

Gabriel Resources Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)
For the three-month period ended March 31, 2014

Condensed Consolidated Statement of Financial Position

As at March 31, 2014 and December 31, 2013

(Unaudited and expressed in thousands of Canadian dollars)

	Notes	March 31 2014	December 31 2013
Assets			
Current assets			
Cash and cash equivalents	5	31,222	42,123
Trade and other receivables		854	2,092
Prepaid expenses and supplies		1,413	1,146
Total current assets		33,489	45,361
Non-current assets			
Mineral properties	6	583,743	553,923
Property, plant and equipment		61,299	58,504
Other non-current assets		542	520
Total non-current assets		645,584	612,947
TOTAL ASSETS		679,073	658,308
Liabilities			
Current liabilities			
Trade and other payables		6,463	8,711
Resettlement liabilities		4,648	4,510
Other current liabilities		2,983	455
Total current liabilities		14,094	13,676
Non-current liabilities			
Other non-current liabilities		2,322	3,119
Total non-current liabilities		2,322	3,119
TOTAL LIABILITIES		16,416	16,795
Equity			
Share capital		868,081	868,081
Contributed surplus		49,452	53,352
Currency translation adjustment		8,531	(14,930)
Accumulated deficit		(288,937)	(264,990)
Equity attributable to owners of the parent		637,127	641,513
Non-controlling interest	7	25,530	-
TOTAL EQUITY		662,657	641,513
TOTAL EQUITY AND LIABILITIES		679,073	658,308

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

Condensed Consolidated Statement of Loss

For the three-month periods ended March 31

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

	Note	3 months ended March 31	
		2014	2013
Expenses			
Corporate, general and administrative		1,464	1,106
Severance costs	8	2,642	-
Share-based compensation		(28)	1,234
Depreciation		46	39
Operating loss		4,124	2,379
Other (income) / expense			
Interest received		(67)	(134)
Foreign exchange (gain) / loss		(26)	44
Loss for the period		4,031	2,289
Loss for the period attributable to:			
- Owners of the parent		3,521	2,289
- Non-controlling interest		510	-
Loss for the period		4,031	2,289
Basic and diluted loss per share	12	\$ 0.01	\$ 0.01

Condensed Consolidated Statement of Comprehensive Income / Loss

For the three-month periods ended March 31

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

		3 months ended March 31	
		2014	2013
Loss for the period		4,031	2,289
<i>Other comprehensive (income) / loss</i>			
<i>- may recycle to Statement of Loss in future periods</i>			
Currency translation adjustment		(29,075)	4,045
Comprehensive (income) / loss for the period		(25,044)	6,334
Comprehensive (income) / loss for the period attributable to:			
- Owners of the parent		(19,940)	6,334
- Non-controlling interest		(5,104)	-
Comprehensive (income) / loss for the period		(25,044)	6,334

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

Condensed Consolidated Statement of Changes in Shareholders' Equity

For the three-month periods ended March 31
(Unaudited and expressed in thousands of Canadian dollars)

	Note	3 months ended March 31 2014	2013
Common shares			
At January 1		868,081	859,782
Shares issued on the exercise of share options		-	2
At March 31		868,081	859,784
Contributed surplus			
At January 1		53,352	52,813
Share-based compensation		(3,900)	2,874
At March 31		49,452	55,687
Currency translation adjustment			
At January 1		(14,930)	(65,743)
Currency translation adjustment		23,461	(4,045)
At March 31		8,531	(69,788)
Accumulated deficit			
At January 1		(264,990)	(262,500)
Loss for the period		(3,521)	(2,289)
Transfer of interest in Rosia Montana Gold Corporation	7	(20,426)	-
At March 31		(288,937)	(264,789)
Non-controlling interest			
At January 1		-	-
Transfer of interest in Rosia Montana Gold Corporation	7	20,426	-
Loss for the period		(510)	-
Currency translation adjustment		5,614	-
At March 31		25,530	-
Total shareholders' equity at March 31		662,657	580,894

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

Condensed Consolidated Statement of Cash Flows

For the three-month periods ended March 31

(Unaudited and expressed in thousands of Canadian dollars)

	3 months ended	
	March 31	
	2014	2013
Cash flows used in operating activities		
Loss for the period	(4,031)	(2,289)
Adjusted for		
Depreciation	46	39
Share-based compensation	(28)	1,234
Unrealized foreign exchange (gain) / loss	(22)	144
Cash utilized in operations	(4,035)	(872)
DSU/RSU cash settlement	-	(70)
Changes in operating working capital	2,288	(741)
	(1,747)	(1,683)
Cash flows used in investing activities		
Exploration and development expenditures	(6,653)	(7,089)
Purchase of property, plant and equipment	(40)	(240)
Changes in investing working capital	(2,304)	(2,839)
	(8,997)	(10,168)
Cash flows provided by financing activities		
Proceeds from the exercise of share options	-	2
	-	2
Decrease in cash and cash equivalents	(10,744)	(11,849)
Effect of foreign exchange on cash and cash equivalents	(157)	(3)
Cash and cash equivalents - beginning of period	42,123	78,965
Cash and cash equivalents - end of period	31,222	67,113

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

Notes to Condensed Consolidated Financial Statements

For the three-month period ended March 31, 2014

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

1. Nature of operations

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

The Company is presently in the permitting stage in the development of its majority-owned Roşia Montană gold and silver project (the “Project”). Roşia Montană Gold Corporation (“RMGC”) is the beneficial owner of, and holds an exclusive exploitation license for, the Project. Since obtaining the Project’s exploitation license, RMGC has been focused on identifying and defining the size of the four ore bodies, engineering to design the size and scope of the Project, environmental assessment and permitting, rescue archaeology and surface rights acquisitions.

The underlying value of the Company and its subsidiary companies’ (together the “Group”) mineral properties, and in particular the Project, is dependent upon the existence and economic recovery of such proven ore body reserves in the future together with the ability of the Group to obtain all necessary permits and raise long-term financing to complete the development of the properties. In addition, the Project may be subject to, amongst other negative risks or financial influences, sovereign risk, including political and economic instability, changes in existing fiscal regime, changes in existing government regulations, for example, an increase in royalty rates or state ownership applicable to the Project, a ban on the use of cyanide in mining, designation of the Project area as an archeological site of national importance, government regulations relating to mining which may withhold the receipt of required permits or impede the Group’s ability to acquire the necessary surface rights, as well as litigation risk against permits and the Project, currency fluctuations and local inflation. The suspension of the review of the Project’s Environmental Impact Assessment (“EIA”) by the Ministry of Environment in September 2007 (subsequently resumed in September 2010) demonstrates one of the significant risks that the Project may face. The significant delays in the Romanian government promulgating mining legislation to enable progress on a re-invigoration of the mining industry including the Project; on-going delays in obtaining the environmental and other critical permits; continued political, public, and NGO opposition to the Project; and the multitude of legal challenges to permits issued in respect of the Project also demonstrate the significant risks that the Project faces.

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

These unaudited condensed interim consolidated financial statements have been prepared using IFRS applicable to a “going concern”, which assume that the Group will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at March 31, 2014 the Group had no sources of operating cash flows and does not have sufficient cash to fund the development of the Project and therefore will require additional funding which, if not raised, would result in the curtailment of activities and Project delays. The timeline to build the Project is dependent on a number of factors which include both the permitting and financing processes.

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

2. Basis of preparation

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

Notes to Condensed Consolidated Financial Statements

For the three-month period ended March 31, 2014

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

2. Basis of preparation (continued)

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

The Board of Directors approved these Condensed Financial Statements on May 14, 2014.

3. Critical accounting estimates, risks and uncertainties

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

The preparation of Condensed Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses and other income for the period. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience. With the exception of estimates and assumptions relating to Project permitting milestones, the significant estimates and assumptions are the same as those disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2013.

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

4. Accounting policies

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

On January 1, 2014, the Company adopted the following amended standard, which did not have a material impact on the Condensed Financial Statements:

- IAS 36; Impairment of Assets. The IASB has published 'Recoverable amount disclosures for non-financial assets' (amendments to IAS 36). These amendments to IAS 36, 'Impairment of assets', address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

The following accounting standards are effective from July 1, 2014. The Company has not adopted these standards early and is assessing the impact of adoption on the Condensed Financial Statements:

- IFRS 2; Share-based payment. The standard clarifies the definition of vesting conditions and applies to share-based payment transactions for which grant date is on/after July 1, 2014.
- IFRS 8; Operating segments. The standard has been amended to require (i) disclosure of judgments made by the management in aggregating segments, and (ii) a reconciliation of segment assets to the entity's assets when segments are reported.
- IAS 24; Related party transactions. The standard has been amended to (i) revise definition of "related party" to include an entity that provides key management personnel services to the reporting entity or its parent, and (ii) clarify related disclosure requirements.
- IAS 19; Employee benefits. Defined benefit plans and employee contributions. The standard has been amended to clarify the application of IAS 19 to plans that require employees or third parties to contribute toward the cost of benefits.

Notes to Condensed Consolidated Financial Statements

For the three-month period ended March 31, 2014

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

4. Accounting policies (continued)

- IFRS 9; Financial Instruments. Replacement standard for IAS 39 Financial instruments: Recognition and Measurement. IFRS 9 retains (but 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. The IASB amended the mandatory effective date of IFRS 9 to January 1, 2015.

5. Cash and cash equivalents

As at	March 31 2014	December 31 2013
Cash at bank and on hand	6,026	6,954
Short-term bank deposits	25,196	35,169
	31,222	42,123

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates. Cash is deposited at reputable financial institutions of a high credit rating. The Group manages its domestic Romanian bank credit risk by centralizing custody, control and management of its surplus cash resources at its corporate office and only transferring money to its Romanian subsidiary based on near term cash requirements, thereby mitigating exposure to domestic Romanian banks. At March 31, 2014 the Group held \$1.1 million of cash and cash equivalents in Romanian banks (December 31, 2013 \$4.5 million). Short-term bank deposits represent investments in government treasury bills, with maturities from the date of acquisition of less than 90 days.

6. Mineral properties

	Rosia Montana
Balance - December 31, 2012	467,206
Development costs - additions ⁽¹⁾	41,119
Currency translation adjustment	45,598
Balance - December 31, 2013	553,923
Development costs - additions ⁽¹⁾	3,692
Currency translation adjustment	26,128
Balance - March 31, 2014	583,743

⁽¹⁾ Mineral property additions of \$3.7 million (2013 - \$41.1 million) is \$3.0 million lower than the amount reported in the Condensed Consolidated Statement of Cash Flows of \$6.7 million (2012 - \$40.1 million). The difference is attributed to the non-cash reversals for share based compensation and amortization and resettlement liabilities charges.

At March 31, 2014 the Group's principal asset was its 80.69% interest in the Project held indirectly through RMGC, which holds two mineral licenses in Romania, being the exploitation license for the Project and an expired exploration license for the Bucium property. Minvest Roşia Montană S.A. ("Minvest"), a Romanian state-owned mining company, holds the remaining 19.31% interest in RMGC.

The Group holds the pre-emptive right to acquire the 19.31% non-controlling interest. The Company is required to fund 100% of all expenditures related to the exploration and development of these properties and holds a preferential right to recover all funding plus interest (other than on non-interest bearing loans) from future cash flows prior to the non-controlling shareholders receiving dividends.

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

Notes to Condensed Consolidated Financial Statements

For the three-month period ended March 31, 2014

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

7. Non-controlling interest

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

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

8. Severance costs

In February 2014, RMGC initiated legal procedures for the retrenchment of a significant proportion of its employees, including dialogue with relevant unions and other stakeholders. As of March 1, 2014, approximately 400 RMGC employees, on both permanent and temporary contracts, equivalent to approximately 80 per cent of the RMGC workforce, were placed into 'technical unemployment' for a period of up to two months. Technical unemployment is a legal procedure in Romania whereby the employment contracts of such employees are temporarily suspended pending detailed collective consultation with the relevant unions and concerned authorities regarding the potential employee retrenchment and related severance terms. Following this consultation process, in March 2014 the RMGC Board of Directors approved a decision to terminate the contracts of the affected employees during the three-month period ended June 30, 2014. The aggregate severance costs for these employees payable in 2014 is the equivalent of \$2.6 million.

9. Related party transactions

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

- (a) In December 2004, the Company advanced a loan of US\$0.9 million to the non-controlling shareholder of RMGC, which remains outstanding at December 31, 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 December 31, 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 interest on the Consolidated Statement of Financial Position until such time as the repayment of the loans is more certain. Once there is certainty that the loans will be repaid, the loans and non-controlling interest components will be reflected individually.
- (d) In December 2013, the Group was required to recapitalize RMGC in order to comply with minimum 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 of RMGC, for nil consideration, a proportion of the shares subscribed to in December 2013, with a book value of \$20.4 million, in order to preserve the Minvest shareholding of 19.31% in RMGC.

Notes to Condensed Consolidated Financial Statements

For the three-month period ended March 31, 2014

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

10. Common share options

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

	Number of options	Weighted average exercise price (dollars)
Balance - December 31, 2012	27,353	4.28
Options granted	4,545	1.33
Options expired	(6,264)	2.17
Options exercised	(3,495)	1.55
Balance - December 31, 2013	22,139	4.71
Options granted	6,850	0.79
Options forfeited	(550)	5.44
Options expired	(600)	2.44
Balance - March 31, 2014	27,839	3.78

During the three-month period ended March 31, 2014, 6.9 million options were granted at a grant price of \$0.79, which vest over a three-year period. During the year ended December 31, 2013 the Company granted 4.5 million options at a weighted average grant price of \$1.33, which vest over a three-year period. The fair value of the options granted during the three-month period ended March 31, 2014 was determined, at the grant date, using the Black-Scholes valuation model based on graded tranche level valuation, 5% pre-vesting forfeiture rates, 92% volatility (determined using the Company's three year share price history), a risk-free rate of 1.35% (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-month periods is as follows:

	3 months ended	
	March 31 2014	March 31 2013
Condensed Consolidated Statement of Loss - (reversed) / expensed	(655)	1,202
Mineral Properties - (reversed) / expensed	(3,245)	1,672

The reversal of share option costs during the three-month period ended March 31, 2014 is a result of the ongoing delays in the permitting of the Project and management's reassessment of its assumptions relating to future vesting dates for performance based options.

Notes to Condensed Consolidated Financial Statements

For the three-month period ended March 31, 2014

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

11. Segmental information

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

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

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

The segmental report is as follows:

	Mining		Corporate		Total	
For the three-month period ended March 31,	2014	2013	2014	2013	2014	2013
Reportable items in the Consolidated Statements of Loss and Comprehensive Loss / (Income)						
Finance income	-	-	(67)	(134)	(67)	(134)
Amortization	-	-	46	39	46	39
Reportable segment loss	2,642	-	1,389	2,289	4,031	2,289
As at March 31,	2014	2013	2014	2013	2014	2013
Reportable segment in Consolidated Statement of Financial Position						
Reportable segment current assets	2,559	2,846	30,930	66,840	33,489	69,686
Reportable segment non - current assets	645,383	525,689	201	301	645,584	525,990
Reportable segment liabilities	(13,729)	(11,609)	(2,687)	(3,173)	(16,416)	(14,782)

Notes to Condensed Consolidated Financial Statements

For the three-month period ended March 31, 2014

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

12. Loss per share

	3 months ended	
	March 31 2014	March 31 2013
Loss for the period attributable to owners of the parent	3,521	2,289
Weighted-average number of common shares (000's)		
Basic number of shares	384,145	380,540
Basic and diluted loss per share	\$0.01	\$0.01

13. Commitments and contingencies

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

	Total	2014	2015	2016	2017	2018	Thereafter
<i>Capital commitments</i>							
Resettlement	212	50	89	73	-	-	-
<i>Operating lease commitments</i>							
Roşia Montană exploitation license	1,179	262	262	262	262	131	-
Surface concession rights	1,124	30	30	30	30	30	974
Property lease agreements	837	394	313	130	-	-	-
Total commitments	3,352	736	694	495	292	161	974