



G A B R I E L
Rosia Montana
I N P A R T N E R S H I P

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PRESS RELEASE

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SECOND QUARTER REPORT

Toronto, Canada: August 5, 2010

Highlights

- Romanian government official statements positive towards the restart of EIA review process
- New CEO joins the Company in June 2010
- Dam safety permits issued
- Acid mine drainage pilot plant work commenced
- Restoration of historical town centre continues

“We are highly encouraged by the progress the Company has achieved to date in advancing towards the recommencement of the Technical Analysis Committee process of our flagship Rosia Montana gold project in Romania. The project has been designed for the benefit of not only our shareholders but the people of Rosia Montana, Romania and the European Union in terms of job creation, environmental rehabilitation and preservation of the rich cultural heritage,” stated Jonathan Henry, the Company’s recently-appointed Chief Executive Officer.

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About Gabriel Resources/Rosia Montana Gold Corporation

Gabriel is a Canadian-based resource company engaged in the exploration and development of mineral properties in Romania and is presently in the permitting stage and preparing to develop its 80.46%-owned Rosia Montana gold project. Gabriel is committed to responsible mining and sustainable development in the communities in which it operates. For more information please visit the Company’s website at www.gabrielresources.com.

Financial Performance

- Second quarter net loss was \$12.8 million, or \$0.04 per share. Year-to-date net loss was \$28.2 million, or \$0.08 per share.
- A total of \$7.8 million was spent on our development projects during the second quarter, increasing the year-to-date amount to \$17.1 million.

Liquidity and Capital Resources

- Cash, cash equivalents and short term investments at June 30, 2010 totaled \$119.9 million.
- The base budget for 2010 on the Rosia Montana project (“the Project”) totals \$46 million, of which \$26.6 remains to be spent over the balance of the year. This includes significant commitments to the Rosia Montana community in order to reduce the high unemployment in the area. This budget includes expenditures and commitments to maintain the value of the Company’s investment in mineral properties and to move the Project through EIA approval.
- Depending on the Project re-start, the Company may spend an additional \$33 million during 2010 on the acquisition of surface rights and various activities to acquire permits and approvals required to apply for construction permits.
- Corporate overhead costs are expected to total a further \$3 million for the remaining part of the year.

Political Situation

- On June 16, 2010, parliamentary opposition parties pressed a “no confidence” vote against the Romanian Government. The vote failed, validating the current Government’s programme and general agenda to reignite Romania’s economic development. As the Government’s effort to reduce Romania’s budget deficit, largely through an increase in the VAT and reduction in public sector salaries, was found to conform with the requirements of its International Monetary Fund (“IMF”) emergency loan, the next tranche of emergency aid was released in early July 2010.
- The re-assessment of the Project remains in Romania’s governing programme, indicating a new appreciation for the benefits that the country’s significant resources endowment can bring to Romania. At the end of April 2010, the Minister of Environment and Forestry and Minister of Culture, two key ministers for the Project, visited Rosia Montana. In May 2010, the Minister of Environment and Forestry made a fact-finding visit to a gold mine in Sweden to observe its operations, in particular its use of cyanide in conformity with the strict European Union directive on mining wastes.

- In April 2010, opponents of cyanide-based mining seeking to ban the practice in the European Union (“EU”) pressed the European Parliament to support a complete ban on the use of cyanide in mining before the end of 2011. In early May 2010, the European Parliament voted to adopt a motion seeking legislation to ban the use of cyanide-based technologies in mining in Europe, a non-binding exercise as only the European Commission (“EC”) has the authority to initiate directives or regulations that, if subsequently approved by the Parliament and EU Council, must then be transposed into domestic law across EU member states. In June 2010, the EC issued a letter over the signature of the Environment Commissioner declining to institute a ban on cyanide, and endorsing the EU directives regulating its use in mining. As the Project is designed to operate well within the EU directive’s limits, the Company sees the EC statement as a positive endorsement for responsible mining.
- Management continues to meet with stakeholders to understand their issues and concerns and to explain the benefits and impacts of the Project. Continued strong local and regional support is a direct result of the Company’s outreach. The Company’s communication efforts are fact based, focusing on the critically-needed economic benefits the Project will bring to Romania. While political and NGO opposition remains, broader understanding of these economic and development issues is a factor in the positive reaction to the Project among Romania’s governing authorities.

Environmental/Permitting

- Since the fall of 2007, review of the Project’s EIA has been suspended as a result of a decision taken by the former Minister of Environment and Sustainable Development. Since that time, management has worked diligently to advocate in favour of a restart of the EIA review process and advance the permitting process for the Project. At the end of April 2010, local authorities issued RMGC a new urbanism certificate (“UC”) for the Project. The Company delivered the new UC to the Ministry of Environment and Forestry (“MOE”) in early May 2010, with the expectation that receipt of this certificate would allow the MOE to direct the Technical Analysis Committee (“TAC”) to recommence its review of the EIA for the Project. In the meantime, the MOE has confirmed that members of the TAC have been provided with the documentation submitted by RMGC originally to the MOE in 2004 and 2006 and once their period of review is completed, the MOE will decide on the next steps regarding the EIA review process.
- The Company is moving forward with the amended industrial zonal urbanistic plan (“Amended PUZ”), having completed the public participation phase including ESPOO procedure (transboundary consultations pursuant to Convention on Environmental Impact Assessment in a Transboundary Context).
- In addition, the Local Council has initiated the process for the zonal urbanistic plan for the protected area (“PUZ – Protected Area”). The forestry and agricultural land use change permits will proceed after the EIA has been approved and surface rights obtained.
- In June 2010 the dam safety permits for the Cetate and Corna dams for the Project were issued by the MOE.

Rosia Montana Project Timeline

- The new CEO is currently reviewing all aspects of the Project schedule with a view to updating the market at the time of the Q3 results, if not earlier, of any amendment to the timeline to first gold pour. At this stage, management believes that once the EIA for the Project is approved by the Romanian Government, in the absence of any other extraordinary events, legal or otherwise, it would take at least 6 months to:
 - Complete the purchase of the outstanding properties;
 - Receive all other permits and approvals, including initial construction permits; and
 - Complete the control estimate and complete all the financing.
- Once construction of the mine begins, it is currently expected to take at least 24 months to complete. Ultimately, the Romanian Government determines the timing of issuance of the EIA approval and all other permits and approvals required for the Rosia Montana Project, subject to the Romanian courts dealing with litigation from NGOs in a timely manner.

Other

- The Company would also like to state that it has filed on SEDAR an amended Management Discussion and Analysis (“MD&A”) for the year ended December 31, 2009. The amended MD&A includes disclosure as to the management’s conclusion regarding the effectiveness of the Company's internal controls over financial reporting. This amended MD&A is being re-filed at the request of the Ontario Securities Commission as a result of a continuous disclosure review of the Company's filings.

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial condition and results of operations to enable a reader to assess material changes in the financial condition and results of operations as at and for the three-and-six months ended June 30, 2010 and 2009. The MD&A should be read in conjunction with the unaudited consolidated financial statements and notes thereto ("Statements") of Gabriel Resources Ltd. ("Gabriel" or the "Company") as at and for the three-and-six months ended June 30, 2010 and 2009, as well as the audited consolidated financial statements of the Company as at and for the year ended December 31, 2009 and notes thereto. The Company's consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

All amounts included in the MD&A are in Canadian Dollars, unless otherwise specified. This report is dated as of August 4, 2010, and the Company's public filings, including its most recent Annual Information Form, can be reviewed on the SEDAR website (www.sedar.com).

Overview

Gabriel is a Canadian-based resource company engaged in the exploration and development of mineral properties in Romania and is presently in the permitting stage and preparing to develop its 80.46%-owned Rosia Montana gold project (the "Project"). Minvest S.A. ("Minvest"), a Romanian state owned mining company, and one other private Romanian company, hold a 19.54% interest in Rosia Montana Gold Corporation ("RMGC"), beneficial owner of the Project, and Gabriel holds the pre-emptive right to acquire the 19.54% minority interest. Gabriel is committed to responsible mining and sustainable development in the communities in which it operates. RMGC will be required to pay 4% net smelter royalty on all production from the Project to the Romanian Government.

The Company's mission is to create value for all stakeholders from responsible mining. Gabriel's vision is to build the Project and to be a catalyst for sustainable economic, environmental, cultural and community development. As the Company develops the world-class Rosia Montana project, it will strive to set high standards through good governance, good engineering, open and transparent communications, and operations and reclamation based on best available techniques – all in the service of value creation and sustainable development. Whether the issue is corporate governance, community development, environmental responsibility or operational practices, the Company pledges to do it right.

Key Issues

Political Situation

On June 16, 2010, parliamentary opposition parties pressed a "no confidence" vote against the Romanian Government. The vote failed, validating the current Government's programme and general agenda to reignite Romania's economic development. As the Government's effort to reduce Romania's budget deficit, largely through an increase in the VAT and reduction in public sector salaries, was found to conform with the requirements of its International Monetary Fund ("IMF") emergency loan, the next tranche of emergency aid was released in early July 2010.

Against the background of the Government's effort to sustain economic development, the Project continues to receive support from members of the local and regional political leadership. The

focus of this support continues to be urging Romania's national government to restart the Environmental Impact Assessment ("EIA") review process for the Project as soon as possible.

The re-assessment of the Project remains in Romania's governing programme, indicating a new appreciation for the benefits that the country's significant resources endowment can bring to Romania. At the end of April 2010, the Minister of Environment and Forestry and Minister of Culture, two key ministers for the Project, visited Rosia Montana. In May 2010, the Minister of Environment and Forestry made a fact-finding visit to a gold mine in Sweden to observe its operations, in particular its use of cyanide in conformity with the strict European Union directive on mining wastes. The public comments of both ministers indicate their recognition of the need for significant investment in the Rosia Montana area.

In April 2010, opponents of cyanide-based mining seeking to ban the practice in the European Union ("EU") pressed the European Parliament to support a complete ban on the use of cyanide in mining before the end of 2011. Certain members of the European Parliament from Romania and other EU nations that are home to gold mining operations spoke out against the ban, indicating that the ban would effectively render it impossible to develop gold resources and pointing to the strict EU directive governing cyanide use as sufficient to ensure public health and safety. In early May 2010, the European Parliament voted to adopt a motion seeking legislation to ban the use of cyanide-based technologies in mining in Europe, a non-binding exercise as only the European Commission ("EC") has the authority to initiate directives or regulations that, if subsequently approved by the Parliament and EU Council, must then be transposed into domestic law across EU member states. In June 2010 the EC issued a letter over the signature of the Environment Commissioner declining to institute a ban on cyanide, and endorsing the EU directives regulating its use in mining. As the Project is designed to operate well within the EU directive's limits, the Company sees the EC statement as a positive endorsement for responsible mining.

Management continues to meet with stakeholders to understand their issues and concerns and to explain the benefits and impacts of the Project. Continued strong local and regional support is a direct result of the Company's outreach. The Company's communication efforts are fact based, focusing on the critically-needed economic benefits the Project will bring to Romania. While political and NGO opposition remains, broader understanding of these economic and development issues is a factor in the positive reaction to the Project among Romania's governing authorities.

Environmental/Permitting

Since the fall of 2007, review of the Project's EIA has been suspended as a result of a decision taken by the former Minister of Environment and Sustainable Development. Since that time, management has worked diligently to advocate in favor of a restart of the EIA review process and advance the permitting process for the Project.

Romania's current Minister of Environment and Forestry has indicated that he considers a valid urbanism certificate ("UC") necessary to restart the EIA review process. The Company maintains its position that a UC is not required to conduct the EIA review process under Romanian law or EU directives. At the end of April 2010, local authorities issued RMGC a new urbanism certificate for the Project; the Company delivered the new UC to the Ministry of Environment and Forestry (the "MOE") in early May 2010 with the expectation that receipt of this certificate would allow the MOE to direct the Technical Analysis Committee ("TAC") to recommence its review of EIA for the Project. In the meantime, the MOE has confirmed that members of the TAC have been provided with the documentation submitted originally by RMGC to the MOE in

2004 and 2006 and once their period of review is completed, the MOE will decide on the next steps regarding the EIA review process.

While the EIA is by far the most important project approval, there are a number of other permits and approvals required to advance the Project to construction, such as dam safety permits, zonal urbanistic plans for the industrial and protected areas, forestry/agriculture land use change permits, archeological discharge certificates, as well as other permits and approvals that follow EIA approval. To that end, to the extent these permits and approvals are not dependent on EIA approval or the acquisition of surface rights, the processes for each of these will proceed in parallel with the EIA review process. The Company is moving forward with the amended industrial zonal urbanistic plan (“Amended PUZ”), having completed the public participation phase including ESPOO procedure (transboundary consultations pursuant to Convention on Environmental Impact Assessment in a Transboundary Context). In addition, the Local Council has initiated the process for the zonal urbanistic plan for the protected area (“PUZ – Protected Area”). The forestry and agricultural land use change permits will proceed after the EIA has been approved and surface rights obtained. In June 2010, the dam safety permits for the Cetate and Corna dams for the Project were issued by the MOE. Although there is no precedent or regulatory timeline, in the absence of any other extraordinary events, legal or otherwise, we expect the completion of permitting processes to take at least six months from the date the EIA is approved by the Romanian government.

Litigation

A number of foreign-funded and Romanian NGOs have initiated a multitude of legal challenges against a number of local, regional and national Romanian regulatory authorities that have the administrative authority to grant permits, authorizations and approvals for any aspect of the exploration and development of the Project. While some of the actions have been successful, most have been frivolous. These legal challenges include civil actions against both the regulatory authorities and individuals within such regulatory authorities; in general, they claim that such regulatory authorities are acting in violation of Romanian laws and ask for cancellation of the license, permit or approval. Gabriel, through RMGC, has intervened in all material cases in order to ensure that the Romanian courts considering these actions are presented with a legally correct, fair and balanced analysis as to why the various Romanian regulatory authorities’ actions are in accordance with the relevant and applicable laws.

While the Company has designed the Project to follow all applicable laws to protect against permitting delays of the Project, multiple legal challenges brought forward by NGOs in Romania may continue to cause potential setbacks to the Project timeline.

During the second quarter there were three judgments rendered by Romanian courts on cases in which RMGC intervened as a defendant. As previously reported, on April 21, 2010, the High Court of Cassation and Justice admitted an RMGC appeal and cancelled irrevocably the fiscal audit assessment levied for the period 2003-2004 which totaled approximately \$9.8 million. The timeframe for seeking recovery of this amount remains uncertain at this time. On June 1, 2010, a lower court ruling in Alba Iulia rejected an NGO claim seeking the suspension of urbanism certificate No. 68 (“UC 68”) issued to RMGC by the Alba County Council in 2004. UC 68 expired in 2005. Finally, on June 2, 2010 the High Court of Cassation and Justice upheld a lower court ruling compelling the MOE to issue two dam safety permits previously approved by the National Commission on Dam Safety.

During the second quarter of 2010 RMGC also intervened in two new court challenges filed by NGOs opposed to the Project. The first matter involves a claim to suspend the latest urbanism

certificate issued to RMGC by the Alba County Council (“UC 87”). UC 87 was issued to RMGC by the Alba County at the end of April 2010 and was provided to the Romanian Ministry of Environment and Forestry at its request. The second claim involves a challenge against the legality of two resolutions of the local council of Rosia Montana passed in 2002 regarding zoning bylaws for the area. The timeframe for the resolution of both of these cases is uncertain at this time. If the NGOs pursuing these claims are successful before the courts then delays in the permitting process could be expected, depending on the ruling issued by the court and the reaction to this ruling by the administrative authorities in Romania. Also during the second quarter, an appeal was filed against an earlier court decision which rejected an NGO claim seeking an order compelling the MOE to return the initial project presentation report submitted by RMGC in 2004. The next hearing on this matter is scheduled for September 8, 2010.

RMGC’s action against the MOE seeking an order compelling it to re-commence the EIA review process remains before the High Court of Cassation and Justice, with the next hearing scheduled in the third quarter of 2010.

There were no other material developments involving litigation matters associated with the Project during the second quarter of 2010.

Surface Rights

As a result of the suspension of the EIA review process in September 2007, the home purchase program was suspended indefinitely in February 2008. The Company owns 77 percent of the homes in the industrial zone, protected area and the buffer zone.

In addition to the private properties required, the Company needs to acquire properties (about 30 percent of the surface area of the Project) which are owned by institutions, including the local administrations of Rosia Montana and Abrud, as well as certain churches and state-owned mining companies. The process to acquire the institutional properties is underway and expected to be completed after the approval of the EIA.

Ultimately, the Company’s ability to obtain construction permits for the mine and plant is predicated on securing 100 percent of the surface rights within the footprint of the construction permits in the industrial zone, the timing of which is not entirely within the Company’s control.

Resettlement Sites

Construction of the Alba Iulia resettlement site, known as Recea, began in summer 2007. The construction of all 125 homes in the Recea resettlement site in Alba Iulia has been completed, with 124 homes handed over to their respective owners. This project stands as visible testimony to the determination of the Company to deliver on its promises to the people of Rosia Montana.

The Company is currently reviewing the technical merits of Piatra Alba, the new resettlement village to be built in Rosia Montana, as well as the process of obtaining permits for this site.

Archaeology

An archaeological review of historic mining activity at Rosia Montana is a critical step in the granting of the construction permit to build the Project. A number of archaeological discharge certificates are required for various parts of the area under the footprint of the proposed mine.

An NGO commenced legal action in 2004 and ultimately obtained an annulment with respect to RMGC’s archaeological discharge certificate No. 4 (“ADC 4”) from the High Court of Cassation and Justice in December 2008. The Company has reviewed the Court’s written reasons for this decision and will seek a new archeological discharge certificate through a revised application

prepared by independent researchers that it believes will address all deficiencies identified by the Court.

The Company has concluded the restoration of a historical home located in the center of Rosia Montana to host a permanent exhibition of history and mining archeology, which will be part of the future Mining Museum (this being one of the public commitments made in the EIA).

During the past year, the Company continued emergency maintenance work on 160 houses located in the historical center of Rosia Montana, with the aim to stop their deterioration. While these houses are not designated as historic, their restoration will contribute to maintaining the character of Rosia Montana village. This emergency conservation work will continue through a multi-year program, which will run in parallel with the construction and the operations phase of the mining project.

CEO Search

On May 25, 2010 the Company announced the appointment of Jonathan Henry as President and Chief Executive Officer, effective June 7, 2010. Mr. Henry is a seasoned mining executive with a track record of success in building a strong precious metals mining and development franchise, most recently as Chief Executive Officer and Managing Director of Avocet Mining PLC, a UK based gold mining company with operations and advanced development and exploration projects in West Africa and South East Asia.

Liquidity and Capital Resources

Cash, cash equivalents and short term investments at June 30, 2010 totaled \$119.9 million.

The base budget for 2010 on the Project totals \$46 million, of which \$26.6 remains to be spent over the balance of the year. This includes significant commitments to the Rosia Montana community in order to reduce the high unemployment in the area. This budget includes expenditures and commitments to maintain the value of the Company's investment in mineral properties and to move the Project through EIA approval. In addition to the base budget, and depending on the Project re-start, the Company may spend an additional \$33 million during 2010 on the acquisition of surface rights and various activities to acquire permits and approvals required to apply for construction permits. Corporate overhead costs are expected to total a further \$3 million for the remaining part of the year.

Financing Plan

The estimated capital cost to complete the development of the Rosia Montana Project – including interest, financing and corporate costs – is approximately US\$1 billion. Under the guidance of the new CEO, management is in the process of re-examining financing alternatives with a view to presenting the various options open to the Company to the board of directors.

Project Timeline

- The EIA was submitted in the second quarter of 2006.
- In January 2007, the Company received the list of official questions from the Romanian Government, raised during the public consultation process.
- The Company responded to the questions in the form of an Annex to the EIA, in early May 2007.
- Technical Analysis Committee and Espoo Convention meetings went well during the third quarter of 2007, until TAC meetings were suspended in September 2007.
- In response to the repeated requests for a new urbanism certificate for the Rosia Montana Project by the current Minister of Environment and Forestry, RMGC obtained and delivered one to the MOE in May 2010.
- In July 2010, the MOE confirmed that members of the TAC have been provided with the documentation submitted originally by RMGC to the MOE in 2004 and 2006 and once their period of review is completed, the MOE will decide on the next steps regarding the EIA review process.

The new CEO is currently reviewing all aspects of the Project schedule with a view to updating the market at the time of the Q3 results, if not earlier, of any amendment to the timeline to first gold pour. At this stage management believes that once the EIA for the Project is approved by the Romanian Government, in the absence of any other extraordinary events, legal or otherwise, it would take at least 6 months to:

- Complete the purchase of the outstanding properties;
- Receive all other permits and approvals, including initial construction permits; and
- Complete the control estimate and complete all financing.

Once construction of the mine begins, it is currently expected to take at least 24 months to complete. Ultimately, the Romanian Government determines the timing of issuance of the EIA approval and all other permits and approvals required for the Rosia Montana Project, subject to the Romanian courts dealing with litigation from NGOs in a timely manner.

Outlook

Our key objectives include:

1. Continue to win Romanian public and Government support and backing for the Project
2. Obtaining approval of our EIA and all other required permits;
3. Raising the required financing to build the Project;
4. Beginning Project construction; and
5. Continue to maximize shareholder value, while ensuring that the Project benefits those in the community and the surrounding area to the optimum possible extent.

Results of Operations

The results of operations are summarized in the following tables, which have been prepared in accordance with Canadian generally accepted accounting principles:

Results of Operations

in thousands of Canadian dollars, except per share amounts

	2010 Q2	2010 Q1	2009 Q4	2009 Q3
Statement of Loss				
Loss	\$ 12,789	\$ 15,439	\$ 10,729	\$ 7,082
Loss per share - basic and diluted	0.04	0.04	0.03	0.02

Balance Sheet

Working capital	110,278	124,604	148,715	95,838
Total assets	632,678	642,189	658,694	608,399

Statement of Cash Flows

Investments in development and exploration including working capital changes	10,372	13,185	13,004	10,689
Cash flow from (used in) financing activities	3,764	857	70,260	(435)

in thousands of Canadian dollars, except per share amounts

	2009 Q2	2009 Q1	2008 Q4	2008 Q3
Statement of Loss (Income)				
Loss (Income)	\$ 1,798	\$ 6,969	\$ (3,958)	\$ 2,782
Loss (Income) per share - basic and diluted	0.01	0.03	(0.02)	0.01

Balance Sheet

Working capital	109,518	7,401	29,172	50,324
Total assets	624,991	522,618	530,135	508,010

Statement of Cash Flows

Investments in development and exploration including working capital changes	7,389	11,158	8,171	19,237
Cash flow provided by financing activities	112,906	3	-	82

Statement of Loss

	3 months ended June 30,		6 months ended June 30,	
<i>in thousands of Canadian dollars, except per share amounts</i>	2010	2009	2010	2009
Total operating expenses for the period	\$ 5,664	\$ 4,344	\$ 8,079	\$ 11,062
Loss for the period	12,789	1,798	28,228	8,767
Loss per share - basic and diluted	0.04	0.01	0.08	0.03

Total operating expenses for the three-month period ended June 30, 2010 increased from the corresponding period in 2009 primarily due to the vesting of 750 thousand stock options valued at \$2.4 million upon achievement of certain milestones. The increase is partially offset by severance costs incurred in 2009 of \$0.9 million. For the six-month period ended June 30, 2010, total operating expenses decreased from 2009 due to \$4.9 million resulting from non-recurring retiring allowances and settlement payments, including the expensing of share-based compensation, for the former CEO and two employees who departed the Company during the first half of 2009. The decrease is partially offset by \$2.4 million representing fair value of stock options which vested upon achievement of certain milestones.

Loss for the three-and-six-month periods ended June 30, 2010 increased from the same periods in 2009 mainly due to an increase in foreign exchange loss of \$9.7 and \$22.5 million, respectively, as well as due to an increase in stock based compensation expense.

The Company expects to incur operating losses until commercial production commences and revenues are generated.

Expenses

Corporate, General and Administrative

	3 months ended June 30,		6 months ended June 30,	
<i>in thousands of Canadian dollars</i>	2010	2009	2010	2009
Finance	\$ 217	\$ 237	\$ 450	\$ 434
External communications	247	123	439	288
Information technology	77	124	151	200
Legal	147	192	306	376
Payroll	920	798	1,589	3,985
Other	638	573	1,035	927
Corporate, general and administrative expense	\$ 2,246	\$ 2,047	\$ 3,970	\$ 6,210

Corporate, general and administrative costs are those costs incurred by the corporate office in Toronto. Corporate, general and administrative costs for the three-month period ended June 30, 2010 were comparable to the same period in 2009. For the six-month period ended June 30, 2010, corporate, general and administrative costs are lower than in 2009 due to the non-recurring retiring allowance of \$2.4 million paid to the Company's former CEO in the first quarter of 2009. Corporate, general and administrative costs are anticipated to rise (excluding the cost of non-recurring items) once the Project is permitted and the Company increases its staffing for construction and operations.

Stock Based Compensation

<i>in thousands of Canadian dollars</i>	3 months ended		6 months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
DSUs - expensed (recovered)	\$ 178	\$ (432)	\$ 145	\$ 521
Stock option compensation - expensed	2,837	1,462	3,391	2,851
Stock based compensation - expensed	\$ 3,015	\$ 1,030	\$ 3,536	\$ 3,372
DSUs - capitalized (capital reduction)	\$ -	\$ (48)	\$ -	\$ 47
Stock option compensation - capitalized	296	263	593	526
Stock based compensation - capitalized	\$ 296	\$ 215	\$ 593	\$ 573

DSU Compensation

Number of DSUs issued	362,806	22,668	368,768	36,389
Average value ascribed to each DSU issued	\$ 4.20	\$ 1.93	\$ 4.20	\$ 2.13

DSU costs for the second quarter 2010 reflect the issuance of 5 thousand DSU's during the period and the increase in the DSU liability due to a higher share price at quarter end compared to the Company's share price at the beginning of the period.

During the three-month ended June 30, 2010 the Company issued 358 thousand DSU's to the newly appointed CEO. The expense will be recognized as 50 percent of the DSUs vest on the first anniversary and remaining 50 percent vest on the second anniversary of commencement of the employment.

For the six-month ended June 30, 2010, the DSU costs reflect the issuance of 11 thousand units and the increase in the Company's share price at the beginning of the period. The Company's closing share price at June 30, 2010 was \$4.83 while at December 31, 2009 the closing share price was \$4.37.

Initially valued at the five-day weighted average market price of the stock at date of issue, DSUs are revalued each period based on the closing share price at the period end, with the difference between the total value of the DSUs at period end compared to the value at the end of the previous period. The change in share price of the DSU's at the end of the period is charged to the Statement of Loss. Overall, for the three-and-six month periods ended June 30, 2010, the Company's share price increased by \$0.62 compared to March 31, 2010 and \$0.46 compared to December 31, 2009, while for the same period in 2009, the Company's share price increased by \$0.45 from March 31, 2009 and \$0.43 compared to December 31, 2008.

	3 months ended June 30,		6 months ended June 30,	
	2010	2009	2010	2009
Stock option compensation				
Number of stock options granted	4,050,000	1,550,000	4,050,000	2,150,000
Average value ascribed to each regular vesting option granted	\$ 4.64	\$ 1.08	\$ 4.64	\$ 1.12
Options granted to corporate employees, consultants, officers, and directors	2,925,000	1,350,000	2,925,000	1,350,000
Options granted to development project employees and consultants	1,125,000	200,000	1,125,000	800,000

The estimated fair value of stock options is amortized over the period in which the options vest which is normally three years. For those options which vest on single or multiple dates, either on issuance or on meeting milestones (the “measurement date”), the entire fair value of the vesting options is recognized immediately on the measurement date.

The fair value of stock options granted to personnel working on development projects is capitalized over the vesting period.

Of the 4 million options issued in the second quarter of 2010, 2 million vest over a three-year period and the remainder vest based on achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized and capitalized as milestones are achieved and the value can be reasonably measured.

Project Financing Costs

<i>in thousands of Canadian dollars</i>	3 months ended June 30,		6 months ended June 30,	
	2010	2009	2010	2009
Project Financing Costs	\$ 353	\$ 236	\$ 465	\$ 386

The project financing costs for the three-and-six month periods ended June 30, 2010 were comparable to those of the same period in 2009.

Project financing activities include advisory services.

Interest Income

<i>in thousands of Canadian dollars</i>	3 months ended June 30,		6 months ended June 30,	
	2010	2009	2010	2009
Interest Income	\$ 73	\$ 67	\$ 194	\$ 131

Higher interest income in the three-and-six month periods ended June 30, 2010 compared to the same periods in 2009 is the result of higher average cash balances during the periods in 2010, partially offset by lower interest rates.

The Company is focused on minimizing credit risk and therefore is foregoing higher yields on its investments and is investing predominantly in government guaranteed instruments.

Approximately 90 percent of the Company's cash balances are invested in government guaranteed instruments with the balance invested in term deposits with major Canadian banks.

Foreign Exchange

<i>in thousands of Canadian dollars</i>	3 months ended June 30,		6 months ended June 30,	
	2010	2009	2010	2009
Foreign exchange gain (loss) - realized	\$ (1,207)	\$ (759)	\$ (1,617)	\$ (868)
Foreign exchange gain (loss) - unrealized	(5,989)	3,240	(18,722)	3,034
Total foreign exchange gain (loss)	\$ (7,196)	\$ 2,481	\$ (20,339)	\$ 2,166

During 2009, the Company converted the majority of the cash raised from two private placements and public equity offering to foreign currencies to match anticipated foreign denominated expenditures. Since the purchase of foreign currencies, mainly EURO and US Dollar, the Canadian Dollar strengthened relative to the foreign currencies acquired, resulting in realized and unrealized foreign exchange losses for the three-and-six month periods ended June 30, 2010. As a result of higher average cash balance in the first half of 2010 and strengthening of Canadian Dollar to EURO and US Dollar, the realized and unrealized foreign exchange losses for the three-and-six month periods ended June 30, 2010 were higher by \$9.7 million and \$22.5 million, respectively, than in the same periods in 2009.

The Company maintains a Canadian dollar cash position to fund corporate, general and administrative activities, while the majority of its cash resources are in foreign currencies.

The Company expects to continue to report foreign currency gains and losses as it continues to hold foreign currencies.

Taxes

In April 2010, the Supreme Court in Romania admitted an RMGC appeal and cancelled irrevocably the fiscal assessment concerning the period 2003 and 2004 which totaled \$9.8 million. The original assessment arose from the disallowance of the application of state aid incentives related to unrealized foreign exchange gains on inter-company debt.

The Company seeks to obtain a reimbursement for the taxes paid in previous years. The timeframe and process for seeking recovery of the full amount is uncertain at this time. As of June 30, 2010 no recovery amount was recorded in the financial statements.

Investing Activities

The most significant ongoing investing activities are for the Project in Romania. Most of the expenditures to date have been for identifying and defining the size of the four ore bodies, for engineering to design the size and scope of the Project, for environmental assessment and permitting, social support to local communities, as well as surface rights/property acquisition. Once the construction permit is received, the nature and magnitude of the expenditures will increase, as roads, production facilities, open pits, tailings management facilities and associated infrastructure is built.

Mineral Properties

All costs incurred in Romania related to development and exploration projects – Rosia Montana, Bucium and Baisoara – are capitalized to mineral properties.

Listed below is a summary of expenditures at Rosia Montana for the three-and-six months ended June 30, 2010 and 2009.

<i>in thousands of Canadian dollars</i>	3 months ended		6 months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Finance and administration	\$ 1,304	\$ (1,436)	\$ 2,981	\$ 1,173
External communications	1,678	3,875	4,179	5,087
Legal	2,030	1,205	3,243	2,396
Permitting	260	616	660	1,371
Community development	1,541	225	2,680	1,374
Project management and engineering	1,195	1,373	2,557	2,903
Exploration - Rosia Montana	136	178	300	350
Exploration - Bucium	-	-	-	-
Exploration - Baisoara	47	51	64	86
Capitalized depreciation and disposals	(851)	(101)	(963)	(232)
Capitalized stock based compensation	(296)	(215)	(593)	(573)
Reclassification to mineral properties	-	(3,564)	-	(3,564)
Decrease (increase) in resettlement liabilities	335	8,631	556	7,778
Total exploration and development expenditures	\$ 7,379	\$ 10,838	\$ 15,664	\$ 18,149

During the three-and-six month periods ended June 30, 2010, the finance and administration costs increased compared to the corresponding 2009 periods primarily due to reduced foreign exchange gains related to lower trade payable and resettlement liability balances.

External communications costs decreased for the three-and-six-months ended June 30, 2010 compared to the same period last year mainly due to the reduction in media advertising. The professional service agreement between the Company and an international communications firm continues until February 29, 2012. The agreed fee consists of an annual fee and success fee payable at the end of three years agreement upon fulfillment of certain criteria.

The increased legal costs for the three-and-six-months ended June 30, 2010 compared to the same periods last year reflect the additional fees associated with the engagement of a new law firm in Romania.

Community development costs increased for the three-and-six-months ended June 30, 2010 compared to the same periods in 2009 mainly due to the acceleration of certain commitments to the Rosia Montana community which will reduce the high unemployment in the area.

No additional work is planned on the Bucium property until the exploration license is converted to an exploitation license and the Rosia Montana EIA is approved. The government has indicated that a decision on the conversion of the Bucium exploration to exploitation license will not be made until a decision on the Project is made.

Purchase of Capital Assets

<i>in thousands of Canadian dollars</i>	3 months ended		6 months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Resettlement site development costs	\$ -	\$ 2,620	\$ 1	\$ 4,738
Investment in long-lead-time equipment	403	5,081	1,328	11,889
Other	74	13	183	43
Total investment in capital assets	\$ 477	\$ 7,714	\$ 1,512	\$ 16,670
Depreciation and disposal - expensed	\$ 50	\$ 61	\$ 108	\$ 124
Depreciation and disposal - capitalized to mineral properties	\$ 851	\$ 101	\$ 963	\$ 232

The construction of all 125 homes at the Recea resettlement site in Alba Iulia has been completed with 124 homes handed over to their respective owners.

The final installments for the mills are expected to be made in 2010 (\$2.0 million) and 2011 (\$50 thousand) at which point the grinding area systems and crushing facilities will be fully paid for and in the possession of the Company. In order to minimize the transportation, storage expenditures and other costs, the Company evaluated various strategies for storing completed equipment and based on the final evaluation the equipment is currently stored at four main locations in accordance with manufacturer's specifications.

Cash Flow Statement

Liquidity and Capital Resources

Until receipt of the environmental permits for Project, the only source of liquidity is the Company's cash balance, bridge financing, exercise of stock options and warrants outstanding, and the equity markets. The cost to complete the Project was estimated at US\$876 million based on a revised cost estimate in March 2009. To complete the development of the Project, the Company will need financing of approximately US\$1 billion, to fund capital costs of US\$876 million plus working capital, interest, financing and corporate costs of US\$124 million. Under the guidance of the new CEO, management is in the process of re-examining financing alternatives with a view to presenting the various options open to the Company to the board of Directors. If the Company was unable to raise the required funds, it would seek strategic alternatives to move the Project towards development.

In 2009, the Company raised \$180 million net of acquisition costs through two private placements and a public equity offering.

As at June 30, 2010, cash, cash equivalents, and short-term investments were \$119.9 million compared to \$142.8 million at June 30, 2009. Substantially all of these amounts are invested in government guaranteed investments.

The Company manages its foreign currency risks through matching its expected foreign denominated expenditures with foreign currency investments. The Company has not entered into any derivatives hedging activities. The Company maintains Canadian Dollar investments to fund corporate costs while most investments are denominated in Euros and some in US Dollars to match planned foreign currency expenditures. The Company incurs foreign currency gains and

losses on those foreign denominated investments as the currencies move against each other. Accordingly, the Company will continue to experience foreign exchange gains and losses as long as it maintains foreign currency investments.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

- Cash and cash equivalents include deposits which are at floating interest rates. A plus or minus 1% change in earned interest rates would affect net income from deposits by \$0.2 million.
- For short-term investments a plus or minus 1% change in earned interest rates would affect net income by \$70 thousand.
- The Company holds significant balances in foreign currencies, and this gives rise to exposure to foreign exchange risk. A plus or minus 1% change in foreign exchange rates would affect net income by \$1.0 million.

The Company's objective when managing capital is to safeguard its accumulated capital in order to fund development of its Project. The Company manages its capital structure and makes adjustments to it based on the level of funds on hand and anticipated future expenditures. While the Company expects that it will be able to obtain equity, long-term debt and/or project-based financing sufficient to build and operate the Project, there are no assurances that these initiatives will be successful. To safeguard capital and to mitigate currency risk, the Company invests its surplus capital in highly liquid, highly rated financial instruments that reflect the currency of the planned expenditure.

Working Capital

As at June 30, 2010, the Company had working capital, calculated as total current assets less total current liabilities, of \$110.3 million versus \$148.7 million as at December 31, 2009. The decrease in working capital in the second quarter of 2010 relates to the loss incurred during the period, investments in mineral properties and payments for capital assets.

As at June 30, 2010, the Company had current liabilities of \$11.1 million of which \$4.9 million relates to resettlement obligations stemming from the acquisition of homes in the Project area. The construction of all 125 homes at the Recea resettlement site in Alba Iulia has been completed with 124 homes handed over to their respective owners.

Net Change in Non-Cash Working Capital

Operating non-cash working capital decreased for the three-months ended June 30, 2010 compared to the same period in 2009 due to a decrease in payables and accrued liabilities since the previous period end.

The decrease in investing non-cash working capital for the three-and-six-months ended June 30, 2010 compared to the same period in 2009 is primarily due to a decrease in payables and accrued liabilities of the Romanian subsidiary as well as due to unrealized foreign exchange losses on short-term investments.

Related Party Transactions

In December 2004, the Company loaned a total of US\$971 thousand to the four minority shareholders of RMGC, who held an aggregate of 20% of the shares of RMGC, to facilitate a statutory requirement to increase RMGC's total share capital. During 2009 the Company

purchased shares held in RMGC by two of its minority shareholders. Upon completion of this transaction, the outstanding indebtedness of the two minority shareholders of \$23 thousand was deemed to be paid in full.

During 2009, the Company received a formal offer to purchase the shares held in RMGC by two of its minority shareholders (the “Minority Shareholders”), each of whom owned 23,967 common shares in RMGC representing each 0.23% of its share capital. The Company responded to the offer of the minority shareholders and has purchased 47,934 common shares of RMGC held by the Minority Shareholders for 222,708 shares of Gabriel and for US\$0.8 million in cash. As a result of these transactions, the Company’s ownership interest in RMGC increased from 80% to 80.46%.

In 2009, the Company loaned a further US\$40 million to the remaining two minority shareholders of RMGC to facilitate another statutory share capital increase in RMGC.

The loans are non-interest bearing and are to be repaid as and when RMGC distributes dividends to its shareholders. The loans and related minority interest contribution have been offset on the balance sheet until such time as the loans are repaid. Once the loans are repaid the minority interest component will be reflected on the balance sheet.

Resettlement Liabilities

During the fourth quarter of 2006, the Company recommenced purchasing homes in the Project area. Residents were offered two choices. They could either choose to take the sale proceeds and move to a new location of their choosing or they could exchange their properties for a new property to be built by the Company at one of the two new resettlement sites. For those residents who choose the resettlement option, the Company increases its mineral properties on the balance sheet as well as resettlement liabilities for the anticipated construction costs of the resettlement houses. As the construction takes place, the costs of newly built houses are capitalized as construction in progress. After the transfer of legal title of the property is completed, the Company reduces the amounts capitalized as construction in progress and at the same time its resettlement liabilities. All resettlement associated costs will remain capitalized in mineral properties and amortized over the life of the mine once the Project moves into production.

At June 30, 2010, the Company had accrued resettlement liabilities totaling \$4.9 million (December 31, 2009 – \$5.4 million), which represents the cost of building the remaining new homes for the local residents and outstanding delay penalties.

The construction of all 125 homes at the Recea resettlement site in Alba Iulia has been completed with 124 homes handed over to their respective owners. The Company is currently reviewing the technical merits of Piatra Alba, the new resettlement village to be built in Rosia Montana, as well as the process of obtaining the permits for this site. All 24 property owners who chose the Piatra Alba resettlement site have signed a three year extension contract. As a result of the delay in delivery of homes, the Company paid or accrued a penalty of 9% (for Recea) and up to 20% (for Piatra Alba) of the agreed upon unpaid property value per year of delay as required by the agreement including all amendments.

As at June 30, 2010, the Company has accrued \$0.5 million (December 31, 2009 - \$0.4 million) representing its total estimated delay penalty. During the three-and-six-month period ended June 30, 2010, the Company paid \$58 and \$25 thousand respectively of delay penalties (2009 – \$0.3 and \$0.4 million respectively).

Contractual Obligations

The Company, through its wholly owned subsidiary Rom Aur SRL (“Rom Aur”), holds an exploration license with respect to the Baisoara property in Western Romania. The license is for an initial term of 5 years and expires in July 2011. Upon granting of the license, the Company committed to spend US\$3.2 million over the term of the license. Due to the delay in the Rosia Montana permitting process, the Company has reduced the exploration expenditure for Baisoara to a level required to maintain the license and permit in good standing.

The Company and its subsidiaries have a number of agreements with arms-length third parties who provide a wide range of goods and services which totalled \$10.3 million at June 30, 2010 (December 31, 2009 – \$14.7 million). Typically, the service agreements are for a term of not more than one year and permit either party to terminate for convenience on notice periods ranging from 15 to 90 days. Upon termination, the Company has to pay for services rendered and costs incurred to the date of termination.

During 2007, the Company entered into purchase agreements for long-lead-time equipment, the cost of which is to be paid over several years beginning 2007. As at June 30, 2010 outstanding commitments under such agreements totalled \$2.0 million (December 31, 2009 – \$5.1 million). No further long-lead-time equipment orders are expected to be placed until the EIA is approved; however, the reported commitment expressed in Canadian Dollars will fluctuate as obligations are denominated in foreign currencies.

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

	Total	2010	2011	2012	2013	2014 and thereafter
Baisoara exploration license	\$ 2,773	\$ 185	\$ 2,588	\$ -	\$ -	\$ -
Resettlement	4,681	-	4,681	-	-	-
Goods and services	10,349	8,045	796	1,233	275	-
Long lead time equipment	2,047	1,988	59	-	-	-
Rosia Montana exploitation license	1,412	177	177	176	176	706
Surface concession rights	849	11	21	21	21	775
Lease agreements	524	261	263	-	-	-
Total commitments	\$ 22,635	\$ 10,667	\$ 8,585	\$ 1,430	\$ 472	\$ 1,481

The following is a summary of the long-lead-time equipment orders and the payment status:

	June 30, 2010	December 31, 2009
Total purchase agreements:		
Grinding area systems	\$ 42,032	\$ 41,731
Crusher facilities	3,961	3,961
Foreign exchange movement	578	3,023
	46,571	48,715
Amount paid to date:		
Grinding area systems	(40,123)	(37,011)
Crusher facilities	(3,881)	(3,881)
Foreign exchange movement	(520)	(2,676)
Outstanding payment obligation	\$ 2,047	\$ 5,147

New Accounting Pronouncements

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011.

Section 1582, "Business Combinations" replaces section 1581, "Business Combinations", and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling interests", together replace section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company opted to early adopt these standards as at December 31, 2009 and applied Section 1602, "Non-Controlling Interests", in accounting for the purchase of minority interest shares (refer to Note 9). Consequently, the difference between the carrying amount of the minority interest shares and the fair value of the consideration paid was recognized directly in shareholders' equity. The early adoption of Section 1582, "Business Combinations" and Section 1601, "Consolidated Financial Statements", did not have an impact on the Company's consolidated financial statements.

IFRS Changeover Plan Disclosure

The Canadian Accounting Standards Board (AcSB) has announced its decision to replace Canadian generally accepted accounting principles ("GAAP") with International Financial Reporting Standards (IFRS) for all Canadian Publicly Accountable Enterprises (PAEs).

The effective changeover date is January 1, 2011, at which time Canadian GAAP will be replaced by IFRS. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the first quarter of 2011 including comparative IFRS financial results and an opening balance sheet as at January 1, 2010. The first annual IFRS consolidated financial statements will be prepared for the year ended December 31, 2011 with restated comparatives for the year ended December 31, 2010.

Management has developed a project plan for the conversion to IFRS based on the current nature of operations. The conversion plan is comprised of three phases: IFRS diagnostic assessment, implementation and education, and completion of all integration system and process changes.

Management has completed phase one, IFRS diagnostic assessment, phase two, implementation and education and is now advancing through phase three, completion of all integration system and process changes. Management has finalized component evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines, and identified a number of differences. Many of the differences identified don't have a material impact on the reported results and financial position.

Based on management's evaluation, most of the adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. During the third quarter of 2009, management held an IFRS educational session for the Audit Committee and the Board of Directors which focused on the key issues and transitional choices under IFRS 1.

Set out below are the most significant areas, management has identified to date, where changes in accounting policies are expected to impact the Company's consolidated financial statements based on the accounting policy choices approved by the Audit Committee and Board of Directors. In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

Impairment of Assets

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. Management will continue on a regular basis to assess whether or not impairment indicators are present and if the Project assets should be tested for impairment based on criteria established in IAS 36.

Share Based Payments

IFRS and Canadian GAAP largely converge on the accounting treatment for share – based transactions with only a few differences.

Canadian GAAP allows either accelerated or straight line method of amortization for the fair value of stock options under graded vesting. Currently, the Company is using the straight line amortization method. IFRS 2, on the other hand, allows only the accelerated method.

Under IFRS, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian GAAP forfeitures can be recognized as they occur.

Upon adoption of IFRS 2, the accounting policy will be retrospectively applied to all equity instruments granted after November 7, 2002 that have not vested at January 1, 2010. The Company will change both the method of amortization, which will give rise to an accelerated compensation expense, and the method of forfeiture recognition. As a result the impact of IFRS 2 adoption on the transition date is expected to be approximately \$1.5 million, and will impact contributed surplus, accumulated deficit and mineral properties.

Exploration and Evaluation Assets

Under the Company’s current accounting policy, acquisition costs of mineral properties, together with direct exploration and development expenses incurred thereon are capitalized.

Upon adoption of IFRS, the Company has to determine the accounting policy for exploration and evaluation assets. The Company may decide to apply the International Accounting Standards Board (“IASB”) Framework which requires exploration expenditures to be expensed and capitalization of expenditures only after the completion of a feasibility study or disregard the IASB Framework and keep the existing Company’s policy, if relevant and reliable. Management decided to fully adopt IFRS 6, “Exploration and Evaluation of Mineral Properties”, and apply the IASB framework. As a result, management has analyzed mineral properties and identified \$28 million of exploration costs capitalized before the feasibility studies for Rosia Montana and Bucium were completed, as well as all exploration costs related to Baisoara. Once the Company applies the IASB Framework at the transition date, mineral properties are expected to decrease by \$28 million together with an increase to accumulated deficit by the same amount reflecting the derecognized exploration costs.

Property, Plant and Equipment

Under IFRS, Property, Plant and Equipment (“PP&E”) can be measured at fair value or at cost while under Canadian GAAP, the Company has to carry PP&E on a cost basis and revaluation is prohibited.

Upon adoption of IFRS, the Company has to determine whether to elect a cost model or revaluation model. Management decided to adopt the cost model for both initial recognition and as subsequent accounting policy for all classes of assets. As a result there will be no significant impact on the adoption of IFRS on the Company’s financial statements.

In accordance with IAS 16 “Property, Plant and Equipment”, the Company needs to allocate an amount initially recognized in respect of an asset to its component parts and account for each component separately when the components have different useful lives or the components provide benefits to the entity in a different pattern. Based on management’s evaluation, there is currently no expected impact from the component accounting on earnings. Management expects that once the Company enters commercial production the impact of component accounting will not be significant.

Foreign Currency

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with IAS 21 and the entity's financial results and position should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Currently the functional currency of the consolidated entity is the Canadian Dollar ("CAD") which is also the presentation currency of the Company's financial statements. As the project progresses and the underlying transactions, events and conditions relevant to the entities change, the Company will re-consider the primary and secondary indicators, as described in IAS 21, in determining the functional currency for each entity. Going forward under IFRS, management expects that the functional currency will change either during construction, after project financing is finalized, or when the Project enters into commercial production. At that time management will assess the appropriate functional currency based on existing circumstances which may have a significant impact on the Company's consolidated financial statements prepared under IFRS.

Upon adoption of IFRS, all resulting foreign exchange differences from translation of the entities' assets, liabilities and income statement items are expected to be recognized in other comprehensive income as a separate component of equity. There is no expected impact at the transition date as under IFRS 1 the cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to IFRS.

During the second quarter of 2010, management determined the expected impact of IFRS adoption at the transition date on the Company's financial statements, and is in the process of finalizing the opening balance sheet with the required notes disclosure. In the second half of the year management will update internal accounting and business process documentation reflecting the transition to IFRS and finalize the IT system set up to be able to generate all information required under IFRS. The International Accounting Standards Board will continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS accounting standards applicable at the conversion date are known.

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosures required. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references. The Company will continue to assess the level of presentation and disclosures required to its consolidated financial statements.

CEO/CFO Certification

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

The Company's CEO and CFO certify that, as at June 30, 2010, the Company's DC&P have been designed effectively to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which the interim filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They also certify that the Company's ICFR have been designed effectively to provide

reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

The control framework the Company's CEO and CFO used to design the Company's ICFR is COSO. There is no material weakness relating to the design of ICFR. There is no limitation on scope of design as described in paragraph 5.3 of NI 52-109. There has been no change in the Company's ICFR that occurred during the second quarter 2010 which has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Outstanding Share Data

The Company's fully diluted share capital as at the report date was:

	Outstanding
Preferred shares	Nil
Common shares	342,382,977
Common stock options	25,093,878
Common stock warrants	30,375,000
Deferred share units - common shares	592,991
Fully diluted share capital	398,444,846

Proven and Probable Mineral Reserves

The Company maintains an 80.46 percent economic interest in the Project which, at year end 2009, has aggregate proven and probable reserves as follows, modeled using a gold price of \$735 per ounce:

Reserve Category	Tonnes	Grade (g/t)		In Situ (Ounces)	
		Gold	Silver	Gold	Silver
Proven	112,455,000	1.63	9.0	5,893,000	32,540,000
Probable	102,476,000	1.27	4.6	4,184,000	15,156,000
Total	214,931,000	1.46	6.9	10,077,000	47,696,000

John Marek, P.Eng., is the qualified person responsible for calculating the reserve estimate set forth in the table above.

Forward-Looking Statements

Certain statements included herein, including capital costs estimates, sustaining capital and reclamation estimates, estimated production and total cash costs of production, future ability to finance the Project and other statements that express management's expectations or estimates regarding the timing of completion of various aspects of the Projects' development or of our future performance, constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and Canadian securities legislation. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule", and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to

significant business, economic and competitive uncertainties and contingencies. In particular, the Management's Discussion and Analysis includes many such forward-looking statements and such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of the Company to be materially different from its estimated future results, performance or achievements expressed or implied by those forward-looking statements and its forward-looking statements are not guarantees of future performance. These risks, uncertainties and other factors include, but are not limited to: changes in the worldwide price of precious metals; fluctuations in exchange rates; legislative, political or economic developments including changes to mining and other relevant legislation in Romania; operating or technical difficulties in connection with exploration, development or mining; environmental risks; the speculative nature of gold exploration and development, including the risks of diminishing quantities or grades of reserves; and the Company's requirements for substantial additional funding.

While Gabriel may elect to, Gabriel is under no obligation to and does not undertake to update this information at any particular time, except as required by law.

Gabriel Resources Ltd.

Interim Consolidated Financial Statements
(Unaudited)
For the period ended June 30, 2010

Consolidated Balance Sheets

As at June 30, 2010 and December 31, 2009
(Unaudited and expressed in thousands of Canadian dollars)

	2010	2009
Assets		
Current Assets		
Cash and cash equivalents	\$ 92,651	\$ 116,110
Short-term investments (note 3)	27,246	46,201
Accounts receivable	657	1,460
Prepaid expenses and supplies	872	788
	121,426	164,559
Restricted cash (note 3)	137	126
Capital assets (note 4)	52,906	52,464
Mineral properties (note 5)	458,209	441,545
	\$ 632,678	\$ 658,694
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 6,262	\$ 10,402
Resettlement liabilities (note 6)	4,886	5,442
	11,148	15,844
Other Liabilities (note 7)	2,211	3,908
	13,359	19,752
Shareholders' Equity		
Capital stock (note 9)	740,221	733,481
Common share purchase warrants (note 10)	11,393	11,393
Contributed surplus (note 12)	19,915	18,050
Deficit	(152,210)	(123,982)
	619,319	638,942
	\$ 632,678	\$ 658,694

Nature of operations and going concern (note 1)

Minority interest (note 8(a))

Commitments and contingencies (note 17)

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

Consolidated Statements of Shareholders' Equity

For the six months ended June 30, 2010 and 2009

(Unaudited and expressed in thousands of Canadian dollars)

	2010	2009
Common shares		
At January 1	\$ 733,481	\$ 560,052
Shares issued from a public and private offering less share issue costs	\$ -	\$ 112,764
Shares issued on the exercise of stock options (note 9)	4,621	3
Transfer from contributed surplus - exercise of stock options (note 12)	2,119	1
At June 30	740,221	672,820
Common share purchase warrants		
At June 30	11,393	-
Contributed surplus		
At January 1	18,050	15,051
Stock-based compensation (note 12)	3,984	3,377
Exercise of stock options (note 12)	(2,119)	(1)
At June 30	19,915	18,427
Deficit		
At January 1	(123,982)	(97,084)
Net loss	(28,228)	(8,767)
At June 30	(152,210)	(105,851)
Accumulated other comprehensive loss	-	-
Total shareholders' equity at June 30	\$ 619,319	\$ 585,396

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

Consolidated Statements of Loss

For the three-and-six-month periods ended June 30, 2010 and 2009

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

	3 months ended		6 months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Expenses				
Corporate, general and administrative	\$ 2,246	\$ 2,047	\$ 3,970	\$ 6,210
Stock based compensation (notes 7 & 11)	3,015	1,030	3,536	3,372
Project financing costs	353	236	465	386
Severance costs	-	970	-	970
Amortization	50	61	108	124
	5,664	4,344	8,079	11,062
Other expense (income)				
Interest	(73)	(67)	(194)	(131)
Foreign exchange (gain) loss	7,196	(2,481)	20,339	(2,166)
Loss before income taxes	12,787	1,796	28,224	8,765
Income tax expense (note 13)	2	2	4	2
Loss for the period	\$ 12,789	\$ 1,798	\$ 28,228	\$ 8,767
Loss per share (basic and diluted)	\$ 0.04	\$ 0.01	\$ 0.08	\$ 0.03
Weighted average number of shares (000')	341,092	266,268	340,198	262,300

Consolidated Statements of Comprehensive Loss

For the three-and-six-month periods ended June 30, 2010 and 2009

(Unaudited and expressed in thousands of Canadian dollars)

	3 months ended		6 months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Loss for the period	\$ 12,789	\$ 1,798	\$ 28,228	\$ 8,767
Other comprehensive loss	-	-	-	-
Comprehensive loss	\$ 12,789	\$ 1,798	\$ 28,228	\$ 8,767

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

Consolidated Statements of Cash Flows

For the three-and-six-month periods ended June 30, 2010 and 2009
(Unaudited and expressed in thousands of Canadian dollars)

	3 months ended June 30,		6 months ended June 30,	
	2010	2009	2010	2009
Cash flows from (used in) operating activities				
Loss for the period	\$ (12,789)	\$ (1,798)	\$ (28,228)	\$ (8,767)
Items not affecting cash				
Amortization	50	61	108	124
Stock-based compensation	3,015	1,030	3,536	3,372
Unrealized foreign exchange loss (gain)	5,989	(3,240)	18,722	(3,034)
	(3,735)	(3,947)	(5,862)	(8,305)
DSU cash settlement	(1,627)	-	(1,627)	-
Net changes in non-cash working capital (note 18)	1,378	(2,286)	(172)	155
	(3,984)	(6,233)	(7,661)	(8,150)
Cash flows from (used in) investing activities				
Decrease (increase) in short-term investments and restricted cash	19,640	(52,751)	18,944	(52,736)
Development and exploration expenditures	(7,379)	(10,838)	(15,664)	(18,149)
Purchase of capital assets	(477)	(7,714)	(1,512)	(16,670)
Net changes in non-cash working capital (note 18)	(2,993)	3,449	(7,892)	(398)
	8,791	(67,854)	(6,124)	(87,953)
Cash flows from (used in) financing activities				
Proceeds from issuance of capital stock, net of issue costs	-	112,681	-	112,681
Proceeds from the exercise of stock options	3,764	-	4,621	3
Net changes in non-cash working capital (note 18)	-	225	-	227
	3,764	112,906	4,621	112,911
Increase (decrease) in cash and cash equivalents	8,571	38,819	(9,164)	16,808
Effect of foreign exchange on cash and cash equivalents	(5,902)	1,113	(14,295)	984
Cash and cash equivalents - beginning of period	89,982	50,093	116,110	72,233
Cash and cash equivalents - end of period	\$ 92,651	\$ 90,025	\$ 92,651	\$ 90,025

Supplemental cash flow information (note 18)

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

Notes to Consolidated Financial Statements

For the three-and-six-month periods ended June 30, 2010 and 2009

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

1. Nature of operations and going concern

Gabriel Resources Ltd. (the “Company”) is a Canadian-based resource company engaged in the exploration and development of mineral properties in Romania and is currently in the process of obtaining permits to develop its 80.46%-owned Rosia Montana gold project (the “Project”). Since acquiring the exploitation license the Company has defined a world class ore body. In the last five years the Company has been focused on engineering to design the size and scope of the Project, environmental assessment and permitting, rescue archaeology and surface rights acquisition activities.

The underlying value of the Company’s mineral properties is dependent upon the existence and economic recovery of such reserves in the future and the ability of the Company to obtain all necessary permits and raise long-term financing to complete the development of the Project. In addition, the Project may be subject to sovereign risk, including political and economic instability, changes in existing government regulations, for example, a ban on the use of cyanide in mining in Romania or in the European Union, re-designation of the Project area as an archeological site of national importance, government regulations relating to mining which may withhold the receipt of required permits or impede the Company’s ability to acquire the necessary surface rights, as well as currency fluctuations and local inflation. The suspension of the EIA process by the former Minister of Environment and Sustainable Development in September 2007 demonstrates the significant risks that this Project faces. These risks may adversely affect the Company’s investment and may result in the impairment or loss of all or part of the Company’s investment.

These consolidated financial statements have been prepared on the basis of Canadian generally accepted accounting principles (“Canadian GAAP”) applicable to a “going concern”, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at June 30, 2010 the Company had no sources of operating cash flows and does not have sufficient cash to fund the development of the Project and therefore will require additional funding which, if not raised, would result in the curtailment of activities and the Project delays.

Under the guidance of the new CEO, management is in the process of re-examining financing alternatives with a view to presenting the various options open to the Company to the board of directors. The timeline to build the Project is dependent on a number of factors which include both the permitting and financing processes.

There can be no assurances that the Company’s financing plan and permitting will be successful and, as a result, there is significant doubt regarding the “going concern” assumption and, accordingly, the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect adjustments that would be necessary if the “going concern” assumption were not appropriate. If the “going concern” assumption were not appropriate for these consolidated financial statements, then adjustments to the carrying values of the assets and liabilities, the reported expenses and the balance sheet classifications, which could be material, would be necessary.

Notes to Consolidated Financial Statements

For the three-and-six-month periods ended June 30, 2010 and 2009

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

2. Basis of presentation and new accounting policies

The accompanying interim consolidated financial statements have been prepared in accordance with Canadian GAAP for the preparation of interim financial information. Accordingly, they do not include all of the information and disclosures required by Canadian GAAP for annual consolidated financial statements. The accounting policies and methods of computation used in the preparation of these unaudited interim consolidated financial statements are the same as those described in the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2009.

In the opinion of management, the accompanying interim consolidated financial statements include all adjustments considered necessary for fair and consistent presentation of financial statements. These interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements and notes for the year ended December 31, 2009.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011.

Section 1582, "Business Combinations" replaces section 1581, "Business Combinations", and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling interests", together replace section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company opted to early adopt these standards as of December 31, 2009 and applied Section 1602, "Non-Controlling Interests", in accounting for the purchase of minority interest shares (refer to Note 8). Consequently, the difference between the carrying amount of the minority interest shares and the fair value of the consideration paid was recognized directly in shareholders' equity. The early adoption of Section 1582, "Business Combinations" and Section 1601, "Consolidated Financial Statements", did not have an impact on the Company's consolidated financial statements.

Notes to Consolidated Financial Statements

For the three-and-six-month periods ended June 30, 2010 and 2009

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

3. Short-term investments and restricted cash

Short-term investments

	June 30, 2010	December 31, 2009
Money market investments with maturities from the date of acquisition of 4 - 12 months	\$ 27,246	\$ 46,201

Short-term investments held at period end yielded a weighted average interest rate of 0.19% in 2010 (2009 – 0.67%).

Restricted cash

	June 30, 2010	December 31, 2009
Restricted cash ⁽¹⁾	\$ 137	\$ 126

⁽¹⁾ Restricted cash represents environmental guarantees for future clean up costs.

Notes to Consolidated Financial Statements

For the three-and-six-month periods ended June 30, 2010 and 2009
 (Tabular amounts in thousands of Canadian dollars, unless otherwise stated)

4. Capital Assets

	June 30, 2010	December 31, 2009
Cost		
Office equipment	\$ 3,989	\$ 4,207
Building	1,083	1,082
Vehicles	1,292	1,282
Leasehold improvements	215	215
Construction in progress ⁽¹⁾	50,794	50,249
	57,373	57,035
Less: Accumulated amortization		
Office equipment	3,035	3,122
Building	68	63
Vehicles	1,172	1,207
Leasehold improvements	192	179
	4,467	4,571
Net book value		
Office equipment	954	1,085
Building	1,015	1,019
Vehicles	120	75
Leasehold improvements	23	36
Construction in progress ⁽¹⁾	50,794	50,249
	\$ 52,906	\$ 52,464

⁽¹⁾ Amounts included in construction in progress are not subject to amortization. Construction in progress includes the following amounts:

	June 30, 2010	December 31, 2009
Resettlement site development costs	\$ 1,168	\$ 1,951
Long-lead-time equipment	49,626	48,298
	\$ 50,794	\$ 50,249

Notes to Consolidated Financial Statements

For the three-and-six-month periods ended June 30, 2010 and 2009
(Tabular amounts in thousands of Canadian dollars, unless otherwise stated)

5. Mineral Properties

	Rosia Montana	Bucium	Baisoara	Total
Balance - December 31, 2008	\$ 396,239	\$ 10,458	\$ 387	\$ 407,084
Development costs	33,314	-	-	33,314
Exploration costs	1,016	1	130	1,147
Balance - December 31, 2009	430,569	10,459	517	441,545
Development costs ⁽¹⁾	16,301	-	-	16,301
Exploration costs ⁽¹⁾	299	-	64	363
Balance - June 30, 2010	\$ 447,169	\$ 10,459	\$ 581	\$ 458,209

⁽¹⁾ Mineral property additions of \$16.7 million (2009 - \$34.5 million) is \$1.0 million higher than the amount reported in the Consolidated Statements of Cash Flows of \$15.7 million. The difference is attributed to a net adjustment of resettlement liabilities partially offset by non-cash charges for stock based compensation and amortization (see details in note 18).

The Company's principal asset is its 80.46% direct ownership interest in a Romanian company, Rosia Montana Gold Corporation ("RMGC"), which has certain rights to two mineral licenses in Romania, being Rosia Montana and Bucium. Minvest S.A. ("Minvest"), a Romanian state-owned mining company, together with one other private Romanian company, hold a 19.54% interest in RMGC, and Gabriel holds the pre-emptive right to acquire the 19.54% minority interest. The Company is obligated to fund 100% of all expenditures related to the exploration and development of these properties and holds a preferential right to recover all funding plus interest (other than on non-interest bearing loans) from future cash flows prior to the minority shareholders receiving dividends. RMGC will be required to pay a 4% net smelter royalty on all production from the Project. In December 2009, in order to replenish the net asset position of RMGC in accordance with the Romanian Fiscal Code, the shareholders of RMGC contributed \$216 million into the share capital of RMGC. The share capital increase was accomplished by converting \$174 million of debt in RMGC into equity. The remaining \$42 million was funded through a contribution provided to minority shareholders in the form of a non-interest bearing loan to fund their respective pro-rata contributions.

An exploitation license is held by RMGC as the titleholder in respect of the Project. RMGC has the exclusive right to conduct mining operations at the Project for an initial term of 20 years expiring in 2019, and thereafter with successive five-year renewal periods.

RMGC holds rights to an exploration license over the Bucium property. The license was extended in 2004 and expired on May 19, 2007. The expired exploration license can be converted into an exploitation license upon submission and approval of a feasibility study. During 2007, the Company filed the necessary documentation to convert the exploration license into an exploitation license and the Company is awaiting a response from the authorities on this item. No additional work on the Bucium property is planned until the license is converted from an exploration to an exploitation license and until the Project progresses further.

The Company, through its wholly owned subsidiary Rom Aur SRL ("Rom Aur"), holds an exploration license with respect to the Baisoara property in Western Romania. The license is for an initial term of 5 years and expires in July 2011. Upon granting of the license, the Company committed to spend US\$3.2 million over the term of the license. Due to the delay in the Rosia Montana permitting process, the Company has reduced the exploration expenditure for Baisoara to a level required to maintain the license and permit in good standing.

Notes to Consolidated Financial Statements

For the three-and-six-month periods ended June 30, 2010 and 2009

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

6. Resettlement liabilities

During the fourth quarter of 2006, the Company recommenced purchasing homes in the Project area. Residents were offered two choices. They could either choose to take the sale proceeds and move to a new location of their choosing or they could exchange their properties for a new property to be built by the Company at one of the two new resettlement sites. For those residents who choose the resettlement option, the Company increases its mineral properties on the balance sheet as well as resettlement liabilities for the anticipated construction costs of the resettlement houses. As the construction takes place, the cost of newly built houses are capitalized as construction in progress. After the transfer of legal title of the property is completed, the Company reduces the amounts capitalized as construction in progress and at the same time its resettlement liabilities. All resettlement associated costs will remain capitalized in mineral properties and amortized over the life of the mine once the Project moves into production.

At June 30, 2010, the Company had accrued resettlement liabilities totaling \$4.9 million (December 31, 2009 – \$5.4 million), which represents the cost of building the remaining new homes for the local residents and outstanding delay penalties.

The construction of all 125 homes at the Recea resettlement site in Alba Iulia has been completed with 124 homes handed over to their respective owners. The Company is currently reviewing the technical merits of Piatra Alba, the new resettlement village to be built in Rosia Montana, as well as the process of obtaining permits for this site. All 24 property owners who chose the Piatra Alba resettlement site have signed a three year extension contract. As a result of the delay in delivery of homes, the Company paid or accrued a penalty of 9% (for Recea) and up to 20% (for Piatra Alba) of the agreed upon unpaid property value per year of delay as required by the agreement including all amendments.

As at June 30, 2010, the Company has accrued \$0.5 million (December 31, 2009 - \$0.4 million) representing its total estimated delay penalty. During the three-and-six-months period ended June 30, 2010, the Company paid \$58 and \$25 thousand respectively of delay penalties (2009 – \$0.3 and \$0.4 million respectively).

Notes to Consolidated Financial Statements

For the three-and-six-month periods ended June 30, 2010 and 2009
 (Tabular amounts in thousands of Canadian dollars, unless otherwise stated)

7. Other liabilities

Deferred Share Units ("DSU") (a)	DSU's (000's)	Price per Common Share (dollars)	Value
Outstanding - December 31, 2008	1,155	\$ 1.52	\$ 1,755
Issued	68	2.43	165
Settled	(623)	3.39	(2,114)
Change in fair value	-	-	2,811
Outstanding - December 31, 2009	600	4.36	2,617
Issued	11	4.20	49
Settled	(374)	4.35	(1,627)
Change in fair value	-	-	95
Balance - June 30, 2010	237	\$ 4.83	\$ 1,134
Fidelity bonus and other benefits (b)			
Balance accrued - December 31, 2008			\$ 1,310
Additions			\$ 228
Foreign exchange movement			(247)
Balance accrued - December 31, 2009			1,291
Foreign exchange movement			(214)
Balance accrued - June 30, 2010			\$ 1,077
Total Other Liabilities			\$ 2,211

(a) DSUs

The Company implemented a Deferred Share Unit ("DSU") Plan under which qualifying participants receive certain compensation in the form of DSUs in lieu of cash. On retirement or departure from the Company, participants may redeem their DSUs for common shares of the Company, cash, or a combination of common shares and cash. It is at the holder's discretion as to whether they elect to settle the DSU in cash or shares of the Company. If the holder elects to settle the DSU in shares of the Company, the Company, at its sole discretion, can elect to pay the amount in common shares either purchased from the open market, or issued from treasury.

During the second quarter of 2010 the Company issued 358 thousand DSU units to the newly appointed CEO. The expense will be recognized as 50 percent of the DSU's vest on the first anniversary and the remaining 50 percent vest on the second anniversary of commencement of employment.

The change in the fair market value of the DSU liability has been recorded in stock based compensation expense except for costs relating to personnel working on projects in Romania, which are capitalized.

Notes to Consolidated Financial Statements

For the three-and-six-month periods ended June 30, 2010 and 2009

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

Deferred Share Units ("DSUs")	3 months ended		6 months ended	
	2010	June 30, 2009	2010	June 30, 2009
Expensed (recovered)	178	(432) \$	145 \$	521
Capitalized	-	(48) \$	- \$	47

Initially valued at the five-day weighted average market price of the stock at date of issue, DSUs are revalued each period end based on the closing share price at the period end, with the difference between the fair value of the DSUs at period end compared to the fair value at the end of the previous period. The change in share price of the DSUs at the end of the period is charged to the Statement of Loss.

(b) Fidelity Bonus

Under the Collective Bargaining Agreement between RMGC and its employees, under certain conditions, employees of RMGC are entitled to a bonus equal to one month of average gross salary when celebrating 3, 5, 10, 15, 20, and 25 years of uninterrupted service as well as other benefits related to death benefits and termination of employment. As of June 30, 2010, \$1.0 million (December 31, 2009 - \$1.3 million) has been accrued for these benefits.

8. Related Party Transactions

The Company had related party transactions, with directors of the Company or associated corporations, which were undertaken in the normal course of operations and were measured at the exchange amounts as follows:

- (a) During 2009, the Company received a formal offer to purchase the shares held in RMGC by two of its minority shareholders (the "Minority Shareholders"), each of whom owned 23,967 common shares in RMGC representing each 0.23% of its share capital. The Company responded to the offer of the minority shareholders and has purchased 47,934 common shares of RMGC held by the Minority Shareholders for 222,708 shares of Gabriel and US\$0.8 million in cash. As a result of these transactions, the Company's ownership interest in RMGC increased from 80% to 80.46%.
- (b) In December 2004, the Company loaned a total of US\$971 thousand to the four minority shareholders of RMGC, who held an aggregate of 20% of the shares of RMGC, to facilitate a statutory requirement to increase RMGC's total share capital. During 2009 the Company purchased shares held in RMGC by two of its minority shareholders. Upon completion of this transaction, the outstanding indebtedness of the two minority shareholders of \$23 thousand was deemed to be paid in full.
- (c) In 2009, the Company loaned a further US\$40 million to the remaining two minority shareholders of RMGC to facilitate another statutory share capital increase in RMGC.

The loans are non-interest bearing and are to be repaid as and when RMGC distributes dividends to its shareholders. The loans and related minority interest contribution have been offset on the balance sheet until such time as the loans are repaid. Once the loans are repaid the minority interest component will be reflected on the balance sheet.

Notes to Consolidated Financial Statements

For the three-and-six-month periods ended June 30, 2010 and 2009
(Tabular amounts in thousands of Canadian dollars, unless otherwise stated)

9. Capital Stock

Authorized

Unlimited number of common shares without par value

Unlimited number of preferred shares, issuable in series, without par value

Common shares issued and outstanding	Number of shares (000's)	Amount
Balance - December 31, 2008	255,449	\$ 560,052
Shares issued from public and private offerings	81,806	172,671
Less: Share issue costs	-	(4,293)
Shares issued on the exercise of stock options (note 11)	1,654	3,049
Transfer from contributed surplus - exercise of stock options (note 12)	-	1,399
Shares issued on DSU settlement	68	123
Shares issued on purchase of minority interest shares	223	480
Balance - December 31, 2009	339,200	\$ 733,481
Shares issued on the exercise of stock options (note 11)	2,881	4,621
Transfer from contributed surplus - exercise of stock options (note 12)	-	2,119
Balance - June 30, 2010	342,081	\$ 740,221

In June 2009 the Company closed a private placement and a public offering financing through the issuance of 51.8 million common shares, including common shares issued under an over-allotment option, for aggregate gross proceeds of approximately \$117 million. The share issuance costs related to the public offering and private placement were \$4 million.

As a result of the public offering, the Company sold 29.8 million common shares, which includes the exercise in full of the over-allotment option, at \$2.25 per common share to a syndicate of underwriters led by Cormark Securities Inc. and RBC Capital Markets as joint bookrunners, and including Canaccord Capital Corporation, for aggregate gross proceeds of \$67.1 million.

Pursuant to the private placement, each of Electrum Strategic Holdings LLC and Paulson & Co. Inc., two of Gabriel's significant shareholders, purchased 10.6 million and 11.4 million common shares respectively at a price of \$2.25 per common share, for aggregate gross proceeds of \$49.5 million.

In December 2009, the Company closed a private placement with BSG Capital Markets PCC Limited, which is part of the Beny Steinmetz Group ("BSG"). Pursuant to the private placement, BSG subscribed for 30 million Units at a subscription price of \$2.25 per Unit for gross proceeds to the Company of \$67.5 million. The share issuance costs related to the private placement were \$0.3 million. Each Unit consists of one common share of the Company and one common share purchase warrant entitling BSG to purchase one additional common share of the Company (see Note 10). The net proceeds of the private placement were allocated between the share capital and share purchase warrants on the basis of their relative fair values. The amount allocated to share capital was \$55.8 million while \$11.4 million was allocated to share purchase warrants.

Notes to Consolidated Financial Statements

For the three-and-six-month periods ended June 30, 2010 and 2009
(Tabular amounts in thousands of Canadian dollars, unless otherwise stated)

10. Share Purchase Warrants

As at June 30, 2010, the following share purchase warrants were issued and outstanding:

<i>Warrants issued to two financial institutions</i>	Number of warrants (000's)	Exercise price (dollars)	Assigned Value	Expiry date
Balance - December 31, 2008 ⁽¹⁾ and 2009	1,125	\$ 4.88	US\$1,500	November 28, 2010
Warrants settled ⁽¹⁾	(750)		(US\$1,000)	November 28, 2010
Balance - June 30, 2010	375		US\$500	November 28, 2010

⁽¹⁾ The assigned value of the warrants vested, being US\$1.5 million, represents their cash settlement value. The Company accrued this amount in accounts payable and accrued liabilities. It is at the holders' discretion as to whether they elect to settle the warrants in cash or shares of the Company. In March 2010, one of warrant holders exercised its option to receive a termination fee of US\$1 million in respect of the warrants.

<i>Warrants issued to BSG Capital Markets PCC Limited</i>	Number of warrants (000's)	Exercise price (dollars)	Assigned Value	Expiry date
Balance - December 31, 2008 ⁽¹⁾	-	\$ -	\$ -	July 18, 2011 to December 18, 2011
Warrants issued ⁽²⁾	30,000	\$2.50-3.00	\$ 11,393	July 18, 2011 to December 18, 2011
Balance - December 31, 2009 and June 30, 2010	30,000		\$ 11,393	July 18, 2011 to December 18, 2011

⁽²⁾ The assigned value of warrants represents relative fair value allocated between the share capital and warrants based on the net proceeds from private placement with BSG.

During the fourth quarter of 2006, the Company entered into mandate letters with two international financial institutions to arrange project debt financing for the development of the Project. The two institutions were to provide a committed underwriting in an amount up to US\$350 million. As a result of the suspension of the EIA review process, the mandate letters terminated during 2008 and 1.125 million warrants vested while 1.5 million warrants were cancelled. Each warrant has a four year term and has an exercise price of \$4.88. In March 2010, one of the two financial institutions exercised their option to receive a termination fee of US\$1 million in respect of 750 thousand warrants which was fully paid during the first half of 2010.

During 2009, the Company closed a private placement with BSG. Pursuant to the private placement, BSG subscribed for 30 million Units at a subscription price of \$2.25 per Unit. Each Unit consists of one common share of Gabriel and one common share purchase warrant entitling BSG to purchase one additional common share of Gabriel at \$2.50 per share for 18 months rising to \$3.00 per share for the final six months of the two year warrant. The net proceeds of the private placement were allocated between the share capital and share purchase warrants on the basis of their relative fair values. The amount allocated to share capital was \$55.8 million while \$11.4 million was allocated to share purchase warrants.

Notes to Consolidated Financial Statements

For the three-and-six-month periods ended June 30, 2010 and 2009
(Tabular amounts in thousands of Canadian dollars, unless otherwise stated)

11. Stock Options

The Incentive Stock Option Plan (the “Plan”) authorizes the Directors to grant options to purchase shares of the Company to directors, officers, employees and consultants. The exercise price of the options equals the five-day weighted average closing price prior to the option allotment. The majority of options granted vest over three years and are exercisable over five years from the date of issuance.

The Plan was amended on May 8, 2007 to allow for the maximum number of common shares issuable under the Plan to equal 10% of the issued and outstanding common shares of the Company at any point in time, and that options once exercised would be re-endorsed into the pool of un-granted options.

As at June 30, 2010, 8.8 million options are available for issuance under the Plan (December 31, 2009 – 6.6 million).

As at June 30, 2010, common share stock options held by directors, officers, employees and consultants are 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)
\$ 1.18 - 2.00	12,255	\$ 1.74	2.6	8,245	\$ 1.65
2.01 - 3.00	5,328	2.53	2.3	4,129	2.54
3.01 - 5.23	7,820	4.45	3.9	2,519	4.38
	25,403	\$ 2.74	2.9	14,893	\$ 2.36

During the year ended December 31, 2009 and the six-month period ended June 30, 2010, director, officer, employee and consultants stock options were granted, exercised, forfeited and cancelled as follows:

	Number of options (thousands)	Weighted average exercise price (dollars)
Balance - December 31, 2008	22,514	\$ 2.16
Options granted	3,870	3.05
Options forfeited / cancelled	(496)	3.54
Options exercised	(1,654)	1.84
Balance - December 31, 2009	24,234	2.29
Options granted	4,050	4.64
Options forfeited / cancelled	-	-
Options exercised	(2,881)	1.60
Balance - June 30, 2010	25,403	\$ 2.74

The estimated fair value of stock options is amortized over the period in which the options vest which is normally three years. For those options which vest on a single date, either on issuance or on meeting milestones (the “measurement date”), the entire fair value of the vesting options is recognized immediately on the measurement date.

Notes to Consolidated Financial Statements

For the three-and-six-month periods ended June 30, 2010 and 2009
(Tabular amounts in thousands of Canadian dollars, unless otherwise stated)

The fair value of stock options granted to personnel working on development projects is capitalized over the vesting period.

During the year ended December 31, 2009, the Company granted 3.9 million options. Of the 3.9 million options issued, 2.1 million vest over a three-year period and the remainder vest based on achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized and capitalized as milestones are achieved and the value can be reasonably measured.

During the six-month period ended June 30, 2010, the Company granted 4 million options. Of the 4 million options issued, 2 million vest over a three-year period and the remainder vest based on achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized and capitalized as milestones are achieved and the value can be reasonably measured.

The valuation of the stock options granted in the three-and-six-month periods ended June 30, 2010 and 2009 was calculated with the following assumptions:

	3 months ended		6 months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Weighted average risk-free interest rate	1.68%	1.51%	1.68%	1.49%
Volatility of the expected market price of share	103%	100%	103%	100%
Weighted average expected life of options	2.6 Years	2.7 years	2.6 Years	2.7 years
Weighted average cost per option	\$ 2.77	\$ 1.08	\$ 2.77	\$ 1.12

As of June 30, 2010, the remaining fair value of outstanding measurable unvested options to be expensed and capitalized is \$7.2 million and \$4.2 million, respectively. For the three-and-six-month periods ended June 30, 2010 and 2009, the fair value of stock options expensed and capitalized is as follows:

	3 months ended		6 months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Expensed	\$ 2,837	\$ 1,462	\$ 3,391	\$ 2,851
Capitalized	\$ 296	\$ 263	\$ 593	\$ 526

Notes to Consolidated Financial Statements

For the three-and-six-month periods ended June 30, 2010 and 2009
(Tabular amounts in thousands of Canadian dollars, unless otherwise stated)

12. Contributed Surplus

The following table identifies the changes in contributed surplus for the periods indicated:

	Total
Balance - December 31, 2008	\$ 15,051
Stock-based compensation	5,403
Exercise of stock options	(1,399)
Purchase of minority interest shares	(1,005)
Balance - December 31, 2009	18,050
Stock-based compensation	3,984
Exercise of stock options	(2,119)
Balance - June 30, 2010	\$ 19,915

13. Income Taxes

In April 2010, the Supreme Court in Romania admitted an RMGC appeal and cancelled irrevocably a fiscal assessment concerning the period 2003 and 2004 which totaled \$9.8 million. The original assessment arose from the disallowance of the application of state tax incentives related to unrealized foreign exchange gains on inter-company debt.

The Company seeks to obtain a reimbursement for the taxes paid in previous years. The timeframe and process for seeking recovery of the full amount is uncertain at this time. As of June 30, 2010 no recovery amount was recorded in the financial statements.

14. Segmented Information

The Company has one operating segment: the acquisition, exploration and development of precious metal projects located in Romania.

Geographic segmentation of capital assets and mineral properties is as follows:

	June 30, 2010	December 31, 2009
Romania	\$ 510,842	\$ 493,697
Canada	273	312
Total	\$ 511,115	\$ 494,009

Notes to Consolidated Financial Statements

For the three-and-six-month periods ended June 30, 2010 and 2009
(*Tabular amounts in thousands of Canadian dollars, unless otherwise stated*)

15. Financial Instruments

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

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

Credit risk

The Company's credit risk is primarily attributable to cash, cash equivalents, and short-term investments that are held in investment accounts with Canadian banks and invested in sovereign debt. The Company has adopted a strategy to minimize its credit risk by substantially investing in sovereign debt issued by France with the balance of cash being invested in short-term Term Deposits issued by Canadian banks.

The Company strives to maintain at least 85-90% of its cash, cash equivalents, and short-term investments in sovereign debt.

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

The Company's credit risk is also attributable to value-added taxes receivable. Value-added taxes receivable are collectable from the Romanian government.

Liquidity risk

The Company has sufficient funds as at June 30, 2010 to settle current and long-term liabilities.

Market risk

(a) Interest rate risk

The Company has significant cash balances and no debt. As discussed above in the section entitled "Credit Risk", the Company's policy is to primarily invest excess cash in sovereign guaranteed investments.

With the Company maintaining a short-term investment horizon, typically less than 12 months, for its cash, cash equivalent, and short-term investment balances, it minimizes the risk of interest rate volatility as investments mature and are rolled over.

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

The Company's primary objective with respect to cash, cash equivalents, and short-term investments is to mitigate credit risk. The Company has elected to forego yield in favour of capital preservation.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and its operations expose it to significant fluctuations in foreign exchange rates. The Company has monetary assets and liabilities denominated in Romanian Ron, United States Dollars and European Union Euros, and is therefore, subject to exchange variations against the functional and reporting currency, the Canadian Dollar.

Notes to Consolidated Financial Statements

For the three-and-six-month periods ended June 30, 2010 and 2009
(Tabular amounts in thousands of Canadian dollars, unless otherwise stated)

The Company maintains cash, cash equivalents, and short-term investments in the currency of planned expenditures and is therefore susceptible to market volatility as foreign cash balances are revalued to the functional currency of the Company. Therefore, the Company may report significant foreign exchange gains or losses if significant market volatility continues.

Financial Instruments

As at June 30, 2010 and December 31, 2009, the Company's financial instruments consisted of cash and cash equivalents, short-term investments, other current assets, accounts payable and accrued liabilities, and other long-term liabilities. With respect to all of these financial instruments, the Company estimates that their fair values approximate their carrying values at June 30, 2010 and December 31, 2009, respectively.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at June 30, 2010 and December 31, 2009:

	Financial assets and liabilities as at June 30, 2010*			
	Level 1	Level 2	Level 3	Total
Cash	\$ -	\$ 7,115	\$ -	\$ 7,115
Cash Equivalents	-	85,536	-	85,536
Short-term investments (<i>note 3</i>)	-	27,246	-	27,246
Deferred Share Units (<i>note 7</i>)	(1,134)	-	-	(1,134)
	\$ (1,134)	\$ 119,897	\$ -	\$ 118,763
	Financial assets and liabilities as at December 31, 2009*			
	Level 1	Level 2	Level 3	Total
Cash	\$ -	\$ 13,674	\$ -	\$ 13,674
Cash Equivalents	-	102,436	-	102,436
Short-term investments (<i>note 3</i>)	-	46,201	-	46,201
Deferred Share Units (<i>note 7</i>)	(2,617)	-	-	(2,617)
	\$ (2,617)	\$ 162,311	\$ -	\$ 159,694

* at fair value

Sensitivity analysis

The Company has designated its cash, cash equivalents, and short-term investments as held-for-trading, which are measured at fair value. As of June 30, 2010, the carrying amount of the financial instruments equals fair market value. Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period.

- Cash and cash equivalents include deposits which are at floating interest rates. A plus or minus 1% change in earned interest rates would affect net income from deposits by \$0.2 million.
- For short-term investments a plus or minus 1% change in earned interest rates would affect net income by \$70 thousand.
- The Company holds significant balances in foreign currencies, and this gives rise to exposure to foreign exchange risk. As of June 30, 2010 a plus or minus 1% change in foreign exchange rates would affect net income by \$1.0 million.

Notes to Consolidated Financial Statements

For the three-and-six-month periods ended June 30, 2010 and 2009
(Tabular amounts in thousands of Canadian dollars, unless otherwise stated)

16. Capital Management

The Company's objective when managing capital is to safeguard its accumulated capital (cash on hand) in order to fund development of its Rosia Montana Project. The Company manages its capital structure and makes adjustments to it based on the level of funds on hand and anticipated future expenditures.

To safeguard capital and to mitigate currency risk, the Company invests its surplus capital in highly liquid, highly rated financial instruments that reflect the currency of the planned expenditure.

17. Commitments and Contingencies

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

	Total	2010	2011	2012	2013	2014 and thereafter
Baisoara exploration license <i>(note 5)</i>	\$ 2,773	\$ 185	\$ 2,588	\$ -	\$ -	\$ -
Resettlement <i>(note 6)</i>	4,681	-	4,681	-	-	-
Goods and services <i>(a)</i>	10,349	8,045	796	1,233	275	-
Long lead time equipment <i>(b)</i>	2,047	1,988	59	-	-	-
Rosia Montana exploitation license <i>(c)</i>	1,412	177	177	176	176	706
Surface concession rights <i>(d)</i>	849	11	21	21	21	775
Lease agreements <i>(e)</i>	524	261	263	-	-	-
Total commitments	\$ 22,635	\$ 10,667	\$ 8,585	\$ 1,430	\$ 472	\$ 1,481

- (a) The Company and its subsidiaries have a number of agreements with arms-length third parties who provide a wide range of goods and services which totalled \$10.3 million at June 30, 2010 (December 31, 2009 – \$14.7 million). Typically, the service agreements are for a term of not more than one year and permit either party to terminate for convenience on notice periods ranging from 15 to 90 days. Upon termination, the Company has to pay for services rendered and costs incurred to the date of termination.
- (b) During 2007, the Company entered into purchase agreements for long-lead-time equipment, the cost of which is to be paid over several years beginning 2007. The following is a summary of the long-lead-time equipment orders and the payment status:

Notes to Consolidated Financial Statements

For the three-and-six-month periods ended June 30, 2010 and 2009

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

	June 30, 2010	December 31, 2009
Total purchase agreements:		
Grinding area systems	\$ 42,032	\$ 41,731
Crusher facilities	3,961	3,961
Foreign exchange movement	578	3,023
	46,571	48,715
Amount paid to date:		
Grinding area systems	(40,123)	(37,011)
Crusher facilities	(3,881)	(3,881)
Foreign exchange movement	(520)	(2,676)
Outstanding payment obligation	\$ 2,047	\$ 5,147

- (c) Under the terms of the Company's exploitation mineral license for the Rosia Montana Project, an annual fee is required to be paid to maintain the license in good standing. The current annual fee is approximately \$0.2 million. These fees are indexed annually by the Romanian Government and the license has 9 years remaining.
- (d) RMGC has approximately 42 years remaining on a concession agreement with the Local Council of Rosia Montana Commune by which it is granted exploitation rights to property located on and around the proposed Cirnic pit for an annual payment of \$20 thousand.
- (e) The Company has entered into agreements to lease premises for various periods until May 31, 2011. The annual rent of premises consists of minimum rent plus realty taxes, maintenance and utilities.

The Company has an agreement with a consulting firm to provide financial advisory services in relation to defining and implementing the financing plan for development of the Project. A success fee of up to US\$4 million will be payable on execution of definitive credit agreements and/or financing documents for the senior, mezzanine and cost overrun debt facilities for the Project. No amount has been accrued for these services.

In March, 2009 the Company entered into a professional service agreement with an international communications firm providing services in media planning and related activities. The term of the agreement is 3 years from the commencement date of March 1, 2009 until February 29, 2012. The agreed fee consists of annual fee of 450,000 EUR and success fee of 800,000 EUR payable at the end of the 3 -year agreement and upon fulfillment of certain criteria. The Company paid or accrued 225,000 EUR for the 2010 annual fee as at June 30, 2010.

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For the three-and-six-month periods ended June 30, 2010 and 2009
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18. Supplemental Cash Flow Information

	3 months ended June 30,		6 months ended June 30,	
(a) Net changes in non-cash working capital	2010	2009	2010	2009
Operating activities:				
Accounts receivable, prepaid expenses and supplies	\$ 108	\$ (33)	\$ (174)	\$ (179)
Accounts payable and accrued liabilities	1,309	(2,478)	-	188
Unrealized gain (loss) on working capital	(39)	225	2	146
	\$ 1,378	\$ (2,286)	\$ (172)	\$ 155
Investing activities:				
Accounts receivable, prepaid expenses and supplies	\$ 200	\$ 418	\$ 893	\$ 3,341
Accounts payable and accrued liabilities	(3,144)	1,129	(4,355)	(5,642)
Unrealized gain (loss) on short-term investments	(49)	1,902	(4,430)	1,903
	\$ (2,993)	\$ 3,449	\$ (7,892)	\$ (398)
Financing activities:				
Accrued share issue costs	\$ -	\$ 227	\$ -	\$ 227
(b) Exploration and development expenditures				
Balance sheet change in mineral properties	\$ (8,191)	\$ (6,087)	\$ (16,664)	\$ (14,740)
Reclassification of mineral properties from construction in progress	\$ -	\$ 3,564	\$ -	\$ 3,564
Decrease in resettlement liabilities	(335)	(8,631)	(556)	(7,778)
Non-cash depreciation and disposal capitalized	851	101	963	232
Stock based compensation capitalized	296	215	593	573
Development and exploration expenditures per cash flow statement	\$ (7,379)	\$ (10,838)	\$ (15,664)	\$ (18,149)
(c) Cash and cash equivalents is comprised of:				
Cash	\$ 7,115	\$ 2,119	\$ 7,115	\$ 2,119
Short-term investments (less than 90 days) - weighted average interest of 0.19% (2009 - 0.44%)	85,536	87,906	85,536	87,906
	\$ 92,651	\$ 90,025	\$ 92,651	\$ 90,025

19. Reclassification of Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's presentation.