaining ball mill, excluding motors, for aggregate gross proceeds of US\$3.3 million (approximately \$4.3 million). The remaining long lead-time equipment consists of milling equipment, predominantly a SAG mill, together with a gearless motor drive and ball mill motors. These items are currently stored in warehouses in the port of Antwerp, Belgium. During the three-month period ended September 30, 2020, the value of the long lead-time equipment was assessed for indicators of impairment. No further indicators of impairment were noted.

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2020

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

7. Cash and cash equivalents and restricted cash

As at	September 30 2020	December 31 2019
Cash at bank and on hand	3,396	7,501
Short-term bank deposits	4,351	18,229
Cash and cash equivalents	7,747	25,730
Restricted cash	231	526
	7,978	26,256

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, thereby mitigating exposure to domestic Romanian banks. At September 30, 2020, the Group held \$0.1 million in unrestricted cash and cash equivalents in Romanian banks (at December 31, 2019: \$0.3 million).

Short-term bank deposits represent investments in government treasury bills with maturities of less than 90 days.

Restricted cash represents cash collateralization of legally required environmental guarantees for future clean-up costs of \$0.1 million and supplier deposits of \$0.1 million.

8. Trade and other payables

As at	September 30 2020	December 31 2019
Trade payables	168	90
Payroll liabilities	215	2,365
Accruals and other payables	5,041	6,786
	5,424	9,241

Trade and other payables are accounted for at amortized cost and are categorized as other financial liabilities. Lower payroll liabilities at September 30, 2020 compared to December 31, 2019 reflect the payment in the period of 2019 performance related compensation, accrued at December 31, 2019 following the annual review by the Board of Directors. The decrease in accruals and other payables between balance sheet dates reflects the difference in ICSID Arbitration costs accrued relating to the scope and timeline in preparation for and attendance at the two-week Hearing held in December 2019 and the one-week Second Hearing held at the end of September 2020.

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 alternative, the Company recorded a resettlement liability for the anticipated construction costs of the resettlement houses. The total resettlement liability balance at September 30, 2020 was \$0.6 million (December 31, 2019:\$0.6 million).

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2020

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

10. Other current liabilities

The Company has a deferred share unit (“DSU”) plan under which qualifying participants receive certain compensation in the form of DSUs. Certain Company non-executive directors receive fifty percent or more of their director fees payable in DSUs. DSUs are initially valued at the five-day weighted average market price of the Common Shares at the date of grant, with the value adjusted based on fair value on the closing share price at the end of each subsequent reporting period.

As at September 30, 2020, the Company’s share price decreased in comparison to December 31, 2019 and, accordingly, a fair value decrease has been recorded in the DSU liability. This decrease is partially offset by the fair value of the DSUs issued during the period.

Lease liabilities of less than \$0.1 million (2019: less than \$0.1 million) relating to right-of-use assets are also contained within other current liabilities.

11. Non-controlling interest

The Company has historically advanced loans totaling US\$39.5 million to Minvest RM, the non-controlling shareholder of RMGC, to facilitate mandatory statutory share capital increases in RMGC in accordance with Romanian company law rules on capitalization. These loans, which remain outstanding at September 30, 2020, 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 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 made possible.

In December 2013, the Group was required to recapitalize RMGC in order to comply with minimum 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 as follows:

Historical related party transactions with Minvest RM are disclosed in Note 11. 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, 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 favor of the Company by the principals of TBL. By February 2019, TBL had drawn down the entire \$0.9 million facility. Partial payments of principal on the loan were received in 2019, and during the nine-month period to September 30, 2020. In September 2020 \$0.1 million of the loan was forgiven, and personal guarantees released, as part of the severance agreements with a number of employees of RMGC who are principals of TBL.

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2020

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

13. Private placements

2014 and 2016 Private Placements

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

The units issued in the 2014 and 2016 Private Placements consist, in aggregate, of:

- \$95,625,000 of convertible subordinated unsecured notes, with an annual coupon of 0.025%, a conversion price of \$0.3105 and a maturity date of June 30, 2021 (“Notes”);
- 111,536,250 Common Share purchase warrants which are exercisable at a price of \$0.46 at any time prior to June 30, 2021; and
- 95,625 arbitration value rights (“AVRs”), comprising, in aggregate, of an entitlement to a pro rata share of 13.04% of any proceeds received in relation to the ICSID Arbitration, subject to a maximum aggregate entitlement of \$304.3 million among all holders of such AVRs.

In June 2020, a total of \$4,763,000 of the Notes were converted into 15,339,773 Common Shares of the Company and 7,668,430 of the Common Share purchase warrants were exercised at \$0.46 with the Company receiving proceeds of \$3,527,478.

Subsequent to initial measurement, the debt component of the 2014 and 2016 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 Notes to the 2014 and 2016 Private Placements: a ‘make-whole premium’ to protect holders of the 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 whole or in part in Common Shares at a conversion price of 95% of the market price at the maturity date. As at September 30, 2020, these two embedded derivatives were determined to have insignificant values and were accordingly not accounted for, but will be reassessed by Management at each reporting date.

The aggregate composition of the 2014 and 2016 Private Placements is set out in the following table:

	Gross financing allocation	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 IFRS 7, changes in the value of the 2014 and 2016 Private Placements are as follows:

Balance - December 31, 2018	71,136
Interest paid	(24)
Accretion of debt component	8,958
Balance - December 31, 2019	80,070
Conversion	(4,191)
Accretion of debt component	7,281
Balance - September 30, 2020	83,160

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2020

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

13. Private placements (continued)

2018 Private Placement

On December 13, 2018, the Company announced it had entered into definitive subscription agreements in connection with a non-brokered private placement of up to 106,425,846 units at a price of \$0.2475 per unit to raise gross proceeds of up to US\$20 million (approximately \$26.3 million), subject to stock exchange and other approvals as applicable (the “2018 Private Placement”).

Each unit of the 2018 Private Placement consists of:

- One Common Share; and
- One Common Share purchase warrant, which entitles the holder to acquire one Common Share at an exercise price of \$0.49 at any time prior to the date that is five years following the date of issue.

On December 24, 2018, the Company announced that it had completed an initial closing of the 2018 Private Placement of a total of 80,702,475 units, issued at a price of \$0.2475 per unit to raise aggregate gross proceeds of approximately \$20 million.

On January 15, 2019, the Company announced that it had completed the final closing of the 2018 Private Placement by issuing a further 25,723,372 units, on the same terms as above, to raise gross proceeds of approximately \$6.3 million.

2019 Private Placement

On August 6, 2019, the Company announced it had entered into definitive subscription agreements in connection with a non-brokered private placement of up to 81,730,233 units at a price of \$0.3225 per unit to raise gross proceeds of up to US\$20 million (approximately \$26.3 million), subject to stock exchange and other approvals as applicable (the “2019 Private Placement”).

Each unit of the 2019 Private Placement consists of:

- One Common Share; and
- One Common Share purchase warrant, which entitles the holder to acquire one Common Share at an exercise price of \$0.645 at any time prior to the date that is five years following the date of issue.

On August 23, 2019, the Company announced that it had completed an initial closing of the 2019 Private Placement of a total of 76,504,263 units, issued at a price of \$0.3225 per unit, to raise aggregate gross proceeds of approximately \$24.6 million.

On September 13, 2019, the Company announced that it had completed the final closing of the 2019 Private Placement by issuing the remaining 5,225,970 units, on the same terms as above, to raise gross proceeds of approximately \$1.7 million.

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2020

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

14. Share capital

Authorized:

Unlimited number of Common Shares without par value

Unlimited number of preferred shares, issuable in series, without par value (none outstanding)

Issued:

	Number of shares (000's)	Amount
Balance - December 31, 2018	465,156	880,197
Shares issued in private placement	107,454	19,687
Shares issued on the exercise of RSUs	694	-
Shares issued on the exercise of DSUs	89	-
Shares issued on the exercise of share options	853	425
Transfer from contributed surplus - exercise of share options	-	274
Balance - December 31, 2019	574,246	900,583
Shares issued on the conversion of convertible notes	15,340	6,580
Shares issued on the exercise of warrants	7,668	3,852
Shares issued on the exercise of share options	525	183
Transfer from contributed surplus - exercise of share options	-	142
Balance - September 30, 2020	597,779	911,340

Common Share purchase warrants

In June 2020, a total of 7,668,430 warrants with an expiry date of June 30, 2021 were exercised, resulting in a cash inflow to the Company of approximately \$3.5 million. A summary of Common Share purchase warrants issued and outstanding, along with their exercise prices, are as follows:

Expiry date	Number of warrants	Exercise price (dollars)
June 30, 2021	103,867,820	0.460
December 21, 2023	80,702,475	0.490
January 15, 2024	25,723,372	0.490
August 23, 2024	76,504,263	0.645
September 13, 2024	5,225,970	0.645

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2020

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

14. Share capital (Continued)

Share Options

The exercise price of incentive stock options (“Share Options”) is determined as the higher of the five-day weighted average closing price of the Common Shares prior to the grant date of the Share Option and the closing price of the Common Shares on the day before the grant date of the Share Option. Share Options granted vest in accordance with milestones or vesting periods set by the Board at the grant date and are exercisable over ten years from the date of issuance.

The maximum number of Common Shares issuable under the Option Plan is equal to 10% of the issued and outstanding Common Shares at any point in time.

As at September 30, 2020, Share Options held by directors, officers, employees and consultants were as follows:

Range of exercise prices (dollars)	Outstanding			Exercisable		
	Number of options (thousands)	Weighted average exercise price (dollars)	Weighted average remaining contractual life (years)	Number of options (thousands)	Weighted average exercise price (dollars)	Weighted average remaining contractual life (years)
0.28 - 0.40	14,486	0.36	7.1	13,198	0.35	7.2
0.41 - 0.50	11,054	0.45	8.2	8,116	0.44	7.7
0.51 - 0.60	88	0.57	9.0	88	0.57	9.0
0.61 - 0.70	481	0.65	5.9	481	0.65	5.9
0.71 - 0.80	5,000	0.79	3.3	5,000	0.79	3.3
	31,109	0.46	6.8	26,883	0.47	6.6

The estimated fair value of Share Options is amortized using graded vesting over the period in which the Share Options vest. For those Share Options which vest on a single date, either on issuance or on achievement of milestones (the “measurement date”), the fair value of these Share Options is amortized using graded vesting over the anticipated vesting period.

Certain Share Option grants have performance vesting conditions. The fair value of these Share Options that vest upon achievement of milestones will be recognized and expensed over the estimated vesting period of these Share Options. Adjustments resulting from the recalculation of the estimated vesting periods are recorded in the Condensed Consolidated Statement of Comprehensive Loss.

Director, officer, employee and consultant Share Options were as follows:

	Number of options ('000)	Weighted average exercise price (dollars)
Balance - December 31, 2018	24,619	0.53
Options granted	6,068	0.37
Options expired	(2,325)	0.84
Options exercised	(853)	0.50
Balance - December 31, 2019	27,509	0.47
Options granted	6,207	0.46
Options expired	(2,082)	0.56
Options exercised	(525)	0.35
Balance - September 30, 2020	31,109	0.46

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2020

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

14. Share capital (Continued)

During the nine-month period ended September 30, 2020, 6.2 million Share Options were granted at a weighted average exercise price across all grants of \$0.46, of which 3.3 million vested immediately and the remaining 2.9 million vest on the first anniversary of the grant. A total of 2.1 million Share Options lapsed unexercised in the period.

In the corresponding nine-month period ended September 30, 2019, 6.0 million Share Options were granted at a weighted average exercise price across all grants of \$0.37, of which 2.9 million vested immediately and the remaining 3.1 million vested on the first anniversary of the grant. A total of 2.3 million Share Options lapsed unexercised in the period.

The valuation of the Share Options granted was calculated using a Black-Scholes valuation model with the following assumptions:

	September 30 2020	December 31 2019
Weighted average risk-free interest rate	1.49%	1.81%
Volatility of share price	90%	97%
Weighted average life of options (years)	5.2	5.2
Pre-vesting forfeiture rate	10%	20%
Weighted average fair value of awards (\$)	0.33	0.28

At September 30, 2020, the fair value of Share Options to be expensed is \$0.6 million (December 2019: \$0.9 million).

15. Loss per share

	3 months ended September 30		9 months ended September 30	
	2020	2019	2020	2019
Loss for the period attributable to owners of the parent	11,759	11,128	27,335	26,268
Weighted-average number of common shares (000's)	597,780	523,798	584,482	500,806
Basic and diluted loss per share	\$0.02	\$0.02	\$0.05	\$0.05

16. 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	2020	2021	2022	2023	2024	Thereafter
<i>Operating lease commitments</i>							
Rosia Montana exploitation license	966	276	276	276	138	-	-
Surface concession rights	1,055	7	34	34	34	34	912
Property lease agreements	33	22	11	-	-	-	-
Total commitments	2,054	305	321	310	172	34	912

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2020

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

17. 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	
	2020	2019	2020	2019	2020	2019
For the three-month period ended September 30,	2020	2019	2020	2019	2020	2019
Reportable items in the Condensed Consolidated Income Statement and Comprehensive Loss						
Interest received	-	-	(5)	(90)	(5)	(90)
Finance costs-convertible notes accretion	-	-	2,389	2,272	2,389	2,272
Depreciation	6	10	4	7	10	17
Reportable segment loss	2,455	2,397	9,287	8,731	11,742	11,128
For the nine-month period ended September 30,	2020	2019	2020	2019	2020	2019
Reportable items in the Condensed Consolidated Income Statement and Comprehensive Income						
Interest received	-	-	(69)	(274)	(69)	(274)
Finance costs-convertible note accretion	-	-	7,281	6,618	7,281	6,618
Depreciation	19	27	12	61	31	88
Reportable segment loss	5,538	6,458	21,780	19,810	27,318	26,268
As at September 30,	2020	2019	2020	2019	2020	2019
Reportable segment in Condensed Consolidated Statement of Financial Position						
Reportable segment current assets and assets classified as held for sale	4,671	6,802	7,167	34,474	11,838	41,276
Reportable segment non - current assets	336	633	670	882	1,006	1,515
Reportable segment liabilities	(478)	(511)	(90,084)	(85,004)	(90,562)	(85,515)

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

Notes to Condensed Consolidated Financial Statements

For the period ended September 30, 2020

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

18. Contingent liabilities

As at September 30, 2020, the Company does not believe that the outcome of any of the matters not recorded in the Condensed 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”) previously claimed and received by RMGC from the Romanian tax authorities in respect of RMGC's purchase of goods and services in the period from July 2011 to January 2016.

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

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”).

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. On October 23, 2017, RMGC received an additional demand from ANAF in respect of interest and penalties related to the VAT Assessment for RON 18.6 million (approximately \$6.0 million).

On February 6, 2019, the Alba Julia Court of Appeal (Division for Administrative and Tax Claims) ruled in favor of RMGC's annulment challenge of the VAT Assessment. ANAF subsequently filed an appeal against this decision with the High Court of Cassation and Justice, and a hearing date has been set as December 2, 2020. RMGC is contesting this appeal and the stay of enforcement remains in effect for the VAT Assessment and for the interest and penalties demand.

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, 2020 and December 31, 2019.