Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides a commentary to enable a reader to assess material changes in the financial condition and results of operations of Gabriel Resources Ltd. ("Gabriel" or the "Company") as at and for the three month periods ended March 31, 2013 and 2012.

The MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto of the Company as at and for the three-month periods ended March 31, 2013 and 2012 ("Statements"). These Statements have been prepared in condensed format in accordance with International Financial Reporting Standards ("IFRS") as applicable to the preparation of interim financial statements, including International Accounting Standard IAS 34 ('Interim Financial Reporting'). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended December31, 2012, which have been prepared in accordance with IFRS. All amounts included in the MD&A are in Canadian dollars ("$"), unless otherwise specified. This report is dated as of May 15, 2013, and the Company's public filings, including its most recent Annual Information Form, can be reviewed on the SEDAR website (www.sedar.com).

Overview

Gabriel is a Toronto Stock Exchange listed Canadian resource company engaged in the exploration and development of mineral properties in Romania. Gabriel is presently in the permitting stage and preparing to develop the Rosia Montana gold and silver project (the "Project"). Rosia Montana Gold Corporation ("RMGC") holds an exclusive exploitation licence for the Project. Through its 80.69% equity shareholding in RMGC, Gabriel has a beneficial majority ownership interest in the Project. CNCAF Minvest S.A. ("Minvest"), a Romanian state-owned mining company, owns the remaining 19.31% equity shareholding in RMGC. Gabriel holds a right of first refusal to acquire the minority interest in RMGC from Minvest.

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

Key Issues

Political Situation

The political landscape in Romania changed significantly throughout 2012, with the year starting under the rule of a coalition government formed mainly from an alliance of the Liberal Democratic Party ("PDL") and a Hungarian-ethnic party. Following a May 2012 vote of 'no confidence', the then political opposition formed a new ruling coalition, known as the 'USL' alliance, consisting of a grouping of the Social Democrat Party ("PSD"), National Liberal Party and Conservative Party, led by PSD president, and now Prime Minister Victor Ponta. USL then gained a significant victory in the June 2012 local elections, securing 36 out of 41 county council presidencies.

On December 9, 2012, scheduled parliamentary elections brought an overwhelming victory for USL, which gained two thirds of the parliamentary seats – a position enabling the USL to fully control both 'houses' (the Senate and the Chamber of Deputies) and to adopt important laws without the need for cross-party consensus. The new Parliament was invested on December 21, 2012. Mr Ponta retained his position as Prime Minister and put in place a revised cabinet structure with some of the former Ministries (including some relevant for the Project) being split and given different functional roles. This included a new Department for Infrastructure Projects of National Interest and Foreign Investments (the "Department for Infrastructure") to which overall responsibility for the Government's ownership interests in the Project will be transferred, subject to due process.

To coincide with the parliamentary elections, on December 9, 2012 Alba County Council organized an advisory referendum in respect of the recommencement of mining in the Apuseni region and specifically at Rosia Montana, the location of the Project (the "Referendum"). The Referendum saw 62.5% of the participants vote in favor of the resolution to resume mining in the Apuseni Mountains and, specifically, mining at the Project. Furthermore, over 78% of the eligible voters registered in the community of Rosia Montana voted in favor of the resolution. This is a clear demonstration of the groundswell of public support for job creation, and economic regeneration as well as responsible mining in the Apuseni Mountain region.

The first quarter of 2013 has seen the USL add definition to its program for its 4-year governmental term. There has been a clear focus on the Romanian economy and industries that can assist in generating growth and employment. In recent weeks, this has included more specific plans and dialogue between the Company and the ministries of the Government, including the Department for Infrastructure.

Political Impact on the Project

During 2012 the local and parliamentary elections, together with the intense domestic political infighting, limited significantly the level of Government engagement on the Project.

Due to political volatility, the Company's expectations on meaningful dialogue in respect of progression of permitting the Project were low for much of 2012. Accordingly, with the exception of 'one-off' Referendum activities, the Company scaled back its media communication efforts and more generally its level of expenditure. This cost focus has continued during 2013.

The Company's previously stated view is that the first half of 2013 will be an important barometer to determine where projects, such as Rosia Montana, which are significant to the economic progression of Romania, sit in the list of priorities for the USL Government. The Company views the apparent stability and strength of Government at the start of a four-year term, along with the establishment of the Department for Infrastructure and recent dialogue across Government ministries, as a positive basis for enduring engagement on the Project. This view is supported by a meeting within the last week of the Technical Assessment Committee ("TAC"), charged with assessing the environmental impact and compliance of the Project, the first such meeting since November 2011.

The permitting progress of the Project relies heavily on Government approval of the environmental permit ("EP") and the issuance, in accordance with due process and Romanian law, of various permits and approvals at local, county and federal levels of government. The USL Government has stated that it will analyze the Project in a transparent manner and based on an open and democratic dialogue, so that the decisions are in accordance with the national interest, environmental protection and European legislation. In particular, recent comments from both the Prime Minister and Minister for Environment, reported in the Romanian media in 2013 on the status of permitting of the Project, have specifically focused on compliance with European Directives as key to its progression. The Company is confident that it can, and will, comply with its environmental obligations and looks forward to furthering discussions with the TAC and relevant Ministries on this topic.

On March 1, 2013, the United States Department of Commerce notified Gabriel of its decision to formally support the Company through the Commerce Department's Advocacy Center for International Trade, which coordinates US government resources and authority in support of international business opportunities that involve foreign government decision-makers. As part of such Advocacy assistance, Gabriel anticipates that the US government will assist the Company by communicating to the Romanian Government on behalf of Gabriel's commercial interest in Romania.

The Company will continue to pursue a strategy of engagement with all stakeholders, to explain the critical importance of the Project as part of the sustained economic development for Romania and its commitment to adhere to the highest standards on engineering, environmental, cultural and social matters.

Project Ownership and Royalty

The Company has held discussions with a number of ministries of previous Governments on the potential for a revised ownership interest in the Project, royalty rates for gold and silver production and the route to successful permitting of the Project. In July 2012 it was reported that the Prime Minister had requested a resumption of the legislative approval process of proposed amendments to the royalty rates applicable to certain resources including precious metals.

In addition to royalty obligations, the Romanian Government published a Government Ordinance on January 23, 2013 imposing special taxation measures for companies deriving income from exploitation of mineral resources, other than natural gas. The new law imposes a 0.5% tax rate on the revenues derived from extraction and exploitation of natural resources in the period February 1, 2013 until December 31, 2014.

Since the USL Government came to power in 2012, the Company has had limited discussions with it in respect of Project ownership or royalty rates. However, in 2013 the Prime Minister has reportedly reiterated his view that progress on the permitting status of the Project needs to be aligned with an increase in the State's participation in the Project, through both ownership interest and royalty.

Environmental & Permitting

Environmental

On September 17, 2010 the Ministry of Environment ("MoE") recommenced the TAC review of the Environmental Impact Assessment ("EIA"). The Company's understanding is that, during 2011, the TAC had concluded that all technical aspects had been clarified to its satisfaction. In 2012 the MoE reportedly noted that the TAC review will be re-initiated when matters such as technical guidelines for the implementation of environmental financial guarantees and environmental liabilities enforcement consistent with EU legislation have been adopted into law by Romania.

As previously noted, the TAC met on May 10, 2013, the first such meeting since November 2011. The Company awaits clarification on how the TAC review will be progressed including whether further meetings or documentation will be requested.

Gabriel remains unable to provide guidance on the time that it might take the TAC to vote on the EIA or to release its recommendation to the Government. Ultimately, the EP must be approved by a Cabinet decision of the Government prior to its issuance.

The Company has instigated a number of environmental initiatives in recent years to show how the implementation of the Project can assist with cleaning up legacy local environmental degradation from historical, unregulated mining activities. One such initiative is an acid rock drainage pilot test work program to clean mine water contaminated with high levels of heavy metals and total dissolved solids above EU and Romanian water standards. These tests have shown successfully that a full scale plant will clean up water discharges from the Project to levels fully compliant with all regulations in place (and even to potable water standards). Since December 2012, the Company has been working with the Government to use the pilot plant for additional testing of eight former state-run mine sites and has demonstrated that a full scale water treatment plant would be successful in cleaning up the contaminants to the required EU and Romanian standards at all sites tested.

Permitting Overview

Although the EP is the most important approval for the Project, and while significant progress has been made, including the issuance of archaeological discharge certificates ("ADC") for three of the four open-pits, there are a large number of rights, licenses, permits, approvals and authorizations from the local, county and federal levels of Government required to advance the Project to construction. These permits include zonal urbanism plans for the industrial and protected areas, forestry/agriculture land use change permits, as well as other permits and approvals that follow the issuance of the EP.

The application for, and issuance of, each material license, permit, approval and authorization is governed by a separate set of laws, rules and regulations. To the extent these additional permits and approvals for the development, construction and operation of the Project are not dependent on issue of the EP, or acquisition of surface rights, the processes for each of these are proceeding in parallel with the review of the Project's EIA.

There is no precedent or regulatory timeline in Romania for permitting a mining operation on the scale of the Project, however in the absence of any other extraordinary events, legal or otherwise, the Company expects the current processes for obtaining the majority of the outstanding surface rights acquisitions and other permits and approvals (including initial construction permits for the Project) to take approximately one year from the date the EP is issued by the Government.

Urbanism Plans & Certificates

Romania manages its land planning through several levels of zoning which include (i) general urbanism plans and accompanying local regulations ("PUGs") and (ii) zonal urbanism plans and accompanying local regulations ("PUZs"). In 2002, the local council of Rosia Montana passed resolutions approving a PUG and also a PUZ designating an industrial zone under the footprint of the proposed new mine at Rosia Montana.

Since 2002, the Company has updated the design of the proposed mine, reduced the size of the footprint, expanded the protected zones and incorporated a number of additional changes to the proposed mine, all arising as a result of public consultation. The local council of Rosia Montana is obligated to update the 2002 PUG to reflect these changes and modifications. Accordingly, in 2006, an amended PUZ for the industrial development area of the Project was initiated, and such PUZ was further updated in 2010 ("Industrial Area PUZ").

The Industrial Area PUZ is at an advanced stage, albeit there has been limited progress since the end of 2011, at which time RMGC had obtained 19 out of the total number of 22 endorsements necessary for the approval of the Industrial Area PUZ. As a result of delays to the permitting process, 2 of the 19 endorsements expired during 2012. For one, the Company has obtained a new valid endorsement, and for the second the Company is in dialogue with the relevant authority on the renewal process. Furthermore, as a result of recent modifications to the law governing urbanism plans an additional endorsement has to be obtained, increasing the total number of endorsements required for approval of the Industrial Area PUZ to 23. After obtaining all the necessary endorsements, the final approval for the Industrial Area PUZ will be given by the local councils of Rosia Montana, Abrud and Bucium.

In addition, in 2009, the local council of Rosia Montana initiated the process for the zonal urbanism plan for the Rosia Montana historical protected area ("Historical Area PUZ") and at the end of 2011 had obtained 10 out of the total of 13 endorsements necessary for its final approval. As per the Industrial Area PUZ, one equivalent endorsement for the Historical Area PUZ expired in 2012 and has now been replaced.

In February 2013, Parliament approved certain amendments, originally proposed in 2011, to the legislation concerning the approval of zonal urbanism plans, such as the Industrial Area PUZ. These legislative amendments include the introduction of a new approval timeline for certain PUZs and also set out a new basis for the construction of industrial facilities based on a PUG containing appropriate urbanism provisions. However, some uncertainties remain regarding the application of the new law in respect of the PUZ approval process. The bill was sent for promulgation to the President of Romania, who has recently returned it to the Parliament for re-examination. The relevant committees are currently in the process of re-examining the provisions of the law. Pending law promulgation, the process and timing for the approval of the Industrial Area PUZ remains unclear and may be amended and/or delayed further.

While the Company understands there is no formal link between the receipt of remaining endorsements for the Industrial Area PUZ, the Historical Area PUZ and the EIA review process, it believes that these respective remaining endorsements are likely to be obtained on, or after, the issuance of the EP.

During 2012, pursuant to local council decisions, the validity of the existing PUGs for Rosia Montana and Abrud has been extended, pursuant to local council decisions, through to July 2014. During the latter part of 2012, the local councils of Rosia Montana, Abrud and Bucium awarded the design contracts and initiated the activities for updating the PUGs. These activities have been ongoing in Q1 2013 and completion of the first form of the updated PUGs is expected during 2013. In due course, the plans will be subject to formal approval processes, including public consultation.

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

Litigation

Over the years certain foreign and domestically-funded non-governmental organizations ("NGOs") have initiated a multitude of legal challenges against local, regional and national Romanian authorities that hold the administrative or regulatory authority to grant licenses, permits, authorizations and approvals for many aspects of the exploration and development of the Project. In general, these legal challenges claim that such authorities are acting in violation of the laws of Romania and seek suspension and/or cancellation of a particular license, authorization, permit or approval.

While a small number of these actions over many years have been successful, most have been, and continue to be, proved to be frivolous in the Romanian courts. Since early 2010, 19 court decisions (from 20 legal challenges to permitting, licensing and other Project related matters) have been positive for the progress of the Project.

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

The publicly stated objective of the NGOs in initiating and maintaining these legal challenges is to use the Romanian court system not only to delay as much as possible, but to ultimately stop the development of the Project. There are a variety of procedural matters that allow the NGOs to raise pleas which create additional legal actions that are separate from, but related to the principal legal actions. Often an action will be taken by the NGOs on a particular issue in several different regional court jurisdictions, and such legal objection may be raised in separate cases seeking a suspension or cancellation of a particular license, permit or approval. These actions add significant delay, distraction and cost to the process of permitting the Project.

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

Prior to its expiration in April 2013, UC-87 was the subject of a succession of legal challenges by NGOs who sought its cancellation and suspension. The Romanian courts rejected all such challenges, with the most recent decision being delivered on October 15, 2012 when the Bucharest Court of Appeal irrevocably rejected a final appeal of two NGOs who had sought the cancellation and suspension of UC-87.

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

For further details of the material legal actions related to the Project, see the section entitled "*Legal Challenges relating to the Project*" in Part IV of Gabriel's Annual Information Form dated March 14, 2013, a copy of which is filed on SEDAR at www.sedar.com. In addition, key developments in legal proceedings during 2012 have been reported in the relevant MD&A for each quarter.

During the first quarter of 2013 key litigation developments included:

- A case initiated by RMGC to recover approximately 12.7m RON ($3.9m) in taxes, penalties and interest, which had been paid to the Romanian fiscal authorities over the period January 2005 to June 2007, was resolved in RMGC's favor by the Bucharest Court of Appeal on May 10, 2011. The Romanian fiscal authorities submitted an appeal against this decision to the High Court of Cassation and Justice, an appeal which was irrevocably rejected by the High Court on March 13, 2013. RMGC has submitted a formal request for the rebate of prior tax payments from the fiscal authorities.

- On April 1, 2013, the Bucharest Tribunal rejected a claim brought by an NGO which sought the disclosure of certain documents pertaining to the Rosia Montana exploitation license.

Upcoming court hearings in the second quarter of 2013 include:

- Two NGOs have initiated proceedings before the Bucharest Tribunal seeking the cancellation and suspension of the ADC for Carnic, the first hearing of which is scheduled for May 27, 2013.

- An action filed by three NGOs requesting the cancellation of the ADC for the Carnic open-pit is scheduled to be heard by the Cluj Tribunal on June 3, 2013.

- The next hearing of a claim brought by the same three NGOs in the Cluj Tribunal seeking the suspension of the ADC for the Carnic open-pit is scheduled to be heard on June 21, 2013.

- A claim initiated by two NGOs seeking the cancellation of the Strategic Environmental Assessment endorsement ("SEA") to the Industrial Area PUZ, which was issued by the Regional Agency for Environmental Protection of Sibiu in March 2011, is scheduled to be heard by the Cluj Tribunal on June 7, 2013.

- A claim initiated by the same two NGOs seeking the suspension of the SEA is also scheduled to be heard in the same court on June 21, 2013.

Due to the inherent uncertainties of the judicial process, the Company is unable to predict the ultimate outcome or impact, if any, with respect to matters challenged in the Romanian courts. In all circumstances, the Company and/or RMGC will vigorously maintain its legal rights and will continue to work with local, county and federal authorities to ensure the Project receives a fair and timely evaluation in accordance with Romanian and EU laws. However, there can be no assurance that any claims will be resolved in favor of the Company, RMGC or the Project. The implications of a negative court ruling will only be known once such a decision is issued formally by the relevant Court and the position of the Government is assessed, and may have a material adverse effect on the timing and/or outcome of the permitting process for the Project and the Company's financial condition.

While the Company has designed the Project to follow all applicable laws to protect against permitting delays, legal challenges brought forward by NGOs or other parties – those currently ongoing and those that may be introduced in the future – have the potential to cause significant delays to the Project timeline.

Surface Rights

As a result of the suspension of the EIA review process in September 2007, the formal surface rights purchase program at the Rosia Montana site was suspended in February 2008. The Company owns approximately 78% of the homes and approximately 60% of the land by area in the Project footprint, comprising the industrial zone, the protected area and the buffer zone.

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

Ultimately, the Company's ability to obtain construction permits for the mine and plant is predicated on securing all necessary surface rights within the Project footprint, the attainment and timing of which is subject to third party actions and a number of risk factors which are not within the Company's control.

Resettlement Sites

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

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

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

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

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

Archaeology and Preservation of Cultural Heritage

An archaeological review of the historical mining activity at Rosia Montana is a critical step in the granting of the construction permits to build the Project. A number of archaeological discharge certificates are required for various parts of the proposed Project footprint. In order to obtain such discharge certificates, the Company must conduct an extensive program of exploratory and preventative archaeology in order to ensure that valuable historical relics in the area are uncovered and preserved.

In July 2011, the Alba County Directorate for Culture and National Patrimony issued a new ADC to RMGC for the Carnic open-pit, which complements those it already holds for the Cetate and Jig open-pits. In order to end the protective archaeological regime covering the proposed site of the Carnic pit, RMGC awaits formal confirmation that the Carnic massif has been removed from the List of Historical Monuments by the Ministry of Culture. The Company has continued maintenance work on 160 houses located in the historical center of the village of Rosia Montana ("Protected Area"), with the aim of preventing their deterioration. During 2012, the restoration of sixteen of these houses was completed and these are now in use. While these village houses are not designated as historic, the restoration will contribute to maintaining the character of the village. This is just one element of a significant amount that the Company intends to invest in local heritage and cultural aspects in and around Rosia Montana over all phases of the Project.

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

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

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

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

Corporate and Social Responsibility (CSR)

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

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

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

Liquidity and Capital Resources

Cash and cash equivalents at March 31, 2013 amounted to $67.1 million.

During the period ended March 31, 2013 common shares issued upon the exercise of stock options, and proceeds therefrom were not material. Excluding the impact of funds received by the Company through the exercise of stock options and realized foreign exchange translation differences, the Company's average monthly net cash usage during Q1 2013 was $3.9 million (Q1 2012: $6.2 million).

The Company has continued with its plans, initiated in mid-2012, to reduce substantially monthly costs until such time as the Government moves ahead with Project permitting. The Company incurred one-off costs in Q4 2012 on Referendum-related activities, including media and public relations, that totaled approximately $4.6 million, of which approximately $2.6 million was paid in Q4 2012 and the balance in Q1 2013. Excluding Referendum activities the Q1 2013 monthly average net cash usage was $3.3 million, consistent with Q4 2012.

Capital Cost

The estimated capital required to bring the Project into production and to a position of positive cashflow, including interest, financing and corporate costs, is approximately US$1.5 billion.

Project Timeline

Management continues to be of the view that, once the EP for the Project is issued by the Government, in the absence of any other extraordinary or unforeseen events, legal or otherwise, it would take approximately one year to:

- Complete the necessary outstanding surface rights acquisitions;
- Receive the majority of other permits and approvals, including for initial construction; and
- Proceed to fully finance construction of a mine at Rosia Montana.

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

Outlook

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

- Operate on a reduced cost basis until such time as the Government moves ahead with Project permitting;
- Finalise the TAC process;
- Continue efforts to increase the Romanian public and Government awareness of the Project benefits, both economic and otherwise, and widespread support for the permitting of the Project (as demonstrated by the recent Referendum);
- Obtain approval of the EP and all other required permits that will allow construction activities to commence;
- Maximize shareholder value, while optimizing benefits of the Project to those in the community and the surrounding area.

Results of Operations

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

in thousands of Canadian dollars, except per share amounts	**2013 Q1**	**2012 Q4**	**2012 Q3**	**2012 Q2**
Statement of Loss				
Loss	$ 2,289	$ 2,530	$ 3,661	$ 2,683
Loss per share - basic and diluted	0.01	0.01	0.01	0.01
Statement of Financial Position				
Working capital	57,526	65,948	80,233	90,454
Total assets	595,676	602,686	577,507	593,256
Statement of Cash Flows				
Investments in development and exploration including working capital changes	9,928	10,514	8,460	13,152
Cash flow from financing activities	2	732	-	460

in thousands of Canadian dollars, except per share amounts	**2012 Q1**	**2011 Q4**	**2011 Q3**	**2011 Q2**
Statement of Loss				
Loss	$ 2,567	$ 8,411	$ 3,640	$ 3,534
Loss per share - basic and diluted	0.01	0.03	0.01	0.01
Statement of Financial Position				
Working capital	106,575	120,725	148,588	166,543
Total assets	616,971	619,294	629,951	631,720
Statement of Cash Flows				
Investments in development and exploration including working capital changes	14,902	14,771	16,892	13,021
Cash flow from financing activities	1,503	197	1,261	77,629

Statement of Loss

	3 months ended March 31	
in thousands of Canadian dollars, except per share amounts	**2013**	2012
Operating loss for the period	**$ 2,379**	$ 2,953
Loss for the period	**2,289**	2,567
Loss per share - basic and diluted	**0.01**	0.01

Operating loss for the three month period ended March 31, 2013 decreased from the corresponding period in 2012. The decrease was mainly due to lower corporate, general and administrative costs owing to the cost reduction strategy implemented in 2012, as well as a lower stock-based compensation expense, reflecting the Company's lower share price period-on-period.

Similarly, the loss for the three month period ended March 31, 2013 is lower than the loss in the same period in 2012. The Company has fully divested its foreign denominated investments and the majority of foreign cash and cash equivalents, which resulted in lower foreign currency exchange movements.

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

Expenses

Corporate, General and Administrative

in thousands of Canadian dollars		3 months ended March 31 2013		2012
Finance	**$**	**149**	$	256
External communications		**115**		144
Information technology		**26**		13
Legal		**137**		215
Payroll		**446**		505
Other		**233**		213
Corporate, general and administrative expense	**$**	**1,106**	$	1,346

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

Finance costs for the three month period ended March 31, 2012 included $0.1 million of consultancy costs, which were not repeated in the current quarter. The Company implemented a cost reduction strategy during 2012 as a consequence of permitting delays on the Project, which accounts for the overall reduction in expenses for the three month period ended March 31, 2013.

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

Stock Based Compensation

in thousands of Canadian dollars		3 months ended March 31 2013		2012
DSUs and RSUs - expensed	**$**	**32**	$	(360)
Stock option compensation - expensed		**1,202**		1,905
Stock based compensation - expensed	**$**	**1,234**	$	1,545
Stock option compensation - capitalized	**$**	**1,672**	$	2,439
DSU Compensation				
Number of DSUs issued		**12,766**		9,516
Average value ascribed to each DSU issued	**$**	**2.35**	$	5.25
RSU Compensation				
Number of RSUs issued		**-**		76,258
Average value ascribed to each RSU issued	**$**	**-**	$	5.77
Number of RSUs redeemed		**25,419**		-
Average value ascribed to each RSU redeemed	**$**	**2.76**	$	-

Initially valued at the five-day weighted average market price of the Company's shares at date of issue, vested DSUs and RSUs are revalued each period end based on the closing period end share price. The effect on the valuation of DSUs and RSUs of the period-on-period change in share price is charged to the Statement of Loss or, for share units granted to personnel working on development projects, capitalized to mineral properties. At March 31, 2013 the Company's share price was $2.42 (December 31, 2012: $2.36) resulting in the expense for the quarter.

DSUs issued during the three-month period ended March 31, 2013 were to certain directors, at their election, in lieu of their quarterly directors fees. No RSUs were issued during the quarter, although 25,419 were redeemed for cash.

The estimated fair value of stock options is amortized over the period over which the options vest, which is normally three years. For performance options the fair value is expensed over the estimated vesting period from the time of grant. Once the performance conditions have been attained, which may result in the full vesting of the options, the remaining fair value, if any, is either expensed immediately or over the remaining vesting period, as appropriate. The expected performance dates are periodically reviewed and the expensing adjusted accordingly. The fair value of stock options granted to personnel working on development projects is capitalized to mineral properties over the vesting period.

The reduction of stock option compensation expensed and capitalized during the three month period ended March 31, 2013 compared to the prior period is as a result of delayed management expectations, given the lack of progress in permitting of the Project, of the attainment of performance conditions for performance based options, as well as a number of historic option grants reaching full amortization.

	3 months ended March 31	
	2013	2012
Stock option compensation		
Number of stock options granted	-	2,168,333
Average value ascribed to each regular vesting option granted	**$ -**	$ 5.77
Options granted to corporate employees, consultants, officers, and directors	-	1,033,333
Options granted to development project employees and consultants	-	1,135,000

A total of 2,405,000 stock options were granted during the three month period ended March 31, 2013 as a result of a deferred 2012 performance review. Due to restrictions imposed by the Board on such grants, these options could not be priced or issued until April 2013.

Interest Income

	3 months ended March 31	
in thousands of Canadian dollars	**2013**	2012
Interest income	**$ 134**	$ 225

Lower interest income in the three month period ended March 31, 2013 compared to the prior period is the result of lower holdings of cash and cash equivalents (March 31, 2013: $67.1 million; March 31, 2012: $118.5 million).

As at March 31, 2013 approximately 82% of the Company's cash and cash equivalents were invested in Canadian government guaranteed instruments with 15% held as cash deposits with major Canadian banks and the remaining 3% held in recognized UK and Romanian banks.

Foreign Exchange

	3 months ended March 31	
in thousands of Canadian dollars	**2013**	2012
Foreign exchange gain - realized	**$ 96**	$ -
Foreign exchange (loss)/gain - unrealized	**(140)**	161
Total foreign exchange (loss) /gain	**$ (44)**	$ 161

The Company expects to report reduced foreign currency gains and losses as a result of reduced exposure to non-Canadian Dollar currencies (March 31, 2013: 1%; March 31, 2012: 23%).

Taxes

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

Investing Activities

The most significant ongoing investing activities are in respect of the Project. Most of the expenditures to date have been for identifying and defining the size of the four ore bodies, for engineering to design the size and scope of the Project, for environmental assessment and permitting, social support to local communities, communications and public relations activities to support the permitting process, archeological and rehabilitation work to buildings, as well as surface rights/property acquisition. Once the construction permits are received, the nature and magnitude of the expenditures will increase, as roads, production facilities, open pits, tailings management facilities and associated infrastructure are built.

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

Mineral Properties

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

in thousands of Canadian dollars		3 months ended March 31 2013		2012
Finance and administration	**$**	**1,545**	$	1,483
External communications		**1,286**		4,624
Legal		**1,248**		1,435
Permitting		**815**		1,464
Community development		**1,291**		1,618
Project management and engineering		**661**		2,573
Exploration - Rosia Montana		**243**		521
Total exploration and development expenditures	**$**	**7,089**	$	13,718
Capitalized depreciation and disposals	**$**	**221**	$	84
Capitalized stock based compensation	**$**	**1,672**	$	2,439
Movement in resettlement liabilities	**$**	**45**	$	137

The decrease in almost all categories of exploration and development expenditures during the three month period ended March 31, 2013, compared to the prior period, is largely due to the cost reduction strategy implemented in mid-2012. Media and communications expenditure has been subject to the most significant reduction quarter-on-quarter, with higher levels of activity in 2012 in support of the then progress in Project permitting.

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

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

Purchase of Capital Assets

in thousands of Canadian dollars		3 months ended March 31 2013		2012
Resettlement site development costs and assets under construction	**$**	**212**	$	667
Other		**28**		419
Total investment in capital assets	**$**	**240**	$	1,086
Depreciation and disposal - expensed	**$**	**39**	$	62
Depreciation and disposal - capitalized to mineral properties	**$**	**221**	$	84

The resettlement site development costs for the three month period ended March 31, 2013 relate mainly to the additional houses at the Recea resettlement site.

The reduction in resettlement activity and other investment expenditure is reflective of the cost reduction strategy in place. Expenditure is expected to increase when progress is made in permitting the Project.

Cash Flow Statement

Liquidity and Capital Resources

The main sources of liquidity are the Company's cash and cash equivalents, stock option exercises and the equity and debt markets. As at March 31, 2013, cash and cash equivalents were $67.1 million compared to $118.5 million at March 31, 2012.

On April 2, 2013 3.4 million share options issued in 2008 were exercised, resulting in the Company receiving $5.35 million in cash proceeds.

Working Capital

As at March 31, 2013, the Company had working capital, calculated as total current assets less total current liabilities, of $57.5 million (March 31, 2012: $106.6 million). The reduction in working capital relates mainly to expenditure on the Project.

As at March 31, 2013, the Company had current liabilities of $12.2 million (March 31, 2012: $18.8 million). The period-on-period decrease in current liabilities relates largely to a reduction of trade and other payables as a consequence of the business strategy to reduce expenditure to preserve capital while the Project experiences permitting delays.

Related Party Transactions

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

The Company advanced loans in 2004 and 2009 in aggregate totaling US$39.5 million to Minvest, the non-controlling shareholder of RMGC, to facilitate various statutory share capital increases in RMGC. The balance on the two loans outstanding to Minvest at March 31, 2013 was US$39.5 million (March 31, 2012: US$39.5 million).

The above loans are non-interest bearing and are to be repaid as and when RMGC distributes dividends to its shareholders. The loans are accounted for as part of the Group's net investment in RMGC and have, accordingly, been set off against non-controlling interests on the Statement of Financial Position until such time as the repayment of the loans is more certain. Once there is certainty that the loans will be repaid, the loans and non-controlling interest component will be reflected individually on the Statement of Financial Position, in accordance with IFRS.

Resettlement Liabilities

RMGC had a program for purchasing homes in the Project area, which was suspended in February 2008 due to the suspension of the EIA review process in September 2007. Under the resettlement program residents were offered two choices. They could either choose to take the sale proceeds and move to a new location of their choosing or they could exchange their properties for a new property to be built by RMGC at one of the designated resettlement sites. For those residents who choose the resettlement option, the Company increases its mineral properties on the balance sheet as well as resettlement liabilities for the anticipated construction costs of the resettlement houses. As the construction takes place, the costs of newly built houses are capitalized as construction in progress. After the transfer of legal title of the property RMGC

reduces the amounts capitalized as construction in progress and at the same time reduces its resettlement liabilities. All resettlement associated costs will remain capitalized in mineral properties and amortized over the life of the mine once the Project moves into production.

At March 31, 2013 the Company had accrued resettlement liabilities totaling $4.3 million (March 31, 2012: $4.4 million), which represents both the cost of building the remaining new homes for the local residents and outstanding delay penalties.

The remaining 24 homeowners who chose to resettle within Rosia Montana signed three year extension contracts which expire at the end of May 2013. The Company has initiated plans to further extend these contracts. As a result of the delay in delivery of these homes, RMGC pays a penalty of up to 20% of the agreed upon unpaid property value per year of delay as required by the agreement.

At March 31, 2013 the Company has accrued $0.1 million (March 31, 2012: $0.3 million) representing unpaid delay penalties.

Contractual Obligations

The following is a summary of the Company's contractual capital and operating lease commitments, as of March 31, 2013 including payments due for each of the next five years and thereafter:

in thousands of Canadian dollars	**Total**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018 +**
Capital commitments							
Resettlement	470	332	51	76	11	-	-
Operating lease commitments							
Rosia Montana exploitation license	880	176	176	176	176	176	-
Surface concession rights	1,041	28	33	33	33	33	881
Property lease agreements	1,284	379	289	274	274	68	-
Total commitments	3,675	915	549	559	494	277	881

The Company and its subsidiaries have a number of agreements with arms-length third parties who provide a wide range of goods and services. Typically, the service agreements are for a term of not more than one year and permit either party to terminate for convenience on notice periods ranging from 15 to 90 days. Upon termination, the Company has to pay for services rendered and costs incurred to the date of termination.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses and other income during the reporting period. Significant estimates and assumptions include those related to going concern, the recoverability of mineral properties, benefits of future income tax assets, estimated useful lives of capital assets, valuation of stock based compensation, valuation of fidelity bonus and other benefits assumptions and determinations as to whether costs are expensed or capitalized. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly. The critical accounting estimates are not significantly different from those reported in previous periods.

Going Concern

The underlying value of the Company's mineral properties is dependent upon the existence, and economic recovery, of mineral reserves in the future and the ability of the Company to obtain all necessary permits and raise long-term financing to complete the development of the properties. In addition, the Project may be subject to sovereign risk, including political and economic instability, changes in existing government regulations, for example, a ban on the use of cyanide in mining, re-designation of the Project area as an archeological site of national importance, government imposed changes to royalty levels or ownership participation, government regulations relating to mining which may withhold the receipt of required permits or impede the Company's ability to acquire the necessary surface rights, as well as currency fluctuations and local inflation. On September 17, 2010 the MoE restarted the EIA review process. During 2011 the TAC met on several occasions to further its deliberations and after an extended period of inactivity has, under the current Government, met again in May 2013. The Company awaits an indication from the TAC as to the conclusions and next steps arising from this latest meeting.

The base budget and forecast for 2013 for the Project includes only those expenditures and commitments to maintain the value of the Company's investment in mineral properties and to move the Project through EIA approval. Once the EIA is approved, the cost for the acquisition of remaining surface rights, completion of the engineering control estimate, and higher activity to acquire all permits and approvals required to apply for construction permits will exceed the Company's current cash and cash equivalents holdings. As at March 31, 2013 the Company had no sources of operating cash flows and does not have sufficient cash to fund the development of the Project and therefore will require additional funding which, if not raised, would result in the curtailment of activities and Project delays.

Recoverability of mineral properties

The Company has determined that the area covered by the Rosia Montana exploitation license contains economically recoverable reserves. The ultimate recoverability of the $472.4 million carrying value at March 31, 2013 plus related capital assets is dependent upon the Company's ability to obtain the necessary permits and financing to complete the development and commence profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis.

As part of management's periodic review process, management reviews all aspects of Project advancement issues along with potential indicators of asset impairment when preparing financial statements. When impairment indicators are identified, it is management's policy to perform an impairment test in accordance with IAS 36 – Impairment of Assets. The impairment test is, at a minimum, performed annually.

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

Future income tax assets

Income taxes are calculated using the asset and liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Income tax assets are recognized to the extent that the recoverability of future income tax assets is considered probable.

The Company has subsidiaries in countries that have differing tax laws and rates, primarily Romania. The provision for income taxes is based on a number of estimates and assumptions made by management including its understanding of domestic and international tax rules. Advice is also sought from local professional tax advisors.

Tax authorities in Romania regularly initiate various tax audits to assess the appropriateness of the Company's tax filing positions. Regulators may interpret tax regulations differently than the Company, which may cause changes to the estimates made. The Company continues to vigorously pursue all tax claims which it believes are legally due.

All tax assessments which have been received have been paid and provided for in the financial statements.

Useful lives of capital assets

The Company's policy is to amortize capital assets over their useful lives once the assets are brought into production. Management assesses useful lives to ensure the useful lives of assets reflect the intended use of those assets.

Valuation of stock based compensation

The Company utilizes stock options, DSUs and RSUs as a means of compensation. Stock options are valued using a Black Scholes valuation model, and are amortized over the expected vesting periods. Management reviews the assumptions used in the Black Scholes valuation on an annual basis to ensure appropriateness. DSUs and RSUs are initially valued at the five-day weighted average market price of the Company's common shares preceding the date of issue, and are subsequently recalculated to fair value based on the quoted market value of the Company's common shares at the end of each reporting period.

Valuation of fidelity bonus and other benefits

Under a collective bargaining agreement between RMGC and its employees, under certain conditions employees of RMGC are entitled to a bonus based on years of uninterrupted service as well as other benefits relating to death and termination of employment. The obligation is determined using an actuarial basis and is affected by a number of assumptions and estimates. The actuarial valuation is performed annually, and management reviews the assumptions and estimates annually for appropriateness.

Financial instruments and other instruments

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

The Company's objective when managing capital is to safeguard its accumulated capital in order to fund development of the Project. The Company manages its capital structure and makes adjustments to it based on the level of funds on hand and anticipated future expenditures. Following the issuance of the EP the Company will initiate a review of its financing requirements over the short and medium term. While the Company expects that it will be able to obtain equity, long-term debt and/or project-based financing sufficient to build and operate the Project, there are no assurances that these initiatives will be successful. To safeguard capital the Company invests its surplus capital in highly liquid, highly rated financial institutions and instruments.

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

Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents. The Group has adopted an investment strategy to minimize its credit risk by investing in Canadian sovereign debt with the balance of cash being invested on short-term overnight deposit with major Canadian banks.

The Group is exposed to the credit risk of domestic Romanian banks that hold and disburse cash on behalf of its Romanian subsidiaries. The Group manages its Romanian bank credit risk by centralizing custody, control and management of its surplus cash resources at the corporate office and only transferring money to its Romanian subsidiary based on near term cash requirements, thereby mitigating exposure to domestic Romanian banks.

The Group holds small cash balances in the United Kingdom to fund corporate office activities.

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

Liquidity risk

The Group has sufficient funds as at March 31, 2013 to settle all current and long-term liabilities.

Market risk

(a) Interest rate risk

The Group has significant cash balances and no debt. The Group maintains a short-term investment horizon, typically less than 3 months, for its cash and cash equivalents, and therefore minimizes the risk of interest rate volatility at investment maturity.

With a short-term investment horizon and the intent to hold all investments until maturity, the Group is only marginally exposed to capital erosion should interest rates rise and cause fixed yield investments to devalue.

The Group's primary objective with respect to cash and cash equivalents is to mitigate credit risk. The Group has elected to forego yield in favor of capital preservation.

(b) Foreign currency risk

The Group's presentation currency is the Canadian dollar and its activities expose it to fluctuations in foreign exchange rates. The Group has monetary assets and liabilities denominated in Romanian Leu, US dollars, UK pounds sterling and Euros and is, therefore, subject to exchange variations against both the functional and presentation currency.

The Group maintains cash and cash equivalents in various currencies and is therefore susceptible to market volatility as foreign cash balances are revalued to the functional currency of the entity and thereafter to the presentation currency of the Group. Therefore, the Group may report foreign exchange gains or losses during periods of significant economic and market volatility. At March 31, 2013 the Group held 99% of its cash and cash equivalents in Canadian dollars.

The Company has not entered into any derivatives hedging activities.

Sensitivity

Based on management's knowledge and experience of the financial markets, the Company believes, based on its balance of cash and cash equivalents as at March 31, 2013 the following movements are "reasonably possible" over a twelve-month period:

- Cash and cash equivalents include deposits which are at floating interest rates. A plus or minus 1% change in earned interest rates in both cases would affect net income from deposits by $0.1 million.
- The Company holds balances, albeit minor, in foreign currencies and this gives rise to exposure to foreign exchange risk. As of March 31, 2013 a plus or minus 1% change in foreign exchange rates would affect net income by less than $0.1 million.

Risks

The following list details existing and future material risks to the business of the Group. The risks described below are not listed in any particular order and are not exhaustive. Additional risks and uncertainties not currently known to the Company, or those that it currently deems to be immaterial, may become material and adversely affect the Group's business. The realization of any of these risks may materially and adversely affect the Group's business, financial condition, results of operations and/or the market price of the Company's securities.

Each of these risk factors is discussed in more detail in the Company's Annual Information Form, which is filed for public inspection on www.sedar.com.

- Political and Economic Risks of Operating in Romania
- Permitting Process
- Acquisition of Surface Rights and Resettlement
- Mineral Tenure Rights
- Legal Proceedings
- Proposed Adverse Legislative Initiatives
- Tailings Incidents
- Closure of the State Run Mining Operations
- Compliance with Anti-Corruption Laws
- UNESCO World Heritage List
- Project Development
- Insurance and Uninsurable Risks
- Project Financing

- Global Economic Conditions
- Dilution
- Mineral Prices
- Currency Fluctuations
- Market Price Volatility
- Dependence on Management and Key Personnel
- Competition
- Enforcement of Civil Liabilities
- No History of Earnings or Dividends
- Mining Exploration and Development
- Mineral Reserve Estimates
- Environmental and other Regulatory Requirements
- Infrastructure
- Price Fluctuations of Consumed Commodities
- Accounting Policies and Internal Controls
- Conflict of Interest

CEO/CFO Certification

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

Our CEO and CFO certify that, as at March 31, 2013 the Company's DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They also certify that the Company's ICFR have been designed and operates effectively to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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

There is no limitation on scope of design as described in paragraph 5.3 of NI 52-109. There has been no change in the Company's ICFR that occurred during the three-month period ended March 31, 2013 which has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Outstanding Share Data

The Company's fully diluted share capital as at May13, 2013 was:

	Outstanding
Common shares	383,990,190
Common stock options	26,352,838
Deferred share units - common shares	603,298
Restricted share units - common shares	50,839
Fully diluted share capital	**410,997,165**

Proven and Probable Mineral Reserves

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

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

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

Forward-Looking Statements

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

Gabriel Resources Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)
For the three-month period ended March 31, 2013

Condensed Consolidated Statement of Financial Position

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

	Notes	**March 31 2013**	December 31 2012
Assets			
Current assets			
Cash and cash equivalents	5	**67,113**	78,965
Trade and other receivables		**1,252**	1,745
Prepaid expenses and supplies		**1,321**	948
Total current assets		**69,686**	81,658
Non-current assets			
Mineral properties	6	**472,404**	467,206
Property, plant and equipment		**53,411**	53,647
Other non-current assets		**175**	175
Total non-current assets		**525,990**	521,028
TOTAL ASSETS		**595,676**	602,686
Liabilities			
Current liabilities			
Trade and other payables		**6,353**	9,970
Resettlement liabilities		**4,303**	4,258
Other current liabilities		**1,504**	1,482
Total current liabilities		**12,160**	15,710
Non-current liabilities			
Other non-current liabilities		**2,622**	2,624
Total non-current liabilities		**2,622**	2,624
TOTAL LIABILITIES		**14,782**	18,334
Equity attributable to owners of the parent			
Share capital		**859,784**	859,782
Contributed surplus		**55,687**	52,813
Currency translation adjustment		**(69,788)**	(65,743)
Accumulated deficit		**(264,789)**	(262,500)
TOTAL EQUITY		**580,894**	584,352
TOTAL EQUITY AND LIABILITIES		**595,676**	602,686

The accompanying notes are an integral part of these condensed interim 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)*

	3 months ended March 31	
	2013	2012
Expenses		
Corporate, general and administrative	**1,106**	1,346
Share-based compensation	**1,234**	1,545
Depreciation	**39**	62
Operating loss	**2,379**	2,953
Other expense / (income)		
Interest received	**(134)**	(225)
Foreign exchange loss / (gain)	**44**	(161)
Loss for the period attributable to owners of the parent	**2,289**	2,567
Basic and diluted loss per share	**$ 0.01**	$ 0.01

Condensed Consolidated Statement of Comprehensive Loss

For the three-month periods ended March 31

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

	2013	2012
Loss for the period	**2,289**	2,567
Other comprehensive loss		
Currency translation adjustment	**4,045**	2,468
Comprehensive loss for the period attributable to owners of the parent	**6,334**	5,035

The accompanying notes are an integral part of these condensed interim 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)

	2013	2012
Common shares		
At January 1	**859,782**	855,836
Shares issued on the exercise of share options	**2**	1,503
Transfer from contributed surplus - exercise of share options	**-**	684
At March 31	**859,784**	858,023
Contributed surplus		
At January 1	**52,813**	42,971
Share-based compensation	**2,874**	4,344
Exercise of share options	**-**	(684)
At March 31	**55,687**	46,631
Currency translation adjustment		
At January 1	**(65,743)**	(54,284)
Currency translation adjustment	**(4,045)**	(2,468)
At March 31	**(69,788)**	(56,752)
Accumulated deficit		
At January 1	**(262,500)**	(251,059)
Loss for the period	**(2,289)**	(2,567)
At March 31	**(264,789)**	(253,626)
Total shareholders' equity at March 31	**580,894**	594,276

The accompanying notes are an integral part of these condensed interim 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)

	2013	2012
Cash flows used in operating activities		
Loss for the period	**(2,289)**	(2,567)
Adjusted for		
Depreciation	**39**	62
Share-based compensation	**1,234**	1,545
Unrealized foreign exchange loss / (gain)	**144**	(161)
Cash utilized in operations	**(872)**	(1,121)
DSU/RSU cash settlement	**(70)**	-
Changes in operating working capital	**(741)**	(1,454)
	(1,683)	(2,575)
Cash flows used in investing activities		
Decrease in other non-current assets	**-**	4
Exploration and development expenditures	**(7,089)**	(13,718)
Purchase of property, plant and equipment	**(240)**	(1,086)
Changes in investing working capital	**(2,839)**	(1,184)
	(10,168)	(15,984)
Cash flows provided by financing activities		
Proceeds from the exercise of share options	**2**	1,503
	2	1,503
Decrease in cash and cash equivalents	**(11,849)**	(17,056)
Effect of foreign exchange on cash and cash equivalents	**(3)**	108
Cash and cash equivalents - beginning of period	**78,965**	135,466
Cash and cash equivalents - end of period	**67,113**	118,518

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

1. Nature of operations

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

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

The underlying value of the Company and its subsidiary companies' (together the "Group") mineral properties, and in particular the Project, is dependent upon the existence and economic recovery of such reserves in the future and the ability of the Group to obtain all necessary permits and raise long-term financing to complete the development of the properties. In addition, the Project may be subject to sovereign risk, including political and economic instability, changes in existing fiscal regime, changes in existing government regulations, for example, an increase in royalty rates applicable to the Project, a ban on the use of cyanide in mining, re-designation of the Project area as an archeological site of national importance, government regulations relating to mining which may withhold the receipt of required permits or impede the Group's ability to acquire the necessary surface rights, as well as currency fluctuations and local inflation. The suspension of the review of the Rosia Montana Environmental Impact Assessment ("EIA") by the Ministry of Environment in September 2007 (subsequently resumed in September 2010) demonstrates the significant risks that the Project may face. Such risks may adversely affect the Group's ability to continue as a going concern and may result in the impairment or loss of all or part of the Group's assets.

These condensed consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a "going concern", which assume that the Group will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at March 31, 2013 the Group had no sources of operating cash flows and does not have sufficient cash to fund the development of the Project and therefore will require additional funding which, if not raised, would result in the curtailment of activities and Project delays.

The timeline to build the Project is dependent on a number of factors which include both the permitting and financing processes.

The Company's registered address is Suite 200 – 204 Lambert Street, Whitehorse, Yukon, Canada Y1A 3T2. The Company is operated by a subsidiary management services company, RM Gold (Services) Ltd. ("RMGS"). RMGS operates out of 16 Great Queen Street, London, WC2B 5DG, United Kingdom. The Company is the ultimate parent of the Group and does not have any controlling shareholders.

2. Basis of preparation

These unaudited condensed consolidated financial statements, for the three-month period ended March 31, 2013, have been prepared in accordance with IFRS as applicable to the preparation of interim financial statements, including International Accounting Standard IAS 34 ('Interim Financial Reporting'). The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRS.

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

The Board of Directors approved these condensed consolidated financial statements on May 15, 2013.

3. Accounting policies

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

The effect of changes in IFRS10, 11, 12 and 13 have been assessed and do not have a material impact on the unaudited condensed consolidated financial statements of the Company.

4. Critical accounting estimates, risks and uncertainties

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

The preparation of condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses and other income for the period. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience. Significant estimates and assumptions include (excluding going concern which is disclosed in Note 1):

Recoverability of mineral properties: Management considered the economics of the Project, including the latest gold and silver prices and long-term forecasts, sensitivities on construction costs and other variables which may impact the economic viability of the Project. Consideration was also given to the risk factors mentioned above (and in Note 1) and their potential impact on the economics of the Project.

Other accounting estimates: Other estimates include the benefits of deferred income tax assets and whether or not to recognize the resulting assets in the Condensed Consolidated Statement of Financial Position, estimated useful lives of capital assets, share compensation valuation assumptions and determinations as to whether costs are expensed or capitalized.

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

5. Cash and cash equivalents

As at	**March 31 2013**	December 31 2012
Cash at bank and on hand	**12,142**	8,718
Short-term bank deposits	**54,971**	70,247
	67,113	78,965

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates. Cash is deposited at reputable financial institutions of a high credit rating. The Group manages its domestic Romanian bank credit risk by centralizing custody, control and management of its surplus cash resources at its corporate office and only transferring money to its Romanian subsidiary based on near term cash requirements, thereby mitigating exposure to domestic Romanian banks. At March 31, 2013 the Group held $0.9 million in Romanian banks (December 31, 2012 $2.4 million).

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

6. Mineral properties

	Rosia Montana
Balance - December 31, 2011	425,382
Development costs - additions [(1)]	50,666
Currency translation adjustment	(8,842)
Balance - December 31, 2012	467,206
Development costs - additions [(1)]	**9,027**
Currency translation adjustment	**(3,829)**
Balance - March 31, 2013	**472,404**

[(1)] Mineral property additions of $9.0 million (2012 - $50.7 million) is $1.9 million higher than the amount reported in the Condensed Consolidated Statements of Cash Flows of $7.1 million (2012 - $13.7 million). The difference is attributed to a net adjustment of resettlement liabilities partially offset by non-cash charges for share based compensation and amortization.

At March 31, 2013 the Group's principal asset was its 80.69% interest in the Project held indirectly through RMGC, which holds two mineral licenses in Romania, being the exploitation license for the Project and an expired exploration license for the Bucium property. The latter is in the process of being upgraded into two separate exploitation licenses. C.N.C.A.F Minvest S.A. Deva ("Minvest"), a Romanian state-owned mining company holds the remaining 19.31% interest in RMGC. The Group holds a pre-emptive right to acquire the 19.31% non-controlling interest on any prospective sale by Minvest. The Company is required to fund 100% of all expenditures related to the exploration and development of these properties and holds a preferential right to recover all funding plus interest (other than on non-interest bearing loans) from future cash flows prior to the non-controlling shareholders receiving dividends.

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

7. Related party transactions

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

(a) In December 2004, the Company advanced a loan of US$938,000 to the non-controlling shareholder of RMGC, which remains outstanding at March 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 March 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 interests on the Condensed Consolidated Statement of Financial Position until such time as the repayment of the loans is more certain. Once there is certainty that the loans will be repaid, the loans and non-controlling interest components will be reflected individually.

8. Common share options

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

	Number of options	**Weighted average exercise price (dollars)**
Balance - December 31, 2011	24,825	4.26
Options granted	3,819	4.09
Options forfeited	(365)	4.47
Options exercised	(926)	2.91
Balance - December 31, 2012	27,353	4.28
Options forfeited	**(5)**	**1.85**
Balance - March 31, 2013	**27,348**	**4.28**

No options were granted during the three-month period ended March 31, 2013. During the year ended December 31, 2012 the Company granted 3.8 million options at a weighted average grant price of $4.09, which vest over a three-year period. The fair value of the options granted during the year ended December 31, 2012 was determined, at the grant date, using the Black-Scholes valuation model based on graded tranche level valuation, 5% pre-vesting forfeiture rates, 63% volatility (determined using the Company's three year share price history), a risk-free rate of 1.17% (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:

	March 31 2013	March 31 2012
Expensed	**1,202**	1,905
Capitalized	**1,672**	2,439

9. Segmented information

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

The Group has one operating segment: the exploration, evaluation and development of precious metal mining projects located in Romania ("Mining").
The rest of the entities within the Group are grouped into a secondary segment ("Corporate").

The segmental report is as follows:

	Mining		**Corporate**		**Total**	
For the three-month period ended March 31,	**2013**	2012	**2013**	2012	**2013**	2012
Reportable items in the Consolidated Statements of Loss and Comprehensive Loss / (Income)						
Finance income	-	-	**(171)**	(225)	**(171)**	(225)
Amortization	-	-	**39**	62	**39**	62
Reportable segment loss	-	-	**2,289**	2,567	**2,289**	2,567
As at March 31,	**2013**	2012	**2013**	2012	**2013**	2012
Reportable segment in Consolidated Statement of Financial Position						
Reportable segment current assets	**2,846**	9,075	**66,840**	116,263	**69,686**	125,338
Reportable segment non - current assets	**525,689**	491,142	**301**	491	**525,990**	491,633
Reportable segment liabilities	**(11,609)**	(19,036)	**(3,173)**	(3,659)	**(14,782)**	(22,695)

10. Loss per share

	March 31 2013	March 31 2012
Loss for the period attributable to owners of the parent	**2,289**	2,567
Weighted-average number of common shares (000's)		
Basic number of shares	**380,540**	379,637
Dilutive effect of:		
Share options	**27,348**	26,432
Deferred and restricted share units	**643**	616
Total diluted number of shares	**408,531**	406,685
Basic and diluted loss per share	**$0.01**	$0.01

11. Commitments and contingencies

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

	Total	**2013**	**2014**	**2015**	**2016**	**2017**	**Thereafter**
Capital commitments							
Resettlement	470	332	51	76	11	-	-
Operating lease commitments							
Rosia Montana exploitation license	880	176	176	176	176	176	-
Surface concession rights	1,041	28	33	33	33	33	881
Property lease agreements	1,284	379	289	274	274	68	-
Total commitments	3,675	915	549	559	494	277	881

12. Post balance sheet events

On April 2, 2013 3.4 million share options issued in 2008 were exercised, resulting in the Company receiving $5.3 million in financing cash proceeds.