



To the Stakeholders of the Rosia Montana Gold Corporation:

In May 2010, I was appointed President & CEO of Gabriel Resources Ltd¹. I wish to use the occasion of this 2011 Communication on Progress (CoP) under the UN Global Compact (UNGC) as a means to re-iterate the support of both Gabriel and Rosia Montana Gold Corporation to the principles of the UN Global Compact.

The enclosed 2010 Annual Report (“A Project for Romania”) clearly demonstrates our ongoing commitments to the UN Global Compact. The Annual Report will thus serve as our 2011 Communication on Progress by highlighting our efforts in the course of 2010 in implementing the UN Global Compact and its principles.

While we are still only engaged in the process of permitting for the development of the Rosia Montana gold and silver project in Romania we strongly believe that environmental stewardship and fulfilling the UNGC principles – such as those concerning human rights, labour, and anti-corruption policies - are implemented long before operations at the site begin.

In particular, in relation to the later – paralleled with a substantial increase in staff in the course of 2010 – we have ensured that human rights, labour and anti-corruption protocols are fully integrated into the company’s strategies, operations and culture independent of local laws and in line with the UNGC principles.

For instance, Principle 10 of the Global Compact commits signatories to “work against corruption in all its forms...”. On 1st July 2011 the new UK Bribery Act came into force; with a UK-registered subsidiary, Gabriel fulfills the requirements stipulated in this act. In addition, the company is entering into a dialogue with the Extractive Industry Transparency Initiative, which sets a global standard for transparency in oil, gas and mining.

When it comes to the UNGC principles concerning the environment the practical aspect of living up to them comes only when the mining operations begin. Nevertheless as expressed most notably in our Environmental Impact Assessment the company’s aim is to develop the Rosia Montana gold and silver project into a benchmark for responsible mining. In other words, to contribute with our actions in promoting sustainable development at local, national and international level thus actively advancing several Millennium Development Goals, especially Goal 1 to eradicate extreme poverty and hunger, Goal 2 to achieve universal

¹ **Gabriel Resources Ltd.** is a Canadian-listed resource company committed to responsible mining and sustainable development in the communities in which it operates. Gabriel is engaged in the exploration and development of mineral properties in Romania and is presently in the permitting stage and preparing to develop its 80.46%-owned Rosia Montana gold project. The Rosia Montana gold project is currently undergoing the technical review of its environmental impact assessment by the Romanian authorities.

primary education, Goal 7 to ensure environmental sustainability, and Goal 8 to develop partnerships for development.

As indicated in previous CoPs, we understand that true sustainability is less about corporate contributions, but rather about building up a community's capability over time and to ensure long-term development beyond the life-cycle of the mining operation. This understanding informs our actions including our activities in 2010 which are described in more detail in the enclosed corporate annual report.

I shall nevertheless use the following lines to highlight a number of activities we have undertaken in the last 12 months, which demonstrate our commitment to the UN Global Compact and its principles:

- Additional investments and activities were made and carried out in ***the social, cultural and educational sphere***. Education was a major focus in 2010 and the regular summer school OviduRom/EduCaleidoscop was attended by over 60 teachers and more than 500 pupils. The company continued its more than three year partnership with CERT Apuseni (Youth Resource Center from Apuseni) which enrolled almost 300 youngsters in leadership development and environmental awareness programmes in the course of 2010.
- ***A commitment to heritage***. In 2010 emergency repairs and protection or conservation works were carried out on approximately 80 historical houses. In March 2010, the Company completed the first significant building restoration project in the old town of Rosia Montana. The restored historic building is now a Heritage Information Center which attracted more than 10,000 visitors in the first year. Over the past five years the company has invested more than US\$10 million in exploration and recovery of Rosia Montana's cultural heritage.
- The Rosia Montana site suffers from 2,000 years of mining activities with 100 hectares affected by 18 waste stockpiles and two open pits together with 140km of underground galleries generating acid water with heavy metals contaminating up to 40km downstream from the site. The company's goal is to clean up these environmental legacies and in the course of 2010 it continued on the path to sound environmental stewardship by initiating reforestation projects and the cleaning up of a 10km stretch of a local river, amongst other activities.

As indicated in previous CoPs we will continue to pursue dialogue with all our stakeholders and on behalf of Gabriel Resources, I am pleased to submit this Report to our stakeholders as a sign of our continuing commitment to engagement, openness and social and environmental responsibility.

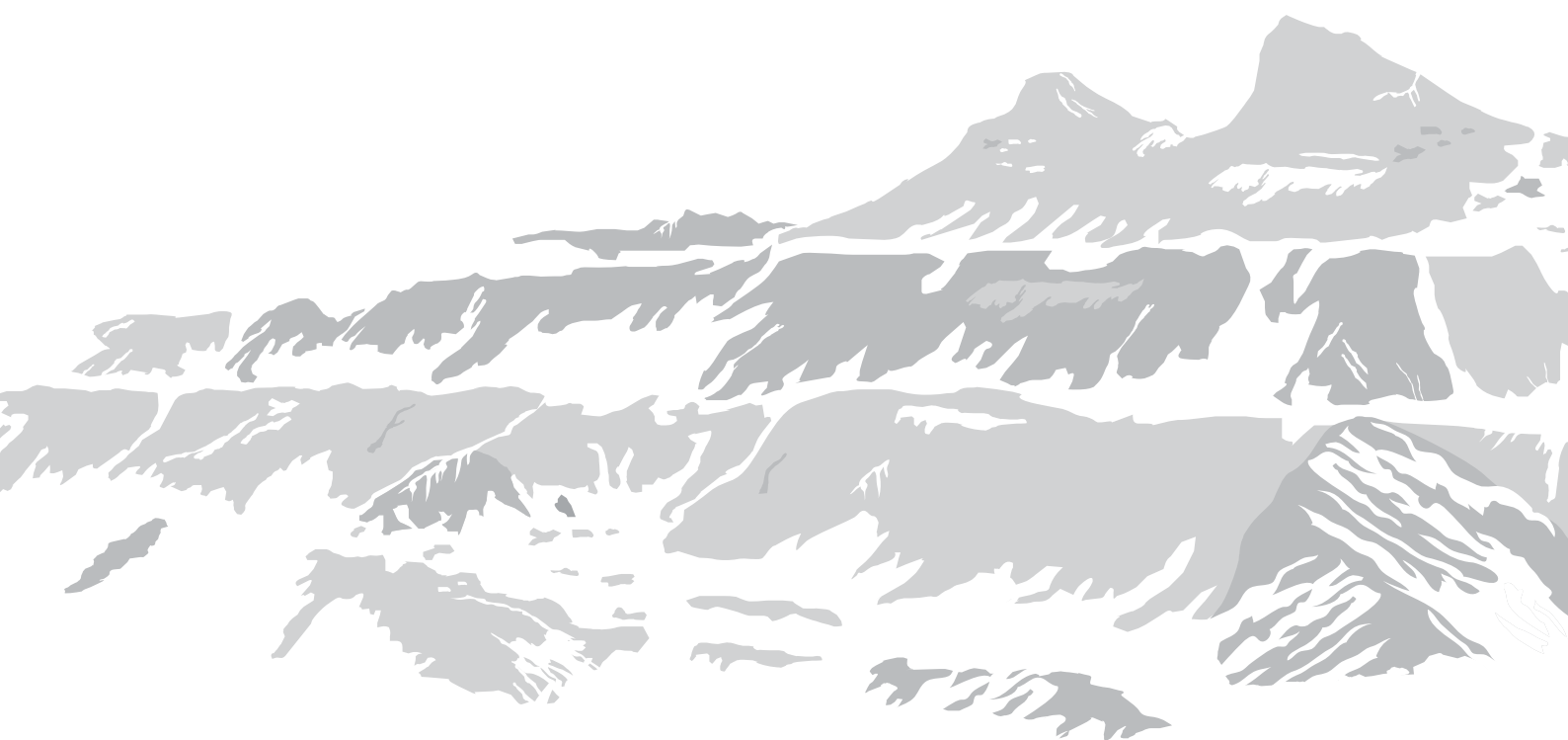
Signed,

A handwritten signature in dark ink, appearing to read "Jonathan Henry", with a stylized flourish extending from the end.

Jonathan Henry
President & Chief Executive Officer
Gabriel Resources Ltd.

A Project for Romania

Annual Report and Accounts 2010



GABRIEL
Roșia Montană

Gabriel Resources – a commitment to sustainable economic development involving cultural and community partnerships in Romania.

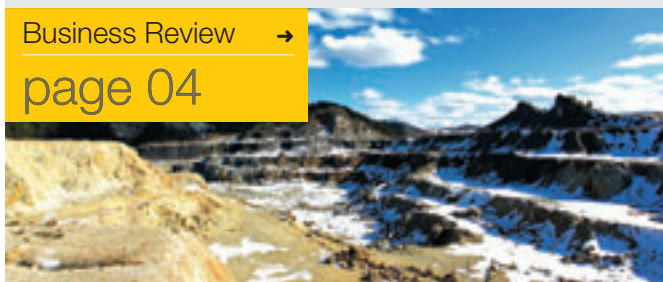
Gabriel Resources Ltd. is a Toronto listed (GBU.TSX) gold exploration and development company committed to responsible mining and sustainable development. Gabriel currently owns a number of licenses in Romania with its focus on the development of its 80.46% owned Rosia Montana project (“the Project”).

Gabriel Resources Ltd. is referred to throughout as “Gabriel” or “the Company”.

01	Rosia Montana
02	Highlights
03	Chairman's Statement
04	Business Review
04	Introduction
06	Management Discussion & Analysis (abridged)
08	Sustainability
08	Economy
10	Environment
12	Heritage
14	Community
16	Board of Directors
17	Corporate Governance
18	Management's Responsibility for Financial Reporting
19	Independent Auditor's Report
20	Consolidated Balance Sheets
21	Consolidated Statements of Shareholders' Equity
22	Consolidated Statements of Loss and Comprehensive Loss
23	Consolidated Statements of Cash Flows
24	Notes to the Consolidated Financial Statements
IBC	Investor Information

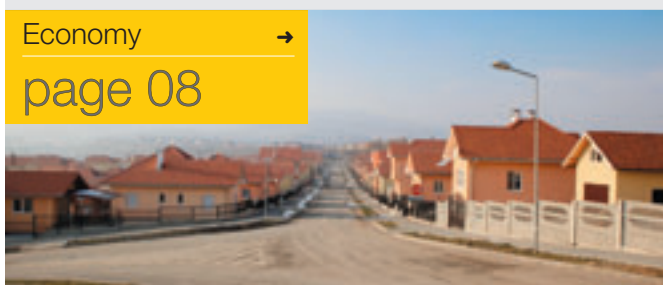
Business Review →

page 04



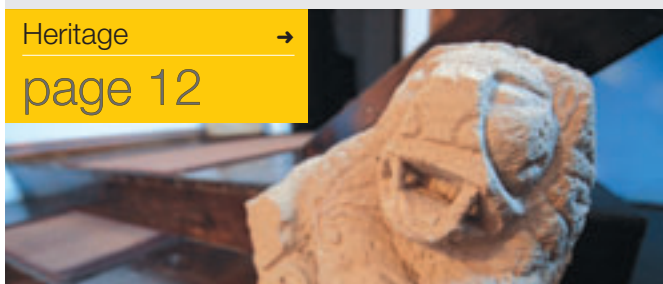
Economy →

page 08



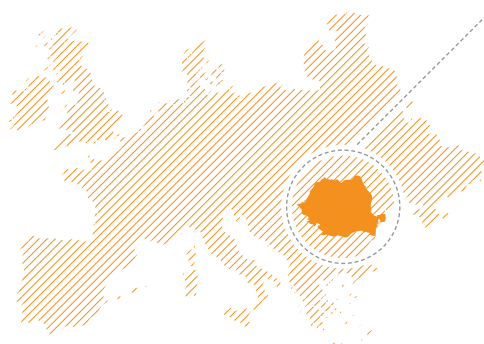
Heritage →

page 12



Rosia Montana hosts Europe's largest undeveloped gold deposit – a world class asset with a rich mining history.

The Project is situated in west-central Romania near the village of Rosia Montana in Alba County within the Rosia Montana mining district. The Project has a long mining heritage. Reported resources of 14.6m oz of gold and 64.9m oz of silver (M&I), including 10.1m oz gold and 47.6m oz of silver reserves (2P). Additional exploration potential exists on the Bucium exploration license applications, some 5km away.



2010 - a renewed focus for the Company

Support for the Project rose significantly in 2010. The new Board and management team have overseen a rising share price buoyed by a strong gold market, as well as recommencement of the permitting process with several meetings held for technical reviews of the Project's EIA. The Project has made progress with renewed focus on delivery to the highest standards and commitment to all stakeholders, including communities at a local level.

- Gold market remained strong in 2010
- Recommencement of Environmental Impact Assessment ("EIA") review and permitting process
- Stakeholder support for Rosia Montana development

Potential to underpin Romanian GDP growth

Romania's Rosia Montana region has been characterised by economic decline and environmental degradation. Today, there is a real plan for a brighter future and a significant contribution to Romanian GDP through the Project. Gabriel is committed to building a new mining facility to reinvigorate the local and wider economy and to provide an economic basis for sustainable development for the whole area for decades to come.

- Direct and indirect benefit to Romania of US\$19 billion
- Investment in excess of US\$1 billion required
- Job creation locally and across Romania

Resources dedicated to preservation

We are dedicating significant funding to honour Rosia Montana's cultural heritage whilst setting world-class standards for engineering, environmental and social responsibility. More than US\$10 million has been invested in Rosia Montana's cultural and heritage exploration and recovery, one of the largest programmes in Europe.

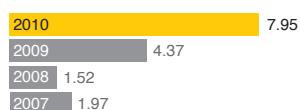
- Rehabilitation of building No. 325, mining museum opened
- 10,000 visitors to "Aurul Apusenilor" exhibition in first year
- Restoration and repair programme continues

Highlights

2010 has been a milestone year for Gabriel. The gold market has remained strong; stakeholder and community support at all levels for the Project has grown. The permitting process recommenced with technical reviews and the EIA in progress.

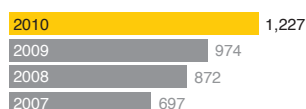
Gabriel Share Price

As at December 31 (CAN\$)



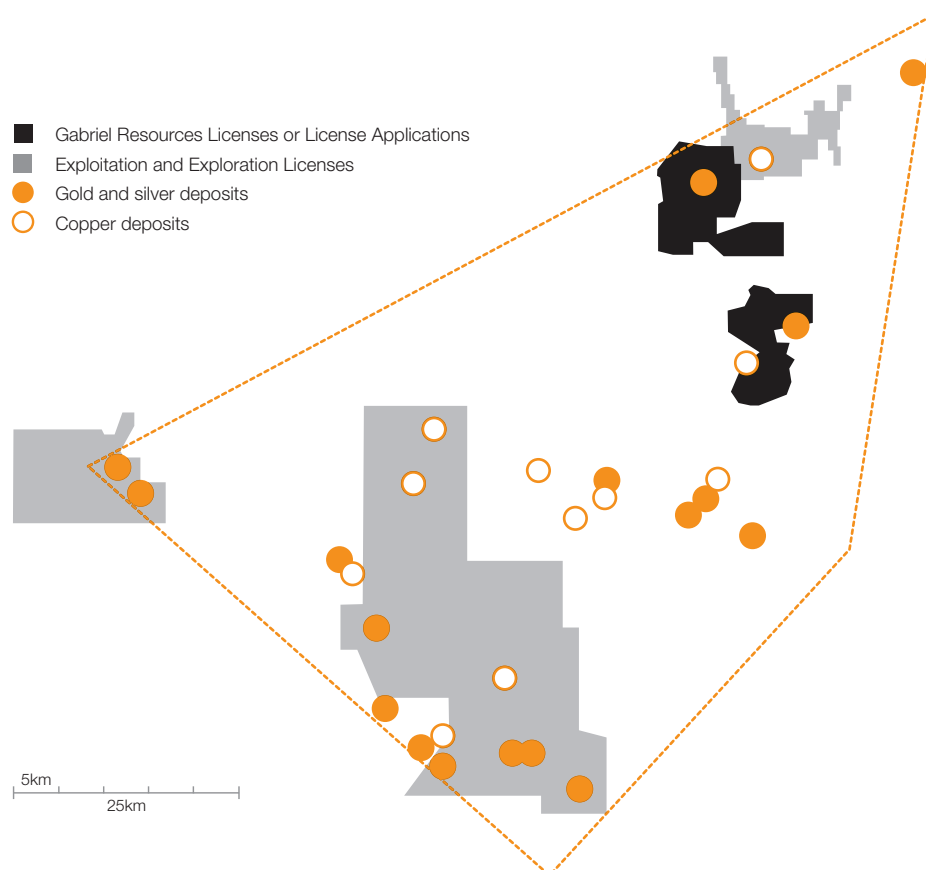
4 Year Gold Price

Annual Average (US\$)



Regional Geology – “The Golden Quadrilateral”

Spanning Alba, Mures, Sibiu, Cluj and Hunedoara Counties



- A world class gold asset located in Romania and poised for development
- The Project offers substantial returns for all stakeholders
- Permitting is progressing and Gabriel is engaged with all stakeholders
- The Project is funding investment in responsible and sustainable mining for the benefit of future Romanian generations

Chairman's Statement

In line with our mission of creating value for all stakeholders from responsible mining, 2010 has proven to be a watershed year.

It is my pleasure to present the annual report for Gabriel for 2010. The gold market has continued to strengthen, and stakeholder and community support at all levels for the Project has grown. Most notable has been the recommencement of the permitting process and the technical reviews and EIA which are underway. I am confident that 2011 will prove to be a pivotal year for the fortunes of your Company.

2010 saw progress in our main goal of bringing Europe's largest undeveloped gold and silver deposit closer to production. I am pleased to report that the Rosia Montana environmental permitting process recommenced on September 17, 2010 with the support of local and federal political decision makers. Against a backdrop of difficult austerity measures, the Project continues to receive governmental support as a means of bringing economic stimuli to a poor region with significant unemployment. This support does bring a great deal of political and public attention and much time has been invested in educating stakeholders as to the benefits of developing the Project. The benefits are not just economic; we are committed to responsible mining and developing this Project so that it conforms to the highest standards on environmental, cultural and social matters.

The environmental challenges are significant for this Project. Historical mining activities have not been regulated and the Rosia Montana area has suffered from unchecked levels of waste and water pollution. Inherent within the Project's development therefore is the undertaking to responsibly redress the situation and put systems in place for a safe, clean and sustainable operation. Working with the Government, the approval of the EIA is the first step to a cleaner environment in and around Rosia Montana.

There are a number of other permits and approvals that are required for the development of the Project to proceed to construction and 2010 also saw progress on these fronts. The public participation for the amended industrial zonal urbanisation plan was completed and a number of the required approvals were obtained. Also in June 2010 the Cetate and Corna dam safety permits for the Project were obtained from the Ministry of Environment. Although the permitting process can be long and further protracted by currently unforeseen events, I am confident that a successful conclusion for the initial environmental impact assessment stage will be reached and the Project moved forward in 2011.

The social and cultural aspects for the development of the Project are also very important. Construction permits will be granted when the necessary surface rights have been acquired. Following the acquisition of 78% of the homes and dwellings to date further efforts are expected to commence in 2011 in the acquisition of the remaining private and institutional properties within the Project footprint. The Recea resettlement programme is ongoing and all of the 125 new homes are now occupied. Discussions are underway for the expansion of this resettlement community as well as a further resettlement village to be built close to Rosia Montana for the remaining homeowners who have chosen or may decide to be resettled.

During the past year emergency maintenance work was carried out on 160 houses located in the historical centre of Rosia Montana as part of the village heritage preservation programme. Full restoration of one village centre dwelling has been completed which now houses the permanent exhibition of history and mining archeology. This is an integral part of the mining museum, which is part of the public commitments made in the environmental impact assessment and part of the Company's commitment to a sustainable mining community. In addition, progress has been made with applications for archeological discharge permits that will be needed for various areas within the Project construction footprint.

In the short term, continued efforts need to be made to grow the Romanian public and Governmental support for the Project and in obtaining approval of the EIA and all other required permits that will allow construction activities to commence. Our other Romanian projects remain on hold until such time as the Rosia Montana permitting process is concluded. For the longer term our efforts will continue to be focused on maximising stakeholder value while ensuring that the Project benefits those in the community and the surrounding area to the optimum possible extent.

I have said earlier that 2011 will be a pivotal year in the fortunes of the Project in Rosia Montana and for Gabriel. The progress attained thus far would not have been possible if it had not been for the dedication and support shown by our management and staff, our Board of Directors, our major shareholders, and the local, regional and national communities we operate in. I am confident that the permitting process will reach a positive conclusion and that our vision to be a catalyst for sustainable economic, environmental, cultural and community development for future generations will be realised.



Keith R. Hulley
Chairman

Business Review

Introduction

Our mission is to create value for all of our stakeholders from responsible mining

Our vision is to build the Rosia Montana project and to be a catalyst for sustainable economic, environmental, cultural and community development

- New Board and management team appointed
- Recommencement of EIA review and permitting process
- Stakeholder support for Rosia Montana's development
- Mining museum opened

In 2010, many commodity and stock market indices experienced historically high levels of volatility in the face of the global economic crisis. Financial market conditions continued to improve during the year as global credit markets started to stabilise, investor confidence improved and most economies experienced positive growth. During the year, the US dollar was generally in decline and the EURO weakened against the Canadian dollar as a result of low interest rates and concerns about the solvency of certain European Union countries. Gold price volatility in 2010 remained high with the price reaching a record level of US\$1,424 per ounce. The average gold price for the year was US\$1,227 per ounce.

The Romanian Government continued to implement austerity measures intended to reduce Romania's budget deficit and comply with the requirements of the International Monetary Fund's emergency aid programme. Given the critical importance of sustained economic development for Romania, the Company continues to draw public and political attention to the significant economic opportunity its Project represents, while setting or conforming to the highest standards on engineering, environmental, cultural and social matters.

The Project continued to receive support from members of the local and regional political leadership, in line with the Government's effort to create economic stimuli. On September 17, 2010, the Ministry of Environment ("MOE") recommenced the Technical Analysis Committee ("TAC") review of the Rosia Montana EIA, which had been suspended since the fall of 2007, and the Project is now receiving the objective analysis the Company has long sought.

The first formal TAC meeting was held on September 22, 2010. There have been two further TAC meetings (held on December 22, 2010 and on March 9, 2011). At this time it is not known how many further meetings will be required by the TAC to review and to make an assessment of the Project's EIA or how long this process may take. Ultimately, the EIA must be approved by a Cabinet decision of the Romanian Government. The Company's management is advised currently that this can be achieved by the end of the second quarter of 2011.

While the EIA approval is the most important approval required for the Project, there are a significant number of other permits and processes required to advance the Project to construction, such as zonal urbanisation plans for the industrial and protected areas, forestry/agriculture land use change permits, archeological discharge certificates, as well as other permits and approvals that follow EIA approval. To that end, to the extent these permits and approvals are not dependent on EIA approval or the acquisition of surface rights, the processes for each of these are proceeding in parallel with the EIA review process.

Gabriel is moving forward with the amended industrial zonal urbanisation plan ("Amended PUZ"), having completed the public consultation and has obtained the Romanian Waters Authority endorsement. In December 2010, as part of the Strategic Environmental Assessment process ("SEA") relating to the Amended PUZ, Rosia Montana Gold Corporation ("RMGC") presented all the updates and detailed information requested by the Regional Environmental Protection Agency in Sibiu and in March 2011 approval of the SEA was obtained. In addition, the Local Council of Rosia Montana has initiated the process for the zonal urbanisation plan for the protected area ("PUZ – Protected Area").

In June 2010, the dam safety permits for the Cetate and Corna dams for the Project were issued by the MOE. The forestry and agricultural land use change permits will proceed after the EIA has been approved and surface rights obtained. In the absence of any other extraordinary events, legal or otherwise, the Company expects permitting processes to take approximately one year from the date the EIA and the new archeological discharge certificate for the Carnic deposit are approved by the Romanian government. The majority of outstanding surface rights acquisitions and other permits and approvals including initial construction permits for the Project will also be obtained in that period, although there is no precedent or regulatory timeline against which to judge this estimation.

During the past year, RMGC continued emergency maintenance work on 160 houses located in the historical centre of Rosia Montana, with the aim to stop their deterioration. While these houses are not designated as historic, their restoration will contribute to maintaining the character of Rosia Montana village. This emergency conservation work will continue through a multi-year program, which will run in parallel with the construction and the operations phase of the Project. RMGC has completed the restoration of an historical home located in the centre of Rosia Montana to host a permanent exhibition of history and mining archeology, which will be part of the future mining museum (this being one of the public commitments made in the EIA).

During the year ended December 31, 2010, the Company issued 8.9 million common shares on the exercise of stock options for aggregate gross proceeds of approximately \$19 million. The Company intends to use the net proceeds towards the costs associated with developing the Project and for general corporate purposes. Cash, cash equivalents and short-term investments at December 31, 2010 totalled \$121.5 million.

Based upon the last NI 43-101 technical report dated March 2009, initial pre-production capital costs are estimated to be approximately US\$1 billion (excluding working capital).

Total sustaining capital costs over the life of mine are estimated to be approximately US\$366 million, plus reclamation costs of US\$128 million. As at December 31, 2010, Gabriel had purchased approximately US\$46 million of long-lead time equipment that is excluded in the estimates above of remaining capital to be spent.

Business Review

Management Discussion & Analysis (abridged)

The full Management Discussion & Analysis statement for 2010 can be found on www.sedar.com

The Path to Gold

It remains management's belief that once the EIA for the Project and the new archeological discharge certificate for the Carnic area are approved by the Romanian Government, in the absence of any other extraordinary events, it would take approximately one year to:

- Complete the majority of outstanding surface rights acquisitions;
- Receive the majority of other permits and approvals, including initial construction permits; and
- Complete the control estimate and initial documentation on any third party Project financing.

Once construction of the mine begins, it is expected to take an estimated 30 months to complete. Ultimately, the Romanian Government determines the timing of issuance of the EIA approval and all other permits and approvals required for the Project, subject to the Romanian courts dealing with litigation in a timely manner. In the absence of further unforeseen delays the Project is expected to pour first gold by the end of 2014.

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

- Continue with public relations efforts to increase Romanian public and Government support and backing for the Project;
- Obtain approval of the EIA and all other required permits that allow construction activities to commence; and
- Continue to maximise shareholder value, while optimising the Project benefits to those in the community and the surrounding area.

Investing Activities

The most significant ongoing investing activities are for furthering progress for the Project in Romania. Most of the expenditure to date has 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, archeological and rehabilitation work to buildings, as well as surface rights/property acquisition. Once construction permits are received, the nature and magnitude of expenditure will increase, as roads, production facilities, open pits, tailings management facilities and associated infrastructure are built.

No additional work is planned on the Bucium property until the exploration license is converted to an exploitation license and the Rosia Montana EIA is approved. The government has indicated that a decision on the conversion of the Bucium exploration to exploitation license will not be made until a decision to proceed with the Project has been made.

The final installments for the processing mills are expected to be made in 2011 (\$1.6 million) at which point the grinding area systems and crushing facilities will be fully paid for and in the possession of the Company. In order to minimise the transportation, storage expenditures and other costs, the Company evaluated various strategies for storing completed equipment and based on the final evaluation the equipment is currently stored at four main locations in accordance with each manufacturer's specifications.

Liquidity and Capital Resources

Until receipt of the environmental permits for the Project, the only source of liquidity is the Company's cash balance, any bridge financing, exercise of stock options and warrants outstanding, and the equity markets. The cost to complete the Project was estimated at US\$876 million based on a revised cost estimate in March 2009. To complete the development of the Project, the Company will need financing of approximately US\$1 billion, to fund capital costs of US\$876 million plus working capital, interest, financing and corporate costs estimated at US\$124 million. Once EIA approval has been granted, the Company will re-examine financing alternatives. If the Company was unable to raise the required funds, it would seek strategic alternatives to move the Project towards development.

Market Outlook

The tone for the precious metals market in 2011 will depend on whether the US dollar will be supported, and if the central banks will continue to maintain interest rates at low levels to support economic growth. The continued global easing of monetary policy could lead to higher inflation and further US dollar depreciation in the coming years. This could have a positive impact on gold prices in the future and the long-term upward trend in prices may continue. Conversely, subdued inflation rates and the recovering global economy could put downward pressure on the gold price in the future. Additionally, recent events in North Africa and the Middle East could continue to have a positive effect on the gold price, which has seen all time highs above US\$1,500 per ounce in recent weeks.



Financial Summary

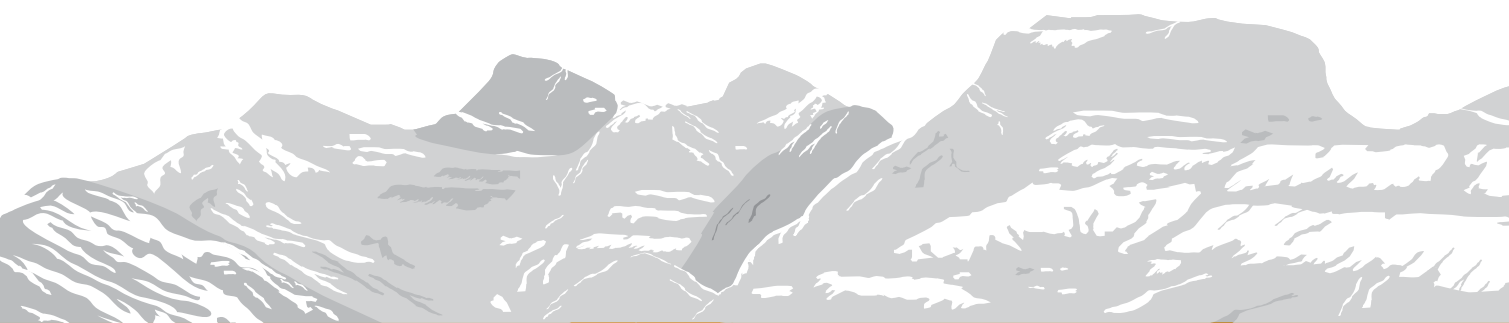
- Total expenses in 2010 were lower (by \$7.8 million) than 2009 primarily due to lower costs associated with the departure of senior employees and executives of the Company. During 2010 the Company incurred a \$1.7 million charge for retiring allowances and settlement payments, including the expensing of share-based compensation, versus \$8.8 million in 2009. In addition, the current year included the recovery of Project finance costs upon the expiry of warrants (\$0.5 million).
- Total expenses in 2009 were higher (by \$8.3 million) than 2008 primarily due to expenses in 2009 for the costs associated with the departed and departing senior employees and executives of the Company, partially offset by lower project financing costs (\$0.6 million).
- Other income (expenses) included interest income and foreign exchange gains and losses. The weakening of both the US dollar and the EURO against the Canadian dollar resulted in higher net foreign exchange losses in 2010 (by \$11.2 million).
- In 2009, other income (expenses) included interest income and foreign exchange gains and losses. The weakening of both the US dollar and the EURO against the Canadian dollar resulted in foreign exchange losses of \$4.7 million in 2009, compared to foreign exchange gains of \$15.8 million in 2008. Other income (expenses) was reduced further by lower interest income in 2009 (\$3.2 million) due to lower interest rates compared to 2008.
- In 2010, the Company reported a lower loss (by \$3.8 million) compared to 2009 due to lower operating expenses of \$7.8 million and a recovery of prior year's income taxes of \$6.9 million, largely offset by higher foreign exchange losses in 2010 (\$11.2 million).
- The higher loss for 2009 (by \$22.5 million) compared to 2008 is primarily due to a swing of \$20.6 million in foreign currency movements, higher operating expenses of \$8.3 million and lower interest income of \$3.2 million. The increase in losses was partially offset by lower income taxes of \$9.6 million.
- The Company will continue to incur losses until the Project begins commercial production.
- The increase in total assets for the years ended 2008 through 2010 primarily relates to the 2009 equity issues, together with the exercise of stock options and warrants, which raised a total of \$203.6 million to finance the advancement of the Project.



- Long-term liabilities on the Company's balance sheet are comprised of Deferred Share Units (DSUs) (\$1.4 million) due to directors and officers of the Company and a fidelity bonus (\$2.2 million) that represents a retention bonus for Romanian employees.
- The higher expenditure in 2010 compared to 2009 is related to the costs incurred in support of the ongoing EIA review process by the Romanian subsidiary and higher project management and engineering costs.
- The lower expenditure in 2009 compared to 2008 is due to higher foreign exchange gains recognised by the Romanian subsidiary and lower project management and engineering costs partially offset by higher external communications and resettlement site construction costs.
- The Company's primary source of liquidity has been the equity markets. The Company raised \$180 million over the past three years through two equity financings. The other source of liquidity is the exercise of stock options of \$23.6 million over the past three years.

CAD\$000's (unless otherwise stated)	2010	2009	2008
Total expenses	14,138	22,064	13,767
Other income (expenses)	(15,454)	(4,322)	19,472
Loss	22,667	26,578	4,095
Loss per share (basic and diluted) (Canadian dollars)	0.07	0.09	0.02
Total assets	661,892	658,694	530,135
Long-term liabilities	3,615	3,908	3,065
Investment in exploration and development including working capital changes	41,431	46,046	48,994
Cash flows from financing activities	19,339	182,736	1,097

Amounts in text are in Canadian dollars unless stated otherwise.



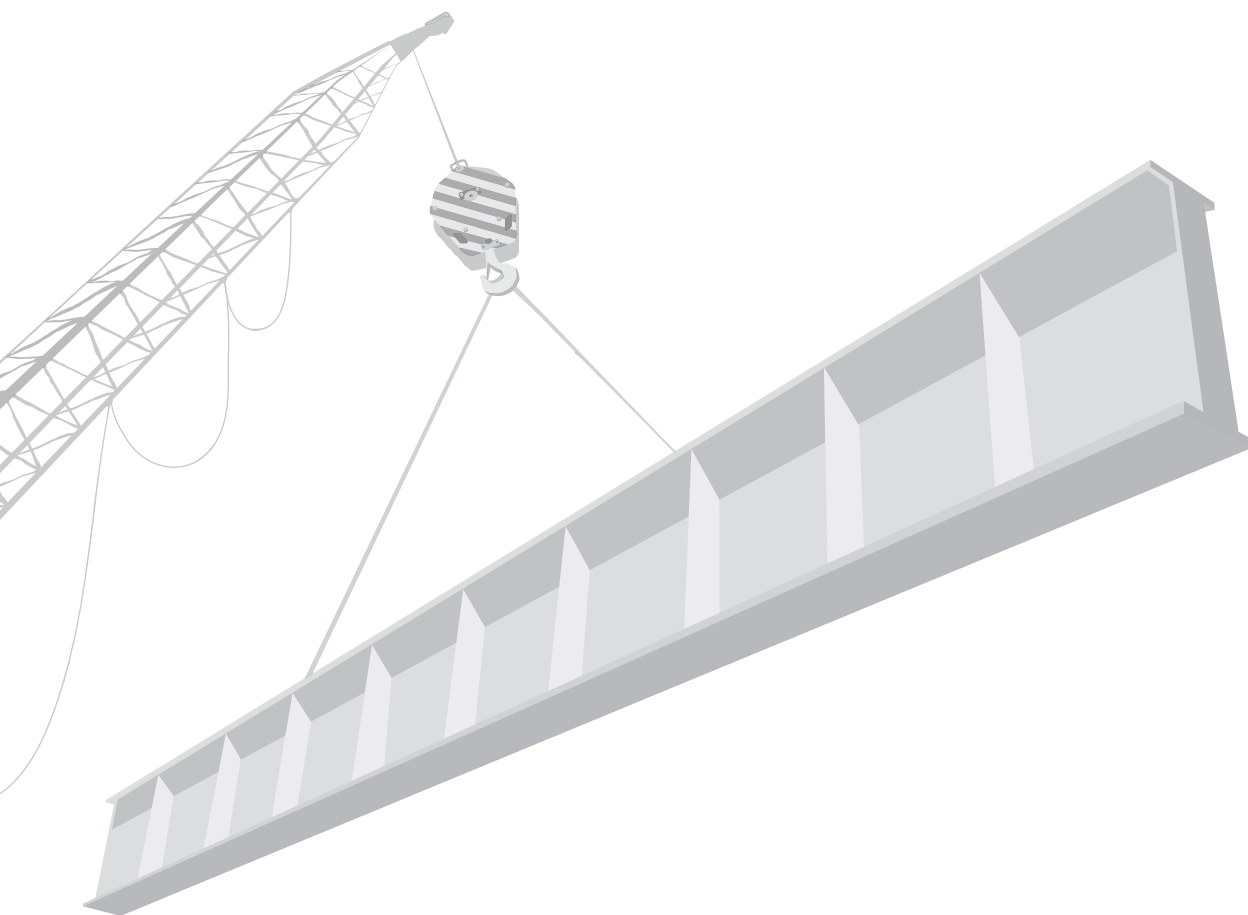
Sustainability Economy

Gabriel is fully committed to building a sustainable mine at Rosia Montana and to integrate UN Global Compact (UNGC) principles into Company policies and practices. Gabriel understands that true sustainability is less about corporate contributions and more about building up a community's capability over time.

Third party studies estimate that the Project represents a direct and indirect investment of at least US\$19 billion into the Romanian economy and will have a significant economic impact, creating employment opportunities, new business possibilities as well as making a major contribution to both local and central governmental budgets.

Even in advance of operations there are ways that the Company is demonstrating its commitment in this area. The TAC review of the EIA recommenced in late 2010, enabling the Company to demonstrate to the Romanian government its plans to adopt the most modern environmentally responsible mining and processing techniques which fully comply with both EU and Romanian laws and regulations as well as international management best practices. The Company has been active at a local level in 2010 with community led initiatives for health and welfare, educational and cultural programmes, community tradition initiatives as well as cultural heritage initiatives.

The financial plan of the Project provides direct benefits of more than US\$4 billion for the Romanian economy; of this total US\$1.8 billion will be paid directly to the state budget in the form of dividends, salary taxes, royalties and other duties. The remaining US\$2.4 billion is to be spent in Romania on human resources, electricity, transportation, construction, reagents, spare parts and other expenditure. Job creation at a local and county level will be a significant benefit of the Project with over 3,000 direct and indirect jobs to be made available during the Project construction phase. After obtaining authorisation, the Company is set to invest approximately US\$1 million per day during the two and a half year construction phase. In the region of 880 direct jobs are forecast for the operational stage of the Project.



Business opportunities for local suppliers will be important throughout the various Project phases with most of the Project operating expenses representing opportunities for the local community businesses. In order to ensure that the economic benefits of the Project are returned to the community local suppliers are prioritised as a Company policy.

The investment required to implement the Project amounts to approximately US\$1.8 billion of which US\$400 million has already been invested. The construction phase will total approximately US\$1 billion and the difference of approximately US\$400 million will be spent on sustainable development and closure phases.

The Project is set to generate substantial direct and indirect economic impacts. Over the 27 year currently forecast life of the Project (2 years for construction, 16 years for operation and 9 years for closure and rehabilitation) the total potential contribution of the mining project on the Romanian economy is likely to be in the order of US\$19 billion due to the impact of multiplier effects (according to independent studies undertaken by British based Oxford Policy Management).

Inflow (US\$ bn)

Gold and silver revenues	7.5
--------------------------	-----

Outflow (US\$ bn)

External suppliers	1.7
Financial costs	0.3
State and local budgets	1.8
Romanian economy, goods and services suppliers and employees	2.4
Reinvested profits	1.3

(assuming a gold price of US\$900 per ounce and a silver price of US\$12.50 per ounce)

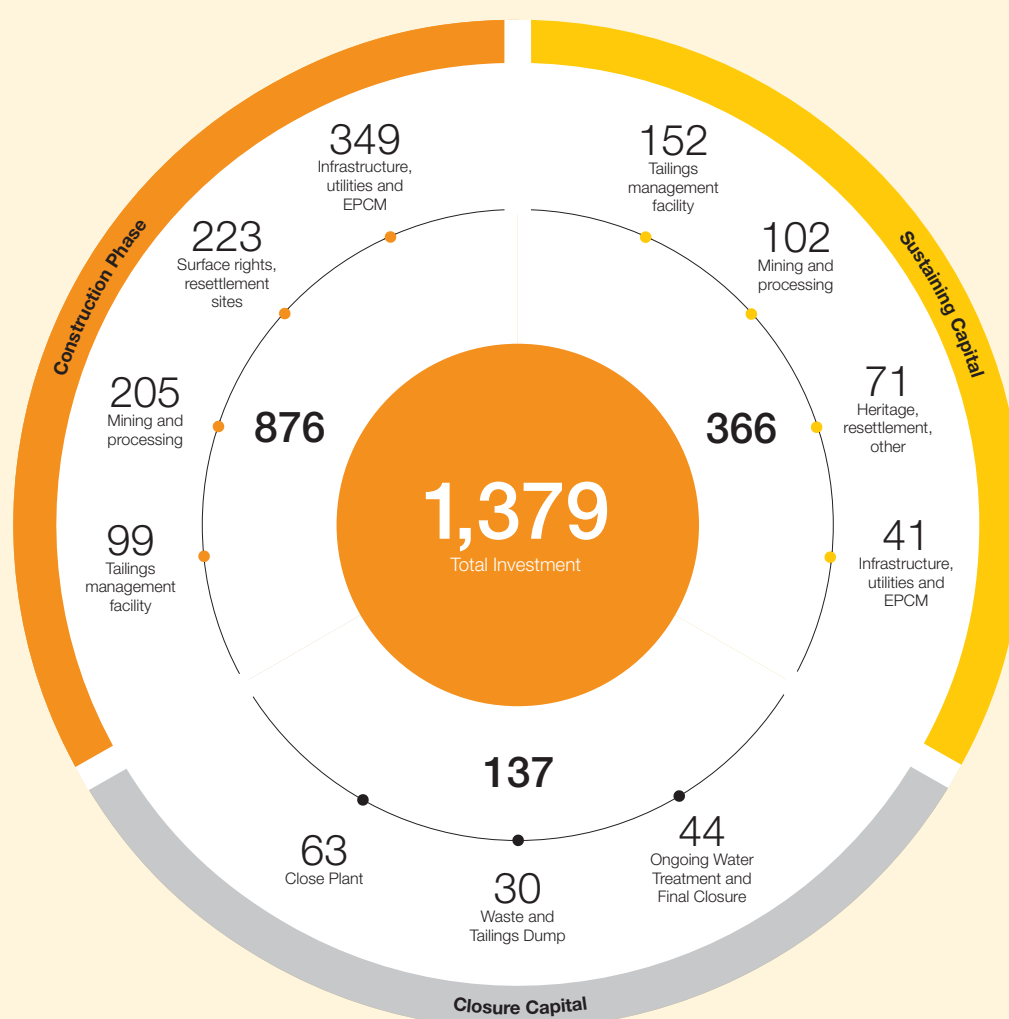
Romanian economy**Multiplier impact (US\$ bn)**

Output for companies	5.9
Government revenues	6.9

Total GDP extended cumulative contribution	19.0
--	------

Number of direct jobs created (Est.)

Construction phase	2,300
Operational phase	880



*All values US\$m

Sustainability Environment

By building a best practice modern mine and implementing the highest environmental standards, the Project creates an opportunity to remediate past damage, leaving the region's rivers and soil cleaner than before. The Project will be the first permitted under the EU's stringent environmental laws, creating a model mining project not only for Romania and the EU but for future mining projects worldwide.

Gabriel is committed to building a new state-of-the-art mining facility that will reinvigorate the local economy, restore and preserve cultural heritage, whilst setting world-class standards for engineering, environmental and social responsibility.

Even though the Project has yet to commence operations the Company continued to seek ways to demonstrate its commitment to sound environmental stewardship in the community in 2010. Recent projects have included a reforestation campaign and cleaning a 10km stretch of a local river. Energy use was minimised by reorganising office space in order to better accommodate current needs and "Green Office" rules were established that enhanced the recycling and responsible use of paper in the corporate offices. The long-term sustainability of the Project is dependent not only upon good relationships with employees and the community, but also the approach to the protection of the environment.

Looking at the Project plan from an environmental perspective, the Company has established four main areas of environmental objectives; forestry and landscaping, water, tailings dam safety and noise and vibrations.

From previous mining the site has 100 hectares affected by 18 waste stockpiles and two pits with 140 km of underground galleries generating acid water. Via the Project 500 hectares will be redesigned and the existing contamination and main pollution source will be eliminated. After mining, three pits will be backfilled and revegetated and a lake of 70 hectares will be created in one of the old pits.

Post mine closure all the affected areas will be rehabilitated and the natural local flora and fauna will be reinstated via green "ecological corridors". It is planned that there will be a progressive environmental reconstruction giving rise to enlarged vegetated areas and elimination of contamination wherever possible. Further measures will be taken to mitigate the impact on soils including fertilisation of top soil, conservation of the top soil, monitoring and treatment of acid soils as well as environmental rehabilitation of the soil profile.

Noise and vibration is expected to be low impact and only in the industrial areas, well within the limits required by legal standards. Overnight activity will be prohibited in the proximity of inhabited areas and protection barriers are to be pre-installed on machines. The noise and vibration situation will be monitored continuously to ensure standards are obeyed.



Four pits (Carnic, Cetate, Jig and Orlea) will be exploited in two principal stages, with the pits and stockpiles to be closed progressively. During processing the mined ore is to be leached using conventional carbon-in-leach technology. The tailings system which manages processed waste rock (known as the Tailings Management Facility or "TMF") has been designed with excess capacity and is able to withstand extreme weather conditions.

The river waters currently suffer from large concentrations of heavy metals and contamination up to 40km downstream from the site due to the exposure of historic workings to the elements. The Project will provide an immediate solution to clean water discharges, allowing the reintroduction of aquatic life.

As part of the Rosia Montana Environmental Partnership during 2010, significant achievements on environmental targets were attained, with the involvement of international groups through to the local communities.



Forestry and Landscaping



1,000ha

Objectives

Planting of 1,000 hectares of forestry to replace 255 hectares to be deforested

- All 1,000 hectares to be planted before the first tree for the Project will be cut
- Entire 300 hectares for TMF to be re-vegetated
- Cetate pit to be filled with water after rehabilitation
- Carnic, Jig and Orlea pits to be rehabilitated and re-vegetated

Tailings Dam Safety



250m tonnes

Objectives

Designed to hold the rainfall from two back to back 1 in 10,000 year extreme flood events within 24 hours

- Design capacity – 250 million tonnes
- Required capacity – 215 million tonnes
- Dams designed by MWH, based in the US, one of the world's leading companies in this field
- Norwegian Geotechnical Institute reviewed the design to be one of the safest in the world, able to withstand extreme earthquakes in a low risk seismic region

Water



85%

Objectives

Rational use of water – aim of recirculation of 85% of industrial water required in the process

- Collect and clean historical pollution from the site
- Ensure water life regeneration over 40km of river waters
- Best technologies will eliminate the source of acid rock drainage and enable management of surface run-offs

Sustainability

Heritage

Gabriel is fully committed to restoring, preserving and honouring Rosia Montana's unique cultural heritage. Over the past five years, more than US\$10m has been invested in exploration and recovery of Rosia Montana's cultural heritage, one of the largest privately funded programmes in Europe.

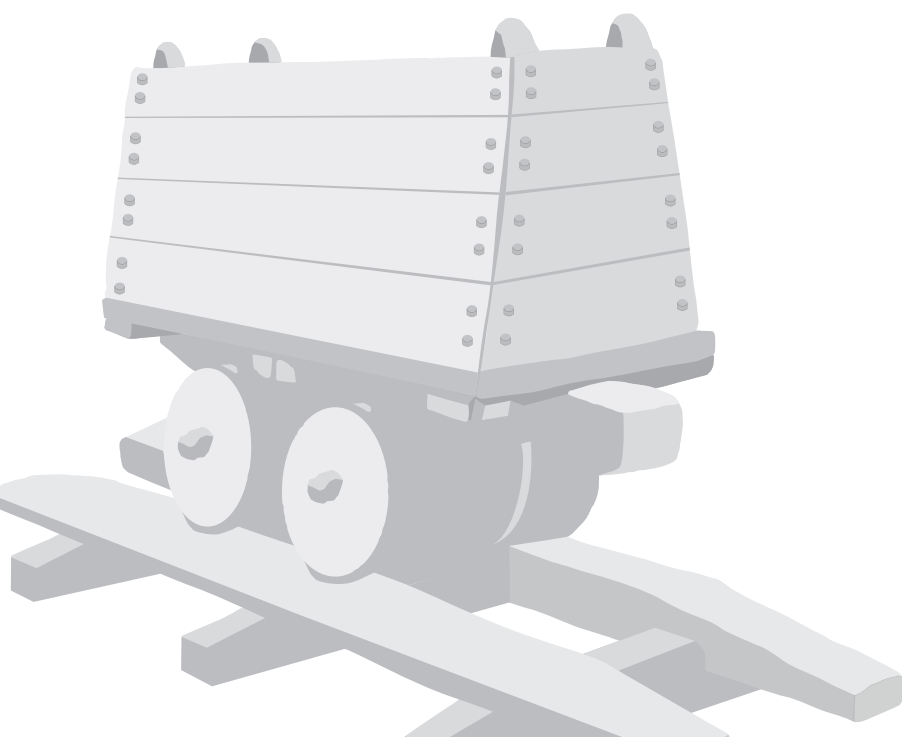
Gabriel has funded an independent and specialist rescue archeology team who are using state-of the-art research methods and techniques. All archeological efforts are being undertaken in compliance with UNESCO standards and EU archaeological guidelines. The cultural heritage plan includes a protected zone containing the village's historic structures as well as the future museum, which will allow scholars, students and experts to study the region's cultural heritage. Over US\$35m has been earmarked for ongoing heritage investment.

The investment to date has also funded the Alburnus Maior National Research Programme, the goal of which is not only to restore and promote the cultural values of Rosia Montana in accordance with sustainable development principles, but also to encourage the development of this area to standards worthy of its ancient fame. The Romanian National History Museum acts as coordinator of this extensive programme which applies the latest methods of cultural management, in compliance with EU and international standards.

The new urban zonal plan is in the approval stage for Rosia Montana's historical centre. This plan provides a protected area for the centre as well as a buffer zone, encompassing 135 hectares. 233 houses are owned by the Company in the centre of Rosia Montana. Of these 35 are historical monuments which will be restored.

The investment programme in maintenance, restoration and development of Rosia Montana's cultural heritage enjoyed significant progress in 2010 including:

1. Restoration works and, in the Rosia Montana historical centre, the inauguration of the mining history exhibition "Aurul Apusenilor" completed in March 2010.
2. Emergency repair works on buildings situated in the protected area primarily as conservation up until such time as restoration works are started and the buildings are made operational once more.
3. Design/restoration works on the historical monument buildings as well as the traditional buildings of Rosia Montana's historical centre.
4. Promotional activity for the cultural patrimony of Rosia Montana and local cultural events.



Restoration works

In March 2010, the Company completed the first building restoration project with the rehabilitation of Building No. 325 using traditional methods and materials, following a two and a half year period of restoration activity. The property is currently being used as a Heritage Information Centre and houses a collection and exhibition of mining, historical and archaeological artifacts.

Building repairs

The emergency building repairs on the buildings in the protected area are aimed at evaluating primarily the condition of the houses and prioritising them according to their conservation status and needs. The list of the emergency repairs in the historical centre of Rosia Montana exceeds 135 houses and annexes. In 2010 emergency repairs and protection or conservation works were carried out on around 80 houses.

Mining galleries

In parallel with these initiatives, maintenance and servicing works were carried out on a number of access galleries to underground mining operations on the areas of Catalina Monulesti, Paru Carpeni and Carnic. Over 140 km of galleries have been researched, out of which 7 km (in discontinuous fragments) are from the Roman period. The most significant galleries will be conserved in situ or replicated 1:1.

Outlook

Looking forwards the Company's cultural heritage efforts will continue to focus on maintenance, conservation and restoration of the historic centre as well as the provision of scientific and public research for the cultural heritage programme for Rosia Montana based on two major components: Archaeology (surface and underground) and Architecture.

In the short term, restoration of houses in the historical centre will continue as well as the preparation for restoration programmes for two valuable buildings: the old school and the old city hall. Furthermore, the design and execution programme for the future museum ensemble – the New Mining Museum – will continue as planned. This museum will be developed along three major pillars: inside basic and thematic exhibitions, open-air exhibitions and archaeological monuments preserved in situ and underground sections of Catalina Monulesti, Paru Carpeni and Piatra Corbului mining galleries.

All of these activities will be closely related to the development of the Project permitting process. If all proceeds according to plan the region will benefit from a new village, a restored historic village centre for Rosia Montana with museums, hotels, restaurants and modern infrastructure, mine galleries and potential for a sustainable tourism industry for the future.



Building No.325

In 2010, RMGC completed the rehabilitation of Building No.325 using traditional methods and materials, following a two and a half year period of restoration activity.

96 people

Resources and skills were utilised from 6 architects, 2 buildings experts, 4 building engineers, 2 worksite managers and 82 local workers

€150,000

Total costs of approximately Euro 150,000 for restoration, reopening and setting-up of the "Aurul Apusenilor" exhibition

10,000 visitors

Building No.325 has hosted over 10,000 visitors in the first year helping to bring renewed support and momentum for the Company in its efforts to restore and revalue the historical centre – the protected area of Rosia Montana

Sustainability Community

Gabriel is committed to fostering the sustainable development of the Rosia Montana community. This includes a comprehensive set of programmes designed to improve living standards, addressing education, skills training, assistance for the elderly, health issues, job and business creation, and respect for the area's archaeological heritage.

In keeping with its commitment to social responsibility, the Company's overriding objective is to maintain strong community relations and to engage all communities located near the site of the future mine and in the outlying areas in the decision-making process.

The Community Relations Department of RMGC maintains a comprehensive database related to the population impacted by the Project including, relocated and resettled families, vulnerable people (especially residents without properties) and non-displaced affected people (including families still waiting for their new houses to be built and isolated families). This database represents one of the most important components of the social responsibility goals set. 794 households have been purchased to date, in addition to 143 houses without residents. All households are provided assistance based on their specific needs during the relocation or resettlement process.

From the initiation of the relocation strategy, RMGC has supported the affected community throughout the relocation process by offering legal assistance, disposal and moving assistance, relocation assistance and a lifestyle restoration program (training and school grants). A support program for resettlement and relocation with specialised staff (social workers, social assistants, an occupational advisor and a sociologist) was established under the oversight of the Community Relations Department.

The new Recea resettlement site was inaugurated in May 2009. This is the first resettlement site built for local families affected by the Project. It is also one of the first real estate projects in Romania to encompass the development of comprehensive infrastructure prior to the construction of actual housing - with water, gas, electricity and sewage facilities developed entirely underground to meet EU standards.

Following a US\$32m investment, the new Recea district consists of 125 houses covering a 24 hectare area. The entire infrastructure was donated to Alba Iulia Municipality and the site includes over 13 km of roads. There were 12 construction companies involved in the building process, of which nine were based in Alba Iulia and three came from neighbouring counties. In all, 1,670 people worked at the Recea site and there is land available for expansion for up to 80 additional houses.



The resettlement option at Recea was largely driven by people's desire to live in a modern neighbourhood in the most developed town in the country. Individual visits and consultations with the families were ongoing during site construction. These regular visits allowed for modifications in house designs to meet the families' preferences. 125 families from Rosia Montana have chosen resettlement at the Recea residential area in Alba Iulia.

In 2010 further investment was made in social, cultural, educational and mining tradition projects. Within the social and cultural sphere several public events were held and general support services were provided such as transportation for pupils, sponsorships for churches and local community days.

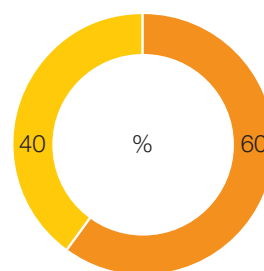
Education was a major focus in 2010 and several local programmes were held. The regular summer school OviduRom / EduCaleidoscop was attended by over 60 teachers and more than 500 pupils. During this summer school the teachers and children spent two weeks together learning new activities. The entire programme is developed within a partnership between NGOs, the Alba County School Inspectorate and RMGC.

RMGC has been in partnership for more than three years with CERT Apuseni (Youth Resource Centre from Apuseni). The program provides dancing and martial arts courses, as well as foreign languages and leadership development, creative activities and environmental awareness programs and events. Almost 300 youngsters were involved in the activity programme in 2010. Also in 2010 RMGC continued to support Leaders Foundation – an NGO with expertise in leadership competencies development, especially designed for young individuals. The foundation organises periodical training sessions and more than 20 youngsters have so far attended the training sessions from Rosia Montana. The future benefits to come from this Project at a local community level are significant.



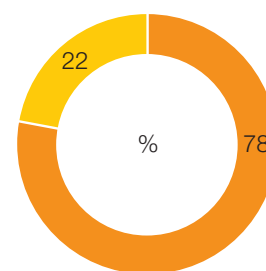
Recea resettlement site

Surface area



■ acquired ■ to be acquired

Residential properties



US\$32m

Following a **US\$32 million investment**, the new district consists of 125 houses covering a 24 hectare area.

13km

The entire infrastructure was donated to Alba Iulia municipality and the site includes over **13 km of roads**.

12

There were **12 construction companies** involved in the building process, of which nine were based in Alba Iulia and three came from neighbouring counties.

1,670

In all, **1,670 people worked at the Recea site** and there is land available and in possession for expansion with up to 80 additional houses.

Board of Directors

Keith Hulley

Director since February 2006

Keith Hulley, 71, is the current Chairman of the Board of Directors of Gabriel, is the former Interim CEO of Gabriel and has been a member of the Gabriel Board since 2006. Previously, Mr. Hulley served seven years as President, CEO and Executive Chairman of Apex Silver Mines before retiring in 2004. Mr. Hulley has more than 40 years experience in the mining business which includes Board and senior executive experience at Western Mining Holdings Ltd. and USMX Inc. Mr. Hulley is a member of the Technical Committee.

Jonathan Henry

Director since June 2010

Jonathan Henry, 44, has been the President and CEO of Gabriel since June 7, 2010. He is the former CEO of Avocet Mining, a London listed gold mining company with assets in West Africa and South East Asia. Mr. Henry served as the CEO of Avocet Mining from 2006 until May 31, 2010. Prior to that, Mr. Henry served as Avocet Mining's Finance Director from 2002 until becoming the CEO in 2006.

Murray Sinclair

Director since June 2003

Murray Sinclair, 49, has extensive knowledge in areas of asset backed lending, real estate, corporate restructuring and natural resources. Mr. Sinclair is Chairman and a director of Sprott Resource Lending Corp. a natural resource lender focused on providing bridge and mezzanine financing to mining and oil and gas companies. Prior to his current position as Chairman, from 2003 to 2007 he was the Managing Director of Quest Capital Corp. He is also a director and officer of several other public companies. Mr. Sinclair is the Chairman of Compensation Committee and a member of the Finance Committee.

Ed Flood

Director since June 2010

Ed Flood, 66, Founder and Chairman of Concordia Resources Corp., formally known as Western Lithium and Western Uranium Corp. Mr. Flood also serves as a Director on the Board on Ivanhoe Mines, South Gobi Energy Resources and Baker Steel Royalty Trust. Prior to his work at Concordia Resources Corp, he worked with Haywood Securities in differing capacities, most recently as the Managing Director of Investment Banking in the London office, with a focus on natural resource development. Mr. Flood has had a long career in the natural resources industry, working at such firms as Ivanhoe Minerals, Nerco Minerals, Chevron Minerals, Kerr McGee, Gulf Minerals, and Bunker Hill Mining.

Mr. Flood received a Bachelor's degree in Geology from the University of Nevada, followed by a Masters in Geology from the University of Montana. Mr. Flood is a member of the Finance and Technical Committees.

Dr. Alfred Gusenbauer

Director since June 2010

Alfred Gusenbauer, 51 is the former Federal Chancellor of Austria and was a member of the European Council. Dr. Gusenbauer holds a PhD in political science from the University of Vienna. In addition to a long career in politics in Austria and Europe, he also works in academia as a Professor-at-Large at Brown University and is a Fellow for Global Affairs at Columbia University. Dr. Gusenbauer is currently the CEO of Gusenbauer Projektentwicklung und Beteiligung GmbH. Dr. Gusenbauer is a member of the Corporate Governance Committee.

Wayne Kirk

Director since June 2008

Wayne Kirk, 67, has over 35 years of experience as a corporate attorney, including nine years experience as Vice President, General Counsel and Corporate Secretary of Homestake Mining Company. Mr. Kirk currently holds directorships and is the Chairman of the Nominating & Governance Committees at each of Anoroq Resources Corporation, Great Basin Gold Ltd., Northern Dynasty Minerals Ltd. and Taseko Mines Limited. He also is the Chairman of the Corporate Governance and Nominating Committee and Compensation Committee of Electrum Ltd., a privately-held gold exploration company. From 2002 until his retirement in 2004, he was Special Counsel at Thelen Reid & Priest LLP. Mr. Kirk holds a law degree from Harvard University. He has been a member of the California Bar since 1969. Mr. Kirk is the Chairman of the Corporate Governance Committee and a member of the Audit Committee.

Igor Levental

Director since June 2008

Igor Levental, 56, is the President of the Electrum Group, a privately-owned company with holdings in precious metals companies, including Gabriel. With more than 30 years of experience in the mining industry internationally, Mr. Levental has held senior positions with mining companies including Homestake Mining Company and International Corona Corp. Mr. Levental holds a BSc in Chemical Engineering and an MBA from the University of Alberta, Canada. Mr. Levental is a Director of NovaGold Resources Inc., Sunward Resources Inc. and Taung Gold Ltd.

David Peat

Director since June 2010

David Peat, 58, has over 25 years of experience in financial leadership in support of mining companies. Mr. Peat was Acting CFO for Gabriel from December 10, 2010 through March 9, 2011. He has been a Director and Chairman of the Audit Committee of Brigus Gold Corp. since 2006. Mr. Peat was Vice President and CFO of Frontera Copper Corporation from 2006 through 2009, Vice President and Global Controller of Newmont Mining Corp. from 2002 through 2004, and Vice President of Finance and CFO of Homestake Mining Company from 1999 through 2002. Mr. Peat is the Chairman of the Audit Committee and a member of the Compensation Committee.

Simon Prior-Palmer

Director since October 2006

Simon Prior-Palmer, 60, has more than 35 years of experience in international financial markets. He brings to Gabriel extensive European business experience and financial expertise having held positions with JP Morgan and Credit Suisse First Boston (CSFB) in Europe for more than 30 years. As CEO of UK Investment Banking from 1987 to 1998 he led the UK business developing a full breadth of advisory and capital market services. In September 2010 he was appointed a Senior Advisor at the Financial Services Authority (FSA) in London. Mr. Prior-Palmer is the current Chairman of the Finance Committee and a member of the Audit Committee.

Walter Segsworth

Director since June 2010

Walter Segsworth, 62, is a Director of Explorator Resources, Pan American Silver, and Telus World of Science. Mr. Segsworth has 40 years of experience in mining in Canada and overseas. Mr. Segsworth has served as a senior officer of several mining companies including Westmin Resources, where he was President and CEO and Homestake Mining Company, where he was President and COO. He is currently Chairman of the Board of Plutonic Power Corp. Mr. Segsworth is past Chairman of both the Mining Associations of British Columbia (BC) and Canada and was named BC's Mining Person of the year in 1996. He received his bachelor of science in mining engineering from Michigan Technological University. Mr. Segsworth is the Chairman of the Technical Committee.

Corporate Governance

The Board of Directors of Gabriel is elected by its shareholders and is responsible for the stewardship of Gabriel. The Board is mandated with principal duties and responsibilities as well as policies and procedures to adopt to assist it in discharging its duties and responsibilities.

Role and Responsibilities of the Board

The role of the Board is to represent the shareholders of Gabriel, enhance and maximise shareholder value and conduct the business and affairs of Gabriel ethically and in accordance with the highest standards of corporate governance. The Board is ultimately accountable and responsible for providing independent, effective leadership in supervising the management of the business and affairs of Gabriel. The responsibilities of the Board include:

- adopting a strategic planning process;
- risk identification and ensuring that procedures are in place for the management of those risks;
- review and approve annual operating plans and budgets;
- corporate social responsibility, ethics and integrity;
- succession planning, including the appointment, training and supervision of management;
- delegations and general approval guidelines for management;
- monitoring financial reporting and management;
- corporate disclosure and communications;
- adopting measures for receiving feedback from stakeholders; and
- adopting key corporate policies designed to ensure that Gabriel, its directors, officers and employees comply with all applicable laws, rules and regulations and conduct their business ethically and with honesty and integrity.

The Board delegates responsibility for the day-to-day management of Gabriel's business and affairs to Gabriel's senior officers and supervises such senior officers.

The Board may also delegate certain matters it is responsible for to Board committees, presently consisting of the Audit Committee, Corporate Governance Committee, Compensation Committee, Finance Committee, and Technical Committee. The Board retains its oversight function and ultimate responsibility for these matters and all other delegated responsibilities. The Board has formalised the following company policies, charters and mandates; Code of Business Conduct and Ethics, Position description for CEO, Position description for Chairman, Foreign Corrupt Practices policy, Whistle Blower policy, Board Mandate, Corporate Disclosure policy, Corporate Governance policy, Audit Committee charter, Compensation Committee charter, Corporate Governance charter, Finance Committee charter and Technical Committee charter. From time to time and as regulations and laws dictate, the Board will review its current policies and provide additional policies.

Strategic Planning Process and Risk Management

The Board adopts a strategic planning process to establish objectives and goals for Gabriel's business and will review, approve and modify as appropriate the strategies proposed by senior management to achieve such objectives and goals. The Board reviews and approves on an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of Gabriel's business and affairs.

The Board, in conjunction with management, seeks to identify the principal risks of Gabriel's business and oversee management's implementation of appropriate systems to effectively monitor, manage and mitigate the impact of such risks.

Corporate Social Responsibility, Ethics and Integrity

The Board provides leadership to Gabriel in support of its commitment to Corporate Social Responsibility, sets the ethical tone for Gabriel and its management and fosters ethical and responsible decision making by management. The Board undertakes steps to satisfy itself of the integrity of the Chief Executive Officer and management and satisfy itself that the Chief Executive Officer and management create a culture of integrity throughout the organisation.

Succession Planning, Appointment, Supervision and Compensation of Management

The Board approves the succession plan for Gabriel, including the selection, appointment, supervision and evaluation of the Chief Executive Officer and the other senior officers of Gabriel, and also approves the compensation of the Chief Executive Officer and the other senior officers of Gabriel.

Delegations and Approval Authorities

The Board delegates to the Chief Executive Officer and senior management authority over the day-to-day management of the business and affairs of Gabriel. This delegation of authority is subject to specified financial limits and any transactions or arrangements in excess of general authority guidelines will be reviewed by and subject to the prior approval of the Board.

Monitoring of Financial Reporting and Management

The Board approves all regulatory filings, including the annual audited financial statements, interim financial statements, the notes and management discussion and analysis accompanying such financial statements, quarterly and annual reports, management proxy circulars, annual information forms, prospectuses, and all capital investments, equity financings, borrowings and all annual operating plans and budgets.

The Board adopts procedures to ensure the integrity of internal controls and management information systems to ensure compliance with all applicable laws, rules and regulations, and to prevent violations of applicable laws, rules and regulations relating to financial reporting and disclosure, violations of Gabriel's code of business conduct and ethics, and fraud against Gabriel or its subsidiaries.

Corporate Disclosure and Communications

The Board will ensure that all corporate disclosure complies with all applicable laws, rules and regulations and the rules and regulations of the stock exchanges upon which Gabriel's securities are listed. In addition, the Board adopts procedures to ensure the Board receives feedback from security holders on material issues.

Review of Mandate

The Corporate Governance Committee annually reviews and assesses the adequacy of the Board Mandate and recommends any proposed changes to the Board for consideration.

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and, where relevant, the choice of accounting principles. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorised, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors has met with the Company's independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The Company's independent auditors, PricewaterhouseCoopers LLP, have conducted an audit in accordance with generally accepted auditing standards, and their report follows.

Jonathan Henry
President and Chief Executive Officer

David Peat
Acting Chief Financial Officer

March 8, 2011

Independent Auditor's Report

To the Shareholders of Gabriel Resources Ltd.

We have audited the accompanying consolidated financial statements of Gabriel Resources Ltd. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2010 and December 31, 2009 and the consolidated statements of loss and comprehensive loss, shareholders' equity and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gabriel Resources Ltd. and its subsidiaries as at December 31, 2010 and December 31, 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that Gabriel Resources Ltd. incurred a net loss of \$22.7 million during the year ended December 31, 2010. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about Gabriel Resources Ltd.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario
Canada

March 8, 2011

Consolidated Balance Sheets

As at December 31

Expressed in thousands of Canadian dollars	Note	2010	2009
Assets			
Current Assets			
Cash and cash equivalents		26,579	116,110
Short-term investments	4	94,941	46,201
Accounts receivable		1,732	1,460
Prepaid expenses and supplies		941	788
		124,193	164,559
Restricted cash	4	149	126
Capital assets	5	54,641	52,464
Mineral properties	6	482,909	441,545
		661,892	658,694
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		9,754	10,402
Resettlement liabilities	7	4,686	5,442
		14,440	15,844
Other Liabilities	8	3,615	3,908
		18,055	19,752
Shareholders' Equity			
Capital stock	10	761,943	733,481
Common share purchase warrants	11	11,393	11,393
Contributed surplus	13	17,150	18,050
Deficit		(146,649)	(123,982)
		643,837	638,942
		661,892	658,694

Nature of operations and going concern (Note 1)

Non-controlling interest (Note 9)

Commitments and contingencies (Note 18)

Approved by the Board of Directors

Keith Hulley
Director

Wayne Kirk
Director

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

Consolidated Statements of Shareholders' Equity

For the year ended December 31

Expressed in thousands of Canadian dollars	Note	2010	2009
Common shares			
At 1 January		733,481	560,052
Shares issued from a public and private offering less share issue costs		—	172,671
Less: Share issue costs	10	—	(4,293)
Shares issued on the exercise of stock options	10	19,339	3,049
Shares issued on the redemption of DSUs	10	357	123
Transfer from contributed surplus - exercise of stock options	13	8,766	1,399
Shares issued on purchase of non-controlling interest shares		—	480
At December 31		761,943	733,481
Common share purchase warrants			
At January 1		11,393	—
Warrants issued from a private placement	11	—	11,393
At December 31		11,393	11,393
Contributed surplus			
At January 1		18,050	15,051
Stock-based compensation	13	7,866	5,403
Exercise of stock options	13	(8,766)	(1,399)
Purchase of non-controlling interest shares		—	(1,005)
At December 31		17,150	18,050
Deficit			
At January 1		(123,982)	(97,084)
Net loss		(22,667)	(26,578)
Purchase of non-controlling interest shares		—	(320)
At December 31		(146,649)	(123,982)
Accumulated other comprehensive loss		—	—
Total shareholders' equity at December 31		643,837	638,942

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

Consolidated Statements of Loss and Comprehensive Loss

For the year ended December 31

Expressed in thousands of Canadian dollars	Note	2010	2009
Expenses			
Corporate, general and administrative		7,490	12,880
Stock based compensation	8,12	6,469	6,860
Project financing costs		(31)	571
Severance costs		—	1,516
Amortization		210	237
		14,138	22,064
Other expense (income)			
Interest		(448)	(404)
Foreign exchange loss		15,902	4,726
Loss before income taxes		29,592	26,386
Income tax expense (recovery)	14	(6,925)	192
Loss for the year		22,667	26,578
Loss per share (basic and diluted)		0.07	0.09
Weighted average number of shares (000's)		343,904	285,487

Consolidated Statements of Comprehensive Loss

For the year ended December 31

Expressed in thousands of Canadian dollars	2010	2009
	343,904	285,487
Loss for the year	22,667	26,578
Other comprehensive loss	—	—
Comprehensive loss	22,667	26,578

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

Consolidated Statements of Cash Flows

For the year ended December 31

Expressed in thousands of Canadian dollars	Note	2010	2009
Cash flows from (used in) operating activities			
Loss for the period		(22,667)	(26,578)
Items not affecting cash			
Amortization		210	237
Stock-based compensation		6,469	6,860
Unrealized foreign exchange loss		9,952	796
		(6,036)	(18,685)
DSU cash settlement		(2,118)	(1,991)
Net changes in non-cash working capital	19	(1,957)	(478)
		(10,111)	(21,154)
Cash flows used in investing activities			
Increase in short-term investments and restricted cash		(48,763)	(46,174)
Development and exploration expenditures		(38,174)	(43,560)
Purchase of capital assets		(3,665)	(22,174)
Purchase of non-controlling interest shares		—	(845)
Net changes in non-cash working capital	19	(3,257)	(2,486)
		(93,859)	(115,239)
Cash flows from financing activities			
Proceeds from issuance of capital stock and warrants, net of issue costs		—	179,687
Proceeds from the exercise of stock options		19,339	3,049
		19,339	182,736
Decrease in cash and cash equivalents		(84,631)	46,343
Effect of foreign exchange on cash and cash equivalents		(4,900)	(2,466)
Cash and cash equivalents – beginning of the year		116,110	72,233
Cash and cash equivalents – end of the year¹		26,579	116,110

¹ At December 31, 2010, closing cash and cash equivalents do not include \$94.9 million (2009 – \$46.2 million) of short-term investments, which had original maturities in excess of 90 days at the time of purchase.

Supplemental cash flow information (Note 19)

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

Notes to Consolidated Financial Statements

For the year ended December 31, 2010 and 2009 (Amounts in thousands of Canadian dollars, unless otherwise stated)

1. Nature of operations and going concern

Gabriel Resources Ltd. ("Gabriel" or the "Company") is a Canadian-based resource company engaged in the exploration and development of mineral properties in Romania and is currently in the process of obtaining permits to develop its 80.46%-owned Rosia Montana gold project (the "Project"). Since acquiring the exploitation license, the Company has defined a world class orebody. In the last five years, the Company has been focused on engineering to design the size and scope of the Project, environmental assessment and permitting, rescue archaeology and surface rights acquisition activities.

The underlying value of the Company's mineral properties is dependent upon the existence and economic recovery of such 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 Project. 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 in Romania or in the European Union, 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 Company's ability to acquire the necessary surface rights, as well as currency fluctuations and local inflation. These risks may adversely affect the Company's investment and may result in the impairment or loss of all or part of the Company's investment.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at December 31, 2010 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 the Project delays.

Once Environmental Impact Assessment ("EIA") approval has been granted, the Company will re-examine financing alternatives with a view to presenting the various options open to the Company to its board of directors. The timeline to build the Project is dependent on a number of factors which include both the permitting and financing processes.

There can be no assurances that the Company's financing plan and permitting efforts will be successful or sufficient and, as a result, there is significant doubt regarding the "going concern" assumption and, accordingly, the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect adjustments that would be necessary if the "going concern" assumption was not appropriate. If the "going concern" assumption were not appropriate for these consolidated financial statements, then adjustments to the carrying values of the assets and liabilities, the reported expenses and the balance sheet classifications, which could be material, would be necessary.

2. New accounting policies

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011.

Section 1582, "Business Combinations" replaces section 1581, "Business Combinations", and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling interests", together replace section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company opted to early adopt these standards as of December 31, 2009 and applied Section 1602, "Non-Controlling Interests", in accounting for the purchase of non-controlling interest shares in Rosia Montana Gold Corporation ("RMGC") (refer to Note 8). Consequently, the difference between the carrying amount of the non-controlling interest shares and the fair value of the consideration paid was recognized directly in shareholders' equity. The early adoption of Section 1582, "Business Combinations" and Section 1601, "Consolidated Financial Statements", did not have an impact on the Company's consolidated financial statements.

3. Significant accounting policies

Sources of GAAP

These consolidated financial statements have been prepared in accordance with Canadian GAAP, and reflect the following significant accounting policies:

Basis of consolidation

The consolidated financial statements include the accounts of the Company and the following subsidiaries:

Gabriel Resources (Barbados) Ltd.	100%-owned
Gabriel Resources (Netherlands) B.V.	100%-owned
RM Gold (Services) Limited ¹	100%-owned
Gabriel Resources (Jersey) Ltd.	100%-owned
Rosia Montana Gold Corporation S.A.	80.46%-owned
Rom Aur SRL	100%-owned
Gabriel Finance SA	99.91%-owned

¹ RM Gold (Services) Limited. During December 2010 the Company incorporated a UK based wholly owned subsidiary, RM Gold (Services) Limited. The purpose of this subsidiary is to provide management and administrative services to the Company and its subsidiaries commencing in January 2011.

Estimates, risks and uncertainties

The preparation of financial statements in conformity with generally accepted accounting principles 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 year. Significant estimates and assumptions include those related to the recoverability of mineral properties, benefits of future income tax assets, estimated useful lives of capital assets, and share purchase warrants and stock based compensation assumptions. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization of capital assets used for exploration and development is capitalized to mineral properties.

Amortization is recorded using the straight-line method based on a useful life of five years for vehicles and varying rates between two and five years for office equipment. Leasehold improvements are amortized on a straight-line basis over the term of the respective lease.

Mineral properties

Acquisition costs of mineral properties, together with direct exploration and development expenses incurred thereon, are capitalized. Upon reaching commercial production, these capitalized costs will be transferred from exploration properties to producing properties on the consolidated balance sheet and will be amortized using the unit-of-production method over the estimated ore reserves.

Impairment of long-lived assets

Capital assets and mineral properties to be held and used by the Company are reviewed regularly for possible impairment or whenever triggering events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Estimated future cash flows are calculated using estimated future prices, mineral resources and operating and capital costs on an undiscounted basis. When the carrying value of a mine or development project exceeds the estimated undiscounted future cash flows, the asset is impaired. The impairment loss is recorded to the extent the carrying value exceeds the discounted value of the estimated future cash flow.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities, expenses and other income arising from foreign currency transactions are translated at the exchange rate in effect at the date of the transaction. Exchange gains or losses arising from the translation are included in the determination of losses in the current year.

Integrated foreign subsidiaries are accounted for under the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Expenses and other income are translated at the rate in effect on date of the transaction. Exchange gains or losses related to expenditures on project activities arising from the translation are included in mineral properties which are capitalized.

Loss per share (LPS)

LPS is calculated based on the weighted average number of common shares issued and outstanding during the year. Diluted per share amounts are calculated using the treasury stock method whereby proceeds deemed to be received on the exercise of options and warrants in the per share calculation are assumed to be used to acquire common shares. The effect of potential issuances of shares under options and warrants would be anti-dilutive, and accordingly basic and diluted LPS are the same.

Income taxes

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 year. 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. A valuation allowance is recognized to the extent the recoverability of future income tax assets are not considered more likely than not to be realized.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash at banks, cash on hand and other highly liquid short-term investments, having an original maturity date of three months or less.

Short-term investments

Short-term investments represent investments in guaranteed investment certificates with maturity dates of more than a period of 90 days. Short-term investments are carried at cost, including accrued interest, which approximates fair value.

Stock-based compensation

Stock-based compensation relating to stock options is estimated based on fair value at the grant and/or measurement date using the Black-Scholes model, and charged to the Statement of Loss or capitalized to Mineral Properties on the Balance Sheet over the vesting period.

Stock-based compensation relating to deferred share units is calculated based on the quoted market value of the Company's common shares, and is charged to the Statement of Loss or capitalized to Mineral Properties on the Balance Sheet with corresponding credit to Contributed Surplus. The compensation cost and liability is adjusted each reporting period for changes in the underlying share price.

Notes to Consolidated Financial Statements

For the year ended December 31, 2010 and 2009 (Amounts in thousands of Canadian dollars, unless otherwise stated)

Asset retirement obligation

The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement of fair value. At December 31, 2010, the Company has not incurred or committed to any asset retirement obligations related to the development of its mineral properties in Romania, as it has not received its construction permits or commenced mine construction activities.

4. Short-term investments and restricted cash

Short-term investments	2010	2009
Money market investments with maturities from the date of acquisition of 4-12 months	94,941	46,201

Short-term investments held at period end yielded a weighted average interest rate of 0.45% in 2010 (2009 – 0.67%).

Restricted Cash	2010	2009
Restricted cash ¹	149	126

¹ Restricted cash represents environmental guarantees for future clean up costs.

5. Capital assets

	2010	2009
Cost		
Office equipment	4,032	4,207
Building	1,080	1,082
Vehicles	1,383	1,282
Leasehold improvements	215	215
Construction in progress ¹	52,621	50,249
	59,331	57,035
Less: Accumulated amortization		
Office equipment	3,241	3,122
Building	73	63
Vehicles	1,172	1,207
Leasehold improvements	204	179
	4,690	4,571
Net book value		
Office equipment	791	1,085
Building	1,007	1,019
Vehicles	211	75
Leasehold improvements	11	36
Construction in progress ¹	52,621	50,249
	54,641	52,464

¹ Amounts included in construction in progress are not subject to amortization. Construction in progress includes the following amounts:

	2010	2009
Resettlement site development costs	1,048	1,951
Long-lead-time equipment	51,573	48,298
	52,621	50,249

6. Mineral properties

	Rosia Montana	Bucium	Baisoara	Total
Balance – December 31, 2008	396,239	10,458	387	407,084
Development costs	33,314	–	–	33,314
Exploration costs	1,016	1	130	1,147
Balance – December 31, 2009	430,569	10,459	517	441,545
Development costs ¹	40,402	–	–	40,402
Exploration costs ¹	846	–	116	962
Balance – December 31, 2010	471,817	10,459	633	482,909

¹ Mineral property additions of \$41.4 million (2009 – \$34.5 million) are \$3.2 million higher than the amount reported in the Consolidated Statements of Cash Flows of \$38.2 million.

The Company's principal asset is its 80.46% direct ownership interest in RMGC, a Romanian company, which holds two mineral licenses in Romania, being Rosia Montana and Bucium. Minvest S.A. ("Minvest"), a Romanian state-owned mining company, together with one other private Romanian company, hold a 19.54% interest in RMGC, and Gabriel holds the pre-emptive right to acquire the 19.54% non-controlling interest. The Company is obligated 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. RMGC will be required to pay a 4% net smelter royalty on all production from the Project.

An exploitation license is held by RMGC as the titleholder in respect of the Project. RMGC has the exclusive right to conduct mining operations at the Project for an initial term of 20 years expiring in 2019, and thereafter with successive five-year renewal periods.

RMGC holds rights to an exploration license over the Bucium property. The license was extended in 2004 and expired on May 19, 2007. The expired exploration license can be converted into an exploitation license upon submission and approval of a feasibility study. During 2007, the Company filed the necessary documentation to convert the exploration license into an exploitation license and the Company is awaiting a response from the authorities on this item. No additional work on the Bucium property is planned until the license is converted from an exploration to an exploitation license and until the Project progresses further.

The Company, through its wholly owned subsidiary Rom Aur SRL ("Rom Aur"), holds an exploration license with respect to the Baisoara property in Western Romania. The license is for an initial term of 5 years and expires in July 2011. Upon granting of the license, the Company committed to spend US\$3.2 million over the term of the license. Due to the delay in the Rosia Montana permitting process, the Company has reduced the exploration expenditure for Baisoara to a level required to maintain the license and permit in good standing. The Company is currently assessing exploration data with a view to renewing or relinquishing the license.

7. Resettlement liabilities

For a number of years, the Company has 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 the Company at one of two 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 cost of newly built houses is capitalized as construction in progress. After the transfer of legal title of the property is completed, the Company reduces the amounts capitalized as construction in progress and at the same time its resettlement liabilities. All resettlement associated costs will remain capitalized in mineral properties and will be amortized over the life of the mine once the Project moves into production.

At December 31, 2010, the Company had accrued resettlement liabilities totaling \$4.7 million (December 31, 2009 – \$5.4 million), which represents the cost of building the remaining new homes for the local residents and outstanding delay penalties.

The construction of all 125 homes at the Recea resettlement site in Alba Iulia has been completed. The Company is currently reviewing the technical merits for a further resettlement village to be built, as well as the process of obtaining permits for this resettlement site. The remaining 24 property owners who chose to resettle within Rosia Montana have signed a three year extension contract. As a result of the delay in the delivery of homes, the Company has paid or accrued a penalty of up to 20% for the remaining 24 property owners of the agreed upon unpaid property value per year of delay as required by the agreement.

As at December 31, 2010, the Company has accrued \$0.6 million (December 31, 2009 – \$0.4 million) representing its total estimated delay penalty. During the year ended December 31, 2010, the Company paid \$0.2 million of delay penalties (2009 – \$0.8 million).

The acquisition process for private properties is currently on hold pending progress in the permitting process.

Notes to Consolidated Financial Statements

For the year ended December 31, 2010 and 2009 (Amounts in thousands of Canadian dollars, unless otherwise stated)

8. Other liabilities

(a) Deferred Share Units ("DSUs")

Deferred Share Units	DSU's 000's	Price per Common Share \$	Value \$
Outstanding – December 31, 2008	1,155	1.52	1,755
Issued	68	2.43	165
Settled	(623)	3.39	(2,114)
Change in fair value	–	–	2,811
Outstanding – December 31, 2009	600	4.36	2,617
Issued	41	7.09	290
Amortized ¹	89	4.19	375
Settled	(551)	4.49	(2,475)
Change in fair value	–	–	606
Balance – December 31, 2010	179	7.89	1,412

¹ During the second quarter of 2010 the Company issued 358,000 DSUs to the Company's CEO. The expense associated with this issuance is being amortized over a two-year period. During 2010 89,000 of these DSUs were amortized.

The Company implemented a DSU Plan under which qualifying participants receive certain compensation in the form of DSUs in lieu of cash. On retirement or departure from the Company, participants, at their discretion, may redeem their DSUs for common shares of the Company, cash, or a combination of common shares and cash. If the holder elects to settle the DSUs in common shares of the Company, the Company, at its sole discretion, can elect to settle the amount in common shares either purchased in the open market, or issued from treasury.

Initially valued at the five-day weighted average market price of the Company's common shares at date of issue, DSUs are revalued each period end based on the closing share price at the period end, with the difference between the fair value of the DSUs at period end compared to the fair value at the end of the previous period. The initial value assigned to the DSUs plus the change in the fair market value of the DSU liability at the end of each reporting period has been recorded in stock based compensation expense except for costs relating to personnel working on projects in Romania, which are capitalized.

During the year ended December 31, 2010, the Company recorded \$1.3 million (2009 – \$2.7 million) of stock based compensation expense related to DSUs and capitalized Nil (2009 – \$0.3 million).

(b) Fidelity bonus and other benefits

Fidelity bonus and other benefits	
Balance accrued – December 31, 2008	1,310
Additions	228
Foreign exchange movement	(247)
Balance accrued – December 31, 2009	1,291
Additions	1,083
Foreign exchange movement	(171)
Balance accrued – December 31, 2010	2,203
Total Other Liabilities	3,615

Under the Collective Bargaining Agreement between RMGC and its employees, under certain conditions, employees of RMGC are entitled to a bonus equal to one month of average gross salary when celebrating 3, 5, 10, 15, 20, and 25 years of uninterrupted service as well as other benefits related to death benefits and termination of employment. As of December 31, 2010, \$2.2 million (December 31, 2009 – \$1.3 million) has been accrued for these benefits.

9. Related party transactions

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

- In December 2004, the Company loaned a total of US\$971,000 to the four non-controlling shareholders of RMGC, who held an aggregate of 20% of the shares of RMGC, to facilitate a statutory requirement to increase RMGC's total share capital. At December 31, 2010 US\$948,000 of these loans remain outstanding to the two remaining non-controlling shareholders.
- During 2009, the Company received a formal offer to purchase the shares held in RMGC by two of its non-controlling shareholders, each of whom owned 23,967 common shares in RMGC representing each 0.23% of its share capital. The Company responded to the offer of the non-controlling shareholders and purchased 47,934 common shares of RMGC held by these two non-controlling shareholders for 222,708 common shares of the Company and US\$0.8 million in cash. Upon completion of this transaction, the outstanding indebtedness of the two non-controlling shareholders of \$23,000 was deemed to be paid in full. As a result of these transactions, the Company's ownership interest in RMGC increased from 80% to 80.46%.

(c) In 2009, the Company loaned a further US\$40 million to the remaining two non-controlling shareholders of RMGC to facilitate another statutory share capital increase in RMGC. At December 31, 2010 these loans remain outstanding. The loans are non-interest bearing and are to be repaid as and when RMGC distributes dividends to its shareholders. The loans and related non-controlling interest contribution have been offset on the balance sheet until such time as the loans are repaid. Once the loans are repaid the non-controlling interest component will be reflected on the balance sheet.

10. Capital stock

Common shares issued and outstanding	Note	Number of shares 000's	Amount
Balance – December 31, 2008		255,449	560,052
Shares issued from public and private offerings		81,806	172,671
Less: Share issue costs		–	(4,293)
Shares issued on the exercise of stock options	12	1,654	3,049
Transfer from contributed surplus – exercise of stock options	13	–	1,399
Shares issued on settlement of DSUs		68	123
Shares issued on purchase of non-controlling interest shares		223	480
Balance – December 31, 2009		339,200	733,481
Shares issued on the exercise of stock options	12	8,909	19,339
Shares issued on settlement of DSUs		74	357
Transfer from contributed surplus – exercise of stock options	13	–	8,766
Balance – December 31, 2010		348,183	761,943

In June 2009 the Company closed a private placement and a public offering financing and issued 51.8 million common shares, including common shares issued under an over-allotment option, for aggregate gross proceeds of approximately \$117 million. The share issuance costs related to the public offering and private placement were \$4 million.

As a result of the public offering, the Company sold 29.8 million common shares, which includes the exercise in full of the over-allotment option, at \$2.25 per common share to a syndicate of underwriters for aggregate gross proceeds of \$67.1 million.

Pursuant to the private placement, each of Electrum Strategic Holdings LLC and Paulson & Co. Inc., two of Gabriel's significant shareholders, purchased 10.6 million and 11.4 million common shares respectively at a price of \$2.25 per common share, for aggregate gross proceeds of \$49.5 million.

In December 2009, the Company closed a private placement with BSG Capital Markets PCC Limited, which is part of the Beny Steinmetz Group ("BSG"). Pursuant to the private placement, BSG subscribed for 30 million Units at a subscription price of \$2.25 per Unit for gross proceeds to the Company of \$67.5 million. The share issuance costs related to the private placement were \$0.3 million. Each Unit consists of one common share of the Company and one common share purchase warrant entitling BSG to purchase one additional common share of the Company (see Note 11). The net proceeds of the private placement were allocated between share capital and the share purchase warrants on the basis of their relative fair values. The amount allocated to share capital was \$55.8 million while \$11.4 million was allocated to the share purchase warrants.

11. Share purchase warrants

(a) Warrants issued to two financial institutions

As at December 31, 2010, the following share purchase warrants were issued and outstanding:

	Number of warrants 000's	Exercise price \$	Assigned Value	Expiry date
Balance – December 31, 2008 and 2009	1,125	\$4.88	US\$1,500	November 28, 2010
Warrants settled	(750)		(US\$1,000)	November 28, 2010
Warrants expired	(375)		(US\$500)	November 28, 2010
Balance – December 31, 2010	–		–	

During the fourth quarter of 2006, the Company entered into mandate letters with two international financial institutions to arrange project debt financing for the development of the Project. The two institutions were to provide a committed underwriting in an amount up to US\$350 million. As a result of the suspension of the EIA review process, the mandate letters terminated during 2008 and 1.125 million warrants vested. Each warrant had a four-year term and an exercise price of \$4.88. The assigned value of the warrants of US\$1.5 million represented their cash settlement value. The Company accrued this amount in accounts payable and accrued liabilities. It was at the holder's discretion to settle the warrants in cash or shares of the Company. In March 2010, one of the two financial institutions exercised its option to receive a termination fee of US\$1 million in respect of 750,000 warrants, which was fully paid during the first half of 2010. The remaining warrant holder did not exercise the warrants prior to their expiry date of November 28, 2010.

Notes to Consolidated Financial Statements

For the year ended December 31, 2010 and 2009 (Amounts in thousands of Canadian dollars, unless otherwise stated)

(b) Warrants issued to BSG

	Number of warrants 000's	Exercise price \$	Assigned Value \$	Expiry date
Balance – December 31, 2008	–	–	–	
Warrants issued	30,000	2.50 – 3.00	11,393	July 18, 2011 to December 18, 2011
Balance – December 31, 2009 and December 31, 2010	30,000		11,393	July 18, 2011 to December 18, 2011

During 2009, the Company closed a private placement with BSG. Pursuant to the private placement, BSG subscribed for 30 million Units at a subscription price of \$2.25 per Unit. Each Unit consists of one common share of the Company and one common share purchase warrant entitling BSG to purchase one additional common share of the Company at \$2.50 per share for 18 months rising to \$3.00 per share for the final six months of the two year warrant. The assigned value of the warrants represents relative fair value allocated between share capital and the warrants based on the net proceeds from the private placement with BSG. The amount allocated to share capital was \$55.8 million while \$11.4 million was allocated to the share purchase warrants.

12. Stock options

The Incentive Stock Option Plan (the “Plan”) authorizes the Directors to grant options to purchase shares of the Company to directors, officers, employees and consultants. The exercise price of the options equals the five-day weighted average closing price prior to the option allotment. The majority of options granted vest over three years and are exercisable over five years from the date of issuance.

The Plan was amended on May 8, 2007 to allow for the maximum number of common shares issuable under the Plan to equal 10% of the issued and outstanding common shares of the Company at any point in time, and that options once exercised would be re-endorsed into the pool of ungranted options.

As at December 31, 2010, 9.6 million options are available for issuance under the Plan (December 31, 2009 6.6 million).

As at December 31, 2010, common share stock options held by directors, officers, employees and consultants are as follows:

Range of exercise prices \$	Number of options 000's	Outstanding		Exercisable	
		Weighted average exercise price \$	Weighted average remaining contractual life Years	Number of options 000's	Weighted average exercise price \$
1.18 – 1.96	4,614	1.57	2.3	4,254	\$1.56
1.97 – 2.22	5,000	2.00	2.0	1,667	2.00
2.23 – 4.16	4,566	3.08	3.0	3,007	3.01
4.17 – 7.18	5,019	4.67	3.9	1,146	4.60
7.19 – 8.12	5,082	8.12	5.0	–	8.12
	24,281	3.95	2.9	10,074	2.41

During the years ended December 31, 2010 and 2009, director, officer, employee and consultant stock options were granted, exercised, forfeited and cancelled as follows:

	Number of options 000's	Weighted average exercise price \$
Balance – December 31, 2008	22,514	2.16
Options granted	3,870	3.05
Options forfeited/cancelled	(496)	3.54
Options exercised	(1,654)	1.84
Balance – December 31, 2009	24,234	2.29
Options granted	9,432	6.54
Options forfeited/cancelled	(476)	3.75
Options exercised	(8,909)	2.17
Balance – December 31, 2010	24,281	3.95

The estimated fair value of stock options is amortized over the period in which the options vest which is normally three years. For those options which vest on a single date, either on issuance or on meeting milestones (the “measurement date”), the entire fair value of the vesting options is recognized immediately on the measurement date.

The fair value of stock options granted to personnel working on development projects is capitalized over the vesting period.

During the year ended December 31, 2010, the Company granted 9.4 million options. Of the 9.4 million options issued, 2.8 million vest over a three-year period and the remainder vest based on achievement of certain milestones. The fair value of options that vest upon achievement of milestones will be recognized and capitalized as milestones are achieved and the value can be reasonably measured.

The value of the stock options granted in the years ended December 31, 2010 and 2009 was calculated with the following assumptions:

	2010	2009
Weighted average risk-free interest rate	1.70%	1.60%
Volatility of the expected market price of share	101%	102%
Weighted average expected life of options	2.59 years	2.7 years
Weighted average cost per option (\$)	3.26	2.02

As of December 31, 2010, the remaining fair value of outstanding measurable unvested options to be expensed and capitalized is \$12.4 million. For the years ended December 31, 2010 and 2009, the fair value of stock options expensed and capitalized is as follows:

	2010	2009
Expensed	5,198	4,192
Capitalized	2,668	1,211

13. Contributed surplus

The following table identifies the changes in contributed surplus for the years indicated:

	Total
Balance – December 31, 2008	15,051
Stock-based compensation	5,403
Exercise of stock options	(1,399)
Purchase of non-controlling interest shares	(1,005)
Balance – December 31, 2009	18,050
Stock-based compensation	7,866
Exercise of stock options	(8,766)
Balance – December 31, 2010	17,150

14. Income taxes

In April 2010, the Supreme Court in Romania admitted an RMGC appeal and irrevocably cancelled a fiscal assessment concerning the period 2003 and 2004. The original assessment arose from the disallowance of the application of state tax incentives related to unrealized foreign exchange gains on inter-company debt.

On September 2, 2010 the Company received the equivalent of \$7.0 million from the fiscal authorities in Alba Iulia and Abrud in Romania as a result of the cancelled fiscal assessment. The full recovered amount was recognized in the Consolidated Statement of Loss for the year.

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rate to the amounts recognized in the Consolidated Statements of Loss.

	2010	2009
Income tax rate	31%	33%
Income tax at statutory rates	(9,174)	(8,708)
Adjustment for foreign subsidiaries	90	192
Stock based compensation	2,005	2,263
Tax recovery by subsidiary	(7,015)	–
Valuation allowance	7,169	6,445
Provision for income taxes	(6,925)	192

Notes to Consolidated Financial Statements

For the year ended December 31, 2010 and 2009 (Amounts in thousands of Canadian dollars, unless otherwise stated)

The following table reflects future income tax assets at December 31, 2010 and 2009:

	2010	2009
Loss carry forwards	15,560	15,710
Share issue costs	1,022	1,862
Capital assets	387	335
Cumulative eligible capital expenditures	3,167	3,167
Valuation allowance	(20,136)	(21,074)

The Company has available tax losses for Canadian income tax purposes which may be carried forward to reduce taxable income derived in future years. A summary of these losses is provided below:

Non-capital losses expiring in:	2010	2009
2010	—	11,421
2014	6,309	6,309
2015	6,397	6,397
2026	7,364	7,364
2027	6,717	6,717
2028	6,855	6,855
2029	17,951	17,775
2030	10,645	—

15. Segmented information

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

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

	2010	2009
Romania	537,380	493,697
Canada	170	312
Total	537,550	494,009

16. Financial instruments

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

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

Credit risk

The Company's credit risk is primarily attributable to cash, cash equivalents, and short-term investments that are held in investment accounts with Canadian banks and invested in sovereign debt. The Company has adopted a strategy to minimize its credit risk by substantially investing in sovereign debt issued by France and Germany with the balance of cash being invested in short-term Term Deposits issued by Canadian banks.

The Company strives to maintain at least 85% of its cash, cash equivalents, and short-term investments in sovereign debt.

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

The Company's credit risk is also attributable to value-added taxes receivable. Value-added taxes receivable are collectable from the Romanian government.

Liquidity risk

The Company has sufficient funds as at December 31, 2010 to settle current and long-term liabilities.

Market risk**(a) Interest rate risk**

The Company has significant cash balances and no debt. As discussed above in the section entitled "Credit Risk", the Company's policy is to primarily invest excess cash in sovereign guaranteed investments.

With the Company maintaining a short-term investment horizon, typically less than 12 months, for its cash, cash equivalent, and short-term investment balances, it minimizes the risk of interest rate volatility as investments mature and are rolled over.

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

The Company's primary objective with respect to cash, cash equivalents, and short-term investments is to mitigate credit risk. The Company has elected to forego yield in favour of capital preservation.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and its operations expose it to significant fluctuations in foreign exchange rates. The Company has monetary assets and liabilities denominated in European Union Euros (EURO), Romanian Ron and United States dollars, and is therefore subject to exchange variations against the functional and reporting currency, the Canadian dollar.

The Company maintains cash, cash equivalents, and short-term investments in the currency of planned expenditures and is therefore susceptible to market volatility as foreign cash balances are revalued to the functional currency of the Company. Therefore, the Company may report significant foreign exchange gains or losses if significant market volatility continues.

Financial instruments

As at December 31, 2010 and 2009, the Company's financial instruments consisted of cash and cash equivalents, short-term investments, other current assets, accounts payable and accrued liabilities, and other long-term liabilities. With respect to all of these financial instruments, the Company estimates that their fair values approximate their carrying values at December 31, 2010 and 2009, respectively.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2010 and 2009:

Financial assets and liabilities as at December 31, 2010*					
	Note	Level 1	Level 2	Level 3	Total
Cash		—	4,913	—	4,913
Cash equivalents		—	21,666	—	21,666
Short-term investments	4	—	94,941	—	94,941
Deferred Share Units	8	(1,412)	—	—	(1,412)
		(1,412)	121,520	—	120,108

Financial assets and liabilities as at December 31, 2009*					
	Note	Level 1	Level 2	Level 3	Total
Cash		—	13,674	—	13,674
Cash equivalents		—	102,436	—	102,436
Short-term investments	4	—	46,201	—	46,201
Deferred Share Units	8	(2,617)	—	—	(2,617)
		(2,617)	162,311	—	159,694

* at fair value

Sensitivity analysis

The Company has designated its cash, cash equivalents, and short-term investments as held-for-trading, which are measured at fair value. As of December 31, 2010, the carrying amount of the financial instruments equals fair market value. Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period.

- For a cash and cash equivalents a plus or minus 1% change in earned interest rates would affect net income from deposits by \$0.25 million.
- For short-term investments a plus or minus 1% change in earned interest rates would affect net income by \$0.9 million.
- As of December 31, 2010 a plus or minus 1% change in foreign exchange rates of the Company's significant balances in foreign currencies would affect net income by \$0.9 million.

Notes to Consolidated Financial Statements

For the year ended December 31, 2010 and 2009 (Amounts in thousands of Canadian dollars, unless otherwise stated)

17. Capital management

The Company's objective when managing capital is to safeguard its accumulated capital (cash, cash equivalents and short-term investments) 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.

To safeguard capital and to mitigate currency risk, the Company invests its surplus capital in highly liquid, highly rated financial instruments that reflect the currency of the planned expenditure.

18. Commitments and contingencies

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

	Note	Total	2011	2012	2013	2014	2015	Thereafter
Baisoara exploration license	6	2,562	2,562	–	–	–	–	–
Resettlement	7	4,686	4,686	–	–	–	–	–
Goods and services (a)		13,577	12,059	1,234	7	7	7	263
Long lead time equipment (b)		1,581	1,581	–	–	–	–	–
Rosia Montana exploitation license (c)		1,496	187	187	187	187	187	561
Surface concession rights (d)		794	15	20	20	20	20	699
Lease agreements (e)		251	251	–	–	–	–	–
Total commitments		24,947	21,341	1,441	214	214	214	1,523

(a) The Company and its subsidiaries have a number of agreements with arms-length third parties who provide a wide range of goods and services which totalled \$13.6 million at December 31, 2010 (December 31, 2009 – \$14.7 million). 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.

(b) During 2007, the Company entered into purchase agreements for long-lead-time equipment, the cost of which is to be paid over several years beginning 2007. The following is a summary of the long-lead-time equipment orders and the payment status:

	2010	2009
Total purchase agreements:		
Grinding area systems	42,032	41,731
Crusher facilities	3,961	3,961
Foreign exchange movement	(86)	3,023
	45,907	48,715
Amount paid to date:		
Grinding area systems	(40,439)	(37,011)
Crusher facilities	(3,961)	(3,881)
Foreign exchange movement	74	(2,676)
Outstanding payment obligation	1,581	5,147

(c) Under the terms of the Company's exploitation mineral license for the Project, an annual fee is required to be paid to maintain the license in good standing. The current annual fee is approximately \$0.2 million. These fees are indexed annually by the Romanian Government and the license has 9 years remaining.

(d) RMGC has approximately 41 years remaining on a concession agreement with the Local Council of Rosia Montana Commune by which it is granted exploitation rights to property located on and around the proposed Carnic pit for an annual payment of \$20,000.

(e) The Company has entered into agreements to lease premises for various periods until May 31, 2011. The annual rent of premises consists of minimum rent plus realty taxes, maintenance and utilities.

The Company has an agreement with a consulting firm to provide financial advisory services in relation to defining and implementing the financing plan for development of the Project. A success fee of up to US\$4 million will be payable on execution of definitive credit agreements and/or financing documents for the senior, mezzanine and cost overrun debt facilities for the Project. No amount has been accrued for these services.

In March, 2009 the Company entered into a professional service agreement with an international communications firm providing services in media planning and related activities. The term of the agreement is 3 years from the commencement date of March 1, 2009 until February 29, 2012. The agreed fee consists of annual fee of 450,000 EURO and success fee of 800,000 EURO payable at the end of the 3 -year agreement and upon fulfillment of certain criteria. The Company has paid or accrued 450,000 EURO for the 2010 annual fee as at December 31, 2010.

19. Supplemental cash flow information

	2010	2009
(a) Net changes in non-cash working capital		
Operating activities:		
Accounts receivable, prepaid expenses and supplies	(129)	(101)
Accounts payable and accrued liabilities	(1,866)	6
Unrealized foreign exchange gain on working capital	38	(383)
	(1,957)	(478)
Investing activities:		
Accounts receivable, prepaid expenses and supplies	(297)	3,843
Accounts payable and accrued liabilities	2,129	(8,382)
Unrealized gain (loss) on short-term investments	(5,089)	2,053
	(3,257)	(2,486)
(b) Exploration and development expenditures		
Balance sheet change in mineral properties	(41,364)	(34,461)
Reclassification of mineral properties from construction in progress	—	13,718
Decrease in resettlement liabilities	(756)	(24,766)
Non-cash depreciation and disposal capitalized	1,278	430
Stock based compensation capitalized	2,668	1,519
Development and exploration expenditures per cash flow statement	(38,174)	(43,560)
(c) Cash and cash equivalents is comprised of:		
Cash	4,913	13,674
Short-term investments (less than 90 days) - weighted average interest of 0.78% (2009 - 0.27%)	21,666	102,436
	26,579	116,110

20. Reclassification of comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Notes

Investor Information

DIRECTORS

Keith Hulley⁵
Non Executive Chairman

Ed Flood^{4,5}
Dr. Alfred Gusenbauer³
Jonathan Henry
Wayne Kirk^{1,3}
Igor Levental^{3,4}
David Peat^{1,2}
Simon Prior-Palmer^{1,4}
Walter Segsworth^{2,5}
Murray Sinclair^{2,4}

- 1 Audit Committee
- 2 Compensation Committee
- 3 Corporate Governance Committee
- 4 Finance Committee
- 5 Technical Committee

OFFICERS

Keith Hulley
Non Executive Chairman

Jonathan Henry
Chief Executive Officer

Max Vaughan
Chief Financial Officer

Richard Brown
Chief Commercial Officer and
Acting Corporate Secretary

CORPORATE OFFICES

Registered Office:
Suite 200 - 204 Lambert Street
Whitehorse, Yukon
Canada Y1A 3T2

Corporate Office:
RM Gold Services Ltd
16 Great Queen Street
London
WC2B 5DG
United Kingdom

Email:
info@gabrielresources.com

www.gabrielresources.com

ROMANIAN OPERATIONS

Rosia Montana Gold Corporation S.A
17 Herastrau Str.
1st District, 011981
Bucharest, Romania

PUBLIC RELATIONS

Buchanan Communications
107 Cheapside
London
EC2V 6DN

AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants,
Licensed Public Accountants

Royal Trust Tower,
Toronto-Dominion Centre
77 King Street West, Suite 3000
Toronto, Ontario
M5K 1G8

SOLICITORS

Stikeman Elliott LLP
5300 Commerce Court West
199 Bay Street
Toronto, Ontario
M5L 1B9

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services Inc.
Tel: +1 (514) 982 7555

Toll Free: 800 564 6253
(within North America only)

Tel: +1 (514) 982 7888
(outside of North America collect calls accepted)

Email: service@computershare.com

SHARE CAPITAL

Authorised – Unlimited Common Shares
Issued and Outstanding 348,474,394
(as at March 31, 2011)

SHARE LISTINGS

Toronto Stock Exchange
Symbol: GBU

ANNUAL MEETING

The Annual Meeting of Shareholders
will be held on Thursday June 16, 2011
at 9:30 a.m. in the Main Dining Room,
St. Andrew's Club, 150 King St. West,
Toronto, Ontario, Canada.



This report is printed on Cocoon Offset
which is made from 100% recycled fibres
sourced only from post-consumer waste.
The paper is certified according to the rules
for the Forest Stewardship Council.

Design / Mediasterling
www.mediasterling.com

Print / Royle Print
www.royle-print.co.uk

