



GABRIEL
Rosia Montana
IN PARTNERSHIP

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PRESS RELEASE

For Immediate Release

TSX Trading Symbol: GBU

THIRD QUARTER REPORT

Toronto, Canada: November 4, 2009

Highlights

“During the third quarter, we continued to make our case that the Rosia Montana Project is a world-class project - socially, environmentally and culturally – taking that message not only to key Romanian public officials, but to the Romanian public at large through our ongoing media campaign,” said Keith Hulley, Gabriel President & Chief Executive Officer. “Given Romania’s urgent need for investment, job creation and government revenue, we remain confident that the Rosia Montana Project will be recognized as a project delivering significant economic opportunity, while conforming to the highest standards on environment, patrimony and social issues,” Mr. Hulley added.

Financial performance

- Third quarter net loss was \$7.1 million, or \$0.02 per share. Year-to-date loss was \$15.8 million, or \$0.06 per share.
- A total of \$13.5 million, including \$4.8 million of long-lead-time equipment purchases, was spent on our development projects during the third quarter increasing the year-to-date amount to \$48.4 million.

Liquidity and capital resources

- Cash, cash equivalents and short term investments at September 30, 2009 totaled \$117.9 million.
- The remaining budget for the Rosia Montana Project for 2009 is estimated at \$18 million, primarily for long-lead equipment payments, Romanian project costs, final costs related to completion of Recea resettlement site and initial road construction for the new resettlement site in Piatra Alba.
- With EIA approval, the activity level will increase, including the acquisition of remaining surface rights, completion of a control estimate, payment of land use taxes and other payments required to obtain construction permits and mobilization for construction.
- These additional activities are expected to cost at least US\$70 million over and above the equity raised in the second quarter. These activities can only commence once additional financing is raised.

Financing Plan

- Management began the process of executing on its financing plan during the first quarter 2009. Based on the initial feedback, management believes that the financing plan is achievable. However, management can not advance financing discussions any further until the permitting process recommences.

- The estimated cost to complete the development of the Rosia Montana Project (updated in March 2009) – including interest, financing and corporate costs – is US\$1 billion, consisting of capital costs of US\$876 million and interest, financing and corporate costs of US\$124 million. The estimate excludes a provision for a cost overrun facility, reclamation bond, hedging and initial working capital, which could add US\$200 million to the financing plan.
- Once completed, the Project is expected to produce approximately 626,000 ounces of gold annually at an average total cash cost of approximately \$272/ounce over first five years.

Rosia Montana Project Development

Political Situation

- On October 1, 2009 Romania’s governing coalition of the Democrat-Liberal Party (“PDL”) and Social Democrat Party (“PSD”) collapsed after the withdrawal of the PSD members from the coalition government and all of its cabinet members from their respective Ministries.
- The Prime Minister established an Interim Government on October 9, 2009 however on October 13, 2009, the Interim Government fell after passage of a no-confidence motion introduced in parliament by the National Liberal Party (“PNL”), the Democratic Union of Hungarians (“UDMR”) and the PSD.
- It is unlikely a new government will achieve the confidence of parliament until the Presidential election results are known on December 6, 2009, and the successful candidate names a new Prime Minister. In the interim, those Ministers that did not resign, remain in office as caretakers.
- The government anti-crisis measures - specifically Romania’s ability to comply with IMF guidelines - remains a visible policy issue. The Company continues to draw public and political attention to the significant economic opportunity its project represents, while conforming to the highest standards on environment, patrimony and social matters.
- In mid July there were two separate, official government visits made to Rosia Montana, one by the President of Romania and the other by the Minister of Culture. Both went on their own agendas, but with a common theme of gathering information. Though no formal public statements were made, we are encouraged by their interest in and comments on the Project.
- Throughout 2009 management has focused on meeting with stakeholders to understand their issues and concerns and explain the benefits and impacts of the Project. The strong local and regional support among politicians is a direct result of our outreach. To further strengthen our communications efforts, the Company retained an internationally recognized public relations firm to assist with our ongoing communications program. Our communication efforts have been fact based, focusing on the critically-needed economic benefits the Project will bring to Romania at a time when the country faces the impact of the global financial crisis. Through these initiatives, the Company is receiving more favourable media coverage.
- Since the beginning of the year the Project has received strong support from members of the local and regional political leadership of both parties in the former coalition government. This support has been manifested through, among other things, a series of open letters to various government ministries. These open letters have all requested that the government restart the EIA review process immediately.

Environmental/Permitting

- Since the fall of 2007, review of the Project's Environmental Impact Assessment (the "EIA") has been suspended as a result of a decision taken by the former Minister of Environment. 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.
- The Company is moving forward with the amended industrial zonal urbanistic plan ("Amended PUZ"), having completed four public participation meetings and prepared responses to the questions received from these public consultations including questions received from Hungary pursuant to the Espoo Convention.
- The Regional Environmental Protection Agency from Sibiu is currently analyzing the SEA (Strategic Environmental Assessment) environmental report provided by Gabriel, in order to take the final decision on this part of the permitting process related to the Amended PUZ.
- In addition, the Local Council has initiated the process for the zonal urbanistic plan for the protected area.

Rosia Montana Project Timeline

- Once the EIA for the Project is approved by the Romanian Government, in the absence of any other extraordinary events, legal or otherwise, management and its advisory team anticipates that 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 the financing.
- Throughout 2009 management has been focused on initiating and maintaining dialogue with the various ministries in the new government with respect to the EIA review process, but can not predict when the process will restart.
- The estimated time line could be extended due to the global financial crisis, as the Company may pursue certain activities sequentially that had previously been planned to run in parallel.
- Once construction of the mine begins, it is expected to take approximately 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.

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.
- Once we complete the agreements for institutional properties, our ownership will rise to approximately 85 percent of the industrial zone of the Project, further demonstrating strong local support for the Project.

Resettlement Sites

- Construction of the Alba Iulia resettlement site, known as Recea, began in summer 2007.
- To date, all of the 125 homes have been completed with 115 homes handed over to their respective owners. The rectification and repair work from the extreme heavy rainfall in the middle of the year is expected to be completed by year end.
- The Company is also working to obtain permits for the construction of Piatra Alba. In the second quarter, the Company was hoping to begin construction towards the end of 2009. Delays in the permitting process have changed the expected time to obtaining the construction permit to the second quarter of 2010.

Archaeology

- The Supreme Court annulled archaeological discharge certificate number 4 (“ADC 4”) in December 2008.
- The Company has reviewed the Court’s written reasons for this decision and intends to apply for a new ADC 4 through a revised application that it believes will address all deficiencies identified by the Court. The Company anticipates applying for a new ADC 4 once the Company sees some positive momentum in the permitting process.
- An initial NGO claim seeking the suspension of archaeological discharge certificate number 5 (“ADC 5”) has been irrevocably rejected by the Romanian Courts, however an annulment claim remains outstanding.
- The Company commissioned two independent audits (from highly regarded UK based firms), one on archaeology and the other on architecture in the third quarter of 2008. The overall conclusions of the reports were positive and at the same time returned some constructive comments which are currently being acted on and incorporated into the Company’s ongoing program.

CEO Search

- On March 23, 2009 Alan R. Hill retired as President & CEO of Gabriel. The Board appointed Keith Hulley, who has served on the Board and as Chairman of the Technical Committee for the past three years, as interim CEO until a permanent replacement is found. The Company has formed a selection committee and an executive search firm has been engaged to assist the Company in identifying a CEO.

About Gabriel

Gabriel is a Canadian-based resource company committed to responsible mining and sustainable development in the communities in which it operates. Gabriel is currently engaged in the exploration and development of mineral properties in Romania and is presently engaged in the development of its 80% owned Rosia Montana gold project. For more information please visit the Company’s website at www.gabrielresources.com.

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-nine-months ended September 30, 2009 and 2008. 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-nine-months ended September 30, 2009 and 2008, as well as the audited Consolidated Financial Statements of the Company as at and for the year ended December 31, 2008 including 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 November 3, 2009. Readers are encouraged to read the Company's Annual Information Form dated March 6, 2009 and the Company's other public filings, which can be viewed on the SEDAR website (www.sedar.com).

Overview

Gabriel is a Canadian-based resource company committed to responsible mining and sustainable development in the communities in which it operates. Gabriel is engaged in the exploration and development of mineral properties in Romania and is presently developing its 80%-owned Rosia Montana gold project (the "Project"). Minvest S.A. ("Minvest"), a Romanian state-owned mining company, together with three other private Romanian companies, hold a 20% interest in RMGC, and Gabriel holds the pre-emptive right to acquire the 20% minority interest. RMGC will be required to pay 4% of royalty on all production from the Rosia Montana Project.

Our mission is to create value for all of our stakeholders from responsible mining. Our vision is to build the Project and to be a catalyst for sustainable economic, environmental, cultural and community development. As we develop the world-class Rosia Montana Project, we 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, we pledge to do it right.

Key Issues

Environmental/Permitting

Since the fall of 2007, review of the Project's Environmental Impact Assessment (the "EIA") has been suspended as a result of a decision taken by the former Romanian Minister of Environment (the "MOE"). 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. Throughout 2009 management has been focused on initiating and maintaining dialogue with the various ministries in the Romanian government with respect to the EIA review process, but can not predict when the process will restart.

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 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 four public participation meetings and prepared responses to the questions received from these public consultations including questions received from Hungary pursuant to the Espoo Convention. The Regional Environmental Protection Agency from Sibiu is currently analyzing the SEA (Strategic Environmental Assessment) environmental report provided by Gabriel, in order to take the final decision on this part of the permitting process related to the Amended PUZ. In addition, the Local Council has initiated the process for the zonal urbanistic plan for the protected area. The forestry and agricultural land use change permits will proceed after the EIA has been approved and surface rights obtained. The dam safety permits for the Rosia Montana project which were validated by the Bucharest Court of Appeal earlier this year remain subject to a final appeal to the Supreme Court by the MOE. In the absence of any other extraordinary events, legal or otherwise, we expect these permitting processes to take at least six months from the date the EIA is approved by the Romanian government.

Political Situation

Romania held national parliamentary elections on November 30, 2008 and a coalition government was formed on December 22, 2008 comprising the Democrat-Liberal Party (“PDL”) and the Social Democrat Party (“PSD”). The government focused on an anti-crisis program to mitigate the impact of the financial and economic crisis, completing the 2009 budget for the country and negotiating the terms of an aid package worth approximately €20 billion from the International Monetary Fund, the World Bank and the European Bank for Reconstruction and Development (the “Financial Aid Package”).

On October 1, 2009 Romania’s governing coalition of PDL and PSD collapsed after the withdrawal of the PSD members from the coalition government and all of its cabinet members from their respective Ministries. On October 9, 2009 the Prime Minister established an Interim Government, allotting to each PDL cabinet member an additional Ministry portfolio from those relinquished by the PSD. On October 13, 2009 the Interim Government fell, after passage of a no-confidence motion introduced in parliament by the National Liberal Party (“PNL”), the Democratic Union of Hungarians (“UDMR”) and the PSD. It is unlikely a new government will achieve the confidence of parliament until the Presidential election results are known on December 6, 2009, and the successful candidate names a new Prime Minister. In the interim, those Ministers that did not resign, remain in the office as caretakers.

Notwithstanding the fall of the governing coalition or the accelerating presidential campaign, government anti-crisis measures - and specifically the Romanian’s ability to comply with IMF guidelines - remain Romania’s paramount policy issue. The Company continues to draw public and political attention to the significant economic opportunity its project represents, while conforming to the highest standards on environment, patrimony and social matters.

Since the beginning of the year the Project has received strong support from members of the local and regional political leadership of both parties in the former coalition government. This support

has been manifested through, among other things, a series of open letters to various government ministries. These open letters have all requested that the government restart the EIA review process immediately.

In mid July there were two separate, official government visits made to Rosia Montana, one by the President of Romania and the other by the Minister of Culture. Both went on their own agendas, but with a common theme of gathering information. Though no formal public statements were made, we are encouraged by their interest in and comments on the Project.

As reported earlier, under the previous government, three “private member bills” were introduced for consideration by the Romanian Parliament. Each bill was intended to block the Project, either by banning the use of cyanide in mining operations, or by creating a protected status for the area designated for mining. One of the bills related to the creation of protected areas was voted down and the other two remain in the Parliamentary Committee process. The sponsors of the bills are no longer members of Parliament. With a new Parliament in place, it is not possible to determine when or if any of these bills will be tabled for consideration and a vote taken in the Chamber of Deputies. In the ordinary course of any Parliamentary session many legislative bills are introduced for debate some of which, when passed in their final form, could have an adverse impact on the Project from an economic, permitting or operations perspective. At this time the Company cannot predict what these potential outcomes may be given the inherent unpredictability of the parliamentary review process, however the two private members bills mentioned above are the only ones currently before Parliament which have been expressly proposed to stop the Project.

Throughout 2009 management has focused on meeting with stakeholders to understand their issues and concerns and explain the benefits and impacts of the Project. The strong local and regional support among politicians is a direct result of our outreach. To further strengthen our communications efforts, the Company retained an internationally recognized public relations firm to assist with our ongoing communications program. Through a multi-tiered and proactive public communications program that includes both TV and print media amongst other advocacy initiatives, we have been able to improve public understanding of the pros and cons of this Project. Our communication efforts have been fact based, focusing on the critically-needed economic benefits the Project will bring to Romania at a time when the country faces the impact of the global financial crisis. In addition, we attempt to demonstrate how modern mining methods and strict standards can help Romania revitalize its resource sector creating an economic engine for growth and sustainable development. Through these initiatives, the Company is receiving more favourable media coverage.

Litigation

A number of foreign-funded and Romanian NGOs have initiated a multitude of legal challenges against virtually every local, regional and national Romanian regulatory authority that has the administrative authority to grant permits, authorizations and approvals for any aspect of the exploration and development of the Project. While few of the actions have been successful and most have been frivolous, they 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 and archeological discharged certificates. Gabriel, through RMGC, has intervened in all 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 we have 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 third quarter, the Bucharest Court of Appeal issued a decision on the EIA suspension case initiated by RMGC in November 2007. This decision dismissed RMGC's claim without addressing the merits of RMGC's lawsuit. The reasons for this decision have not been released by the court. The decision is appealable, and once the Company analyzes the rationale for the decision it will decide its further actions. Also in July, RMGC was made aware that the MOE filed a final appeal to the Supreme Court of Justice in the case concerning our dam safety permits and the first hearing is scheduled for December, 2009. Litigation concerning two urbanism certificates ("UC") (UC No. 68 granted in 2004, and UC No. 105 granted in 2007), Archaeological Discharge Certificate No.5, the technical presentation report filed by the Company in 2004, and RMGC challenges to decisions related to two assessments issued in 2008 continue through the Romanian courts. No other definitive decisions related to outstanding litigation were issued during the quarter.

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 35 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.

Once we complete the agreements for institutional properties, our ownership will rise to approximately 85 percent of the industrial zone of the Project, further demonstrating strong local support for the Project. Ultimately, the Company's ability to obtain construction permits for the mine and plant is predicated on securing 100 percent of the surface rights 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. Infrastructure was completed during the third quarter 2008. To date, all of the 125 homes have been completed with 115 homes handed over to their respective owners. The rectification and repair work from the extreme heavy rainfall in the middle of the year is expected to be completed by the end of the year.

The Company is also working to obtain permits for the construction of Piatra Alba, the new resettlement village to be built in Rosia Montana. In the second quarter, the Company was hoping to begin construction towards the end of 2009. Delays in permitting process have changed the expected time to obtaining the construction permit to the second quarter of 2010. Planning is advancing in order to allow mobilization on granting of the construction permits.

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. An archaeological discharge is required for all 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 Supreme Court of Romania in December 2008. The Company has reviewed the Court's written reasons for this decision and intends to apply for a new ADC 4 through a revised application that it believes will address all deficiencies identified by the Court.

Archaeological discharge Certificate No. 5 ("ADC 5") has also been challenged. An initial NGO claim seeking the suspension of ADC 5 has been irrevocably rejected by the Romanian Courts, however an annulment claim remains outstanding. ADC 5 is a compilation of the four previously issued discharge certificates and was obtained for administrative convenience only. The Company has been advised by its Romanian legal counsel that the annulment of ADC 5 does not automatically result in the annulment of the underlying discharge certificates.

The Company commissioned two independent audits (from highly regarded UK based firms), one on archaeology and the other on architecture. The archaeological audit report concluded that the "National Research Programme, set up in response to proposals for the Rosia Montana gold mine project, represents one of the largest cultural heritage projects ever undertaken in Romania. The large body of data created will be invaluable in further understanding of Roman Dacia, and as a basis for future studies." In addition, the report concluded that the Project was compliant with the applicable regulatory framework and best practice. The architectural expert audit, though positive, returned some constructive comments. The report commented that there was inadequate attention being paid to the preservation of some peripheral buildings in the protected area, the majority of which are owned by the Company, and in some instances inappropriate materials and techniques were being used in the conservation work. A preservation program is now underway. A plan for next stage restoration is in final preparatory stage for review by such experts and repairs, appropriate materials and techniques for restoration of the buildings (including training of craftsmen in the necessary skills) are being organized.

CEO Search

On March 23, 2009 Alan R. Hill retired as President and CEO of Gabriel. The Board appointed Keith Hulley, who has served on the Board and as a Chairman of the Technical Committee for the past three years, as interim CEO until a permanent replacement is found. The Company has formed a selection committee and an executive search firm has been engaged to assist the Company in identifying a CEO.

Liquidity and Capital Resources

Cash, cash equivalents and short term investments at September 30, 2009 totaled \$117.9 million. The remaining budget for 2009 is estimated at \$18 million, primarily for long-lead equipment payments, Corporate and Romanian overhead costs, final costs related to the completion of the Recea resettlement site and initial road construction for the new resettlement site in Piatra Alba.

On June 11, 2009 the Company closed a private placement and public offering financing through the issuance of 51.8 million common shares at \$2.25 for aggregate gross proceeds of approximately Cdn\$117 million (Cdn\$112 million after deducting fees). Pursuant to the private placement, each of Electrum Strategic Holding LLC and Paulson & Co. Inc increased their percentage ownerships to 19.99% of the issued and outstanding common shares of the Company.

The Company intends to put the net proceeds of the equity raise towards costs associated with developing the Rosia Montana gold project and for general corporate purposes. Approximately half of the proceeds raised are earmarked for surface rights acquisition, which at this time will only advance on EIA approval. This financing is expected to advance the Project toward the receipt of construction permits.

With EIA approval, our activity level will increase, including the acquisition of remaining surface rights, completion of a project cost control estimate, payment of land use taxes and other payments required to obtain construction permits and mobilization for construction. These additional activities are expected to cost at least US\$70 million, over and above the equity raised in the second quarter. These activities can only commence once additional financing is raised.

Financing Plan

Project finance planning was restarted during third quarter of 2008 in preparation for financing the Project in 2009. The global financial crisis has negatively impacted most of the international banking system, restricting credit and increasing the cost of credit. As a result, the conventional bank debt market and the high-yield bond market are both currently restricted; however, there are now signs of modest improvement. The updated financing plan assumes that neither the conventional bank debt market nor the bond market will be available in time to meet the Company's financing needs. Management has been advised by its financial advisors that while financing the Project will be challenging due to the financial crisis, financing from government agencies and non traditional lenders should be available even in the current environment because of the economic and other benefits resulting from the Project. Management began the process of executing on its financing plan during the first half of 2009. Based on the initial feedback, management believes that the financing plan is achievable. However, management can not advance financing discussions any further until the permitting process recommences.

- The estimated cost to complete the development of the Rosia Montana Project (updated in March 2009) – including interest, financing and corporate costs is US\$1 billion, consisting of capital costs of US\$876 million and interest, financing and corporate costs of US\$124 million.
- The Company anticipates financing these costs with approximately 25 percent equity – US\$250 million of which, the Company raised US\$80 million (Cdn\$112 million) in the second quarter 2009, leaving approximately US\$170 million left to be raised.
- The Company anticipates financing the balance with approximately 75 percent debt – US\$750 million, including senior debt, subordinate debt, by-product off-take agreements, vendor loans and possibly EU grants.
- The estimated capital cost to complete does not include a provision for (i) a cost overrun facility, (ii) a financial guarantee (reclamation deposit), (iii) hedging program if required by the banks and agencies and (iv) initial working capital. These additional items could add US\$200 million to the financing plan.

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 (“TAC”) and Espoo Convention meetings went well during the third quarter of 2007, until TAC meetings were suspended in September 2007.

Once the EIA for the Project is approved by the Romanian Government, in the absence of any other extraordinary events, legal or otherwise, management and its advisory team anticipates that 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 the financing.

Throughout 2009 management has been focused on initiating and maintaining dialogue with the various ministries in the new government with respect to the EIA review process, but can not predict when the process will restart. The estimated time line could be extended due to the global financial crisis, as the Company may pursue certain activities sequentially that had previously been planned to run in parallel.

Once construction of the mine begins, it is expected to take approximately 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. Obtaining approval of our EIA and all other required permits, which require acquisition of all surface rights;
2. Beginning construction of the new resettlement village at Piatra Alba;
3. Raising the required debt and equity to build the Project;
4. Beginning Project construction; and
5. Maximizing shareholder value, as the markets recognize project advancement, 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:

in thousands of Canadian dollars, except per share amounts

	2009 Q3	2009 Q2	2009 Q1	2008 Q4
Statement of Loss (Income)				
Loss (Income)	\$ 7,082	\$ 1,798	\$ 6,969	\$ (3,958)
Loss (Income) per share - basic and diluted	0.02	0.01	0.03	(0.02)
Balance Sheet				
Working capital	95,838	109,518	7,401	29,172
Total assets	608,399	624,991	522,618	530,135

Statement of Cash Flows				
Investments in development and exploration including working capital changes	10,689	11,194	11,159	8,171
Cash flow provided by financing activities	(435)	112,908	3	-

in thousands of Canadian dollars, except per share amount

	2008 Q3	2008 Q2	2008 Q1	2007 Q4
Statement of Loss (Income)				
Loss (Income)	\$ 2,782	\$ 16,241	\$ (10,970)	\$ 7,821
Loss (Income) per share - basic and diluted	0.01	0.06	(0.04)	0.03
Balance Sheet				
Working capital	50,324	80,513	110,021	118,299
Total assets	508,010	513,965	521,269	507,955

Statement of Cash Flows				
Investments in development and exploration including working capital changes	19,237	4,375	17,211	24,708
Cash flow provided by financing activities	82	1,015	-	-

Statement of Loss

	3 months ended September 30,		9 months ended September 30,	
<i>in thousands of Canadian dollars, except per share amounts</i>	2009	2008	2009	2008
Total operating expenses for the period	\$ 3,139	\$ 1,983	\$ 14,201	\$ 8,616
Loss for the period	7,082	2,782	15,849	8,053
Loss per share - basic and diluted	0.02	0.01	0.06	0.03

Total operating costs increased by \$1.2 million for the three months ended September 30, 2009 primarily due to the costs associated with the settlement payment to a senior employee and higher stock based compensation costs during the quarter. Total operating expenses for the nine month period ended September 30, 2009 increased from the corresponding periods in 2008 primarily due to a \$5.7 million charge resulting from non-recurring retiring allowances and settlement payments, including the expensing of share-based compensation, for the former CEO and three senior employees who departed the Company during 2009. Excluding the impact of one time charges to departed employees, the higher project financing costs were more than offset by the cost savings in most departments from cost-cutting initiatives for the nine month period ended September 30, 2009.

Loss for the third quarter 2009 increased from the same period in 2008 mainly due to increase in operating costs of \$1.2 million, a swing of \$1.6 million in foreign currency movement, lower interest income of \$0.6 million and an income tax recovery of \$0.9 million. Excluding one time charges, costs decreased by \$0.6 million due to cost savings initiatives. For the nine-months ended September 30, 2009, the Company reported a higher loss compared to 2008 due to higher operating expenses of \$5.6 million, lower interest income of \$2.8 million, and foreign exchange swing of \$9.1 million, partially offset by lower income taxes of \$9.8 million.

We expect to incur operating losses until commercial production commences and revenues are generated.

Expenses

Corporate, General and Administrative

	3 months ended September 30,		9 months ended September 30,	
<i>in thousands of Canadian dollars</i>	2009	2008	2009	2008
Finance	\$ 40	\$ 315	\$ 473	\$ 1,015
External communications	91	117	379	614
Information technology	82	109	281	380
Legal	160	63	536	766
Payroll	681	734	4,664	2,159
Other	505	324	1,436	1,070
Corporate, general and administrative expense	\$ 1,559	\$ 1,662	\$ 7,769	\$ 6,004

Corporate, general and administrative costs are those costs incurred by the corporate office in Toronto. Third quarter 2009 costs were slightly lower than the same period in 2008 due to cost savings initiatives. For the nine-month period ended September 30, 2009, a \$2.4 million charge for the non-recurring retiring allowance to the former CEO increased corporate costs overall compared to the same period in 2008. Excluding the one time charge, costs decreased by \$0.6

million due to costs savings initiative. Corporate, general and administrative costs are anticipated to rise once the Rosia Montana Project is permitted and the Company increases it's staffing for construction and operations.

Stock Based Compensation

	3 months ended September 30,		9 months ended September 30,	
<i>in thousands of Canadian dollars</i>	2009	2008	2009	2008
DSUs - expensed (recovered)	\$ 239	\$ (322)	\$ 760	\$ 124
Stock option compensation - expensed	707	550	3,558	1,540
Stock based compensation - expensed	\$ 946	\$ 228	\$ 4,318	\$ 1,664
DSUs - capitalized (capital reduction)	\$ 22	\$ (40)	\$ 69	\$ 4
Stock option compensation - capitalized	252	317	778	865
Stock based compensation - capitalized	\$ 274	\$ 277	\$ 847	\$ 869

DSU Compensation

Number of DSUs issued	-	16,148	36,389	42,319
Average value ascribed to each DSU issued	\$ -	\$ 2.09	\$ 2.14	\$ 2.12

DSU costs for the third quarter 2009 reflect the increase in the Company's share price since the beginning of the period. For the nine-months ended September 30, 2009, DSU costs increased in comparison to the same period 2008. The increase in DSU costs reflects the issuance of 36 thousand units and the increase in the Company's share price since the beginning of the period. The Company's closing share price at the end of the third quarter 2009 was \$2.16 per share while at June 30, 2009 and December 31, 2008 the closing share price was \$1.95 and \$1.52 respectively.

Initially valued at the 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. If the share price declines, the lower value of the DSUs is credited against costs during the period. If the value is higher, the difference is charged to the Statement of Loss, increasing costs for the period. Overall, for the three-and-nine-month periods ended September 30, 2009, our share price increased by \$0.21 compared to June 30, 2009 and \$0.64 compared to December 31, 2008, while for the same period in 2008, our share price decreased by \$0.71 from June 30, 2008 and increased by \$0.08 compared to December 31, 2007.

	9 months ended September 30,	
	2009	2008
Stock option compensation		
Number of stock options granted	2,150,000	5,935,000
Average value ascribed to each regular vesting option granted	\$ 1.12	\$ 1.05
Options granted to corporate employees, consultants, officers, and directors	1,350,000	2,100,000
Options granted to development project employees and consultants	800,000	3,835,000

No stock options were granted in the third quarter of 2009 and 2008.

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 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 2.2 million options issued during the nine-months ended September 30, 2009, 0.7 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. As of September 30, 2009, the amount recognized was \$0.4 million.

Project Financing Costs

	3 months ended September 30,		9 months ended September 30,	
<i>in thousands of Canadian dollars</i>	2009	2008	2009	2008
Project Financing Costs	\$ 37	\$ 16	\$ 423	\$ 50

Project financing activities were placed on hold in the fall of 2007 after the suspension of the permitting process but resumed in September 2008 in anticipation of the restart of permitting activities and the requirement to complete the financing. The higher costs in the three-and-nine-month periods ended September 30, 2009 reflect the higher activity levels compared to the same periods in 2008.

Project financing activities include advisory services for the various facilities under our financing plan.

Severance and Termination Costs

Severance costs for the three-and-nine-month periods ended September 30, 2009 represent the settlement costs paid to departed employees.

On December 4, 2007, in light of the suspension of the EIA review process, the Company announced and enacted plans to scale back activities.

The Company paid \$1.3 million in termination benefits in 2008 related to scaling back of activities in Romania in 2008. The remaining balance of \$0.8 million was paid in full during the first half of 2009. The amount paid in 2009 was fully expensed in 2008.

Interest Income

<i>in thousands of Canadian dollars</i>	3 months ended September 30,		9 months ended September 30,	
	2009	2008	2009	2008
Interest Income	\$ 172	\$ 788	\$ 303	\$ 3,122

For the three-month period ended September 30, 2009 lower interest income is a result of substantially lower interest rates than in the same period of 2008. Lower interest income in the nine-month period ended September 30, 2009 compared to the same periods in 2008 is the result of lower average cash balances and substantially lower interest rates. During 2008 and first five months of 2009 the Company's cash balances declined, before proceeds were received in June 2009 from a concurrent public and private placement equity offering, due to ongoing resettlement site development costs, installment payments made under our long-lead-time equipment orders and corporate and Romanian overhead costs. Over the course of 2008, the global financial crisis led to a dramatic decline in interest rates for government securities in each currency the Company holds.

As of September 30, 2009, the average yield to maturity on the Company's cash, cash equivalents, and short-term investments was 0.5% versus 3.3% as of September 30, 2008.

With the global financial crisis, the Company is focused on capital preservation and therefore is foregoing higher yields on its investments and is investing predominantly in government guaranteed instruments. Approximately 87 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 September 30,		9 months ended September 30,	
	2009	2008	2009	2008
Foreign exchange gain (loss) - realized	\$ (417)	\$ 1,000	\$ (1,285)	\$ 5,168
Foreign exchange gain (loss) - unrealized	(3,696)	(3,516)	(662)	2,064
Total foreign exchange gain (loss)	\$ (4,113)	\$ (2,516)	\$ (1,947)	\$ 7,232

During the first half of 2009, we converted the majority of the cash raised from a private and a public offering to foreign currencies to match anticipated foreign denominated expenditures. Since the purchase of foreign currencies, the Canadian dollar strengthened relative to the foreign currencies acquired, resulting in unrealized foreign exchange losses for the three-and-nine-month periods ended September 30, 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.

We would expect to continue to report foreign currency gains and losses as we continue to hold foreign currencies.

Taxes

During the first quarter of 2008, the Company received a tax assessment for \$4.8 million related to a Romanian tax audit completed during the first quarter of 2008. The Company, having accrued in 2006 its then estimated tax liability, accrued an additional \$3.7 million in respect of the assessment, which arose from the disallowance of the application of state tax incentives related to unrealized foreign exchange gains on inter-company debt.

On June 24, 2008, the Company received a tax assessment for \$9.8 million related to another tax audit, for the years 2003 and 2004, initiated and completed during the second quarter of 2008. This assessment also arose from the disallowance of the application of state tax incentives related to unrealized foreign exchange gains on inter-company debt.

All tax assessments have been paid and provided for in the 2007 and 2008 financial statements. Based on the advice of its professional tax advisors, the Company believes that the tax authorities have misapplied the legislation and we are vigorously contesting the State's position through the courts.

Investing Activities

The most significant ongoing investing activities are for our Rosia Montana development 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 we receive our construction permit, the nature and magnitude of the expenditures will increase as we build roads, production facilities, open pits, tailings management facilities and associated infrastructure.

Mineral Properties

We capitalize all costs incurred in Romania related to our development and exploration projects – Rosia Montana, Bucium and Baisoara – to mineral properties.

Listed below is a summary of expenditures at Rosia Montana for the three-and-nine months ended September 30, 2009 and 2008.

<i>in thousands of Canadian dollars</i>	3 months ended September 30,		9 months ended September 30,	
	2009	2008	2009	2008
Finance and administration	\$ (313)	\$ 3,121	\$ 860	\$ 9,808
External communications	2,945	2,216	8,032	4,618
Legal	903	1,021	3,299	2,908
Permitting	420	621	1,791	1,871
Community development	1,239	7,154	2,613	19,391
Project management and engineering	1,133	1,312	4,036	5,967
Exploration - Rosia Montana	343	199	693	413
Exploration - Bucium	-	-	-	82
Exploration - Baisoara	19	64	105	156
Capitalized depreciation net of disposals	(100)	(121)	(332)	(382)
Capitalized stock based compensation	(274)	(277)	(847)	(869)
Reclassification to mineral properties	(3,853)	-	(7,417)	(25)
Decrease (increase) in resettlement liabilities	6,285	(5,149)	14,063	(9,469)
Total exploration and development expenditures	\$ 8,747	\$ 10,161	\$ 26,896	\$ 34,469

During the three-and-nine-months ended September 30, 2009, finance and administration costs decreased compared to the corresponding 2008 periods primarily due to foreign exchange gains on trade payables and resettlement obligations. During the three-and-nine months ended September 30, 2009, both the US dollar and the Euro weakened against the Canadian dollar resulting in foreign exchange gains capitalized by the Romanian subsidiary. As at September 30, 2009 and 2008, the Company's Romanian subsidiary had outstanding foreign denominated liabilities for long-lead equipment and resettlement obligations.

External communications costs increased for the three-and-nine-months ended September 30, 2009 compared to the same periods last year mainly due to the media campaign initiated in the first half of 2009. The Company entered into a professional service agreement with an international communication firm, which term is 3 years from the commencement date of March 1, 2009 until February 29, 2012. The agreed fee comprises of annual fee and success fee payable at the end of 3 years agreement upon fulfillment of certain criteria.

Community development costs decreased for the three-and-nine-months ended September 30, 2009 compared to the same periods in 2008 due to the hand-over of houses to property owners. When the legal title of the resettlement properties are transferred to property owners, the Company reduces its resettlement liabilities and corresponding assets (resettlement houses) recorded as mineral properties. The reduction in community development costs is also due to suspension of the surface rights acquisition program in February 2008.

The base budget for 2009, approved by the Company's board of directors for Rosia Montana, included only those expenditures and commitments to maintain the value of our investment in mineral properties and capital assets and to move the Project through EIA approval. As at September 30, 2009 the Company spent \$54 million within the budget. The remaining budget for 2009 is estimated at \$18 million, primarily for long-lead equipment payments, Romanian overhead costs, final costs related to completion of the Recea resettlement site and initial road construction for the new resettlement site in Piatra Alba.

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 Rosia Montana Project is made.

Purchase of Capital Assets

<i>in thousands of Canadian dollars</i>	3 months ended September 30,		9 months ended September 30,	
	2009	2008	2009	2008
Resettlement site development costs	\$ 854	\$ 2,858	\$ 5,592	\$ 6,539
Investment in long-lead-time equipment	3,904	9,538	15,793	11,440
Other	35	55	78	118
Total investment in capital assets	\$ 4,793	\$ 12,451	\$ 21,463	\$ 18,097
Depreciation and disposal - expensed	\$ 51	\$ 77	\$ 175	\$ 230
Depreciation and disposal - capitalized to mineral properties	\$ 100	\$ 121	\$ 332	\$ 382

To date, all of the 125 houses in the Recea resettlement site in Alba Iulia have been completed with 115 homes handed over to the property owners.

We continue to make the installment payments for long-lead-time mill equipment orders which are proceeding, subject to satisfying our quality assurance criteria. The Company expects to make \$4.3 million in long-lead-time equipment payments in the fourth quarter of 2009 and \$1.7 million in 2010 at which point we would own the mill equipment outright. The Company evaluated various strategies for storing completed equipment including storage at origin, EU free ports and EU bonded storage areas. Based on the final evaluation and in order to minimize the transportation, storage expenditures and immediate tax obligations three main storage locations were selected in Belgium, Germany and Turkey.

Cash Flow Statement

Liquidity and Capital Resources

Our only sources of liquidity until we receive our environmental permits for Rosia Montana are our cash balance, bridge financing, exercise of stock options outstanding, and the equity markets. We updated the estimated cost to completion for construction of the Project in first quarter 2009 to US\$876 million, excluding working capital and sunk costs of approximately US\$90 million for surface rights, \$13 million for engineering and project management and US\$44 million for long-lead-time mill equipment. Our updated cost estimate also reflects higher operating costs but these are more than offset by expected higher gold prices which result in improved cash margins and therefore project returns and faster payback. The estimated total cash cost⁽¹⁾ to produce gold over the first five years is estimated at US\$272 per ounce and is expected to average US\$335 per ounce over the life of the Project.

To complete the development of the Project, the Company will need additional external financing of approximately US\$1 billion, to fund capital costs of US\$876 million and interest, financing

⁽¹⁾ Total cash cost is a non-GAAP financial measure. Total cash costs represent all costs absorbed into inventory, plus royalties and production taxes, less by-product revenues and exclude amortization and accretion.

and corporate costs of US\$124 million, comprised of an estimated debt (~75%) and equity (~25%) financing. The estimated capital cost to complete does not include a provision for (i) a cost overrun facility, (ii) a financial guarantee (reclamation deposit), (iii) hedging program if required by the banks and agencies and (iv) initial working capital. These additional items could add US\$200 million to the financing plan. The ability to develop Rosia Montana hinges on our ability to raise the necessary financing for construction. If we were unable to raise the required funds, we would seek strategic alternatives to move the Project toward development.

Having restarted project financing planning during the third quarter 2008, management has developed a financing plan that assumes neither the conventional bank debt market nor the bond market will be available in time to meet the Company's financing needs. Management has been advised by its financial advisors that while financing the Project will be challenging due to the financial crisis, financing from government agencies and non traditional lenders should be available even in the current environment because of the economic and other benefits resulting from the Project.

On June 11, 2009 the Company closed a private placement and a public offering financing through the issuance of 51.8 million common shares for aggregate gross proceeds of approximately \$117 million.

As at September 30, 2009, we had cash, cash equivalents, and short-term investments of \$117.9 million compared to \$72.2 million at December 31, 2008. Substantially all of these amounts are invested in government guaranteed investments.

For mineral properties and capital assets, the 2009 updated budgeted expenditure totals \$72 million and includes expenditures and commitments to maintain the value of our investment in mineral properties and capital assets, and to move the Project through EIA approval. As at September 30, 2009 the Company spent \$54 million within the budget with remaining \$18 million to be spent in the fourth quarter of 2009. Budgeted corporate expenditures for 2009 are expected to total \$13 million resulting in a total spend of \$85 million for 2009.

With EIA approval, the activity level will increase, including completing the acquisition of remaining surface rights, development of a control estimate, payment of land use taxes and other payments required to obtain construction permits and mobilization for construction. These additional activities are expected to cost at least US\$70 million over and above the equity raised in the first half of 2009. These activities can only commence once additional financing is raised.

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 either US dollars or Euros 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 "typical" three month period. The global financial crisis has resulted in dramatic interest rate, commodity and currency volatility. The Company does not view these market conditions as "typical" and therefore the effect of interest rate changes and currency valuation changes on net income may be more dramatic than deemed "reasonably possible". Nonetheless, the Company has taken steps to reduce its risks as discussed above.

- 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 \$0.1 million.
- 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 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. 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 Rosia Montana 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 September 30, 2009, we had working capital of \$95.8 million versus \$29.2 million as at December 31, 2008. The working capital increased mainly as a result of the equity financing completed in the first half of 2009 with net proceeds of \$112 million.

As at September 30, 2009, we had current liabilities of \$25.7 million of which \$16.1 million relates to our resettlement obligations stemming from the acquisition of homes in the Project area. To date, all of the 125 homes have been completed with 115 homes handed over to their respective owners.

Our current obligation will then decrease as the handover process unfolds, thereby increasing our working capital balance.

Net Change in Non-Cash Working Capital

Operating non-cash working capital decreased for the three-months ended September 30, 2009 compared to the same period in 2008 due to a decrease in payables and accrued liabilities. For the nine-months ended September 30, 2009, the operating cash flow is consistent with the same period in 2008.

The increase in investing non-cash working capital for the three-months ended September 30, 2009 compared to the same period in 2008 is primarily due to unrealized foreign exchange loss on short-term investments. For the nine-months ended September 30, 2009, the change in investing non-cash working capital is consistent with the same period in 2008.

Related Party Transactions

For the three-and-nine-month periods ended September 30, 2009, the Company paid \$8 thousand (2008 - \$4 thousand and \$9 thousand respectively) to a director of the Company for consultation services provided to the Company.

In December 2004, the Company loaned a total of US\$971 thousand to the four minority shareholders, who hold an aggregate of 20 percent of the shares of RMGC, to facilitate a statutory

requirement to increase RMGC's total share capital. 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 had 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. At September 30, 2009, the Company had accrued resettlement liabilities totaling \$16.1 million (December 31, 2008 – \$30.2 million), which represents the cost of building the new homes for the local residents and delay penalties.

Under the original contracts, the Company was required to deliver homes by August 1, 2008, a date which was not met. As a result, the Company either signed extension agreements or will deliver the new homes within the penalty period for the 125 residents who chose the Recea resettlement site option in Alba Iulia. 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 is accruing 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 September 30, 2009, the Company has accrued \$0.7 million (December 31, 2008 - \$1.2 million) representing its total estimated delay penalty. During the three-and-nine-month period ended September 30, 2009, the Company paid \$0.1 and \$0.5 million respectively of delay penalties (2008 – \$Nil).

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. Field work commenced in the fourth quarter of 2006, and a total of \$492 thousand has been spent through September 30, 2009. In 2008, due to the delay in the Rosia Montana permitting process, the Company 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 arms-length agreements with third parties who provide a wide range of goods and services which totaled \$12.3 million at September 30, 2009 (December 31, 2008 – \$6.6 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 three years beginning 2007. As at September 30, 2009 outstanding commitments under such agreements totaled \$6.1 million (December 31, 2008 – \$27.7 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	2009	2010	2011	2012	2013 and thereafter
Baisoara exploration license	\$ 2,942	\$ 59	\$ 179	\$ 2,704	\$ -	\$ -
Resettlement	5,200	400	4,800	-	-	-
Goods and services	12,311	7,716	2,260	717	1,268	350
Long lead time equipment	6,136	4,350	1,698	88	-	-
Rosia Montana exploitation license	2,250	225	225	225	225	1,350
Surface concession rights	884	5	21	21	21	816
Lease agreements	937	111	541	285	-	-
Total commitments	\$ 30,660	\$ 12,866	\$ 9,724	\$ 4,040	\$ 1,514	\$ 2,516

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

	September 30, 2009	December 31, 2008
Total purchase agreements:		
Grinding area systems	\$ 41,659	\$ 41,237
Crusher facilities	3,961	3,923
Foreign exchange movement	4,355	9,681
	49,975	54,841
Amount paid to date:		
Grinding area systems	(36,580)	(20,436)
Crusher facilities	(3,440)	(1,896)
Foreign exchange movement	(3,819)	(4,769)
Outstanding payment obligation	\$ 6,136	\$ 27,740

Subsequent events

On September 14, 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 currently own 23,967 common shares in RMGC representing 0.23% of its share capital. According to the articles of association of RMGC, Gabriel Resources (Jersey) Limited, a wholly owned subsidiary of the Company, retains a pre-emptive right over the sale of all shares of RMGC. The Company responded to the offer of the minority shareholders and has proposed to purchase the RMGC shares held by the Minority Shareholders with shares of the Company. On October 27, 2009 Comat Trading S.A accepted our counter offer subject to signing the final contract for exchanging their shares in RMGC for 222,708 common shares of Gabriel with a value of \$0.5 million at the date of agreement. The value of the minority shareholder’s interest in RMGC was calculated using the adjusted market capitalization of Gabriel as a proxy for the value of RMGC. As a result of this transaction, the Company’s ownership interest in RMGC will increase from 80% to 80.23%. A counteroffer from the Company to the other Minority Shareholder, for the same quantum of RMGC shares and under the same terms, remains outstanding.

New Accounting Pronouncements

Goodwill and Intangible Assets

The Canadian Institute of Chartered Accountants (“CICA”) issued accounting standard Section 3064 – Goodwill and Intangible Assets which replaces Section 3062 – Goodwill and Other Intangible Assets, Section 3450 – Research and Development and EIC27 – Revenues and Expenditures during the Pre-operating Period. The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The adoption of this standard has no impact on the Company’s financial statements.

Mining Exploration Costs

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174, “Mining Exploration Costs”, which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The Company has applied this new abstract for the year ended December 31, 2008 and there was no impact on its financial statements as a result of applying this abstract.

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. The Company evaluated the requirements of the new standards with no impact on its financial statements.

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. It is equivalent to the corresponding provisions of IFRS International Accounting Standard 27 - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

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 cease to apply for Gabriel Resources Ltd. and 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, with one period of comparative information also compiled under IFRS.

Management has developed a project plan for the conversion to IFRS based on our 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. The Project is progressing as planned. Management has finalized phase one, IFRS diagnostic assessment, which includes component evaluation on the existing financial statement line item comparing Canadian GAAP to the corresponding IFRS guideline. In the third quarter of 2009 we 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. In the next phase and after the IFRS 1 accounting policy choices have been approved, we will determine the impact on our financial results and integrate the new policies into the Company's accounting system.

The most significant impact identified to date 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.

CEO/CFO Certification

The Company's Chief Executive Officer and Chief Financial Officer 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.

Our CEO and CFO certify that, as at September 30, 2009, 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 the Canadian GAAP.

The control framework the Company's CEO and CFO used to design the Company's ICFR is COSO.

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 third quarter 2009 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	307,365,711
Common stock options	24,057,694
Common stock warrants	1,125,000
Deferred share units - common shares	1,212,119
Fully diluted share capital	333,760,524

Proven and Probable Mineral Reserves

The Company maintains an 80 percent economic interest in the Rosia Montana Project which, at year end 2008, has aggregate proven and probable reserves as follows, calculated 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 September 30, 2009

Consolidated Balance Sheets

As at September 30, 2009 and December 31, 2008
(Unaudited and expressed in thousands of Canadian dollars)

	2009	2008
Assets		
Current Assets		
Cash and cash equivalents	\$ 63,344	\$ 72,233
Short-term investments (note 3)	54,595	-
Accounts receivable	2,484	5,221
Prepaid expenses and supplies	1,117	769
	121,540	78,223
Restricted cash (note 3)	132	153
Capital assets (note 4)	58,214	44,675
Mineral properties (note 5)	428,513	407,084
	\$ 608,399	\$ 530,135
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 9,557	\$ 18,843
Resettlement liabilities (note 6)	16,145	30,208
	25,702	49,051
Other Liabilities (note 7)	3,631	3,065
	29,333	52,116
Shareholders' Equity		
Capital stock (note 9)	672,613	560,052
Contributed surplus (note 12)	19,386	15,051
Deficit	(112,933)	(97,084)
	579,066	478,019
	\$ 608,399	\$ 530,135

Nature of operations and going concern (note 1)

Minority interest (note 8(b))

Commitments and contingencies (note 17)

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

Consolidated Statements of Loss and Deficit

For the three-and-nine-month periods ended September 30, 2009 and 2008
(Unaudited and expressed in thousands of Canadian dollars, except per share data)

	3 months ended September 30,		9 months ended September 30,	
	2009	2008	2009	2008
Expenses				
Corporate, general and administrative	\$ 1,559	\$ 1,662	\$ 7,769	\$ 6,004
Stock based compensation (note 7 & 11)	946	228	4,318	1,664
Project financing costs	37	16	423	50
Severance costs (note 7(c))	546	-	1,516	668
Amortization	51	77	175	230
	3,139	1,983	14,201	8,616
Other (income) expense				
Interest	(172)	(788)	(303)	(3,122)
Foreign exchange (gain) loss	4,113	2,516	1,947	(7,232)
Loss (income) before income taxes	7,080	3,711	15,845	(1,738)
Income tax expense (recovery) (note 13)	2	(929)	4	9,791
Loss for the period	7,082	2,782	15,849	8,053
Deficit - beginning of period	105,851	98,260	97,084	92,989
Deficit - end of period	\$ 112,933	\$ 101,042	\$ 112,933	\$ 101,042
Loss per share (basic and diluted)	\$ 0.02	\$ 0.01	\$ 0.06	\$ 0.03
Weighted average number of shares	307,257,324	255,427,795	276,514,869	255,105,648

Consolidated Statements of Comprehensive Loss

For the three-and-nine-month periods ended September 30, 2009 and 2008
(Unaudited and expressed in thousands of Canadian dollars)

	3 months ended September 30,		9 months ended September 30,	
	2009	2008	2009	2008
Loss for the period	\$ 7,082	\$ 2,782	\$ 15,849	\$ 8,053
Other comprehensive loss	-	-	-	-
Comprehensive loss	\$ 7,082	\$ 2,782	\$ 15,849	\$ 8,053

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

Consolidated Statements of Cash Flows

For the three-and-nine-month periods ended September 30, 2009 and 2008
(Unaudited and expressed in thousands of Canadian dollars)

	3 months ended September 30,		9 months ended September 30,	
	2009	2008	2009	2008
Cash flows from (used in) operating activities				
Loss for the period	\$ (7,082)	\$ (2,782)	\$ (15,849)	\$ (8,053)
Items not affecting cash				
Amortization	51	77	175	230
Stock-based compensation	946	228	4,318	1,664
Unrealized foreign exchange loss (gain) on cash and cash equivalents	1,428	3,679	444	(1,914)
	(4,657)	1,202	(10,912)	(8,073)
DSU cash settlement	(105)	-	(105)	(52)
Net changes in non-cash working capital (note 18)	(468)	8	(607)	(772)
	(5,230)	1,210	(11,624)	(8,897)
Cash flows provided by (used in) investing activities				
Increase in short-term investments	(1,838)	(8,348)	(54,574)	(8,371)
Development and exploration expenditures	(8,747)	(10,161)	(26,896)	(34,469)
Purchase of capital assets	(4,793)	(12,451)	(21,463)	(18,097)
Net changes in non-cash working capital (note 18)	(1,942)	(9,076)	(6,146)	(6,353)
	(17,320)	(40,036)	(109,079)	(67,290)
Cash flows from (used in) financing activities				
Proceeds from issuance of capital stock, net of issue costs	(208)	-	112,473	-
Proceeds from the exercise of stock options	-	82	3	1,209
Net changes in non-cash working capital (note 18)	(227)	-	-	(112)
	(435)	82	112,476	1,097
Decrease in cash and cash equivalents	(22,985)	(38,744)	(8,227)	(75,090)
Effect of foreign exchange on cash, cash equivalents, and non-cash working capital	(3,696)	(3,516)	(662)	2,064
Cash and cash equivalents - beginning of period	90,025	116,478	72,233	147,244
Cash and cash equivalents - end of period	\$ 63,344	\$ 74,218	\$ 63,344	\$ 74,218

Supplemental cash flow information (note 18)

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

Notes to Interim Consolidated Financial Statements

For the three-and-nine-month periods ended September 30, 2009 and 2008
(*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 presently developing its 80%-owned Rosia Montana gold project (the “Project”). Since acquiring the exploitation license, the Company has been focused on identifying and defining the size of the four ore bodies, engineering to design the size and scope of the Project, environmental assessment and permitting, rescue archaeology and surface rights acquisitions.

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 properties. 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, re-designation of the Project area as a 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 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 September 30, 2009 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 project delays.

Management has prepared a financing plan that assumes neither the conventional debt market nor the bond market will be available in time to meet the Company’s financing needs. The current global financial crisis may cause the time line from the restart of the permitting process until receipt of construction permits to be extended as the Company may pursue certain activities sequentially that had previously been planned to run in parallel or, alternatively, construction may not begin immediately after receipt of construction permits if financing is not complete. During the year, the Company raised \$112 million net of acquisition costs through a private and a public equity offering and at September 30, 2009 had \$96 million in working capital.

There can be no assurances that the Company’s financing plans will be successful or sufficient 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 Interim Consolidated Financial Statements

For the three-and-nine-month periods ended September 30, 2009 and 2008
(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 our audited consolidated financial statements and notes thereto for the year ended December 31, 2008.

In the opinion of management, the accompanying interim 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, 2008.

Goodwill and Intangible Assets

The Canadian Institute of Chartered Accountants ("CICA") issued accounting standard Section 3064 – Goodwill and Intangible Assets which replaces Section 3062 – Goodwill and Other Intangible Assets, Section 3450 – Research and Development and EIC27 – Revenues and Expenditures during the Pre-operating Period. The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The adoption of this standard has no impact on the Company's financial statements.

Mining Exploration Costs

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The Company has applied this new abstract in 2009 and there was no impact on its financial statements as a result of applying this abstract.

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. The Company evaluated the requirements of the new standards and concluded that its adoption will have no impact on its financial statements.

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. It applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Notes to Interim Consolidated Financial Statements

For the three-and-nine-month periods ended September 30, 2009 and 2008
(Tabular amounts in thousands of Canadian dollars, unless otherwise stated)

3. Short-term investments and restricted cash

Short-term investments	September 30, 2009	December 31, 2008
Money market investments with maturities from the date of acquisition of 4 - 12 months	\$ 54,595	\$ -

Short-term investments held at period end yielded an average interest rate of 0.68% in 2009 (2008 – Nil).

Restricted cash	September 30, 2009	December 31, 2008
Restricted cash ⁽¹⁾	\$ 132	\$ 153

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

Notes to Interim Consolidated Financial Statements

For the three-and-nine-month periods ended September 30, 2009 and 2008
 (Tabular amounts in thousands of Canadian dollars, unless otherwise stated)

4. Capital Assets

	September 30, 2009	December 31, 2008
Cost		
Office equipment	\$ 4,122	\$ 4,069
Building	1,082	1,082
Vehicles	1,282	1,282
Leasehold improvements	215	215
Construction in progress ⁽¹⁾	55,924	41,956
	62,625	48,604
Less: Accumulated amortization		
Office equipment	2,978	2,566
Building	61	53
Vehicles	1,200	1,156
Leasehold improvements	172	154
Construction in progress ⁽¹⁾	-	-
	4,411	3,929
Net book value		
Office equipment	1,144	1,503
Building	1,021	1,029
Vehicles	82	126
Leasehold improvements	43	61
Construction in progress ⁽¹⁾	55,924	41,956
	\$ 58,214	\$ 44,675

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

	September 30, 2009	December 31, 2008
Resettlement site development costs	\$ 8,006	\$ 9,831
Long-lead-time equipment	47,918	32,125
	\$ 55,924	\$ 41,956

Notes to Interim Consolidated Financial Statements

For the three-and-nine-month periods ended September 30, 2009 and 2008
(Tabular amounts in thousands of Canadian dollars, unless otherwise stated)

5. Mineral Properties

	Rosia Montana	Bucium	Baisoara	Total
Balance - December 31, 2007	\$ 328,804	\$ 10,375	\$ 182	\$ 339,361
Development costs	66,760	-	-	66,760
Exploration costs	675	83	205	963
Balance - December 31, 2008	396,239	10,458	387	407,084
Development costs ⁽¹⁾	20,631	-	-	20,631
Exploration costs ⁽¹⁾	693	-	105	798
Balance - September 30, 2009	\$ 417,563	\$ 10,458	\$ 492	\$ 428,513

⁽¹⁾ Mineral property additions of \$21.4 million is net of \$5.5 million of non-cash items, which decreased the amount recorded in mineral properties, principally related from reclassification from construction in progress, resettlement liabilities, stock based compensation, and amortization. The net cash investment during the nine-month period ended September 30, 2009 was \$26.9 million (see details in note 18).

The Company's principal asset is its 80% direct ownership interest in a Romanian company, Rosia Montana Gold Corporation ("RMGC"), which holds two mineral licenses in Romania, being Rosia Montana and Bucium. Minvest S.A. ("Minvest"), a Romanian state-owned mining company, together with three other private Romanian companies, hold a 20% interest in RMGC, and Gabriel holds the pre-emptive right to acquire the 20% minority interest. RMGC is required 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 from future cash flows prior to the shareholders receiving dividends. RMGC will be required to pay a 4% royalty on all production from the Rosia Montana Project. Gabriel is currently converting approximately \$172 million in indebtedness to RMGC into equity in RMGC and will forego recovery of interest on such indebtedness as a result. Gabriel has offered financial assistance to the minority shareholders of RMGC to fund their respective pro-rata contributions to increase the share capital of RMGC.

An exploitation license is held by RMGC as the titleholder in respect of the Rosia Montana property. RMGC has the exclusive right to conduct mining operations at the Rosia Montana property for an initial term of 20 years commencing in 1998, and thereafter with successive five-year renewal periods.

RMGC holds an exploration license over the Bucium property. The license was extended in 2004 and expired on May 19, 2007. The Company spent US\$3.4 million over the term of the license extension period. 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 response from the authorities on this item. No additional work on Bucium's project economics is planned until the license is converted from an exploration to an exploitation license and until the Rosia Montana EIA is approved.

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.

6. Resettlement liabilities

During the fourth quarter of 2006, the Company recommenced purchasing homes in the Project area. Residents had two choices. They could either choose to take the sale proceeds and move to a new location

Notes to Interim Consolidated Financial Statements

For the three-and-nine-month periods ended September 30, 2009 and 2008
(Tabular amounts in thousands of Canadian dollars, unless otherwise stated)

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. Upon the purchase of homes in the project area, 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 is 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 September 30, 2009, the Company had accrued resettlement liabilities totaling \$16.1 million (December 31, 2008 – \$30.2 million), which represents the cost of building the new homes for the local residents and delay penalties.

Under the original contracts, the Company was required to deliver homes by August 1, 2008, which was not met. As a result, the Company either signed extension agreements or will deliver the new homes within the penalty period for the 125 residents who chose the Recea resettlement site option in Alba Iulia. 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 is accruing 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 September 30, 2009, the Company has accrued \$0.7 million (December 31, 2008 - \$1.2 million) representing its total estimated delay penalty. During the three-and-nine-month period ended September 30, 2009, the Company paid \$0.1 and \$0.5 million respectively of delay penalties (2008 – \$Nil).

7. Other liabilities

Deferred Share Units ("DSU") (a)	DSU's (000's)	Price per Common Share (dollars)	Value
Outstanding - December 31, 2007	603	\$ 1.97	\$ 1,188
Issued	580	1.26	728
Settled	(28)	1.82	(52)
Change in fair value	-	-	(109)
Outstanding - December 31, 2008	1,155	1.52	1,755
Issued	36	2.14	77
Settled	(45)	2.36	(105)
Change in fair value	-	-	752
Balance - September 30, 2009	1,146	\$ 2.16	\$ 2,479
Fidelity bonus and other benefits (b)			
Balance accrued - December 31, 2007			\$ 849
Additions			461
Balance accrued - December 31, 2008			1,310
Foreign exchange movement			(158)
Balance accrued - September 30, 2009			\$ 1,152
Total Other Liabilities			\$ 3,631

Notes to Interim Consolidated Financial Statements

For the three-and-nine-month periods ended September 30, 2009 and 2008
(Tabular amounts in thousands of Canadian dollars, unless otherwise stated)

(a) DSUs

The Company implemented a 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 he/she elects to settle the DSU in cash or shares of Gabriel. If the holder elects to settle the DSU in shares of Gabriel, 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.

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.

Deferred Share Units ("DSUs")	3 months ended		9 months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Expensed (recovered)	\$ 239	(322)	\$ 760	124
Capitalized (capital reduction)	\$ 22	(40)	\$ 69	4

Initially valued at the 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. If the share price declines, the lower value of the DSUs is credited against costs during the period. If the value is higher, the difference is charged to the Statement of Loss, increasing costs for the period.

(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 September 30, 2009, \$1.2 million (December 31, 2008 - \$1.3 million) have been accrued for these benefits.

(c) Severance and Termination Costs

On December 4, 2007, in light of the suspension of the EIA review process, the Company announced and enacted plans to scale back activities. The Company paid \$1.3 million in termination benefits in 2008. The remaining balance of \$0.8 million was paid in full during the second quarter 2009.

During the year, three senior employees left the Company. As per their employment contract, \$1.5 million settlement payments were paid.

8. Related Party Transactions

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

- For the three-and-nine-month periods ended September 30, 2009, the Company paid \$8 thousand (2008 - \$4 thousand and \$9 thousand respectively) to a director of the Company for consultation services provided to the Company.
- In December 2004, the Company loaned a total of US\$971 thousand to the four minority shareholders of RMGC, who hold an aggregate of 20% of the shares of RMGC, to facilitate a statutory requirement

Notes to Interim Consolidated Financial Statements

For the three-and-nine-month periods ended September 30, 2009 and 2008
(Tabular amounts in thousands of Canadian dollars, unless otherwise stated)

to increase RMGC's total share capital. 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.

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, 2007	254,898	\$ 558,277
Shares issued on the exercise of stock options (note 11)	551	1,209
Transfer from contributed surplus - exercise of stock options (note 12)	-	566
Balance - December 31, 2008	255,449	\$ 560,052
Shares issued from a public and private offering	51,806	116,564
Less: Share issue costs	-	(4,007)
Shares issued on the exercise of stock options (note 11)	2	3
Transfer from contributed surplus - exercise of stock options (note 12)	-	1
Balance - September 30, 2009	307,257	\$ 672,613

On June 11, 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 \$116.6 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. After giving effect to the transactions, each of Electrum and Paulson have increased their percentage ownerships to 19.99% of the issued and outstanding common shares of the Company.

The Company plans to use the net proceeds of the Public Offering and the Private Placement towards developing the Company's 80% owned Rosia Montana gold project.

Notes to Interim Consolidated Financial Statements

For the three-and-nine-month periods ended September 30, 2009 and 2008
(Tabular amounts in thousands of Canadian dollars, unless otherwise stated)

10. Share Purchase Warrants

As at September 30, 2009, the following share purchase warrants were issued and outstanding:

	Number of warrants	Exercise price (dollars)	Expiry date
Warrants issued	1,125	\$ 4.88	November 28, 2010
Balance - September 30, 2009	1,125	\$ 4.88	November 28, 2010

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 Rosia Montana 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. The Company continues to work with the international financial institutions to secure a new agreement whereby the institutions would arrange but not underwrite a bank facility.

The fair value of the warrants vested, being US\$1.5 million, represents their cash settlement value. The Company has 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.

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 September 30, 2009, 6.6 million options are available for issuance under the Plan (December 31, 2008 – 3.0 million).

As at September 30, 2009, 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	15,977	\$ 1.70	2.9	10,450	\$ 1.62
2.01 - 3.00	6,104	2.51	3.0	3,908	2.50
3.01 - 5.00	2,085	4.47	2.3	1,845	4.48
	24,166	\$ 2.14	2.9	16,203	\$ 2.16

Notes to Interim Consolidated Financial Statements

For the three-and-nine-month periods ended September 30, 2009 and 2008
(Tabular amounts in thousands of Canadian dollars, unless otherwise stated)

During the year ended 2008 and the nine-month period ended September 30, 2009, director, officer, employee and consultants stock options were granted, exercised and cancelled as follows:

	Number of options	Weighted average exercise price (dollars)
Balance - December 31, 2007	12,926	\$ 2.44
Options granted	11,240	1.95
Options expired	(279)	4.51
Options forfeited / cancelled	(822)	3.06
Options exercised	(551)	2.19
Balance - December 31, 2008	22,514	2.16
Options granted	2,150	2.32
Options forfeited / cancelled	(496)	3.54
Options exercised	(2)	1.56
Balance - September 30, 2009	24,166	\$ 2.14

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.

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

During 2008, the Company granted 3 million options with a fair value of \$2.6 million (\$0.87 per share option) that vested and were charged to Mineral Properties during the fourth quarter of 2008.

During the fourth quarter 2008, the Company granted 5 million options one-third of which vested upon issuance with the remainder vesting upon completion of certain milestones or under certain conditions of termination. The estimated fair value of the unvested options will be recognized and capitalized at the measurement date as the milestones are achieved and the value can be reasonably measured. As of September 30, 2009, the amount capitalized was \$1.0 million (\$0.60 per share option). The remaining fair value of outstanding unvested options to be capitalized cannot be reasonably measured as of September 30, 2009.

During the nine-month period ended September 30, 2009, the Company granted 2.2 million options. Of the 2.2 million options issued, 0.7 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. As of September 30, 2009, the amount recognized was \$0.4 million.

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The current period's valuation was calculated with the following assumptions:

	9 months ended September 30,	
	2009	2008
Weighted average risk-free interest rate	1.49%	3.16%
Volatility of the expected market price of share	100%	67%
Weighted average expected life of options	2.7 years	2.7 years
Weighted average cost per option	\$ 1.12	\$ 1.05

As of September 30, 2009, the remaining fair value of outstanding measurable unvested options to be expensed is \$2.3 million, to be capitalized is \$1.0 million. For the three-and-nine-month periods ended September 30, 2009 and 2008, the fair value of stock options expensed and capitalized is as follows:

	3 months ended September 30,		9 months ended September 30,	
	2009	2008	2009	2008
Expensed	\$ 707	\$ 550	\$ 3,558	\$ 1,540
Capitalized	\$ 252	\$ 317	\$ 778	\$ 865

12. Contributed Surplus

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

	Total
Balance - December 31, 2007	\$ 8,807
Stock-based compensation	6,810
Exercise of stock options	(566)
Balance - December 31, 2008	15,051
Stock-based compensation	4,336
Exercise of stock options	(1)
Balance - September 30, 2009	\$ 19,386

13. Income Taxes

During the first quarter of 2008, the Company received a tax assessment for \$4.8 million related to a Romanian tax audit completed during the first quarter of 2008. The Company, having accrued in 2006 its then estimated tax liability, accrued an additional \$3.7 million in respect of the assessment, which arose from the disallowance of the application of state tax incentives related to unrealized foreign exchange gains on inter-company debt.

On April 10, 2008, the Company was advised by the Romanian tax authorities that they were re-opening and auditing fiscal years 2003 and 2004 which had been previously audited.

On June 24, 2008, the Company received a tax assessment for \$9.8 million related to the tax audit for the years 2003 and 2004, initiated and completed during the second quarter of 2008. This assessment also

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arose from the disallowance of the application of state tax incentives related to unrealized foreign exchange gains on inter-company debt.

All tax assessments have been paid and provided for in the 2007 and 2008 financial statements. Based on the advice of its professional tax advisors, the Company believes that the tax authorities have misapplied the legislation and the Company is vigorously contesting the State's position through the courts.

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:

	September 30, 2009	December 31, 2008
Romania	\$ 486,364	\$ 451,280
Canada	321	479
Total	\$ 486,685	\$ 451,759

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 major 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 Canadian Agencies, Provinces and the Federal Governments of Canada, the United States and France, with the balance of cash being invested in short-term Term Deposits issued by major Canadian banks.

The Company strives to maintain at least 85-90% of its cash, cash equivalents, and short-term investments in sovereign debt. With the ongoing global financial crisis it is difficult to source short-term sovereign debt that meets the Company's credit risk criteria and maturities schedule.

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 immediate 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.

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Liquidity risk

The Company has sufficient funds as at September 30, 2009 to settle current and long-term liabilities.

Market risk

(a) Interest rate risk

The Company has significant cash balances and no interest-bearing 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 is highly susceptible to 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.

The Company maintains cash, cash equivalents, and short-term investments in the currency of planned expenditures and is therefore highly 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.

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 September 30, 2009, 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 "typical" three month period. The current global financial crisis has resulted in dramatic interest rate, commodity and currency volatility. The Company does not view these market conditions as "typical" and therefore the effect of interest rate changes and currency valuation changes on net income may be more dramatic than deemed "reasonably possible". Nonetheless, the Company has taken steps to reduce its risks as discussed above.

- 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 \$0.1 million

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- The Company holds significant balances in foreign currencies, and this gives rise to exposure to foreign exchange risk. As of September 30, 2009 a plus or minus 1% change in foreign exchange rates would affect net income by \$1.0 million.

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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.

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 Rosia Montana 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.

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	2009	2010	2011	2012	2013 and thereafter
Baisoara exploration license (note 5)	\$ 2,942	\$ 59	\$ 179	\$ 2,704	\$ -	\$ -
Resettlement (note 6)	5,200	400	4,800	-	-	-
Goods and services (a)	12,311	7,716	2,260	717	1,268	350
Long lead time equipment (b)	6,136	4,350	1,698	88	-	-
Rosia Montana exploitation license (c)	2,250	225	225	225	225	1,350
Surface concession rights (d)	884	5	21	21	21	816
Lease agreements (e)	937	111	541	285	-	-
Total commitments	\$ 30,660	\$ 12,866	\$ 9,724	\$ 4,040	\$ 1,514	\$ 2,516

- (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 \$12.3 million at September 30, 2009 (December 31, 2008 – \$6.6 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 three years beginning 2007. The following is a summary of the long-lead-time equipment orders and the payment status:

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	September 30, 2009	December 31, 2008
Total purchase agreements:		
Grinding area systems	\$ 41,659	\$ 41,237
Crusher facilities	3,961	3,923
Foreign exchange movement	4,355	9,681
	49,975	54,841
Amount paid to date:		
Grinding area systems	(36,580)	(20,436)
Crusher facilities	(3,440)	(1,896)
Foreign exchange movement	(3,819)	(4,769)
Outstanding payment obligation	\$ 6,136	\$ 27,740

- (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 10 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 \$21 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 Rosia Montana gold 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 comprises of annual fee of 450,000 EUR and success fee of 800,000 EUR payable at the end of 3 years agreement upon fulfillment of certain criteria. The Company paid or accrued 262,500 EUR for the annual fee as at September 30, 2009.

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18. Supplemental Cash Flow Information

	3 months ended September 30,		9 months ended September 30,	
(a) Net changes in non-cash working capital	2009	2008	2009	2008
Operating activities:				
Accounts receivable, prepaid expenses and supplies	\$ (102)	\$ 202	\$ (281)	\$ (121)
Accounts payable and accrued liabilities	(187)	(223)	1	(695)
Unrealized foreign exchange loss (gain) on working capital	(179)	29	(327)	44
	\$ (468)	\$ 8	\$ (607)	\$ (772)
Investing activities:				
Accounts receivable, prepaid expenses and supplies	\$ (671)	\$ (198)	\$ 2,670	\$ (1,916)
Accounts payable and accrued liabilities	(3,719)	(8,686)	(9,361)	(4,245)
Unrealized foreign exchange loss (gain) on short-term investments	2,448	(192)	545	(192)
	\$ (1,942)	\$ (9,076)	\$ (6,146)	\$ (6,353)
Financing activities:				
Accrued share issue costs	\$ (227)	\$ -	\$ -	\$ (112)
(b) Exploration and development expenditures				
Balance sheet change in mineral properties	\$ (6,689)	\$ (15,708)	\$ (21,429)	\$ (45,214)
Reclassification of mineral properties from prepaid expenses	-	-	-	25
Reclassification of mineral properties from construction in progress	3,853	-	7,417	-
Increase (decrease) in resettlement liabilities	(6,285)	5,149	(14,063)	9,469
Non-cash depreciation and disposal capitalized	100	121	332	382
Stock based compensation capitalized	274	277	847	869
Exploration and development expenditures per cash flow statement	\$ (8,747)	\$ (10,161)	\$ (26,896)	\$ (34,469)

19. Subsequent events

On September 14, 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 currently own 23,967 common shares in RMGC representing 0.23% of its share capital. According to the articles of association of RMGC, Gabriel Resources (Jersey) Limited, a wholly owned subsidiary of the Company, retains a pre-emptive right over the sale of all shares of RMGC. The Company responded to the offer of the minority shareholders and has proposed to purchase the RMGC shares held by the Minority Shareholders with shares of the Company. On October 27, 2009 Comat Trading S.A accepted our counter offer subject to signing the final contract for exchanging their shares in RMGC for 222,708 common shares of Gabriel with a value of \$0.5 million at the date of agreement. The value of the minority shareholder's interest in RMGC was calculated using the adjusted market capitalization of Gabriel as a proxy for the value of RMGC. As a

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result of this transaction, the Company's ownership interest in RMGC will increase from 80% to 80.23%. A counteroffer from the Company to the other Minority Shareholder, for the same quantum of RMGC shares and under the same terms, remains outstanding.