Gabriel Resources Ltd.

Consolidated Financial Statements
(Unaudited)
September 30, 2005 and December 31, 2004

Gabriel Resources Ltd.

Consolidated Balance Sheets

As at September 30, 2005 and December 31, 2004

(Unaudited and expressed in Canadian dollars)

	2005 **$**	2004 $
Assets		
Current assets		
Cash and cash equivalents	**29,725,069**	16,371,543
Accounts receivable	**402,539**	294,160
Prepaid expenses and supplies	**900,712**	1,217,008
	31,028,320	17,882,711
Capital assets (note 2)	**1,733,039**	2,162,500
Mineral properties (note 3)	**176,145,096**	164,457,139
	208,906,455	184,502,350
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**2,119,878**	2,600,147
Other liabilities (note 4)	**358,782**	220,823
	2,478,660	2,820,970
Shareholders' Equity		
Capital stock (note 6)	**254,191,424**	227,157,729
Common share purchase warrants (note 6 and 7)	**1,950,000**	-
Contributed surplus (note 9)	**5,582,415**	3,375,933
Deficit	**(55,296,044)**	(48,852,282)
	206,427,795	181,681,380
	208,906,455	184,502,350

Nature of operations and going concern (note 1)

Minority interest (note 5(d))

Approved by the Board of Directors

"*Michael Parrett*" Director "*Alan R. Hill*" Director

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

Gabriel Resources Ltd.

Consolidated Statements of Loss and Deficit

For the three and nine-month periods ended September 30, 2005 and 2004

(Unaudited and expressed in Canadian dollars)

	3 months ended September 30		9 months ended September 30	
	2005	2004	**2005**	2004
	$	$	**$**	$
Expenses				
Corporate general and administrative	**1,596,380**	1,557,288	**3,931,053**	3,885,222
Stock option compensation (note 8)	**327,528**	87,963	**2,484,812**	623,915
Reorganization severance costs	**-**	-	**546,755**	-
Project financing costs	**-**	27,862	**-**	2,083,491
Amortization	**13,401**	16,989	**43,970**	47,447
	1,937,309	1,690,102	**7,006,590**	6,640,075
Other income (expense)				
Interest	**211,285**	37,778	**495,337**	283,454
Foreign exchange	**(19,172)**	(17,349)	**67,491**	(10,415)
	192,113	20,429	**562,828**	273,039
Loss for the period	**1,745,196**	1,669,673	**6,443,762**	6,367,036
Deficit – Beginning of period	**53,550,848**	44,962,210	**48,852,282**	40,264,847
Deficit – End of period	**55,296,044**	46,631,883	**55,296,044**	46,631,883
Loss per share (basic and diluted)	**0.01**	0.01	**0.04**	0.05
Weighted average number of shares	**161,479,221**	135,046,697	**156,545,118**	132,479,758

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

Gabriel Resources Ltd.

Consolidated Statements of Cash Flows

For the three and nine-month periods ended September 30, 2005 and 2004

(Unaudited and expressed in Canadian dollars)

	3 months ended September 30		9 months ended September 30	
	2005	2004	**2005**	2004
	$	$	**$**	$
Cash flows used in operating activities				
Loss for the period	**(1,745,196)**	(1,669,673)	**(6,443,762)**	(6,367,036)
Items not affecting cash				
Amortization	**13,401**	16,989	**43,970**	47,447
Stock option compensation	**327,528**	87,963	**2,484,812**	623,915
Deferred share units	**120,715**	59,394	**137,959**	(208,663)
Bridge loan fees paid with shares (note 5c)	**-**	237,500	**-**	237,500
	(1,283,552)	(1,267,827)	**(3,777,021)**	(5,666,837)
Net changes in non-cash working capital (note 13a)	**(95,742)**	227,248	**106,035**	(399,329)
	(1,379,294)	(1,040,579)	**(3,670,986)**	(6,066,166)
Cash flows used in investing activities				
Exploration and development expenditures (note 13b)	**(3,174,666)**	(6,039,770)	**(11,140,042)**	(29,030,281)
Purchase of capital assets	**(58,880)**	(100,923)	**(162,424)**	(928,622)
Net changes in non-cash working capital (note 13a)	**(456,600)**	(2,364,789)	**(549,157)**	(1,193,210)
	(3,690,146)	(8,505,482)	**(11,851,623)**	(31,152,113)
Cash flows from (used in) financing activities				
Proceeds from short-term bridge loan (note 5c)	**-**	1,500,000	**-**	1,500,000
Repayment of short-term bridge loan (note 5c)	**-**	(1,500,000)	**-**	(1,500,000)
Proceeds from the exercise of stock options	**575,684**	-	**575,684**	1,111,617
Issuance of capital stock and common share purchase warrants net of issue costs (note 6)	**-**	24,684,265	**28,129,681**	24,684,265
Net changes in non-cash working capital (note 13a)	**-**	106,000	**170,770**	106,000
	575,684	24,790,265	**28,876,135**	25,901,882
Increase/(Decrease) in cash and cash equivalents	**(4,493,756)**	15,244,204	**13,353,526**	(11,316,397)
Cash and cash equivalents – Beginning of period	**34,218,825**	7,305,467	**16,371,543**	33,866,068
Cash and cash equivalents – End of period	**29,725,069**	22,549,671	**29,725,069**	22,549,671

Supplemental cash flow information (note 13)

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

1. Nature of operations and going concern

Gabriel Resources Ltd. (the "Company") is in the process of exploring and developing mineral prospects in Romania. Its principal project, the Rosia Montana gold/silver deposit (the "Project"), has previously been subject to exploration and confirmatory work to determine that the Project has economically viable gold reserves. As a result of the confirmatory work, the Company initiated a basic engineering study which was released in the first quarter of 2003, followed by detailed engineering work. Detailed engineering, as well as village relocation initiatives, were put on hold during 2004, to conserve cash resources and allow the Company to focus on the permitting process. The primary focus of activity in 2005 is on the permitting process. The Company's other license area, Bucium, is undergoing a scoping study to determine whether it contains economic reserves.

The underlying value of the Company's mineral properties is dependent upon the existence and economic recovery of such reserves in the future and the ability of the Company to raise long-term financing to complete the development of the properties. In addition, the Project may be subject to sovereign risk, including political and economic stability, government regulations relating to mining which may delay the receipt of required permits or impede the Company's ability to acquire the necessary surface rights, as well as currency fluctuations and local inflation. These may adversely affect the investment and may result in the impairment or loss of all or part of the Company's investment.

The Company 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 result in project development delays. Management is of the opinion that additional financing is available and may be sourced in time to allow the Company to continue its planned activities in the normal course. While it has been successful in the past, there can be no assurance it will be able to raise sufficient funds in the future.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the Company 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. These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the "going concern" assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

The accompanying interim consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles. Selected information and disclosures required in notes to annual financial statements has been condensed or omitted. These interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements and notes for the year ended December 31, 2004. The interim financial statements have been prepared following the same accounting policies and methods of computation as the annual financial statements for the year ended December 31, 2004.

(Unaudited and expressed in Canadian dollars)

2. Capital Assets

	September 30, 2005 $	December 31, 2004 $
Vehicles	**1,355,364**	1,357,135
Exploration and office equipment	**1,977,226**	2,019,059
Leasehold improvements	**105,856**	105,856
	3,438,446	3,482,050
Less: Accumulated amortization		
Vehicles	**546,702**	391,376
Exploration and office equipment	**1,070,414**	868,764
Leasehold improvements	**88,291**	59,410
	1,705,407	1,319,550
Net book value		
Vehicles	**808,662**	965,759
Exploration and office equipment	**906,812**	1,150,295
Leasehold improvements	**17,565**	46,446
	1,733,039	2,162,500

3. Mineral properties

	Rosia Montana $	**Bucium $**	**Total $**
Balance – December 31, 2003	123,415,084	7,359,301	130,774,385
Development costs	30,496,752	-	30,496,752
Exploration costs	462,002	2,724,000	3,186,002
Balance – December 31, 2004	154,373,838	10,083,301	164,457,139
Development costs	**9,842,791**	**-**	**9,842,791**
Exploration costs	**620,102**	**1,225,064**	**1,845,166**
Balance – September 30, 2005	**164,836,731**	**11,308,365**	**176,145,096**

Romanian mineral properties

The Company's principal asset is its 80% direct ownership interest in a Romanian Company, Rosia Montana Gold Corporation ("RMGC"), which holds two mineral licences in Romania being Rosia Montana and Bucium. Minvest S.A. ("Minvest"), a Romanian state-owned mining company, together with three other private Romanian companies, holds a 20% interest in RMGC, and the Company holds the pre-emptive right to acquire such 20% 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 from future cash flows prior to the shareholders receiving dividends.

An exploitation license is held by RMGC as the titleholder in respect of the Rosia Montana property. RMGC has the exclusive right to conduct mining operations at the Rosia Montana property for an initial term of 20 years commencing in 1998, and thereafter with successive five-year renewal periods.

The Bucium project is in its early stages of exploration. An updated exploration license has been issued to RMGC as titleholder to the Bucium project. The Company signed a three-year license extension until May 19, 2007 obligating the Company to spend US$3.4 million over the term of the license extension period. As at September 30, 2005, the remaining expenditure commitment was US$1.0 million.

4. Other liabilities

The Company has implemented a Deferred Share Unit Plan under which qualifying participants may elect to receive certain compensation in the form of deferred share units ("DSUs"), in lieu of cash. On retirement, participants may redeem their DSUs for common shares of the Company to be purchased on the open market, cash, or a combination of common shares and cash. The Company, at its sole discretion, can elect to pay the amount in common shares. At September 30, 2005, 154,647.5 (December 31, 2004 – 141,553) outstanding DSUs were valued at the Company's September 30, 2005 share price of $2.32 (December 31, 2004; $1.56) per share resulting in the amount of $358,782 (December 31, 2004; $220,823) being recorded in other liabilities. Accordingly, the net period over period change in the value has been recorded in corporate general and administrative expense.

5. Related party transactions

a) The Company receives rental revenue of $3,465 per month under a sublease to Alamos Gold Inc., which commenced March 1, 2004, and expires on March 31, 2006. The sublease revenue is included as an offset to corporate general and administrative expense. Mr. Alan R. Hill, the President and Chief Executive Officer of the Company as of May 10, 2005, is the Chairman of the Board of Alamos Gold Inc.

b) Power costs paid by RMGC to a company owned by a minority shareholder of RMGC was $10,000 for the three months ended September 30, 2005 (2004 – $17,000), and $33,000 for the nine months ended September 30, 2005 (2004 – $52,000).

(Unaudited and expressed in Canadian dollars)

c) During the third quarter of 2004, the Company drew down $1.5 million under a short-term standby credit facility provided by Quest Capital Corp., of which the Managing Director and shareholder is also a director and shareholder of the Company. The loan was repaid on September 30, 2004 at which time the facility was terminated. The Company incurred interest of $18,284 and issued 197,917 common shares valued at $237,500 for payment of fees in conjunction with the facility.

d) In December 2004, the Company loaned a total of US $971,210 to the four minority shareholders of RMGC. The loans to these shareholders, which hold an aggregate of 20% of the shares of RMGC, were made to facilitate a statutory requirement to increase RMGC's total share capital.

The loans, which are non-interest bearing, are to be repaid as and when RMGC distributes dividends to its shareholders.

The loans and related minority interest contribution have been offset on the balance sheet until such time as the loans are repaid. Once the loans are repaid the minority interest component will be reflected on the balance sheet.

6. Capital stock

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

Common shares issued and outstanding

	Number of shares	Amount $
Balance – December 31, 2004	146,412,866	227,157,729
Shares issued from a public offering	**15,000,000**	**28,050,000**
Less: Share issue costs	**-**	**(1,870,319)**
Shares issued on the exercise of stock options (note 8)	**340,970**	**575,684**
Stock-based compensation – exercise of stock options (note 9)	**-**	**278,330**
Balance – September 30, 2005	**161,753,836**	**254,191,424**

On March 31, 2005, the Company issued 15,000,000 units priced at $2.00 per unit by way of a public offering for gross proceeds of $30 million. Each unit consisted of one common share and one half of one common share purchase warrant with an exercise price of $2.75 and expiry date of March 31, 2007. Each unit has been apportioned $1.87 to common share and $0.13 to one half of one common share purchase warrant, resulting in an assigned value of $28,050,000 to the 15,000,000 common shares and an assigned value of $1,950,000 to the share purchase warrants. The net proceeds of the offering were $28,129,681 after deducting a cash commission to the underwriters of $1,350,000 plus various professional fees related to the offering.

(Unaudited and expressed in Canadian dollars)

7. Share purchase warrants

a) As at September 30, 2005, the following share purchase warrants were issued and outstanding:

Expiry date	Number of Warrants	Exercise price $	Amount $
December 31, 2005	15,000,000	2.00	-
March 31, 2007	7,500,000	2.75	1,950,000
	22,500,000		1,950,000

The exercise of the outstanding share purchase warrants in the loss per share calculation would be anti-dilutive.

(b) As part of the agreed upon compensation for undertaking a review of the financeability of the Rosia Montana project, the Company has agreed to issue, subject to certain conditions being met, a number of share purchase warrants (the "Warrants") to a financial institution in two tranches, A and B (respectively, the "Tranche A Warrants" and the "Tranche B Warrants").

The Tranche A Warrants: (i) are issueable at a date to be agreed upon by the Company and the financial institution; (ii) will be in an amount equal to 0.8767% of the number of the Company's outstanding common shares on the date of issuance; (iii) will have an exercise price equal to the average closing price of the Company's common shares on the Toronto Stock Exchange for the 10 days preceding the issuance; (iv) will be exerciseable as to 50% upon issuance and as to 50% when the financial institution is designated lead arranger for the financing of the Rosia Montana project; and (v) will have a term of four years from the date of issuance.

The Tranche B Warrants: (i) are issueable when the financial institution is designated lead arranger for the financing of the Rosia Montana project; (ii) will be in an amount equal to 0.4383% of the number of the Company's outstanding common shares on the date of issuance; (iii) will have an exercise price equal to the average closing price of the Company's common shares on the Toronto Stock Exchange for the 10 days preceding the issuance; (iv) will be exerciseable upon issuance; and (v) will have a term of four years from issuance.

The agreement with the financial institution can be terminated prior to the issuance of the warrants and depending on the circumstances of the termination, a termination fee of US$250,000 may be payable.

8. Stock option compensation

The Incentive Stock Option Plan (the "Plan") authorizes the Directors to grant options to purchase shares of the Company to directors, officers, employees and consultants. The Plan originally allowed for the issuance of up to 19 million shares of which as at September 30, 2005, 4.0 million are available for issuance. The exercise price of the options equals the closing price on the day prior to the option allotment. The majority of options granted vest over three years and are exercisable over five years from the date of issuance.

(Unaudited and expressed in Canadian dollars)

As at September 30, 2005, common share stock options held by directors, officers, employees and consultants are as follows:

	Outstanding			Exercisable	
Range of exercise prices	**Number of options**	**Weighted average exercise price $**	**Weighted average remaining contractual life (Years)**	**Number of options**	**Weighted average exercise price $**
\$1.48 - \$2.00	5,540,415	1.58	4.5	3,080,704	1.61
\$2.01 - \$3.00	1,732,223	2.46	3.0	1,103,473	2.50
\$3.01 - \$4.00	614,860	3.17	0.2	614,860	3.17
\$4.01 - \$5.00	1,175,000	4.75	2.2	1,099,998	4.75
\$5.01 - \$5.50	1,080,000	5.50	1.6	1,080,000	5.50
	10,142,498	2.61	3.4	6,979,035	2.98

During the period ended September 30, 2005, stock options were granted, exercised and cancelled as follows:

	Number of options	**Weighted average exercise price $**
Balance – December 31, 2004	12,537,593	3.27
Options granted	5,000,000	1.65
Options exercised	(340,970)	1.69
Options cancelled	(1,222,225)	2.81
Options expired	(5,831,900)	3.22
Balance – September 30, 2005	10,142,498	2.61

The exercise of the outstanding stock options in the loss per share calculation would be anti-dilutive.

The fair value of 5,000,000 options granted during the period ended September 30, 2005 (2004 – 200,000) has been estimated at the date of grant using a Black-Scholes option pricing model. The current period's valuation was calculated with the following assumptions: weighted average risk free interest rate of 3.1% (2004 – 3.1%); volatility factor of the expected market price of the Company's common stock of 75% (2004 – 77%); and a weighted average expected life of the options of 2.6 years (2004 – 2 years). The resulting weighted average cost per option granted was \$0.79 (2004 - \$0.97). The estimated fair value of the options is expensed over the vesting period.

The fair value compensation recorded for options granted in 2005 was \$175,958 for the three months ended September 30, 2005 (2004 - \$16,301), and \$1,816,636 for the nine months ended September 30, 2005 (2004 - \$21,317). For other options granted subsequent to December 31, 2002 it was \$151,570 for the three months ended September 30, 2005 (2004 - \$71,662), and \$668,176 for the nine months ended September 30, 2005 (2004 - \$602,598).

(Unaudited and expressed in Canadian dollars)

The following is the Company's pro-forma loss applying fair value method to all options issued prior to January 1, 2003:

Income Statement	**3 months ended September 30** **2005** $	2004 $	**9 months ended September 30** **2005** $	2004 $
Loss for the period	**1,745,196**	1,669,673	**6,443,762**	6,367,036
Compensation expense related to fair value of stock options	**133,938**	479,032	**989,334**	1,502,574
Pro-forma loss for the period	**1,879,134**	2,148,705	7,433,096	7,869,610
Pro-forma loss per share	**0.01**	0.02	**0.05**	0.06

Balance Sheet	**September 30, 2005** $	December 31, 2004 $
Mineral properties	**176,145,096**	164,457,139
Compensation expense related to fair value of stock options	**283,785**	283,785
Pro-forma mineral properties	**176,428,881**	164,740,924

9. Contributed surplus

The following table identifies the changes in contributed surplus for the period:

	Corporate Reorganization $	**Stock option compensation** $	**Total** $
Balance – December 31, 2004	1,012,655	2,363,278	3,375,933
Stock option compensation	**-**	**2,484,812**	**2,484,812**
Exercise of stock options	**-**	**(278,330)**	**(278,330)**
Balance – September 30, 2005	**1,012,655**	**4,569,760**	**5,582,415**

10. Segmented information

The Company has one operating segment: the acquisition, exploration and development of precious metal projects.

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

	September 30, 2005 $	December 31, 2004 $
Romania	**177,832,546**	166,559,373
Canada	**45,589**	60,266
	177,878,135	166,619,639

11. Financial instruments

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

The Company's operations expose it to significant fluctuations in foreign exchange rates. The Company has monetary assets and liabilities denominated in Romanian Lei and United States dollars and are, therefore, subject to exchange variations against the reporting currency, the Canadian dollar.

12. Commitments and contingencies

(a) RMGC signed sale-purchase contracts with certain owners of real estate property required for the development of the Rosia Montana mine. The signed contracts bind RMGC to purchase the properties. The total value of the properties committed to being purchased by RMGC as at September 30, 2005 is $376,000 and are expected to be paid within one year (September 30, 2004 - $2,293,000).

(b) The Company has a number of agreements with arm's-length third parties who provide a wide range of services to it or RMGC and which total $7,568,000 at September 30, 2005 (September 30, 2004 - $10,183,000). Typically, these agreements are for a term of not more than one year and permit either party to terminate for convenience on notice periods ranging from 15 to 90 days. Upon termination, the Company has to pay for services rendered and costs incurred to the date of termination.

(c) An action was commenced against the Company on October 23, 2003 in the Supreme Court of British Columbia by a former employee claiming unspecified damages for breach of contract, negligence and breach of fiduciary duty arising out of an employment contract. Counsel has indicated that it is not possible to assess the merits of the claim at this early stage and the Company will defend the action in the normal course. Trial of the action has been set for February, 2006.

(Unaudited and expressed in Canadian dollars)

(d) Under the terms of the Company's exploitation mineral license for the Rosia Montana project an annual fee is required to be paid to maintain the license in good standing. The current annual fee, converted from Romanian Lei to Canadian dollars, is approximately $20,000. These fees are indexed annually by the Romanian Government and the license has 13 years remaining.

(e) RMGC has approximately 46 years remaining on a concession agreement with the Local Council of Rosia Montana Commune by which it is granted exploitation rights in property located on and around the proposed Cirnic pit for an annual payment of US$20,000.

13. Supplemental cash flow information

a) Net changes in non-cash working capital

	3 months ended September 30		**9 months ended September 30**	
	2005	2004	**2005**	2004
	$	$	**$**	$
Operating activities:				
Accounts receivable, prepaid expenses and supplies	**97,995**	229,288	**(129,350)**	22,391
Accounts payable and accrued liabilities	**(193,737)**	(2,040)	**235,385**	(421,720)
	(95,742)	227,248	**106,035**	(399,329)
Investing activities:				
Accounts receivable, prepaid expenses and supplies	**(61,945)**	330,301	**166,497**	557,461
Accounts payable and accrued liabilities	**(394,655)**	(2,695,090)	**(715,654)**	(1,750,671)
	(456,600)	(2,364,789)	**(549,157)**	(1,193,210)
Financing activities:				
Accounts receivable, prepaid expenses and supplies	**-**	-	**170,770**	-
Accounts payable and accrued liabilities	**-**	106,000	**-**	106,000
	-	106,000	**170,770**	106,000

b) Exploration and development expenditures	**(3,410,768)**	(6,162,592)	**(11,687,957)**	(29,351,789)
Non-cash depreciation and disposal capitalized	**236,102**	122,822	**547,915**	321,508
	(3,174,666)	(6,039,770)	**(11,140,042)**	(29,030,281)

(Unaudited and expressed in Canadian dollars)

	September 30, 2005 **$**	December 31, 2004 $
c) Cash and cash equivalents is comprised of:		
Cash	**2,364,128**	2,575,223
Short-term investments - weighted average interest of 2.8% (2004 – 2.3%)	**27,360,941**	13,796,320
	29,725,069	16,371,543

14. Reclassification of comparative figures

Certain comparatives have been reclassified