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, 2016 and 2015.

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, 2016 and 2015 ("Financial Statements"). These Financial Statements have been prepared in condensed format in accordance with International Financial Reporting Standards ("IFRS") as applicable to the preparation of interim financial statements, including International Accounting Standard IAS 34 ('Interim Financial Reporting'). The unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto of the Company as at and for the year ended December 31, 2015, 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 12, 2016, 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. The Company's principal focus has been the exploration and development of the Roșia Montană gold and silver project in Romania (the "Project"). The exploitation license for the Project ("License") is held by Roșia Montană Gold Corporation S.A. ("RMGC"), a Romanian company in which Gabriel owns an 80.69% equity interest, with the 19.31% balance held by Minvest Roșia Montană S.A. ("Minvest RM"), a Romanian state-owned mining company.

Since the grant of the License in June 1999, the Company has focused substantially all of its management and financial resources on the exploration, feasibility and subsequent development of the Project. Despite the Company's fulfilment of its legal obligations and its development of the Project as a high-quality, sustainable and environmentally-responsible mining project, using best available techniques, Romania has blocked and prevented implementation of the Project without due process and without compensation.

On July 21, 2015, the Company and its wholly-owned subsidiary, Gabriel Resources (Jersey) Ltd. (together "Claimants"), filed a request for arbitration ("Arbitration Request") before the World Bank's International Centre for Settlement of Investment Disputes ("ICSID") against the Romanian State pursuant to the bilateral investment protection treaties which the Romanian Government has entered into with each of the Government of Canada and the Government of the United Kingdom of Great Britain and Northern Ireland for the Promotion and Reciprocal Protection of Investments (together the "Treaties") ("ICSID Arbitration"). The Arbitration Request was registered by ICSID on July 30, 2015.

Whilst the Company's primary objective has always been the development of the Project to operational status, in the continued absence of any engagement by the Romanian State, the ICSID Arbitration is now the core focus of the Company.

ICSID Arbitration

Status of the ICSID Arbitration

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

The presiding tribunal for the ICSID Arbitration ("Tribunal") has yet to be fully constituted. To date the Tribunal consists of the following arbitrators: Dr. Horacio Grigera Naón (an Argentinian national appointed by the Claimants); and Mr. Zachary Douglas (an Australian national appointed by Romania). ICSID has been requested to appoint a President of the Tribunal following a period when the Claimants and Romania were unable to mutually agree on an appointee.

Following the constitution of the Tribunal, the next step in the arbitration process will be the establishment, among other things, of the procedural calendar for the ICSID Arbitration.

Despite the initiation of the ICSID Arbitration, the Company remains open to engagement with the Romanian authorities in order to achieve an amicable resolution of the dispute.

Background to the Dispute

For over fifteen years, in reliance on numerous representations made and actions taken by the Romanian authorities, Gabriel invested over US$650 million to develop the Project in accordance with all applicable laws, regulations, licenses, and permits. The Company developed the Project as a productive, high-quality, sustainable, and environmentally responsible mining project utilizing state-of-the-art technologies and in accordance with European Union guidelines, international mining best practices, and sustainable development guidelines.

Having encouraged Gabriel's investment in the Project, as well as reasonable expectations that the Project would be evaluated on its merits, Romania has frustrated and prevented implementation of the Project, including by imposing unjustified administrative delays in the permitting process, imposing shifting and non-transparent legal requirements, politicizing applicable legal and administrative processes, and ultimately abdicating the responsibility to make decisions on the permitting of the Project in contravention of the applicable legal framework. At the same time, Romania has required Gabriel to expend significant amounts through RMGC on mining activities and fees and taxes in relation to the License and associated property rights.

The Romanian State's treatment of Gabriel and its investments in Romania is incompatible with Romania's obligations as established under the Treaties and gives rise to multiple claims by Gabriel under those Treaties. Romania's violations of the Treaties in its actions towards RMGC and Gabriel and its investments have caused very substantial losses and damage to Gabriel.

Impairment and Financing Arrangements

Impairment of Project Assets

As at December 31, 2015, the Company assessed the Project for asset impairment based on the guidance in IAS 36 *Impairment of Assets* and concluded that, despite its continued efforts to develop the Project and to seek an amicable resolution of the dispute, an impairment should be recorded. Accordingly, as at December 31, 2015, the Company recorded a non-cash write-down of $631.2 million relating to all mineral property and a material proportion of its property, plant and equipment (the "Impairment"). The Impairment is based on international accounting standards, and is thus without prejudice to the legal qualification that the Romanian assets may be given under Romanian or international law (including the Treaties). Given the nature of the assessed impairment indicators that have given rise to the Impairment, since January 1, 2016 the Company has determined that, absent any positive, material permitting developments, none of the Company's continuing expenditures meet the criteria for capitalization in the statement of financial position and all will be expensed to the income statement.

Financing Arrangements

In order to strengthen and improve the financial position of the Company and provide funding to pursue the ICSID Arbitration, and for general working capital purposes, on March 29, 2016, the Company announced its intention to raise up to $20 million by way of a non-brokered private placement (the "Private Placement") with a number of existing investors (the "Subscribers"). In addition, the Company announced its intention to enter into arrangements with certain existing securityholders to amend certain terms of the securities held by such holders (the "Restructuring" and together with the Private Placement, the "Transactions"). Additional details regarding the Transactions were also announced on May 3, 2016 and a summary is provided below. The Transactions closed on May 11, 2016.

Private Placement

Pursuant to the Private Placement, the Company issued 20,000 Units, each Unit consisting of (i) $1,000 principal amount of 0.025% convertible subordinated unsecured notes (the "New Notes"); (ii) 1,610 common share purchase warrants (the "New Warrants"); and (iii) one arbitration value right (the "New AVRs"). The New Notes will mature on June 30, 2021 and will be convertible at any time prior to maturity, at the option of the holder, into common shares in the capital of the Company ("Common Shares") at a price of $0.3105 per Common Share. This conversion price represents a premium of 35% to the volume-weighted average closing price of the Common Shares on the Toronto Stock Exchange ("TSX") for the thirty trading days prior to March 29, 2016 ("Transaction Share Price"). At maturity, the Company will have the ability to repay the New Notes through issuing Common Shares. Each New Warrant will entitle the holder to acquire one Common Share at an exercise price of $0.46, representing a 100% premium to the Transaction Share Price, at any time prior to June 30, 2021. Each New AVR will entitle the holder thereof to its pro rata share of 7.5% of any proceeds arising from the ICSID Arbitration, subject to a maximum aggregate entitlement of $175 million among all holders of arbitration value rights issued by the Company ("AVRs"). The New Notes, New Warrants and New AVRs are together referred to as the "New Securities".

Restructuring

In May 2014, the Company closed a non-brokered private placement with a number of existing shareholders of the Company to raise aggregate gross proceeds of $35 million (the “2014 Private Placement”). Pursuant to the 2014 Private Placement, the Company issued 35,000 units, each unit consisting of: (i) $1,000 principal amount of convertible subordinated unsecured notes with a coupon of 8% (the “2014 Notes”); (ii) 398 common share purchase warrants (the “2014 Warrants”); and (iii) one arbitration value right (the “2014 AVR”). The 2014 Notes, 2014 Warrants and 2014 AVRs are together referred to in this MD&A as the “Existing Securities” and holders thereof are referred to as “Existing Securityholders”. None of the Existing Securities has been converted or exercised at the date of this document. All of the Subscribers are Existing Securityholders as they were also participants in the 2014 Private Placement.

Pursuant to the Restructuring, the Company has entered into one or more agreements with the Existing Securityholders and the note trustee under the existing indenture, as applicable, in order to amend certain terms of the Existing Securities and to align the principal terms of the Existing Securities with the terms of the New Securities. Pursuant to the Restructuring, among other things,: (i) the conversion price of the 2014 Notes will be reduced from $1.255 to $0.3105 (such reduced amount being a premium of 35% to the Transaction Share Price); (ii) the interest rate of 8% per annum payable in respect of the 2014 Notes will be reduced to 0.025% with effect from January 1, 2016; (iii) the exercise price of the 2014 Warrants will be reduced from $1.674 to $0.46 (such reduced amount being a premium of 100% to the Transaction Share Price); each 2014 AVR will entitle the holder thereof to its pro rata share of 7.5% of any proceeds arising from the ICSID Arbitration (previously 5% under the 2014 AVR terms); the aggregate entitlement of all AVRs issued will be increased from $130 million to $175 million; and the maturity date of the 2014 Notes and 2014 Warrants will be extended until June 30, 2021.

Romanian Political Developments

The level of Government engagement on the Project has been extremely limited for an extended period of time. The next general election is scheduled for late 2016, with local government elections slated for June 5, 2016.

On May 2, 2016 the Prime Minister of Romania, Dacian Cioloș, removed Vlad Alexandrescu from his position as the Minister of Culture. Ms. Corina Suteu, the former Director of the Romanian Cultural Institute in New York, and currently a secretary of state with the Ministry of Culture, has been appointed in the position of Minister of Culture.

Project Permitting Status

In the context of the above disclosures concerning the ICSID Arbitration and the change in core focus of the Company, readers are advised to refer to the Annual Information Form of the Company for the year ended December 31, 2015 (“AIF”), a copy of which was filed on SEDAR at www.sedar.com, for information relating to the status of the Project, the License, the Company’s exploration and development activities in Romania, the Project approval and permitting process, and reported gold and silver resources and reserves. There has been no material change in that information from the date of filing of the AIF to the date of this document.

Legal Challenges in Romania

Over the years several foreign and domestically-funded NGOs have initiated legal challenges against local, regional and national Romanian authorities. The publicly stated objective of the NGOs in initiating and maintaining these legal challenges has been to use the Romanian court system to delay permitting approval of the Project as much as possible and ultimately to stop the development of the Project.

For further details of the material legal actions related to the Project, see the section entitled "*Legal Challenges relating to the Project*" in the AIF.

RMGC Withdrawal from Legal Proceedings

Over a number of years, the Company, through RMGC, intervened, or sought to intervene, in all material cases brought where it concluded that there was a need to ensure that the Romanian courts considering these actions were presented with a fair and balanced legal analysis as to why the various Romanian authorities' actions were in accordance with the relevant and applicable laws. Gabriel determined, in October 2015, that RMGC should withdraw from a number of pending litigation cases.

The majority of the legal proceedings from which RMGC has sought to withdraw concern the claims of third parties challenging administrative deeds issued by public authorities directly or indirectly related to the Project, where RMGC appeared only as a third-party intervenor as developer of the Project. Accordingly, the fact that RMGC will not continue as an intervenor will not, of itself, terminate the proceedings. The public authorities remain the defendant in those actions and as such remain bound to continue to defend their position.

Recent Developments

The following section outlines certain developments that occurred in legal proceedings related to the Project during the first quarter of 2016 and the status of RMGC's withdrawal from such proceedings:

- On December 10, 2014, RMGC initiated a legal action before the Bucharest Court of Appeal challenging the validity of the List of Historical Monuments revised by the Ministry of Culture and National Institute of Patrimony in 2010 ("2010 LHM") on the basis that it substantially extended (without legal justification) the protection regime applicable to certain monuments within the perimeter of the Project, as compared to a 2004 list of historical monuments, and sought the rectification of the 2010 LHM. While not an indication of its view of the strength or merits of the case, but for the reasons outlined above, on October 16, 2015, RMGC submitted a request to the Bucharest Court of Appeal to discontinue this legal action. The National Institute of Patrimony, a respondent to the claim, did not consent to the discontinuance of the action. On March 15, 2016, the Bucharest Court of Appeal dismissed the claim for lack of subject matter on the basis that the 2010 LHM had been superseded by a revised List of Historical Monuments pursuant to which the village of Roșia Montană, and the surrounding area within a radius of two kilometers, would be classified as an historical site of national importance ("2015 LHM").

- On April 15, 2014, the Covasna Tribunal admitted a request filed by two NGOs for the annulment of the Strategic Environmental Assessment endorsement (“SEA”) issued by the Regional Agency for Environmental Protection of Sibiu in March 2011, one of a number of endorsements required for the approval of the new zonal urbanism plan for the industrial area under the footprint of the proposed mine at Roșia Montană (“Industrial Area PUZ”). The ruling was appealed by RMGC, as an intervening party, and others to the Brasov Court of Appeal. At a hearing of the appeal on January 22, 2015, the proceedings were temporarily suspended pending the outcome of a plea initiated by RMGC challenging the 2010 LHM. This plea was rejected by a panel of the Brasov Court of Appeal on May 28, 2015. RMGC submitted an appeal challenging this decision to the Romanian Supreme Court. On October 16, 2015, RMGC submitted a request to the Supreme Court to discontinue the appeal proceedings and to bring forward a hearing set for February 2016 in order to acknowledge the discontinuance of such proceedings. On November 27, 2015, the Supreme Court admitted RMGC’s discontinuance request. In addition, on October 21, 2015, RMGC submitted an application to withdraw, as an intervening party, from the appeal case pending before the Brasov Court of Appeal. Following RMGC’s withdrawal, the Brasov Court of Appeal settled the proceedings and, on March 10, 2016, rejected the appeal of the Environment Protection Agency Alba and the Environment Protection Agency Sibiu against the ruling of the Covasna Tribunal annulling the SEA. This decision is definitive and cannot be further appealed.

- On September 16, 2015, the Bacau Tribunal admitted a request filed by two NGOs for the suspension of the SEA endorsement. RMGC filed an appeal against this decision. On October 21, 2015, RMGC submitted a request to the Bacau Tribunal to give up the right to challenge the decision through appeal. On November 2, 2015, the Environment Protection Agency Alba, the defendant in the legal action, filed an appeal to the Bacau Court of Appeal against this decision of the Bacau Tribunal. The appeal was subsequently rejected by the Bacau Court of Appeal on January 19, 2016.
- On February 17, 2015, the Buzau Tribunal suspended the proceedings concerning a claim filed by three NGOs seeking the annulment of the Archaeological Discharge Certificate (“ADC”) for the Carnic open-pit until a separate action initiated by RMGC before the Bucharest Court of Appeal challenging the validity of the 2010 LHM had been determined. This action before the Buzau Tribunal follows a decision of the Suceava Court of Appeal on April 15, 2014, which upheld an earlier court ruling that suspended the ADC. On October 27, 2015, RMGC submitted a request to the Buzau Tribunal to withdraw as an intervening party from the legal proceedings pending before it. The Buzau Tribunal ordered a suspension of the claim until the file concerning 2010 LHM had been judged by Bucharest Court of Appeal.
- On May 28, 2015, the Bistrita Tribunal dismissed a claim registered by three NGOs seeking the annulment of an existing urbanism certificate (“UC-47”). This decision was appealed by the NGOs in September 2015. On October 19, 2015, RMGC requested permission from the Cluj Court of Appeal to withdraw as a defendant from the legal proceedings pending before it but for such proceedings to continue in its absence. On January 18, 2016, the Cluj Court of Appeal admitted the appeal filed by the NGOs and ordered that the file be returned to the Bistrita Tribunal. The Bistrita Tribunal has now scheduled a further hearing of the claim for May 19, 2016.

- In July 2014, three NGOs submitted a claim to the Cluj Tribunal seeking the revocation of two decisions of the local council, namely LCDs 45 and 46/2002, which approved the general urbanism plan (“PUG”) for Roșia Montană and the 2002 Industrial Area PUZ. In September 2015, an intervening party in the case submitted a request for recusal of the presiding judge due to concerns of potential bias. The presiding judge subsequently filed an abstention request to the Cluj Tribunal for the approval of her withdrawal from the case, which was accepted by the President of the Cluj Tribunal. On October 19, 2015, RMGC requested permission from the Cluj Tribunal to withdraw as a defendant from the legal proceedings pending before it but for such proceedings to continue in its absence. On November 26, 2015, the Cluj Tribunal ordered the revocation of LCDs 45 and 46. The revocation of LCDs 45 and 46 effectively render the 2002 Industrial Area PUZ and 2002 PUG for Roșia Montană invalid. On January 29, 2016, the local council of Roșia Montană submitted an appeal against the decision of the Cluj Tribunal. The appeal was heard before the Cluj Tribunal on May 9, 2016, and was rejected and therefore the revocation of LCDs 45 and 46 is definitive and irrevocable.

Other Legal Proceedings

In November 2013, RMGC was informed of an investigation by the Ploiesti Public Prosecutor's Office (“PPPO”) into alleged tax evasion and money laundering on the part of the principals/key shareholder(s) of a group of companies including Kadok Interprest LLC (“Kadok Group”). The PPPO extended its investigation of the Kadok Group to 90 other companies, including RMGC, which had a short-term commercial relationship with the Kadok Group in 2012.

RMGC has lodged a challenge to the legality of a restriction order on the equivalent of $0.3 million held in one of RMGC’s Romanian bank accounts pending the outcome of the PPPO investigation. RMGC has cooperated fully with the PPPO and provided evidence to the PPPO of its legitimate business dealings with the Kadok Group. Notwithstanding periodic enquiries, RMGC has received no formal contact on the progress of the case from the PPPO to date.

Following several rounds of redundancy initiated by RMGC as a result of the delay of the Government in progressing the permitting of the Project in 2014 and 2015, RMGC was served with statements of claim from a number of former employees for additional severance or restitution of roles. In addition, further claims have been issued against RMGC seeking damages for breach of contract and the impact on claimants and their businesses of resettlement of some of the community of Rosia Montana. The Company plans to vigorously defend against these claims. However, as the outcome of these claims cannot be determined at this time, the Company has made no provision for these contingencies in its Financial Statements as at December 31, 2015 or March 31, 2016.

Outlook

Notwithstanding the commencement of the ICSID Arbitration, the Company remains open to engagement with the Romanian authorities in order to achieve an amicable resolution of the dispute. In the meantime, the Company's immediate plans for the ensuing year are as follows:

- the advancement of the ICSID Arbitration, including the constitution of the Tribunal, the establishment of a procedural calendar, the filing of applications for provisional/interim measures, as applicable, and the preparation and filing of its memorial in support of its claim;
- the continued assessment of the Company's activities and reduction of costs to those that support the preservation of its core assets and rights;
- to carefully manage its cash resources (including the potential disposition of mining equipment acquired for the Project); and
- the protection of its rights and interests in Romania (including, so far as reasonably practical and desirable, ensuring that existing licenses and permits remain in good standing).

Liquidity and Capital Resources

Cash and cash equivalents at March 31, 2016 amounted to $14.1 million.

The Company's average monthly cash usage during Q1 2016 was $1.5 million, including legal services in respect of the ICSID Arbitration (Q4 2015: monthly average $2.1 million, 2014: monthly average $2.3 million). Excluding legal and other advisory services in respect of the ICSID Arbitration, the average monthly cash usage during Q1 2016 was $1.3 million (Q4 2015: $1.3 million, H1 2015: monthly average $1.5 million).

In order to advance the ICSID Arbitration, on May 11, 2016, the Company has completed the Transactions to raise additional gross funds of $20 million. Notwithstanding, it is likely that the Company will need to raise additional funding before the ICSID Arbitration is concluded.

Results of Operations

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

in thousands of Canadian dollars, except per share amounts	2016 Q1	2015 Q4	2015 Q3	2015 Q2
Income Statement				
Loss - attributable to owners of parent	$ 7,370	$ 615,175	$ 4,630	$ 4,495
Loss per share - basic and diluted	0.02	1.60	0.01	0.01
Statement of Financial Position				
Working capital	9,327	15,408	20,994	24,050
Total assets	39,298	44,415	693,225	631,331
Statement of Cash Flows				
Investments in development and exploration including working capital changes	-	2,249	3,322	1,954
Cash flows from financing activities	-	(1,412)	-	(1,388)

in thousands of Canadian dollars, except per share amounts	2015 Q1	2014 Q4	2014 Q3	2014 Q2
Income Statement				
(Income) / loss - attributable to owners of parent	$ 3,531	$ 1,474	$ 1,984	$ (657)
(Income) / loss per share - basic and diluted	0.01	0.00	0.01	(0.00)
Statement of Financial Position				
Working capital	31,012	37,220	42,958	48,178
Total assets	636,620	648,074	662,177	689,604
Statement of Cash Flows				
Investments in development and exploration including working capital changes	3,301	(169)	4,038	5,386
Cash flows from financing activities	3	(1,649)	-	34,557

Review of Financial Results

	3 months ended March 31	
in thousands of Canadian dollars, except per share amounts	**2016**	2015
Operating loss for the period	**$ 6,353**	$ 2,604
Loss for the period	**7,370**	3,531
Loss for the period - attributable to owners of parent[(1)]	**7,370**	3,531
Loss per share - basic and diluted	**0.02**	0.01

[(1)] The transfer by the Company of equity in RMGC to Minvest RM during Q1, 2014 resulted in the presentation of a non-controlling interest, as set out in the Financial Statements. The non-controlling interest portion of the 2014 and 2015 RMGC employee severance costs was attributed to the non-controlling interest. Following the Impairment, the non-controlling interest was reversed in accordance with IFRS 3 – Business Combinations.

Operating loss for the quarter ended March 31, 2016 increased from the corresponding period in 2015 due to two primary factors. Firstly, following the recognition of the Impairment in Q4 2015, Management re-evaluated the treatment of expenditure incurred in advancement of the Project (principally expenditures incurred by RMGC) and has determined that they no longer meet the criteria for capitalization. In the quarter ended March 31, 2016, such Project expenditures were $2.1 million. The second factor is the incremental legal and advisory costs that have been incurred during the quarter ended March 31, 2016 pursuant to the ICSID Arbitration.

Accreted finance charges of $1.0 million on the 2014 Private Placement are reflected in the loss for the quarter ended March 31, 2016 (Q1 2015: $0.9 million).

Expenses

Corporate, General and Administrative

		3 months ended March 31		
in thousands of Canadian dollars		**2016**		2015
Finance	**$**	**149**	$	140
External communications	**$**	**69**		117
Information technology	**$**	**87**		33
Legal	**$**	**2,433**		1,112
Payroll	**$**	**2,063**		794
Long lead-time equipment storage costs	**$**	**244**		-
Other	**$**	**715**		266
Corporate, general and administrative expense	**$**	**5,760**	$	2,462

Prior to December 31, 2015, corporate, general and administrative costs were principally those costs incurred by the management services operation in London, UK and at the Canadian parent. Since January 1, 2016, as described above, all expenditures incurred by the Group, including those at RMGC, are included in corporate, general and administrative.

Legal expense includes advisory costs in respect of the ICSID Arbitration which, for Q1 2016, amounted to approximately $2.1 million. In the corresponding 2015 period, such costs were lower as the Company had not at that time filed the ICSID Arbitration.

Payroll costs in Q1 2016 include $1.3 million related to RMGC employees, the majority of which were previously capitalized to mineral properties. Excluding RMGC, Q1 2016 payroll costs for management services were in line with the corresponding 2015 period.

Prior to December 31, 2015, the costs of storage and routine maintenance for the long lead-time equipment were capitalized to mineral properties. Since January 1, 2016, this is no longer the case and such expenditures are recorded within corporate, general and administrative expense.

Other costs in Q1 2016 include $0.3 million related to corporate costs at RMGC, which were previously cost items capitalized to mineral properties. Furthermore, in Q1 2016, the Company incurred costs associated with fundraising activities of $0.3m. Excluding these items, the balance of other expenditures for Q1 2016 is in line with the corresponding 2015 quarter.

Share Based Compensation

in thousands of Canadian dollars		3 months ended March 31 **2016**		2015
DSUs and RSUs - expense	**$**	**177**	$	211
Stock option compensation - expense / (reversal)		**289**		(93)
Stock based compensation - Income statement	**$**	**466**	$	118
DSUs and RSUs - reversal	**$**	**-**	$	(11)
Stock option compensation - reversal		**-**		(1,176)
Stock option compensation - Mineral properties	**$**	**-**	$	(1,187)

Initially valued at the five-day weighted average market price of the Company's shares at the date of issue, deferred share units ("DSUs") and restricted share units ("RSUs") are revalued each period end based on the period end closing share price. The initial valuation of the DSUs and RSUs, and the effect on the valuation of DSUs and RSUs of the period-on-period change in share price, has previously either been expensed or capitalized (the latter being for share units granted to personnel working on development projects). At March 31, 2016, the Company's share price was $0.18 (December 31, 2015: $0.14; September 30, 2015: $0.26). Further, non-executive board members were granted annual DSUs during the quarter.

The estimated fair value of share options is calculated using the Black Scholes method as at the date of issue and amortized over the period over which the options vest. For performance options, the fair value is expensed over the estimated vesting period from the time of grant. Once the performance conditions have been attained, which may result in the full vesting of the options, the remaining fair value (if any) is either expensed immediately or over the remaining vesting period, as appropriate. The expected performance dates are periodically reviewed and the expensing adjusted accordingly.

Prior to December 31, 2015, share option compensation for RMGC employees and other personnel working on the Project was capitalized. As noted above, this capitalization no longer takes place and the expense is recognized in the income statement.

		3 months ended March 31 **2016**		2015
DSU compensation				
Number of DSUs issued		**560,000**		560,000
Average value ascribed to each DSU issued	**$**	**0.14**	$	0.39
RSU compensation				
Number of RSUs redeemed		**144,935**		144,938
Average value ascribed to each RSU redeemed	**$**	**0.14**	$	0.47

An aggregate of 560,000 DSUs were issued to non-executive directors during Q1 2016 (Q1 2015: 560,000). DSUs vest on the date of issue.

In Q1 2016, 144,935 RSUs vested, being the second tranche of RSUs awarded during 2014 to named executive officers as compensation for 2013 performance. The first tranche of this 2014 award of 144,938 RSUs vested in Q1 2015.

Finance Income

Finance Income

		3 months ended March 31		
in thousands of Canadian dollars		**2016**		2015
Interest income	**$**	**13**	$	71

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

As at March 31, 2016, approximately 81% of the Company's cash and cash equivalents were invested in Canadian government guaranteed instruments, with the majority of the balance held as cash deposits with major Canadian banks. Returns on Canadian government guaranteed instruments, in which the Company continues to invest, remain low.

Finance Costs

		3 months ended March 31		
in thousands of Canadian dollars		**2016**		2015
Financing costs - convertible note accretion	**$**	**955**	$	925

Finance costs for the quarter ended March 31, 2016 relate to the accretion of the debt component of the Notes, which is measured at amortized cost using the effective interest rate method. Pursuant to the Transactions referenced earlier in this MD&A, there will be an adjustment to the accretion of the debt component of the Notes in the quarter ended June 30, 2016.

Foreign Exchange

The Company expects to report non-material foreign currency gains and losses in the future as a result of reduced exposure to non-functional currencies.

Taxes

All tax assessments have been paid and provided for in Financial Statements.

Investing Activities

The majority of expenditures prior to the quarter ended March 31, 2016 were 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 and resettlement housing and infrastructure. Subsequently no significant expenditures have been incurred in these areas.

Mineral Properties

Historically, following the establishment of the technical feasibility and commercial viability of the Project, all costs incurred in Project exploration and development were capitalized to mineral properties. For Q1 2016, Management assessed the capitalization of Project-related expenditure and determined that the criteria were not met and, consequently, no costs have been capitalized to mineral properties since January 1, 2016.

Purchase of Capital Assets

in thousands of Canadian dollars		**3 months ended March 31 2016**		2015
Total investment in capital assets	**$**	**27**	$	32
Depreciation and disposal - expensed	**$**	**89**	$	24
Depreciation and disposal - capitalized to mineral properties	**$**	**-**	$	81

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

Financing Activities

On May 30, 2014 the Company completed the 2014 Private Placement with a number of existing shareholders as follows:

in thousands of Canadian dollars	**Gross allocation**	**Financing fees**	**Net allocation**
Liability component of convertible debentures	29,272	371	28,901
Equity component of convertible debentures	1,716	21	1,695
Warrants	4,012	51	3,961
Arbitration value rights	-	-	-
Proceeds of private placement	35,000	443	34,557

The Company is using the proceeds of the 2014 Private Placement for general corporate purposes. The details of the 2014 Private Placement are further described in the Financial Statements.

Cash Flow Statement

Liquidity and Capital Resources

The main sources of liquidity are the Company's cash and cash equivalents, share option exercises and the equity and debt markets. At March 31, 2016, aggregate cash and cash equivalents were $14.1 million (December 31, 2015: $18.6 million).

Working Capital

At March 31, 2016, the Company had working capital, calculated as total current assets less total current liabilities, of $9.3 million (December 31, 2015: $15.4 million).

As at March 31, 2016, the Company had current liabilities of $5.6 million (December 31, 2015: $4.1 million). The increase is primarily due to an increase in accruals for legal fees related to the ICSID Arbitration.

Related Party Transactions

In December 2013, the Group was required to recapitalize RMGC in order to comply with Romanian minimum capitalization company law requirements. The subscription to RMGC share capital by the Company was effected through a conversion of existing intercompany debt. In January 2014, the Group agreed to transfer to the non-controlling shareholder, Minvest RM, for nil consideration, a proportion of the shares subscribed to in December 2013, with a face value of $20.4 million, in order to preserve the respective shareholdings in RMGC. The transfer of shares to Minvest RM was reflected in the Financial Statements as a non-controlling interest and an increase in the accumulated deficit.

The Company advanced loans in the period 2004 to 2009 totaling US$39.5 million to the predecessor of Minvest RM (subsequently transferred to Minvest RM) to facilitate various statutory share capital increases in RMGC. The balance outstanding of the Minvest RM loans as at March 31, 2016 was US$39.5 million (December 31, 2015: US$39.5 million).

The Minvest RM loans are non-interest bearing and, according to their terms, are to be repaid as and when RMGC distributes dividends to its shareholders. The loans are accounted for as part of the Group's net investment in RMGC and have, accordingly, been set off against non-controlling interest in the Financial Statements. The loans will be reflected individually in the Financial Statements, in accordance with IFRS at such time as repayment of the loans is made possible.

The non-controlling interest component was reduced as at December 31, 2015 upon recognition of the Impairment.

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; either to take the sale proceeds and move to a new location of their choosing, or exchange their properties for a new property to be built by RMGC at a new resettlement site. For those residents who chose the resettlement option, the Company increased its mineral properties on the balance sheet as well as resettlement liabilities for the anticipated construction costs of the resettlement houses. As the construction took place, the cost of newly built houses was capitalized as construction in progress. After the transfer of legal title of the property RMGC reduced the amounts capitalized as construction in progress and at the same time reduced its resettlement liabilities. All resettlement associated costs capitalized to mineral properties or as construction in progress form part of the Impairment.

At March 31, 2016 the Company had accrued resettlement liabilities totaling $1.1 million (December 31, 2015: $1.2 million).

There are four remaining homeowners who elected for resettlement in Roșia Montană and who have signed various extension contracts in respect of the construction of the resettlement houses. These contracts expired in 2015, and discussions on closing out these agreements remain ongoing.

Contractual Obligations

A summary of the Company's contractual capital and operating lease commitments as of March 31, 2016 is included within the Financial Statements.

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 upon notice periods ranging from 15 to 90 days. At termination, the Company has to pay for services rendered, and costs incurred, to the date of termination.

Critical Accounting Estimates

The preparation of Financial Statements in conformity with IFRS requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amount of expenses and other income during the reporting period. Significant estimates and assumptions include those related to going concern, the recoverability or impairment of mineral properties, benefits of future income tax assets, estimated useful lives of capital assets, valuation of share based compensation, valuation of fidelity bonus and other benefits assumptions and determinations as to whether costs are expensed or capitalized, and the valuation and measurement of the components of the 2014 Private Placement. While Management believes that these estimates and assumptions are reasonable, actual results could vary significantly. With the exception of Management's considerations in respect of the expensing of Project-related expenditure (as opposed to capitalization, as was the case up to December 31, 2015), the critical accounting estimates are not significantly different from those reported in previous periods.

Going Concern

The underlying value of the Group's mineral properties, and in particular the Project, is dependent upon the existence and economic recovery of such proven ore body reserves in the future together with the ability of the Group to obtain all necessary permits and raise long-term financing to complete the development of the properties. Notwithstanding the ICSID Arbitration, the Company remains open to discussions to resolve this dispute and believes that Romania can remedy its treaty violations and permit development of the Project, being the Company's preferred outcome.

The Company has so far been unable to reach an amicable resolution with Romania regarding the dispute, and the ICSID Arbitration process is ongoing. In such circumstances, and given the passage of time since the filing of the ICSID Arbitration, as at December 31, 2015 the Company decided to recognize the Impairment.

The ICSID Arbitration highlights certain risks, uncertainties and other factors which include, without limitation, the attitudes and actions of the Romanian Government related to the Company's investment in Romania, including the ability of the Company to realize value from its investments in Romania pursuant to the Treaties and the ICSID Arbitration; the advancement of the ICSID Arbitration proceedings in a customary manner; the outcome of the ICSID Arbitration before arbitration tribunals as provided in the Treaties, including the timing and value of any arbitral award or settlement; the Company's expectation with regards to the amount of costs, fees and other expenses and commitments payable in connection with the ICSID Arbitration; and any inability or delay in recovering from Romania the amount of any award or settlement.

In addition and insofar as the Company is able to reach an amicable resolution with Romania regarding the dispute that allows for the development of the Project, the business of the Group may be subject to certain existing and future risks including, but not limited to, sovereign risk, including political and economic instability, changes in existing fiscal regime, changes in existing government regulations, for example, an increase in royalty rates or state ownership applicable to the Project, a ban on the use of cyanide in mining, designation of the Project area as an archeological site of national importance, government regulations relating to mining, which may delay or preclude the receipt of required permits or impede the Group's ability to acquire the necessary surface rights, as well as litigation risk against permits and the Project, currency fluctuations and local inflation. Political, public, and NGO opposition to the Project, and the multitude of legal challenges to permits issued in the past in respect of the Project demonstrate the significant risks that the Project faces.

The types of risks summarized above, if realized, may result in material adverse events which could result in the further impairment or loss of all or part of the Group's remaining assets.

The approved 2016 budget includes those expenditures and commitments necessary to maintain the Company's assets, maintain the License and associated rights and permits, and material estimated costs associated the Company advancing the ICSID Arbitration. On the basis of the Company's balance of cash and cash equivalents as at March 31, 2016 and the Transactions referenced earlier in this MD&A, the Company has sufficient funding to satisfy the costs of its budgeted activities for the foreseeable future. Notwithstanding, the Company will require additional funding to finance the planned long-term ICSID Arbitration activities through to a conclusion. Management continues to review the Company's activities in order to identify areas to further reduce expenditures.

The Company has been successful in obtaining its required funding in the past, however there is no certainty that the Company will be able to raise additional funding on commercially acceptable terms in the future. Failure to obtain additional funding could result in the curtailment of the Company's activities and impact its ability to fund the arbitration claim through to completion.

Considering the risks listed above, and in the context of the Group's financial resources, Management's balanced assessment of the Company is that it remains a going concern. The Company has been accounted for as a going concern in the Financial Statements for the quarter ended March 31, 2016.

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 and the United Kingdom. The provision for income taxes is based on a number of estimates and assumptions made by Management, including its understanding of domestic and international tax rules. Advice is also sought from local professional tax advisors.

Tax authorities in Romania have regularly initiated 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.

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 share based compensation

The Company utilizes share options, DSUs and RSUs as a means of compensation. Share 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

Pursuant to a collective bargaining agreement between RMGC and its employees, which was not renewed after its last expiry date, employees of RMGC were entitled, under certain conditions, to a bonus based on years of uninterrupted service as well as other benefits relating to death. 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.

Valuation of the 2014 Private Placement

The units issued by the Company on May 30, 2014 pursuant to the 2014 Private Placement consisted of convertible, subordinated, unsecured notes, warrants and arbitration value rights. The Company utilized a Black Scholes valuation model to value the warrant component of the units and a discounted cash flow model to value the debt component of the Notes. The equity component of the Notes was recognized initially at the difference between the fair value of the 2014 Private Placement as a whole and the fair value of the debt and warrant components. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. A nil value was initially ascribed to the arbitration value rights and, given the current early stage of the arbitration process, a nil valuation remains applicable as at March 31, 2016. The 2014 Private Placement contains two embedded derivatives, both of which were initially valued at nil with no subsequent adjustment in value.

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 be able to fund ongoing expenditures. The Company manages its capital structure and makes adjustments to it based on the level of funds on hand and anticipated future expenditures. The estimated long-term costs, including advisors fees and general corporate working capital, of pursuing the ICSID Arbitration through to a successful conclusion will be significantly higher than the amount of cash and cash equivalents held by the Company as of the date of this MD&A. Therefore, in order to successfully pursue its multiple claims, the Company will need to raise additional funding. In the event that the dispute is resolved and the Romanian Government issues the environmental permit for the Project, the Company will initiate a review of its financing requirements over the short and medium term. While the Company expects that in that event it will be able to obtain equity, long-term debt and/or project-based financing sufficient to build and operate the Project, there are no assurances that such initiatives will be successful.

To safeguard capital the Company invests its surplus capital in liquid instruments with highly rated financial institutions.

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

Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents. 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 receivables from the Romanian Government and are currently within expected collection terms.

Liquidity risk

The Company has the ability to repay the convertible unsecured Notes at maturity through issuing common shares from treasury (as more fully described in the Financial Statements); these represent a significant portion of the long-term Group liabilities. Notwithstanding, as of the date of this MD&A, assuming the successful closing of the Transactions and taking account of the Group's existing treasury balances, the Group will have sufficient funds to settle all existing and other long-term contractual liabilities.

Market risk

(a) Interest rate risk

The Group has significant cash balances and fixed coupon debt. The Group maintains a short-term investment horizon, typically less than 3 months, for its cash and cash equivalents, and therefore minimizes the risk of interest rate volatility at investment maturity. Where yields on investments less than 90 days are not significantly lower than investments greater than 90 days but less than one year, the Group has elected to utilize the shorter term investments.

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

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

(b) Foreign currency risk

The Group's presentation currency is the Canadian dollar and its activities expose it to fluctuations in foreign exchange rates. The Group has monetary assets and liabilities which are denominated in Romanian 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, 2016 the Group held 89% 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, 2016, the following movements are "reasonably possible" over a twelve-month period:

- Cash and cash equivalents. A plus or minus 1% change in earned interest rates would affect net income by $0.1 million.

- The Company holds minor balances in foreign currencies and this gives rise to exposure to foreign exchange risk. A plus or minus 1% change in foreign exchange rates would affect net income by less than $0.1 million.

Risks

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

Each of these risk factors is discussed in more detail in the Company's Annual Information Form dated March 29, 2016, which is filed for public inspection on www.sedar.com.

- ICSID Arbitration
- Ability to Continue as a Going Concern
- Ability to Secure Additional Funding
- Convertible Notes
- Political and Economic Uncertainty in Romania
- Permitting Process
- Acquisition of Surface Rights
- UNESCO List
- Mineral Tenure Rights
- Legal Proceedings
- Proposed Adverse Legislative Initiatives
- Minvest Mine Closure Plan
- Dependence on Management and Key Personnel
- Compliance with Anti-Corruption Laws
- Insurance and Uninsurable Risks
- Global Financial Condition
- Currency Fluctuations
- Market Price Volatility
- Dilution
- Enforcement of Civil Liabilities
- No History of Earnings or Dividends
- Accounting Policies and Internal Controls
- Conflict of Interest

CEO/CFO Certification

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

The CEO and CFO certify that, as at March 31, 2016 the Company's DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Due to the inherent limitations, internal control over financial reporting and disclosure may not prevent or detect all fraud or misstatements. Further, the effectiveness of internal control over financial reporting and disclosure is subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with policies or procedures may change. The CEO and CFO will continue to monitor the effectiveness of the Company's internal control over financial reporting and disclosure controls and may make modifications from time to time as considered necessary or desirable.

The control framework the Company's CEO and CFO used to design the Company's ICFR is the *Internal Control – Integrated Framework (Updated Framework)* published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013.

There is no limitation on scope of design as described in paragraph 5.3 of NI 52-109. There has been no change in the Company's ICFR that occurred during the three-month period ended March 31, 2016 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 May 10, 2016 was:

	Outstanding
Common shares	384,149,500
Common stock options	25,603,333
Deferred share units - common shares	2,399,804
Restricted share units - common shares	62,500
Warrants	13,930,000
Convertible notes	27,895,000
Fully diluted share capital	**454,040,137**

Forward-Looking Statements

This MD&A contains “forward-looking information” (also referred to as “forward-looking statements”) within the meaning of applicable Canadian securities legislation. Forward-looking statements are provided for the purpose of providing information about Management’s current expectations and plans and allowing investors and others to get a better understanding of the Company’s operating environment. All statements, other than statements of historical fact, are forward-looking statements.

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

Forward-looking statements involve risks, uncertainties, assumptions, and other factors including those set out below, that may never materialize, prove incorrect or materialize other than as currently contemplated which could cause the Company’s results to differ materially from those expressed or implied by such forward-looking statements. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as “expects”, “is expected”, “anticipates”, “believes”, “plans”, “projects”, “estimates”, “assumes”, “intends”, “strategy”, “goals”, “objectives”, “potential”, “possible” or variations thereof or stating that certain actions, events, conditions or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of fact and may be forward-looking statements.

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

- the duration, required disclosure, costs, process and outcome of the ICSID Arbitration against Romania;
- changes in the Gabriel Group’s liquidity and capital resources;
- access to funding to support the Gabriel Group’s continued ICSID Arbitration and/or operating activities in the future;
- equity dilution resulting from the conversion of the Convertible Notes in part or in whole to Common Shares;
- the ability of the Company to maintain a continued listing on the TSX or any regulated public market for trading securities;
- the impact on business strategy and its implementation in Romania of: unforeseen historic acts of corruption, uncertain legal enforcement both for and against the Gabriel Group and political and social instability;
- regulatory, political and economic risks associated with operating in a foreign jurisdiction including changes in laws, governments and legal regimes;
- volatility of currency exchange rates, metal prices and metal production;
- the availability and continued participation in operational or other matters pertaining to the Gabriel Group of certain key employees and consultants; and
- risks normally incident to the exploration, development and operation of mining properties.

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

Investors are cautioned not to put undue reliance on forward-looking statements, and investors should not infer that there has been no change in the Company's affairs since the date of this report that would warrant any modification of any forward-looking statement made in this document, other documents periodically filed with or furnished to the relevant securities regulators or documents presented on the Company's website. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice. The Company disclaims any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events or otherwise, subject to the Company's disclosure obligations under applicable Canadian securities regulations. Investors are urged to read the Company's filings with Canadian securities regulatory agencies including Gabriel's Annual Information Form dated March 29, 2016, which can be viewed online at www.sedar.com.

Gabriel Resources Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)
For the period ended March 31, 2016

Condensed Consolidated Statement of Financial Position

As at March 31, 2016 and December 31, 2015

(Unaudited and expressed in thousands of Canadian dollars)

	Notes	**March 31 2016**	December 31 2015
Assets			
Current assets			
Cash and cash equivalents	6	**14,143**	18,567
Trade and other receivables		**148**	117
Prepaid expenses and supplies		**621**	869
Total current assets (excluding assets classified as held for sale)		**14,912**	19,553
Assets classified as held for sale	5	**19,322**	19,646
Total current assets		**34,234**	39,199
Non-current assets			
Restricted cash		**523**	533
Property, plant and equipment		**4,541**	4,683
Total non-current assets		**5,064**	5,216
TOTAL ASSETS		**39,298**	44,415
Liabilities			
Current liabilities			
Trade and other payables		**3,950**	2,595
Resettlement liabilities	7	**1,092**	1,162
Other current liabilities		**543**	388
Total current liabilities		**5,585**	4,145
Non-current liabilities			
Convertible, subordinated, unsecured notes	14	**31,355**	30,400
Other non-current liabilities		**1,118**	1,145
Total non-current liabilities		**32,473**	31,545
TOTAL LIABILITIES		**38,058**	35,690
Equity			
Share capital		**868,086**	868,086
Other reserves		**54,132**	53,843
Currency translation adjustment		**1,928**	2,254
Accumulated deficit		**(926,940)**	(919,570)
Equity attributable to owners of the parent		**(2,794)**	4,613
Non-controlling interest	8	**4,034**	4,112
TOTAL EQUITY		**1,240**	8,725
TOTAL EQUITY AND LIABILITIES		**39,298**	44,415

Nature of operations (Note 1)

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

Condensed Consolidated Income Statement

For the three-month period ended March 31

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

	Notes	3 months ended March 31 2016	3 months ended March 31 2015
Expenses			
Corporate, general and administrative		**5,760**	2,462
Severance costs		**38**	-
Share-based compensation		**466**	118
Depreciation		**89**	24
Operating loss		**6,353**	2,604
Other (income) / expense			
Interest received		**(13)**	(71)
Finance costs - convertible notes accretion	14	**955**	925
Foreign exchange loss		**75**	73
Loss for the period attributable to owners of the parent		**7,370**	3,531
Basic and diluted loss per share	11	**$0.02**	$0.01

Condensed Consolidated Statement of Comprehensive Income

For the three-month period ended March 31

(*Unaudited and expressed in thousands of Canadian dollars)*

	3 months ended March 31 2016	3 months ended March 31 2015
Loss for the period	**7,370**	3,531
Other comprehensive loss		
- may recycle to the Income Statement in future periods		
Currency translation adjustment	**404**	8,570
Comprehensive loss for the period	**7,774**	12,101
Comprehensive loss for the period attributable to:		
- Owners of the parent	**7,696**	10,446
- Non-controlling interest	**78**	1,655
Comprehensive loss for the period	**7,774**	12,101

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

Condensed Consolidated Statement of Changes in Shareholders' Equity

For the three-month period ended March 31

(Unaudited and expressed in thousands of Canadian dollars)

	Notes	3 months ended March 31 2016	2015
Common shares			
At January 1		**868,086**	868,081
Shares issued on the exercise of share options		**-**	3
Transfer from contributed surplus - exercise of share options		**-**	2
At March 31		**868,086**	868,086
Other reserves			
At January 1		**53,843**	52,832
Share-based compensation		**289**	(1,269)
Exercise of share options		**-**	(2)
At March 31		**54,132**	51,561
Currency translation adjustment			
At January 1		**2,254**	(35,216)
Currency translation adjustment		**(326)**	(6,915)
At March 31		**1,928**	(42,131)
Accumulated deficit			
At January 1		**(919,570)**	(291,738)
Loss for the period		**(7,370)**	(3,531)
At March 31		**(926,940)**	(295,269)
Non-controlling interest			
At January 1		**4,112**	15,067
Currency translation adjustment		**(78)**	(1,655)
At March 31		**4,034**	13,412
Total shareholders' equity at March 31		**1,240**	595,659

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

Condensed Consolidated Statement of Cash Flows

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

	Note	3 months ended March 31 2016	2015
Cash flows used in operating activities			
Loss for the period		**(7,370)**	(3,531)
Adjusted for the following non-cash items:			
Depreciation		**89**	24
Share-based compensation		**466**	118
Finance costs - convertible note accretion		**955**	925
Unrealized foreign exchange gain		**(13)**	(35)
Cash utilized in operations		**(5,873)**	(2,499)
DSU/RSU cash settlement		**(16)**	(68)
Changes in operating working capital:		**1,500**	692
		(4,389)	(1,875)
Cash flows used in investing activities			
Exploration and development expenditures		**-**	(3,071)
Purchase of property, plant and equipment		**(27)**	(32)
Changes in investing working capital		**-**	(230)
		(27)	(3,333)
Cash flows provided by financing activities			
Proceeds from the exercise of share options		**-**	3
		-	3
Decrease in cash and cash equivalents		**(4,416)**	(5,205)
Effect of foreign exchange on cash and cash equivalents		**(8)**	(157)
Cash and cash equivalents - beginning of period		**18,567**	44,156
Cash and cash equivalents - end of period		**14,143**	38,794

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

1. Nature of operations

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

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

Following many years of investment and despite the Company's fulfilment of its obligations under the License and Romanian law and its development of the Project as a high-quality, sustainable and environmentally-responsible mining project, using best available techniques, Romania has blocked and prevented implementation of the Project without due process and without compensation.

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

Notwithstanding the commencement of the ICSID Arbitration, the Company continues to seek, and remains open to, engagement with the Romanian authorities. However, as of the date of these financial statements, the Company has been unable to reach an amicable resolution with Romania regarding the dispute that allows for the development of the Project. Meanwhile the ICSID Arbitration process is advancing.

The approved 2016 budget includes those expenditures and commitments necessary to maintain the Company's assets, maintain the License and associated rights and permits, including material estimated costs associated with the Company advancing the ICSID Arbitration. On the basis of the Company's balance of cash and cash equivalents as at March 31, 2016 and the Transactions as defined and referenced in Note 15, the Company has sufficient funding to satisfy the costs of its budgeted activities for the foreseeable future. Notwithstanding, the Company will require additional funding to finance the planned long-term ICSID Arbitration activities through to a successful conclusion. Management continues to review the Company's activities in order to identify areas to further reduce expenditures.

These unaudited condensed interim consolidated financial statements ("Condensed Financial Statements") have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future.

The Company's registered address is Suite 200 – 204 Lambert Street, Whitehorse, Yukon, Canada Y1A 3T2. The Company receives significant management services from its wholly-owned subsidiary, RM Gold (Services) Ltd. ("RMGS"). The principal place of business for RMGS is 1 Central Court, 25 Southampton Buildings, London WC2A 1AL, United Kingdom. The Company is the ultimate parent of the Group and does not have any controlling shareholders.

2. Basis of preparation

These Condensed Financial Statements, for the three month period ended March 31, 2016, have been prepared in accordance with IFRS as applicable to the preparation of interim financial statements, including International Accounting Standard 34 Interim Financial Reporting. The Condensed Financial Statements should be read in conjunction with the annual audited financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRS.

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

The Board of Directors approved these Condensed Financial Statements on May 12, 2016.

3. Critical accounting estimates, risks and uncertainties

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

The preparation of consolidated financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities, if any, at the date of the financial statements and the reported amount of expenses and other income for the year. These estimates and assumptions are based on Management’s knowledge of the relevant facts and awareness of circumstances, having regard to prior experience. The significant estimates and assumptions are not materially different from those disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2015, with the exception of the treatment of RMGC expenditures which, since January 1, 2016, no longer meet the requirements of the Company’s policy for capitalization as an asset and therefore have been expensed within the interim financial statements.

4. Accounting policies

The material accounting policies followed in these Condensed Financial Statements are the same as those applied in the Company’s audited consolidated financial statements for the year ended December 31, 2015. The Company has consistently applied the same material accounting policies throughout all periods presented.

No new IFRS accounting standards have been adopted by the Company during the three-month period ended March 31, 2016.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016, and have not been applied in preparing these consolidated financial statements. Management is assessing the possible impact of these standards and has not yet concluded as to the impact on the group. The standards being reviewed that are relevant to the group are:

- IFRS 9 - Financial Instruments. Replacement standard for IAS 39 Financial instruments: Recognition and Measurement. IFRS 9 retains (and simplifies) the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. This standard is mandatory effective from January 1, 2018.

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

4. Accounting policies (continued)

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

5. Assets held for sale

	March 31 2016
Balance - December 31, 2014	-
Transfer from construction in progress	19,646
Balance - December 31, 2015	**19,646**
Currency translation adjustment	(324)
Balance - March 31, 2016	**19,322**

Due to the combined status of the Project permitting and the ICSID Arbitration, the prospect of the long lead-time equipment being used in the future for the purpose it was purchased is now considered remote. In December 2015, the Company formally engaged two specialist agents to broker the sale of the long lead-time equipment. This engagement is ongoing, and the equipment is expected to be sold prior to the end of December 2016.

6. Cash and cash equivalents

As at	**March 31 2016**	December 31 2015
Cash at bank and on hand	**3,144**	4,070
Short-term bank deposits	**10,999**	14,497
	14,143	18,567

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

The Group manages its domestic Romanian bank credit risk by centralizing custody, control and management of its surplus cash resources from its corporate office and only transferring money to its Romanian subsidiary based on near term cash requirements, thereby mitigating exposure to domestic Romanian banks. At March 31, 2016, the Group held $0.1 million equivalent in Romanian banks (December 2015: $0.6 million).

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

7. Resettlement liabilities

RMGC previously had a program for purchasing homes in the Project area. Under the resettlement program residents were offered two choices; either to take the sale proceeds and move to a new location of their choosing, or exchange their properties for a new property to be built by RMGC at a new resettlement site. For those residents who chose the new resettlement site option, the Company recorded a resettlement liability for the anticipated construction costs of the resettlement houses. As a result of the delay in delivery of some 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 resettlement contracts. The remaining penalty amount in the resettlement contract is also recorded within resettlement liabilities.

The only change to the value of the provision in the period is due to foreign exchange movements and at March 31 2016 the balance was $1.1 million (December 31, 2015: $1.2 million).

8. Non-controlling interest

The Company has historically advanced loans totaling US$39.5 million to Minvest RM, the non-controlling shareholder of RMGC, to facilitate mandatory statutory share capital increases in RMGC in accordance with Romanian company law rules on capitalization. These loans, which remain outstanding at March 31, 2016, are non-interest bearing and according to their terms are to be repaid as and when RMGC distributes dividends to its shareholders. The loans are accounted for as part of the Group's net investment in RMGC and, accordingly, have been set-off against non-controlling interests in the Condensed Consolidated Statement of Financial Position. The loans and non-controlling interest components will be reflected individually at such time as repayment of the loans is made possible.

In December 2013, the Group was required to recapitalize RMGC in order to comply with minimum company law requirements. The subscription to RMGC share capital by the Company was effected through a conversion of existing intercompany debt. On January 17, 2014 the Group agreed to transfer to Minvest RM, for nil consideration, a proportion of the shares subscribed to in December 2013, with a face value of $20.4 million, in order to preserve the respective shareholdings in RMGC. This transfer gave rise to the disclosed non-controlling interest and subsequent accounting.

9. Related party transactions

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

Historical related party transactions with Minvest RM are disclosed in Note 8. There have been no transactions with Minvest RM in 2016.

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

10. Common share options

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

	Number of options ('000)	Weighted average exercise price (dollars)
Balance - December 31, 2014	28,640	3.34
Options granted	5,525	0.40
Options forfeited	(375)	7.27
Options expired	(8,057)	6.51
Options exercised	(5)	0.56
Balance - December 31, 2015	25,728	1.66
Options expired	(125)	3.81
Balance - March 31, 2016	**25,603**	**1.65**

11. Loss per share

	3 months ended March 31	
	2016	2015
Loss for the period attributable to owners of the parent	**7,370**	3,531
Weighted-average number of common shares (000's)	**384,150**	384,145
Basic and diluted loss per share	**$0.02**	$0.01

12. 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	**2016**	**2017**	**2018**	**2019**	**2020**	**Thereafter**
Capital commitments							
Resettlement	81	23	58	-	-	-	-
Operating lease commitments							
Roșia Montană exploitation license	938	268	268	268	134	-	-
Surface concession rights	1,207	33	33	33	33	33	1,042
Property lease agreements	82	82	-	-	-	-	-
Total commitments	**2,308**	**406**	**359**	**301**	**167**	**33**	**1,042**

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

13. Segmental information

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

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

The segmental report is as follows:

	Romania		**Corporate**		**Total**	
For the three-month period ended March 31,	**2016**	2015	**2016**	2015	**2016**	2015
Reportable items in the Condensed Consolidated Income Statement and Comprehensive Income						
Interest received	-	-	(13)	(71)	(13)	(71)
Finance costs - convertible note accretion	-	-	955	925	955	925
Depreciation	73	-	16	24	89	24
Reportable segment loss	2,142	-	5,228	7,370	7,370	7,370

As at March 31,	**2016**	2015	**2016**	2015	**2016**	2015
Reportable segment in Condensed Consolidated Statement of Financial Position						
Reportable segment current assets	**20,218**	865	**14,016**	39,262	**34,234**	40,127
Reportable segment non - current assets	**5,010**	596,381	**54**	201	**5,064**	596,582
Reportable segment liabilities	**(3,657)**	(8,075)	**(34,401)**	(2,687)	**(38,058)**	(10,762)

The Group's non-current assets are predominantly located in various port facilities within the European Union.

14. Private placement

On May 30, 2014 the Company completed a private placement with a number of existing shareholders (the "2014 Private Placement"). A total of 35,000 units were issued at a price of $1,000 per unit to raise aggregate gross proceeds of $35.0 million. Each unit consists of:

- $1,000 principal amount of convertible, subordinated, unsecured notes with a coupon of 8% (the "2014 Notes"). The 2014 Notes mature on June 30, 2019 and are convertible at any point prior to maturity, at the option of the holder, into common shares of the Company at a conversion price of $1.255 per common share;
- 398 common share purchase warrants (the "2014 Warrants"), each of which entitles the holder to purchase one common share of the Company at a price of $1.674 at any time prior to June 30, 2019; and
- one arbitration value right ("2014 AVR"), which entitles the holder, subject to certain limitations and exclusions, to a pro-rata proportion of up to 5% (capped at an aggregate of $130 million) of any amounts received by the Group pursuant to any settlement or arbitral awards irrevocably made in favour of the Group.

The 2014 Private Placement is accounted for as a compound financial instrument. The debt component of the compound financial instrument was recognized initially at fair value of a similar liability that does not have an equity conversion option. The warrants were recorded at fair value. The equity component was recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the debt and warrant components. Any directly attributable transaction costs were allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial measurement, the debt component is measured at amortized cost using the effective interest rate method. The valuation of the equity component is not adjusted subsequent to the initial recognition except on conversion or expiry.

As further disclosed in Note 15, the Company has amended certain terms of the 2014 Private Placement, including a reduction in the annual coupon applicable to the 2014 Notes from 8% to 0.025%.

15. Post Balance Sheet Events

On March 29, 2016, the Company announced its intention to raise up to $20 million by way of a non-brokered private placement (the "Private Placement") with a number of existing investors (the "Subscribers"). In addition, the Company announced its intention to enter into arrangements with certain existing securityholders to amend certain terms of the securities held by such holders (the "Restructuring" and together with the Private Placement, the "Transactions"). Additional details regarding the Transactions were also announced on May 3, 2016. The Transactions closed on May 11, 2016.

Private Placement

Pursuant to the Private Placement, the Company issued 20,000 Units, each Unit consisting of (i) $1,000 principal amount of 0.025% convertible subordinated unsecured notes (the "New Notes"); (ii) 1,610 common share purchase warrants (the "New Warrants"); and (iii) one arbitration value right (the "New AVRs").

The New Notes will mature on June 30, 2021 and will be convertible at any time prior to maturity, at the option of the holder, into common shares in the capital of the Company ("Common Shares") at a price of $0.3105 per Common Share, representing a premium of approximately 35% to both the thirty-day and the five-day volume weighted average price of the Common Shares on the TSX immediately preceding the announcement of the Transactions, being $0.23 (the "Market Price"). At maturity, the Company will have the ability to repay the New Notes through issuing Common Shares.

Each New Warrant will entitle the holder to acquire one Common Share at an exercise price of $0.46, representing a premium of approximately 100% to the Market Price, at any time prior to June 30, 2021. Each New AVR will entitle the holder thereof to its pro rata share of 7.5% of any proceeds arising from the ICSID Arbitration, subject to a maximum aggregate entitlement of $175 million among all holders of arbitration value rights issued by the Company. The New Notes, New Warrants and New AVRs are together referred to as the "New Securities".

Restructuring

In May 2014, the Company closed the 2014 Private Placement. None of the respective 2014 Notes, 2014 Warrants or 2014 AVRs have been converted or exercised at the date of these Condensed Financial Statements. Pursuant to the Restructuring, the Company has amended certain terms of the 2014 Private Placement to align the principal terms thereof with the terms of the New Securities. The amendments include that: (i) the conversion price of the 2014 Notes will be reduced from $1.255 to $0.3105 (such reduced amount being a premium of approximately 35% to the Market Price); (ii) the interest rate of 8% per annum payable in respect of the 2014 Notes will be replaced with a 0.025% coupon payable annually with effect from January 1, 2016 and (iii) the exercise price of the 2014 Warrants will be reduced from $1.674 to $0.46 (such reduced amount being a premium of 100% to the Market Price). The interest accretion on the 2014 Notes pursuant to the Restructuring has not been adjusted in these Condensed Financial Statements but the appropriate adjustment will be made in the condensed financial statements for the three-month period ended June 30, 2016.