



GABRIEL
Rosia Montana
IN PARTNERSHIP

GABRIEL RESOURCES LTD.
1501 – 110 Yonge Street
Toronto ~ Ontario ~ M5C 1T4 ~ Canada
T: 416-955-9200 F: 416-955-4661
E: info@gabrielresources.com
www.gabrielresources.com

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FOURTH QUARTER REPORT

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Highlights

“The recent change in Government has resulted in a more active dialogue with senior members of the Government and key officials, and a greater interest in the full range of benefits that will flow to Romania as a result of the Rosia Montana Project,” said Keith Hulley, Chief Executive Officer. “As a result, we are seeing an increase in the political will to see our project move forward.”

Financial Performance

- Fourth quarter net loss was \$10.7 million, or \$0.03 per share. Year-to-date loss was \$26.5 million, or \$0.09 per share.
- A total of \$17.3 million was spent on our development projects during the fourth quarter increasing the year-to-date amount to \$65.7 million.

Liquidity and Capital Resources

- Cash, cash equivalents and short term investments at December 31, 2009 totaled \$162.3 million.
- The base budget and forecast for 2010 on the Rosia Montana Project totals \$38.4 million. This budget includes only those expenditures and commitments to maintain the value of our investment in mineral properties and to move the Project through EIA approval.
- Once the EIA is approved, the acquisition of remaining surface rights, completion of control estimate, and higher activity to acquire all permits and approvals required to apply for construction permits are expected to cost approximately \$93 million.
- Corporate overhead costs are expected to total an additional \$6 million.

Financing Plan

- In 2009 management developed a new financing plan that assumes availability of senior debt financing in combination with equity and other potential financing sources in order to meet the Company’s financing needs. The new plan incorporates recent developments in both the debt and equity markets.
- The estimated capital cost to complete the development of the Rosia Montana Project – including interest, financing and corporate costs is approximately US\$1 billion. Management has taken into consideration fluctuations in the foreign currencies and their impact on the capital costs to complete the Project. Based on current exchange rates (February 2010) the cost to construct the Project would be approximately US\$25 million higher today, which is more than offset by higher gold prices in 2009.

- The Company anticipates financing these costs with debt financing, including senior debt, mezzanine debt, vendor loans, silver sales and EU grants, with the balance to be financed through equity financing.
- The estimated capital cost to complete excludes a provision for a cost overrun facility, reclamation deposit, and hedging program if required by banks and agencies. These additional items could add US\$150 million to the financing plan.
- Once completed, the Project is expected to produce approximately 626,000 ounces of gold annually at an average total cash cost of approximately \$272/ounce over the first five years.

Rosia Montana Project Development

Political Situation

- Romania held its presidential election in two rounds, November 22 and December 6, 2009, returning incumbent Traian Basescu for a second 5-year term in office. President Basescu asked former Prime Minister Emil Boc to form a new government; a new governing coalition was sworn in December 22, 2009, comprised of the Democrat-Liberal Party (the PDL), the Hungarian-ethnic UDMR alliance, plus Independent and Minority bloc parliamentarians.
- This Government, like its 2009 predecessor, is focused on an anti-crisis program to mitigate the impact of the financial and economic crisis, supported by the €20 billion aid package. Given the critical importance of sparking sustained economic development, the Company continues to draw public and political attention to the significant economic opportunity its Project represents, while conforming to the highest standards on environment, patrimony and social matters.
- During the final presidential debate, President Basescu made a strong statement regarding the importance of the Rosia Montana Project (“the RMP”), and the Minister of Economy included the RMP in Romania’s governing programme. While the new Minister of Environment has voiced skepticism about the Project, he has framed his comments around the expectation that it must meet all relevant laws and regulations – standards fully embraced by the Company, and built into the Project’s design and operational plans.
- The Minister of Environment has publicly stated his intention to visit Rosia Montana, while President Basescu has declared his intention to discuss Rosia Montana in the CSAT – Romania’s council on national security issues.
- Throughout 2009 management focused on meeting with stakeholders to understand their issues and concerns and to explain the benefits and impacts of the Project. Strong local and regional support among public officials is a direct result of our outreach. To further strengthen our communications efforts, the Company retained an internationally recognized public relations firm to assist with our ongoing communications program. Our communication efforts have been fact based, focusing on the critically-needed economic benefits the Project will bring to Romania at a time when the country faces the impact of the global financial crisis. In addition, we attempt to demonstrate how modern mining methods and strict standards can help Romania revitalize its resource sector, creating an economic engine for growth and sustainable development. While political and NGO opposition remains, broader understanding of these economic and development issues is a factor in the positive reaction to the Project among Romania’s governing authorities.
- Throughout 2009, the Project has received strong support from members of the local and regional political leadership of both parties in the then-ruling coalition government. This support was manifested through, among other things, a series of open letters to various

government ministries. These open letters have all requested that the government restart the Environmental Impact Assessment (“EIA”) review process immediately.

Environmental/Permitting

- Since the fall of 2007, review of the Project’s EIA has been suspended as a result of a decision taken by the former Minister of Environment. Since that time, management has worked diligently to advocate in favour of a restart of the EIA review process and advance the permitting process for the Project. Throughout 2009 management has been focused on initiating and maintaining dialogue with the various ministries in the Romanian government with respect to the EIA review process. The change in government in December 2009 has resulted in a more active dialogue with senior members of the government and key officials to move our project forward.
- The Company is moving forward with the amended industrial zonal urbanistic plan (“Amended PUZ”), having completed four public participation meetings and prepared responses to the questions received from these public consultations including questions received from Hungarian stakeholders which were filed with Ministry of Environment.
- In addition, the Local Council has initiated the process for the zonal urbanistic plan for the protected area. The plan has been drafted and the final form endorsed by the Local Council as a result of the public consultation held in October 2009. Assuming a normal path along the permitting stage, we expect a final approval for Amended PUZ and PUZ-Protected Area in the fourth quarter of 2010.
- The forestry and agricultural land use change permits will proceed after the EIA has been approved and surface rights obtained.
- The dam safety permits which were validated by the Bucharest Court of Appeal remain subject to a final appeal to the Supreme Court by the Ministry of Environment. The first appeal hearing took place in December 2009 with second hearing scheduled in March 2010.

Rosia Montana Project Timeline

- Once the EIA for the Project is approved by the Romanian Government, in the absence of any other extraordinary events, legal or otherwise, management and its advisory team anticipates that it would take at least 6 months to:
 - Complete the purchase of the outstanding properties;
 - Receive all other permits and approvals, including initial construction permits; and
 - Complete the control estimate and complete the financing.
- Once construction of the mine begins, it is expected to take approximately 24 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 Rosia Montana Project, subject to the Romanian courts dealing with litigation from NGOs in a timely manner.

Surface Rights

- As a result of the suspension of the EIA review process in September 2007, the home purchase program was suspended indefinitely in February 2008.
- The Company owns 77 percent of the homes in the industrial zone, protected area and the buffer zone.
- The Company also needs to acquire institutional properties (35 percent of the surface area of the Project) and the process to acquire these is underway and expected to be completed after EIA approval.
- Once the Company completes the agreements for institutional properties, its ownership will rise to approximately 85 percent of the industrial zone of the Project, further demonstrating strong local support for the Project.
- Ultimately, the Company's ability to obtain construction permits for the mine and plant is predicated on securing 100 percent of the surface rights in the industrial zone, the timing of which is not entirely within the Company's control.

Resettlement Sites

- Construction of the Alba Iulia resettlement site, known as Recea, began in summer 2007.
- The construction of all 125 homes of Recea resettlement site in Alba Iulia has been physically completed with 124 homes handed over to their respective owners. The last home will be handed over and legal transfer of seven remaining homes will be finalized in the first quarter of 2010. This project has attracted attention regionally and nationally for the quality of its design and construction and it is a visible testimony to the determination of the Company to deliver on its promises to the people of Rosia Montana.
- The Company is currently working to obtain permits for the construction of Piatra Alba, the new resettlement village to be built in Rosia Montana. The Company was hoping to begin construction towards the end of 2009. Delays in permitting process have changed the expected time to obtaining the construction permit to the second quarter of 2010. Planning is advancing in order to allow mobilization on granting of the construction permits.

Archaeology

- The Supreme Court annulled archaeological discharge certificate number 4 ("ADC 4") in December 2008.
- The Company has reviewed the Court's written reasons for this decision and intends to apply for a new ADC 4 through a revised application performed by independent researchers that it believes will address all deficiencies identified by the Court.
- An initial NGO claim seeking the suspension of archaeological discharge certificate number 5 ("ADC 5") has been irrevocably rejected by the Romanian Courts, however an annulment claim remains outstanding.
- The Company commissioned two independent audits (from highly regarded UK based firms), one on archaeology and the other on architecture. The overall conclusions of the reports were positive and at the same time returned some constructive comments which are currently being acted on and incorporated into the Company's ongoing program.
- The Company has concluded the restoration of a stone-made house located in the center of Rosia Montana to host a permanent exhibition of history and mining archaeology, which will be part of the future Mining Museum (this being one of the public commitments made in the EIA).

- In the meantime the Company continued the emergency maintenance works for 120 houses located in the historical center of Rosia Montana, with the aim to stop their deterioration. The restoration of these houses will continue through a multi-year program, which will run in parallel with the construction and the operations phase of the mining project.

CEO Search

- On March 23, 2009 Alan R. Hill retired as President and CEO of Gabriel. The Board appointed Keith Hulley, who has served on the Board and as a Chairman of the Technical Committee for the past three years, as interim CEO until a permanent replacement is found. The Company formed a selection committee and an executive search firm is engaged to assist the Company in identifying a new CEO.

About Gabriel

Gabriel is a Canadian-based resource company committed to responsible mining and sustainable development in the communities in which it operates. Gabriel is currently engaged in the exploration and development of mineral properties in Romania and is presently engaged in the development of its 80.46% owned Rosia Montana gold project. For more information please visit the Company's website at www.gabrielresources.com.