GABRIEL RESOURCES LTD.
2003 SECOND QUARTER REPORT

…an emerging high quality mid-tier gold producer

Rosia Montana

<u>REPORT TO SHAREHOLDERS</u>

Gabriel Resources Ltd. ("Gabriel") is pleased to provide the following update on the status of the development of its Rosia Montana project in western Romania. Gabriel holds its interest in the Rosia Montana project (the "Project") through its 80% owned Romanian subsidiary Rosia Montana Gold Corporation S.A. ("RMGC"), which in turn holds title to 100% of the Rosia Montana project. The remaining 20% interest in RMGC is held by Minvest S.A., a Romanian state owned mining company, as to 19.31% and by three other Romanian companies as to 0.69%.

Rosia Montana Project Development

- **Village Relocation**

In order to commence construction of the new mine at Rosia Montana during the fourth quarter of 2004, RMGC must acquire all necessary residential and non-residential land for the mine, plant site, infrastructure and tailings management facility. Following discussions with the World Bank Group and the IFC during mid 2002, Gabriel elected to update, upgrade and improve its resettlement and relocation action plan (the "RAP") to bring it into more detailed compliance with all relevant World Bank Group/IFC guidelines and policies. The updated RAP, which sets out the procedures for acquiring such land, was completed and published on January 31, 2003. The process to establish ownership and good legal title to each property RMGC must acquire is a complicated and time consuming administrative and legal process. To date, RMGC has acquired more than 30% of all necessary residential properties and although the overall program is currently proceeding slower than planned, Gabriel expects that the initial phases of the program will be completed on schedule. A construction manager for the resettlement sites has been hired and Gabriel expects the start of construction of the access road to and infrastructure for the Piatra Alba town site to begin in the fall of 2003.

- **Environmental Permitting**

The environmental impact assessment ("EIA") for the Project is presently being prepared by Romanian experts and internationally recognized environmental consulting firms retained by RMGC. The EIA is being prepared in accordance with all relevant Romanian laws and regulations, European Union directives as well as the requirements of international financial institutions. An important component of the EIA is a closure plan for the small scale mining operations presently being conducted by Minvest at Rosia Montana, which will cease operations once RMGC commences construction of the new mine. Gabriel expects the environmental endorsement to be approved in advance of the scheduled start of mine construction, although submission of the EIA to the Minister of Environment has been delayed pending receipt of the final confirmation of applicable land use zoning, being the urbanism certificate.

- **Archaeological Discharge Program**

RMGC has already received archaeological discharge certificates for the initial open pits, plant site and associated infrastructure, as well as the area in the Corna valley required for the tailings management facility. During 2003, RMGC's archaeological discharge program continues under the supervision of Romanian and international archaeologists, together with over 150 support personnel. The focus of the 2003 program is the remaining underground section of the Cirnic open pit and the Jig and Orlea areas, the later two of which are currently scheduled to be mined later in the Project's mine life.

- **Detailed Engineering**

Detailed engineering to support the permitting of the Project, and in particular the environmental permitting, together with preparation for both procurement of long lead equipment items and entering into a final construction contract, are presently being provided pursuant to technical services agreements with selected internationally recognized engineering firms.

- **Exploration Drilling Program**

Gabriel has completed a total of 34 drill holes, comprising 6,794 metres of reverse circulation and diamond drilling, to date on its 2003 drill program at Rosia Montana designed to test previously unexplored extensions to existing resources and reserves. The initial drill holes have targeted the extensions of the Igre-Tarina mineralization, which are considered to have the best potential for near surface higher grade mineralization, as well as the extensions to the Orlea deposit. The program has been successful in targeting the sediment and sediment-vent breccia contact zone, which is seen to be associated with a west northwest trending south dipping structural zone which surfaces to the north and appears to link with the surface mineralization in the current proposed pit at Igre. The drill program has intersected a mineralized diatreme breccia which outcrops along the same west northwest trending structure.

At Bucium, Gabriel commenced a drill program during the second half of the year following on from the surface and underground sampling program conducted during the first half of 2003.

- **Rosia Poieni**

Gabriel made application for an extension of the option agreement for Rosia Poieni, prior to its expiry in late August 2003, however Gabriel has not yet received a response to its request. As a result, Gabriel has expensed the amount of Cdn$1.2 million in expenditures previously incurred on this property and recorded as deferred expenditures.

- **Risk of Project Delays**

Construction of the new mine is currently scheduled to commence during the fourth quarter of 2004; however, there are significant risks that the commencement and completion of construction of the new mine could be delayed due to circumstances beyond Gabriel's control. Such risks include delays in acquiring all of the land and properties pursuant to the resettlement and relocation program, delays in completing construction of the new Piatra Alba town-site, delays in obtaining the environmental and construction authorizations and permits, delays in finalizing all necessary detailed engineering and a definitive construction contract, as well as unforeseen difficulties encountered during the construction process. In addition, continued opposition to the Project by NGO's and other special interest groups and the results of general elections in Romania scheduled to be held during the fall of 2004, could contribute to such delays.

Special Parliamentary Joint Committee Report on Rosia Montana

On March 27, 2003, at the request of the Romanian Prime Minister, a Special Joint Committee of the Parliament (the "Committee") was established to assess the Project in order to formulate a single point of view regarding economic, social, cultural and environmental aspects of the Project. The Committee consisted of 13 members from both the Senate and the Chamber of Deputies and included representatives from all political parties represented in the Romanian Parliament. In addition, Government Ministers, members of the Romanian Academy, stakeholders, NGO's and other interested parties made presentations to the Committee. Some of the groups making presentations to the Committee were supportive of the Project, whereas other groups, including a number of NGO's, were very critical of and opposed to the development of the Project.

Members of the Committee conducted a site visit to the Project and held a series of meetings and consultations in both Rosia Montana and Bucharest with all interested parties during April and May 2003. Gabriel made two separate presentations to the Committee, one in Rosia Montana and one in Bucharest.

According to an interview with Mr. Alexandru Sassu, the President of the Committee, published by the Romanian newspaper "Independent" in July 2003, a number of the more important findings and conclusions of the final report (the "Report") of the Committee are as follows:

- The Project will provide significant benefits to Romania and its economy

- Romania has established a legislative framework, consistent with European Union standards, to:

  - regulate all aspects of the development and operation of such a project

  - attract direct foreign investment on a non-discriminatory basis; and

    - revitalize the Romanian mining industry

- Gabriel's plans for developing the Project are in accordance with all applicable Romanian and European Union rules and regulations regarding the environment

- Gabriel's activities to date are in compliance with all applicable rules and regulations

- Gabriel's archaeological discharge program, being funded entirely by Gabriel, is of national importance to both Romania and Europe

Mr. Sassu has confirmed to Gabriel the accuracy of the interview with the Independent newspaper. That article also stated that the Report had been delivered to the Permanent Bureau of the Parliament. Gabriel understands that the Report will be considered by both the Chamber of Deputies and the Senate upon Parliament's return from its summer recess and that the full Report will be made public at that time.

Subsequent to the completion of the Report, the Romanian press reported that the Prime Minister of Romania was not pleased with the Report. The Prime Minister was quoted as indicating that he had asked the Environmental and Interior Ministers to further investigate the environmental impact of the development of the Project.

Gabriel continues to work with the Romanian Ministry of Environment and all other Romanian government offices to facilitate understanding the Project and EIA together with the many environmental protections Gabriel has incorporated in the development plans for the Project. The EIA will also address how the development of a new mine will facilitate the remediation of severe and long standing environmental pollution in the Rosia Montana area resulting from centuries of historical mining activities.

Internal Investigations

During the second quarter, Gabriel received the results of two independent investigations it commissioned to assess a number of issues relating to Gabriel, RMGC and two of its former directors and officers.

The first investigation was initiated by Gabriel in the fall of 2002 to examine and conduct internal due diligence on, among other matters, the history and involvement of Mr. Timis with Gabriel's acquisition of the Project. Gabriel initiated this action as part of its preparations for engaging a syndicate of international commercial banks to arrange project debt financing for the development of the Project. The Board of Directors has concluded, based upon the findings of the first investigation, which was conducted by independent forensic consultants, together with advice obtained from outside legal counsel, that the prior conduct of Mr. Timis has not had any material adverse effect on Gabriel and, in particular, the validity of its interest in the Project.

The second investigation was commissioned by Gabriel in January 2003 in response to allegations made by Mr. Hickson of improper corporate governance and management practices, including alleged illegal and unethical conduct by Gabriel and RMGC. Mr. Hickson sought a commitment from the Board of Directors that Gabriel conduct its business in a legal and ethical fashion, provide meaningful support for him in the discharge of his duties, remove Mr. Timis as Chairman and appoint an outside director as non executive Chairman. The Board of Directors considered the roles of Chairman and Chief Executive Officer from a corporate governance perspective and concluded, based upon Gabriel's current stage of development, that it was appropriate and in the best interests of Gabriel that Mr. Hushovd be appointed to the offices of both Chairman and Chief Executive Officer.

Due to the nature of the allegations, the second investigation was undertaken on an expedited basis by the same forensic consultants that completed the first investigation. The Board of Directors has concluded, based upon the results and findings of the second investigation and the opinions of outside legal counsel, that Gabriel's business and affairs have been and are being conducted in accordance with applicable laws in all material respects and that the allegations of illegalities are unfounded.

The Board of Directors, acting on the recommendations of the Corporate Governance Committee, reviewed its existing internal controls, corporate policies and procedures in light of the issues raised in the second investigation. As a consequence, the Board of Directors has updated and re-circulated to its employees its code of business conduct and its policies on contract approval and authority limits, foreign corrupt practices, public relations programs and continuous disclosure. The Board of Directors has an ongoing practice of regularly reviewing, and updating where appropriate, Gabriel's established policies, procedures and internal controls which have been designed to ensure that all directors, officers and employees fulfill their duties and obligations to Gabriel and conduct themselves to the highest standards of ethics and integrity. The second inquiry also identified a number of management issues which would benefit from improvement, modification or updating. The Board of Directors directed Gabriel's management to implement appropriate changes to address these issues, which changes have been made.

Gabriel has incurred costs to date of Cdn$1.1 million in connection with the two inquiries and associated external legal advice which has been expensed as part of corporate, general and administrative costs.

Board and Management Changes

On March 26, 2003, Mr. Oyvind Hushovd, formerly the President of Falconbridge Limited, was appointed Chairman and Chief Executive Officer of Gabriel. During April 2003, Mr. Robin J. Hickson, the President and Chief Operating Officer of Gabriel, and three other senior officers resigned. On May 16, 2003, Mr. Frank Timis, the founder and former Chairman of Gabriel, resigned as a director; however, Mr. Timis continues to provide consulting services to Gabriel on an as required basis. At the annual shareholders meeting held on June 17, 2003, three new directors were elected, each of whom has had extensive experience in mining or finance matters: Mr. Michael Parrett, former President of Rio Algom Limited, Mr. Murray Sinclair Jr., President of Quest Ventures and Mr. Michael Young, former Vice President of Business Development for Falconbridge Ltd. Messrs. McClements, Morgan and Tender continue as Directors.

Gabriel has also continued to add depth and breadth to its management team in Romania, including the appointment of Mr. Richard Hill as Vice-President-Operations of Gabriel and Managing Director of RMGC. Mr. Hill has extensive experience in project development for the international mining industry. Additional financial, permitting, construction and public relations personnel have been added in Romania, including Mr. John Bond as resettlement construction manager, Mr. Rob Taylor as financial director and Mr. Adrian Dascalu as public relations manager. Additional personnel will be added as the development of the Project progresses.

Gabriel Resources Ltd.

Consolidated Financial Statements
June 30, 2003 and 2002

Gabriel Resources Ltd.

Consolidated Balance Sheets

As at June 30, 2003 and December 31, 2002

(Canadian dollars)

	2003 $ Unaudited	2002 $ Audited
Assets		
Current assets		
Cash and cash equivalents	23,460,660	57,025,224
Accounts receivable, prepaid expenses and supplies	1,124,990	2,350,487
	24,585,650	59,375,711
Capital assets (Note 2)	1,285,991	1,328,945
Mineral properties (Note 3)	100,908,088	76,643,397
	126,779,729	137,348,053
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,752,425	4,515,335
Shareholders' Equity		
Capital stock (Note 4)	156,021,940	155,365,993
Contributed surplus	1,012,655	1,012,655
Deficit	(34,007,291)	(23,545,930)
	123,027,304	132,832,718
	126,779,729	137,348,053

Nature of operations (Note 1)

Approved by the Board of Directors

"Paul J. Morgan" Director

"Oyvind Hushovd" 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-month periods and six-month periods ended June 30, 2003 and 2002

(Unaudited and Canadian dollars)

	3 months ended June 30		*6 months ended June 30*	
	2003	**2002**	**2003**	**2002**
	$	**$**	**$**	**$**
Expenses				
Corporate, general and administrative (Note 7)	4,402,341	2,140,756	7,893,198	3,106,406
Project financing costs	1,418,517	591,818	2,103,804	945,707
Write-off of exploration costs (Note 3)	1,236,964	-	1,236,964	-
Amortization	7,908	9,554	17,741	16,939
	7,065,730	2,742,128	11,251,707	4,069,052
Other income (expenses)				
Interest	370,690	663,080	828,171	865,205
Management fee	-	137,742	-	275,484
Foreign exchange	13,285	102,342	(37,825)	99,696
	383,975	903,164	790,346	1,240,385
Loss for the period	6,681,755	1,838,964	10,461,361	2,828,667
Deficit – Beginning of period	27,325,536	17,074,966	23,545,930	16,085,263
Deficit – End of period	34,007,291	18,913,930	34,007,291	18,913,930
Loss per share (basic and diluted)	0.06	0.02	0.09	0.03

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

Gabriel Resources Ltd.

Consolidated Statements of Cash Flows

For the three-month periods and six-month periods ended June 30, 2003 and 2002

(Unaudited and Canadian dollars)

	3 months ended June 30		*6 months ended June 30*	
	2003	**2002**	**2003**	**2002**
	$	**$**	**$**	**$**
Cash flows from operating activities				
Loss for the period	(6,681,755)	(1,838,964)	(10,461,361)	(2,828,667)
Items not affecting cash				
Write-off of exploration costs	1,236,964	-	1,236,964	-
Amortization	7,908	9,554	17,741	16,939
	(5,436,883)	(1,829,410)	(9,206,656)	(2,811,728)
Net changes in non-cash working capital	486,989	1,600,473	462,587	1,948,974
	(4,949,894)	(228,937)	(8,744,069)	(862,754)
Cash flows from investing activities				
Exploration and development expenditures	(14,403,702)	(6,776,581)	(25,355,154)	(10,717,284)
Purchase of capital assets	(11,914)	(153,073)	(121,288)	(284,603)
	(14,415,616)	(6,929,654)	(25,476,442)	(11,001,887)
Cash flows from financing activities				
Proceeds from private placement	-	-	-	56,002,511
Proceeds from exercise of stock options	397,500	1,869,936	655,947	1,869,936
Proceeds from exercise of share purchase warrants	-	1,113,750	-	1,113,750
	397,500	2,983,686	655,947	58,986,197
(Decrease) Increase in cash & cash equivalents	(18,968,010)	(4,174,905)	(33,564,564)	47,121,556
Cash and cash equivalents – Beginning of period	42,428,670	85,269,350	57,025,224	33,972,889
Cash and cash equivalents – End of period	23,460,660	81,094,445	23,460,660	81,094,445

Supplemental cash flow information (Note10)

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

1. Nature of operations

Gabriel Resources Ltd. (the "Company") is in the process of exploring and developing several mineral prospects in Romania. Its principal project, the Rosia Montana gold/silver deposit, has previously been subject to exploration, a completed pre-feasibility study and a definitive feasibility study completed in September 2001 confirming economically viable gold reserves. During 2002, the Company initiated a basic engineering study which was released in the first quarter of 2003 and which detailed the development schedule for the project. The Company's other license area, Bucium, has not yet been subjected to sufficient exploration activities 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 investments may be subject to sovereign risk, including political and economic stability, government relations relating to mining, 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 believes it has adequate funds available to meet its corporate and administrative obligations for the coming year; however, the ability to follow the development schedule of Rosia Montana mine will require additional funding which if not raised would result in significant project development delays. Management is actively pursuing additional financing, and 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 interim 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 interim 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 interim 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.

These interim consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Canada using the same accounting policies as those disclosed in Note 2 to the Company's audited consolidated financial statements for the year ended December 31, 2002.

These interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended 2002.

2. Capital assets

	June 30, 2003 $	December 31, 2002 $
Vehicles	647,268	636,678
Machinery and equipment	866,187	800,761
Office equipment	514,706	410,833
Leasehold improvements	68,042	126,647
	2,096,203	1,974,919
Less: Accumulated amortization	810,212	645,974
	1,285,991	1,328,945

3. Mineral properties

	Rosia Montana $	Bucium $	Rosia Poieni $	Total $
Balance – December 31, 2001	40,270,788	2,036,990	-	42,307,778
Development costs	32,031,282	-	-	32,031,282
Exploration costs	-	1,106,459	1,197,878	2,304,337
Balance – December 31, 2002	72,302,070	3,143,449	1,197,878	76,643,397
Development costs	24,940,845	-	-	24,940,845
Exploration costs	-	521,724	39,086	560,810
Write-off of exploration costs	-	-	(1,236,964)	(1,236,964)
Balance – June 30, 2003	97,242,915	3,665,173	-	100,908,088

Romanian mineral properties

The Company currently indirectly holds an 80% interest in two mineral resource properties 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% carried interest in Rosia Montana Gold Corp. S.A. ("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 contract 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, with successive 5-year renewal periods. The project has been subjected to a pre-feasibility study completed in December 1999, a definitive feasibility study completed in 2001 and to a basic engineering study initiated in 2002 and which was completed in February 2003.

The Bucium project is in its early stages of exploration. An exploration license contract has been issued to RMGC as titleholder to the Bucium project. RMGC originally had a spending commitment of U.S. $5 million of which U.S. $1.9 million remains to be funded to April 2004 on this property, as per the terms of the license agreement.

An option agreement on the Rosia Poieni copper/gold deposit expires in August 2003 and provides for the Company to review all existing data and conduct its own due diligence. At the present time, the Company has no current plans to continue its review under the option agreement and has written off the previously deferred expenditures.

4. 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, 2002	114,561,845	155,365,993
Shares issued on the exercise of stock options	249,150	655,947
Balance – June 30, 2003	114,810,995	156,021,940

5. Share purchase warrants

As at June 30, 2003, the following share purchase warrants were outstanding:

	Number of warrants	Exercise price $
Expiry date		
July 12, 2003	165,000	4.25

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

6. Stock options

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. An amendment to the Plan to increase the maximum number of shares which may be issued under the Plan to 19,000,000 from 15,000,000 was approved by the shareholders at the Annual Meeting of the Company held June 17, 2003. 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.

As at June 30, 2003, common share stock options held by directors, consultants and employees are as follows:

	Number of options	**Weighted average exercise price $**
Expiry date		
2003	55,555	5.50
2004	600,000	1.91
2005	5,361,825	2.76
2006	1,550,000	2.68
2007	3,831,388	5.33
2008	2,029,167	2.99
	13,427,935	3.49

	Number of options	**Weighted average exercise price $**
Balance – December 31, 2002	12,946,530	3.50
Options granted	2,075,000	3.03
Options cancelled	(1,344,445)	5.24
Options exercised	(249,150)	2.63
Balance – June 30, 2003	13,427,935	3.49

The fair value of options granted subsequent to January 1, 2002 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 4.3 %; volatility factor of the expected market price of the Company's common stock of 75%; and a weighted average expected life of the options of 2.2 years. For the purposes of pro-forma disclosure, the estimated fair value of the options is expensed over the options vesting period which is three years.

The following is the Company's pro-forma information with the fair value method applied to all options granted during the period:

Income Statement	**3 months ended June 30**		**6 months ended June 30**	
	2003	**2002**	**2003**	**2002**
	$	**$**	**$**	**$**
Loss for the period	6,681,755	1,838,964	10,461,361	2,828,667
Compensation expense related to fair value of stock options	698,782	118,475	1,346,998	118,475
Pro-forma loss for the period	7,380,537	1,957,439	11,808,359	2,947,142
Pro-forma loss per share	0.06	0.02	0.10	0.02

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

Balance Sheet	**June 30, 2003**	**December 31st,2002**
	$	**$**
Mineral properties	100,908,088	76,643,397
Compensation expense related to fair value of stock options	306,686	133,717
Pro-forma mineral properties	101,214,774	76,777,114

7. Related party and other transactions

During the period ended June 30, 2003, the Company paid a total of $ 2,141,564(2002 – $ 118,980) to certain directors of the Company for management services provided to the Company. Included therein is a $2 million one-time severance payment to the outgoing Chairman of the Board and founder of the corporation.

In addition, approximately $1.1 million was incurred for two independent investigations, the first examining the prior conduct of Mr. Frank Timis, the former Chairman and founder of the Company, and the second examining allegations of illegal and improper conduct made by Mr. Robin Hickson, the former President and Chief Operating Officer of the Company. Based on its review of both independent investigations and on advice from outside counsel, the Board of Directors of the Company has concluded that: (a) the prior conduct of Mr. Timis has not had any material adverse effect on the Company and in particular on the validity of its interest in the Project; and (b) the Company's business and affairs have been and are being conducted in accordance with all applicable laws in all material respects and the allegations of illegal and improper conduct made by Mr. Hickson are unfounded.

8. Segmented information

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

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

	June 30, 2003 $	December 31, 2002 $
Romania	102,080,715	77,914,566
Canada	113,364	57,776
	102,194,079	77,972,342

9. 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.

10. Supplemental cash flow information

During the period ended June 30, the Company paid interest of nil (2002 – $nil).

	June 30, 2003 $	December 31, 2002 $
Cash and cash equivalents is comprised of:		
Cash	6,979,976	483,380
Short-term investments	16,480,684	56,541,844
	23,460,660	57,025,224

11. Commitments

During the period ended June 30, 2003, 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 is $3,612,592.

Gabriel Resources Ltd.

Suite 1501-110 Yonge Street
Toronto, Ontario, Canada
M5C 1T4

Tel: 416/955-9200
Fax: 416/955-4661
e-mail: info@gabrielresources.com

www.gabrielresources.com

GABRIEL
RESOURCES LTD.

GABRIEL
RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gabriel Resources Ltd. ("Gabriel") is a Canadian Company with active mining development and exploration programs in Romania. The Company's principal asset is its 80% owned Rosia Montana gold project in Romania which has economic reserves in excess of 10 million ounces. Gabriel has now completed the basic engineering phase of development in the first quarter of 2003 and has targeted the commencement of construction in the third quarter of 2004, and initial gold production scheduled in the second half of 2006.

Results of Operations

The results of operations are summarized in the following table:

$Cdn	**2003 2nd Quarter**	**2002 2nd Quarter**	**2003 Year-to-date**	**2002 Year-to-date**
Income Statement				
Loss	6,681,755	1,838,964	10,461,361	2,828,667
Loss per share	0.06	0.02	0.09	0.03
Balance Sheet				
Working Capital	-	-	20,833,225	78,400,640
Total Assets	-	-	126,779,729	137,109,182
Statement of Cash Flows				
Investments in exploration and development	14,403,702	6,776,581	25,355,154	10,717,284
Cash flow from financing activities	397,500	2,983,686	655,947	58,986,197

During the 2nd quarter, and at the request of the Romanian Prime Minister, the Rosia Montana project was the subject of a review by a Special Joint Committee of the Parliament. The Company understands that the report will now be considered by both the Chamber of Deputies and the Senate upon the Parliament's return from its summer recess and only at this point will the full details of the report be made public.

During the 2nd quarter of 2003, Gabriel spent approximately $14.4 million on its Romanian mineral properties compared to $6.8 million in the second quarter of 2002. The primary reason for the increase is due to the accelerated rate of expenditures related to the village resettlement/relocation while in 2002 the project focus related to an optimization study of throughput rate prior to the commencement of basic engineering. During the 6 month period ending June 30, 2003, approximately $14.4 million was spent on village relocation payments with a further $2.6 million related to the management and administrative support for the process.

In addition, the Company spent $2.1 million on permitting, including $0.6 million on its archeological discharge program.

For the three-month period ended June 30, 2003, Gabriel incurred a loss of $6,681,755 or $0.06 per share versus a loss of $1,838,964 or $0.02 during the comparative period of 2002. For the six-month period ended June 30, 2003, Gabriel incurred a loss of $10,461,361 or $0.09 versus a loss of $2,828,667 or $0.03 during the comparative period in 2002.

Corporate, general and administrative expenses have increased significantly as compared to the same period in 2002. During the second quarter, Gabriel received the results of two independent investigations it commissioned to assess a number of issues relating to Gabriel and two of its former directors and officers.

The first investigation was initiated by Gabriel in the fall of 2002 to examine and conduct internal due diligence on, among other matters, the history and involvement of Mr. Timis with Gabriel's acquisition of the Project. Gabriel initiated this action as part of its preparations for engaging a syndicate of international commercial banks to arrange project debt financing for the development of the Project. The Board of Directors has concluded, based upon the findings of the first investigation, which was conducted by independent forensic consultants, together with advice obtained from outside legal counsel, that the prior conduct of Mr. Timis has not had any material adverse effect on Gabriel and, in particular, the validity of its interest in the Project.

The second investigation was commissioned by Gabriel in January 2003 in response to allegations made by Mr. Hickson of improper corporate governance and management practices, including alleged illegal and unethical conduct by Gabriel and RMGC. Mr. Hickson sought a commitment from the Board of Directors that Gabriel conduct its business in a legal and ethical fashion, enforce its existing policies, provide meaningful support for him in the discharge of his duties, remove Mr. Timis as Chairman and appoint an outside director as non executive Chairman. The Board of Directors considered the roles of Chairman and Chief Executive Officer from a corporate governance perspective and concluded, based upon Gabriel's current stage of development, that it was appropriate and in the best interests of Gabriel that Mr. Hushovd be appointed to the offices of both Chairman and Chief Executive Officer.

Due to the serious nature of the allegations, the second investigation was undertaken on an expedited basis by the same forensic consultants that completed the first investigation. The Board of Directors has concluded, based upon the results and findings of the second investigation and the opinions of outside legal counsel, that Gabriel's business and affairs have been and are being conducted in accordance with applicable laws in all material respects and that the allegations of illegalities are unfounded.

The Board of Directors, acting on the recommendations of the Corporate Governance Committee, reviewed its existing internal controls, corporate policies and procedures in light of the issues raised in the second investigation. As a consequence, the Board of Directors has updated and re-circulated to all of its employees its code of business conduct and its policies on contract approval and authority limits, foreign corrupt practices, public relations programs and continuous disclosure. The Board of Directors has an ongoing practice of regularly reviewing, and updating where appropriate, Gabriel's established policies, procedures and internal controls which have been designed to ensure that all directors, officers and employees fulfill their duties and obligations to Gabriel and conduct themselves to the highest standards of ethics and integrity. The second inquiry also identified a number of management issues which would benefit from improvement, modification or updating. The Board of Directors directed Gabriel's management to implement appropriate changes to address these issues, which changes have been made.

Gabriel has incurred costs to date of Cdn$1.1 million in connection with the two inquiries and associated external legal advice which has been expensed as part of corporate, general and administrative costs.

Also included in corporate, general and administrative expenses in the 2nd quarter of 2003 is a $2 million severance payment made to the then outgoing Chairman of the Company for his long standing service to the Company. In addition, the company commenced payment of bank work fees in the 2nd quarter of 2003 contributing to the increased project financing costs.

The Company has an option agreement to review the existing Rosia Poieni copper/gold deposit. This agreement expires in August 2003 and the Company has no present plans to continue its review of this property. As a result, $1,236,964 in deferred expenditures have been charged to the statement of loss.

The Company no longer performs professional services for European Goldfields, therefore, no management fee was charged in 2003.

Liquidity and Capital Resources

As at June 30, 2003, Gabriel had working capital of $20.8 million versus $54.9 million as at December 31, 2002. Gabriel has continued to benefit from its policy of holding surplus funds in Canadian dollars while the majority of Romanian expenditures are United States dollar based.

The Company does not presently have sufficient funds on hand to complete the planned 2003 expenditures required to maintain the current project timetable. The Company requires additional financing during the second half of 2003 to complete its 2003 initiatives. Any significant delays in raising these funds could have a material impact on the present construction timetable. Additional funding will be required to be raised in the early part of 2004, the timing and amount will be dependent on the amount of funding raised in 2003.

The Company is currently reviewing a variety of potential sources of funding for the project with a view to arranging the most appropriate financing package to advance the project. The increased capital costs detailed in the February 2003 engineering update have increased the Company's equity financing requirement. The Company continues to believe that it will be able to raise both its share of the financing through equity or alternative financing instruments including a potential joint venture arrangement, as well as the project debt financing necessary to enable the ultimate development of the Rosia Montana project to proceed. However, due to the many uncertainties related to the mining industry, the recently released increase in capital costs, the financial markets in general and the nature of Gabriel as a single asset company, there can be no assurances that funds will be available as and when required. Failure to arrange adequate financing on a timely basis could lead to delays in the project timetable.

Subsequent Event

In July 2003, the Company made several announcements related to a potential equity offering. Initially on July 11, 2003, a "bought deal" was announced and this offering was subsequently converted into a "marketed deal" following comments in the Romanian press by the Romanian Prime Minister. The Prime Minister was quoted as saying that he did not like the recently completed report completed by the Joint Special Committee. In a final review by management it was decided to cancel the financing efforts and reassess fundraising in the third quarter.

Outlook

The Company continues to work towards commencement of construction of the Rosia Montana village resettlement sites in the second half of 2003 and the initial mine site construction to commence in the second half of 2004 pending the arrangement of sufficient financing.

Gabriel will continue to focus its priorities on the resolution and removal of key project risks by focusing on permitting, the village community development program, detailed engineering, equity raising and project financing.