Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides a commentary to enable a reader to assess material changes in the financial condition and results of operations of Gabriel Resources Ltd. ("Gabriel" or the "Company") as at and for the three-month and nine-month periods ended September 30, 2014 and 2013.

The MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto of the Company as at and for the three-month and nine-month periods ended September 30, 2014 and 2013 ("Statements"). These Statements have been prepared in condensed format in accordance with International Financial Reporting Standards ("IFRS") as applicable to the preparation of interim financial statements, including International Accounting Standard IAS 34 ('Interim Financial Reporting'). The unaudited condensed interim consolidated financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS. All amounts included in the MD&A are in Canadian dollars ("$"), unless otherwise specified. This report is dated as of November 11, 2014, 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 Toronto Stock Exchange listed Canadian resource company engaged in the exploration and development of mineral properties in Romania. Gabriel is presently in the permitting stage and preparing to develop the Roșia Montană gold and silver project (the "Project"). Roșia Montană Gold Corporation S.A. ("RMGC") holds an exclusive exploitation license for the Project. Through its 80.69% equity shareholding in RMGC, Gabriel has a beneficial majority ownership interest in the Project. Minvest Roșia Montană S.A. ("Minvest RM"), a Romanian state-owned mining company, owns the remaining 19.31% equity shareholding in RMGC. Gabriel holds a right of first refusal to acquire the minority interest in RMGC.

The Company's vision is to create value for all stakeholders and to build a showcase mine for Romania from a safety-led, technically advanced and environmentally responsible approach to 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 land reclamation based on European Union ("EU") recognized best available techniques. Full compliance with EU regulations, which are amongst the most stringent in the world, will assist with the Company's goal of achieving a legacy of sustainable development while preserving the area's cultural heritage and removing severe historical pollution in the region caused by unregulated Romanian state mining, for the benefit of future generations.

Key Issues

Political Situation – Recent Developments

For the majority of 2014 political activities in Romania have focused on winning party political representation in the European Parliamentary elections, which took place at the end of May, and campaigning in the election of a new President, the second round run-off of which is due to take place on November 16, 2014.

Amongst other matters, this election focus has been a major factor that has contributed to a lack of progress and Governmental decision-making for major domestic strategic objectives in Romania, including the Project.

The outcome of the European Parliamentary elections was favorable for the Social Democrat party ("PSD"), being the party of Prime Minister Victor Ponta. The National Liberal party ("PNL") fared less well, ultimately followed by the resignation of its leader, Crin Antonescu, and the announcement of a PNL alliance with the Liberal Democrat party ("PDL") for the Presidential election (to be followed by a full merger of those centre-right parties effective January 2017). Mr. Klaus Iohannis is the new leader of the alliance, referred to as 'ACL', and he is its chosen Presidential candidate.

The President of Romania is elected for a 5-year term and the incumbent, Mr. Basescu, cannot stand again as he is completing his second term. There were fourteen candidates for the Presidential election, including Mr. Ponta. As no single candidate obtained a majority of 50% +1 of the eligible votes in the first round voting, which took place on November 2, 2014, a second round run-off is to be held between the top two candidates, Mr. Ponta and Mr. Iohannis, with voting scheduled for November 16, 2014.

The Company has previously indicated that any key decisions in respect of permitting of the Project are unlikely until the outcome of the Presidential election and the resulting political changes are completed. These changes would include a new Prime Minister should Mr. Ponta be successful in his Presidential campaign, along with potential changes to key ministerial positions within the Government. The new President will take office on December 22, 2014. The process for the potential appointment of a new Prime Minister thereafter is nomination by the President followed by Parliamentary ratification, which could lead to uncertainty until early 2015 in respect of the potential for change in key ministerial positions which directly affect decision-making on the Project.

The seemingly adversarial political situation that has existed in Romania for more than two years, with a centre-right President persistently challenging the Prime Minister and his socialist dominated coalition Government, is frequently spotlighted and debated in the Romanian media. This has contributed to an overall environment where material progress on high-profile issues, such as the Project, has been lacking in both political will and focus on the necessary legal and regulatory requirements from those in authority. The outcome of the pending Presidential election is likely to have some influence on how the political environment develops in the short to medium term.

Aside from the election focus, the general political background in 2014 has again been characterized by instability and continual changes to the constituent parties in the Government. This, together with the failed legislative initiatives of 2013, including a specific law related to the Project, and a revised Mining Law applicable to all mineral resources in Romania, has resulted in a lack of transparency on the timing or process for permitting the Project during 2014.

In light of the current situation, and the repeated delays of the Government to properly address the assessment and permitting procedures for the Project, the Company has continued to reduce its cost base (of which employee retrenchment has formed a significant part) and in Q2 2014 closed a non-brokered private placement, with a number of existing investors, to raise aggregate gross proceeds of $35 million (the "Private Placement").

These initiatives have a long-term goal of ensuring that the Company remains financially strong, and capable of maintaining, as far as possible, all existing licenses and permits in good standing, and progressing various other similar applications. The Private Placement is more fully described in the Statements.

Political Situation – Outlook for the Project

In late 2013, the Romanian Parliament established a Special Joint Committee of the Senate and of the Chamber of Deputies ("Special Committee") which, on November 11, 2013, published its report (the "Report") and voted in favor of a recommendation for the rejection of a draft law "*on certain measures related to the exploitation of the gold-silver deposits from Roşia Montană and stimulation and facilitation of mining development in Romania*" ("Special Draft Law"). On November 19, 2013 the Senate rejected the Special Draft Law and, on June 3, 2014, the Chamber of Deputies voted in line with the Senate. Therefore the Special Draft Law has now been definitively rejected by Parliament.

The Report did not propose acceptance or rejection of the Project by the Parliament, albeit numerous and wide-ranging conclusions and recommendations were noted in the Report, including that a general legislative framework be drafted for the mining industry and gold and silver mining projects as a whole; such a framework has yet to be adopted by Parliament. As previously reported, a number of the recommendations which were presented by the Special Committee have already been addressed extensively by the competent authorities or institutions charged with assessing the Project, such as the Technical Assessment Committee of the Environment Ministry ("TAC").

Pending the outcome of the Presidential election and completion of any subsequent ministerial changes, the ability of RMGC to initiate additional, meaningful dialogue with the relevant ministries of the Government and the TAC regarding the completion of environmental permitting will be severely limited. Consequently, Gabriel cannot provide any estimates for the likely time required to address, and resolve, matters arising in the Report or those raised in the TAC meetings of April 2 and July 24, 2014 (as further described below). Furthermore, Gabriel has been unable to obtain any assurances as to the impact upon the Project permitting of two recent legal cases that upheld suspending or cancelling certain previously obtained permits.

In the immediate future, the Company and RMGC will continue to pursue a strategy of engagement with all stakeholders, to explain the critical importance of the Project as part of the sustained economic development for Romania and the Company's commitment to adhere to the highest standards on engineering, environmental, cultural and social matters which will allow the Project to become a showcase for investment in Romania and a sustainable legacy for the Romanian people.

Environmental & Permitting

Government approval of the environmental permit for the Project ("EP") is required in accordance with current legislation prior to its issuance. The EP is pivotal to the future construction and operational permitting progress of the Project. A key factor in the Government approval decision is the recommendation of the TAC, originally charged with the detailed assessment of the environmental impact assessment ("EIA") and compliance of the Project.

However, in light of the continued political uncertainty as described above, together with a lack of transparency on next steps with the TAC (as noted below), the outlook regarding approval of the EP is uncertain at this time. As a result, the Company remains unable to provide guidance on the timeframes to a final recommendation on environmental permitting of the Project from the TAC or the Ministry of Environment and Climate Change ("MoE") or approval of the EP from the Government. The Company remains confident that it will comply with, and in some aspects exceed, its obligations under EU and Romanian laws for environmental protection and guarantees.

Environmental

Following three years of suspension, in September 2010 the MoE recommenced the TAC review of the EIA. During 2013, following four meetings of the TAC, the last of which was held on July 26, it was the Company's understanding that the TAC had completed all technical review aspects of the EIA process and was close to being in a position to issue a recommendation on the issuance of the EP. However, the Report appears to have introduced further delay to the TAC process.

After an eight month void, a meeting of the TAC was convened on April 2, 2014, primarily as an opportunity to consider environmental issues raised in the Report. No formal conclusions were noted at the meeting.

On July 24, 2014 a further TAC meeting was held. The principal agenda item was to discuss the MoE's proposed requirement for, and the related scope of, a further study on the permeability of the Project's tailings management facility, as recommended in the Report. The meeting finished without conclusion and the TAC members were tasked to consider further their respective positions on the need for, and scope of, such a study. Amongst other matters, RMGC has submitted that all material environmental issues arising in the Report had been extensively considered and concluded upon at prior TAC meetings and that a supplementary study is not necessary, and that the proposed initiation of a further study by the MoE would contravene the environmental impact assessment procedure as regulated by law. RMGC now awaits formal feedback and guidance from the Government, the MoE and the TAC as to whether further meetings, studies or documentation will be requested before the TAC is in a position to issue a recommendation to the Government.

Permitting Overview

Although the EP is the most important approval for the Project, there is a large number of access rights, licenses, permits, approvals and authorizations from the local, county and federal levels of Government required to advance the Project to construction. These permits include zonal urbanism plans for the industrial and protected areas, forestry/agriculture land use change permits, as well as other permits and approvals that follow the issuance of the EP.

The application for, and issuance of, each material license, permit, approval and authorization is governed by a separate set of laws, rules and regulations. To the extent these additional permits and approvals for the development, construction and operation of the Project are not dependent on issue of the EP, or acquisition of surface rights, the processes for each of these are likely to proceed in parallel with the review of the EIA.

There is no precedent or regulatory timeline in Romania for permitting a mining operation on the scale of the Project. However, in the absence of any other extraordinary or unforeseen events, legal or otherwise, the Company expects the current processes for obtaining the majority of the outstanding surface rights and other permits and approvals (including initial construction permits for the Project) to take approximately one year from the date the EP is issued.

Urbanism Plans

Romania manages its land planning through several levels of zoning, which include (i) general urbanism plans and accompanying local regulations ("PUGs") and (ii) zonal urbanism plans and accompanying local regulations ("PUZs"). In 2002, the local council of Roșia Montană passed resolutions approving a PUG and also a PUZ designating an industrial zone under the footprint of the proposed new mine at Roșia Montană ("2002 PUZ").

Since 2002, the Company has updated the design of the proposed mine, reduced the size of the footprint, expanded the protected zones and incorporated a number of additional changes to the proposed mine, all arising as a result of public consultation. Accordingly, in 2006, an amended PUZ for the industrial development area of the Project was initiated, and such PUZ was further updated in 2010 ("Industrial Area PUZ"). It is currently proposed that, subject to the receipt of the relevant approvals (as described below), the Industrial Area PUZ will replace the 2002 PUZ.

There was limited progress in 2013 and 2014 to date in obtaining the required endorsements for the Industrial Area PUZ. As at September 30, 2014, RMGC had 18 valid endorsements out of the total number of 23 necessary for the approval of such PUZ. In April 2014, pursuant to a legal challenge launched by non-governmental organizations ("NGOs") opposing the Project, one of the 19 endorsements that existed at that time was cancelled by court order, as described further below. RMGC, together with the relevant authorities, has submitted an appeal against this decision. A further endorsement expired in October 2014 (taking the total of valid endorsements down to 17) and the Company has submitted the application for its renewal. After obtaining all the necessary endorsements, the final approval for the Industrial Area PUZ will be required to be given by the local councils of Roșia Montană, Abrud and Bucium.

In 2009, the local council of Roșia Montană initiated the process for the zonal urbanism plan for the Roșia Montană historical protected area ("Historical Area PUZ") and, as at September 30, 2014, 10 out of the total of 13 endorsements necessary for its final approval had been obtained. Similar to the Industrial Area PUZ, one of the 10 endorsements expired in October 2014 and an application for its renewal has been submitted to the relevant authority.

While 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 issuance of the EP. There can be no assurance that the outstanding endorsements will be obtained, that additional endorsements and approvals will not be required or that existing endorsements will not be the subject of legal challenge in the Romanian courts.

There are a number of PUGs relevant to the Project including the PUG for the Roșia Montană commune (approved in 2002); the PUG for Abrud (approved in 2002); the PUG for Campeni (approved in 2009); and the PUG for Bucium (approved in 1999). According to Romanian legislation, PUGs are required to be updated every ten years by the respective local council.

During 2012 the validity of the existing PUGs for Roșia Montană and Abrud were extended for two years pursuant to local council decisions. In July 2014 the existing PUGs for Roșia Montană and Abrud were extended, pending the process for obtaining new PUGs, for a maximum further term of three years. The processes for local councils to obtain new PUGs for Roșia Montană, Abrud and Bucium communes are ongoing and are subject to formal approval processes, including public consultation.

Litigation

Continued exploitation of legal proceedings as a tool to delay the Project

Over the years certain foreign and domestically-funded NGOs have initiated a multitude of legal challenges against local, regional and national Romanian authorities that hold the administrative or regulatory authority to grant licenses, 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, authorization, permit or approval. While a small number of these actions have been successful, the vast majority have been proved to be without merit in the Romanian courts.

The Company, through RMGC, has sought to intervene in all material cases 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.

The publicly stated objective of the NGOs in initiating and maintaining these legal challenges is to use the Romanian court system not only to delay as much as possible, but ultimately to stop the development of the Project. There are a variety of procedural mechanisms that allow the NGOs to raise pleas which create additional legal actions that are separate from, but related to the principal legal actions. Legal actions relating to the same license, authorization, permit or approval are often initiated by the NGOs in several different regional court jurisdictions, and such legal objections may be raised in separate cases seeking a suspension or cancellation of a particular license, permit or approval. These actions add significant delay and cost to the process of permitting the Project.

By way of example, since 2004, RMGC has obtained five separate urbanism certificates with respect to the Project (each of which was initially valid for a period of 24 months), the most recent being UC-47 which was issued on April 22, 2013. All four of the urbanism certificates which preceded UC-47 were the subject of legal action by NGOs, and, on August 14, 2013, three NGOs initiated proceedings before the Cluj Tribunal seeking the annulment of UC-47 (see further below).

For further details of the material legal actions related to the Project, see the section entitled "*Legal Challenges relating to the Project*" in Part IV of Gabriel's Annual Information Form dated March 12, 2014, a copy of which is filed on SEDAR at www.sedar.com. In addition, key developments in legal proceedings during previous quarters have been reported in the relevant MD&A for such periods.

Recent Developments

The following section outlines key developments that have occurred in legal proceedings concerning the Project during the third quarter of 2014 and certain upcoming court hearings in the final quarter of 2014:

- The next hearing of a claim filed by three NGOs seeking the annulment of the Archaeological Discharge Certificate ("ADC") for the Carnic open-pit is scheduled to be heard by the Buzau Tribunal on November 18, 2014. An irrevocable decision on the merits of this case may not be issued for several months and possibly into 2015. This action follows a decision of the Suceava Court of Appeal on April 15, 2014 which upheld an earlier court ruling that suspended the ADC. The effect of such suspension is temporary, pending the irrevocable conclusion of the aforementioned annulment case.

- On April 15, 2014, the Covasna Tribunal admitted a request filed by two NGOs for the annulment of the Strategic Environmental Assessment ("SEA") endorsement, which was issued by the Regional Agency for Environmental Protection of Sibiu in March 2011 in respect of the Industrial Area PUZ. The SEA is one of a number of endorsements required for the Industrial Area PUZ. The ruling is not irrevocable and is the subject of an appeal by RMGC and others to the Brasov Court of Appeal, the next hearing of which is scheduled to be heard on November 13, 2014.

- On April 16, 2014, the Bacau Tribunal postponed the hearing of a claim initiated by two NGOs seeking the suspension of the SEA following the submission by the claimants' lawyers of the decision of the Covasna Tribunal on April 15, 2014 (see above). The next hearing of this suspension claim is scheduled for November 26, 2014.

- The first substantive hearing of a claim registered by three NGOs seeking the annulment of UC-47 is scheduled to be heard the Bistrita Tribunal on November 20, 2014.

Due to the inherent uncertainties of the judicial process, the Company is unable to predict the ultimate outcome or impact, if any, with respect to matters challenged in the Romanian courts. In all circumstances, the Company and/or 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 Romanian and EU laws. However, there can be no assurance that any claims will be resolved in favor of the Company, RMGC or the Project. The implications of a negative court ruling will only be known once such a decision is issued formally by the relevant Court and the position of the Government is assessed, and may have a material adverse effect on the timing and/or outcome of the permitting process for the Project and the Company's financial condition.

Other Legal Proceedings

In November 2013, RMGC was informed of an investigation by the Ploiesti Public Prosecutor's Office ("PPPO") into alleged tax evasion and money laundering on the part of the principals/key shareholder(s) of a group of companies including Kadok Interprest LLC ("Kadok Group"). The PPPO extended its investigation of the Kadok Group to at least 100 other companies, including RMGC, which had entered into commercial business relationships with the Kadok Group.

RMGC is challenging the legality of a restriction order on the equivalent of $0.3 million held in one of RMGC's Romanian bank accounts pending the outcome of the PPPO investigation. The restricted amount represents the value of the goods procured by RMGC from the Kadok Group during 2012, all of which were received and paid for in full by RMGC, including related sales tax. RMGC no longer has any business relationship with Kadok Group. RMGC has cooperated fully with the PPPO and provided evidence to the PPPO of its legitimate business dealings with the Kadok Group.

Surface Rights

The Company owns approximately 78% of the homes and approximately 60% of the land by area in the Project footprint, comprising the industrial zone, the protected area and the buffer zone.

Ultimately, the Company's ability to obtain construction permits for the mine and related infrastructure is predicated on securing all necessary surface rights within the Project footprint, the attainment and timing of which is subject to third party actions and a number of risk factors which are not within the Company's control.

Archaeology and Preservation of Cultural Heritage

An archaeological review of the historical mining activity at Roșia Montană 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 has conducted an extensive program of exploratory and preventative archaeology in order to ensure that valuable historical relics in the area are uncovered and preserved.

In July 2011, the Alba County Directorate for Culture and National Patrimony issued a new ADC to RMGC for the Carnic open-pit, which complemented those it already held for the Cetate and Jig open-pits. In January 2014, the Suceava Tribunal admitted a request for the temporary suspension of the ADC for the Carnic open pit and in April 2014, as noted above, a ruling of the Suceava Court of Appeal rejected an appeal against the January 2014 decision. The ruling is irrevocable.

In recent years, the Company has funded a significant program of restoration and maintenance of houses, community buildings and previously unexplored old underground mining galleries, all located within, or beneath, the historical center of the village of Roșia Montană ("Protected Area"). A significant proportion of these works have been focused on supporting local community initiatives for sustainable development, including tourism. The works to the underground mining galleries have already facilitated in excess of one thousand visitors with interests in historic, regional mining activities. Pending progress with permitting, the Company has given an undertaking to commit resources to preserve the important archeological areas that it has previously opened and restored. Further work, beyond critical preservation and security of existing restoration in the Protected Area, remains on hold until such time as the Government moves ahead with Project permitting.

Liquidity and Capital Resources

Cash and cash equivalents at September 30, 2014 amounted to $52.6 million.

Excluding the impact of tax refunds (Q3 2013: $4.0 million) and realized foreign exchange translation differences, the Company's average monthly net cash usage during Q3 2014 was $1.8 million (Q2 2014: $2.0 million excluding severance payments, 2013: full year average $3.9 million, 2012: full year average $4.9 million).

In 2014 the Company has continued with its underlying cost containment to preserve capital until such time as the Government moves ahead with Project permitting. This has included the difficult decision to terminate approximately eighty per cent of the employment contracts at RMGC, effective Q2 2014. There are total severance obligations of approximately $2.9 million, of which approximately fifty per cent was paid in Q2 2014 with the remainder payable in Q4 2014.

Capital Cost

The estimated capital required to bring the Project into production and to a position of positive cash flow, including interest, financing and corporate costs, is approximately US$1.5 billion.

Project Timeline

The Company is of the view that, once the EP for the Project is issued, in the absence of any other extraordinary or unforeseen events, legal or otherwise (including, but not limited to, further political instability or the impact of any new legislative framework for mining in Romania), it would take approximately one year to:

- Complete the necessary outstanding surface rights acquisitions;
- Receive the majority of other permits and approvals, including for initial construction; and
- Proceed with the financing plan for the construction of a mine at Roșia Montană.

Once construction of the mine begins, it is estimated to take approximately 30 months to complete, all subject to the Romanian courts dealing with litigation from NGOs and any other parties in a timely manner.

Outlook

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

- Continue efforts to engage formally with the Government and its agencies for permitting the Project;
- Continue to highlight the key economic, environmental, social and cultural benefits brought to Romania by the Project in order to demonstrate the merits of the Project to all stakeholders;
- Understand and progress to finalization and completion the measures required to obtain approval of the EP;
- Continue appropriate stewardship of cash resources; and
- Maximize shareholder value, while optimizing benefits of the Project to all stakeholders.

Review of Quarterly Results

The quarterly results of operations are summarized in the following tables. The amounts are derived from the Statements prepared under IFRS.

in thousands of Canadian dollars, except per share amounts	2014 Q3	2014 Q2	2014 Q1	2013 Q4
Statement of (Profit) / Loss				
Loss / (income) - attributable to owners of parent	$ 1,984	$ (657)	$ 3,521	$ 527
Loss / (income) per share - basic and diluted	0.01	(0.00)	0.01	0.00
Statement of Financial Position				
Working capital	42,958	48,178	19,395	31,685
Total assets	662,177	689,604	679,073	658,308
Statement of Cash Flows				
Investments in development and exploration including working capital changes	4,038	5,386	8,957	13,363
Cash flow from financing activities	-	34,557	-	52

in thousands of Canadian dollars, except per share amounts	2013 Q3	2013 Q2	2013 Q1	2012 Q4
Statement of Loss				
(Income) / loss - attributable to owners of parent	$ (2,061)	$ 1,735	$ 2,289	$ 2,530
(Income) / loss per share - basic and diluted	(0.01)	0.01	0.01	0.01
Statement of Financial Position				
Working capital	47,286	53,766	57,526	65,948
Total assets	635,419	620,683	595,676	602,686
Statement of Cash Flows				
Investments in development and exploration including working capital changes	9,487	8,532	9,928	10,514
Cash flow from financing activities	-	5,346	2	732

Review of Financial Results

in thousands of Canadian dollars, except per share amounts	3 months ended September 30 **2014**	2013	9 months ended September 30 **2014**	2013
Operating loss for the period	**$ 1,190**	$ 2,093	**$ 4,368**	$ 6,417
Loss / (income) for the period	**2,042**	(2,061)	**5,416**	1,963
Loss / (income) for the period				
- attributable to owners of parent(1)	**1,984**	(2,061)	**4,848**	1,963
Loss / (income) per share - basic and diluted	**0.01**	(0.01)	**0.01**	0.01

(1) The transfer by the Company of equity in RMGC to Minvest RM during Q1, 2014 resulted in the presentation of a non-controlling interest, as set out in the Statements. The non-controlling interest portion of the employee severance provision at RMGC is attributed to the non-controlling interest.

Operating loss for the three and nine-month periods ended September 30, 2014 decreased from the corresponding periods in 2013. The decrease was mainly due to share-based compensation reversals of $2.5 million in the nine-month period ended September 30, 2014, versus an expense of $2.9 million in the corresponding period in 2013. The share-based compensation reversals have resulted from delays in Project permitting. The decrease in operating loss was offset by a severance provision of $2.9 million being recorded in the nine-month period ended September 30, 2014 in respect of the termination of the employment contracts of approximately 400 RMGC employees.

A Romanian tax recovery of $4.0 million during the three-month period ended September 30, 2013, in conjunction with the accreted finance charge of $1.2 million on the Notes issued pursuant to the Private Placement in the current nine-month period, resulted in a significantly higher loss for the period ended September 30, 2014 than the corresponding period in 2013.

Expenses

Corporate, General and Administrative

in thousands of Canadian dollars	3 months ended September 30 **2014**	2013	9 months ended September 30 **2014**	2013
Finance	**$ 92**	$ 163	**$ 407**	$ 451
External communications	**18**	200	**$ 168**	423
Information technology	**69**	22	**$ 115**	77
Legal	**41**	17	**$ 214**	168
Payroll	**757**	594	**$ 2,271**	1,650
Other	**163**	290	**$ 629**	675
Corporate, general and administrative expense	**$ 1,140**	$ 1,286	**$ 3,804**	$ 3,444

Corporate, general and administrative costs are those costs incurred by the management services operation in London, UK and at the Canadian parent.

A cost reduction strategy has been maintained throughout 2014. The Canadian dollar weakened against the British pound period-on-period, with the average exchange rate being 15% higher during 2014. Taking account of the depreciation in the Canadian dollar, in overall terms, corporate, general and administrative costs for 2014 are lower than in the corresponding period in 2013.

Payroll costs are higher in 2014 as a result of a bonus accrual reversal in the corresponding period in 2013; excluding this reversal and the effects of the exchange rate, payroll costs are lower in 2014 than 2013. The cost reduction strategy has resulted in a significant reduction in expenditure on communications and investor relations. There has been an increase in 2014 in the procurement of legal and other services, associated with the Private Placement and activities to ensure the Group's assets and future strategic options are protected.

Corporate, general and administrative costs are anticipated to be maintained at the current level until such time as progress is made with Project permitting.

Severance Costs

During the nine-month period ended September 30, 2014, following dialogue with relevant unions, concerned authorities and other stakeholders, the employment contracts of approximately 400 RMGC employees, on both permanent and temporary contracts, equivalent to approximately 80 per cent of the RMGC workforce, were terminated. The aggregate severance cost for the affected employees, amounting to $2.9 million and payable in 2014, has been included in the Condensed Consolidated Income Statement for the nine-month period ended September 30, 2014. As at September 30, 2014 the outstanding severance liability amounts to $1.5 million, which is expected to be paid prior to December 31, 2014.

Stock Based Compensation

	3 months ended September 30		9 months ended September 30	
in thousands of Canadian dollars	**2014**	2013	**2014**	2013
DSUs and RSUs - expense/(reversal)	**$ 131**	$ (254)	**$ 847**	$ (814)
Stock option compensation - (reversal)/expense	**(407)**	1,019	**(3,343)**	3,666
Stock based compensation - (reversal)/expense	**$ (276)**	$ 765	**$ (2,496)**	$ 2,852
Stock option compensation - capitalized	**$ 503**	$ 2,723	**$ (3,821)**	$ 5,670

Initially valued at the five-day weighted average market price of the Company's shares at the date of issue, DSUs and RSUs are revalued each period end based on the period end closing share price. The effect on the valuation of DSUs and RSUs of the period-on-period change in share price is either charged to the Condensed Consolidated Income Statement or capitalized (the latter being for share units granted to personnel working on development projects). At September 30, 2014 the Company's share price was $1.01 (June 30, 2014: $0.94; December 31, 2013: $0.78), resulting in an expense for the three and nine-month periods ended September 30, 2014.

The estimated fair value of stock options is calculated using the Black Scholes method as at the date of issue and amortized over the period over 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 may result in the full vesting of the options, the remaining fair value (if any) is either expensed immediately or over the remaining vesting period, as appropriate. The expected performance dates are periodically reviewed and the expensing adjusted accordingly. The fair value of stock options granted to personnel working on development projects is capitalized over the vesting period.

The reversal, during the three and nine-month periods ended September 30, 2014, of stock option compensation previously expensed and capitalized is as a result of management expectations of delay, given the lack of progress in permitting of the Project in 2013 and 2014, of the attainment of performance conditions for performance based options.

The revision of expected attainment of performance conditions during 2014 has resulted in an expectation that a number of grants, with vesting commencing after the performance conditions have been attained, will expire prior to vesting, resulting in a reversal of prior expensing. The majority of the performance based options were granted to personnel working on development projects, thus the proportionately larger reversal of capitalized stock option compensation.

	3 months ended September 30		9 months ended September 30	
	2014	2013	**2014**	2013
Stock option compensation				
Number of stock options granted	**-**	2,090,000	**7,575,000**	4,545,000
Average value ascribed to each regular vesting option granted	**$ -**	$ 0.82	**$ 0.81**	$ 1.33
Options granted to corporate employees, consultants, officers, and directors	**-**	1,215,000	**1,505,000**	2,470,000
Options granted to development project employees and consultants	**-**	875,000	**6,070,000**	2,075,000
DSU compensation				
Number of DSUs issued	**-**	11,628	**578,987**	46,833
Average value ascribed to each DSU issued	**$ -**	$ 1.29	**$ 1.15**	$ 1.25
Number of DSUs redeemed	**-**	109,866	**-**	109,866
Average value ascribed to each DSU redeemed	**$ -**	$ 1.45	**$ -**	$ 1.45
RSU compensation				
Number of RSUs issued	**-**	**-**	**289,873**	**-**
Average value ascribed to each RSU issued	**$ -**	**$ -**	**$ 0.79**	**$ -**
Number of RSUs redeemed	**-**	**-**	**-**	25,419
Average value ascribed to each RSU redeemed	**$ -**	**$ -**	**$ -**	$ 2.76

A total of 7.6 million stock options were granted during the nine-month period ended September 30, 2014, of which 5 million vest on a milestone basis. The remaining stock options granted in 2014 vest on a time basis over a three-year period. An aggregate of 560,000 DSUs were issued to non-executive directors during Q1, 2014. Additionally, 18,987 DSUs were issued to a non-executive director, at his election, in lieu of quarterly director's fees. A total of 289,873 RSUs were issued during Q1, 2014 to named executive officers as compensation for 2013 performance. All of the RSUs issued in 2014 vest in two equal tranches, at the first and second anniversary of each grant.

Interest Income

	3 months ended September 30		9 months ended September 30	
in thousands of Canadian dollars	**2014**	2013	**2014**	2013
Interest income	**$ 123**	$ 130	**$ 263**	$ 430

Lower interest income in the three and nine-month periods ended September 30, 2014 compared to the same periods in 2013 is largely the result of lower average holdings of cash and cash equivalents (September 30, 2014: $52.6 million; September 30, 2013: $56.2 million). The Private Placement aggregate proceeds of $35.0 million were received on May 30, 2014, thus cash and cash equivalents for the first five months of 2014 were significantly lower than the corresponding period in 2013.

As at September 30, 2014, approximately 86% of the Company's cash and cash equivalents were invested in Canadian government guaranteed instruments with 10% held as cash deposits with major Canadian banks and the remaining 4% held in recognized UK and Romanian banks.

Finance Costs

	3 months ended September 30		9 months ended September 30	
in thousands of Canadian dollars	**2014**	2013	**2014**	2013
Financing costs - convertible note accretion	**$ 917**	$ -	**$ 1,217**	$ -

Finance costs for the three and nine-month periods ended September 30, 2014 relate to the accretion of the debt component of the Notes, which are measured at amortized cost using the effective interest rate method. The Notes and related Private Placement are discussed further under "Financing Activities" below.

Foreign Exchange

	3 months ended September 30		9 months ended September 30	
in thousands of Canadian dollars	**2014**	2013	**2014**	2013
Foreign exchange gain / (loss) - realized	**$ 38**	$ (121)	**$ (84)**	$ (112)
Foreign exchange (loss) / gain - unrealized	**(96)**	133	**(10)**	124
Total foreign exchange (loss) / gain	**$ (58)**	$ 12	**$ (94)**	$ 12

The Company expects to report non-material foreign currency gains and losses as a result of reduced exposure to non-functional currencies.

Taxes

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

Investing Activities

The ongoing investing activities are in respect of the Project. Most of the expenditures to date have been for identifying and defining the size of the four ore bodies, for engineering to design the size and scope of the Project, for environmental assessment and permitting, social support to local communities, communications and public relations activities to support the permitting process, archeological and rehabilitation work to buildings, as well as surface rights, property acquisition and resettlement housing and infrastructure. Once the environmental and 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 Project exploration and development are capitalized to mineral properties.

in thousands of Canadian dollars		3 months ended September 30				9 months ended September 30		
		2014		2013		**2014**		2013
Finance and administration	**$**	**963**	$	1,541	**$**	**2,894**	$	5,114
External communications		**431**		3,748		**2,686**		7,511
Legal		**763**		1,176		**3,323**		3,610
Permitting		**281**		735		**1,375**		2,290
Community development		**434**		1,734		**2,554**		4,517
Project management and engineering		**388**		610		**1,291**		1,897
Exploration - Rosia Montană		**463**		286		**921**		780
Total exploration and development expenditures	**$**	**3,723**	$	9,830	**$**	**15,044**	$	25,719
Capitalized depreciation and disposals	**$**	**98**	$	95	**$**	**345**	$	418
Capitalized stock based compensation	**$**	**503**	$	2,723	**$**	**(3,821)**	$	5,670
Movement in resettlement liabilities	**$**	**75**	$	(57)	**$**	**266**	$	44

In line with ongoing cost reduction initiatives, total exploration and development expenditures are significantly lower in 2014 than in 2013. This is despite an average weakening of the Canadian dollar against the Romanian Lei period-on-period.

The decrease period-on-period in finance and administration in 2014 is due to a reversal of the provision for long-service & other benefits, as well as the reduced employment costs relating to the RMGC employment contracts terminated during the nine-month period ended September 30, 2014.

High levels of external communications and legal costs were incurred in Q4 2013 and in Q1 2014 in response to the challenges to the Project arising in connection with the parliamentary review process. A significant reduction in communications activity during Q2 and Q3 2014 has resulted in a large reduction in period-on-period expenditure.

The decrease in permitting and Project management and engineering expenditures during the three and nine-month periods ended September 30, 2014, compared to the prior periods, is as a result of undertaking only those activities that are necessary to preserve the Company's assets. These activities will increase following progress in Project permitting.

The Company has scaled back community development activities, in line with the reduction in workforce, whilst still delivering upon its commitments to sustainable development and corporate social responsibility.

Legal activities remain ongoing in both supporting the Company's interests in various litigation matters, and in maintaining good title to the licenses and permits that it currently holds.

Exploration activities for the nine-month period ending September 30, 2014 are broadly consistent with the prior year, and are based on annually agreed exploration programs with the Romanian authorities, which are tied to the mining license. Weather and other local factors can vary the exploration activities and associated costs for period-on-period comparison.

Following the employee severance during Q2 2014, the Company has seen direct and indirect employee-related cost savings and expects these to continue in the coming quarters, albeit the cash impact of severance payments will increase expenditure in the short-term.

Purchase of Capital Assets

in thousands of Canadian dollars		**3 months ended September 30 2014**		2013		**9 months ended September 30 2014**		2013
Resettlement site development costs and assets under construction	**$**	**-**	$	-	**$**	**-**	$	212
Other		**-**		27		**48**		92
Total investment in capital assets	**$**	**-**	$	27	**$**	**48**	$	304
Depreciation and disposal - expensed	**$**	**26**	$	42	**$**	**118**	$	121
Depreciation and disposal - capitalized to mineral properties	**$**	**98**	$	95	**$**	**345**	$	418

The purchase of capital assets for the three and nine-month periods ended September 30, 2014 has decreased in line with the Company's cost reduction strategy. Activities related to further development of the resettlement sites continue to be kept at minimal levels pending progress with Project permitting.

Financing Activities

On May 30, 2014 the Company completed a Private Placement with a number of existing shareholders. The Company intends to use the proceeds of the Private Placement for general corporate purposes, including the continuance of its efforts to successfully permit the Project. A total of 35,000 units were issued at a price of $1,000 per unit to raise aggregate gross proceeds of $35.0 million. The details of the Private Placement, accounting policies and valuation techniques are described in the Statements for the nine-month period ending September 30, 2014.

Cash Flow Statement

Liquidity and Capital Resources

The main sources of liquidity are the Company's cash and cash equivalents, stock option exercises and the equity and debt markets. As at September 30, 2014, aggregate cash and cash equivalents were $52.6 million compared to $56.2 million as at September 30, 2013 (December 31, 2013: $42.1 million).

Working Capital

As at September 30, 2014, the Company had working capital, calculated as total current assets less total current liabilities, of $43.0 million compared to $47.3 million as at September 30, 2013 (December 31, 2013: $31.7 million). The movements in working capital relate mainly to expenditures on the Project, off-set by proceeds received from the Private Placement.

As at September 30, 2014, the Company had current liabilities of $10.7 million compared to $11.7 million at September 30, 2013 (December 31, 2013: $13.7 million).

Related Party Transactions

In December 2013, the Group was required to recapitalize RMGC in order to comply with Romanian minimum capitalization company law requirements. The subscription to RMGC share capital by the Company was effected through a conversion of existing intercompany debt. In January 2014, the Group agreed to transfer to the non-controlling shareholder, Minvest RM, for nil consideration, a proportion of the shares subscribed to in December 2013, with a face value of $20.4 million, in order to preserve the respective shareholdings in RMGC. The transfer of shares to Minvest RM has been reflected in the Statements as a non-controlling interest and an increase in the accumulated deficit.

The Company advanced loans in 2004 and 2009 in aggregate totaling US$39.5 million to the predecessor of Minvest RM (subsequently transferred to Minvest RM) to facilitate various statutory share capital increases in RMGC. The balance on the two Minvest RM loans outstanding as at September 30, 2014 was US$39.5 million (September 30, 2013: 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 are accounted for as part of the Group's net investment in RMGC and have, accordingly, been set off against non-controlling interest in the Statement of Financial Position until such time as the repayment of the loans is more certain. Once there is certainty that the loans will be repaid, the loans and non-controlling interest component will be reflected individually in the Statement of Financial Position, in accordance with IFRS.

Resettlement Liabilities

RMGC 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; either to take the sale proceeds and move to a new location of their choosing, or exchange their properties for a new property to be built by RMGC at a new resettlement site. For those residents who 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 is capitalized as construction in progress. After the transfer of legal title of the property RMGC 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, 2014 the Company had accrued resettlement liabilities totaling $4.2 million (September 30, 2013: $4.3 million), which represents both the cost of building the remaining new homes for the local residents and outstanding delay penalties.

The remaining homeowners who chose to resettle within Roșia Montană signed various extension contracts which expire in 2014. As a result of the delay in delivery of these homes, RMGC pays 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, 2014 the Company has accrued $0.1 million (September 30, 2013: $0.1 million) representing unpaid delay penalties to the 21 homeowners.

Contractual Obligations

The following is a summary of the Company's contractual capital and operating lease commitments as of September 30, 2014, including payments due for each of the next five years and thereafter:

in thousands of Canadian dollars	**Total**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019 +**
Capital commitments							
Resettlement	520	214	82	224	-	-	-
Operating lease commitments							
Rosia Montană exploitation license	1,098	244	244	244	244	122	-
Surface concession rights	1,094	15	29	29	29	29	963
Property lease agreements	550	109	311	130	-	-	-
Total commitments	3,262	582	666	627	273	151	963

The Company and its subsidiaries have a number of agreements with arms-length third parties who provide a wide range of goods and services. 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.

Critical Accounting Estimates

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 reporting period. Significant estimates and assumptions include those related to going concern, the recoverability of mineral properties, benefits of future income tax assets, estimated useful lives of capital assets, valuation of stock based compensation, valuation of fidelity bonus and other benefits assumptions and determinations as to whether costs are expensed or capitalized, and the valuation and measurement of the components of the Private Placement. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly. The critical accounting estimates are not significantly different from those reported in previous periods.

Going Concern

The underlying value of the Company's mineral properties is dependent upon the existence, and economic recovery, of mineral reserves in the future and the ability of the Company to obtain all necessary permits and raise long-term financing to complete the development of the properties. In addition, the Project may be subject, amongst other adverse risks or financial influences, 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 imposed changes to royalty levels or ownership participation, and government regulations relating to mining which may withhold the receipt of required permits or impede the Company's ability to acquire the necessary surface rights, as well as currency fluctuations and local inflation.

The base budget for 2014 for the Project includes only those expenditures and commitments to maintain the value of the Company's investment in mineral properties, maintain the mineral license and move the Project through EIA approval. Once the EIA is approved, the cost for the acquisition of remaining surface rights, completion of the engineering control estimate, and higher activity to acquire all permits and approvals required to apply for construction permits will exceed the Company's current cash and cash equivalents holdings. The Company has 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.

Considering the risks listed above, management's balanced assessment of the Company (and the Project) is that it remains a going concern. The Company has been accounted for as a going concern in the Statements for the three and nine-month periods ended September 30, 2014.

Recoverability of mineral properties

The Company has determined that the area covered by the Roșia Montană exploitation license contains economically recoverable reserves. The ultimate recoverability of the $551.1 million carrying value at September 30, 2014 (September 30, 2013 $520.2 million) plus related capital assets is dependent upon the Company's ability to obtain the necessary permits and financing to complete the development and commence profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis.

As part of management's periodic review process, management reviews all aspects of Project advancement issues along with potential indicators of asset impairment when preparing financial statements. When impairment indicators are identified, which are assessed at each reporting period, it is management's policy to perform an impairment test in accordance with IAS 36 – Impairment of Assets.

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, exploration expenditures should be expensed and only capitalized to Mineral Properties after the completion of a feasibility study.

Future income tax assets

Income taxes are calculated using the asset and liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases 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. Income tax assets are recognized to the extent that the recoverability of future income tax assets is considered probable.

The Company has subsidiaries in countries that have differing tax laws and rates, primarily Romania and the United Kingdom. The provision for income taxes is based on a number of estimates and assumptions made by management, including its understanding of domestic and international tax rules. Advice is also sought from local professional tax advisors.

Tax authorities in Romania regularly initiate various tax audits to assess the appropriateness of the Company's tax filing positions. Regulators may interpret tax regulations differently than the Company, which may cause changes to the estimates made. The Company continues to vigorously pursue all tax claims which it believes are legally due.

All tax assessments which have been received have been paid and provided for in the Statements.

Useful lives of capital assets

The Company's policy is to amortize capital assets over their useful lives once the assets are brought into production. Management assesses useful lives to ensure the useful lives of assets reflect the intended use of those assets.

Valuation of stock based compensation

The Company utilizes stock options, DSUs and RSUs as a means of compensation. Stock options are valued using a Black Scholes valuation model, and are amortized over the expected vesting periods. Management reviews the assumptions used in the Black Scholes valuation on an annual basis to ensure appropriateness. DSUs and RSUs are initially valued at the five-day weighted average market price of the Company's common shares preceding the date of issue, and are subsequently recalculated to fair value based on the quoted market value of the Company's common shares at the end of each reporting period.

Valuation of fidelity bonus and other benefits

Pursuant to a collective bargaining agreement between RMGC and its employees, which is renewable from time-to-time, employees of RMGC are entitled, under certain conditions, to a bonus based on years of uninterrupted service as well as other benefits relating to death and termination of employment. The obligation is determined using an actuarial basis and is affected by a number of assumptions and estimates. The actuarial valuation is performed annually, and management reviews the assumptions and estimates annually for appropriateness. An adjustment to the valuation has been recorded during the nine-month period ended September 30, 2014 to reflect the reduced workforce numbers following the employee severances in 2014.

Valuation of the Private Placement

The units issued by the Company on May 30, 2014 pursuant to the Private Placement consisted of convertible, subordinated, unsecured notes, warrants and arbitration value rights. The Company utilized a Black Scholes valuation model to value the warrant component of the units and a discounted cash flow model to value the debt component of the convertible notes. The equity component of the convertible notes is recognized initially at the difference between the fair value of the Private Placement as a whole and the fair value of the debt and warrant components. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. A nil value has been initially ascribed to the arbitration value rights.

Financial instruments and other instruments

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

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 of 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 liquid instruments with highly rated financial institutions.

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 and cash equivalents. The Group has adopted an investment strategy to minimize its credit risk by investing in Canadian sovereign debt with the balance of cash being invested on short-term overnight deposit with 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 near term 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 primarily receivable from the Romanian government and are currently within expected collection terms.

Liquidity risk

The Group has sufficient funds as at September 30, 2014 to settle all current and long-term liabilities. Furthermore, the Company has the ability to repay the convertible unsecured Notes at maturity through issuing common shares from treasury (as more fully described in the Statements); these represent a significant portion of the long-term Group liabilities.

Market risk

(a) Interest rate risk

The Group has significant cash balances and fixed coupon debt. The Group maintains a short-term investment horizon, typically less than 3 months, for its cash and cash equivalents, and therefore minimizes the risk of interest rate volatility at investment maturity. 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 utilize 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 and cash equivalents is to mitigate credit risk. The Group has elected to forego yield in favor of capital preservation.

(b) Foreign currency risk

The Group's presentation currency is the Canadian dollar and its activities expose it to fluctuations in foreign exchange rates. The Group has monetary assets and liabilities which are denominated in Romanian Lei, US dollars, UK pounds sterling and Euros and is, therefore, subject to exchange variations against both the functional and presentation currency.

The Group maintains cash and cash equivalents in various currencies and is therefore susceptible to market volatility as foreign cash balances are revalued to the functional currency of the entity and thereafter to the presentation currency of the Group. Therefore, the Group may report foreign exchange gains or losses during periods of significant economic and market volatility. At September 30, 2014 the Group held 97% of its cash and cash equivalents in Canadian dollars.

The Company has not entered into any derivatives hedging activities.

Sensitivity

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, 2014 the following movements are "reasonably possible" over a twelve-month period:

- Cash and cash equivalents. A plus or minus 1% change in earned interest rates would affect net income by $0.5 million.
- The Company holds minor balances in foreign currencies and this gives rise to exposure to foreign exchange risk. A plus or minus 1% change in foreign exchange rates would affect net income by less than $0.1 million.

Risks

The following list details existing and future material risks to the business of the Group. The risks described below are not listed in any particular order and are not exhaustive. Additional risks and uncertainties not currently known to the Company, or those that it currently deems to be immaterial, may become material and adversely affect the Group's business. The realization of any of these risks may materially and adversely affect the Group's business, financial condition, results of operations and/or the market price of the Company's securities.

Each of these risk factors is discussed in more detail in the Company's Annual Information Form, which is filed for public inspection on www.sedar.com.

- Political and Economic Risks of Operating in Romania
- Permitting Process
- Acquisition of Surface Rights and Resettlement
- Mineral Tenure Rights
- Legal Challenges
- Proposed Adverse Legislative Initiatives
- Tailings Incidents
- Closure of the State Run Mining Operations
- Compliance with Anti-Corruption Laws

- UNESCO World Heritage List
- Project Development
- Insurance and Uninsurable Risks
- Project Financing
- Global Economic Conditions
- Dilution
- Mineral and Commodity Prices
- Currency Fluctuations
- Market Price Volatility
- Dependence on Management and Key Personnel
- Competition
- Enforcement of Civil Liabilities
- No History of Earnings or Dividends
- Mining Exploration and Development
- Mineral Reserve and Mineral Resource Estimates
- Environmental and other Regulatory Requirements
- Infrastructure
- Accounting Policies and Internal Controls
- Conflict of Interest

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.*

Our CEO and CFO certify that, as at September 30, 2014 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 annual 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.

Due to the inherent limitations, internal control over financial reporting and disclosure may not prevent or detect all fraud or misstatements. Further, the effectiveness of internal control over financial reporting and disclosure is subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with policies or procedures may change. The CEO and CFO will continue to monitor the effectiveness of the Company's internal control over financial reporting and disclosure controls and may make modifications from time to time as considered necessary or desirable.

The control framework the Company's CEO and CFO used to design the Company's ICFR is the Framework (1992) issued by the Committee of Sponsoring Organizations 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, 2014 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 November 10, 2014 was:

	Outstanding
Common shares	384,144,500
Common stock options	27,039,889
Deferred share units - common shares	1,112,549
Restricted share units - common shares	315,293
Warrants	13,930,000
Convertible notes	27,895,000
Fully diluted share capital	**454,437,231**

Forward-Looking Statements

This MD&A contains "forward-looking information" (also referred to as "forward-looking statements") within the meaning of applicable Canadian securities legislation. Forward-looking statements are provided for the purpose of providing information about management’s current expectations and plans and allowing investors and others to get a better understanding of Gabriel’s operating environment.

These forward-looking statements may include statements with respect to the future financial or operating performance of the Company and its subsidiaries, the perceived merit of properties, exploration results and budgets, mineral reserves and mineral resources estimates, work programs, capital expenditures, operating costs, cash flow estimates, production estimates and similar statements relating to the economic viability of a project, timelines, strategic plans, including the Company’s plans and expectations relating to the Project, the anticipated outcomes of the application processes for permits, endorsements and licenses, including but not limited to the ongoing review of the environmental impact assessment, required for the Project, or other statements that are not statements of fact.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as “expects”, “is expected”, “anticipates”, “believes”, “plans”, “projects”, “estimates”, “assumes”, “intends”, “strategy”, “goals”, “objectives”, “potential”, “possible” or variations thereof or stating that certain actions, events, conditions or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of fact and may be forward-looking statements.

Forward-looking statements are based upon certain assumptions and other important factors regarding present and future business strategies and the environment in which the Company will operate in the future, which could prove to be significantly incorrect.

Forward-looking statements are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company and/or its subsidiaries to be materially different from those expressed or implied by such forward-looking statements.

These risks, uncertainties and other factors include, without limitation, the political and economic risks of operating in Romania, including those related to controls, regulations, political or economic developments and government instability in Romania; uncertainty of estimates of capital costs, sustaining capital costs, operating costs, production and economic returns; permitting risks, including the risk that permits and governmental approvals necessary to develop and operate the Project will not be available on a timely basis or at all, risks of maintaining the validity and enforceability of necessary permits and risks of replacing expired/cancelled permits and approvals; uncertainties relating to the assumptions underlying the Company's mineral resource and mineral reserve estimates, such as metal pricing, metallurgy, mineability, marketability and operating and capital costs; risk related to the acquisition of all necessary surface rights for the development of the Project, including the risk that the Company may not acquire all such rights, or acquire such rights at acceptable prices; risks related to the Company's ability to commence production and generate material revenues or obtain adequate financing for its planned exploration and development activities; risks of defective title to mineral property, including the risk of successful legal challenges to the validity of the Company's exploitation license; risks related to the Company's ability to finance the development of the Project through external financing, strategic alliances, or otherwise; litigation risks, including the uncertainties inherent in current and future legal challenges relating to the Project; risks related to the availability of infrastructure, water, energy and other inputs; uncertainty inherent in litigation including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and the possibility that decisions may be reversed on appeal; uncertainties relating to prices for energy inputs, labor, material costs, supplies and services (including, but not limited to, labor, cement, steel, capital equipment, reagents and fuel); risks related to changes in law and regulatory requirements, including environmental regulation; risks related to the subjectivity of estimating mineral resources and mineral reserves and the reliance on available data and assumptions and judgments used in interpretation of such data; risks related to currency fluctuations, particularly in the value of the United States dollar and/or the Canadian dollar relative to each other and to the Euro and the Romanian leu; risks related to the future market prices of gold and silver and other mineral and commodity price fluctuations, and volatility in metal prices; risks related to the need for reclamation activities on the Company's properties and uncertainty of cost estimates related thereto; risks associated with maintaining substantial levels of indebtedness, including potential financial constraints on operations; dependence on cooperation of state-owned joint venture partner in the development of the Project; risks related to the loss of key employees and the Company's ability to attract and retain qualified management and technical personnel; risks related to market events and volatility of global and local economic climate; taxation, including change in tax laws and interpretations of tax laws; mining and development risks, including risks related to infrastructure, accidents, equipment breakdowns, labor disputes or other unanticipated difficulties with or interruptions in development, construction or production; risks related to opposition to the Project from non-governmental organizations or civil society; share capital dilution and share price volatility; and increased competition in the mining industry.

Forward-looking information contained herein is made as of the date of this MD&A. There can be no assurance that forward-looking information or statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information or statements. Accordingly, for the reasons set forth above, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements, except in accordance with applicable securities laws.

Gabriel Resources Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)
For the period ended September 30, 2014

Condensed Consolidated Statement of Financial Position

As at September 30, 2014 and December 31, 2013

(Unaudited and expressed in thousands of Canadian dollars)

	Notes	**September 30 2014**	December 31 2013
Assets			
Current assets			
Cash and cash equivalents	5	**52,581**	42,123
Trade and other receivables		**147**	2,092
Prepaid expenses and supplies		**953**	1,146
Total current assets		**53,681**	45,361
Non-current assets			
Mineral properties	6	**551,095**	553,923
Property, plant and equipment		**56,900**	58,504
Other non-current assets		**501**	520
Total non-current assets		**608,496**	612,947
TOTAL ASSETS		**662,177**	658,308
Liabilities			
Current liabilities			
Trade and other payables		**3,646**	8,711
Resettlement liabilities		**4,244**	4,510
Other current liabilities		**2,833**	455
Total current liabilities		**10,723**	13,676
Non-current liabilities			
Convertible unsecured notes	14	**30,118**	-
Other non-current liabilities		**2,066**	3,119
Total non-current liabilities		**32,184**	3,119
TOTAL LIABILITIES		**42,907**	16,795
Equity			
Share capital		**868,081**	868,081
Other reserves		**51,844**	53,352
Currency translation adjustment		**(27,291)**	(14,930)
Accumulated deficit		**(290,264)**	(264,990)
Equity attributable to owners of the parent		**602,370**	641,513
Non-controlling interest	7	**16,900**	-
TOTAL EQUITY		**619,270**	641,513
TOTAL EQUITY AND LIABILITIES		**662,177**	658,308

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

Condensed Consolidated Income Statement

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

	Notes	3 months ended September 30 **2014**	3 months ended September 30 2013	9 months ended September 30 **2014**	9 months ended September 30 2013
Expenses					
Corporate, general and administrative		**1,140**	1,286	**3,804**	3,444
Severance costs	8	**300**	-	**2,942**	-
Share-based compensation		**(276)**	765	**(2,496)**	2,852
Depreciation		**26**	42	**118**	121
Operating loss		**1,190**	2,093	**4,368**	6,417
Other (income) / expense					
Interest received		**(123)**	(130)	**(263)**	(430)
Finance costs - convertible note accretion	14	**917**	-	**1,217**	-
Foreign exchange loss / (gain)		**58**	(12)	**94**	(12)
Loss before income taxes		**2,042**	1,951	**5,416**	5,975
Income tax recovery		**-**	(4,012)	**-**	(4,012)
Loss / (income) for the period		**2,042**	(2,061)	**5,416**	1,963
Loss / (income) for the period attributable to:					
- Owners of the parent		**1,984**	(2,061)	**4,848**	1,963
- Non-controlling interest		**58**	-	**568**	-
Loss / (income) for the period		**2,042**	(2,061)	**5,416**	1,963
Basic and diluted loss / (income) per share	12	**$ 0.01**	($ 0.01)	**$ 0.01**	$ 0.01

Condensed Consolidated Statement of Comprehensive Income

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

	3 months ended September 30 **2014**	3 months ended September 30 2013	9 months ended September 30 **2014**	9 months ended September 30 2013
Loss / (income) for the period	**2,042**	(2,061)	**5,416**	1,963
Other comprehensive loss / (income)				
- may recycle to the Income Statement in future periods				
Currency translation adjustment	**25,886**	(8,514)	**15,319**	(23,764)
Comprehensive loss / (income) for the period	**27,928**	(10,575)	**20,735**	(21,801)
Comprehensive loss / (income) for the period attributable to:				
- Owners of the parent	**22,871**	(10,575)	**17,209**	(21,801)
- Non-controlling interest	**5,057**	-	**3,526**	-
Comprehensive loss / (income) for the period	**27,928**	(10,575)	**20,735**	(21,801)

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

Condensed Consolidated Statement of Changes in Shareholders’ Equity

For the nine-month periods ended September 30

(Unaudited and expressed in thousands of Canadian dollars)

	Notes	9 months ended September 30 2014	2013
Common shares			
At January 1		**868,081**	859,782
Shares issued on the exercise of share options		**-**	5,508
Transfer from contributed surplus - exercise of share options		**-**	2,708
At September 30		**868,081**	867,998
Other reserves			
At January 1		**53,352**	52,813
Share-based compensation		**(7,164)**	9,336
Exercise of share options		**-**	(2,708)
Equity component of convertible notes, net of issue costs	14	**1,695**	-
Warrants, net of issue costs	14	**3,961**	-
At September 30		**51,844**	59,441
Currency translation adjustment			
At January 1		**(14,930)**	(65,743)
Currency translation adjustment		**(12,361)**	23,764
At September 30		**(27,291)**	(41,979)
Accumulated deficit			
At January 1		**(264,990)**	(262,500)
Loss for the period		**(4,848)**	(1,963)
Transfer of interest in Rosia Montana Gold Corporation	7	**(20,426)**	-
At September 30		**(290,264)**	(264,463)
Non-controlling interest			
At January 1		**-**	-
Transfer of interest in Rosia Montana Gold Corporation	7	**20,426**	-
Loss for the period		**(568)**	-
Currency translation adjustment		**(2,958)**	-
At September 30		**16,900**	-
Total shareholders' equity at September 30		**619,270**	620,997

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

Condensed Consolidated Statement of Cash Flows

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

	Note	9 months ended September 30 2014	2013
Cash flows used in operating activities			
Loss before income taxes		**(5,416)**	(5,975)
Adjusted for the following non-cash items:			
Depreciation		**118**	121
Share-based compensation		**(2,496)**	2,852
Finance costs - convertible note accretion		**1,217**	-
Unrealized foreign exchange loss / (gain)		**63**	(100)
Cash utilized in operations		**(6,514)**	(3,102)
DSU/RSU cash settlement		-	(70)
Income tax recovery		-	4,012
Changes in operating working capital		**1,035**	(580)
		(5,479)	260
Cash flows used in investing activities			
Exploration and development expenditures		**(15,044)**	(25,719)
Purchase of property, plant and equipment		**(48)**	(304)
Changes in investing working capital		**(3,337)**	(2,228)
		(18,429)	(28,251)
Cash flows provided by financing activities			
Proceeds from issuance of private placement, net of issue costs	14	**34,557**	-
Proceeds from the exercise of share options		-	5,348
		34,557	5,348
Increase / (decrease) in cash and cash equivalents		**10,649**	(22,643)
Effect of foreign exchange on cash and cash equivalents		**(191)**	(97)
Cash and cash equivalents - beginning of period		**42,123**	78,965
Cash and cash equivalents - end of period		**52,581**	56,225

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

1. Nature of operations

Gabriel Resources Ltd. ("Gabriel" or the "Company") is a Toronto Stock Exchange listed Canadian resource company engaged in the exploration and development of mineral properties in Romania.

The Company is presently in the permitting stage in the development of its majority-owned Roșia Montană gold and silver project (the "Project"). Roșia Montană Gold Corporation ("RMGC") is the beneficial owner of, and holds an exclusive exploitation license for, the Project. Since obtaining the Project's exploitation license, RMGC 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' (together the "Group") mineral properties, and in particular the Project, is dependent upon the existence and economic recovery of such proven ore body reserves in the future together with 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, amongst other negative risks or financial influences, sovereign risk, including political and economic instability, changes in existing fiscal regime, changes in existing government regulations, for example, an increase in royalty rates or state ownership applicable to the Project, a ban on the use of cyanide in mining, designation of the Project area as an archeological site of international or 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 litigation risk against permits and other authorizations for the Project, currency fluctuations and local inflation. The suspension of the review of the Project's Environmental Impact Assessment ("EIA") by the Ministry of Environment in September 2007 (subsequently resumed in September 2010 with no conclusion to date); significant delays in the Romanian government promulgating mining legislation to enable progress on a re-invigoration of the mining industry; on-going delays in obtaining the environmental and other critical permits; continued political, public, and NGO opposition to the Project; and the multitude of legal challenges to permits issued in respect of the Project also demonstrate the significant risks that the Project faces.

Such risks, if realized, may adversely affect the Group's ability to continue as a going concern and may result in the impairment or loss of all or part of the Group's assets.

These unaudited condensed interim consolidated financial statements have been prepared using 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, 2014 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.

The Company's registered address is Suite 200 – 204 Lambert Street, Whitehorse, Yukon, Canada Y1A 3T2. The Company receives significant management services from its wholly-owned subsidiary, RM Gold (Services) Ltd. ("RMGS"). The principal place of business for RMGS is 16 Great Queen Street, London, WC2B 5DG, United Kingdom. The Company is the ultimate parent of the Group and does not have any controlling shareholders.

2. Basis of preparation

These unaudited condensed interim consolidated financial statements ("Condensed Financial Statements"), for the period ended September 30, 2014, have been prepared in accordance with IFRS as applicable to the preparation of interim financial statements, including International Accounting Standard IAS 34 ('Interim Financial Reporting'). The Condensed Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with IFRS.

2. Basis of preparation (continued)

The Condensed Financial Statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. These Condensed Financial Statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

The Audit Committee approved these Condensed Financial Statements on behalf of the Board of Directors on November 11, 2014.

3. Critical accounting estimates, risks and uncertainties

The Company performs a regular analysis of risk factors which, if any should occur, could materially and adversely affect the results and financial position of the Company and/or market price of its securities.

The preparation of Condensed 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 for the period. These estimates and assumptions are based on management’s best knowledge of the relevant facts and circumstances, having regard to prior experience. With the exception of estimates and assumptions relating to Project permitting milestones and the May 30, 2014 private placement (refer note 14), the significant estimates and assumptions are the same as those disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2013.

While management believes that the estimates and assumptions applied are reasonable, actual results may differ materially from the amounts included in the Condensed Financial Statements.

4. Accounting policies

The material accounting policies followed in these Condensed Financial Statements are the same as those applied in the Company’s audited consolidated financial statements for the year ended December 31, 2013. The Company has consistently applied the same material accounting policies throughout all periods presented.

The Company has adopted the following standards during the year, which did not have a material impact on the Condensed Financial Statements:

- IAS 36; Impairment of Assets. The IASB has published 'Recoverable amount disclosures for non-financial assets' (amendments to IAS 36). These amendments to IAS 36, 'Impairment of assets', address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- IFRS 2; Share-based payment. The standard clarifies the definition of vesting conditions and applies to share-based payment transactions for grant dates on/after July 1, 2014.
- IFRS 8; Operating segments. The standard has been amended to require (i) disclosure of judgments made by the management in aggregating segments, and (ii) a reconciliation of segment assets to the entity's assets when segments are reported.
- IAS 24; Related party transactions. The standard has been amended to (i) revise the definition of "related party" to include an entity that provides key management personnel services to the reporting entity or its parent, and (ii) clarify related disclosure requirements.
- IAS 19; Employee benefits. Defined benefit plans and employee contributions. The standard has been amended to clarify the application of IAS 19.
- IFRIC 21, Levies. Sets out the accounting for an obligation to pay a levy that is not income tax, with interpretation to address what the obliging event is that gives rise to the recognition of a liability to pay a levy.

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

4. Accounting policies (continued)

The following accounting standard is mandatory effective from January 1, 2018. The Company has not adopted this standard early and is assessing the impact of adoption on the Condensed Financial Statements:

- IFRS 9; Financial Instruments. Replacement standard for IAS 39 Financial instruments: Recognition and Measurement. IFRS 9 retains (and simplifies) the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

5. Cash and cash equivalents

As at	**September 30 2014**	December 31 2013
Cash at bank and on hand	**7,359**	6,954
Short-term bank deposits	**45,222**	35,169
	52,581	42,123

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates. Cash is deposited at reputable financial institutions of a high credit rating. The Group manages its domestic Romanian bank credit risk by centralizing custody, control and management of its surplus cash resources at its corporate office and only transferring money to its Romanian subsidiary based on near term cash requirements, thereby mitigating exposure to domestic Romanian banks. At September 30, 2014 the Group held $0.8 million of cash and cash equivalents in Romanian banks (December 31, 2013 $4.5 million). Short-term bank deposits represent investments in government treasury bills, with maturities from the date of acquisition of less than 90 days.

6. Mineral properties

	Rosia Montana
Balance - December 31, 2012	467,206
Development costs - additions (1)	41,119
Currency translation adjustment	45,598
Balance - December 31, 2013	553,923
Development costs - additions (1)	**11,304**
Currency translation adjustment	**(14,132)**
Balance - September 30, 2014	**551,095**

(1) Mineral property additions of $11.3 million in the nine months to September 30, 2014 (2013 full year - $41.1 million) is $3.7 million lower than the amount reported in the Condensed Consolidated Statement of Cash Flows of $15.0 million (2013 full year - $40.1 million). The difference is attributed to the non-cash reversals for share based compensation & amortization and resettlement liabilities charges.

At September 30, 2014 the Group's principal asset was its 80.69% interest in the Project held indirectly through RMGC, which holds two mineral licenses in Romania, being the exploitation license for the Project and an expired exploration license for the Bucium property. Minvest Roșia Montană S.A. ("Minvest"), a Romanian state-owned mining company, holds the remaining, non-controlling 19.31% interest in RMGC.

The Group holds the pre-emptive right to acquire the 19.31% non-controlling interest.

6. Mineral properties (continued)

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 funding (other than loans that have been capitalized) plus interest (other than on non-interest bearing loans) from future cash flows prior to the non-controlling shareholders receiving dividends. Pursuant to the Project exploitation license, RMGC has the exclusive right to conduct mining operations at the Roșia Montană property for an initial term which expires in June 2019, and thereafter for successive five-year renewal periods.

7. Non-controlling interest

Previous loans made by the Company to enable Minvest (including its predecessors) to acquire its shareholding in RMGC (US$39.5 million) are deemed to be part of the net investment in the subsidiary and are set off against non-controlling interest balances upon consolidation.

On January 17, 2014 the Group agreed to transfer to Minvest for nil consideration, a proportion of the RMGC shares to which it subscribed in December 2013, with a book value of $20.4 million (described further in Note 9). The shares were transferred to Minvest in order to preserve the Minvest shareholding of 19.31% in RMGC. This was accounted for as an equity transaction, that is, as a transaction with owners in their capacity as owners. The effect of this transaction was an increase in the accumulated deficit by $20.4 million, which is included in the equity attributable to owners of the parent. Following the transfer, the Minvest held shares give rise to a non-controlling interest which has been appropriately accounted for and disclosed in these Condensed Financial Statements.

8. Severance costs

During the nine-month period ended September 30, 2014, following dialogue with relevant unions, concerned authorities and other stakeholders, the employment contracts of approximately 400 RMGC employees, on both permanent and temporary contracts, equivalent to approximately 80 per cent of the RMGC workforce, were terminated. The aggregate severance cost for the affected employees, amounting to $2.9 million and payable in 2014, has been included in the Condensed Consolidated Income Statement for the nine-month period ended September 30, 2014. As at September 30, 2014 the outstanding severance liability amounts to $1.5 million, which is expected to be paid prior to December 31, 2014.

9. Related party transactions

The Group had related party transactions with associated persons or corporations which were undertaken in the normal course of operations and were measured at the exchange amounts as follows (references to Minvest also include its predecessor entities):

(a) In December 2004, the Company advanced a loan of US$0.9 million to Minvest to facilitate a statutory share capital increase in RMGC, which remains outstanding at September 30, 2014.

(b) In 2009, the Company advanced a further loan of US$38.6 million to Minvest to facilitate another statutory share capital increase in RMGC, which remains outstanding at September 30, 2014.

(c) The above loans are non-interest bearing and are to be repaid as and when RMGC distributes dividends to its shareholders. The loans are accounted for as part of the Group’s net investment in RMGC and have, accordingly, been set-off against non-controlling interest on the Consolidated Statement of Financial Position until such time as the repayment of the loans is more certain. Once there is certainty that the loans will be repaid, the loans and non-controlling interest components will be reflected individually.

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

9. Related party transactions (continued)

(d) In December 2013, the Group was required to recapitalize RMGC in order to comply with Romanian company law requirements. The subscription to RMGC share capital by the Company was effected through a capitalization of existing intercompany debt. In January 2014, the Group agreed to transfer to Minvest, for nil consideration, a proportion of the shares subscribed to in December 2013, with a book value of $20.4 million, in order to preserve the Minvest shareholding of 19.31% in RMGC (see Note 7).

10. Common share options

Director, officer, employee and consultant common share options were granted, exercised and cancelled as follows:

	Number of options ('000)	Weighted average exercise price (dollars)
Balance - December 31, 2012	27,353	4.28
Options granted	4,545	1.33
Options expired	(6,264)	2.17
Options exercised	(3,495)	1.55
Balance - December 31, 2013	22,139	4.71
Options granted	**7,575**	**0.81**
Options forfeited	**(740)**	**5.80**
Options expired	**(1,709)**	**2.36**
Balance - September 30, 2014	**27,265**	**3.74**

During the nine-month period ended September 30, 2014, 7.6 million options were granted at a weighted average grant price of $0.81, of which 5 million vest on a milestone basis and the remaining 2.6 million vest over a three-year period. During the year ended December 31, 2013 the Company granted 4.5 million options at a weighted average grant price of $1.33, which vest over a three-year period. The fair value of the options granted during the nine-month period ended September 30, 2014 was determined, at the grant dates, using the Black-Scholes valuation model based on graded tranche level valuation, 5% pre-vesting forfeiture rates, volatility in the range of 92% to 96% (determined using the Company's three year share price history), a risk-free rate in the range of 1.1% to 1.6% (being the Canadian bond yield at grant date), expected annual dividends of 0% and expected life calculated using the midpoint between vesting and expiry.

The fair value of common share options granted to personnel working on development projects is capitalized over the vesting period. The fair value of share options expensed and capitalized during the three and nine-month periods is as follows:

	3 months ended September 30		9 months ended September 30	
	2014	2013	**2014**	2013
Condensed Consolidated Income Statement - (reversed) / expensed	**(407)**	1,019	**(3,343)**	3,666
Mineral Properties - expensed / (reversed)	**503**	2,723	**(3,821)**	5,670

The reversal of share option costs during the periods ended September 30, 2014 is a result of the ongoing delays in the permitting of the Project and management's reassessment of its assumptions relating to future vesting dates for performance based options.

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

11. Segmental information

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Company's Chief Executive Officer.

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

The rest of the entities within the Group are grouped into a secondary segment ("Corporate"). The cash flows of the Mining segment are primarily in investing activities as disclosed in the Condensed Consolidated Statement of Cash Flows.

The segmental report is as follows:

	Mining		**Corporate**		**Total**	
For the nine-month period ended September 30,	**2014**	2013	**2014**	2013	**2014**	2013
Reportable items in the Condensed Consolidated Income Statement and Comprehensive Income						
Interest received	-	-	**(263)**	(430)	**(263)**	(430)
Finance costs - convertible note accretion	-	-	**1,217**	-	**1,217**	-
Amortization	-	-	**118**	121	**118**	121
Reportable segment loss / (income)	**2,942**	(4,012)	**2,474**	5,975	**5,416**	1,963
As at September 30,	**2014**	2013	**2014**	2013	**2014**	2013
Reportable segment in Condensed Consolidated Statement of Financial Position						
Reportable segment current assets	**1,338**	3,158	**52,343**	55,846	**53,681**	59,004
Reportable segment non - current assets	**608,369**	576,171	**127**	244	**608,496**	576,415
Reportable segment liabilities	**(10,399)**	(12,420)	**(32,508)**	(2,002)	**(42,907)**	(14,422)

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

12. Loss / (income) per share

	3 months ended September 30		9 months ended September 30	
	2014	2013	**2014**	2013
Loss / (income) for the period attributable to owners of the parent	**1,984**	(2,061)	**4,848**	1,963
Weighted-average number of common shares (000's) Basic number of shares	**384,145**	384,096	**384,145**	382,885
Basic and diluted loss / (income) per share	**$ 0.01**	($ 0.01)	**$ 0.01**	$ 0.01

13. 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:

	Total	**2014**	**2015**	**2016**	**2017**	**2018**	**Thereafter**
Capital commitments							
Resettlement	520	214	82	224	-	-	-
Operating lease commitments							
Roșia Montană exploitation license	1,098	244	244	244	244	122	-
Surface concession rights	1,094	15	29	29	29	29	963
Property lease agreements	550	109	311	130	-	-	-
Total commitments	**3,262**	**582**	**666**	**627**	**273**	**151**	**963**

14. Private placement

On May 30, 2014 the Company completed a private placement with a number of existing shareholders (the "Private Placement"). A total of 35,000 units were issued at a price of $1,000 per unit to raise aggregate gross proceeds of $35.0 million. Each unit consists of:

- $1,000 principal amount of convertible, subordinated, unsecured notes with a coupon of 8% (the "Notes"). The Notes mature on June 30, 2019 and are convertible at any point prior to maturity at the option of the holder, into common shares of the Company at a conversion price of $1.255 per common share. Interest on the Notes is payable in cash semi-annually commencing December 2014. The Company has the ability to issue common shares of the Company from treasury in the market to raise funds towards the settlement of the semi-annual interest payments which are payable to the Note holders. In addition, subject to regulatory approval and other limitations, the Company may, at its option, repay all or a proportion of the principal amount of the Notes outstanding at maturity by issuing common shares of the Company at 95% of the volume weighted average trading price of the shares on the TSX for the 20 consecutive trading days ending five trading days preceding the date of maturity;
- 398 common share purchase warrants (the "Warrants"), which entitle the holder to purchase one common share of the Company at a price of $1.674 at any time prior to June 30, 2019; and
- one arbitration value right ("AVR"), which entitles the holder, subject to certain limitations and exclusions, to a pro-rata proportion of up to 5% (capped at an aggregate of $130 million) of any amounts received by the Group pursuant to any settlement or arbitral awards irrevocably made in favor of the Group if bi-lateral investment treaty proceedings are instituted before June 30, 2019. The Company retains absolute discretion on whether to institute arbitration proceedings and if an arbitration filing is made, whether to settle or withdraw such filing, including the terms of any settlement or withdrawal.

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

14. Private placement (continued)

The Private Placement is accounted for as a compound financial instrument. The debt component of the compound financial instrument is recognized initially at fair value of a similar liability that does not have an equity conversion option. The warrants are recorded at fair value. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the debt and warrant components. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial measurement, the debt component is measured at amortized cost using the effective interest rate method. The valuation of the equity component is not adjusted subsequent to the initial recognition except on conversion or expiry.

Initial recognition

The accounting treatment applied for the initial measurement of the Private Placement was as follows:

	Gross allocation	Financing fees	Net allocation
Liability component of convertible debentures	29,272	371	28,901
Equity component of convertible debentures	1,716	21	1,695
Warrants	4,012	51	3,961
Arbitration value rights	-	-	-
Proceeds of private placement	35,000	443	34,557

The valuation of the debt component of the Notes is based on the net present value of future expected cash flows assuming no conversion of the Notes prior to maturity. The valuation of the conversion feature of the Notes, an equity component, is the difference between the gross proceeds of $35.0 million less the sum of the valuations determined for the debt component of the Notes and the Warrants. The Warrants are valued using the Black-Scholes valuation model. At the date of completion of the Private Placement the Company had not issued a notice of dispute or instituted arbitration proceedings; as a result the AVR’s were determined to have an initial value of zero. Transaction costs and fees incurred that are directly attributable to the Private Placement have been capitalized and apportioned across the components of the units in proportion to the respective valuations.

The debt component of the convertible note is disclosed as a non-current liability. The discount rate used to determine the net present value of the debt component is based on the sum of an appropriate risk free rate and a risk premium that management believes fairly represents the risk profile of the Group. The risk free rate is the yield on the benchmark Canadian Government bond that approximates to the remaining time to maturity of the Notes.

The key inputs used in determining the value of the Notes and Warrants set out in these Condensed Financial Statements are as follows:

- Discount rate 12.5%
- Volatility (based on historic nine-month volatility) 53.0%
- Remaining life (years) 5.0

There are two derivatives that are embedded within the Notes: a ‘make-whole premium’ to protect Note holders in a change of control event prior to maturity; and a ‘common share repayment right’ providing the Company with the right to repay the principal in common shares at a discount of 95% of par at maturity. These two embedded derivatives were determined to have insignificant initial values and were accordingly not accounted for, but will be reassessed at future reporting dates.

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

14. Private placement (continued)

Subsequent recognition

Interest and transaction costs are recognized by accreting the debt component to its face value over the term of the Note at an effective interest rate of 12.43%. The accounting for the various components of the Private Placement to September 30, 2014 is as follows:

	Note Debt	Note Equity	Warrants	Arbitration Value Right
Value on completion of Private Placement	28,901	1,695	3,961	-
Add: Debt component accretion	1,217			
Balance at September 30, 2014	**30,118**	**1,695**	**3,961**	**-**

The principal amount of the debt component of the Notes approximates the fair value of the debt as at September 30, 2014.

Dilution of equity

As at the date of these Condensed Financial Statements, assuming both (i) conversion of all the Notes and (ii) exercise of all the Warrants respectively issued pursuant to the Private Placement, the number of issued and outstanding common shares of the Company will increase by approximately 10.9%. Furthermore, the Company has the option to (A) issue common shares from treasury in the market to raise funds towards the settlement of the semi-annual interest payments which are payable in cash to the Note holders, and (B) repay all or a proportion of the principal amount of the Notes outstanding at maturity by issuing common shares of the Company at 95% of the volume weighted average trading price of the shares on the TSX for the 20 consecutive trading days ending five trading days preceding the date of maturity, which respectively may result in further dilution.