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, 2017 and 2016.

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, 2017 and 2016 ("Financial Statements"). The Financial 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 Financial Statements should be read in conjunction with the audited consolidated financial statements and notes thereto of the Company as at and for the year ended December 31, 2016, 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 9, 2017. The Company's public filings, including its most recent Annual Information Form ("AIF"), can be reviewed on the SEDAR website (www.sedar.com).

Overview

Gabriel is a Toronto Stock Exchange listed Canadian resource company which, for over eighteen years, has been principally focused on the exploration and development of the Roșia Montană gold and silver project in Romania (the "Project"). The exploitation concession license for the Project ("License") is held by Roșia Montană Gold Corporation S.A. ("RMGC"), a Romanian company in which Gabriel owns an 80.69% equity interest, with the 19.31% balance held by Minvest Roșia Montană S.A. ("Minvest RM"), a Romanian state-owned mining company.

Upon obtaining the License in 1999, RMGC along with Gabriel and its subsidiary companies (together the "Group") focused substantially all of their management and financial resources on identifying and defining the size of the four ore bodies, engineering to design the size and scope of the Project, surface rights acquisitions, rescue archaeology and environmental assessment and permitting. Despite the Company's fulfilment of its legal obligations and its development of the Project as a high-quality, sustainable and environmentally-responsible mining project, using best available techniques, Romania has blocked and prevented implementation of the Project without due process and without compensation, effectively depriving the Group entirely of the value of its investments.

On July 21, 2015, the Company and its wholly-owned subsidiary, Gabriel Resources (Jersey) Ltd. (together "Claimants"), filed a request for arbitration ("Arbitration Request") before the World Bank's International Centre for Settlement of Investment Disputes ("ICSID") against the Romanian State (the "Respondent") pursuant to the bilateral investment protection treaties which the Romanian Government has entered into with each of the Government of Canada and the Government of the United Kingdom of Great Britain and Northern Ireland for the Promotion and Reciprocal Protection of Investments (together the "Treaties") ("ICSID Arbitration"). The presiding tribunal for the ICSID Arbitration ("Tribunal") was constituted on June 21, 2016. In accordance with the procedural timetable determined by the Tribunal, on June 30, 2017, the Claimants submitted their memorial on the merits of the claim (the "Memorial"). In addition to factual and legal arguments supporting the claims against the Respondent, the Memorial also includes details of the US$4.4 billion of claimed damages sustained due to Romania's treaty breaches.

In light of the continued absence of any positive engagement by the Romanian State since the Arbitration Request, the ICSID Arbitration has become the Company's core focus. Accordingly, the information set out below and elsewhere in this MD&A relating to the Project, the License, the Group's exploration and development activities in Romania and the Project approval and permitting process is for background purposes only and should not be interpreted as being indicative of the Company's expectations as at the date of this document regarding the future development of the Project.

ICSID Arbitration

In reliance on numerous representations made and actions taken by the Romanian authorities and in the reasonable expectation that the Project would be evaluated in accordance with the law and reasonable technical standards and, ultimately, on its merits, the Claimants have invested over US$700 million to maintain and develop the Project in accordance with all applicable laws, regulations, licenses, and permits. However, having encouraged the Claimants' investment in the Project, and also in defining mineral deposits at the Rodu-Frasin (epithermal gold and silver) and reviewing the Tarniţa (porphyry copper-gold) sites within the Bucium area located in the vicinity of Roşia Montană ("Bucium Projects"), the Romanian State has frustrated and prevented the implementation of those developments in an unlawful, discriminatory and non-transparent manner, and ultimately abdicated the responsibility to make decisions on the permitting of the Project in contravention of the applicable legal framework.

As a consequence of Romania's acts and inactions, the Project has been stymied, depriving the Claimants of the use, benefit and entire value of their property rights associated with the Project and the Bucium Projects, which have effectively been taken without compensation in contravention of the applicable legal and administrative processes and requirements.

The ICSID Arbitration seeks compensation for all of the loss and damage resulting from the Romanian State's wrongful conduct and its breaches of the Treaties' protections against expropriation, unfair and inequitable treatment and discrimination in respect of the Project and related licenses.

Status of the ICSID Arbitration

On January 10, 2017 the Tribunal issued Procedural Order No.4 setting out the expected calendar for the ICSID Arbitration process with specific dates for the filing of submissions by the parties and other necessary procedural matters ("Procedural Calendar"). In accordance with the Procedural Calendar, on June 30, 2017 the Claimants filed their Memorial. The Memorial filing is scheduled to be followed by the following key submissions:

- The Respondent to file its response to the Memorial ("Counter-Memorial") by February 15, 2018.
- The Claimants and the Respondent to file their requests for the production of documents by March 15, 2018. The Tribunal is to issue a decision on the requests for the production of documents on May 10, 2018.
- The Claimants to file their reply to the Counter-Memorial ("Reply") by September 5, 2018.
- The Tribunal to issue a decision on whether to admit submissions from any 'non-disputing parties' on October 17, 2018. If the Tribunal admits submissions from such parties, the Claimants and Respondent are to file their comments on the 'non-disputing party' submissions by November 14, 2018.
- The Respondent to file its response to the Reply ("Rejoinder") by February 19, 2019.

A hearing on the merits of the claim before the Tribunal is scheduled to occur at ICSID's headquarters at the World Bank in Washington D.C. from September 9 to 20, 2019.

Certain procedural orders and decisions of the Tribunal, together with certain of the principal submissions filed by the parties during the ICSID Arbitration, will be published on the ICSID website at the following location:

https://icsid.worldbank.org/en/Pages/cases/casedetail.aspx?CaseNo=ARB/15/31

The Memorial is subject to the confidentiality provisions of Procedural Order No.3, which can be found on the ICSID website. Gabriel anticipates that the Memorial will be published on the ICSID website in due course with certain redactions in accordance with those provisions.

RMGC Audits and Investigations

Since the filing of the ICSID Arbitration, RMGC has been subjected to several audits and investigations by the Romanian National Agency for Fiscal Administration ("ANAF"), a Romanian Government agency operating under the Ministry of Public Finance, a Romanian Government department which is also charged with organizing and overseeing Romania's defense of the ICSID Arbitration. Gabriel and RMGC management considers that such audits and investigations are abusive in nature and have been initiated by the Romanian authorities in retaliation to the Claimants' filing of the ICSID Arbitration.

As previously disclosed by the Company, RMGC was served with a decision by ANAF assessing a liability for value added tax ("VAT") in the amount of RON 27m (approximately $8.6m) on July 5, 2017 (the "VAT Assessment"). The liability relates to VAT previously claimed and received by RMGC in respect of its purchase of goods and services from July 2011 to January 2016.

The VAT Assessment followed the re-run of a prior VAT audit concluded by ANAF in July 2016 which assessed a liability for approximately the same amount, rising with interest and penalties to RON 42.9m (then approximately $13.7m) (the "2016 VAT Assessment"). The 2016 VAT Assessment was successfully challenged by RMGC and partially quashed by ANAF in September 2016.

On August 9, 2017 RMGC filed an administrative challenge before the Romanian tax authorities against the VAT Assessment which is ongoing. RMGC also filed a request for a stay of enforcement of the VAT Assessment before the Alba Iulia Court of Appeal on August 10, 2017. On October 2, 2017 the Alba Iulia Court of Appeal admitted RMGC's request for a stay of enforcement of the VAT Assessment, pending the determination of RMGC's administrative (and if necessary judicial) challenge of the VAT Assessment. This ruling may be appealed by ANAF within 5 days of notification in writing to the parties of the Court's decision and the legal basis thereof, which has yet to be received by RMGC.

Notwithstanding the Court of Appeal's decision of October 2, 2017, RMGC received a further notification from ANAF in respect of interest and penalties related to the VAT Assessment for RON 18.6 million (approximately $6.0 million) on October 23, 2017. It is the Company's understanding that the interest and penalties are also subject to the judicial stay of enforcement.

In common with the 2016 VAT Assessment, the Company believes the VAT Assessment is fundamentally flawed and abusive. Further, the Company believes that the procedure followed by ANAF to arrive at the VAT Assessment, and the subsequent interest and penalties, was improper and unlawful and that the VAT Assessment conflicts with Romanian fiscal laws as well as the mandatory applicable principles of EU law. The Company intends to pursue all available legal avenues to challenge the VAT Assessment along with the interest and penalties and to fully protect its rights and assets.

In parallel with the VAT Assessment, and for over two years as of the date of this MD&A, a separate directorate of ANAF has continued to pursue an ad hoc investigation of a broad range of operational activities and transactions of RMGC and an increasing number of its suppliers, consultants and advisors over an extensive period spanning 1997 to 2016 (the "ANAF Investigation"). ANAF has continually demanded, to short and often unachievable deadlines, that RMGC provide voluminous amounts of information and explanations in respect of, amongst other matters, transactions with many of its suppliers. Although RMGC is co-operating in good faith with ANAF, Gabriel still awaits formal indication of the grounds for the ANAF Investigation. Gabriel believes that there is no justification for the ANAF Investigation, that the breadth and depth of ANAF's demands are intentionally abusive, and that it has been initiated in an attempt to intimidate and harm RMGC and the Claimants in view of the dispute with the Romanian State and the Claimants' filing of the ICSID Arbitration. Accordingly, Gabriel considers that such actions further evidence the discriminatory acts and bad faith conduct of the Romanian authorities with regard to the Claimants' investments in Romania. As at the date of this MD&A, neither the Company nor RMGC has received any feedback on the status of the ANAF Investigation.

Long Lead-Time Equipment

Long lead-time equipment comprised of crushing and milling equipment was originally procured by the Group between 2007 and 2009 for the operational phase of the Project. The prospect of the long lead-time equipment being used in the future for the purpose it was purchased is now considered remote.

In December 2015, the Company formally engaged two specialist agents to broker the sale of the long lead-time equipment, some of which has since been sold. At December 31, 2016, the value of the remaining long-lead time equipment was assessed for indicators of impairment, and a charge of $3.9 million was recognized in the income statement for the year. No further impairment has been recognized in the period to September 30, 2017.

Project Development Status

In the context of the above disclosures concerning the development of the Project and with the ICSID Arbitration now being the core focus of the Group, readers are advised to refer to the Company's AIF for the year ended December 31, 2016 published on March 29, 2017, a copy of which is filed on SEDAR at www.sedar.com, for information relating to the status of the Project, the License, the Group's exploration and development activities in Romania, the Project approval and permitting process, and reported gold and silver resources and reserves. Except as disclosed in the Company's public filings thereafter, there has been no material change in the information therein from the date of publication of the AIF to the date of this MD&A.

UNESCO World Heritage List

As previously disclosed, Romania submitted an initial application to the United Nations Educational, Scientific and Cultural Organization (UNESCO) in February 2016 for the placing of an area referred to as the "Roşia Montană Mining Cultural Landscape", an area which includes the Project footprint, on UNESCO's "Tentative List" to be declared a UNESCO World Heritage site. On January 4, 2017, the Ministry of Culture submitted the nomination file ("Nomination File") for the inclusion of the "Roşia Montană Mining Cultural Landscape" on the UNESCO World Heritage List. Notwithstanding its significant interests in the nominated area, neither the Company nor RMGC were notified of, or consulted on, this proposal.

It is the Company's understanding that on March 1, 2017 the Ministry of Culture was informed by the UNESCO World Heritage Centre that the Nomination File met all of the technical requirements outlined in the 'Operational Guidelines for the Implementation of the World Heritage Convention' and, therefore, the Nomination File had been sent to the International Council on Monuments and Sites (ICOMOS) for evaluation.

In September 2017, RMGC was informed by the Romanian National Institute for Patrimony that ICOMOS had constituted a team to conduct a site visit of the nominated area, a step in its evaluation of the nominated site. This site visit, which was facilitated by the Ministry of Culture, subsequently took place between September 25 and 29, 2017.

Notwithstanding the aforementioned initiatives, the Company is aware of several public statements attributed to various Romanian ministers and government officials (including the Prime Minister) who have questioned whether the Nomination File was prepared in accordance with applicable law and whether its submission to UNESCO was properly authorised. It is the Company's understanding that the Ministry of Culture is undertaking some form of internal inquiry to assess the lawfulness of the submission of the Nomination File.

The Company understands that ICOMOS will communicate a recommendation to the World Heritage Committee of UNESCO in or around March 2018 and that the World Heritage Committee will assess the Nomination File and adopt a decision on the nomination of the Roşia Montană Mining Cultural Landscape for inscription on the World Heritage List at its 42nd session in July 2018.

Legal Challenges in Romania

As previously disclosed, Gabriel determined in 2015 that RMGC should withdraw from a number of legal actions related to the Project, the majority of which concerned claims of third party NGOs challenging administrative deeds issued by public authorities, given, amongst other matters, the commencement of the ICSID Arbitration and the ongoing requirement for the Group to reduce its cost base. RMGC has now withdrawn from all such legal proceedings. For further details concerning such legal actions related to the Project, see the section entitled "Legal Challenges relating to the Project" in the AIF.

In the meantime, RMGC has continued to defend a limited number of claims initiated by certain former employees seeking additional severance payments and certain individuals seeking damages allegedly arising from the impact of the resettlement of some of the community on such claimants' businesses and RMGC's activities in the area. The Company considers that these claims are without merit and to date the majority of these claims have been rejected by the Romanian courts.

Outlook

Notwithstanding the ongoing ICSID Arbitration, the Company remains open to engagement with the Romanian authorities in order to achieve an amicable resolution of the dispute or a settlement enabling the Group to develop the Project. In the meantime, the Company's current plans for the ensuing year are as follows:

- the advancement of the ICSID Arbitration;
- the continued assessment of the Company's activities and resources necessary to preserve its core assets and rights;
- carefully managing its cash resources (including the potential disposition of the remaining long lead-time equipment acquired for the Project); and
- the protection of its rights and interests in Romania (including appropriate support to RMGC in respect of any further abusive, illegal, and retaliatory behavior of the Romanian authorities and, so far as reasonably practical and desirable, ensuring that existing licenses and permits remain in good standing).

Liquidity and Capital Resources

Cash and cash equivalents at September 30, 2017 were $37.8 million.

The Company's average monthly cash usage during Q3 2017 was $2.8 million, including costs in respect of the ICSID Arbitration (Q2 2017 monthly average: $3.0 million, Q1 2017 monthly average: $1.7 million). At the end of Q3 2017, accruals for costs in respect of the ICSID Arbitration amounted to $3.7 million (Q2 2017: $7.1 million, Q1 2017: $4.6 million). For the remainder of 2017 the Company expects the costs to be incurred for the ICSID Arbitration to reduce.

Results of Operations

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

in thousands of Canadian dollars, except per share amounts	**2017 Q3**	**2017 Q2**	**2017 Q1**	**2016 Q4**
Income Statement				
Loss - attributable to owners of parent	$ 7,247	$ 13,657	$ 9,345	$ 13,200
Loss per share - basic and diluted	0.02	0.04	0.02	0.03
Statement of Financial Position				
Working capital	32,182	37,347	48,846	56,058
Total assets	53,461	62,159	70,599	75,458
Statement of Cash Flows				
Cash flows from financing activities	-	-	4	(17)

in thousands of Canadian dollars, except per share amounts	**2016 Q3**	**2016 Q2**	**2016 Q1**	**2015 Q4**
Income Statement				
Loss - attributable to owners of parent	$ 42,002	$ 8,943	$ 7,370	$ 615,175
Loss per share - basic and diluted	0.11	0.02	0.02	1.60
Statement of Financial Position				
Working capital	60,642	25,554	9,327	15,408
Total assets	90,495	53,736	39,298	44,415
Statement of Cash Flows				
Investments in development and exploration including working capital changes	-	-	-	2,249
Cash flows from financing activities	39,337	19,880	-	(1,412)

Review of Financial Results

in thousands of Canadian dollars, except per share amounts		**3 months ended September 30** **2017**		2016		**9 months ended September 30** **2017**		2016
Operating loss for the period	**$**	**4,846**	$	7,398	**$**	**23,538**	$	17,618
Loss for the period								
- attributable to owners of parent[1]	**$**	**7,247**	$	42,002		**30,249**		58,315
Loss per share - basic and diluted		**0.02**		0.11		**0.08**		0.15

[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 Financial Statements. Following the 2015 Impairment, the non-controlling interest was partially reversed in accordance with IFRS 3 – Business Combinations, leaving only the attributable residual currency translation adjustment.

Operating loss for the nine-month period ended September 30, 2017 increased from the corresponding period in 2016 primarily due to increased legal and other advisory costs related to the ICSID Arbitration.

In order to strengthen and improve the financial position of the Group, the Company closed two non-brokered private placements in 2016 raising aggregate gross proceeds of $60.6 million (the "2016 Private Placements"). Additionally, in May 2014 Gabriel closed a non-brokered private placement raising aggregate gross proceeds of $35 million (the "2014 Private Placement" and together with the 2016 Private Placements, the "Private Placements").

The loss for the nine-month period ended September 30, 2016 was impacted by (i) a $4.7 million charge for debt extinguishment, representing a non-cash expense arising following the restructuring of the 2014 Private Placement, and (ii) a $34.4 million non-cash charge on the issue of in-the-money equity instruments. There are no corresponding charges in the nine-month period to September 2017. Accreted finance charges of $5.2 million on the Private Placements are reflected in the loss for the nine-month period ended September 30, 2017 (Q3 2016: $2.8 million). Foreign exchange losses on cash balances held in United States Dollars were $1.7 million in the nine-month period ended September 30, 2017 (Q3 2016: $0.3 million gain).

Expenses

Corporate, General and Administrative

in thousands of Canadian dollars		**3 months ended September 30** **2017**		2016		**9 months ended September 30** **2017**		2016
Finance	**$**	**314**	$	265	**$**	**767**	$	602
External communications		**36**		13		**140**		145
Information technology		**79**		121		**264**		278
ICSID Arbitration related		**708**		3,966		**12,108**		6,316
Legal		**202**		129		**705**		480
Payroll		**2,038**		1,624		**5,932**		5,502
Long lead-time equipment storage costs		**220**		262		**659**		728
Other		**456**		214		**1,306**		1,120
Corporate, general and administrative expense	**$**	**4,053**	$	6,594	**$**	**21,881**	$	15,171

Since January 1, 2016, all operating expenditures incurred by the Group are included in corporate, general and administrative.

ICSID Arbitration related costs are for legal and other services provided to the Company in respect of the ICSID Arbitration which, for the nine-month period ended September 30, 2017, amounted to approximately $12.1 million. The increase compared to the corresponding 2016 period is due to significantly higher activity levels in preparation for the June 30, 2017 filing of the Memorial.

Legal expenses include ongoing corporate legal advice within the Group, in particular in response to the ANAF investigations.

Stock Based Compensation

	3 months ended September 30		9 months ended September 30	
in thousands of Canadian dollars	**2017**	2016	**2017**	2016
DSUs and RSUs - expense on revaluation	**473**	$ 491	**$ 410**	$ 1,380
Stock option compensation - expense	**293**	229	**1,138**	777
Stock based compensation	**$ 766**	$ 720	**$ 1,548**	$ 2,157

Initially valued at the five-day weighted average market price of the Company's shares at the date of grant, deferred share units ("DSUs") and restricted share units ("RSUs") are revalued each period end based on the period end closing share price. The initial valuation of the DSUs and RSUs, and the effect on the valuation of DSUs and RSUs of the period-on-period change in share price, is expensed. At September 30, 2017, the Company's share price was $0.31 (December 31, 2016: $0.53), resulting in a credit to the income statement recognized at the period end revaluation. This was offset by the expense recognized on the issue of DSUs and RSUs in the period.

The estimated fair value of stock options is calculated using the Black Scholes method as at the date of grant and amortized over the period over which the options vest. 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.

	3 months ended September 30		9 months ended September 30	
	2017	2016	**2017**	2016
Stock option compensation				
Number of stock options granted	**808,242**	525,000	**979,766**	525,000
Average value ascribed to each regular vesting option granted	**$ 0.28**	$ 0.65	**$ 0.31**	$ 0.65
DSU compensation				
Number of DSUs issued	**207,491**	80,000	**368,682**	640,000
Average value ascribed to each DSU issued	**$ 0.29**	$ 0.65	**$ 0.36**	$ 0.14
Number of DSUs redeemed	**-**	256,000	**-**	256,000
Average value ascribed to each DSU redeemed	**$ -**	$ 0.66	**-**	$ 0.66
RSU compensation				
Number of RSUs issued	**494,325**	-	**2,405,715**	-
Average value ascribed to each RSU issued	**$ 0.38**	$ -	**$ 0.38**	$ -
Number of RSUs redeemed	**-**	-	**-**	144,935
Average value ascribed to each RSU redeemed	$ -	$ -	**$ -**	$ 0.14

With effect from July 1, 2016, non-executive directors are required to receive at least fifty per cent of their director fees payable in DSUs or stock options. Certain non-executive directors have elected to receive all of their director fees payable in stock options. A total of 133,242 stock options were granted to certain non-executive directors during the three-month period ended September 30, 2017 in lieu of fees for services provided during the prior quarter (2016: none), one-third of which vest on the first, second and third anniversary of the date of grant respectively.

An aggregate of 127,491 DSUs were issued to certain non-executive directors during the three-month period ended September 30, 2017 in lieu of fees for services provided during the prior quarter (2016: nil). DSUs vest on the date of issue.

In the three-month period ended September 30, 2017, 494,325 RSUs were issued to an officer of the Company as part of a re-negotiation of his employment contract (2016: none). All of these RSUs had vested at September 30, 2017.

Finance Income

	3 months ended September 30		9 months ended September 30	
in thousands of Canadian dollars	**2017**	2016	**2017**	2016
Interest income	**$ 71**	$ 52	**$ 199**	$ 88

Interest income reflects the average holdings of cash and cash equivalents during the respective periods shown above.

As at September 30, 2017, approximately 84% of the Company's cash and cash equivalents were invested in either Canadian government or US government guaranteed instruments, with the majority of the balance held as cash deposits with major Canadian banks.

Finance Costs

in thousands of Canadian dollars	3 months ended September 30 **2017**	2016	9 months ended September 30 **2017**	2016
Financing costs - convertible note accretion	**$ 1,793**	$ 1,494	**$ 5,224**	$ 2,785

Finance costs relate to the accretion of the debt component of the Private Placements, which are measured at amortized cost using the effective interest rate method.

Foreign Exchange

The Company has experienced an increase in foreign currency gains and losses as a result of increased exposure to non-functional currencies. A significant portion of the funds raised in the July 2016 Private Placement were received in US dollars and the Company has retained these US dollars to fund its expected US dollar denominated working capital expenses.

Taxes

All tax assessments received prior to September 30, 2017 have been paid or provided for in the Financial Statements. Notwithstanding, as noted, on July 5, 2017 RMGC received a tax assessment from the Romanian tax authorities in respect of VAT deductions claimed by RMGC in the period from July 2011 to January 2016. The amount of the tax assessed was RON 27 million, approximately $8.6 million at July 5, 2017. Furthermore, on October 23, 2017 RMGC received notification from the Romanian tax authorities of related interest and penalties of RON 18.6 million, approximately $6.0 million at October 23, 2017.

On August 9, 2017 RMGC filed an administrative challenge before the Romanian tax authorities against the VAT Assessment and on August 10, 2017 RMGC filed a request for a stay of enforcement of the VAT Assessment before the Alba Iulia Court of Appeal. On October 2, 2017 the Alba Iulia Court of Appeal admitted RMGC's request for a stay of enforcement of the VAT Assessment, pending the determination of RMGC's administrative (and if necessary judicial) challenge of the VAT Assessment. This ruling may be appealed by ANAF within 5 days of notification in writing to the parties of the Court's decision and the legal basis thereof, which has yet to be received by RMGC. It is the Company's understanding that the interest and penalties, notice of which was received on October 23, 2017, are also subject to the judicial stay of enforcement.

Investing Activities

The majority of Group expenditures over the years through December 31, 2015 were for identifying and defining the size of the four ore bodies, for engineering to design the size and scope of the Project, 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 and property acquisition and resettlement housing and infrastructure. Since January 1, 2016 no significant expenditures have been incurred in these areas and any such expenditures are expensed in the income statement.

Mineral Properties

Historically, following the establishment of the technical feasibility and commercial viability of the Project, all costs incurred in Project exploration and development were capitalized to mineral properties. In 2016, Management assessed the capitalization of Project-related expenditures and determined that the criteria were not met and, consequently, no costs have been capitalized to mineral properties since December 31, 2015.

Purchase of Capital Assets

	3 months ended September 30		9 months ended September 30	
in thousands of Canadian dollars	**2017**	2016	**2017**	2016
Total investment in capital assets	**$ 2**	$ 8	**$ 46**	$ 35
Depreciation and disposal - expensed	**$ 27**	$ 84	**$ 109**	$ 252

The purchase of capital assets remains low, in line with the Company's cost containment strategy.

Financing Activities

The Private Placements issued by the Company since 2014 have raised gross aggregate proceeds of $95.6 million. The Company is using the proceeds of the Private Placements to finance the costs of the continuing ICSID Arbitration and for general working capital purposes. Further information on the Private Placements is provided in the Financial Statements and the AIF.

Cash Flow Statement

Liquidity and Capital Resources

The main sources of liquidity are the Company's cash and cash equivalents, and the equity and debt markets. At September 30, 2017, aggregate cash and cash equivalents were $37.8 million (December 31, 2016: $60.3 million).

Working Capital

At September 30, 2017, the Company had working capital, calculated as total current assets less total current liabilities, of $32.2 million (December 31, 2016: $56.1 million).

As at September 30, 2017, the Company had current liabilities of $7.0 million (December 31, 2016: $5.3 million). The increase in 2017 is due to an increase in accruals for ICSID Arbitration-related costs.

Related Party Transactions

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 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 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 was reflected in the Financial Statements as a non-controlling interest and an increase in the accumulated deficit.

The Company advanced loans in the period 2004 to 2009 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 outstanding of the Minvest RM loans as at September 30, 2017 was US$39.5 million (December 31, 2016: US$39.5 million).

The Minvest RM loans are non-interest bearing and, according to their terms, 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 Financial Statements. The loans will be reflected individually in the Financial Statements in accordance with IFRS at such time as repayment of the loans is possible.

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.

At September 30, 2017 the Company had accrued resettlement liabilities totaling $0.5 million (December 31, 2016: $0.7 million).

RMGC has closed-out various exchange contracts it had entered into with certain homeowners in Roșia Montană who had elected for resettlement in Roșia Montană if the Project proceeded. RMGC has, in accordance with the terms of such contracts and in order to bring the contracts to an amicable and fair close, provided to the homeowners a range of options, including the restitution of their properties in Roșia Montană. RMGC has successfully agreed terms with the majority of the relevant homeowners.

Contractual Obligations

A summary of the Company's contractual capital and operating lease commitments as of September 30, 2017 is included within the Financial Statements.

The Company and its subsidiaries have a number of arms-length agreements with 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 upon notice periods ranging from 15 to 90 days. At 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 or impairment of mineral properties, benefits of future income tax assets, estimated useful lives of capital assets, valuation of stock based compensation 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 Placements. While Management believes that these estimates and assumptions are reasonable, actual results could vary significantly. The material accounting policies followed in the Financial Statements are the same as those applied in the Company's audited consolidated financial statements for the year ended December 31, 2016.

Going Concern

The potential value of the Group's 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. Notwithstanding the ongoing ICSID Arbitration, the Company remains open to engagement with the Romanian authorities in order to achieve an amicable resolution of the dispute or a settlement enabling the Group to develop the Project.

The approved 2017 budget includes those expenditures and commitments necessary to maintain the Company's primary assets and the estimated costs associated with the Company advancing the ICSID Arbitration. Management continues to review the Company's activities in order to identify areas to further reduce expenditures.

Considering the matters noted above, and in the context of the Group's financial resources, Management's assessment is that the Company remains a going concern. The Company accordingly has been accounted for as a going concern in the Financial Statements for the quarter ended September 30, 2017.

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 are expected to be in effect when the differences 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 in the respective countries where the Group does business.

Tax authorities in Romania have regularly initiated various tax audits to assess the appropriateness of RMGC's tax filing positions. Regulators may interpret tax regulations differently from the Company and its subsidiaries, which may cause changes to the estimates made. As noted, on July 5, 2017 RMGC received the VAT Assessment from ANAF amounting to approximately RON 27 million (approximately $8.6 million) and, on October 23, 2017, notification of subsequent interest and penalties of approximately $6.0 million. This VAT Assessment and related interest and penalties arise in respect of VAT re-imbursement that RMGC has previously claimed on certain activities, despite the fact that at least 18 prior VAT audits by the Romanian tax authorities accepted that VAT could be reclaimed on these types of activities.

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 that 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 grant, 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 the Private Placements

The units issued by the Company in the 2014 Private Placement (as restructured in May 2016), and the May 2016 Private Placement, consisted of convertible subordinated unsecured notes, warrants and arbitration value rights. For these two private placements, 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 notes. The equity component of the notes was recognized initially at the difference between the fair value of each private placement as a whole and the fair value of the debt and warrant components. Any directly attributable transaction costs were allocated to the liability and equity components in proportion to their initial carrying amounts. A nil value was initially ascribed to the arbitration value rights and, given the current early stage of the arbitration process, a nil valuation remains applicable as at September 30, 2017. The 2014 Private Placement and the May 2016 Private Placement contain two embedded derivatives, both of which were initially valued at nil with no subsequent adjustment in value.

With respect to the July 2016 Private Placement, due to the increase in the share price during the period of the transaction documentation and closing, both the warrants and the convertible subordinated unsecured notes were in-the-money at the time of issue. Consequently, the debt and equity components of such notes, a compound financial instrument, as well as the warrants, were recorded at fair value. The valuation of the equity components resulted in a non-cash charge of $34.4 million being recognized in the income statement in Q3 2016. Any directly attributable transaction costs were allocated to the liability and equity components in proportion to their initial carrying amounts.

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 is to safeguard its accumulated capital in order to be able to fund ongoing expenditures. The Company manages its capital structure and makes adjustments to it based on the level of funds on hand and anticipated future expenditures. The estimated long-term costs, including advisors' fees and general corporate working capital, of pursuing the ICSID Arbitration will be significant. In the event that the dispute is resolved and the Romanian Government issues the environmental permit for the Project, the Company will initiate a review of its financing requirements over the short and medium term. While the Company expects that in that event 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 such initiatives would 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. Historically, 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. However, the Company has invested a significant portion of the funds raised in the July 2016 Private Placement in US sovereign debt to fund its expected US dollar-denominated working capital expenses.

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 receivables from the Romanian Government which, prior to the ANAF VAT audits, were within expected collection terms. The collection times have subsequently become extended and the overdue amounts in question as at September 30, 2017 total approximately $0.5 million.

Liquidity risk

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 Financial Statements); these represent a significant portion of the long-term Group liabilities. As of the date of this MD&A, taking account of the Group's existing treasury balances, the Group expects to have sufficient funds to settle all existing and other long-term contractual 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 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, 2017 the Group held 56% and 42% of its cash and cash equivalents in Canadian and US dollars, respectively.

The Company has not entered into any derivative hedging activities.

Sensitivity

Based on Management's knowledge and experience of the financial markets, in respect of the Company's balance of cash and cash equivalents as at September 30, 2017, the Company believes the following market movements are "reasonably possible" over a twelve-month period and would have the stated effects on net income:

- A plus or minus 1% change in earned interest rates; would affect net income by $0.4 million.
- A plus or minus 1% change in foreign exchange rates; would affect net income by $0.2 million.

Risks

The ICSID Arbitration, which is the core focus of the Company, entails certain risks, uncertainties and other factors which include, without limitation, the abusive behavior of Romanian authorities leading to tax and other investigations and assessments, the attitudes and actions of the Romanian Government related to the Company's investment in Romania, including the treatment of its employees and the ability of the Company to realize value from its investments in Romania pursuant to the Treaties and the ICSID Arbitration; the advancement of the ICSID Arbitration proceedings in a customary manner; the outcome of the ICSID Arbitration, including the timing and value of any arbitral award or settlement; the Company's expectation with regards to the costs, fees and other expenses and commitments payable in connection with the ICSID Arbitration; and any inability or delay in recovering from Romania the amount of any award or settlement.

In addition, and if the Company is able to reach an amicable resolution with Romania regarding the dispute that allows for the development of the Project, the business of the Group may be subject to certain existing and future risks including, but not limited to, sovereign risk, including political and economic instability, changes in the existing fiscal regime, changes in existing Romanian 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 national importance, Romanian Government regulations relating to mining, which may delay or preclude 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 the Project, currency fluctuations and local inflation. Political, public, and NGO opposition to the Project, and the multitude of legal challenges to permits issued in the past in respect of the Project demonstrate certain significant risks that the Project could face.

The following list identifies areas of existing and future material risks to the business of the Group. The risks noted 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.

These risk factors are discussed in more detail in the AIF.

- ICSID Arbitration
- Ability to Secure Additional Funding
- Convertible Notes and Warrants
- Political and Economic Uncertainty in Romania
- Permitting Process
- Acquisition of Surface Rights
- UNESCO World Heritage List
- Mineral Tenure Rights
- Legal Proceedings
- Proposed Adverse Romanian Legislative Initiatives
- Minvest Mine Closure Plan
- Dependence on Management and Key Personnel
- Compliance with Anti-Corruption Laws
- Insurance and Uninsurable Risks
- Global Financial Condition
- Currency Fluctuations
- Market Price Volatility

- Dilution
- Enforcement of Civil Liabilities
- No History of Earnings or Dividends
- Accounting Policies and Internal Controls
- Conflict of Interest

CEO/CFO Certification

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

The CEO and CFO certify that, as at September 30, 2017, 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 *Internal Control – Integrated Framework (Updated Framework)* published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013.

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, 2017 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 8, 2017 was:

	Outstanding
Common shares	384,452,780
Common stock options	26,237,343
Deferred share units - common shares	2,653,795
Restricted share units - common shares	2,405,715
Warrants	111,536,250
Convertible notes	307,912,500
Fully diluted share capital	**835,198,383**

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 the Company’s operating environment. All statements, other than statements of historical fact, are forward-looking statements.

In this MD&A, forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies that may cause the Company’s actual financial results, performance, or achievements to be materially different from those expressed or implied herein. Some of the uncertainties associated with material factors or assumptions used to develop forward-looking statements include, without limitation: the progress of the ICSID Arbitration, actions by the Romanian Government or affiliates thereof, the impact of current or future litigation against the Group, conditions or events impacting the Company’s ability to fund its operations or service its debt, the ability to progress exploration, development and operation of mining properties and the overall impact of misjudgments made in good faith in the course of preparing forward-looking information.

Forward-looking statements involve risks, uncertainties, assumptions, and other factors including those set out above and below, that may never materialize, prove incorrect or materialize other than as currently contemplated, which could cause the Company’s results to differ materially from those expressed or implied by such forward-looking statements.

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.

Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including without limitation:

- the duration, required disclosure, costs, process and outcome of the ICSID Arbitration against Romania;
- changes in the Group’s liquidity and capital resources;
- access to funding to support the Group’s continued ICSID Arbitration and/or operating activities in the future;
- equity dilution resulting from the conversion of the Convertible Notes, or exercise of warrants, in part or in whole to Common Shares;
- the ability of the Company to maintain a continued listing on the TSX or any regulated public market for trading securities;
- the impact on business strategy and its implementation in Romania of: unforeseen historic acts of corruption, uncertain legal enforcement both for and against the Group and political and social instability;

- regulatory, political and economic risks associated with operating in a foreign jurisdiction including changes in laws, governments and legal and fiscal regimes;
- volatility of currency exchange rates, metal prices and metal production;
- the availability and continued participation in operational or other matters pertaining to the Group of certain key employees and consultants; and
- risks normally incident to the exploration, development and operation of mining properties.

This list is not exhaustive of the factors that may affect any of the Company’s forward-looking statements.

Investors are cautioned not to put undue reliance on forward-looking statements, and investors should not infer that there has been no change in the Company’s affairs since the date of this report that would warrant any modification of any forward-looking statement made in this document, other documents periodically filed with or furnished to the relevant securities regulators or documents presented on the Company’s website. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice. The Company disclaims any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events or otherwise, subject to the Company’s disclosure obligations under applicable Canadian securities regulations. Investors are urged to read the Company’s filings with Canadian securities regulatory agencies, including the AIF.

Gabriel Resources Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)
For the period ended September 30, 2017

Condensed Consolidated Statement of Financial Position

As at September 30, 2017 and December 31, 2016
(Unaudited and expressed in thousands of Canadian dollars)

	Notes	**September 30 2017**	December 31 2016
Assets			
Current assets			
Cash and cash equivalents	7	**37,816**	60,267
Trade and other receivables		**954**	596
Prepaid expenses and supplies		**425**	523
Total current assets (excluding assets classified as held for sale)		**39,195**	61,386
Assets classified as held for sale	6	**13,613**	13,417
Total current assets		**52,808**	74,803
Non-current assets			
Restricted cash		**528**	506
Property, plant and equipment		**125**	149
Total non-current assets		**653**	655
TOTAL ASSETS		**53,461**	75,458
Liabilities			
Current liabilities			
Trade and other payables	8	**4,871**	3,375
Resettlement liabilities	9	**524**	742
Other current liabilities	10	**1,618**	1,211
Total current liabilities		**7,013**	5,328
Non-current liabilities			
Convertible, subordinated, unsecured notes	17	**61,378**	56,154
Total non-current liabilities		**61,378**	56,154
TOTAL LIABILITIES		**68,391**	61,482
Deficit			
Share capital		**868,288**	868,279
Other reserves		**132,696**	131,562
Currency translation adjustment		**1,568**	1,329
Accumulated deficit		**(1,021,334)**	(991,085)
Deficit attributable to owners of the parent		**(18,782)**	10,085
Non-controlling interest	11	**3,852**	3,891
TOTAL (DEFICIT) / EQUITY		**(14,930)**	13,976
TOTAL (DEFICIT) / EQUITY AND LIABILITIES		**53,461**	75,458

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)*

		3 months ended September 30		9 months ended September 30	
	Notes	**2017**	2016	**2017**	2016
Expenses					
Corporate, general and administrative	5	**4,053**	6,594	**21,881**	15,171
Severance costs		**-**	-	**-**	38
Share-based compensation		**766**	720	**1,548**	2,157
Depreciation		**27**	84	**109**	252
Operating loss		**4,846**	7,398	**23,538**	17,618
Other (income) / expense					
Interest received		**(71)**	(52)	**(199)**	(88)
Gain on disposal of assets		**(36)**	(816)	**(36)**	(816)
Debt extinguishment charge		**-**	-	**-**	4,710
Charge on issue of in-the-money equity instruments	17	**-**	34,366	**-**	34,366
Finance costs: convertible notes accretion	17	**1,793**	1,494	**5,224**	2,785
Foreign exchange loss / (gain)		**715**	(388)	**1,722**	(260)
Loss for the period attributable to owners of the parent		**7,247**	42,002	**30,249**	58,315
Basic and diluted loss per share	14	**$0.02**	$0.11	**$0.08**	$0.15

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		9 months ended September 30	
	2,017	2,016	**2,017**	2,016
Loss for the period	**7,247**	42,002	**30,249**	58,315
Other comprehensive loss / (income)				
- may recycle to the Income Statement in future periods				
Currency translation adjustment	**230**	(796)	**(200)**	338
Comprehensive loss for the period	**7,477**	41,206	**30,049**	58,653
Comprehensive loss / (gain) for the period attributable to:				
- Owners of the parent	**7,433**	41,360	**30,088**	58,588
- Non-controlling interest	**44**	(154)	**(39)**	65
Comprehensive loss for the period	**7,477**	41,206	**30,049**	58,653

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

Condensed Consolidated Statement of Changes in Shareholders’ (Deficit) / Equity

For the nine-month period ended September 30

(Unaudited and expressed in thousands of Canadian dollars)

	Notes	9 months ended September 30 2017	2016
Common shares			
At January 1		**868,279**	868,086
Shares issued on the exercise of share options		**5**	17
Transfer from contributed surplus: exercise of share options		**4**	11
Shares issued on redemption of DSU's		**-**	165
At September 30		**868,288**	868,279
Other reserves			
At January 1		**131,562**	53,843
Share-based compensation		**1,138**	777
Exercise of share options		**(4)**	(11)
Equity component of convertible notes, net of issue costs		**-**	44,571
Warrants, net of issue costs		**-**	32,156
At September 30		**132,696**	131,336
Currency translation adjustment			
At January 1		**1,329**	2,254
Currency translation adjustment		**239**	(273)
At September 30		**1,568**	1,981
Accumulated deficit			
At January 1		**(991,085)**	(919,570)
Loss for the period		**(30,249)**	(58,315)
At September 30		**(1,021,334)**	(977,885)
Non-controlling interest			
At January 1		**3,891**	4,112
Currency translation adjustment		**(39)**	(65)
At September 30		**3,852**	4,047
Total shareholders' (deficit) / equity at September 30		**(14,930)**	27,758

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

Condensed Consolidated Statement of Cash Flows

For the nine-month period ended September 30

(Unaudited and expressed in thousands of Canadian dollars)

		9 months ended September 30	
		2017	2016
Cash flows used in operating activities			
Loss for the period		**(30,249)**	(58,315)
Adjusted for the following non-cash items:			
Depreciation		**109**	252
Share-based compensation		**1,548**	2,157
Gain on disposal of assets		**(36)**	(816)
Debt extinguishment charge		**-**	4,710
Charge on issue of in-the-money equity instuments		**-**	34,366
Finance costs - convertible note accretion		**5,224**	2,785
Unrealized foreign exchange (gain) / loss		**(1,689)**	1,186
		(25,093)	(13,675)
DSU/RSU cash settlement		**-**	(16)
Changes in operating working capital:			
Unrealized foreign exchange gain		**(14)**	(567)
Increase in accounts payable		**1,255**	1,583
Increase in accounts receivable		**(260)**	(366)
		(24,112)	(13,041)
Cash flows used in / provided by investing activities			
Purchase of property, plant and equipment		**(46)**	(35)
Proceeds from sale of long lead-time equipment	6	**-**	2,636
		(46)	2,601
Cash flows provided by financing activities			
Proceeds from issuance of private placement - net of issue costs	17	**-**	59,206
Proceeds from the exercise of share options		**4**	11
		4	59,217
(Decrease) / increase in cash and cash equivalents		**(24,154)**	48,777
Effect of foreign exchange on cash and cash equivalents		**1,703**	(618)
Cash and cash equivalents - beginning of period		**60,267**	18,567
Cash and cash equivalents - end of period		**37,816**	66,726

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 whose activities have been focused on permitting and developing the Roșia Montană gold and silver project (the “Project”) in Romania. The exploitation license for the Project (“License”) is held by Roșia Montană Gold Corporation S.A. (“RMGC”), a Romanian company in which Gabriel owns an 80.69% equity interest, with the 19.31% balance held by Minvest Roșia Montană S.A. (“Minvest RM”), a Romanian state-owned mining company.

Upon obtaining the License in 1999, RMGC along with Gabriel and its subsidiary companies (together the “Group”) focused substantially all of their management and financial resources on identifying and defining the size of the four known ore bodies, engineering to design the size and scope of the Project, surface rights acquisitions, rescue archaeology and environmental assessment and permitting.

On July 21, 2015, pursuant to the provisions of international bilateral investment protection treaties which the Romanian State entered into with each of Canada and the United Kingdom of Great Britain and Northern Ireland for the Promotion and Reciprocal Protection of Investments (together the “Treaties”), Gabriel and its subsidiary company, Gabriel Resources (Jersey) Limited (“Claimants”), filed a request for arbitration (“Arbitration Request”) before the World Bank’s International Centre for Settlement of Investment Disputes (“ICSID”) against the Romanian State (“ICSID Arbitration”). The Arbitration Request was registered by ICSID on July 30, 2015 and the presiding tribunal for the ICSID Arbitration (“Tribunal”) was constituted on June 21, 2016. The ICSID Arbitration seeks compensation for all of the loss and damage resulting from the State’s wrongful conduct and its breaches of the Treaties’ protections against expropriation, unfair and inequitable treatment and discrimination in respect of the Project and the related licenses.

Whilst the Company’s primary objective has always been the development of the Project to operational status, as of the date of these unaudited condensed interim consolidated financial statements (“Condensed Financial Statements”), the core focus of the Company is the progression of the ICSID Arbitration. The first Tribunal hearing took place on August 12, 2016. On January 10, 2017, the Tribunal issued its procedural calendar for the ICSID Arbitration process and required documents. On June 30, 2017 the Claimants delivered a memorial to ICSID on the merits and quantum of the ICSID Arbitration claim (“Memorial”).

The approved 2017 budget includes those expenditures and commitments necessary to maintain the Company’s primary assets, its License and associated rights and permits, and the material estimated costs associated with the Company advancing the ICSID Arbitration. Management continues to review the Company’s activities in order to identify areas to rationalize expenditures.

These Condensed Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future.

The Company’s registered address is Suite 200 – 204 Lambert Street, Whitehorse, Yukon, Canada Y1A 1Z4. The Company receives significant management services from its wholly-owned subsidiary, RM Gold (Services) Ltd. (“RMGS”). The principal place of business for RMGS is Central Court, 25 Southampton Buildings, London WC2A 1AL, United Kingdom. The Company is the ultimate parent of the Group and does not have any controlling shareholders.

2. Basis of preparation

These Condensed Financial Statements for the three and nine-month periods ended September 30, 2017, have been prepared in accordance with IFRS as applicable to the preparation of interim financial statements, including International Accounting Standard 34 - Interim Financial Reporting. The Condensed Financial Statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS.

The Condensed Financial Statements have been prepared according to the historical cost convention.

The Board approved these Condensed Financial Statements on November 9, 2017.

3. Critical accounting estimates, risks and uncertainties

The Company performed an analysis of risk factors which, if any should materialize, could materially and adversely affect the results of operations and financial position of the Company.

The preparation of the 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 liabilities, if any, 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 knowledge of the relevant facts and awareness of circumstances, having regard to prior experience. The significant estimates and assumptions are not materially different from those disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2016.

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, 2016.

No new IFRS accounting standards have been adopted by the Company during the nine-month period ended September 30, 2017.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017, and have not been applied in preparing these Condensed Financial Statements. Management is assessing the possible impact of these standards and has not yet reached a conclusion as to the impact on the Group. The standards being reviewed that are relevant to the Group are:

- 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. This standard is mandatory, effective from January 1, 2018.

- IFRS 16 – Leases. In January 2016, the IASB issued IFRS 16 *Leases*, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019.

5. Corporate General and Administrative expenses

	3 months ended September 30		9 months ended September 30	
in thousands of Canadian dollars	**2017**	2016	**2017**	2016
Finance	**314**	265	**767**	602
External communications	**36**	13	**140**	145
Information technology	**79**	121	**264**	278
ICSID Arbitration related	**708**	3,966	**12,108**	6,316
Legal	**202**	129	**705**	480
Payroll	**2,038**	1,624	**5,932**	5,502
Long lead-time equipment storage costs	**220**	262	**659**	728
Other	**456**	214	**1,306**	1,120
Corporate, general and administrative expense	**4,053**	6,594	**21,881**	15,171

ICSID Arbitration related costs are legal and other advisory services provided to the Company in respect of the ICSID Arbitration.

Legal expenditures shown above are in respect of general corporate legal advisory services to the Group.

6. Assets held for sale

Balance - December 31, 2015	19,646
Disposal	(1,375)
Impairment charge	(3,856)
Currency translation adjustment	(998)
Balance - December 31, 2016	13,417
Currency translation adjustment	**196**
Balance - June 30, 2017	**13,613**

The prospect of the long lead-time equipment being used in the future for the purpose for which it was purchased is considered remote. In December 2015, the Company engaged two specialist agents to broker the sale of the long lead-time equipment, and the equipment was transferred to assets held for sale on December 31, 2015. In August 2016, a gyratory crusher was sold for gross proceeds of $2.6 million. The agents' engagement is ongoing, with a view to a sale of the remaining equipment in the short-term.

At December 31, 2016, the value of the long-lead time equipment was assessed for indicators of impairment, and a charge of $3.9 million was recognised in the income statement for the year.

The remaining long lead-time equipment comprises milling equipment, which is not yet assembled. These items are currently stored in various warehouse locations which, with non-material exceptions, are outside of Romania, the main location being the port of Antwerp, Belgium.

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

7. Cash and cash equivalents

As at	**September 30 2017**	December 31 2016
Cash at bank and on hand	**6,238**	6,143
Short-term bank deposits	**31,578**	54,124
	37,816	60,267

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates. Cash is readily accessible and is deposited at reputable financial institutions with high credit standings.

The Group manages its domestic Romanian bank credit risk by centralizing custody, control and management of its surplus cash resources from its corporate office and only transferring money to its Romanian subsidiary based on near term cash requirements, thereby mitigating exposure to domestic Romanian banks. At September 30, 2017, the Group held $0.5 million equivalent in Romanian banks (December 2016: $0.1 million).

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

8. Trade and other payables

As at	**September 30 2017**	December 31 2016
ICSID Arbitration related accruals and payables	**3,715**	2,019
Non ICSID Arbitration related accruals and accounts payable	**395**	420
Salaries and related taxes payable	**487**	713
Other payables	**274**	223
	4,871	3,375

Trade and other payables are accounted for at amortized cost and are categorized as other financial liabilities. The increase in ICSID Arbitration related accruals period on period is due to the increase in ICSID Arbitration related activities in the period leading up to the June 30, 2017 filing of the Memorial, and related post Memorial advisory services.

9. Resettlement liabilities

RMGC previously had a program for purchasing homes in the Project area. 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 chose the new resettlement site option, the Company recorded a resettlement liability for the anticipated construction costs of the resettlement houses. The total balance at September 30, 2017 was $0.5 million (December 31, 2017: $0.7 million).

10. Other current liabilities

The Company has a Deferred Share Unit ("DSU") Plan under which qualifying participants can elect to receive certain compensation in the form of DSUs. With effect from July 1, 2016, certain Company directors have received fifty per cent of their director fees payable in DSUs. Certain officers of the Company were issued Restricted Share Units ("RSUs") during the second and third quarters of 2017 as part of re-negotiated employment contracts. DSUs and RSUs are initially valued at the five-day weighted average market price of the Company's common shares at the date of issue, with the value adjusted based on fair value on the closing common share price at the end of each subsequent reporting period.

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

10. Other current liabilities (continued)

During the three month period ended September 30, 2017 an aggregate of 127,491 DSUs were issued to certain non-executive directors in lieu of fees for services provided during the prior quarter. The 2017 issuance of DSUs and RSUs has resulted in an aggregate increase in the DSU/RSU liability of $0.4 million based on the reporting period end fair value calculation.

11. Non-controlling interest

The Company historically advanced loans totaling US$39.5 million to Minvest RM, the non-controlling shareholder of RMGC, to facilitate mandatory statutory share capital increases in RMGC in accordance with Romanian company law rules on capitalization. These loans, which remain outstanding at September 30, 2017, are non-interest bearing and according to their terms 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, accordingly, have been set-off against non-controlling interests in the Condensed Consolidated Statement of Financial Position. The loans and non-controlling interest components will be reflected individually at such time as repayment of the loans is possible.

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. On January 17, 2014 the Group agreed to transfer to 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. This transfer gave rise to the disclosed non-controlling interest and subsequent accounting.

12. Related party transactions

The Group had related party transactions with associated persons or corporations which were undertaken in the normal course of operations.

Historical related party transactions with Minvest RM are disclosed in Note 11. There have been no transactions with Minvest RM in 2017 (2016: no transactions).

13. Common share options

With effect from July 1, 2016, certain Company directors have received all of their director fees payable in 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, 2015	25,728	1.66
Options granted	4,961	0.46
Options forfeited	(360)	2.14
Options expired	(3,548)	6.62
Options exercised	(36)	0.46
Balance - December 31, 2016	26,745	0.77
Options granted	**980**	**0.31**
Options expired	**(1,475)**	**1.88**
Options exercised	**(13)**	**0.40**
Balance - September 30, 2017	**26,237**	**0.69**

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

14. Loss per share

	3 months ended September 30		9 months ended September 30	
	2017	2016	**2017**	2016
Loss for the period attributable to owners of the parent	**7,247**	42,002	**30,249**	58,315
Weighted-average number of common shares (000's)	**384,453**	384,353	**384,451**	384,218
Basic and diluted loss per share	**$0.02**	$0.11	**$0.08**	$0.15

15. Commitments and contingencies

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

	Total	**2017**	**2018**	**2019**	**2020**	**2021**	**Thereafter**
Operating lease commitments							
Long lead time equipment	9	9	-	-	-	-	-
Rosia Montana exploitation license	650	260	260	130	-	-	-
Surface concession rights	1,077	8	32	32	32	32	941
Property lease agreements	20	20	-	-	-	-	-
Total commitments	1,756	297	292	162	32	32	941

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

16. 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 two segments: the first being the Romanian operating company, the principal activity of which was formerly the exploration, evaluation and development of precious metal mining projects in the country (designated as "Romania"). The rest of the entities within the Group form part of a secondary segment (designated as "Corporate").

The segmental report is as follows:

	Romania		**Corporate**		**Total**	
For the three-month period ended September 30,	**2017**	2016	**2017**	2016	**2017**	2016
Reportable items in the Condensed Consolidated Income Statement and Comprehensive Income						
Interest received	**-**	-	**(71)**	(52)	**(71)**	(52)
Finance costs - convertible note accretion	**-**	-	**1,793**	1,494	**1,793**	1,494
Depreciation	**17**	66	**10**	18	**27**	84
Reportable segment loss	**1,976**	2,231	**5,271**	39,771	**7,247**	42,002
For the nine-month period ended September 30,	**2017**	2016	**2017**	2016	**2017**	2016
Reportable items in the Condensed Consolidated Income Statement and Comprehensive Income						
Interest received	**-**	-	**(199)**	(88)	**(199)**	(88)
Finance costs - convertible note accretion	**-**	-	**5,224**	2,785	**5,224**	2,785
Depreciation	**78**	210	**31**	42	**109**	252
Reportable segment loss	**5,534**	5,791	**24,715**	52,524	**30,249**	58,315
As at September 30,	**2017**	2016	**2017**	2016	**2017**	2016
Reportable segment in Condensed Consolidated Statement of Financial Position						
Reportable segment current assets and assets classified as held for sale	**6,264**	18,660	**46,544**	66,899	**52,808**	85,559
Reportable segment non - current assets	**613**	4,905	**40**	31	**653**	4,936
Reportable segment liabilities	**(983)**	(3,087)	**(67,408)**	(59,650)	**(68,391)**	(62,737)

The Group's assets classified as held for sale are predominantly located in various port facilities within the European Union.

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

17. Private placements

On July 14, 2016 the Company completed a private placement with one existing shareholder and a new investor (the "July 2016 Private Placement"). On May 11, 2016 the Company completed a private placement with a number of existing shareholders (the "May 2016 Private Placement" and together with the July 2016 Private Placement, the "2016 Private Placements"). A total of 60,625 units were issued pursuant to the 2016 Private Placements at a price of $1,000 per unit to raise aggregate gross proceeds of $60.625 million.

On May 30, 2014 the Company completed a private placement with a number of existing shareholders (the "2014 Private Placement" and together with the 2016 Private Placements, the "Private Placements"). In conjunction with the closing of the May 2016 Private Placement, certain terms of the 2014 Private Placement were restructured to bring them into alignment with the May 2016 Private Placement, as per prior disclosure in the annual audited financial statements for the year ended December 31, 2016. Each of the issued units consist of a number of components.

July 2016 Private Placement – Initial recognition

	Gross allocation	Financing fees	Net allocation
Liability component of convertible debentures	22,740	394	22,346
Equity component of convertible debentures	32,694	567	32,127
Warrants	19,557	339	19,218
Charge on issue of in-the-money equity instruments	(34,366)	-	(34,366)
Arbitration value rights	-	-	-
Proceeds of private placement	40,625	1,300	39,325

May 2016 Private Placement – Initial recognition

	Gross allocation	Financing fees	Net allocation
Liability component of convertible debentures	11,118	67	11,051
Equity component of convertible debentures	4,149	25	4,124
Warrants	4,733	28	4,705
Arbitration value rights	-	-	-
Proceeds of private placement	20,000	120	19,880

2014 Private Placement – Recognition subsequent to the May 2016 debt extinguishment

	Gross allocation	Financing fees	Net allocation
Liability component of convertible debentures	18,347	-	18,347
Equity component of convertible debentures	8,370	50	8,320
Warrants	8,283	50	8,233
Arbitration value rights	-	-	-
Proceeds of private placement	35,000	100	34,900

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

17 Private placements (continued)

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.

There are two derivatives that are embedded within the convertible notes to the Private Placements: a ‘make-whole premium’ to protect holders of the convertible notes 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 its common shares at a discounted amount 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 each reporting date.

The aggregate composition of the Private Placements is set out in the following table

	Gross allocation	Financing fees	Net allocation
Liability component of convertible debentures	52,205	461	51,744
Equity component of convertible debentures	45,213	642	44,571
Warrants	32,573	417	32,156
Charge on issue of in-the-money equity instruments	(34,366)	-	(34,366)
Proceeds of private placement	95,625	1,520	94,105

18 Contingent liabilities and Post Balance Sheet events

RMGC has been subject to an inspection by the Romanian tax authorities of the value added tax (“VAT”) deductions it claimed in the period 2011 to 2016 (the “VAT Assessment”).

The VAT Assessment follows the re-run of a prior VAT audit concluded by ANAF in July 2016 which assessed a liability for approximately the same amount, rising with interest and penalties to RON 42.9m (then approximately $13.7 million) but which was successfully challenged by RMGC and partially quashed by ANAF in September 2016.

On July 5, 2017 RMGC received a further VAT Assessment of RON 27 million, approximately $8.6 million at July 5, 2017. This amount does not include the assessment for interest and penalties discussed below.

The VAT Assessment was due for payment on August 5, 2017. On August 9, 2017 RMGC filed an administrative challenge before the Romanian tax authorities against the VAT Assessment which is ongoing. On August 10, 2017 RMGC filed a request for a stay of enforcement of the VAT Assessment before the Alba Iulia Court of Appeal. On October 2, 2017 the Alba Iulia Court of Appeal admitted RMGC’s request for a stay of enforcement of the VAT Assessment, pending the determination of RMGC’s administrative (and if necessary judicial) challenge of the VAT Assessment. This ruling may be appealed by ANAF within 5 days of notification in writing to the parties of the Court’s decision and the legal basis thereof, which has yet to be received by RMGC.

Further to the VAT Assessment, on October 23, 2017 RMGC received a further demand from ANAF for RON 18.6 million, approximately $6.0 million, in interest and penalties. As with the VAT Assessment, the Company believes the interest and penalties are totally unjustified and, along with RMGC, intends to challenge this decision through administrative and judicial processes. It is the Company’s understanding that the interest and penalties are also subject to the judicial stay of enforcement. Gabriel considers that the outflow of economic resources in respect of the VAT Assessment is not probable, and consequently no liability has been recognized at September 30, 2017.