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 sixth-month periods ended June 30, 2013 and 2012.

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 six-month periods ended June 30, 2013 and 2012 ("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 condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended December31, 2012, 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 August 2, 2013, 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 Rosia Montana gold and silver project (the "Project"). Rosia Montana Gold Corporation ("RMGC") holds an exclusive exploitation licence for the Project. Through its 80.69% equity shareholding in RMGC, Gabriel has a beneficial majority ownership interest in the Project. CNCAF Minvest S.A. ("Minvest"), 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 from Minvest.

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

Key Issues

Political Situation

On December 9, 2012, scheduled parliamentary elections brought an overwhelming victory for the 'USL' alliance of the Social Democrat, National Liberal and Conservative parties, led by Social Democrat leader Victor Ponta. The USL gained two thirds of the parliamentary seats – a position enabling it to fully control both 'houses' (the Senate and the Chamber of Deputies) and for parliament to adopt important laws without the need for cross-party consensus.

Subsequently Mr. Ponta, as Prime Minister, put in place a revised cabinet structure, including a new Department for Infrastructure Projects of National Interest and Foreign Investments (the "Department for Infrastructure") to which overall responsibility for the Romanian State's ownership interests in the Rosia Montana Project ("Project") is slated to be transferred.

The first half of 2013 has seen the USL add definition to its program for its 4-year governmental term, which recently manifested itself in an announcement by Mr. Ponta on July 11, 2013 of a National Plan for Strategic Investment and Job Creation (the "Plan"). In the Plan Mr. Ponta set out key targets for 2013 including investment commitments into Romania of €10 billion and the creation of over 50,000 jobs in five strategic investment fields – energy, infrastructure, agriculture, industry and mineral resources. Seven projects within the mineral resources field have been identified for focus by the Romanian Government ("Government") in order to achieve those targets, of which one is the Project.

Furthermore, Mr. Ponta has also recently been quoted as stating that any Government decision to proceed with the Project would be subject to a Romanian Parliament vote, and that a new law relating to the Project will be drafted for debate in the Parliament in September 2013.

Impact on the Project

The Company's previously stated view is that the first half of 2013 would be an important barometer to determine where projects, such as Rosia Montana, which are significant to the economic progression of Romania, sit in the list of priorities for the Government. The Company therefore views the recent Plan announcement as highly encouraging. Moreover, the Plan has followed closely after four recent meetings of the Technical Assessment Committee ("TAC"), charged with the detailed assessment of the environmental impact and compliance of the Project.

In announcing the Plan, Mr. Ponta noted that the benefits of the Project to Romania were up to '78% of what the Project generates'. This figure represents estimates for (i) direct and indirect operational expenditure with contractors and suppliers across Romania, (ii) taxes and duties payable to the fiscal authorities (including corporate, payroll, and withholding taxes) and distribution of profits to the Romanian State. These estimates are based on certain long-term technical, financial, economic and other assumptions, including those for commodity prices (such as US$1,200 per ounce gold) and foreign exchange rates. The quoted benefits also assume an increase in the Romanian State's equity interest in the Project to a maximum of 25 percent and royalties at a fixed rate of 6 percent of revenues.

Since the USL Government secured its long-term position at the end of 2012, the Company's dialogue with the relevant ministries and departments has steadily increased. The Prime Minister has maintained a view that progress on the permitting status of the Project needs to be aligned with an increase in the State's participation in the Project, through both ownership interest and royalty. The Company is currently in negotiation with the Government on these aspects, along with other long-term commitments on environment, cultural heritage and a defined route to successful permitting to underpin the Project's status as a world-class, long-term investment.

The permitting progress of the Project relies heavily on Government approval of the environmental permit ("EP") and the issuance, in accordance with due process and Romanian law, of various permits and approvals at local, county and federal levels of Government.

Statements, reported in the Romanian media in 2013, from both the Prime Minister and Minister for Environment on the status of permitting of the Project, have specifically focused on compliance with European Directives as key to its progression. The Company is confident that it can, and will, comply with its environmental obligations and looks forward to concluding its discussions with the TAC and relevant Ministries on this topic and to a successful process through Parliament of the Project specific legislation noted by Mr. Ponta.

Further to the above, the Ministry of Environment and Climate Change ("MoE"), as part of its review process of the Project's Environment Impact Assessment ("EIA") and its pending decision on the issuance of the EP, announced on July 11, 2013 that it was initiating (with immediate effect) a public consultation on the conditions and measures which need to be included in the EP to be issued for the Project. In this respect a consultation document has been posted on the MoE website soliciting comments by July 30, 2013.

The Company continues 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 its commitment to adhere to the highest standards on engineering, environmental, cultural and social matters.

Environmental & Permitting

Environmental

On September 17, 2010 the MoE recommenced the TAC review of the EIA. Encouraging progress was made during 2011. However, due to the volatile political situation in Romania throughout most of 2012, culminating in the December 2012 general election, there was no formal progression with the TAC review during 2012 as a whole.

Re-engagement with the MoE and Government occurred in Q1 2013, promptly followed by three TAC meetings in Q2 2013 on May 10, May 31 and June 14, respectively. Since the end of the quarter a further TAC meeting was held on July 26. Following these meetings, there has been no formal TAC announcement or recommendation. However, as noted, on July 11, 2013 the MoE (the Ministry that co-ordinates the TAC) launched a public consultation process on the main conditions and measures which need to be included in the final decision process of issuing and the EP. The Company views this as a positive procedural development and awaits clarification on the conclusion of the TAC process and how the results of the public consultation will be incorporated in the EP decision process. The Company is unable to provide guidance on the related timeframes to a final decision from the TAC, MoE or the Government. Ultimately, the EP must be approved by a Cabinet decision of the Government prior to its issuance.

The Company has instigated a number of environmental initiatives in recent years to show how the implementation of the Project can assist with cleaning up legacy local environmental degradation from historical, unregulated mining activities. One such initiative is an acid rock drainage pilot test work program to clean mine water contaminated with high levels of heavy metals and total dissolved solids above EU and Romanian water standards. These tests have been conducted on water courses in Rosia Montana that are currently adversely affected by existing acid mine drainage from historic mining activities. The results have successfully shown that a full scale plant will clean up water discharges from the Project, along with much of the existing baseline contamination in the area, to levels fully compliant with all regulations in place (and even to potable water standards).

Since late 2012, the Company has been working with the Government to use the pilot plant for additional testing of eight former state-run mine sites and has demonstrated that a full scale water treatment plant would be successful in cleaning up the contaminants to the required EU and Romanian standards at all sites tested. This is one example of how the Project, and the commitments made in the EIA, will produce long-term environmental benefits at local, regional and national levels.

Permitting Overview

Although the EP is the most important approval for the Project, and while significant progress has been made, including the issuance of archaeological discharge certificates ("ADC") for three of the four open-pits, there are a large number of 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 proceeding 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 events, legal or otherwise, the Company expects the current processes for obtaining the majority of the outstanding surface rights acquisitions and other permits and approvals (including initial construction permits for the Project) to take approximately one year from the date the EP is issued.

Urbanism Plans & Certificates

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 Rosia Montana passed resolutions approving a PUG and also a PUZ designating an industrial zone under the footprint of the proposed new mine at Rosia Montana.

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").

The Industrial Area PUZ is at an advanced stage, although a recent modification to the law governing urbanism plans increased the total number of endorsements required for its approval to 23. Currently there are 18 valid endorsements; 3 endorsements for which the Company has submitted the necessary documentation; and 2 endorsements that the Company is progressing for submission. After obtaining all the necessary endorsements, the final approval for the Industrial Area PUZ will be given by the local councils of Rosia Montana, Abrud and Bucium.

In addition, in 2009, the local council of Rosia Montana initiated the process for the zonal urbanism plan for the Rosia Montana historical protected area ("Historical Area PUZ") and at the end of Q2 2013 had obtained 10 out of the total of 13 endorsements necessary for its final approval, with the remainder being a work in progress.

In February 2013, Parliament approved certain amendments, originally proposed in 2011, to the legislation concerning the approval of zonal urbanism plans. These legislative amendments include the introduction of a new approval timeline for certain PUZs and also set out a new basis for the construction of industrial facilities based on a PUG containing appropriate urbanism provisions. The original bill that was approved by Parliament has been through a subsequent examination and redrafting process. In July 2013, the amended bill came into force. The provisions of the law include clarification of the approval process for urbanism plans, applicable for the Industrial Area PUZ.

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.

The local council of Rosia Montana is obligated to update the 2002 PUG to reflect relevant changes and modifications to the Project. During 2012, pursuant to local council decisions, the validity of the existing PUGs for Rosia Montana and Abrud has been extended through to July 2014. During the latter part of 2012, the local councils of Rosia Montana, Abrud and Bucium awarded the design contracts and initiated the activities for updating the PUGs. These activities have been ongoing during 2013 and the first form of the updated PUGs has been completed and submitted for review to the local councils. In due course, the plans will be subject to formal approval processes, including public consultation.

During 2012, RMGC obtained an extension to the validity of its urbanism certificate (UC-87) through April 2013. An urbanism certificate is an informational document issued by a local or county council and sets out the legal, technical and economic status of a particular parcel of land. On April 22, 2013 Alba County Council issued a new urbanism certificate (UC-47) for the Project, which is valid for 24 months, subject to extension for a further maximum of 12 months.

Litigation

Over the years certain foreign and domestically-funded non-governmental organizations ("NGOs") have initiated a multitude of legal challenges against local, regional and national Romanian authorities that hold the administrative or regulatory authority to grant 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 over many years have been successful, most have been, and continue to be, proved to be frivolous in the Romanian courts. Since early 2010, 19 court decisions (from 20 legal challenges to permitting, licensing and other Project related matters) have been positive for the progress of the Project.

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

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 to ultimately stop the development of the Project. There are a variety of procedural matters that allow the NGOs to raise pleas which create additional legal actions that are separate from, but related to the principal legal actions. Often an action will be taken by the NGOs on a particular issue in several different regional court jurisdictions, and such legal objection may be raised in separate cases seeking a suspension or cancellation of a particular license, permit or approval. These actions add significant delay, distraction and cost to the process of permitting the Project.

By way of example, since 2004, RMGC has obtained five separate urbanism certificates with respect to the Project (each of which were initially valid for a period of 24 months), the most recent being UC-47 which was issued on April 22, 2013 and replaced the former urbanism certificate held by RMGC, namely UC-87. All four of the urbanism certificates which preceded UC-47 were the subject of legal action by NGOs.

The past history of continued litigation indicates that it is highly likely that UC-47 will be the subject of future legal challenge by NGOs.

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 14, 2013, 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 period.

There were no significant legal developments during the second quarter of 2013, save that on April 1, 2013 the Bucharest Tribunal rejected a claim brought by an NGO which sought the disclosure of certain documents pertaining to the Rosia Montana exploitation license.

Upcoming court hearings in the third quarter of 2013 include:

- Two NGOs have initiated proceedings before the Bucharest Tribunal seeking the cancellation and suspension of the ADC for Carnic, the first hearing of which is scheduled for September 9, 2013.

- An action filed by three NGOs requesting the suspension of the ADC for the Carnic open-pit is scheduled to be heard by the Cluj Tribunal on September 13, 2013.

- The next hearing of a claim brought by the same three NGOs in the Cluj Tribunal seeking the cancellation of the ADC for the Carnic open-pit is scheduled to be heard on September 30, 2013.

- A claim initiated by two NGOs seeking the cancellation of the Strategic Environmental Assessment endorsement ("SEA") to the Industrial Area PUZ, which was issued by the Regional Agency for Environmental Protection of Sibiu in March 2011, is scheduled to be heard by the Cluj Tribunal on September 6, 2013.

- A claim initiated by the same two NGOs seeking the suspension of the SEA is also scheduled to be heard in the same court on September 20, 2013.

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.

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.

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

Ultimately, the Company's ability to obtain construction permits for the mine and plant 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.

Resettlement Sites

Construction of 125 homes in the Alba Iulia resettlement site, known as Recea, was completed in 2010 and all but one of these homes are now occupied by resettled families.

In late 2011, the Company commenced the construction of twelve new houses which are expected to be completed during 2013. In preparation for the future expansion of Recea, certain civil works and additional services / utilities infrastructure were completed during 2012. A definitive review of the Recea expansion project is ongoing.

In 2012, the Company substantially completed the construction of a church and associated annexes at Recea.

Work has been ongoing to review plans for a further resettlement village to be built close to Rosia Montana for the remaining homeowners who have chosen, or may choose, to be resettled in the Rosia Montana area.

All these initiatives stand as a visible testimony to the determination of the Company to deliver on its promises to the people of Rosia Montana.

Archaeology and Preservation of Cultural Heritage

An archaeological review of the historical mining activity at Rosia Montana is a critical step in the granting of the construction permits to build the Project. A number of archaeological discharge certificates are required for various parts of the proposed Project footprint. In order to obtain such discharge certificates, the Company must conduct an extensive program of exploratory and preventative archaeology in order to ensure that 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 complements those it already holds for the Cetate and Jig open-pits. In order to end the protective archaeological regime covering the proposed site of the Carnic pit, RMGC awaits formal confirmation that the Carnic massif has been removed from the List of Historical Monuments by the Ministry of Culture.

The Company continues with maintenance work on 160 houses identified in the historical center of the village of Rosia Montana ("Protected Area"), with the aim of preventing their deterioration. While these village houses are not designated as historic, the restoration will contribute to maintaining the character of the village. This is just one element of a significant amount that the Company intends to invest in local heritage and cultural aspects in and around Rosia Montana over all phases of the Project.

The Company is advancing a project to complete restoration of more than 110 houses located within the Protected Area, which will bring these back into functional use. To date, the design work and permitting has been completed. The final stage of obtaining construction authorization remains outstanding.

In addition, RMGC, in partnership with the local council of Rosia Montana, initiated the restoration of two iconic buildings (the old school house and former town hall) in the Protected Area, along with the rehabilitation of a number of houses, which will be used for tourism initiatives. Subject to internal fit out, which has been placed on hold, the primary restoration of the former town hall was completed during 2012. Work on the old school house advanced to the stage of the building being secure and weather tight. Further restoration work has been put on hold until such time as the Government moves ahead with Project permitting.

RMGC is continuing further detailed archaeological work focusing on opening up previously unexplored old underground mining galleries that lie under the Protected Area, such as Catalina Monulesti which is in the process of being successfully restored and has been opened to the public. Such areas will serve as a permanent museum, a visible testimony to the 2,000 year mining history at Rosia Montana and an accessible example of historic mining activities for parties with interests in the regional mining sector. The Company has already hosted over one thousand visitors (including representatives of the Ministry of Culture) to Catalina Monulesti, representing various stakeholder groups.

The Roman workings within the Protected Area are some of the most diverse and archeologically significant examples of Roman engineering discovered in the area to date. Though access to the Roman galleries remains difficult, the Company has made substantial progress with installing sufficient infrastructure to allow the public to share in Romania's rich cultural heritage. The archaeological results identify Roman mining galleries and related wooden artifacts, all outside of the Project footprint. This is all part of the long term initiatives in the Protected Area funded solely by the Company. Without such programs, there would be no comparable preservation of the area's mining heritage.

Corporate and Social Responsibility (CSR)

Gabriel takes pride in its commitment to achieving the highest levels of sustainability from workplace safety to community and environmental responsibility. The Company invests significant resources into its CSR programs, which in Romania is a multi-dimensional commitment managed by RMGC covering employee training and safety, local communities, living traditions, direct and indirect social impacts, educational programs, environmental protection, community sponsorship and heritage aspects.

One of RMGC's core commitments is to develop local employment, local supply and a strategy for local economic diversification during the life of the Project and beyond, evidenced through:

- Local employment – RMGC currently employs approximately 500 people directly and numerous others indirectly, with some 85 percent hired from the local community. The Company is investing in training and skills assessments for the construction phase of the Project; and
- Local supply - more than 600 local firms are suppliers / contractors to RMGC.

Liquidity and Capital Resources

Cash and cash equivalents at June 30, 2013 amounted to $62.8 million.

During Q2 2013, the Company issued 3.4 million common shares upon the exercise of stock options for aggregate gross proceeds of approximately $5.3 million.

Excluding realized foreign exchange translation differences, the Company's average monthly net cash usage during Q2 2013 was $3.2 million (Q1 2013: $3.9 million, Q2 2012: $5.9 million).

During 2013 the Company has continued with its cost reduction plans, initiated in mid-2012, to preserve capital until such time as the Government moves ahead with Project permitting. The Company incurred one-time costs in Q4 2012 on Referendum-related activities, of which approximately $2.0 million was physically paid in Q1 2013. Excluding Referendum activities the monthly average net cash usage for the first six months of 2013 was $3.2million.

On the basis of the recent engagement with the TAC, inclusion of the Project in the Plan, anticipated parliamentary debate in respect of the Project and potential progress in permitting, the Company expects an increase in activity levels associated with its permitting and communications activities which will result in increased expenditure in Q3 2013.

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

Management continues to be 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, 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 Rosia Montana.

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

Outlook

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

- Finalise the TAC process;
- Obtain approval of the EP and all other required permits that will allow construction activities to commence;
- Continue appropriate stewardship of cash resources, whilst maintaining efforts to promote the awareness of the Project benefits, both economic and otherwise, and widespread support for the permitting of the Project;
- Maximize shareholder value, while optimizing benefits of the Project to those in the community and the surrounding area.

Results of Operations

The results of operations are summarized in the following tables, which have been prepared in accordance with IFRS:

in thousands of Canadian dollars, except per share amounts	**2013 Q2**	**2013 Q1**	**2012 Q4**	**2012 Q3**
Statement of Loss				
Loss	$ 1,735	$ 2,289	$ 2,530	$ 3,661
Loss per share - basic and diluted	0.00	0.01	0.01	0.01
Statement of Financial Position				
Working capital	53,766	57,526	65,948	80,233
Total assets	620,683	595,676	602,686	577,507
Statement of Cash Flows				
Investments in development and exploration including working capital changes	8,532	9,928	10,514	8,460
Cash flow from financing activities	5,346	2	732	-

in thousands of Canadian dollars, except per share amounts	**2012 Q2**	**2012 Q1**	**2011 Q4**	**2011 Q3**
Statement of Loss				
Loss	$ 2,683	$ 2,567	$ 8,411	$ 3,640
Loss per share - basic and diluted	0.01	0.01	0.03	0.01
Statement of Financial Position				
Working capital	90,454	106,575	120,725	148,588
Total assets	593,256	616,971	619,294	629,951
Statement of Cash Flows				
Investments in development and exploration including working capital changes	13,152	14,902	14,771	16,892
Cash flow from financing activities	460	1,503	197	1,261

Statement of Loss

	3 months ended June 30		**6 months ended June 30**	
in thousands of Canadian dollars, except per share amounts	**2013**	2012	**2013**	2012
Operating loss for the period	**$ 1,945**	$ 2,348	**$ 4,324**	$ 5,301
Loss for the period	**1,735**	2,683	**4,024**	5,250
Loss per share - basic and diluted	**0.00**	0.01	**0.01**	0.01

Operating loss for the six month period ended June 30, 2013 decreased from the corresponding period in 2012. The decrease was mainly due to lower corporate, general and administrative costs owing to the ongoing cost reduction strategy first implemented in mid-2012

Similarly, the loss for the six month period ended June 30, 2013 is lower than the loss in the same period in 2012. The Company now has limited foreign currency exposure, which results in lower foreign currency exchange movements.

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

Expenses

Corporate, General and Administrative

in thousands of Canadian dollars	**3 months ended June 30 2013**	3 months ended June 30 2012	**6 months ended June 30 2013**	6 months ended June 30 2012
Finance	**$ 139**	$ 308	**$ 288**	$ 564
External communications	**108**	89	**$ 223**	233
Information technology	**29**	15	**$ 55**	28
Legal	**14**	215	**$ 151**	430
Payroll	**610**	838	**$ 1,056**	1,343
Other	**152**	692	**$ 385**	905
Corporate, general and administrative expense	**$ 1,052**	$ 2,157	**$ 2,158**	$ 3,503

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

As noted, during 2012 the Company implemented a cost reduction strategy as a consequence of permitting delays to the Project. This strategy has been extended into 2013 which has resulted in a general reduction in activities and costs in 2013 year-to-date compared to the prior period. In addition, the Canadian dollar was stronger than the British pound during the six month period ended June 30, 2013 than in the corresponding 2012 period, which has the effect of reducing the Canadian dollar equivalent cost of the London operations.

Corporate, general and administrative costs are anticipated to increase once the Project receives the EP and the Company increases its resources for construction and operating activities.

Stock Based Compensation

in thousands of Canadian dollars	**3 months ended June 30 2013**	3 months ended June 30 2012	**6 months ended June 30 2013**	6 months ended June 30 2012
DSUs and RSUs - expense reversal	**$ (592)**	$ (1,324)	**$ (560)**	$ (1,684)
Stock option compensation - expense	**1,445**	1,445	**2,647**	3,350
Stock based compensation - expense	**$ 853**	$ 121	**$ 2,087**	$ 1,666
Stock option compensation - capitalized	**$ 1,275**	$ (680)	**$ 2,947**	$ 1,759

Initially valued at the five-day weighted average market price of the Company's shares at date of issue, vested DSUs and RSUs are revalued each period end based on the closing period end share price. The effect on the valuation of DSUs and RSUs of the period-on-period change in share price is charged (credited) to the Statement of Loss or, for share units granted to personnel working on development projects, capitalized to mineral properties. At June 30, 2013 the Company's share price was $1.40 compared to $2.42 at March 31, 2013 (December 31, 2012: $2.36), giving rise to the reversal of prior expense of certain stock based compensation for the three and six-month periods ended June 30, 2013.

The estimated fair value of stock options is 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 to mineral properties over the vesting period.

The reduction of stock option compensation expensed and capitalized during the six-month period ended June 30, 2013 compared to the prior period is as a result of delayed management expectations, given the lack of progress in permitting of the Project, of the attainment of performance conditions for performance based options, as well as a number of historic option grants reaching full amortization.

	3 months ended June 30		6 months ended June 30	
	2013	2012	**2013**	2012
Stock option compensation				
Number of stock options granted	**2,455,000**	725,000	**2,455,000**	2,893,333
Average value ascribed to each regular vesting option granted	**$ 1.76**	$ 1.92	**$ 1.76**	$ 4.81
Options granted to corporate employees, consultants, officers, and directors	**1,255,000**	725,000	**1,255,000**	1,758,333
Options granted to development project employees and consultants	**1,200,000**	-	**1,200,000**	1,135,000
DSU compensation				
Number of DSUs issued	**22,439**	18,634	**35,205**	28,150
Average value ascribed to each DSU issued	**$ 1.93**	$ 1.61	**$ 2.08**	$ 2.84
RSU compensation				
Number of RSUs issued	**-**	-	**-**	76,258
Average value ascribed to each RSU issued	**$ -**	$ -	**$ -**	$ 5.77
Number of RSUs redeemed	**-**	-	**25,419**	-
Average value ascribed to each RSU redeemed	**$ -**	$ -	**$ 2.76**	$ -

A total of 2,455,000 stock options were granted during the three month period ended June 30, 2013 as a result of a deferred 2012 performance review. All of the granted stock options vest over a three-year period.

DSUs issued during the three and six-month period ended June 30, 2013 were to certain directors, at their election, in lieu of their quarterly directors fees. No RSUs were issued during the six-month period ended June 30, 2013, although 25,419 were redeemed for cash.

Interest Income

in thousands of Canadian dollars		3 months ended June 30 **2013**		2012		6 months ended June 30 **2013**		2012
Interest income	**$**	**166**	$	311	**$**	**300**	$	536

Lower interest income in the three and six-month periods ended June 30, 2013, compared to the prior period is the result of lower holdings of cash and cash equivalents (June 30, 2013: $62.9 million; June 30, 2012: $100.6 million).

As at June 30, 2013 approximately 88% of the Company's cash and cash equivalents were invested in Canadian government guaranteed instruments with 8% held as cash deposits with major Canadian banks and the remaining 4% held in recognized UK and Romanian banks.

Foreign Exchange

in thousands of Canadian dollars		3 months ended June 30 **2013**		2012		6 months ended June 30 **2013**		2012
Foreign exchange (loss)/gain - realized	**$**	**(87)**	$	-	**$**	**9**	$	-
Foreign exchange gain/(loss) - unrealized		**131**		(646)		**(9)**		(485)
Total foreign exchange gain/(loss)	**$**	**44**	$	(646)	**$**	**-**	$	(485)

The Company expects to report reduced foreign currency gains and losses as a result of reduced exposure to non-Canadian Dollar currencies (June 30, 2013: 3% of total treasury funds; June 30, 2012: 11%).

Taxes

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

Investing Activities

The most significant ongoing investing activities are 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. Once the construction permits are received, the nature and magnitude of the expenditures will increase, as roads, production facilities, open pits, tailings management facilities and associated infrastructure are built.

The multiple changes in Governments in Romania during 2012, and consequential delays in Project permitting, have resulted in management seeking to actively reduce expenditure levels to preserve capital.

Mineral Properties

All costs incurred in the development and exploration of the Project are capitalized to mineral properties.

in thousands of Canadian dollars		**3 months ended June 30 2013**		June 30 2012		**6 months ended June 30 2013**		June 30 2012
Finance and administration	**$**	**2,028**	$	1,810	**$**	**3,573**	$	3,293
External communications		**2,477**		3,472		**3,763**		8,096
Legal		**1,186**		1,410		**2,434**		2,845
Permitting		**740**		1,423		**1,555**		2,887
Community development		**1,492**		2,545		**2,783**		4,163
Project management and engineering		**626**		186		**1,287**		2,759
Exploration - Rosia Montana		**251**		474		**494**		995
Total exploration and development expenditures	**$**	**8,800**	$	11,320	**$**	**15,889**	$	25,038
Capitalized depreciation and disposals	**$**	**102**	$	94	**$**	**323**	$	178
Capitalized stock based compensation	**$**	**1,275**	$	(680)	**$**	**2,947**	$	1,759
Movement in resettlement liabilities	**$**	**56**	$	(69)	**$**	**101**	$	68

The decrease in most categories of exploration and development expenditures during the three and six-month periods ended June 30, 2013, compared to the prior periods, is largely due to the previously noted cost reduction strategy. Media and communications expenditure has been subject to the most significant reduction period on period, with higher levels of activity in 2012 in support of the then perceived progress in Project permitting. Management expects to increase certain permitting and communications related activities in Q3 due to the positive developments in Project permitting in recent weeks.

The Company has continued with community development activities in line with its commitment to sustainable development, legal activities in defending the Company's position in numerous legal challenges and essential activities related to maintaining the licenses and permits that it currently holds and obtaining the remaining required licenses and permits.

Project management and engineering activities have been significantly reduced to only those that ensure the Company's long lead-time equipment is preserved. Project management and engineering activities will resume once progress is made in permitting the Project.

Purchase of Capital Assets

in thousands of Canadian dollars		**3 months ended June 30 2013**		June 30 2012		**6 months ended June 30 2013**		June 30 2012
Resettlement site development costs and assets under construction	**$**	**-**	$	2,934	**$**	**212**	$	3,601
Investment in long-lead-time equipment		**-**		(355)		**-**		(355)
Other		**37**		73		**65**		492
Total investment in capital assets	**$**	**37**	$	2,652	**$**	**277**	$	3,738
Depreciation and disposal - expensed	**$**	**40**	$	70	**$**	**79**	$	132
Depreciation and disposal - capitalized to mineral properties	**$**	**102**	$	94	**$**	**323**	$	178

The reduction in resettlement activity and other investment expenditure is reflective of the cost reduction strategy in place. Expenditure is expected to increase as and when the EP is issued.

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 June 30, 2013, cash and cash equivalents were $62.9 million (June 30, 2012: $100.6 million).

Share options proceeds received by the Company during the six-month period ended June 30, 2013 amounted to $5.3 million compared to $2.0 million during the six-month period ended June 30, 2012.

Working Capital

As at June 30, 2013, the Company had working capital, calculated as total current assets less total current liabilities, of $53.8 million (June 30, 2012: $90.5 million). The reduction in working capital relates mainly to expenditure on the Project.

As at June 30, 2013, the Company had current liabilities of $11.5 million (June 30, 2012: $14.1 million). The period-on-period decrease in current liabilities relates largely to a reduction of trade and other payables as a consequence of the business strategy to reduce expenditure to preserve capital while the Project experiences permitting delays.

Related Party Transactions

During the six-month period ended June 30, 2013 the Company did not enter any significant new related party transactions, nor were there any significant changes to the related party transactions which were disclosed in the Company's financial statements for the year ended December 31, 2012.

The Company advanced loans in 2004 and 2009 in aggregate totaling US$39.5 million to Minvest, the non-controlling shareholder of RMGC, to facilitate various statutory share capital increases in RMGC. The balance outstanding on the two loans to Minvest at June 30, 2013 was US$39.5 million (June 30, 2012: 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 interests on 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 on 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. They could either choose to take the sale proceeds and move to a new location of their choosing or they could exchange their properties for a new property to be built by RMGC at one of the designated resettlement sites.

For those residents who choose the resettlement option, the Company increases its mineral properties on the balance sheet as well as resettlement liabilities for the anticipated construction costs of the resettlement houses. As the construction takes place, the costs of newly built houses are 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 June 30, 2013 the Company had accrued resettlement liabilities totaling $4.4 million (June 30, 2012: $4.5 million), which represents both the cost of building the remaining new homes for the local residents and outstanding delay penalties. As a result of the delay in delivery of certain 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 June 30, 2013 the Company has accrued $0.1 million (June 30, 2012: $0.3 million) representing unpaid delay penalties.

Contractual Obligations

The following is a summary of the Company's contractual capital and operating lease commitments, as of June 30, 2013 including payments due for each of the next five years and thereafter:

in thousands of Canadian dollars	**Total**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018 +**
Capital commitments							
Resettlement	184	26	13	80	65	-	-
Operating lease commitments							
Rosia Montana exploitation license	1,170	234	234	234	234	234	-
Surface concession rights	1,066	17	28	28	28	28	937
Property lease agreements	948	277	287	272	112	-	-
Total commitments	3,368	554	562	614	439	262	937

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. 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 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, 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. On September 17, 2010 the MoE restarted the EIA review process. During 2011 the TAC met on several occasions to further its deliberations and after an extended period of inactivity has, under the current Government, met three times in May and June 2013. The Company awaits an indication from the TAC as to the conclusions and next steps arising from these latest meetings. As noted above, Mr. Ponta has also recently been quoted as stating that any Government decision to proceed with the Project would be subject to a Romanian Parliament vote, and a new law relating to the Project will be drafted for debate in the Parliament in September 2013.

The base budget and forecast for 2013 for the Project includes only those expenditures and commitments to maintain the value of the Company's investment in mineral properties and to move the Project through EIA approval. Once the EP is issued, 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. As at June 30, 2013 the Company had no sources of operating cash flows and does not have sufficient cash to fund the development of the Project and therefore will require additional funding which, if not raised, would result in the curtailment of activities and Project delays.

Recoverability of mineral properties

The Company has determined that the area covered by the Rosia Montana exploitation license contains economically recoverable reserves. The ultimate recoverability of the $500 million carrying value at June 30, 2013 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, it is management's policy to perform an impairment test in accordance with IAS 36 – Impairment of Assets. The impairment test is, at a minimum, performed annually.

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

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. 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 financial 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

Under a collective bargaining agreement between RMGC and its employees, under certain conditions employees of RMGC are entitled 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.

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 highly liquid, highly rated financial institutions and instruments.

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

Credit risk

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

Liquidity risk

The Group has sufficient funds as at June 30, 2013 to settle all current and long-term liabilities.

Market risk

(a) Interest rate risk

The Group has significant cash balances and no 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.

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 denominated in Romanian Leu, 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 June 30, 2013 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 June 30, 2013 the following movements are "reasonably possible" over a twelve-month period:

- Cash and cash equivalents include deposits which are at floating interest rates. A plus or minus 1% change in earned interest rates in both cases would affect net income from deposits by $0.1 million.
- The Company holds cash balances, albeit minor, in foreign currencies and this gives rise to exposure to foreign exchange risk. As of June 30, 2013 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 Proceedings
- 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 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 Estimates
- Environmental and other Regulatory Requirements
- Infrastructure
- Price Fluctuations of Consumed Commodities
- 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*, for the Company.

The Company's CEO and CFO certify that, as at June 30, 2013 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. They also certify that the Company's ICFR has been designed and operates effectively to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The control framework the Company's CEO and CFO used to design the Company's ICFR is the Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission.

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 June 30, 2013 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 July 31, 2013 was:

	Outstanding
Common shares	384,100,056
Common stock options	25,801,138
Deferred share units - common shares	515,915
Restricted share units - common shares	50,839
Fully diluted share capital	**410,467,948**

Proven and Probable Mineral Reserves

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

Reserve Category	Tonnage (Mt)	Au Grade (g/t)	Ag Grade (g/t)	Au Metal (Moz)	Ag Metal (Moz)
Proven	112.5	1.63	9.01	5.9	32.6
Probable	102.5	1.27	4.55	4.2	15.0
Total	**214.9**	**1.46**	**6.88**	**10.1**	**47.6**

Dr. Mike Armitage is the qualified person responsible for authoring the Technical Report from which the reserve estimate set forth in the table above has been extracted.

Forward-Looking Statements

Certain statements included herein, including capital costs estimates, sustaining capital and reclamation estimates, estimated production and total cash costs of production, future ability to finance the Project and other statements that express management's expectations or estimates regarding the timing of completion of various aspects of the Projects' development or of our future performance, constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and Canadian securities legislation. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule", and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. In particular, the MD&A includes many such forward-looking statements and such statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of the Company to be materially different from its estimated future results, performance or achievements expressed or implied by those forward-looking statements and its forward-looking statements are not guarantees of future performance. These risks, uncertainties and other factors include, but are not limited to changes in the worldwide price of precious metals; fluctuations in exchange rates; legislative, political or economic developments; operating or technical difficulties in connection with exploration, development or mining; environmental risks; permitting risks; the speculative nature of gold exploration and development, including the risks of diminishing quantities or grades of reserves; and the Company's requirements for substantial additional funding. While Gabriel may elect to, Gabriel is under no obligation to and does not undertake to update this information at any particular time, except as required by law.

Gabriel Resources Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)
For the period ended June 30, 2013

Condensed Consolidated Statement of Financial Position

As at June 30, 2013 and December 31, 2012
(Unaudited and expressed in thousands of Canadian dollars)

	Notes	**June 30 2013**	December 31 2012
Assets			
Current assets			
Cash and cash equivalents	5	**62,850**	78,965
Trade and other receivables		**1,141**	1,745
Prepaid expenses and supplies		**1,269**	948
Total current assets		**65,260**	81,658
Non-current assets			
Mineral properties	6	**499,960**	467,206
Property, plant and equipment		**55,278**	53,647
Other non-current assets		**185**	175
Total non-current assets		**555,423**	521,028
TOTAL ASSETS		**620,683**	602,686
Liabilities			
Current liabilities			
Trade and other payables		**6,167**	9,970
Resettlement liabilities		**4,359**	4,258
Other current liabilities		**968**	1,482
Total current liabilities		**11,494**	15,710
Non-current liabilities			
Other non-current liabilities		**2,669**	2,624
Total non-current liabilities		**2,669**	2,624
TOTAL LIABILITIES		**14,163**	18,334
Equity attributable to owners of the parent			
Share capital		**867,838**	859,782
Contributed surplus		**55,699**	52,813
Currency translation adjustment		**(50,493)**	(65,743)
Accumulated deficit		**(266,524)**	(262,500)
TOTAL EQUITY		**606,520**	584,352
TOTAL EQUITY AND LIABILITIES		**620,683**	602,686

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

Condensed Consolidated Statement of Loss

For the three and six-month periods ended June 30

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

	3 months ended June 30		6 months ended June 30	
	2013	2012	**2013**	2012
Expenses				
Corporate, general and administrative	**1,052**	2,157	**2,158**	3,503
Share-based compensation	**853**	121	**2,087**	1,666
Depreciation	**40**	70	**79**	132
Operating loss	**1,945**	2,348	**4,324**	5,301
Other (income) /expense				
Interest received	**(166)**	(311)	**(300)**	(536)
Foreign exchange (gain) / loss	**(44)**	646	**-**	485
Loss for the period attributable to owners of the parent	**1,735**	2,683	**4,024**	5,250
Basic and diluted loss per share	**$ 0.00**	$ 0.01	**$ 0.01**	$ 0.01

Condensed Consolidated Statement of Comprehensive (Income) / Loss

For the three and six-month periods ended June 30

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

	3 months ended June 30		6 months ended June 30	
	2013	2012	**2013**	2012
Loss for the period	**1,735**	2,683	**4,024**	5,250
Other comprehensive (income) / loss				
Currency translation adjustment	**(19,295)**	16,162	**(15,250)**	18,630
Comprehensive (income) / loss for the period attributable to owners of the parent	**(17,560)**	18,845	**(11,226)**	23,880

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

Condensed Consolidated Statement of Changes in Shareholders’ Equity

For the six-month periods ended June 30

(Unaudited and expressed in thousands of Canadian dollars)

	6 months ended June 30	
	2013	2012
Common shares		
At January 1	**859,782**	855,836
Shares issued on the exercise of share options	**5,348**	1,963
Transfer from contributed surplus - exercise of share options	**2,708**	906
At June 30	**867,838**	858,705
Contributed surplus		
At January 1	**52,813**	42,971
Share-based compensation	**5,594**	5,109
Exercise of share options	**(2,708)**	(906)
At June 30	**55,699**	47,174
Currency translation adjustment		
At January 1	**(65,743)**	(54,284)
Currency translation adjustment	**15,250**	(18,630)
At June 30	**(50,493)**	(72,914)
Accumulated deficit		
At January 1	**(262,500)**	(251,059)
Loss for the period	**(4,024)**	(5,250)
At June 30	**(266,524)**	(256,309)
Total shareholders' equity at June 30	**606,520**	576,656

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

Condensed Consolidated Statement of Cash Flows

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

	3 months ended June 30		6 months ended June 30	
	2013	2012	**2013**	2012
Cash flows used in operating activities				
Loss for the period	**(1,735)**	(2,683)	**(4,024)**	(5,250)
Adjusted for				
Depreciation	**40**	70	**79**	132
Share-based compensation	**853**	121	**2,087**	1,666
Unrealized foreign exchange (gain) / loss	**(125)**	646	**19**	485
Cash utilized in operations	**(967)**	(1,846)	**(1,839)**	(2,967)
DSU/RSU cash settlement	**-**	-	**(70)**	-
Changes in operating working capital	**(31)**	(98)	**(772)**	(1,552)
	(998)	(1,944)	**(2,681)**	(4,519)
Cash flows used in investing activities				
Decrease in other non-current assets	-	8	-	12
Exploration and development expenditures	**(8,800)**	(11,320)	**(15,889)**	(25,038)
Purchase of property, plant and equipment	**(37)**	(2,652)	**(277)**	(3,738)
Changes in investing working capital	**268**	(1,832)	**(2,571)**	(3,016)
	(8,569)	(15,796)	**(18,737)**	(31,780)
Cash flows provided by financing activities				
Proceeds from the exercise of share options	**5,346**	460	**5,348**	1,963
	5,346	460	**5,348**	1,963
Decrease in cash and cash equivalents	**(4,221)**	(17,280)	**(16,070)**	(34,336)
Effect of foreign exchange on cash and cash equivalents	**(42)**	(678)	**(45)**	(570)
Cash and cash equivalents - beginning of period	**67,113**	118,518	**78,965**	135,466
Cash and cash equivalents - end of period	**62,850**	100,560	**62,850**	100,560

The accompanying notes are an integral part of these condensed interim 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 and preparing to develop its majority-owned Rosia Montana gold and silver project (the "Project"). Rosia Montana Gold Corporation ("RMGC") is the beneficial owner of the Project. Since acquiring the Project's exploitation license, the Company has been focused on identifying and defining the size of the four ore bodies, engineering to design the size and scope of the Project, environmental assessment and permitting, rescue archaeology and surface rights acquisitions.

The underlying value of the Company and its subsidiary companies' (together the "Group") mineral properties, and in particular the Project, is dependent upon the existence and economic recovery of such reserves in the future and the ability of the Group to obtain all necessary permits and raise long-term financing to complete the development of the properties. In addition, the Project may be subject to sovereign risk, including political and economic instability, changes in existing fiscal regime, changes in existing government regulations, for example, an increase in royalty rates applicable to the Project, a ban on the use of cyanide in mining, designation of the Project area as an archeological site of national importance, government regulations relating to mining which may withhold the receipt of required permits or impede the Group's ability to acquire the necessary surface rights, as well as currency fluctuations and local inflation. The suspension of the review of the Rosia Montana Environmental Impact Assessment ("EIA") by the Ministry of Environment in September 2007 (subsequently resumed in September 2010) demonstrates the significant risks that the Project may face. Such risks may adversely affect the Group's 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 International Financial Reporting Standards ("IFRS") applicable to a "going concern", which assume that the Group will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at June 30, 2013 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 is operated by a subsidiary management services company, RM Gold (Services) Ltd. ("RMGS"). RMGS operates out of 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 for the period ended June 30, 2013 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 unaudited condensed consolidated interim financial information should be read in conjunction with the Company's audited consolidated financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRS.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. These unaudited condensed interim consolidated 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 Board of Directors approved these condensed consolidated financial statements on August 2, 2013.

3. Accounting policies

The accounting policies followed in these unaudited condensed interim consolidated financial statements are the same as those applied in the Company's audited consolidated financial statements for the year ended December 31, 2012. The Company has consistently applied the same accounting policies throughout all periods presented.

On January 1, 2013, the Company adopted the following standards and amended standards:

- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interest in Other Entities; and
- IFRS 13 Fair Value Measurement

The adoption of these standards did not have a material impact on the unaudited condensed interim consolidated financial statements of the Company.

The following new accounting standard is effective from 2014:

- 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.

This standard has not been early adopted and is not expected to have a material impact on the consolidated financial statements of the Company.

4. 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 unaudited condensed interim consolidated 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. Significant estimates and assumptions are the same as those disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2012.

While management believes that the estimates and assumptions applied are reasonable, actual results may differ from the amounts included in the unaudited condensed interim consolidated financial statements.

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

5. Cash and cash equivalents

As at	**June 30 2013**	December 31 2012
Cash at bank and on hand	**7,493**	8,718
Short-term bank deposits	**55,357**	70,247
	62,850	78,965

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 June 30, 2013 the Group held $1.3 million in Romanian banks (December 31, 2012 $2.4 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, 2011	425,382
Development costs - additions (1)	50,666
Currency translation adjustment	(8,842)
Balance - December 31, 2012	467,206
Development costs - additions (1)	**19,260**
Currency translation adjustment	**13,494**
Balance - June 30, 2013	**499,960**

(1) Mineral property additions of $19.3 million (2012 - $50.7 million) is $3.4 million higher than the amount reported in the Condensed Consolidated Statements of Cash Flows of $15.9 million (2012 - $13.7 million). The difference is attributed to a net adjustment of resettlement liabilities partially offset by non-cash charges for share based compensation and amortization.

At June 30, 2013 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. The latter is in the process of being upgraded into two separate exploitation licenses. C.N.C.A.F Minvest S.A. Deva ("Minvest"), a Romanian state-owned mining company holds the remaining 19.31% interest in RMGC. The Group holds a pre-emptive right to acquire the 19.31% non-controlling interest on any prospective sale by Minvest. The Company is required to fund 100% of all expenditures related to the exploration and development of these properties and holds a preferential right to recover all funding plus interest (other than on non-interest bearing loans) from future cash flows prior to the non-controlling shareholders receiving dividends.

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

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

7. 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:

(a) In December 2004, the Company advanced a loan of US$938,000 to the non-controlling shareholder of RMGC, which remains outstanding at June 30, 2013.

(b) In 2009 the Company advanced a further loan of US$38.6 million to the non-controlling shareholder of RMGC to facilitate another statutory share capital increase in RMGC, which remains outstanding at June 30, 2013.

(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 interests on the Condensed 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.

8. Common share options

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

	Number of options (000's)	Weighted average exercise price (dollars)
Balance - December 31, 2011	24,825	4.26
Options granted	3,819	4.09
Options forfeited	(365)	4.47
Options exercised	(926)	2.91
Balance - December 31, 2012	27,353	4.28
Options granted	**2,455**	**1.76**
Options forfeited	**(556)**	**3.29**
Options exercised	**(3,451)**	**1.55**
Balance - June 30, 2013	**25,801**	**4.43**

During the six-month period ended June 30, 2013 the Company granted 2.5 million options at an average grant price of $1.76, which vest over a three-year period (year ended December 31, 2012: 3.8 million options at a weighted average grant price of $4.09, which vest over a three-year period). The fair value of options granted is determined, at the grant date, using the Black-Scholes valuation model based on graded tranche level valuation, 5% pre-vesting forfeiture rates, volatility determined using the Company's three year share price history (66% for the six-month period ended June 30, 2013; 63% for the year ended December 31, 2012), a risk-free rate of approximately 1.20% (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 six-month periods is as follows:

	3 months ended		**6 months ended**	
	June 30 2013	June 30 2012	**June 30 2013**	June 30 2012
Expensed	**1,445**	1,445	**2,647**	3,350
Capitalized	**1,275**	(680)	**2,947**	1,759

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

9. Segmented 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 segmental report is as follows:

	Mining		**Corporate**		**Total**	
For the six-month period ended June 30,	**2013**	2012	**2013**	2012	**2013**	2012
Reportable items in the Consolidated Statements of Loss						
Finance income	-	-	**(300)**	(536)	**(300)**	(536)
Amortization	-	-	**79**	132	**79**	132
Reportable segment loss	-	-	**4,024**	5,250	**4,024**	5,250
As at June 30,	**2013**	2012	**2013**	2012	**2013**	2012
Reportable segment in Consolidated Statement of Financial Position						
Reportable segment current assets	**3,090**	4,776	**62,170**	99,748	**65,260**	104,524
Reportable segment non - current assets	**555,150**	488,307	**273**	425	**555,423**	488,732
Reportable segment liabilities	**(12,032)**	(14,354)	**(2,131)**	(2,246)	**(14,163)**	(16,600)

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

10. Loss per share

	3 months ended		6 months ended	
	June 30 2013	June 30 2012	**June 30 2013**	June 30 2012
Loss for the period attributable to owners of the parent	**1,735**	2,683	**4,024**	5,250
Weighted-average number of common shares (000's)				
Basic number of shares	**383,952**	379,961	**382,265**	379,800
Dilutive effect of:				
Share options	**59**	3,509	**59**	3,509
Deferred and restricted share units	**654**	641	**656**	641
Total diluted number of shares	**384,665**	384,111	**382,980**	383,950
Basic and diluted loss per share	**$0.00**	$0.01	**$0.01**	$0.01

11. 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	**2013**	**2014**	**2015**	**2016**	**2017**	**Thereafter**
Capital commitments							
Resettlement	184	26	13	80	65	-	-
Operating lease commitments							
Rosia Montana exploitation license	1,170	234	234	234	234	234	-
Surface concession rights	1,066	17	28	28	28	28	937
Property lease agreements	948	277	287	272	112	-	-
Total commitments	3,368	554	562	614	439	262	937

12. Post balance sheet events

On July 18, 2013, pursuant to a successful, final and irrevocable decision earlier in 2013 at Romania's Supreme Court of Justice, RMGC received RON 13.4 million (approximately $4.1 million) from the Romanian fiscal authorities in respect of taxes, penalties and interest previously paid by RMGC.