

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-month periods ended September 30, 2011 and 2010.

Gabriel Resources Ltd. ("Gabriel" or the "Company") adopted International Financial Reporting Standards ("IFRS") with effect from January 1, 2011 and a transition date of January 1, 2010.

The MD&A should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto of the Company as at and for the three-month periods ended September 30, 2011 and 2010 ("Statements"). The Statements have been prepared using accounting policies in accordance with IFRS and International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). A reconciliation of the previously disclosed comparative periods' financial statements prepared in accordance with Canadian generally accepted accounting principles to IFRS is set out in Note 22 of the Statements. All amounts included in the MD&A are in Canadian dollars, unless otherwise specified. This report is dated as of November 2, 2011, and the Company's public filings, including its most recent Annual Information Form, can be reviewed on the SEDAR website (www.sedar.com).

Overview

Gabriel is a Canadian, Toronto Stock Exchange listed, resource company engaged in the exploration and development of mineral properties in Romania. Gabriel is presently in the permitting stage and preparing to develop its majority-owned Rosia Montana gold and silver project (the "Project"). Rosia Montana Gold Corporation ("RMGC"), is the beneficial owner of the Project. In July 2011 the Company's ownership interest in RMGC increased from 80.46% to 80.69% through the acquisition from Foricon S.A. of all of its shares in RMGC. CNCAF Minvest S.A. ("Minvest"), a Romanian state-owned mining company, holds the remaining 19.31% interest in RMGC. Gabriel holds the pre-emptive right to acquire the non-controlling interest of Minvest.

The Company's mission is to create value for all stakeholders from responsible mining. Gabriel is also fully committed to sustainable development in the communities in which it operates. As the Company develops the Project, it will strive to set high standards through good governance, responsible engineering, open and transparent communications, and operations and reclamation based on EU recognized best available techniques – all with the goal of achieving value creation and sustainable development.

The Company seeks to achieve high standards of corporate governance and, given that the Company has a UK service entity as a subsidiary, Gabriel has adopted new and revised group policies and practices to ensure that it meets the requirements for compliance with the UK Bribery Act, introduced from July 1, 2011.

Key Issues

Political Situation

Mr. Traian Basescu was elected President of Romania for a second five-year term in 2009. President Basescu asked former Prime Minister Emil Boc to form a new government which was sworn in on December 22, 2009, comprising a coalition of parties formed of the Liberal Democratic Party (PDL), the Hungarian-ethnic UDMR alliance, plus independent and minority bloc parliamentarians.

In February 2011, Mr. Keleman Hunor was elected as the leader of the UDMR party and has remained as the Minister of Culture. In May 2011, Mr. Boc was re-elected as the leader of the PDL party, and continues his mandate as Prime Minister.

During the third quarter of 2011, the ruling political coalition remained stable and functional and the Government has continued to apply a general economic policy in line with the strategy agreed with the International Monetary Fund. The Project continues to receive support from members of the local and regional political leadership. Given the critical importance of sustained economic development for Romania, in addition to its commitment to adhere to the highest standards on engineering, environmental, cultural and social matters, the Company continues to draw public and political attention to the significant economic and employment opportunities offered by the Project. The next local elections are currently scheduled for mid 2012, and the parliamentary elections scheduled in late 2012.

Management continues to engage with stakeholders, including directly with ministries of the Government, to understand their issues and concerns and to explain the benefits and impacts of the Project, particularly in respect of direct and indirect employment opportunities. The continued strong local and regional support is welcomed by the Company.

The Company's communication efforts are fact-based, focusing on the critically-needed employment and economic advantages the Project will bring to Romania as well as the benefits to an area that is facing extreme poverty whilst continuing to suffer a growing legacy of environmental damage caused by past mining activities polluting nearby rivers and causing decay to its cultural heritage.

The President of Romania visited Rosia Montana on August 29, 2011 where he stated his belief in the Project and the exploitation of Romania's gold, copper and silver on the basis of modern technologies without subsidies. President Basescu has since publicly stated his support for the Project and the need for jobs in Romania, together with the need for a Government decision as soon as possible in the best interests of Romania.

Since the visit by President Basescu, the Project has a much higher profile in Romania, with wide coverage in television debates, on the internet and in print media, as well as being the subject of comment from leaders of all major political parties in Romania.

While some political and NGO opposition continues, a broader understanding of these employment, economic, cultural development and environmental issues is a key factor in the increasing support for the Project among Romania's public and governing authorities.

Gabriel and RMGC have been and remain involved in an ongoing dialogue with a number of ministries of the Romanian Government in respect of questions raised on ownership of the Project, royalty rates for gold and silver and the route to successful permitting of the Project. These discussions encompass a wide range of issues relevant to the interests of all stakeholders in a project to build a world class and modern mine, including the priority need for investors to see a stable fiscal regime throughout construction and operation phases of the Project, together with the advantages of the current ownership structure of RMGC as exclusive licence holder for the Project. Detailed information has been provided to the Romanian Government on the positive economic, environmental and social impacts of the Project for Rosia Montana and Romania as a whole. The Company will provide a further update as and when appropriate.

Environmental/Permitting

On September 17, 2010, the Ministry of Environment (“MOE”) recommended the Technical Analysis Committee (“TAC”) review of the Project’s Environmental Impact Assessment (“EIA”), and since this time the Project has continued to receive objective analysis.

Three TAC meetings, attended by RMGC, have been held since with the most recent held on March 9, 2011. On April 5, 2011 the MOE extended the deadline for the public submission of observations and questions for the TAC process by one month to May 5, 2011.

Since March 2011 the Company has progressed many issues raised through the TAC process, including the requirement for the Company to address in excess of 500 questions raised through the most recent public review period.

On August 26, 2011, RMGC submitted to the MOE a comprehensive document, addressing all the relevant aspects of the Project questioned through the most recent public review period. In September, 2011 the MOE submitted a supplementary request for information to RMGC. RMGC provided a further comprehensive response to the MOE on October 11, 2011. To aid consideration of the material provided by RMGC, a majority of members of the TAC visited Rosia Montana on October 19/20, 2011 to understand better the site of the Project and its potential impact on the environment.

The Company believes all the consultation issues will need to be resolved to the satisfaction of the MOE before a further TAC meeting is to be convened. However, the Company understands that a further, and potentially final, TAC meeting is expected to be held in the next month. The Company is unable to give guidance on the time that it might take the TAC to release its recommendation following a final meeting. Ultimately, the EIA must be approved by a Cabinet decision of the Romanian Government prior to issuance of an Environmental Permit (“EP”). Gabriel understands that such a decision process by the Cabinet could take a sixty day period from the TAC recommendation.

While the EP is the most important approval for the Project, and as noted below significant recent progress has been made with the issue of an archeological discharge certificate for the Carnic open pit (“ADC”), there are a number of other significant permits and approvals required to advance the Project to construction. These permits include zonal urbanization plans for the industrial and protected areas, forestry/agriculture land use change permits, as well as other permits and approvals that follow the issue of the EP. To the extent these additional permits and approvals are not dependent on issue of the EP, or the acquisition of surface rights, the processes for each of these are proceeding in parallel with the EIA review process.

The Company is moving forward with the amended industrial zonal urbanization plan (“Industrial Area PUZ”), which designates an industrial zone under the footprint of the proposed new mine at Rosia Montana, and has obtained most of the necessary endorsements. RMGC now holds 19 out of the total number of 22 endorsements necessary for the approval of the Industrial Area PUZ. In addition, the local council of Rosia Montana has initiated the process for the zonal urbanization plan for the Rosia Montana historical protected area (“Historical Area PUZ”) and RMGC currently holds 10 endorsements out of the total of 13¹ endorsements necessary for its final approval. Once the process has been completed, the matter will be referred to the local council of Rosia Montana for approval. Whilst the Company understands there is no formal link between the receipt of remaining endorsements for the Industrial Area PUZ, the Historical Area PUZ and the EIA review process, it believes that these respective remaining endorsements are likely to be obtained on or after the issue of the EP.

The forestry and agricultural land use change permits will proceed after the EP has been issued and surface rights obtained. Although there is no precedent or regulatory timeline, in the absence of any other extraordinary events, legal or otherwise, the Company expects the processes currently in place to obtain the majority of the outstanding surface rights acquisitions and other permits and approvals (including initial construction permits for the Project) to take approximately one year from the date the EP is issued by the Romanian Government.

Litigation

Over the years certain foreign and domestically-funded non-governmental organizations (“NGOs”) have initiated a multitude of legal challenges against local, regional and national Romanian authorities that hold the administrative or regulatory authority to grant permits, authorizations and approvals for many aspects of the exploration and development of the Project. In general, these legal challenges claim that such authorities are acting in violation of the laws of Romania and seek suspension and/or cancellation of a particular license, permit or approval.

While a small number of these actions over many years have been successful, most have been, and continue to be proved to be frivolous in the Romanian courts.

The Company, through RMGC, has intervened in all material cases brought to date where it is judged that there is a need to ensure that the Romanian courts considering these actions are presented with a fair and balanced legal analysis as to why the various Romanian authorities’ actions are in accordance with the relevant and applicable laws.

¹ The Company has previously reported that it requires 12 endorsements for the Historical Area PUZ. The Company has received recent advice that an additional endorsement is required.

Often an action will be taken by the NGOs on a particular issue in several different regional court jurisdictions, and such legal objection may be raised in separate cases seeking a suspension or cancellation of a particular license, permit or approval. These actions add significant delay, distraction and cost to the process of permitting the Project.

As an example, over one year ago on September 29, 2010, a lower court ruled against an NGO claim seeking the *suspension* of an urbanization certificate (“UC 87”) relating to the Project area. In Romania, urbanization certificates form part of the legal regime associated with obtaining a construction permit for any kind of construction undertaking. This decision was challenged by the NGO and its appeal was rejected by an irrevocable decision of the Bucharest Court of Appeal on May 30, 2011. RMGC is also intervening in a claim in the Bucharest tribunal for the *cancellation* of UC 87 that was issued by two NGOs against Alba County Council. The first hearing is scheduled for December 21, 2011. More recently two NGOs filed a new claim for the *cancellation* of UC 87 before the Cluj Tribunal. The first hearing is set for February 6, 2012.

RMGC has recently intervened in a claim by three NGOs in the Alba Julia Court of Appeal challenging the legality of a 2009 resolution passed by the local council of Rosia Montana re-confirming the approval of land use regulations designating an industrial zone under the footprint of the Project and a general urbanism plan for the Rosia Montana commune (initially approved in 2002). The lower court admitted the claim in the third quarter of 2011 and RMGC and the local council of Rosia Montana submitted an appeal against this decision. The first hearing concerning this appeal is scheduled for November 30, 2011. A second case also seeking the suspension of the same local council resolution has been initiated by an NGO through the Cluj Tribunal, which has been rejected by the lower court. The NGO has submitted an appeal and the court proceedings have been suspended until the settlement of an ancillary request regarding certain formal aspects of the case. A third case seeking both suspension and cancellation of the local council decision on the same matter has been started in the Bucharest Tribunal by two other NGOs and it has been suspended until such time as the first above mentioned case has been irrevocably settled by the appellate court.

In September 2011, two NGOs filed a new claim seeking the *cancellation* of the Strategic Environmental Assessment endorsement issued by Regional Agency for Environmental Protection of Sibiu in March 2011 in respect of the Industrial Area PUZ. The first hearing is scheduled at Cluj Tribunal on February 13, 2012.

In late September 2011, three NGOs filed a new claim against the Romanian authorities for the *cancellation* of the ADC issued in July 2011. The first hearing is scheduled at the Cluj Tribunal for February 3, 2012. If a lower or appellate court was to rule against RMGC’s interest with respect to UC 87, or to challenge the resolution of the local council of Rosia Montana re-confirming local zoning bylaws, or against the environmental endorsement for the PUZ Industrial Area or the ADC, then such a negative ruling may have an adverse material impact on the timing and/or outcome of the permitting process for the Project. The implications of a negative court ruling will only be known once such a decision is issued and the position of the Romanian Government is assessed. In all circumstances, RMGC will vigorously maintain its legal rights and will continue to work with local, county and federal authorities to ensure the Project receives a fair and timely evaluation in accordance with all Romanian and EU laws.

While the Company has designed the Project to follow all applicable laws to protect against permitting delays, legal challenges brought forward by NGOs or other parties in Romania – those currently ongoing and those that may be introduced in the future – have the potential to cause setbacks to the Project timeline.

A case brought by RMGC to recover taxes over the period 2005 to 2007 was favorably settled on May 10, 2011 by a lower court. The final outcome of this case remains subject to potential appeal pending the formal communication on its decision by the lower court.

There were no other material developments involving litigation matters associated with the Company or RMGC in 2011 up to the date of this report.

Surface Rights

As a result of the suspension of the EIA review process in September 2007, the surface rights purchase program at the Rosia Montana site which was suspended in February 2008, remains on hold pending progress in the permitting process. The Company owns approximately 78 per cent of the homes and approximately 60 per cent of the land in the Project footprint, comprising the industrial zone, the protected area and the buffer zone.

In addition to the remaining private properties yet to be acquired, the Company needs to acquire properties (approximately 16 per cent of the surface area of the Project) which are owned by institutions, including the local administrations of Rosia Montana and Abrud, as well as state-owned mining companies. RMGC continues to implement a comprehensive community relations program in Rosia Montana and to engage in Project related discussions with past and current regional homeowners. Negotiations have been initiated with various institutions to acquire the institutional properties and this process is expected to be completed after the approval of the EP.

Ultimately, the Company's ability to obtain construction permits for the mine and plant is predicated on securing 100 per cent of the surface rights within the Project footprint, the capability and timing of which is not entirely within the Company's control.

Resettlement Sites

Construction of 125 homes in the Alba Iulia resettlement site, known as Recea, was completed in 2010 and all are now occupied by resettled families. In the second quarter of 2011, the Company commenced the construction of a church at the Recea site. This project is progressing well and stands as a visible testimony to the determination of the Company to deliver on its promises to the people of Rosia Montana.

The Company is currently completing the review of the technical merits of the expansion of Recea. A feasibility study for a further resettlement village to be built close to Rosia Montana for the remaining 24 homeowners who have chosen to be resettled, as well as the process of obtaining permits for its construction, is currently ongoing.

Archaeology and Preservation of Cultural Heritage

An archaeological review of the historical mining activity at Rosia Montana is a critical step in the granting of the construction permits to build the Project. A number of archaeological discharge certificates are required for various parts of the proposed Project footprint. In order to obtain such discharge certificates, the Company must conduct an extensive program of exploratory and preventative archaeology in order to ensure that all valuable historical relics in the area are uncovered and preserved.

In 2004, an NGO commenced legal action with respect to RMGC's then ADC for the Carnic open pit and ultimately obtained an annulment from the High Court of Cassation and Justice in December 2008. Having reviewed the Court's written reasons for this decision, the Company submitted documents in 2010 for obtaining a new ADC for the Carnic open pit through a revised application prepared by independent researchers. The National Archaeology Commission of Romania met on July 12, 2011 to consider the revised application and recommended its approval to the Alba County Directorate for Culture and National Patrimony. On July 14, 2011, the Alba County Directorate for Culture and National Patrimony issued a new ADC to RMGC for the Carnic open pit, which complements those it already holds for the Cetate and Jig open pits.

With the ADC for Carnic issued, RMGC has commenced further detailed archaeological work in the old underground mining galleries that lie under the historical center of the village of Rosia Montana ("Protected Area"). This work has focused on opening up previously unexplored Roman galleries and the commencement of archaeological rehabilitation work on underground development adits and old mining areas that have never been restored for public interest. One such example is the Catalina Monulesti underground mining gallery which is in the process of being successfully restored and reopened as an accessible example of historical mining activities for parties with interests in the regional mining sector.

The Roman workings within the Protected Area are some of the most diverse and archeologically significant examples of Roman engineering discovered in the area to date. Though access to these Roman galleries remains difficult, RMGC has made substantial progress in putting in sufficient infrastructure to allow the public to share in Romania's rich cultural heritage. This is all part of the long term initiatives funded solely by RMGC in the Protected Area.

The Company has initiated the design work to prioritize the restoration of more than 100 houses located within the Protected Area, which will bring these back into functional use. To date, the design work for the first phase of more than 50 houses has been completed and the second phase of design work is in progress. The permitting process for obtaining individual construction authorization, and the subsequent restoration, will start in 2012. In addition, RMGC, in partnership with the local council of Rosia Montana, is progressing the restoration of two iconic houses (the old school house and former town hall) in the Protected Area, along with the rehabilitation of a number of houses, which will be used for tourism initiatives.

The Company has also continued maintenance work on 160 houses located in the Protected Area, with the aim of preventing their deterioration. While these houses are not designated as historic, the restoration will contribute to maintaining the character of the village. This emergency conservation work will continue through a multi-year program, which will run in parallel with the construction and the operation phases of the Project. This is just one element of a commitment of approximately US\$70 million to be invested in local heritage and cultural aspects in and around Rosia Montana over all phases of the Project. This commitment includes the establishment of a special commission, to include independent experts, which will monitor the work undertaken by RMGC.

RMGC has also committed to an additional US\$70 million expenditure plan, including an initial amount of US\$10 million potentially payable in 2011, through a formal protocol agreed with the National Institute of Heritage. This agreement partners RMGC with the National Institute of Heritage to carry out research, appraisal and consolidation / restoration works of historical monuments across Romania included in the National Program for the Restoration of Historical Monuments.

Corporate and Social Responsibility (CSR)

The Company takes pride in its commitment to achieving the highest levels of sustainability from workplace safety to community and environmental responsibility. It has a clear goal of attaining business performance through a dynamic process of continuous improvement in all aspects of its business and respecting all stakeholders. The Company invests significant resources into its CSR programs, which in Romania is a multi-dimensional commitment managed by RMGC and covering employee training and safety, local communities, living traditions, direct and indirect social impacts, educational programs, environmental protection, community sponsorship and heritage aspects.

RMGC is the anchor sponsor to the annual ‘Miner’s Day & Mining Communities and Mining Traditions Festival’, which in August 2011 involved 13 mining communities and more than 5,000 attendees. One of RMGC’s core commitments is to develop local employment, local supply and a strategy for local economy diversification during the life of the Project and beyond, evidenced through:

- Local employment – RMGC currently employs approximately 460 people, with 85% hired from the local community, and the Company is investing in training and skills assessments for the construction phase of the Project;
- Local supply - more than 600 local firms are suppliers / contractors to RMGC;
- Skills enhancement - RMGC has provided training to NGOs on fundraising for community development projects, on-line communications and food processing standards.

Liquidity and Capital Resources

Cash, cash equivalents and short term investments at September 30, 2011 amounted to \$160.3 million.

During the three months ended September 30, 2011, the Company issued 286,323 common shares on the exercise of stock options for aggregate gross proceeds of approximately \$1.3 million.

Over the last two quarters, excluding the \$75 million received by the Company through the exercise of 30 million share purchase warrants, the Company's average monthly net cash usage has been \$4 - \$5 million. Following the issue of the EP, this level of monthly expenditure is expected to increase to \$20 - \$40 million for the six months during which the Company moves to acquire the remaining surface rights for the Project, together with preparation for construction. Once the TAC has announced its recommendation, the Company will further review its financing requirements over the short and medium term.

Capital Cost

The Company is in the process of updating the capital and operating cost estimates to complete the development of the Project and expects to provide an updated estimate in the fourth quarter of 2011, or shortly thereafter, together with a new National Instrument 43-101 compliant technical report. The report has been commissioned to update capital and operating costs from those published by the Company in 2009 within the context of the existing Project parameters forming the basis of the EIA process, taking into account the current environment for commodity prices and the cost impact of increasing industry demand for critical capital equipment and consumables.

The estimated capital cost to complete the development of the Project taken from the March 2009 NI 43-101 technical report, together with other interest, financing and corporate costs, is approximately US\$1 billion.

Project Timeline

Management continues to be of the view that, once the EP for the Project is issued by the Romanian Government, in the absence of any other extraordinary events, legal or otherwise, it would take at least one year to:

- Complete the majority of outstanding surface rights acquisitions;
- Receive the majority of other permits and approvals, including for initial construction; and
- Proceed to fully finance construction of a mine at Rosia Montana.

Once construction of the mine begins, it is estimated to take approximately 30 months to complete. Ultimately, the Romanian Government determines the timing of the EP issuance and all other permits and approvals required for the Project, subject to the Romanian courts dealing with litigation from NGOs and any other parties in a timely manner. In the absence of unforeseen delays the Project is expected to pour first gold in 2015.

Outlook

The Company's key objectives in the short term include to:

- Complete the revised estimate of capital and operating costs of developing the Project, such that a new NI 43-101 technical report can be issued;
- Continue with public relations efforts across all media to increase Romanian public and Government education and support for the Project;
- Obtain approval of the EP and all other required permits that allow construction activities to commence; and
- Continue to maximize shareholder value, while optimizing the Project benefits to those in the community and the surrounding area.

Results of Operations

The results of operations are summarized in the following tables, which have been prepared in accordance with IFRS except for the fourth quarter of 2009 which has been presented in accordance with Canadian GAAP:

in thousands of Canadian dollars, except per share amounts

	2011 Q3	2011 Q2	2011 Q1	2010 Q4
Statement of Loss				
Loss	\$ 3,640	\$ 3,534	\$ 1,102	\$ 9,487
Loss per share - basic	0.01	0.01	0.00	0.03
Loss per share - diluted	0.01	0.01	0.00	0.03
Statement of Financial Position				
Working capital	148,588	166,543	102,720	109,753
Total assets	629,951	631,720	554,345	527,449
Statement of Cash Flows				
Investments in development and exploration including working capital changes	16,892	13,021	8,595	13,225
Cash flow from financing activities	1,261	77,629	785	8,397

in thousands of Canadian dollars, except per share amounts

	2010 Q3	2010 Q2	2010 Q1	2009 Q4
Statement of (Income) Loss				
(Income) Loss	\$ (13,107)	\$ 11,419	\$ 16,020	\$ 10,729
(Income) Loss per share - basic and diluted	(0.04)	0.03	0.05	0.030
Statement of Financial Position				
Working capital	122,874	110,278	124,604	148,715
Total assets ⁽¹⁾	537,530	481,828	525,078	658,694
Statement of Cash Flows				
Investments in development and exploration including working capital changes	8,882	10,660	13,045	15,058
Cash flow from financing activities	6,321	3,764	857	70,260

⁽¹⁾ Total assets fall between 2009 Q4 and 2010 Q1 due to the conversion to IFRS and the effect of translating these assets at current exchange rates.

Statement of Loss

<i>in thousands of Canadian dollars, except per share amounts</i>	3 months ended September 30		9 months ended September 30	
	2011	2010	2011	2010
Total operating expenses for the period	\$ 4,502	\$ 4,131	\$ 13,876	\$ 11,421
Loss (income) for the period	3,640	(13,107)	8,276	14,332
Loss (income) per share - basic and diluted	0.01	(0.04)	0.02	0.04

Total operating expenses for the three and nine-month periods ended September 30, 2011 increased from the corresponding periods in 2010. The expenses for the three months period include costs associated with the non-renewal of the Baisoara exploration license. The license expired in July 2011 and the Company decided not to apply for renewal. These costs and higher stock-based compensation expenses reflecting performance based stock options and DSUs issued account for the increased expenditure on a year to date basis.

The loss for the three-month period ended September 30, 2011 compares with a gain in the same period in 2010. The significant change for the quarter is due to a negative swing of \$9.7 million in foreign currency exchange movements and a tax credit of \$6.9 million reported in 2010, which was not repeated in the current year.

The loss for the nine-month period ended September 30, 2011 decreased from the same period in 2010 due to a positive swing of \$14.7 million in foreign currency exchange movements, offset by the tax credit of \$6.9 million reported in 2010, which has not been repeated in the current year.

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

Expenses

Corporate, General and Administrative

<i>in thousands of Canadian dollars</i>	3 months ended September 30		9 months ended September 30	
	2011	2010	2011	2010
Finance	\$ 260	\$ 222	\$ 1,073	\$ 672
External communications	52	142	322	581
Information technology	16	80	77	231
Legal	237	158	544	465
Payroll	454	592	2,119	2,181
Other	781	295	1,429	1,329
Corporate, general and administrative expense	\$ 1,800	\$ 1,489	\$ 5,564	\$ 5,459

The Company has a management services and administrative operation in London, UK. Corporate, general and administrative costs are those costs incurred by the corporate offices in Toronto, Canada (closed in July 2011) and London, UK. Corporate, general and administrative costs for the three-month period ended September 30, 2011 were largely consistent with the 2010

prior period, with the exception of costs associated with the non-renewal of the Baisoara exploration license included in 'Other' costs.

Finance costs for the nine-month period ended September 30, 2011 increased from the same period in 2010 due to the finalization and termination of certain consultancy agreements, the appointment of a new CFO and CCO and also certain termination payments made to former Company staff. Corporate, general and administrative costs are anticipated to increase (excluding the cost of non-recurring items) once the Project is permitted and the Company increases its staffing for construction and operations.

Stock Based Compensation

<i>in thousands of Canadian dollars</i>	3 months ended September 30		9 months ended September 30	
	2011	2010	2011	2010
DSUs - expensed	\$ 96	\$ 336	\$ 578	\$ 481
Stock option compensation - expensed	2,493	2,223	7,589	4,687
Stock based compensation - expensed	\$ 2,589	\$ 2,559	\$ 8,167	\$ 5,168
DSUs - capitalized	\$ -	\$ -	\$ -	\$ -
Stock option compensation - capitalized	2,141	395	9,832	988
Stock based compensation - capitalized	\$ 2,141	\$ 395	\$ 9,832	\$ 988

DSU Compensation

Number of DSUs issued	3,294	1,639	90,328	370,407
Average value ascribed to each DSU issued	\$ 6.07	\$ 6.10	\$ 7.93	\$ 4.21

DSU costs for the nine-month period ended September 30, 2011 primarily reflect the period's amortization related to the 357,995 DSUs issued to the Company's CEO at the time of his commencement of employment and the 81,172 DSUs issued to the Company's CFO and CCO at the time of their respective commencement which are being expensed over a two-year period.

Initially valued at the five day weighted average market price of the stock at date of issue, DSUs are revalued each period end based on the closing share price at the period end, with the difference between the total value of the DSUs at period end compared to the value at the end of the previous period. The change in share price of the DSU's at the end of the period is charged to the Statement of Loss or capitalized for DSUs granted to personnel working on development projects. As at September 30, 2011, the Company's share price of \$5.81 was \$0.85 lower than compared to the price on June 30, 2011, and \$2.14 lower than compared to that on December 31, 2010. The decrease in share price for the three-month period ended September 30, 2011 is the reason for the reduced DSU expense for the period.

The estimated fair value of stock options is amortized over the period in which the options vest, which is normally three years. For performance options the fair value is expensed over the estimated vesting period from the time of grant. Once the performance conditions have been attained, which trigger full vesting of the options, the remaining fair value, if any, is expensed.

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

	3 months ended		9 months ended	
	September 30		September 30	
	2011	2010	2011	2010
Stock option compensation				
Number of stock options granted	150,000	200,000	1,925,000	4,250,000
Average value ascribed to each regular vesting option granted	\$ 7.35	\$ 4.89	\$ 7.48	\$ 4.65
Options granted to corporate employees, consultants, officers, and directors	100,000	-	1,750,000	2,925,000
Options granted to development project employees and consultants	50,000	200,000	175,000	1,325,000

During the three-month and nine-month periods ended September 30, 2011, the Company granted 0.15 million options and 1.925 million options respectively. Of the 1.925 million options granted during the nine-month period ended September 30, 2011, 1.425 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 expensed over the estimated vesting period of the performance option.

Interest Income

<i>in thousands of Canadian dollars</i>	3 months ended		9 months ended	
	September 30		September 30	
	2011	2010	2011	2010
Interest Income	\$ 365	\$ 100	\$ 968	\$ 294

Higher interest income in the three and nine-month periods ended September 30, 2011 compared to the same periods in 2010 is the result of a combination of higher cash and cash equivalent and short term investment balances and higher interest rates earned during the 2011 period.

Approximately 33% of the Company's cash balances are invested in government guaranteed instruments with the 67% in cash deposits with major Canadian banks.

Foreign Exchange

<i>in thousands of Canadian dollars</i>	3 months ended		9 months ended	
	September 30		September 30	
	2011	2010	2011	2010
Foreign exchange (gain) / loss - realized	\$ (21)	\$ 682	\$ 146	\$ (953)
Foreign exchange (gain) / loss - unrealized	(476)	9,540	(4,778)	(9,182)
Total foreign exchange (gain) / loss	\$ (497)	\$ 10,222	\$ (4,632)	\$ (10,135)

The Company continues to hold the majority of its cash, cash equivalents and short term investments in Canadian Dollars and Euros, 59% and 40% respectively. Uncertainty in the Eurozone has led to significant volatility in the Euro. Despite this, the closing value of the Euro to the Canadian Dollar at September 30, 2011 was only marginally stronger than at June 30, 2011, accounting for the relatively small foreign exchange gain in the period. The Euro has appreciated against the Canadian Dollar in the nine-month period to September 30, 2011, resulting in the gain for the period.

The balance in cash deposits as at September 30, 2011 includes the \$75 million received by the Company related to the exercise by BSG of its share purchase warrants during June 2011. These funds have been retained in Canadian dollars and, due to ongoing economic events in some Eurozone countries, the Company is reviewing its investment strategy and has therefore not converted any recent funds into Euros.

Unavailability of, and low return offerings on European sovereign treasury bills in recent months has resulted in the Company retaining a larger portion of Euro funds in cash, and thus attracting lower realized gains and losses.

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

Taxes

All tax assessments have been paid and provided for in the respective individual company's financial statements.

Investing Activities

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

Mineral Properties

All costs incurred in Romania related to development and exploration of the Project are capitalized to mineral properties and those related to the Bucium project are expensed in accordance with IFRS until such time as economic feasibility is established.

Listed below is a summary of expenditures at Rosia Montana for the three and nine-month periods ended September 30, 2011 and 2010.

<i>in thousands of Canadian dollars</i>	3 months ended		9 months ended	
	September 30		September 30	
	2011	2010	2011	2010
Finance and administration	\$ 3,847	\$ 2,367	\$ 6,746	\$ 4,386
External communications	5,139	2,157	11,045	6,337
Legal	1,846	1,272	5,072	4,515
Permitting	1,411	471	3,370	1,130
Community development	1,556	1,333	4,617	4,569
Project management and engineering	1,993	1,114	6,148	3,078
Exploration - Rosia Montana	-	136	418	435
Exploration - Baisoara	-	32	-	96
Total exploration and development expenditures	\$ 15,793	\$ 8,882	\$ 37,417	\$ 24,546

During the nine months ended September 30, 2011, finance and administration costs were higher than the corresponding 2010 period primarily related to maintenance performed on Company owned administration properties in Romania and the addition of staff at the Company's Rosia Montana location.

The increase in external communications costs for the three and nine-months periods ended September 30, 2011 compared to the same periods in 2010 reflect the continued efforts by the Company to provide relevant and timely information to the Romanian population to maintain the positive momentum of public support for the Project. In 2011 these initiatives have included significant use of television and other online media.

For the three month and nine-month periods ended September 30, 2011, project management and engineering costs and permitting increased compared to the prior 2010 periods due to increased activity related to the TAC process, pre-construction and logistics planning activities.

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

Purchase of Capital Assets

<i>in thousands of Canadian dollars</i>	3 months ended		9 months ended	
	September 30		September 30	
	2011	2010	2011	2010
Resettlement site development costs	\$ 531	\$ -	\$ 531	\$ -
Investment in long-lead-time equipment	22	187	532	1,515
Other	459	122	1,264	307
Total investment in capital assets	\$ 1,012	\$ 309	\$ 2,327	\$ 1,822
Depreciation and disposal - expensed	\$ 52	\$ 49	\$ 145	\$ 157
Depreciation and disposal - capitalized to mineral properties	\$ 72	\$ (192)	\$ 205	\$ (1,155)

The resettlement site development costs for the three-month period ended September 30, 2011 relate mainly to the construction of a church in Recea which commenced during the quarter.

The final installments for the processing mills are expected to be made later in 2011 (\$0.5 million) at which point the grinding area systems and crushing facilities will be fully paid for and in the possession of the Company. In order to minimize the transportation, storage expenditures and other costs, the Company evaluated various strategies for storing completed equipment and based on the final evaluation the equipment is currently stored at four main European locations in accordance with each manufacturer's specifications.

Other expenditure for the nine-month period ended September 30, 2011 is higher than the expenditure for the same period in 2010 due to a vehicle replacement program at RMGC, commencement of the design/build phase of new buildings in the Rosia Montana region and office fit out costs at the Group's London, UK office.

Cash Flow Statement

Liquidity and Capital Resources

The main sources of liquidity are the Company's cash balances, prospective exercise of stock options outstanding and the equity markets. The cost to complete the Project was estimated at US\$876 million in the Technical Report of March 2009. Based on this estimate, to fund the development of the Project, the Company will need financing of approximately US\$1 billion, comprising the capital costs together with other working capital, interest, financing and corporate costs. The Company is in the process of updating the capital cost estimate to complete the development of the Project and expects to provide a revised estimate in the fourth quarter of 2011, or shortly thereafter.

In the three-month period ended June 30, 2011 the Company raised \$75 million through the exercise by BSG of its 30 million share purchase warrants. There are no further warrants in issue at present.

As at September 30, 2011, cash, cash equivalents and short-term investments were \$160.3 million compared to \$121.5 million at December 31, 2010 and \$131.3 million at September 30, 2010.

The Company manages its foreign currency risks primarily through matching its expected foreign denominated expenditures with foreign currency investments. The Company has not entered into any derivatives hedging activities. The Company incurs foreign currency gains and losses on those foreign denominated investments and cash balances as the currencies fluctuate against each other. Accordingly, the Company will continue to experience foreign exchange gains and losses as long as it maintains foreign currency investments and foreign cash balances.

Based on management's knowledge and experience of the financial markets, the Company believes, based on its balance of cash and cash equivalents as at September 30, 2011, the following movements are "reasonably possible" over a three-month period:

- Cash and cash equivalents include deposits, which are at floating interest rates. A plus or minus 1% change in earned interest rates would affect net income from deposits by \$0.4 million.
- The Company holds significant balances in foreign currencies, and this gives rise to exposure to foreign exchange risk. As of September 30, 2011 a plus or minus 1% change in foreign exchange rates would affect net income by \$0.7 million.

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

Working Capital

As at September 30, 2011 the Company had working capital, calculated as total current assets less total current liabilities, of \$148.6 million compared to \$109.8 million as at December 31, 2010. The increase in working capital during the nine-month period ended September 30, 2011 relates primarily to the proceeds received by the Company from the exercise, by BSG, of all of its share purchase warrants.

As at September 30, 2011 the Company had current liabilities of \$16.4 million of which \$4.8 million relates to resettlement obligations stemming from the acquisition of homes in the Project area.

Net Change in Non-Cash Working Capital

Operating non-cash working capital decreased by \$1.5 million for the nine-month period ended September 30, 2011 compared to the same period in 2010 due to an increase in accounts payable in Romania related to increased Project activity.

The decrease in investing non-cash working capital for the nine months ended September 30, 2011 compared to the same period in 2010 is primarily due to the Company electing not to renew European sovereign treasury bonds as a result of recent events in the Eurozone.

Related Party Transactions

In December 2004, the Company advanced loans totaling US\$971,000 to the four non-controlling shareholders of RMGC, who at that date held an aggregate of 20% of the shares of RMGC, to facilitate a statutory requirement to increase RMGC's total share capital. The loans to two of the four shareholders were repaid in 2009, with a further loan being deemed to have been repaid in July 2011. At September 30, 2011 US\$938,000 remained outstanding.

In 2009, the Company advanced loans totaling US\$40 million to the then remaining two non-controlling shareholders of RMGC to facilitate another statutory share capital increase in RMGC. As a term of the acquisition of the Foricon equity interest in RMGC in July 2011, US\$463,000 of this loan balance was deemed to have been repaid, and subsequent to this there remains one loan outstanding in the amount of US\$39.5 million.

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

Resettlement Liabilities

For a number of years, RMGC has had a program for purchasing homes in the Project area, which was suspended in February 2008 due to the suspension of the EIA review process in September 2007. The homeowners 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 RMGC at one of the designated resettlement sites. For those residents who choose the resettlement option, the Company increases its mineral properties on the balance sheet as well as resettlement liabilities for the anticipated construction costs of the resettlement houses. As the construction takes place, the cost of newly built houses are capitalized as construction in progress. After the transfer of legal title of the property is completed, the Company reduces the amounts capitalized as construction in progress and at the same time reduces 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, 2011 the Company had accrued resettlement liabilities totaling \$4.8 million (December 31, 2010 – \$4.7 million), which represents the cost of building the remaining new homes for the local residents and outstanding delay penalties.

The construction of all 125 homes at the Recea resettlement site in Alba Iulia was completed in 2010. The Company is currently reviewing the technical merits of a new resettlement village to be built in Rosia Montana, as well as the process of obtaining permits for this site. All remaining 24 property owners who chose a new resettlement site have signed a three-year extension contract. As a result of the delay in delivery of homes, the Company has paid or accrued a penalty of up to 20% of the agreed upon unpaid property value per year of delay as required by the agreement.

At September 30, 2011 the Company has accrued \$0.5 million (December 31, 2010 - \$0.6 million) representing its total estimated delay penalty. During the three and nine-month periods ended September 30, 2011, the Company paid \$40 thousand and \$124 thousand, respectively, of delay penalties (2010 - \$71,000 and \$122,000 respectively).

Contractual Obligations

The following is a summary of the Company's contractual commitments, as of September 30, 2011, including payments due for each of the next four years and thereafter:

<i>in thousands of Canadian dollars</i>	Total	2011	2012	2013	2014	2015	Thereafter
Goods and services	13,650	11,006	2,342	7	7	7	281
Long lead time equipment	545	545	-	-	-	-	-
Rosia Montana exploitation license	1,364	195	195	195	195	195	389
Surface concession rights	820	5	21	21	21	21	731
Lease agreements	2,943	121	364	364	292	277	1,525
Total commitments	19,322	11,872	2,922	587	515	500	2,926

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 totaled \$13.7 million at September 30, 2011 (December 31, 2010 – \$13.6 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 several years beginning in 2007. As at September 30, 2011 outstanding commitments under such agreements totaled \$0.5 million (December 31, 2010 – \$1.6 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 the obligations are denominated in foreign currencies.

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

<i>in thousands of Canadian dollars</i>	September 30	December 31
	2011	2010
Total purchase agreements:		
Grinding area systems	\$ 42,003	\$ 42,032
Crusher facilities	3,961	3,961
Foreign exchange movement	2,004	(86)
	47,968	45,907
Amount paid to date:		
Grinding area systems	(41,481)	(40,439)
Crusher facilities	(3,961)	(3,961)
Foreign exchange movement	(1,981)	74
Outstanding payment obligation	\$ 545	\$ 1,581

The lease commitments relate principally to the Company's management services operation in London, UK. A property lease for up to ten years was entered into during the year.

Adoption of Accounting Standards and Pronouncements under IFRS

The Canadian Accounting Standards Board (AcSB) announced its decision to replace Canadian generally accepted accounting principles ("GAAP") with International Financial Reporting Standards (IFRS) for all Canadian Publicly Accountable Enterprises (PAEs) in 2006.

The effective changeover date for the Company was January 1, 2011, at which time Canadian GAAP was replaced by IFRS. The Company's first financial statements prepared under IFRS were the interim financial statements for the three months ended March 31, 2011 which included full disclosure of its new IFRS policies, as set out in Note 4 to these financial statements. The financial statements also include reconciliations of the previously disclosed comparative periods financial statements prepared in accordance with Canadian GAAP to IFRS which are set out in Note 22.

Impact of IFRS on the Company

The conversion to IFRS impacts the way the Company presents its financial results. The Company has fully prepared and trained its employees and directors to ensure an appropriate understanding of IFRS during the transition process. Furthermore, the accounting personnel at the Company's Romanian subsidiary are already familiar with IFRS and have been working with IFRS due to the prior local adoption of IFRS. The impact of the conversion to IFRS on the Company's accounting systems has been minimal as the Company is still in the permitting and preparing to develop stage. The Company's internal and disclosure control processes, as currently designed, have not required significant modifications as a result of its conversion to IFRS. The Company has assessed the impacts of adopting IFRS on its contractual arrangements, and has not identified any material compliance issues. The Company has considered the impacts that the transition will have on its internal planning process and compensation arrangements and has not identified any significant impacts.

First Time Adoption of IFRS

IFRS 1, *First Time Adoption of IFRS*, provides for certain mandatory exceptions and optional exemptions for the first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 2, *Share-based payments*, only to equity instruments granted after November 7, 2002 which had not yet vested as of the Transition Date; and
- to transfer all foreign currency translation differences, recognized as a separate component of equity, to accumulated deficit as at the Transition Date including those foreign currency differences that arise on adoption of IFRS.

Significant differences between IFRS and Canadian GAAP in the Company's financial statements

Share Based Payments

IFRS and Canadian GAAP are largely converged on the accounting treatment for share-based transactions with only a few differences.

However, Canadian GAAP allows either accelerated or straight line method of amortization for the fair value of stock options under graded vesting. The Company used the straight line amortization method under Canadian GAAP whilst IFRS 2 requires the graded vesting method of amortization. The expense of performance options under Canadian GAAP is typically recognized when the performance criteria are met and is often called "cliff vesting" where all of the expense is recognized upon satisfaction of the performance criteria. However under IFRS the expense associated with performance options must be spread over the expected vesting period of the performance option.

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

Upon adoption of IFRS 2, the accounting policy was retrospectively applied to all equity instruments granted after November 7, 2002, that had not vested at January 1, 2010. The Company has changed both the method of amortization, which gave rise to an accelerated compensation expense, and the method of forfeiture recognition. The impact of IFRS 2 adoption as at the transition date was \$4.9 million which has been reflected in contributed surplus, accumulated deficit and mineral properties. In addition, further related adjustments of \$2.8 million and \$4.0 million were made in the three and nine-month periods ended September 30, 2010, respectively.

Exploration and Evaluation Assets

The Company's accounting policy under Canadian GAAP was to capitalize acquisition costs of mineral properties and related direct exploration and development expenses.

Management determined that under IFRS that the Company's accounting policy for exploration and evaluation assets is that exploration expenditures should be expensed and only capitalized to mineral properties after the completion of a feasibility study.

Consequently exploration costs that were capitalized before the feasibility studies for Rosia Montana and Bucium were complete have been written off, as well as all of the exploration costs related to Baisoara. This policy has resulted in a decrease in the carrying value of mineral properties of \$27.3 million together with an increase to accumulated deficit by the same amount. There were no exploration costs incurred in relation to the Bucium property in the three-month periods ended September 30, 2010. During the three-month period ending September 30, 2011 the Company terminated its exploration program at the Baisoara property, following its decision not to extend the scheduled July 2011 expiry of the Baisoara exploration permit

Property, Plant and Equipment

Property, Plant and Equipment ("PP&E") can be measured at fair value or at cost under IFRS, whilst under Canadian GAAP, PP&E must be carried on a cost basis and revaluation is prohibited.

Management decided to adopt the cost model for both initial and subsequent recognition as the accounting policy for all classes of assets. As a result there is no significant impact on the adoption of IFRS on the Company's financial statements.

In accordance with IAS 16 "Property, Plant and Equipment", the Company needs to allocate an amount initially recognized in respect of an asset to its component parts and account for each component separately when the components have different useful lives or the components provide benefits to the entity on different systematic bases. Based on Management's evaluation, there is no impact from the component accounting on earnings. Management expects that once the Company enters commercial production the impact of component accounting will be insignificant.

Foreign Currency

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" and the entity's financial results and position should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the corporate office is the Canadian dollar which is also the presentation currency of the Company's consolidated financial statements.

The functional currency of the Romanian subsidiary is Romanian Lei (“RON”). As the project progresses and the underlying transactions, events and conditions relevant to the entities change, the Company will re-consider the primary and secondary indicators, as described in IAS 21, in determining the functional currency for each entity. Going forward under IFRS, management expects that the functional currency will change either during construction, after project financing is finalized, or when the Project enters into commercial production. At that time management will assess the appropriate functional currency based on existing circumstances which may have a significant impact on the Company’s consolidated financial statements prepared under IFRS.

Upon adoption of IFRS, all resulting foreign exchange differences from translation of the entities’ assets, liabilities and income statement items are expected to be recognized in other comprehensive income as a separate component of equity. The impact at the transition date under IAS 21 is \$71.0 million. However, the Company elected to eliminate its currency translation adjustment balance in the statement of financial position, as permitted for first-time IFRS adopters. The effect of this elimination was an increase in the accumulated deficit of \$71.0 million. In addition, a credit of \$32.8 million and a debit of \$26.7 million were recognized in other comprehensive loss as a separate component of equity in respect of the three and nine-month periods ended September 30, 2010.

Impairment of Assets

Canadian GAAP used a two-step approach to impairment testing: the first step compared the asset carrying values with undiscounted future cash flows to determine whether an impairment exists; and then, if an impairment was indicated, measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36, “Impairment of Assets” uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. Management has tested for impairment based on criteria established in IAS 36 and concluded that there is no impairment of the existing assets.

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, 2011, the Company’s DC&P have been designed 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 the Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission ("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 the three month period ended September 30, 2011 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 October 27, 2011 was:

Preferred shares	Nil
Common shares	379,552,762
Common stock options	24,836,516
Common stock warrants	Nil
Deferred share units - common shares	533,218
Fully diluted share capital	404,922,496

Proven and Probable Mineral Reserves

Following the acquisition of the Foricon interest, the Company owns an 80.69% economic interest in the Project, which has aggregate proven and probable reserves as follows:

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 in the March 2009 NI 43-101 technical report and 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, 2011

Consolidated Statement of Financial Position

As at September 30, 2011, December 31 and January 1, 2010
(Unaudited and expressed in thousands of Canadian dollars)

	Notes	September 30 2011	December 31 2010	January 1 2010
Assets				
Current assets				
Cash and cash equivalents	5	160,291	26,579	116,110
Short-term investments		-	94,941	46,201
Accounts receivable		2,863	1,732	1,460
Prepaid expenses and supplies		1,805	941	788
Total current assets		164,959	124,193	164,559
Non-current assets				
Restricted cash	5	183	149	127
Property, plant and equipment	6	51,536	47,460	50,880
Mineral properties	7	413,273	355,647	349,778
Total non-current assets		464,992	403,256	400,785
TOTAL ASSETS		629,951	527,449	565,344
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		11,588	9,754	10,402
Resettlement liabilities	9	4,783	4,686	5,442
Total current liabilities		16,371	14,440	15,844
Non-current liabilities				
Other liabilities	10	4,282	3,615	3,908
Total non-current liabilities		4,282	3,615	3,908
TOTAL LIABILITIES		20,653	18,055	19,752
Equity attributable to owners of the parent				
Share capital	12	855,546	761,943	733,481
Common share purchase warrants	13	-	11,393	11,393
Contributed surplus	15	40,814	27,027	22,992
Foreign exchange reserve		(32,693)	(44,876)	-
Accumulated deficit		(254,369)	(246,093)	(222,274)
TOTAL EQUITY		609,298	509,394	545,592
TOTAL EQUITY AND LIABILITIES		629,951	527,449	565,344

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 20)

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

Consolidated Statement of Loss / (Income)

For the three and nine-month periods ended September 30, 2011 and 2010

(Unaudited and expressed in thousands of Canadian dollars, except per share data)

	Notes	3 months ended September 30		9 months ended September 30	
		2011	2010	2011	2010
Expenses					
Exploration and development		-	-	-	138
Corporate, general and administrative		1,800	1,489	5,564	5,459
Share-based compensation	10,14	2,589	2,559	8,167	5,168
Project financing costs		61	34	-	499
Depreciation		52	49	145	157
		4,502	4,131	13,876	11,421
Other (income) / expense					
Interest received		(365)	(100)	(968)	(294)
Foreign exchange (gain) / loss		(497)	(10,222)	(4,632)	10,117
Loss / (income) before income taxes		3,640	(6,191)	8,276	21,244
Income tax recovery	16	-	(6,916)	-	(6,912)
Loss / (income) for the period		3,640	(13,107)	8,276	14,332
Loss / (income) per share (basic and diluted)		\$ 0.01	\$ (0.04)	\$ 0.02	\$ 0.04

Consolidated Statement of Comprehensive Loss / (Income)

For the three and nine-month periods ended September 30, 2011 and 2010

(Unaudited and expressed in thousands of Canadian dollars)

		3 months ended September 30		9 months ended September 30	
		2011	2010	2011	2010
Loss / (income) for the period		3,640	(13,107)	8,276	14,332
<i>Other comprehensive loss / (income)</i>					
Currency translation adjustment		5,730	(32,791)	(12,183)	26,707
Comprehensive loss / (income) for the period		9,370	(45,898)	(3,907)	41,039

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

Consolidated Statements of Changes in Shareholders' Equity

For the nine-month periods ended September 30, 2011 and 2010
(Unaudited and expressed in thousands of Canadian dollars)

	Notes	2011	2010
Common shares			
At January 1		761,943	733,481
Shares issued on the exercise of share options	12	4,675	10,942
Transfer from contributed surplus - exercise of share options	15	2,535	4,924
Shares issued on redemption of DSU's		-	357
Shares issued on exercise of warrants		75,000	-
Transfer from contributed surplus - exercise of warrants		11,393	-
At September 30		855,546	749,704
Common share purchase warrants			
At January 1		11,393	11,393
Warrants exercised	13	(11,393)	-
At September 30		-	11,393
Contributed surplus			
At January 1		27,027	22,992
Share-based compensation	15	17,421	9,139
Exercise of share options	15	(2,535)	(4,924)
Purchase of non-controlling interest shares	15	(1,099)	-
At September 30		40,814	27,207
Currency translation reserve			
At January 1		(44,876)	-
Currency translation adjustment - other comprehensive income		12,183	(26,707)
At September 30		(32,693)	(26,707)
Accumulated deficit			
At January 1		(246,093)	(222,274)
Loss for the period		(8,276)	(14,332)
At September 30		(254,369)	(236,606)
Total shareholders' equity at September 30		609,298	524,991

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

Consolidated Statement of Cash Flows

For the three and nine-month periods ended September 30, 2011 and 2010
(Unaudited and expressed in thousands of Canadian dollars)

		3 months ended September 30		9 months ended September 30	
	Notes	2011	2010	2011	2010
Cash flows (used in) / provided by operating activities					
(Loss) / income for the period		(3,640)	13,107	(8,276)	(14,332)
Items not affecting cash					
Depreciation		52	49	145	157
Share-based compensation		2,589	2,559	8,167	5,168
Unrealized foreign exchange (gain) / loss		(248)	(9,677)	(4,549)	9,182
		(1,247)	6,038	(4,513)	175
DSU cash settlement		-	(492)	-	(2,118)
Net changes in non-cash working capital	21	(2,054)	(1,371)	(1,330)	(1,393)
		(3,301)	4,175	(5,843)	(3,336)
Cash flows provided by / (used in) investing activities					
Decrease / (increase) in short-term investments and restricted cash		39,283	(46,378)	94,941	(27,434)
Exploration and development expenditures	21	(15,793)	(8,882)	(37,417)	(24,546)
Purchase of capital assets		(1,012)	(310)	(2,327)	(1,822)
Purchase of non-controlling interest shares		(1,099)	-	(1,099)	-
Net changes in non-cash working capital	21	2,230	4,697	2,238	(3,345)
		23,609	(50,873)	56,336	(57,147)
Cash flows provided by financing activities					
Proceeds from the exercise of share purchase warrants		-	-	75,000	-
Proceeds from the exercise of share options		1,261	6,321	4,675	10,942
		1,261	6,321	79,675	10,942
Increase / (decrease) in cash and cash equivalents		21,569	(40,377)	130,168	(49,541)
Effect of foreign exchange on cash and cash equivalents		1,631	5,405	3,544	(8,890)
Cash and cash equivalents - beginning of period		137,091	92,651	26,579	116,110
Cash and cash equivalents - end of period⁽¹⁾		160,291	57,679	160,291	57,679

⁽¹⁾At September 30, 2011, closing cash and cash equivalents do not include any (2010 - \$73.6 million) short-term investments, with original maturities in excess of 90 days at the time of purchase.

Supplemental cash flow information (Note 21)

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

Notes to Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2011 and year ended December 31, 2010
(Unaudited, 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-listed resource company engaged in the exploration and development of mineral properties in Romania and is presently developing its 80.69%-owned Rosia Montana gold and silver project (the “Project”). The Company’s registered address is Suite 200 – 204 Lambert Street, Whitehorse, Yukon, Canada Y1A 3T2. 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 and its subsidiary companies’ (the “Group”) mineral properties is dependent upon the existence and economic recovery of such reserves in the future and the ability of the Group 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 an archeological site of national importance, government regulations relating to mining which may withhold the receipt of required permits or impede the Group’s ability to acquire the necessary surface rights, as well as currency fluctuations and local inflation. The suspension of the review of the Rosia Montana Environmental Impact Assessment (“EIA”) by the Ministry of Environment in September 2007 (subsequently resumed in September 2010) demonstrates the significant risks that the Project may face. Such risks may adversely affect the Group’s investments and may result in the impairment or loss of all or part of the Group’s investments.

These unaudited interim consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a “going concern”, which assume that the Group 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, 2011 the Group 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.

The timeline to build the Project is dependent on a number of factors which include both the permitting and financing processes.

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

Notes to Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2011 and year ended December 31, 2010
(Unaudited, tabular amounts in thousands of Canadian dollars, unless otherwise stated)

2. Statement of compliance

The Group has adopted IFRS for the year ending December 31, 2011 and has accordingly prepared the unaudited interim consolidated financial statements for the three and nine-month periods ended September 30, 2011 in accordance with IFRS.

As this is the first year IFRS standards have been applied, special rules apply in converting the comparatives and the opening balance sheets at the transition date of January 1, 2010 (the "Transition Date"). The rules applied on transition to IFRS are set out in Note 22 along with statements of the impact of such transition.

The unaudited interim consolidated financial statements for the three and nine-month periods ended September 30, 2011 have been prepared in accordance with International Accounting Standard IAS 34 ('Interim Financial Reporting'). In order to ensure that appropriate comparative information is presented, IFRS requires that an opening IFRS balance sheet be prepared as at the Transition Date, which is a date one year prior to the adoption of IFRS. The Group's opening IFRS balance sheet at January 1, 2010 has been prepared in accordance with IFRS 1 ('First-time Adoption of International Financial Reporting Standards').

The format of financial statements and certain accounting policies differ under IFRS compared with Canadian Generally Accepted Accounting Principles ("GAAP"). Comparative financial information previously published under Canadian GAAP has therefore been adjusted on an IFRS basis for the opening balance sheet at January 1, 2010 and the three and nine-month periods ended September 30, 2010 and the balance sheet as at December 31, 2010.

The change in the Group's reported performance and financial position arising on adoption of IFRS is described in detail in Note 22 to these unaudited interim consolidated financial statements.

As a result of ongoing review and possible amendments by interpretive guidance from the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC"), IFRS in effect at December 31, 2011 may differ from IFRS and interpretation statements applied in preparing the consolidated financial statements for the year ended December 31, 2010 and unaudited interim consolidated financial statements for the three and nine-month periods ended September 30, 2011 and 2010.

3. Basis of preparation and recent accounting changes

The unaudited interim consolidated financial statements for the three and nine-month periods ended September 30, 2011 have been prepared in accordance with IFRS. The preparation of these unaudited interim consolidated financial statements is based on accounting policies and practices in accordance with IFRS and should not be compared to those used in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2010, as the audited annual consolidated financial statements were prepared under accounting policies and practices in accordance with Canadian GAAP. The accompanying unaudited interim consolidated financial statements also should not be read in conjunction with the notes to the Group's audited annual consolidated financial statements for the year ended December 31, 2010, since they do not contain all disclosures required by IFRS for audited annual financial statements. These unaudited interim consolidated financial statements for the three and nine-month periods ended September 30, 2011 reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

Notes to Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2011 and year ended December 31, 2010
(Unaudited, tabular amounts in thousands of Canadian dollars, unless otherwise stated)

4. Significant changes to the Group's accounting policies following adoption of IFRS 1 ('First time adoption of IFRS')

Basis of consolidation

The unaudited interim consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the company has the power to govern the financial and operating policies of an invested entity so as to obtain benefits from its activities.

The unaudited interim consolidated financial statements include the accounts of the Company and the following subsidiaries, which are all part of the Group:

Gabriel Resources (Barbados) Ltd.	100%-owned
Gabriel Resources (Netherlands) B.V.	100%-owned
Gabriel Resources (Jersey) Ltd.	100%-owned
RM Gold (Services) Ltd.	100%-owned
Rosia Montana Gold Corporation S.A. ("RMGC")	80.69%-owned ⁽¹⁾
Rom AUR SRL ("Rom Aur")	100%-owned
Gabriel Finance SA	99.91%-owned

⁽¹⁾The Company purchased an additional 0.23% of RMGC from a shareholder with a non-controlling interest in July, 2011 increasing its interest from 80.46%

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests

Loans made by the Company to enable non-controlling interests to acquire their shareholding in RMGC are set off against non-controlling interest balances upon consolidation. This is in compliance with Romanian legislation.

Critical accounting estimates, risks and uncertainties

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses and other income during the year. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience. Significant estimates and assumptions include those related to the recoverability of mineral properties and benefits of future income tax assets, estimated useful lives of capital assets, share compensation valuation assumptions and determinations as to whether costs are expensed or deferred. While management believes that these estimates and assumptions are reasonable, actual results may differ from the amounts included in the financial statements.

Notes to Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2011 and year ended December 31, 2010
(Unaudited, tabular amounts in thousands of Canadian dollars, unless otherwise stated)

4. Significant changes to the Group's accounting policies following adoption of IFRS 1 ('First time adoption of IFRS') (continued)

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the corporate office is Canadian dollar ("CAD") and the functional currency of RMGC, the Romanian subsidiary, is Romanian Lei ("RON"). The unaudited interim consolidated financial statements are presented in CAD which is the Group's presentation currency.

(b) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities, expenses and other income arising from foreign currency transactions are translated at the exchange rate in effect at the date of the transaction. Exchange gains or losses arising from the translation are included in the determination of losses in the current year.

The results and financial position of all entities in the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- equity transactions are translated at the historical exchange rate;
- income and expenses for each income statement are translated at the date in effect on date of the transaction (or at average exchange rates); and
- all resulting exchange differences are recognized as a separate component of equity.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation of property, plant and equipment used for exploration and development is capitalized to mineral properties.

Depreciation is recorded using the straight-line method based on an estimated useful life of five years for vehicles and varying rates between two and five years for office equipment. Leasehold improvements are amortized on a straight-line basis over the term of the respective lease. Property, plant and equipment in construction are not depreciated until they are brought into productive use.

Where parts (components) of an item of property, plant and equipment have different useful lives or for which different depreciation rates would be appropriate, they are accounted for as separate items of property, plant and equipment.

Financial instruments

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

Notes to Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2011 and year ended December 31, 2010
(Unaudited, tabular amounts in thousands of Canadian dollars, unless otherwise stated)

4. Significant changes to the Group's accounting policies following adoption of IFRS 1 ('First time adoption of IFRS') (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, cash on hand and other highly liquid short-term investments.

Short-term investments

Short-term investments represent investments in guaranteed investment certificates. Short-term investments are carried at cost which approximates fair value.

Exploration and evaluation assets and development expenditures

Exploration and evaluation costs are expensed as exploration costs in the Consolidated Statement of Loss until the determination of the technical feasibility and the commercial viability of the Project. Exploration costs include costs directly related to exploration and evaluation activities in the area of interest. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when economically recoverable reserves are determined to exist, the rights of tenure are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area, or alternatively by sale of the property. This determination is normally evidenced by the completion of a technical feasibility study. Once the technical feasibility study is completed, subsequent exploration and development expenses are capitalized in Mineral Properties. Upon reaching commercial production, these capitalized costs will be transferred from development properties to producing properties on the Consolidated Statement of Financial Position and will be amortized using the unit-of-production method over the estimated period of economically recoverable reserves.

Impairment of long-lived assets

Long-lived assets to be held and used by the Group are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use, which is the present value of the future cash flows expected to be derived from an asset. Estimated future cash flows are calculated using estimated future commodity prices, mineral resources, operating and capital costs, using appropriate discount rates. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (each a 'cash-generating unit').

Income taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, plus any adjustment to taxes payable in respect of previous years. Deferred income taxes are recognized, using the liability method, on temporary differences between the financial reporting and tax basis of assets and liabilities, and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recognized only to the extent that it is probable the assets can be recovered.

Notes to Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2011 and year ended December 31, 2010
(Unaudited, tabular amounts in thousands of Canadian dollars, unless otherwise stated)

4. Significant changes to the Group's accounting policies following adoption of IFRS 1 ('First time adoption of IFRS') (continued)

Share based payments

The Company operates equity settled share based compensation plans for remuneration of its directors, officers, employees and consultants.

The fair value of the instruments granted is measured using Black-Scholes model, taking into account the terms and conditions upon which the instruments are granted. The fair value of the awards is adjusted by the estimate of the number of awards that are expected to vest as a result of non-market conditions and is expensed over the vesting period using an accelerated method of amortization. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions including the impact of the revision to original estimates, if any, with corresponding adjustments to equity.

Share-based compensation relating to share options is charged to the Consolidated Statements of Loss and Comprehensive Loss or capitalized to Mineral Properties on the Consolidated Statement of Financial Position over the vesting periods with corresponding adjustments to equity.

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

Share-based compensation relating to DSUs is calculated based on the quoted market value of the Company's common shares and charged to the Consolidated Statements of Loss and Comprehensive Loss or capitalized to Mineral Properties on the Consolidated Statement of Financial Position for costs relating to Group personnel employed in Romania. The compensation cost and liability is adjusted each reporting period for changes in the underlying share price.

Shareholders approved a Restricted Share Unit ("RSU") Plan at the Annual General meeting in June 2011, under which qualifying participants may receive certain compensation in the form of RSUs in lieu of cash. Upon vesting participants may redeem their RSUs for common shares of the Company, cash, or a combination of common shares of the Company and cash. RSUs are accounted for in the same manner as DSUs.

This accounting policy has been applied to all equity instruments granted after November 7, 2002 that had not yet vested at January 1, 2010, as set out further in Note 22.

Loss per share ("LPS")

LPS is calculated based on the weighted average number of common shares issued and outstanding during the period. Diluted per share amounts are calculated using the treasury stock method whereby proceeds deemed to be received on the exercise of options and warrants in the per share calculation are assumed to be used to acquire common shares. Whilst the Company is in a loss position, the effect of potential issuances of shares under options and warrants would be anti-dilutive, and has not been considered.

Notes to Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2011 and year ended December 31, 2010
(Unaudited, tabular amounts in thousands of Canadian dollars, unless otherwise stated)

4. Significant changes to the Group's accounting policies following adoption of IFRS 1 ('First time adoption of IFRS') (continued)

Employee benefits

Under a 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 and termination of employment. The obligation is determined on an actuarial basis and is affected by a number of assumptions and estimates. The accrued bonuses are recorded as a liability and the expense is capitalized as part of mineral properties.

Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. These provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax risk free rate. The increase in the provision due to passage of time is recognized as interest expense.

On recognition of a provision, an addition is made to the asset category the provision relates to and charged against profits on a unit of production basis.

At September 30, 2011, the Group has not incurred or committed to any asset retirement obligations related to the development of its mineral properties in Romania.

5. Cash and cash equivalents

As at	September 30 2011	December 31 2010	January 1 2010
Cash at bank and on hand	108,116	4,913	13,674
Short-term bank deposits	52,175	21,666	102,436
Cash and cash equivalents	160,291	26,579	116,110
Restricted cash	183	149	127
	160,474	26,728	116,237

Cash at bank and on hand earns interest at a floating rates based on daily bank deposit rates. Cash is deposited at highly reputable financial institutions of a high quality credit standing. The Group manages its domestic Romanian bank credit risk by centralizing custody, control and management of its surplus cash resources from its corporate office and only transferring money to its Romanian subsidiary based on immediate cash requirements, thereby mitigating exposure to domestic Romanian banks.

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

Restricted cash represents environmental guarantees for future clean up costs.

Notes to Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2011 and year ended December 31, 2010
(Unaudited, tabular amounts in thousands of Canadian dollars, unless otherwise stated)

6. Property, plant and equipment

	Office equipment	Building	Vehicles	Leasehold improvements	Construction in progress ⁽¹⁾	TOTAL
COST						
Balance - January 1, 2010	3,633	853	1,014	215	49,151	54,866
Additions	175	-	171	-	3,320	3,666
Disposals	(350)	(2)	(70)	-	(948)	(1,370)
Foreign exchange translation	(307)	(125)	(140)	-	(5,398)	(5,970)
Balance - December 31, 2010	3,151	726	975	215	46,125	51,192
Additions	494	-	484	286	1,063	2,327
Disposals	(80)	-	-	-	-	(80)
Foreign exchange translation	87	30	32	(10)	2,060	2,199
Balance - September 30, 2011	3,652	756	1,491	491	49,248	55,638
ACCUMULATED DEPRECIATION						
Balance - January 1, 2010	2,781	53	973	179	-	3,986
Depreciation for the period	433	10	33	25	-	501
Disposals	(313)	-	(69)	-	-	(382)
Foreign exchange translation	(233)	(7)	(133)	-	-	(373)
Balance - December 31, 2010	2,668	56	804	204	-	3,732
Depreciation for the period	262	8	46	25	-	341
Disposals	(71)	-	-	-	-	(71)
Foreign exchange translation	62	2	32	4	-	100
Balance - September 30, 2011	2,921	66	882	233	-	4,102
CARRYING AMOUNT						
At January 1, 2010	852	800	40	36	49,151	50,880
At December 31, 2010	483	670	171	11	46,125	47,460
At September 30, 2011	731	690	609	258	49,248	51,536

⁽¹⁾ Amounts included in construction in progress are not subject to amortization.

Notes to Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2011 and year ended December 31, 2010
(Unaudited, tabular amounts in thousands of Canadian dollars, unless otherwise stated)

6. Property, plant and equipment (continued)

Construction in progress includes the following amounts:

As at	September 30 2011	December 31 2010
Resettlement site development costs	1,427	625
Long- lead-time equipment	47,821	45,500
	49,248	46,125

7. Mineral properties

	Rosia Montana
Balance - January 1, 2010	349,778
Development costs - additions	45,148
Foreign exchange translation	(39,279)
Balance - December 31, 2010	355,647
Development costs - additions ⁽¹⁾	47,542
Foreign exchange translation	10,084
Balance - September 30, 2011	413,273

⁽¹⁾ Mineral property additions of \$47.5 million (2010 - \$45.1 million) is \$10.1 million higher than the amount reported in the Consolidated Statements of Cash Flows of \$37.4 million. The difference is attributed to a net adjustment of resettlement liabilities partially offset by non-cash charges for share based compensation and amortization (see details in Note 21).

At September 30, 2011, the Group's principal asset was its 80.69% direct ownership interest in the Project held indirectly through RMGC, which holds two mineral licenses in Romania, being the exploitation license for the Project and an exploration license application for the Bucium property. Minvest S.A. ("Minvest"), a Romanian state-owned mining company holds the remaining 19.31% interest in RMGC. The Group holds the pre-emptive right to acquire the 19.31% minority interest. The Company 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 (other than on non-interest bearing loans) from future cash flows prior to the minority shareholders receiving dividends. Under current legislation, RMGC will be required to pay a 4% gross production royalty on all gold and silver production from the Project.

Pursuant to the Project exploitation license, RMGC has the exclusive right to conduct mining operations at the Rosia Montana property for an initial term of 20 years expiring in 2019, and thereafter with successive five-year renewal periods.

Notes to Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2011 and year ended December 31, 2010
(Unaudited, tabular amounts in thousands of Canadian dollars, unless otherwise stated)

8. Exploration and evaluation expenses

The exploration license for the Bucium property was extended in 2004 and expired on May 19, 2007. The Group has 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 Group filed the necessary documentation to convert the exploration license into an exploitation license and the Group 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 the EIA for the Project is approved.

The Company, through its wholly owned subsidiary Rom Aur, held an exploration license with respect to the Baisoara property in Western Romania. The license was for an initial term of 5 years and expired in July 2011. The Company has decided to relinquish the license and has no further expenditure commitments in this respect.

9. Resettlement liabilities

For a number of years, the Group has had a program for purchasing homes in the Project area, which was suspended in February 2008 due to the suspension of the EIA review process in September 2007. Under the resettlement program residents were offered two choices. They could either choose to take the sale proceeds and move to a new location of their choosing or they could exchange their properties for a new property to be built by the Group at a new resettlement site. For those residents who choose the resettlement option, the Group increases its mineral properties on the balance sheet as well as resettlement liabilities for the anticipated construction costs of the resettlement houses. As the construction takes place, the cost of newly built houses are capitalized as construction in progress. After the transfer of legal title of the property is completed, the Group 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, 2011, the Group had accrued resettlement liabilities totaling \$4.8 million (December 31, 2010 – \$4.7 million), which represents the cost of building the remaining new homes for the local residents and outstanding delay penalties.

The construction of all 125 homes at the Recea resettlement site in Alba Iulia has been completed. The Group is currently reviewing the technical merits for a further resettlement village to be built, as well as the process of obtaining permits for this resettlement site. The remaining 24 property owners who chose to resettle within Rosia Montana have signed a three year extension contract. As a result of the delay in the delivery of homes, the Group paid or accrued a penalty of up to 20% of the agreed unpaid property value per year of delay as required by the agreement. As at September 30, 2011, the Group has accrued \$0.5 million (December 31, 2010 - \$0.6 million) representing its total estimated delay penalty. During the three and nine-months ended September 30, 2011, the Group paid \$40,000 and \$124,000 of delay penalties respectively (2010 – \$71,000 and \$122,000).

Notes to Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2011 and year ended December 31, 2010
(Unaudited, tabular amounts in thousands of Canadian dollars, unless otherwise stated)

10. Other liabilities

(a) DSUs

	DSU's (000's)	Price per common share (dollars)	Value
Outstanding - January 1, 2010	600	4.36	2,616
Granted	41	7.09	290
Amortized ⁽¹⁾	89	4.19	375
Settled	(551)	4.49	(2,475)
Change in fair value			606
Outstanding - December 31, 2010	179	7.89	1,412
Granted	31	7.63	235
Amortized ⁽¹⁾	134	4.19	562
Change in fair value			(219)
Balance - September 30, 2011	344	5.79	1,990

⁽¹⁾ The Company grants certain DSUs with vesting conditions. The expenses associated with these issuances are amortized over the determined vesting period.

As set out in Note 4, the Company implemented a DSU Plan under which qualifying participants receive certain compensation in the form of DSUs in lieu of cash. Initially valued at the five-day weighted average market price of the Company's common shares at the date of issue, DSUs are re-valued each period end based on the closing common share price at the period end, with the difference between fair value of the DSUs at the period end compared to the fair value at the end of the previous period. The initial value assigned to the DSUs plus the change in the fair market value of the DSU liability at the end of each reporting period has been recorded in share based compensation expense except for costs relating to personnel working on projects in Romania, which are capitalized.

During the nine-month period ended September 30, 2011, the Company recorded \$578,000 (2010 - \$481,000) of share based compensation expense related to DSUs and capitalized Nil (2010 - Nil).

Shareholders approved a Restricted Share Unit ("RSU") Plan at the Annual General meeting in June 2011, under which qualifying participants may receive certain compensation in the form of RSUs in lieu of cash. At September 30, 2011 no RSUs had been granted.

(b) Fidelity bonus and other benefits

	Total
Balance accrued - January 1, 2010	1,291
Additions	1,083
Foreign exchange translation	(171)
Balance accrued - December 31, 2010	2,203
Additions	
Foreign exchange translation	89
Balance accrued - September 30, 2011	2,292
Total other liabilities	4,282

As set out in Note 4, the Fidelity bonus is a collective bargaining agreement that exists between RMGC and its employees.

Notes to Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2011 and year ended December 31, 2010
(Unaudited, tabular amounts in thousands of Canadian dollars, unless otherwise stated)

11. Related party transactions

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

- (a) In December 2004, the Company advanced loans totaling US\$971,000 to the four non-controlling shareholders of RMGC, who at that date held an aggregate of 20% of the shares of RMGC, to facilitate a statutory requirement to increase RMGC's total share capital. The loans to two of the four shareholders were repaid in 2009. As a term of the July 2011 acquisition of a 0.23% equity interest in RMGC, a further US\$11,000 of the loan balance was deemed to have been repaid, and subsequent to this there remains one loan outstanding in the amount of US\$938,000 at September 30, 2011.
- (b) In 2009, the Company advanced loans totaling US\$40 million to the then remaining two non-controlling shareholders of RMGC to facilitate another statutory share capital increase in RMGC. As a term of the July 2011 acquisition of a 0.23% equity interest in RMGC, US\$463,000 of this loan balance was deemed to have been repaid, and subsequent to this there remains one loan outstanding in the amount of US\$39.5 million at September 30, 2011.
- (c) The above loans are non-interest bearing and are to be repaid as and when RMGC distributes dividends to its shareholders. The loans and related non-controlling interest contribution have been offset on the balance sheet until such time as the loans are repaid. Once the loans are repaid the non-controlling interest component will be reflected on the balance sheet.

12. Share capital

Authorized:

Unlimited number of common shares without par value

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

Issued:

	Note	Number of shares (000's)	Amount
Balance - January 1, 2010		339,200	733,481
Shares issued on the exercise of share options	14	8,909	19,339
Transfer from contributed surplus - exercise of share options	15		8,766
Shares issued on DSU settlement		74	357
Balance - December 31, 2010		348,183	761,943
Shares issued on the exercise of warrants		30,000	75,000
Transfer from common share purchase warrants			11,393
Shares issued on the exercise of share options	14	1,369	4,675
Transfer from contributed surplus - exercise of share options	15		2,535
Balance - September 30, 2011		379,552	855,546

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13. Common share purchase warrants

As at September 30, 2011, the following common share purchase warrants were issued and outstanding:

<i>Warrants issued to two financial institutions</i>	Number of warrants (000's)	Exercise price (dollars)	Assigned Value (US dollars)	Expiry date
Balance - January 1, 2010	1,125	4.88	1,500	November 28, 2010
Warrants settled	(750)		(1,000)	
Warrants lapsed	(375)		500	
Balance - December 31, 2010 and September 30, 2011	-		-	

During 2006, the Company entered into mandate letters with two international financial institutions to arrange project debt financing for the development of the Project. The two institutions were to provide a committed underwriting in an amount up to \$350 million. As a result of the suspension of the EIA review process in 2007, the mandate letters terminated during 2008 and 1.125 million warrants vested. Each warrant had a four year term and an exercise price of \$4.88. In March 2010, one of the two financial institutions exercised its option to receive a termination fee of \$1 million in respect of 750,000 warrants which was fully paid during the three-month period ended March, 31 2010. The remaining warrants lapsed on November 28, 2010.

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

During 2009, the Company closed a private placement with BSG Capital Markets PCC Limited ("BSG"). Pursuant to the 2009 private placement, BSG subscribed for 30 million units at a subscription price of \$2.25 per unit. Each unit consisted of one common share of the Company and one common share purchase warrant entitling BSG to purchase one additional common share of the Company at \$2.50 per share for 18 months, rising to \$3.00 per share for the final six months of the two year warrant period. The net proceeds of the 2009 private placement were allocated between the share capital and common share purchase warrants on the basis of their relative fair values. The amount allocated to share capital and common share purchase warrants was \$55.8 million and \$11.4 million, respectively.

In the three-month period ended June 30, 2011 BSG exercised all of its 30 million share purchase warrants. The cash proceeds of \$75 million received by the Company are reflected in the Consolidated Statement of Cash Flows and the previously allocated equity element of \$11.4 million was transferred from common share purchase warrants to share capital.

Notes to Consolidated Financial Statements

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14. Common share options

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

The maximum number of common shares issuable either as DSUs, RSUs or under the Plan is equal to 10% of the issued and outstanding common shares of the Company at any point in time.

As at September 30, 2011, common share 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)	Weighted average remaining contractual life (years)
1.18 - 1.96	4,391	1.58	1.6	4,251	1.57	1.6
1.97 - 2.22	5,000	2.00	1.2	1,667	2.00	1.2
2.23 - 4.16	3,885	3.06	2.3	2,972	3.05	2.2
4.17 - 7.18	5,329	4.96	3.4	2,081	4.73	2.7
7.19 - 8.13	6,232	8.09	4.3	291	8.10	4.3
	24,837	4.26	2.7	11,262	2.78	2.0

During the year ended December 31, 2010 and the nine-month period ended September 30, 2011, director, officer, employee and consultant common share options were granted, exercised and cancelled as follows:

	Number of options	Weighted average exercise price (dollars)
Balance - January 1, 2010	24,234	2.29
Options granted	9,432	6.54
Options forfeited / cancelled	(476)	3.75
Options exercised	(8,909)	2.17
Balance - December 31, 2010	24,281	3.95
Options granted	1,925	7.48
Options exercised	(1,369)	3.42
Balance - September 30, 2011	24,837	4.26

Notes to Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2011 and year ended December 31, 2010
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14. Common share options (continued)

The estimated fair value of common share options is amortized using graded vesting 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 fair value of these options is amortized using graded vesting over the anticipated vesting period.

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

During the nine-month period ended September 30, 2011, the Company granted 1.9 million options. Of the 1.9 million options granted, 1.3 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 expensed over the estimated vesting period of the performance options.

The valuation of the common share options granted in the three and nine-month periods ended September 30, 2011 and 2010 was calculated with the following assumptions:

	3 months ended		9 months ended	
	September 30		September 30	
	2011	2010	2011	2010
Weighted average risk-free interest rate	1.30%	1.49%	2.07%	1.68%
Volatility of the expected market price of share	89%	103%	92%	103%
Weighted average expected life of options	3.5	2.6	3.5	2.6
Estimated forfeiture rate	3.0%	-	0.5%	-
Weighted average fair value of awards	4.44	3.00	4.66	2.79

As of September 30, 2011, the remaining fair value of outstanding unvested options to be expensed is \$10.0 million and to be capitalized is \$13.9 million. For the three and nine months ended September 30, 2011 and 2010, fair value of share options are expensed and capitalized as follows:

	3 months ended		9 months ended	
	September 30		September 30	
	2011	2011	2011	2011
Expensed	2,494	749	7,589	4,140
Capitalized	2,141	395	9,832	988

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For the three and nine-month periods ended September 30, 2011 and year ended December 31, 2010
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15. Contributed surplus

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

	Total
Balance - January 1, 2010	22,992
Share-based compensation	12,801
Exercise of share options	(8,766)
Balance - December 31, 2010	27,027
Share-based compensation	17,421
Purchase of non-controlling interest shares	(1,099)
Exercise of share options	(2,535)
Balance - September 30, 2011	40,814

16. Income taxes

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

During May 2011 the Group received a favourable decision from the Bucharest Court of Appeal for the reimbursement of taxes paid in 2005 to 2007. The timeframe and process for seeking recovery of the full amount is uncertain at this time. As of September 30, 2011 no amount was recorded in the consolidated interim financial statements in relation to a potential reimbursement to the period 2005 to 2007 as the ruling is still open to appeal in the Supreme Court. All tax assessments for prior periods have been paid or provided for in the respective company financial statements.

Notes to Consolidated Financial Statements

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17. Segmented information

The Group has one operating segment: the exploration, evaluation and development of precious metal mining projects located in Romania.

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

	Mining		Administration		Total	
For the three-month periods ended September 30,	2011	2010	2011	2010	2011	2010
Reportable items in the Consolidated Statements of Loss and Comprehensive Loss						
Finance income	-	-	(365)	(100)	(365)	(100)
Finance expenses	-	-	61	34	61	34
Amortization	-	-	52	49	52	49
Reportable segment loss	-	-	3,640	(13,107)	3,640	(13,107)
For the nine-month periods ended September 30,						
	2011	2010	2011	2010	2011	2010
Reportable items in the Consolidated Statements of Loss and Comprehensive Loss						
Finance income	-	-	(968)	(294)	(968)	(294)
Finance expenses	-	-	-	499	-	499
Amortization	-	-	145	157	145	157
Reportable segment loss	-	-	8,276	14,332	8,276	14,332
Balance - September 30,						
	2011	2010	2011	2010	2011	2010
Reportable segment in Consolidated Statement of Financial Position						
Reportable segment current assets	5,318	2,089	159,641	131,659	164,959	133,748
Reportable segment non - current assets	420,449	370,197	44,543	33,584	464,992	403,781
Reportable segment liabilities	(16,608)	(9,156)	(4,045)	(3,381)	(20,653)	(12,537)

Notes to Consolidated Financial Statements

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18. 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 Group's risk exposures and the impact on the Group's financial instruments are summarized below:

Credit risk

The Group's credit risk is primarily attributable to cash, cash equivalents, and short-term investments that are held in investment accounts with Canadian banks and invested in sovereign debt. The Group has adopted an investment strategy to minimize its credit risk by investing in sovereign debt (primarily issued by Canada and Germany, subject to availability) with the balance of cash being invested on short-term overnight deposit with the major Canadian banks.

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

The Group holds small cash balances in the United Kingdom to fund corporate office activities.

The Group's credit risk is also attributable to value-added taxes receivable. Value-added taxes receivable are collectable from the Romanian government, although RMGC is permitted in certain circumstances to offset certain RMGC payroll taxes against such recoverable value-added taxes.

Liquidity risk

The Group has sufficient funds as at September 30, 2011 to settle all current and long-term liabilities.

Market risk

(a) Interest rate risk

The Group has significant cash balances and no debt. With the Group maintaining a short-term investment horizon, typically less than 6 months, for its cash, cash equivalent, and short-term investment balances, it minimizes the risk of interest rate volatility as investments mature and are rolled over. Where yields on investments less than 90 days are not significantly lower than investments greater than 90 days but less than one year, the Group has elected to utilise the shorter term investments.

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

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

Notes to Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2011 and year ended December 31, 2010
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18. Financial instruments (continued)

(b) Foreign currency risk

The Company's reporting currency is the Canadian dollar and its activities expose it to significant fluctuations in foreign exchange rates. The Group has monetary assets and liabilities denominated in Romanian RON, US dollars, UK pounds sterling and Euros and is, therefore, subject to exchange variations against the reporting currency.

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

Financial instruments

As at September 30, 2011 and December 31, 2010, the Group's financial instruments consisted of cash and cash equivalents, short-term investments, other current assets, accounts payable and accrued liabilities, and other long-term liabilities. With respect to all of these financial instruments, the Group estimates that their fair values approximate their carrying values at September 30, 2011 and December 31, 2010 respectively.

The following table illustrates the classification of the Group's financial instruments within the fair value hierarchy as at September 30, 2011:

	Financial assets and liabilities at fair value as at September 30, 2011			
	Level 1	Level 2	Level 3	Total
Cash	108,116	-	-	108,116
Cash equivalents	52,175	-	-	52,175
Deferred share units	(1,990)	-	-	(1,990)
	158,301	-	-	158,301

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Notes to Consolidated Financial Statements

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18. Financial instruments (continued)

Sensitivity analysis

The Group has designated its cash, cash equivalents, and short-term investments as held-for-trading, which are measured at fair value. As of September 30, 2011, 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, based on its balance of cash, cash equivalents and short-term investments as at September 30, 2011, the following movements are "reasonably possible" over a three-month period:

- Cash and cash equivalents include deposits which are at floating interest rates. A plus or minus 1% change in earned interest rates would affect net income from deposits by approximately \$0.4 million.
- The Group holds significant balances in foreign currencies, and this gives rise to exposure to foreign exchange risk. As of September 30, 2011 a plus or minus 1% change in foreign exchange rates would affect net income by approximately \$0.7 million.

19. Capital management

The Group's objective when managing capital is to safeguard its accumulated capital (cash, cash equivalents and short-term investments) in order to fund development of the Project. The Group manages, and makes adjustments to its capital structure based on the level of funds on hand and anticipated future expenditures.

While the Group expects that it will be able to obtain equity, long-term debt and/or alternative financing sufficient to build and operate the Project, there are no assurances that these initiatives will be successful. To safeguard capital the Group invests its surplus capital in highly liquid, highly rated financial instruments.

20. Commitments and contingencies

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

	Note	Total	2011	2012	2013	2014	2015	Thereafter
Goods and services	a	13,650	11,006	2,342	7	7	7	281
Long lead time equipment	b	545	545	-	-	-	-	-
Rosia Montana exploitation license	c	1,364	195	195	195	195	195	389
Surface concession rights	d	820	5	21	21	21	21	731
Lease agreements	e	2,943	121	364	364	292	277	1,525
Total commitments		19,322	11,872	2,922	587	515	500	2,926

Notes to Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2011 and year ended December 31, 2010
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20. Commitments and contingencies (continued)

- (a) The Group has a number of ‘arms-length’ agreements with unrelated third parties who provide a wide range of goods and services which totalled \$13.7 million at September 30, 2011 (December 31, 2010 – \$13.6 million). Typically, the service agreements are for a term of not more than one year and permit either party to terminate upon notice periods ranging from 15 to 90 days. Upon termination, the Group has to pay for services rendered and costs incurred to the date of termination.
- (b) During 2007, the Group entered into purchase agreements for long-lead-time equipment, the cost of which has now been largely paid (over the period commencing 2007). The following is a summary of the long-lead-time equipment orders and the payment status:

September 30,	2011	2010
Total purchase agreements:		
Grinding area systems	42,003	42,032
Crusher facilities	3,961	3,961
Foreign exchange translation	2,004	1,647
	47,968	47,640
Amount paid as at September 30,		
Grinding area systems	(41,481)	(40,425)
Crusher facilities	(3,961)	(3,881)
Foreign exchange translation	(1,981)	(1,568)
Outstanding payment obligation	545	1,766

- (c) Under the terms of the Group’s exploitation mineral license for the 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 8 years remaining.
- (d) RMGC has approximately 41 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 one of the Project’s proposed open pits for an annual payment of \$20,000.
- (e) The Group has entered into agreements to lease premises for various periods. The annual rent of premises consists of minimum rent plus realty taxes, maintenance and utilities.

The Group has a professional service agreement with an international communications firm providing services in media planning and related activities. The agreement expires on February 29, 2012. The agreed fee consists of annual fees of €225,000, payable monthly, and a success fee of €800,000 payable at the completion of the agreement and contingent upon fulfillment of certain criteria.

In July 2011 RMGC contingently committed to a US\$70 million expenditure plan, including an initial US\$10 million potentially payable in 2011, through a formal protocol agreed with the National Institute of Heritage. This agreement partners RMGC with the National Institute of Heritage to carry out research, appraisal and consolidation-restoration works of historical monuments across Romania included in the National Program for the Restoration of Historical Monuments. The payment of the US\$70 million is contingent upon certain milestones, which as of September 30, 2011 have not been attained. In addition, RMGC is working with the local government on various heritage and cultural initiatives in and around Rosia Montana. Following the issuance of the environmental permit, RMGC will be committed to these undertakings, the cost of which is estimated to be approximately US\$70 million.

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21. Supplemental cash flow information

	3 months ended September 30,		9 months ended September 30,	
(a) Net changes in non-cash working capital	2011	2010	2011	2010
Operating activities:				
Accounts receivable, prepaid expenses and supplies	(375)	(70)	(661)	(244)
Accounts payable and accrued liabilities	(1,679)	(1,321)	(669)	(1,171)
Unrealized foreign exchange gain on working capital	-	20	-	22
	(2,054)	(1,371)	(1,330)	(1,393)
Investing activities:				
Accounts receivable, prepaid expenses and supplies	(500)	(571)	(1,359)	322
Accounts payable and accrued liabilities	4,111	1,152	2,591	(3,353)
Unrealized gain / (loss) on short-term investments	(1,381)	4,116	1,006	(314)
	2,230	4,697	2,238	(3,345)
(b) Exploration and development expenditures				
Balance sheet change in mineral properties excluding CTA	(18,273)	(7,193)	(47,542)	(25,994)
Decrease in resettlement liabilities	276	(139)	97	(695)
Non-cash depreciation and disposal capitalized	63	192	196	1,155
Share based compensation capitalized	2,141	(1,742)	9,832	988
Exploration and development expenditures per cash flow statement	(15,793)	(8,882)	(37,417)	(24,546)
(c) Cash and cash equivalents is comprised of:				
Cash	108,116	8,747	108,116	8,747
Short-term investments (less than 90 days) - weighted average interest of 0.92% (2010 - 0.44%).	52,175	48,932	52,175	48,932
	160,291	57,679	160,291	57,679

Notes to Consolidated Financial Statements

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22. Transition to IFRS

As set out in Note 2, the Group has adopted IFRS for the year ended December 31, 2011. The significant accounting policies adopted are set out in Note 4. In preparing these consolidated interim financial statements the Group has converted to IFRS from Canadian GAAP as at the Transition Date and prepared an opening balance sheet under IFRS at that date. At that date the Group made changes in accounting policies and other restatements required by IFRS 1 ('First-time Adoption of International Financial Reporting Standards'). This note explains the principal adjustments made by the Group in restating its Canadian GAAP balance sheet as at January 1, 2010 and December 31, 2010 and its previously published Canadian GAAP unaudited interim consolidated financial statements for the three and nine-month periods ended September 30, 2010.

Exemptions applied

IFRS 1 allows exemptions from the application of certain IFRS requirements to assist companies with the transition process.

Accordingly, the Group has applied the following choices in respect of the optional exemptions from full retrospective application, as set out in IFRS 1.

a) Business combinations exemption

The Group has applied the business combinations exemption in IFRS 1. It has not restated business combinations that took place prior to the Transition Date.

b) Share-based payment transaction exemption

The Group has elected to apply the exemption to IFRS 2 Share-based Payments to equity instruments granted on or before November 7, 2002, and to all awards granted after November 7, 2002 and vested before January 1, 2010.

c) Effect of changes in foreign exchange rates

The Group has elected to deem that the cumulative translation differences for all foreign subsidiaries will be zero at the Transition Date as permitted under IFRS 1.

Reconciliations

The following reconciliations provide details of impact of the Group's transition to IFRS:

- Statement of financial position;
- Statements of loss and comprehensive loss;
- Equity reconciliation;
- Reconciliation of loss and comprehensive loss; and
- Statement of cash flows.

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22. Transition to IFRS (continued)

Reconciliation of statement of financial position:

Note	As at January 1, 2010			As at September 30, 2010			Year ended December 31, 2010			
	Canadian GAAP	IFRS adjustments	IFRS	Canadian GAAP	IFRS adjustments	IFRS	Canadian GAAP	IFRS adjustments	IFRS	
ASSETS										
<i>Current assets</i>										
Cash and cash equivalents	116,110	-	116,110	57,679	-	57,679	26,579	-	26,579	
Short - term investments	46,201	-	46,201	73,604	-	73,604	94,941	-	94,941	
Accounts receivable	1,460	-	1,460	1,368	-	1,368	1,732	-	1,732	
Prepaid expenses and supplies	788	-	788	940	-	940	941	-	941	
<i>Total current assets</i>	164,559	-	164,559	133,591	-	133,591	124,193	-	124,193	
<i>Non - current assets</i>										
Restricted cash	127	-	127	157	-	157	149	-	149	
Property, plant and equipment	52,464	(1,584)	50,880	52,974	(4,194)	48,780	54,641	(7,181)	47,460	
Mineral Properties	22 a,b,c)	441,545	(91,767)	349,778	467,539	(112,537)	355,002	482,909	(127,262)	355,647
<i>Total non - current assets</i>	494,136	(93,351)	400,785	520,670	(116,731)	403,939	537,699	(134,443)	403,256	
TOTAL ASSETS	658,695	(93,351)	565,344	654,261	(116,731)	537,530	661,892	(134,443)	527,449	
LIABILITIES										
<i>Current liabilities</i>										
Accounts payable and accrued liabilities	10,402	-	10,402	5,970	-	5,970	9,754	-	9,754	
Resettlement liabilities	5,442	-	5,442	4,747	-	4,747	4,686	-	4,686	
<i>Non - current liabilities</i>										
Other liabilities	3,908	-	3,908	1,822	-	1,822	3,615	-	3,615	
<i>Total liabilities</i>	19,752	-	19,752	12,539	-	12,539	18,055	-	18,055	
SHAREHOLDER'S EQUITY										
Share capital	733,481	-	733,481	749,704	-	749,704	761,943	-	761,943	
Common share purchase warrants	11,393	-	11,393	11,393	-	11,393	11,393	-	11,393	
Contributed surplus	22 b)	18,050	4,942	22,992	18,254	8,953	27,207	17,150	9,877	27,027
Foreign currency translation reserve	22 a)	-	-	-	-	(26,707)	(26,707)	-	(44,876)	(44,876)
Accumulated deficit	22 a,b,c)	(123,981)	(98,293)	(222,274)	(137,629)	(98,977)	(236,606)	(146,649)	(99,444)	(246,093)
<i>Total equity</i>	638,943	(93,351)	545,592	641,722	(116,731)	524,991	643,837	(134,443)	509,394	
TOTAL EQUITY AND LIABILITIES	658,695	(93,351)	565,344	654,261	(116,731)	537,530	661,892	(134,443)	527,449	

Notes to Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2011 and year ended December 31, 2010
(Unaudited, tabular amounts in thousands of Canadian dollars, unless otherwise stated)

22. Transition to IFRS (continued)

Reconciliation of statement of loss:

	Note	3 months ended September 30, 2010			9 months ended September 30, 2010			Year ended December 31, 2010		
		Canadian GAAP	IFRS adjustments	IFRS	Canadian GAAP	IFRS adjustments	IFRS	Canadian GAAP	IFRS adjustments	IFRS
Expenses										
Exploration and development		-	-	-	-	138	138	-	138	138
Corporate, general and administrative		1,489	-	1,489	5,459	-	5,459	7,490	-	7,490
Share based compensation	22 b)	1,085	1,474	2,559	4,621	547	5,168	6,469	1,014	7,483
Project financing costs		34	-	34	499	-	499	(31)	-	(31)
Depreciation		49	-	49	157	-	157	210	-	210
		2,657	1,474	4,131	10,736	685	11,421	14,138	1,152	15,290
Interest		(100)	-	(100)	(294)	-	(294)	(448)	-	(448)
Foreign exchange loss		(10,222)	-	(10,222)	10,117	-	10,117	15,902	-	15,902
Loss before income tax		(7,665)	1,474	(6,191)	20,559	685	21,244	29,592	1,152	30,744
Income tax expense		(6,916)	-	(6,916)	(6,912)	-	(6,912)	(6,925)	-	(6,925)
LOSS FOR THE PERIOD/YEAR		(14,581)	1,474	(13,107)	13,647	685	14,332	22,667	1,152	23,819

Loss per share (basic and diluted): \$ (0.04) \$ 0.004 \$ (0.038) \$ 0.04 \$ 0.002 \$ 0.042 \$ 0.065 \$ 0.003 \$ 0.068

Reconciliation of statement of comprehensive loss:

	Note	3 months ended September 30, 2010			9 months ended September 30, 2010			Year ended December 31, 2010		
		Canadian GAAP	IFRS adjustments	IFRS	Canadian GAAP	IFRS adjustments	IFRS	Canadian GAAP	IFRS adjustments	IFRS
LOSS FOR THE PERIOD / YEAR		(14,581)	1,474	(13,107)	13,647	685	14,332	22,667	1,152	23,819
<i>Other comprehensive income</i>										
Currency translation adjustment		-	(32,791)	(32,791)	-	26,707	26,707	-	44,876	44,876
COMPREHENSIVE LOSS FOR THE PERIOD / YEAR		(14,581)	(31,317)	(45,898)	13,647	27,392	41,039	22,667	46,028	68,695

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For the three and nine-month periods ended September 30, 2011 and year ended December 31, 2010
(Unaudited, tabular amounts in thousands of Canadian dollars, unless otherwise stated)

22. Transition to IFRS (continued)

Reconciliation of equity at the transition to IFRS:

Note	At the transition date January 1, 2010	For the 9 months ended September 30, 2010	For the Year ended December 31, 2010
Equity previously reported under Canadian GAAP	638,942	641,722	643,837
<i>Items separately disclosed in the shareholder's equity</i>			
Adjustments to equity			
- exploration and evaluation assets capitalized before the feasibility study was completed	22 c) (27,300)	(27,438)	(27,438)
- foreign currency translation differences arising from the translation of transactions recorded in a different currency than the functional currency	22 a) (70,992)	(98,246)	(116,882)
- adjustment to amortization of share options using accelerated method and applying forfeiture rate	22 b) 4,942	8,953	9,877
Equity reported under IFRS	545,592	524,991	509,394

Reconciliation of loss and comprehensive loss for the period/year:

	For the three months ended September 30, 2010	For the nine months ended September 30, 2010	For the year ended December 31, 2010
Loss for the period/ year under Canadian GAAP	(14,581)	13,647	22,667
Adjustment to expense			
- exploration costs capitalized before the feasibility study was completed	22 c) -	138	138
- adjustment to amortization of share options using accelerated method and applying forfeiture rate	22 b) 1,474	547	1,014
Loss for the period/year attributable to equity holders of parent reported under IFRS	(13,107)	14,332	23,819

Restatement of cash flows from Canadian GAAP to IFRS

The restatement from Canadian GAAP to IFRS had no significant effect on the reported cash flows generated by the Group. The reconciling items between Canadian GAAP and IFRS presentation have no net effect on the cash flows generated.

Notes to Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2011 and year ended December 31, 2010
(Unaudited, tabular amounts in thousands of Canadian dollars, unless otherwise stated)

22. Transition to IFRS (continued)

Primary adjustments

In adopting IFRS, the primary adjustments to the consolidated Canadian GAAP financial statements as translated into Canadian dollars, and reclassified to conform to IFRS balance sheet formats, are set out as follows:

a) IAS 21 - Effect of changes in foreign exchange rates

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with IAS 21 and should be measured using the currency of the primary economic environment in which the entity operates. As set out in Note 4, the functional currency of the corporate office is CAD and the functional currency of the Romanian subsidiary is RON. The unaudited interim consolidated financial statements are presented in CAD which is the Group's presentation currency.

Under IFRS, the results and financial position of all entities in the Group that have a functional currency different from the Group's presentation currency are translated into the Group's presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- equity transactions are translated at the historical exchange rate;
- income and expenses for each income statement are translated at the date in effect on date of the transaction (or at average exchange rates); and
- all resulting exchange differences are recognized as a separate component of Equity.

IFRS 1 allows first time adopters to deem that the cumulative translation differences for all foreign subsidiaries to be zero at the date of transition to IFRS and, further, that any gain or loss on a subsequent disposal of a foreign subsidiary would exclude any translation differences that arose before the date of transition to IFRS but would include all subsequent translation differences.

Upon adoption of IFRS, all resulting foreign exchange differences from translation of the entities' assets, liabilities and income statement items are expected to be recognized in Other Comprehensive Income as a separate component of Equity. The impact at the transition date under IAS 21 is \$71.0 million. However, the Group elected to eliminate its currency translation adjustment balance in the Statement of Financial Position, as permitted for first-time IFRS adopters. The effect of this elimination was an increase in the deficit of \$71.0 million. In addition a reduction of \$32.8 million and an addition of \$26.7 million were recognized in Other Comprehensive Income as a separate component of Equity in respect of the three and nine-month periods ended September 30, 2010.

b) IFRS 2 – Share-based payments

The accounting policy under IFRS 2 has been retrospectively applied to all equity instruments granted after November 7, 2002 that had not vested at January 1, 2010.

IFRS 2 requires share-based payments to be fair valued at grant date and charged through the Statement of Loss over the vesting period using the accelerated method of vesting. The straight line method of amortization, used by the Company in accordance with Canadian GAAP, is disallowed. The expense of performance options under Canadian GAAP is typically recognized when the performance criteria are met and is often called "cliff vesting" where all of the expense is recognized upon satisfaction of the performance criteria. However, under IFRS the expense associated with performance options must be spread over the expected vesting period of the performance option.

Notes to Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2011 and year ended December 31, 2010
(Unaudited, tabular amounts in thousands of Canadian dollars, unless otherwise stated)

22. Transition to IFRS (continued)

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

As a result, the fair value of the grants measured using Black-Scholes model is adjusted by the estimated number of awards that are expected to vest as a result of non-market conditions and is expensed over the vesting period using an accelerated method of amortization.

At the Transition Date, the impact of IFRS 2 adoption is \$4.9 million which has been reflected in Contributed Surplus, Accumulated Deficit and Mineral Properties. In addition further adjustments of \$2.8 million, \$9.0 million and \$9.9 million were made for the three and nine-month periods ended September 30, 2010 and year ended December 31, 2010, respectively.

c) IFRS 6 - Exploration for and evaluation of mineral resources

IFRS 6 permits all exploration costs, incurred before a company has obtained the legal rights to explore a specific area and before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, to be expensed in the year that they are incurred. Management has determined that under IFRS the Group's accounting policy for exploration and evaluation assets is that exploration expenditures should be expensed and only capitalized to Mineral Properties after the completion of a feasibility study.

On transition to IFRS \$27.2 million of capitalized exploration costs existed at January 1, 2010 and these costs were capitalized before the feasibility studies for Rosia Montana, Bucium and Baisoara were completed and have been de-recognized and expensed in Accumulated Deficit. \$Nil and \$138,000 of exploration costs were expensed in relation to the Bucium and Baisoara properties in the three and nine-month periods ended September 30, 2010.