



GABRIEL
Rosia Montana

To the Stakeholders of the Rosia Montana Gold Corporation:

The enclosed Summary from our 2011 Communication on Progress demonstrates our Company's ongoing commitments towards the 10 principles of the UN Global Compact.

As we have done in the previous years, in 2011 we continued to ensure that human and labour rights, environmental protection and anti-corruption principles are fully integrated, implemented and aligned to the Company's strategies, operations and culture. We believe that it is important to implement these commitments from the very outset, even while the Company is still undergoing its permitting process.

As noted in one of our previous reports, we consider that, well before the first ounce of gold is to be mined, all companies must make clear commitments to the community around the mine to ensure that the social and economic impacts of a project are both positive and sustainable. That is the responsibility of modern mining, and it is the focus we bring to the Rosia Montana Project (the "Project").

The Company also continues to make available significant resources to its CSR programmes, which in Romania is a multi-dimensional commitment managed by RMGC and covering employee training and safety, respect for the local communities and traditional ways of life, direct and indirect social impacts, educational programmes, environmental protection, community sponsorship and heritage protection. The Project aims at providing a benchmark for sustainable development of a local community where mining has been part of the heritage of the community for two millennia.

Last but not least, I would like to mention respect for transparency of the terms under which the Project will proceed, including full public disclosure of the facts surrounding the Project to both public authorities and interested stakeholders for their assessment. Even more so, in order to ensure transparency and to verify the Project's compliance with all undertakings and promises made, the Company has gone beyond normal business practice by proposing the establishment of an independent and transparent monitoring mechanism for accountability through disclosure and monitoring with regard to the Project.

In conclusion, on behalf of Gabriel Resources, I am pleased to submit the following Report to our stakeholders as a sign of our continuous commitment to engagement, openness and social responsibility.

Signed

Jonathan Henry

President & Chief Executive Officer

Gabriel Resources Ltd¹

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 Project is currently undergoing the technical review of its environmental impact assessment by the Romanian authorities.

2011 Communication on Progress

Human rights:

The Project aims at being not only a development mechanism for the local community, but also a contributor to wider regional and national development.

Through its implementation, the Project will support the inhabitants of Rosia Montana by providing a protected, clean and safe environment, better infrastructure and services at least as good as in the most developed communities of a similar size in Romania. Additional basic services will also be ensured, such as electricity supply, safe sources of drinking water, good roads, street lighting, and modern communication lines to the rest of the country, as well as proper stations for wastewater and waste treatment. People will have equal access to education, training and job opportunities.

Labour principles and community involvement

Stakeholder Engagement - general

According to Romanian legislation, international standards and best practices, the Rosia Montana Gold Corporation (RMGC), as a part of its Social and Environment Management System, engages with a large range of stakeholders: decision-makers, local, regional and national authorities, directly affected community and nearby communities, NGOs, large public bodies etc.

The International Finance Corporation, in its Performance Standard no 1, para. 25 mentions that “..Stakeholder engagement is the basis for building strong, constructive, and responsive relationships that are essential for the successful management of a project's environmental and social impacts.”

After intensive public consultation and information-gathering during the environmental impact assessment procedure and according to national legislative requirements, the Company has continued to communicate with all categories of stakeholders, including government institutions, non-governmental entities, the media, the general public, employees and the affected communities themselves and taken important steps in order to get the permits for operational and social licences.

These intensive efforts led in 2011 to the foundation of the “Rosia Montana Project Support Group”, which has increased in 2012 by admitting new members. Today, the Project Support Group includes more than 70 members from all categories of stakeholders, out of which over 40 entities are mayors representing local communities.

In 2011-2012, as national, European and global attention became focused on job creation, RMGC decided to communicate to the general public on the same aspects – the need for jobs in the Rosia Montana area and for jobs during all phases of the Project, one of the Project’s most important benefits.

It is important to mention that in 2012 the support for the Project has increased favourably, amongst both the public at large throughout Romania and particularly, amongst the local community around Rosia Montana.

Community engagement

The community represents a major stakeholder for RMGC. By engaging with the affected community and the broader community at large, the Company keeps the community informed, collects feedback and involves it in the decision-making process.

Community engagement is an important dimension of social responsibility involving such projects, particularly, where these combine direct social and environmental impacts.

This is the reason why Community Relations are an important component of RMGC’s management. RMGC maintains good community relations, good management of the social direct impact (resettlement and relocation) as well as good management of any indirect impact (the larger community near the Project).

As part of community engagement, the Company opened seven dedicated offices in Rosia Montana and Alba Iulia, of which three of them opened 2011.

Another one of the Company's objectives is to invest in people and promote life-long professional development. In case of external recruitment, priority is always granted to the communities closest to the Project's operations where the necessary skills are available in accordance with our sustainability commitments.

Through our programme aimed at vocational training and education for adults, the Company provides skills-based courses within the community, for current and potential employees with courses including specialised retraining and business modules.

We also believe that by facilitating access to knowledge for employees and the community, we bring additional value to the creation of a sustainable community where economic and human deficiencies can find feasible solutions to existing problems, such as a more reasonable income distribution, promotion of social equity and ethics and in the prevention of abuses against human beings.

Our commitment also involves the development of local employment, sourcing from local supply and diversification of the structure of the local economy through:

- Local employment – RMGC currently employs approximately 480 people directly and numerous others indirectly, with some 85% employed from the local community;
- Local supply - more than 600 local firms are suppliers/contractors to RMGC;
- Enhancement of skills - RMGC has provided training and support to NGOs on tourism initiatives, fundraising for community development projects, online communications and on developing food processing standards.

Following the prior construction of 125 homes in the Alba Iulia resettlement site at Recea, completed in the second quarter of 2011, the Company commenced with the construction of six new houses and the Orthodox Church at the Recea site. Both these initiatives stand as a visible testimony to the determination of the Company to deliver on its promises to the people of Rosia Montana.

In 2011, the Company has continued to support "Living Traditions" programme, aimed at regenerating the Rosia Montana community by increasing social cohesion, community identity, and community participation. The safeguarding of the intangible cultural heritage of Rosia Montana by designing and developing backgrounds thus enables cultural transmission to the next generation and helps turn Rosia Montana's traditional cultural institutions into a tourist capital attraction. This ensures respect for community values on behalf of the Company, leading to good relations between the Company and the local community.

Finally, RMGC is the main sponsor of the annual 'Miners' Day & Mining Communities and Mining Tradition Festival', which in August 2011 involved 13 mining communities and attracted more than 5,000 participants.

Environment

The Rosia Montana site suffers from 2000 years of previously poorly regulated mining activity with 100 hectares affected by 18 waste stockpiles and two pits with 140 km of underground galleries generating acid water which includes heavy metal contamination up to 40 km downstream from the site. The Company is committed to clean up these past environmental legacies from previous operators.

In 2011 the Company established a test work programme for Acid Rock Drainage (ARD) water treatment. In the second half of 2011 the Company performed a series of laboratory scale tests for the proposed technical solutions design and assembly of the ARD pilot facility. The commissioning of the ARD pilot plant started in January 2012 and the Company is currently testing two technologies. The first one consists of a classic lime precipitation and an additional stage of ettringite precipitation; the second

one is a membrane (nano-filtration) technology. Thus far, the results look very promising and the quality of the ARD pilot plant outflow is similar to drinking water standards. The first stage of the test work programme will end in mid-August 2012 and for the second stage, the Company is committed to coordinating a similar testwork programme in partnership with the Romanian government for several previously closed and abandoned state-owned mines (most for them abandoned mine sites lacking rehabilitation and closure funds) in order to develop the most efficient ARD treatment technical solution. The Company aims at integrating environmental considerations into all of its activities which, in 2011, included establishing and maintaining a management system to identify, monitor, control and improve the environmental performance of RMGC activities. These environmental considerations include: financing independent audits in order to assess environmental performance in relation to the Company's objectives; complying with all applicable laws in Romania and the EU, subject to the reporting requirements and other obligations, as set out in regulations such as the EU Directive on Mining Waste and the EU Water Framework Directive; use of best available techniques (BATs) in all operations and activities in order to enhance environmental protection during the operating phases of the mine; implementing efficiently and transparently communications with stakeholders with regard to the environmental aspects of the Company's activities, encouraging public debate on environmental matters and cooperating with national and international institutions and organisations in order to develop efficient, cost-effective and environmentally-friendly measures.

The Romanian Ministry of Environment & Forestry ("MOE") recommenced the Technical Analysis Committee ("TAC") review of the Project's Environmental Impact Assessment ("EIA") on September 17, 2010 and since then the Project has continued to be the subject of objective analysis.

To aid consideration of the material provided by RMGC, the TAC members visited Rosia Montana on 19-20 October, 2011. The objective of the visit was to offer a better understanding of the Project and its potential impact on the environment. The visit was followed by a further TAC meeting on 29 November, 2011 where the analysis of all EIA chapters was completed.

Beyond these national and site-specific activities, the Company also participated in 2011 in an EU-wide effort convened by the European Commission to test-pilot their Corporate and Product Environmental Footprint methodology.

Cultural Heritage

The Company assumes responsibility for preserving the community's historical heritage through: Conservation of the community's historic town centre; conservation of historic buildings and monuments by preserving their authenticity and integrity; conservation of architectural decorations and aesthetics; recovery of the values, symbols and intangible heritage by preserving cultural and social assets of the community and by the contribution to, and fostering of, the community's regeneration and social development.

In 2011, the Company continued maintenance work on 160 houses located in the historic centre of the village of Rosia Montana (the 'Protected Area') in order to prevent their further deterioration. This emergency conservation work will continue through a multi-year programme, which will run in parallel with the construction and the operational phases of the Project.

This is just one element of a commitment of approximately US\$70 million to be invested in local heritage and cultural aspects in and around Rosia Montana over all phases of the Project. This commitment also includes the establishment of a special committee, to include independent experts, who will monitor the work undertaken by the Company².

Simultaneously, the Company has initiated design work to prioritise the restoration of more than 100

² The Independent Group for Monitoring the Cultural Heritage at Rosia Montana , The Cultural Heritage at Rosia Montana , Current situations and real perspectives, 2011

houses located within the Protected Area and bring these back into functional use. To date, the design work for the first phase of more than 50 houses has been completed with a view to obtaining the necessary permits and starting renovation activities later in 2012, with the second phase of design work now in progress.

In addition, our Company, in partnership with the local council of Rosia Montana, is continuing the restoration process of two iconic houses (the old school house and former town hall) in the Protected Area, alongside the rehabilitation of a number of houses which are to be used for various tourism initiatives.

Corporate Governance

The Company seeks to achieve high standards of corporate governance. To that end, Gabriel Resources Ltd has adopted new and revised group policies and practices to meet these requirements for compliance such as laid down by the UK Bribery Act, in force since July 1, 2011.

The Company is also committed to guarantee its commitments regardless of the Project's financial status, by the legally enforceable pre-funding of those undertakings. In addition, the Company is committed to insurance and arbitration in order to provide financial protection should there be an accident. With these standards, the Project with its independent monitoring of compliance and transparency, will provide a 'model' for industrial projects in terms of sustainable development.

Finally, as noted in earlier reports the Company's commitment to sustainable development is demonstrated by its willingness to adopt and embrace key initiatives and processes that drive best practices. The Company recognises and supports the following external initiatives:

- International Council on Mining and Metals, 10 Principles for Sustainable Development (www.icmm.com)
- International Cyanide Management Code (ICMC) (www.cyanidecode.org)
- International Finance Corporation (IFC) performance indicators for environmental and social protection (www.ifc.org)
- International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights to Work (www.ilo.org)
- Intergovernmental Panel on Climate Change – Best Available Techniques for the mining field (www.epa.ie)
- Organisation for Economic Co-operation and Development guidelines for multinational enterprises (www.oecd.org)
- United Nations Global Compact (www.unglobalcompact.org)
- World Bank and IFC guide for resettlement and relocation activities (www.ifc.org)