Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides a commentary to enable a reader to assess material changes in the financial condition and results of operations of Gabriel Resources Ltd. ("Gabriel" or the "Company") as at and for the three-month periods ended March 31, 2015 and 2014.

The MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto of the Company as at and for the three-month periods ended March 31, 2015 and 2014 ("Statements"). These Statements have been prepared in condensed format in accordance with International Financial Reporting Standards ("IFRS") as applicable to the preparation of interim financial statements, including International Accounting Standard IAS 34 ('Interim Financial Reporting'). The unaudited condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2014, which have been prepared in accordance with IFRS. All amounts included in the MD&A are in Canadian dollars ("$"), unless otherwise specified. This report is dated as of May 13, 2015, and the Company's public filings, including its most recent Annual Information Form, can be reviewed on the SEDAR website (www.sedar.com).

Overview

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

The Company's vision is to create value for all stakeholders and to build a showcase mine for Romania from a safety-led, technically advanced and environmentally responsible approach to mining. Gabriel is fully committed to sustainable development in the communities in which it operates and to setting high standards through good governance, responsible engineering, open and transparent communications, and operations and land reclamation based on European Union ("EU") recognized best available techniques. Full compliance with EU regulations, which are amongst the most stringent in the world, will assist the Company's goal of achieving a legacy of sustainable development while preserving the area's cultural heritage and removing severe historical pollution in the region (caused by unregulated mining practices and a lack of remediation after cessation of mining, most recently by the Romanian state mining at Rosia Montana until 2006), for the benefit of future generations.

Key Issues

Notice of Dispute

In January 2015, the Company announced that it had issued a notification of dispute (the "Notice") to the President and Prime Minister of Romania on behalf of Gabriel and certain of its affiliates, pursuant to the provisions of certain international bilateral investment protection treaties which the Government of Romania ("Government") has entered into with each of the Governments of Canada, the Netherlands and the United Kingdom (together the "Treaties"), requesting that the Romanian authorities engage formally with Gabriel in a process of consultation in order to find an amicable resolution regarding the development, construction and operation of the Project.

As at the date of this document, and despite a further letter of request for consultation sent by Gabriel in April 2015 to the President and Prime Minister of Romania, there has been no response to the Notice.

Through the issuance of the Notice, Gabriel reiterated its strong commitment to develop the Project and, accordingly, is continuing to seek an amicable resolution with the Government to the significant delays in the permitting of the Project, as described further below. Gabriel has made it clear that it is ready to engage at a senior level with the Romanian authorities in order to resolve amicably the issues at dispute as soon as possible. Gabriel intends to continue to closely monitor the situation in Romania and to take those steps available to it to be in a position to move the Project forward should a resolution be achieved, including the advancement, to the extent possible, of those activities described further below.

Gabriel has not yet initiated any arbitration claim or application to any international arbitration court. However, Gabriel is committed to the protection of its rights in Romania, and should the current situation continue and no workable solution develop, Gabriel and its subsidiaries will pursue legal recourse, including the filing of arbitration claim(s) under one or more of the Treaties.

Background to the Dispute

Since obtaining the rights to develop the Project, Gabriel has been firmly committed to its realization and to date has sourced funding in excess of $700 million which has been invested to finance and develop the Project.

Over many years, in reliance on numerous representations made and actions taken by the competent Romanian authorities, Gabriel has complied in good faith with its obligations under Romanian law and diligently pursued the development of the Project as a productive, high-quality, sustainable and environmentally responsible mining project, using best available techniques as recognized by the European Commission.

Unfortunately, to date, the actions and inactions of the Romanian authorities have prevented the Project from advancing to implementation. Ultimately, the Project is no longer the subject of routine, regulatory analysis by the competent administrative bodies charged with its assessment; instead it has become subject to a dysfunctional, politicised decision-making process and held hostage to conflicts between rival political factions and misinformation that has damaged the ability to develop the Project.

This state of affairs, among other things, has prevented action from being taken with regard to the environmental permit ("EP") for the Project, evidenced by the repeated delays to the technical analysis committee ("TAC") environmental impact assessment ("EIA") review process.

Political Situation

During 2014, political activities in Romania focused on the European Parliamentary elections, which took place at the end of May 2014, and moreover on the presidential election which was held over two rounds on November 2 and 16, 2014. Klaus Iohannis won the second round of the presidential election with 54% of the vote against 46% for Victor Ponta, the incumbent Prime Minister, and was sworn in as the fifth President of Romania on December 21, 2014 for the constitutional 5-year term.

Following the outcome of the presidential election in November 2014, Victor Ponta remains as the country's Prime Minister and head of Government. The next parliamentary elections in Romania are scheduled for late 2016, with local elections earlier the same year.

The existing governing coalition, the fourth government led by Prime Minister Ponta in the last three years, is supported by Ponta's Social Democratic Party (PSD), the Conservative Party (PC),the National Union for the Progress of Romania (UNPR) and the centre-right Liberal Reformist Party (PLR). The existing Government currently holds a clear majority of the seats in the Senate and the Chamber of Deputies.

The level of Government engagement on the Project during 2014 was extremely limited. Against this background, during the whole of 2014 and in 2015 to date, there have been no significant developments in any of the key areas for the Project where decision-making is required by the competent Romanian authorities.

In line with the lack of activity and progress for the Project, cost-reduction measures have included, amongst other things, a material reduction in the workforce of Gabriel and RMGC from approximately 500 employees as at December 31, 2013 to approximately 110 in March 2015 with further reductions planned in the short term.

Environmental & Permitting

Environmental

Since the recommencement of the EIA review process in September 2010, the TAC has met on twelve separate occasions; twice in 2010; three times in 2011; four times in 2013; twice in 2014 and, most recently, on April 27, 2015.

It was the Company's understanding, that at the TAC meeting held on July 26, 2013, the TAC chairman concluded that it had completed all technical review aspects of the EIA process and would meet once again only, for a final meeting, pursuant to which it would issue a recommendation on the issuance of the EP.

At the TAC meeting held on July 24, 2014, the principal agenda item was to discuss the Ministry of Environment’s proposed requirement for, and the related scope of, a further study on the permeability of the Project’s tailings management facility (“Supplementary Study”). The meeting finished without conclusion on that issue and the TAC members were tasked to consider further their respective positions on the need for, and scope of, a Supplementary Study. Amongst other matters, RMGC has submitted that all material environmental issues had been extensively considered and concluded upon at prior TAC meetings and that a Supplementary Study was not necessary, and RMGC maintains that the proposed initiation of a further study would contravene the environmental impact assessment procedure as regulated by law.

Following a nine-month period during which time there were no further developments, a TAC meeting was held on April 27, 2015. The principal agenda items were to consider the 2014 proposal for a Supplementary Study and an open letter sent by ICOMOS to various Romanian government officials and agencies. ICOMOS is an international non-governmental organisation (NGO) dedicated to the conservation of the world's cultural monuments and sites. The ICOMOS letter primarily presented a view that economic development and prosperity in the region in which the Project is located, and protection of cultural heritage sites, could be achieved without mining. The TAC meeting was inconclusive, once again, in fully addressing the agenda items raised.

Gabriel remains of the view that the most recent TAC meeting does not repair or redress the damage suffered by the inaction and continuing delay to the environmental permitting process that has occurred to date. Gabriel also remains unable to provide guidance on the related timeframes to a final decision with regard to the EP or any estimates for the likely time required to definitively address and resolve matters raised in the TAC meetings held in 2014 and 2015 (as described above).

Permitting Overview

Although the EP is the most important approval for the Project, there are additional rights, licenses, permits, approvals and authorizations from the local, county and federal levels of Government required to advance the Project to construction. These permits include zonal urbanism plans for the industrial and protected areas, forestry/agriculture land use change permits, as well as other permits and approvals that follow the issuance of the EP.

The Company has initiated the majority of the necessary permitting and approval processes for the development, construction and operation of the Project, and a brief summary of certain of the material rights, licenses, permits and approvals is set forth below. The application for, and issuance of, each material license, permit, approval and authorization is governed by a separate set of laws, rules and regulations.

Urbanism Plans & Certificates

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

Since 2002, the Company has updated the design of the proposed mine, reduced the size of the footprint, expanded the protected zones and incorporated a number of additional changes to the proposed mine, all arising as a result of public consultation. Accordingly, in 2006, an amended PUZ for the industrial development area of the Project was initiated, and such PUZ was further updated in 2010 ("Industrial Area PUZ"). It is currently proposed that, subject to the receipt of the relevant approvals (as described below), the Industrial Area PUZ will replace the 2002 PUZ.

There has been limited progress in 2013, 2014 and 2015 to date in obtaining the required endorsements for the Industrial Area PUZ. As at the date of this document, RMGC holds 18 valid endorsements out of the total number of 23 necessary for the approval of such PUZ. After obtaining all the necessary endorsements, the final approval for the Industrial Area PUZ will be required to be given by the local councils of Roșia Montană, Abrud and Bucium.

In 2009, the local council of Roșia Montană initiated the process for the zonal urbanism plan for the Roșia Montană historical protected area ("Historical Area PUZ") and, as at the date of this document, 10 out of the total of 13 endorsements necessary for its final approval have been obtained. Once the endorsement process is completed, the final approval of the local council of Roșia Montană will be then required.

There are a number of PUGs relevant to the Project including the PUG for the Roșia Montană commune (approved in 2002); the PUG for Abrud (approved in 2002); the PUG for Campeni (approved in 2009); and the PUG for Bucium (approved in 1999). According to Romanian legislation, PUGs are required to be updated every ten years by the respective local council.

During 2012 the validity of the existing PUGs for Roșia Montană and Abrud were extended for two years pursuant to local council decisions. In July 2014, the existing PUGs for Roșia Montană and Abrud were extended, pending conclusion of the process for obtaining new PUGs, for a maximum further term of three years. During 2012, the local councils of Roșia Montană, Abrud and Bucium initiated the process for new PUGs for the respective localities. These processes remain ongoing and are subject to a number of formal approvals, including public consultation.

On April 22, 2013 Alba County Council issued a new urbanism certificate (UC-47) for the Project, initially valid for 24 months, subject to extension for a further maximum of 12 months. An urbanism certificate is an informational document issued by a local or county council and sets out the legal, technical and economic status of a particular parcel of land and further forms part of the legal regime associated with obtaining a construction permit. During Q1 2015, following a request by the Company, extension of the validity of UC-47 was approved by Alba County Council until April 2016.

Dam Safety Permits

In Q1 2012, the Romanian National Dam Safety Commission ("CONSIB") approved the extension of the operational safety permits for the design of the Project's Corna and Cetate dams for a further period of five years (subject to construction of the Project commencing within two years). Subsequently the Ministry of Environment ratified the extension by issuing new safety permits for these dams in April 2012. In January 2014, RMGC submitted the required technical documentation for obtaining new safety permits for the two dams. In November 2014, CONSIB unanimously voted for their issuance and, therefore, it is incumbent upon the Ministry of Environment to now issue new safety permits for the dams. These are still awaited.

Litigation

Continued exploitation of legal proceedings as a tool to delay the Project

Over the years several foreign and domestically-funded NGOs have initiated legal challenges against local, regional and national Romanian authorities that hold the administrative or regulatory authority to grant licenses, permits, authorizations and approvals for many aspects of the exploration and development of the Project.

In general, these legal challenges claim that such authorities are acting in violation of the laws of Romania and seek suspension and/or cancellation of a particular license, authorization, permit or approval. While a small number of these actions have been successful, the majority have been dismissed by the Romanian courts.

The Company, through RMGC, has sought to intervene in all material cases where it judges that there is a need to ensure that the Romanian courts considering these actions are presented with a fair and balanced legal analysis as to why the various Romanian authorities' actions are in accordance with the relevant and applicable laws. The publicly stated objective of the NGOs in initiating and maintaining these legal challenges is to use the Romanian court system not only to delay permitting approval of the Project as much as possible, but ultimately to stop the development of the Project. There are a variety of procedural mechanisms that allow the NGOs to raise pleas which create additional legal actions that are separate from, but related to the principal legal actions. Legal actions relating to the same license, authorization, permit or approval are often initiated by the NGOs in several different regional court jurisdictions, and such legal objections may be raised in cases seeking a suspension, or separate cases seeking cancellation, of a particular license, permit or approval.

For further details of the material legal actions related to the Project, see the section entitled "*Legal Challenges relating to the Project*" in Part IV of Gabriel's Annual Information Form dated March 12, 2015, a copy of which is filed on SEDAR at www.sedar.com. In addition, key developments in legal proceedings during previous quarters have been reported in the relevant MD&A for such periods.

Recent Developments

The following section outlines key developments that have occurred in legal proceedings concerning the Project during the first quarter of 2015 and certain upcoming court hearings in the second quarter of 2015:

- On December 10, 2014, RMGC initiated a legal action before the Bucharest Court of Appeal challenging the validity of a List of Historical Monuments approved by the Ministry of Culture and National Institute of Patrimony in 2010 ("2010 LHM"). RMGC has contested the validity of the 2010 LHM on the basis that it substantially extends (without legal justification) the protection regime applicable to certain monuments within the perimeter of the Project, as compared to a 2004 list. The next hearing of this claim is scheduled for June 9, 2015.

- On February 17, 2015, the Buzau Tribunal suspended the proceedings concerning a claim filed by three NGOs seeking the annulment of the Archaeological Discharge Certificate ("ADC") for the Carnic open-pit until a separate action initiated by RMGC before the Bucharest Court of Appeal challenging the validity of the 2010 LHM had been determined. This action before the Buzau Tribunal follows a decision of the Suceava Court of Appeal on April 15, 2014, which upheld an earlier court ruling that suspended the ADC. It is the Company's understanding that the effect of such suspension is temporary, pending the irrevocable conclusion of the aforementioned annulment case.

- On April 15, 2014, the Covasna Tribunal admitted a request filed by two NGOs for the annulment of the Strategic Environmental Assessment ("SEA") endorsement, which was issued by the Regional Agency for Environmental Protection of Sibiu in March 2011 in respect of the Industrial Area PUZ. The SEA is one of a number of endorsements required for the Industrial Area PUZ. The ruling is not irrevocable and is the subject of an appeal by RMGC and others to the Brasov Court of Appeal. At a hearing of the appeal on January 22, 2015, the proceedings were temporarily suspended pending the outcome of a plea initiated by RMGC challenging the 2010 LHM. The next hearing of this plea is scheduled to be heard by a panel of the Brasov Court of Appeal on May 21, 2015.

- A claim initiated by two NGOs seeking the suspension of the SEA is scheduled to be heard by the Bacau Tribunal on June 17, 2015.

- In July 2014, three NGOs submitted a claim to the Cluj Tribunal seeking the revocation of two decisions of the local council, namely LCDs 45 and 46/2002, which approved the PUG for Roșia Montană and the 2002 Industrial Area PUZ. The next hearing of this claim is scheduled to be heard on June 24, 2015.

- The first substantive hearing of a claim registered by three NGOs seeking the annulment of UC-47 is scheduled to be heard by the Bistrita Tribunal on May 28, 2015.

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

Other Legal Proceedings

In November 2013, RMGC was informed of an investigation by the Ploiesti Public Prosecutor's Office ("PPPO") into alleged tax evasion and money laundering on the part of the principals/key shareholder(s) of a group of companies including Kadok Interprest LLC ("Kadok Group"). The PPPO extended its investigation of the Kadok Group to at least 100 other companies, including RMGC, which had entered into commercial business relationships with the Kadok Group.

RMGC has lodged a challenge to the legality of a restriction order on the equivalent of $0.3 million held in one of RMGC's Romanian bank accounts pending the outcome of the PPPO investigation. The restricted amount represents the value of the goods procured by RMGC from the Kadok Group during 2012, all of which were received and paid for in full by RMGC, including related value added tax. RMGC was a customer of the Kadok Group for a prior purchase of winter clothing. The company has had no further dealings with the Kadok Group since that time. RMGC has cooperated fully with the PPPO and provided evidence to the PPPO of its legitimate business dealings with the Kadok Group.

Surface Rights

The Company owns approximately 78% of the homes and approximately 60% of the land by area in the Project footprint, comprising the industrial zone, the protected area and the buffer zone.

Ultimately, the Company's ability to secure all necessary surface rights within the Project footprint will be subject to third party actions and a number of risk factors which are not within the Company's control.

Archaeology and Preservation of Cultural Heritage

RMGC is required to obtain a number of archaeological discharge certificates for mining, construction and operation in various parts of the proposed Project footprint. In order to obtain such discharge certificates, RMGC has conducted extensive programmes of exploratory and preventative archaeology in order to ensure that valuable historical relics in the area are uncovered and preserved where appropriate.

In July 2011, the Alba County Directorate for Culture and National Patrimony issued a new ADC to RMGC for the Carnic open-pit, which complemented those it already held for the Cetate and Jig open-pits. In April 2014, as noted above, a ruling of the Suceava Court of Appeal rejected an appeal against the suspension of the ADC for the Carnic open pit and a further legal challenge for its annulment is ongoing.

In recent years, the Company has funded a significant program of restoration and maintenance of houses, community buildings and previously unexplored old underground mining galleries, all located within, or beneath, the historical center of the village of Roșia Montană ("Protected Area"). A significant proportion of these works have been focused on supporting local community initiatives for sustainable development, including tourism. The works to the underground mining galleries have already facilitated in excess of one thousand visitors with interests in historic, regional mining activities. In circumstances where the Project is permitted to proceed, the Company has given an undertaking to commit resources to preserve the important archeological areas that it has previously opened and restored. Further work, beyond critical preservation and security of existing restoration in the Protected Area, remains on hold until such time as the Government moves ahead with Project permitting.

Outlook

The Company is focused on trying to engage formally with the Romanian authorities, as contemplated by the Notice. In the short-term, the Company's principal objectives also include:

- continuing efforts to (i) obtain the remaining authorisations necessary to move the Project forward; and (ii) advance existing permitting applications including the EIA review process;

- continuing to reduce the Company's activities and costs to those that support the preservation of its core assets, rights and permits and to carefully manage its cash resources; and

- maximizing shareholder value, while optimizing benefits of the Project to all stakeholders.

Liquidity and Capital Resources

Cash and cash equivalents at March 31, 2015 amounted to $38.8 million.

The Company's average monthly net cash usage during Q1 2015 was $1.8 million; on a like-for-like basis this compares to $1.9m in Q4 2014 (2014: full year monthly average $2.3 million, 2013: full year monthly average $3.9 million).

In the first quarter of 2015 the Company has continued with its underlying cost containment strategy to preserve capital until such time as the Government moves ahead with Project permitting.

In parallel with the short term objectives noted above, Gabriel will continue to implement ongoing cost-saving measures to align its cost base with the prevailing situation of repeated delays in the regulatory assessment and permitting procedures for the Project. Such measures have a long-term goal of ensuring that the Company remains financially strong, and capable of maintaining, as far as practicable, all existing licenses and permits in good standing, and progressing, to the extent possible, various other similar applications.

Capital Cost

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

Project Timeline

Upon the issuance of an EP for the Project, it is the Company's view that, in the absence of any other extraordinary or unforeseen events, legal or otherwise (including, but not limited to, further political instability or the impact of any new legislative framework for mining in Romania), it would take approximately one year to:

- complete the necessary outstanding surface rights acquisitions;
- receive the majority of other permits and approvals, including for initial construction; and
- proceed with the financing plan for the construction of a mine at Roșia Montană.

The Company estimates that construction of the mine would take approximately 30 months to complete. All timing estimates are based on current applicable legislation together with compliance by Romanian authorities with due process, and subject to the Romanian courts dealing with litigation from NGOs and any other parties in a timely manner.

Results of Operations

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

in thousands of Canadian dollars, except per share amounts	2015 Q1	2014 Q4	2014 Q3	2014 Q2
Income Statement				
Loss / (income) - attributable to owners of parent	$ 3,531	$ 1,474	$ 1,984	$ (657)
Loss / (income) per share - basic and diluted	0.01	0.00	0.01	(0.00)
Statement of Financial Position				
Working capital	31,012	37,220	42,958	48,178
Total assets	636,620	648,074	662,177	689,604
Statement of Cash Flows				
Investments in development and exploration including working capital changes	3,301	(169)	8,957	5,386
Cash flow from financing activities	3	(1,649)	-	34,557

in thousands of Canadian dollars, except per share amounts	2014 Q1	2013 Q4	2013 Q3	2013 Q2
Income Statement				
Loss / (income) - attributable to owners of parent	$ 3,521	$ 527	$ (2,061)	$ 1,735
Loss / (income) per share - basic and diluted	0.01	0.00	(0.01)	0.01
Statement of Financial Position				
Working capital	19,395	31,685	47,286	53,766
Total assets	679,073	658,308	635,419	620,683
Statement of Cash Flows				
Investments in development and exploration including working capital changes	8,957	13,363	9,487	8,532
Cash flow from financing activities	-	52	-	5,346

Review of Financial Results

	3 months ended March 31	
in thousands of Canadian dollars, except per share amounts	**2015**	2014
Operating loss for the period	**$ 2,604**	$ 4,124
Loss for the period	**3,531**	4,031
Loss for the period - attributable to owners of parent[(1)]	**3,531**	3,521
Loss per share - basic and diluted	**0.01**	0.01

[(1)] The transfer by the Company of equity in RMGC to Minvest RM during Q1 2014 resulted in the presentation of a non-controlling interest, as set out in the Financial Statements. The non-controlling interest portion of the 2014 employee severance provision at RMGC was attributed to the non-controlling interest.

Operating loss for the quarter ended March 31, 2015 decreased from the corresponding period in 2014. The decrease was mainly due to one-time severance costs incurred in Q1 2014 of $2.6 million, offset in Q1 2015 in part by increased legal costs pursuant to advice in respect of the Notice and underlying Treaties. The Q1 2015 loss for the period also includes accreted finance charges of $0.9 million on the Private Placement Notes (Q1 2014: Nil).

RMGC costs incurred in the advancement of the Project are capitalized to Mineral Properties. Severance costs accrued in Q1 2014 were not capitalized and were apportioned to the controlling and non-controlling interests.

Expenses

Corporate, General and Administrative

in thousands of Canadian dollars		**3 months ended March 31 2015**		2014
Finance	**$**	**140**	$	160
External communications		**117**		120
Information technology		**33**		21
Legal		**1,112**		173
Payroll		**794**		766
Other		**266**		224
Corporate, general and administrative expense	**$**	**2,462**	$	1,464

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

The ongoing cost reduction strategy remains in force. Payroll costs are marginally higher in Q1 2015 mainly as a result of exchange rate effects increasing the Canadian dollar-equivalent value of the underlying GBP payroll expense.

The costs of legal services incurred during Q1 2015 are largely pursuant to the Notice and underlying advice on the Treaties. Excluding such costs, the legal and total corporate, general and administrative expenses are lower than in Q1 2014.

Whilst protecting its legal rights, Management continues to review ways of reducing corporate, general and administrative costs pending progress with Project permitting.

Share Based Compensation

in thousands of Canadian dollars		**3 months ended March 31 2015**		2014
DSUs and RSUs - expense	**$**	**211**	$	627
Share option compensation - reversal		**(93)**		(655)
Share based compensation - Income Statement	**$**	**118**	$	(28)
DSUs and RSU's - reversal	**$**	**(11)**	$	-
Share option compensation - reversal		**(1,176)**		(3,245)
Share based compensation - Mineral properties	**$**	**(1,187)**	$	(3,245)

Initially valued at the five-day weighted average market price of the Company's shares at the date of issue, deferred share units ("DSUs") and restricted share units ("RSUs") are revalued each period end based on the period end closing share price. The initial valuation of the DSUs and RSUs, and the effect on the valuation of DSUs and RSUs of the period-on-period change in share price, is either expensed or capitalized (the latter being for share units granted to personnel working on development projects). At March 31, 2015, the Company's share price was $0.38 (December 31, 2014: $0.40; March 31, 2014: $0.90), resulting in a reversal for Q1 2015 for existing DSUs and RSUs, which was offset by the additional annual DSUs granted to non-executive Board members during the quarter.

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

The reversal, during the quarters ended March 31, 2015 and 2014, of share option compensation previously expensed and capitalized is as a result of management expectations, given the lack of progress in permitting of the Project and the resulting delay in the attainment of performance conditions for performance based options. The revision of expected attainment of performance conditions has resulted in an expectation that a number of grants, with vesting commencing after the performance conditions have been attained, will expire prior to vesting, resulting in a reversal of prior expensing. The majority of the performance based options were granted to personnel working on development projects, thus the proportionately larger reversal of capitalized share option compensation.

The expensing of share option compensation relating to performance based options, affected by the lack of progress in permitting of the Project, has now been almost fully reversed.

	3 months ended March 31			
		2015		2014
Stock option compensation				
Number of stock options granted		**-**		6,850,000
Average value ascribed to each regular vesting option granted	**$**	**-**	$	0.79
Options granted to corporate employees, officers, and directors		**-**		780,000
Options granted to development project employees and consultants		**-**		6,070,000
DSU compensation				
Number of DSUs issued		**560,000**		578,987
Average value ascribed to each DSU issued	**$**	**0.39**	$	1.15
RSU compensation				
Number of RSUs issued		**-**		**289,873**
Average value ascribed to each RSU issued	**$**	**-**	**$**	**0.79**
Number of RSUs redeemed		**144,938**		
Average value ascribed to each RSU redeemed	**$**	**0.47**	$	-

An aggregate of 560,000 DSUs were issued to non-executive directors during both Q1 2015 and Q1 2014. Additionally, during Q1 2014, 18,987 DSUs were issued to a non-executive director, in lieu of Q4 2013 director's fees. Such DSUs vest on the date of issue.

A total of 289,873 RSUs were issued during Q1 2014 to named executive officers as compensation for 2013 performance. All of the RSUs issued vest in two equal tranches, at the first and second anniversary of each grant.

Finance Income

	3 months ended March 31	
in thousands of Canadian dollars	**2015**	2014
Interest income	**$ 71**	$ 67

Interest income is related to the average holdings of cash and cash equivalents during the respective quarterly periods. Returns on Canadian government guaranteed instruments in which the Company invests have remained low during the respective quarterly periods (below 1% per annum).

As at March 31, 2015, approximately 78% of the Company's cash and cash equivalents were invested in Canadian government guaranteed instruments with 19% held as cash deposits with major Canadian banks and the remaining 3% held in recognized UK and Romanian banks.

Finance Costs

in thousands of Canadian dollars		**3 months ended March 31 2015**		2014
Financing costs - convertible note accretion	**$**	**925**	$	-

Finance costs for the quarter ended March 31, 2015 relate to the accretion of the debt component of the Notes, which is measured at amortized cost using the effective interest rate method. The Notes and related Private Placement are discussed further under 'Financing Activities' below.

Foreign Exchange

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

Taxes

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

Investing Activities

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

Mineral Properties

All costs incurred in Project exploration and development are capitalized to mineral properties.

in thousands of Canadian dollars		**3 months ended March 31 2015**		2014
Finance and administration	**$**	**1,219**	$	1,091
External communications		**508**		1,495
Legal		**557**		1,482
Permitting		**179**		672
Community development		**-**		1,170
Project management and engineering		**415**		456
Exploration - Rosia Montană		**193**		287
Total exploration and development expenditures	**$**	**3,071**	$	6,653
Capitalized depreciation and disposals	**$**	**81**	$	146
Capitalized stock based compensation	**$**	**(1,187)**	$	(3,245)
Movement in resettlement liabilities	**$**	**(404)**	$	138

In line with ongoing cost reduction initiatives, total exploration and development expenditures are significantly lower in Q1 2015 than in Q1 2014.

The increase quarter-on-quarter in finance and administration is due to a Q1 2014 reversal of a provision for long-service & other benefits. Excluding the provision reversal, finance and administration costs are lower quarter-on-quarter.

High levels of external communications and legal costs were incurred in Q1 2014 in response to the challenges to the Project arising in connection with the Q4 2013 parliamentary review process. A significant reduction in communications activity during the remainder of 2014 and into 2015 has resulted in a large reduction in expenditure.

The decrease in permitting expenditures, compared to the corresponding prior quarter, is as a result of undertaking only those activities that are necessary to preserve the Company's assets.

The Company has materially scaled back community development projects, in line with the focus on cost reduction. Low-level community development activity remains ongoing, the costs for which are within Finance and administration.

Legal activities remain ongoing in supporting the Company's interests in various litigation matters, preparatory and post-issuance action related to the Notice and in maintaining good title to the licenses and permits that it currently holds.

Exploration activities for 2015 are based on annually agreed exploration programs with the Romanian authorities, as mandated under the mining license.

Following the 2014 employee redundancies at RMGC, the Company has seen direct and indirect employee-related cost savings and expects these to continue in the coming quarters pending progress with Project permitting.

Purchase of Capital Assets

		3 months ended March 31		
in thousands of Canadian dollars		**2015**		2014
Other		**32**		40
Total investment in capital assets	**$**	**32**	$	40
Depreciation and disposal - expensed	**$**	**24**	$	46
Depreciation and disposal - capitalized to mineral properties	**$**	**81**	$	146

The purchase of capital assets remains low in line with the Company's cost reduction strategy. Activities related to further development of the resettlement sites continue to be kept at minimal levels pending progress with Project permitting.

Financing Activities

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

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

The Company is using the proceeds of the Private Placement for general corporate purposes, including the continuance of its efforts to successfully permit the Project. The details of the Private Placement, accounting policies and valuation techniques are described in the Financial Statements.

The first interest payment pursuant to the Private Placement of $1.6 million was paid on December 31, 2014. The next payment of $1.4 million will be paid on June 30, 2015.

Cash Flow Statement

Liquidity and Capital Resources

The main sources of liquidity are the Company's cash and cash equivalents, share option exercises and the equity and debt markets. At March 31, 2015, aggregate cash and cash equivalents were $38.8 million (December 31, 2014: $44.2 million).

Working Capital

At March 31, 2015, the Company had working capital, calculated as total current assets less total current liabilities, of $31.0 million (December 31, 2014: $37.2 million).

As at March 31, 2015, the Company had current liabilities of $9.1 million compared to $8.1 million at December 31, 2014. The increase is largely due to increased accounts payable as a result of increased legal services.

Related Party Transactions

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

The Company advanced loans in the period 2004 to 2009 totaling US$39.5 million to the predecessor of Minvest RM (subsequently transferred to Minvest RM) to facilitate various statutory share capital increases in RMGC. The balance on the Minvest RM loans outstanding as at March 31, 2015 was US$39.5 million (December 31, 2014: US$39.5 million).

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

Resettlement Liabilities

RMGC had a program for purchasing homes in the Project area, which was suspended in February 2008 due to the suspension of the EIA review process in September 2007. Under the resettlement program residents were offered two choices; either to take the sale proceeds and move to a new location of their choosing, or exchange their properties for a new property to be built by RMGC at a new resettlement site. For those residents who 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 RMGC reduces the amounts capitalized as construction in progress and at the same time reduces its resettlement liabilities. All resettlement associated costs will remain capitalized in mineral properties and amortized over the life of the mine once the Project moves into production.

At March 31, 2015 the Company had accrued resettlement liabilities totaling $4.6 million (December 31, 2014: $4.2 million), which represents both the cost of building the remaining new homes for the local residents and outstanding delay penalties.

The remaining homeowners who chose to resettle within Roșia Montană signed various extension contracts which expire during 2015. As a result of the delay in delivery of these homes, RMGC pays a penalty of up to 20% of the agreed upon unpaid property value per year of delay as required by the agreement. At March 31, 2015 the Company has accrued $0.1 million (December 31, 2014: $0.1 million) representing unpaid delay penalties to the 21 homeowners.

Contractual Obligations

The following is a summary of the Company’s contractual capital and operating lease commitments as of March 31, 2015, including payments due for each of the next five years and thereafter:

in thousands of Canadian dollars	**Total**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020 +**
Capital commitments							
Resettlement	504	287	217	-	-	-	-
Operating lease commitments							
Rosia Montană exploitation license	829	237	237	237	118	-	-
Surface concession rights	1,185	32	32	32	32	32	1,025
Property lease agreements	456	323	133	-	-	-	-
Total commitments	2,974	879	619	269	150	32	1,025

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

Critical Accounting Estimates

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

Going Concern

The underlying value of the Group's mineral properties, and in particular the Project, is dependent upon the existence and economic recovery of such proven ore body reserves in the future together with the ability of the Group to obtain all necessary permits and raise long-term financing to complete the development of the properties. In respect of the permitting process for the Project, as highlighted earlier in this document and in the Financial Statements, on January 20, 2015 the Company issued a formal notification to the President and Prime Minister of Romania on behalf of the Group to engage formally in a process of consultation. The purpose of the Notice is to seek an amicable resolution to determining a clear and robust path forward for permitting and construction of the Project and which leads to the development of the Project for the benefit of all stakeholders. Gabriel has not yet initiated any application for arbitration to any international arbitration court.

In addition, the Project may be subject to sovereign risk, including political and economic instability, changes in existing fiscal regime, changes in existing government regulations, for example, an increase in royalty rates or state ownership applicable to the Project, a ban on the use of cyanide in mining, designation of the Project area as an archeological site of national importance, government regulations relating to mining which may withhold the receipt of required permits or impede the Group's ability to acquire the necessary surface rights, as well as litigation risk against permits and the Project, currency fluctuations and local inflation. Continued political, public, and NGO opposition to the Project, and the multitude of legal challenges to permits issued in respect of the Project demonstrate the significant risks that the Project faces.

The types of risks summarized above, if realized, may adversely affect the Group's ability to continue as a going concern and may result in the impairment or loss of all or part of the Group's assets.

The base budget for 2015 for the Project includes only those expenditures and commitments to maintain the value of the Company's investment in mineral properties, maintain the mineral license and support the key permitting processes through EIA approval. Once the EIA is approved, the cost for the acquisition of remaining surface rights, completion of the engineering control estimate, and higher activity to acquire all permits and approvals required to apply for construction permits will exceed the Company's current cash and cash equivalents holdings. The Company has no sources of operating cash flows and does not have sufficient cash to fund the development of the Project and therefore will require additional funding which, if not raised, would result in the curtailment of activities and Project delays.

Considering the risks listed above, management's balanced assessment of the Company (and the Project) is that it remains a going concern. The Company has been accounted for as a going concern in the Financial Statements for the quarter ended March 31, 2015.

Recoverability of mineral properties

The Company has determined that the area covered by the Roșia Montană exploitation license contains economically recoverable reserves. The ultimate recoverability of the $541.5 million carrying value at March 31, 2015 (December 31, 2014: $546.8 million) plus related capital assets is dependent upon the Company's ability to obtain the necessary permits and financing to complete the development and commence profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis.

As part of management's periodic review process, management reviews all aspects of Project advancement issues along with potential indicators of asset impairment when preparing the Financial Statements. When impairment indicators are identified, which are assessed at each reporting period, it is management's policy to perform an impairment test in accordance with IAS 36 – Impairment of Assets.

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

Future income tax assets

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

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

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

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

Useful lives of capital assets

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

Valuation of share based compensation

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

Valuation of fidelity bonus and other benefits

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

Valuation of the Private Placement

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

Financial instruments and other instruments

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

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

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

Credit risk

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

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

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

The Group's credit risk is also attributable to value-added taxes receivable. Value-added taxes receivable are primarily receivables from the Romanian government and are currently within expected collection terms.

Liquidity risk

The Group has sufficient funds as at March 31, 2015 to settle all current and other long-term liabilities. Furthermore, the Company has the ability to repay the convertible unsecured Notes at maturity through issuing common shares from treasury (as more fully described in the Financial Statements); these represent a significant portion of the long-term Group liabilities.

Market risk

(a) Interest rate risk

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

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

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

(b) Foreign currency risk

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

The Group maintains cash and cash equivalents in various currencies and is therefore susceptible to market volatility as foreign cash balances are revalued to the functional currency of the entity and thereafter to the presentation currency of the Group. Therefore, the Group may report foreign exchange gains or losses during periods of significant economic and market volatility. At March 31, 2015 the Group held 96% of its cash and cash equivalents in Canadian dollars.

The Company has not entered into any derivatives hedging activities.

Sensitivity

Based on management's knowledge and experience of the financial markets, the Company believes, based on its balance of cash and cash equivalents as at March 31, 2015, the following movements are "reasonably possible" over a twelve-month period:

- Cash and cash equivalents. A plus or minus 1% change in earned interest rates would affect net income by $0.4 million.
- The Company holds minor balances in foreign currencies and this gives rise to exposure to foreign exchange risk. A plus or minus 1% change in foreign exchange rates would affect net income by less than $0.1 million.

Risks

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

Each of these risk factors is discussed in more detail in the Company's Annual Information Form, dated March 12, 2015, which is filed for public inspection on www.sedar.com.

- Political and Economic Risks of Operating in Romania
- Notice of Dispute and Potential Arbitration Claim
- Permitting Process
- Acquisition of Surface Rights and Resettlement
- Mineral Tenure Rights
- Legal Challenges
- Proposed Adverse Legislative Initiatives
- Tailings Incidents
- Closure of the State Run Mining Operations
- Compliance with Anti-Corruption Laws
- UNESCO World Heritage List
- Project Development
- Insurance and Uninsurable Risks
- Project Financing
- Convertible Notes
- Global Economic Conditions
- Dilution
- Mineral and Commodity Prices
- Currency Fluctuations
- Market Price Volatility
- Dependence on Management and Key Personnel
- Competition
- Enforcement of Civil Liabilities
- No History of Earnings or Dividends
- Mining Exploration and Development
- Mineral Reserve and Mineral Resource Estimates
- Environmental and other Regulatory Requirements
- Infrastructure
- Accounting Policies and Internal Controls
- Conflict of Interest

CEO/CFO Certification

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

The CEO and CFO certify that, as at March 31, 2015 the Company's DC&P have been designed to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

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

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

There is no limitation on scope of design as described in paragraph 5.3 of NI 52-109. There has been no change in the Company's ICFR that occurred during the three-month period ended March 31, 2015 which has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Outstanding Share Data

The Company's fully diluted share capital as at May 12, 2015 was:

	Outstanding
Common shares	384,149,500
Common stock options	28,620,000
Deferred share units - common shares	1,672,549
Restricted share units - common shares	269,935
Warrants	13,930,000
Convertible notes	27,895,000
Fully diluted share capital	**456,536,984**

Forward-Looking Statements

This MD&A contains "forward-looking information" (also referred to as "forward-looking statements") within the meaning of applicable Canadian securities legislation. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans and allowing investors and others to get a better understanding of Gabriel's operating environment.

These forward-looking statements may include statements with respect to the future financial or operating performance of the Company and its subsidiaries, the perceived merit of properties, exploration results and budgets, mineral reserves and mineral resources estimates, work programs, capital expenditures, operating costs, cash flow estimates, production estimates and similar statements relating to the economic viability of a project, timelines, strategic plans, including the Company's plans and expectations relating to the Project, the anticipated outcomes of the application processes for permits, endorsements and licenses, including but not limited to the ongoing review of the environmental impact assessment, required for the Project, or other statements that are not statements of fact.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of fact and may be forward-looking statements.

Forward-looking statements are based upon certain assumptions and other important factors regarding present and future business strategies and the environment in which the Company will operate in the future, which could prove to be significantly incorrect. Forward-looking statements are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company and/or its subsidiaries to be materially different from those expressed or implied by such forward-looking statements.

These risks, uncertainties and other factors include, without limitation, the attitudes and actions of the Romanian government related to the Company's investment in Romania, including the response of the Romanian authorities to the filing of the Notice; the ability of the Company to realize value from its investments in Romania pursuant to the Treaties and potential international arbitration proceedings in the event that the Company and the Romanian authorities do not reach an agreement regarding development, construction and operation of the Project; the advancement of any potential international arbitration proceedings in a customary manner; the outcome of any potential international arbitration proceedings before arbitration tribunals as provided in the Treaties, including the timing and value of any arbitral award or settlement; management's expectation with regards to the amount of costs, fees and other expenses and commitments payable in connection with any potential arbitration; any inability or delay in recovering from Romania the amount of any award or settlement. In addition, such risks, uncertainties and other factors include, without limitation, the political and economic risks of operating in Romania, including those related to controls, regulations, political or economic developments and government instability in Romania; uncertainty of estimates of capital costs, sustaining capital costs, operating costs, production and economic returns; permitting risks, including the risk that permits and governmental approvals necessary to develop and operate the Project will not be available on a timely basis or at all, risks of maintaining the validity and enforceability of necessary permits and risks of replacing expired/cancelled permits and approvals; uncertainties relating to the assumptions underlying the Company's mineral resource and mineral reserve estimates, such as metal pricing, metallurgy, mineability, marketability and operating and capital costs; risk related to the acquisition of all necessary surface rights for the development of the Project, including the risk that the Company may not acquire all such rights, or acquire such rights at acceptable prices; risks related to the Company's ability to commence production and generate material revenues or obtain adequate financing for its planned exploration and development activities; risks of defective title to mineral property, including the risk of successful legal challenges to the validity of the Company's exploitation license; risks related to the Company's ability to finance the development of the Project through external financing, strategic alliances, or otherwise; litigation risks, including the uncertainties inherent in current and future legal challenges relating to the Project; risks related to the availability of infrastructure, water, energy and other inputs; uncertainty inherent in litigation including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and the possibility that decisions may be reversed on appeal; uncertainties relating to prices for energy inputs, labour, material costs, supplies and services (including, but not limited to, labor, cement, steel, capital equipment, reagents and fuel); risks related to changes in law and regulatory requirements, including environmental regulation; risks related to the subjectivity of estimating mineral resources and mineral reserves and the reliance on available data and assumptions and judgments used in interpretation of such data; risks related to currency fluctuations, particularly in the value of the United States dollar and/or the Canadian dollar relative to each other and to the Euro and the Romanian leu; risks related to the future market prices of gold and silver and other mineral and commodity price fluctuations, and volatility in metal prices; risks related to the need for reclamation activities on the Company's properties and uncertainty of cost estimates related thereto; risks associated with maintaining substantial levels of indebtedness, including potential financial constraints on operations; dependence on cooperation of state-owned joint venture partner in the development of the Project; risks related to the loss of key employees and the Company's ability to attract and retain qualified management and technical personnel; risks related to market events and volatility of global and local economic climate; taxation, including change in tax laws and interpretations of tax laws; mining and development risks, including risks related to infrastructure, accidents, equipment breakdowns, labor disputes or other unanticipated difficulties with or interruptions in development, construction or production; risks related to opposition to the Project from non-governmental organizations or civil society; share capital dilution and share price volatility; and increased competition in the mining industry.

Forward-looking information contained herein is made as of the date of this MD&A. There can be no assurance that forward-looking information or statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information or statements. Accordingly, for the reasons set forth above, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements, except in accordance with applicable securities laws.

Gabriel Resources Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)
For the period ended March 31, 2015

Condensed Consolidated Statement of Financial Position

As at March 31, 2015 and December 31, 2014
(Unaudited and expressed in thousands of Canadian dollars)

	Notes	**March 31 2015**	December 31 2014
Assets			
Current assets			
Cash and cash equivalents	5	**38,794**	44,156
Trade and other receivables		**131**	154
Prepaid expenses and supplies		**1,202**	990
Total current assets		**40,127**	45,300
Non-current assets			
Mineral properties	6	**541,350**	546,834
Property, plant and equipment		**54,657**	55,447
Other non-current assets		**486**	493
Total non-current assets		**596,493**	602,774
TOTAL ASSETS		**636,620**	648,074
Liabilities			
Current liabilities			
Trade and other payables		**3,660**	3,201
Resettlement liabilities		**4,621**	4,217
Other current liabilities		**834**	662
Total current liabilities		**9,115**	8,080
Non-current liabilities			
Convertible unsecured notes	13	**30,341**	29,416
Other non-current liabilities		**1,505**	1,552
Total non-current liabilities		**31,846**	30,968
TOTAL LIABILITIES		**40,961**	39,048
Equity			
Share capital		**868,086**	868,081
Other reserves		**51,561**	52,832
Currency translation adjustment		**(42,131)**	(35,216)
Accumulated deficit		**(295,269)**	(291,738)
Equity attributable to owners of the parent		**582,247**	593,959
Non-controlling interest	7	**13,412**	15,067
TOTAL EQUITY		**595,659**	609,026
TOTAL EQUITY AND LIABILITIES		**636,620**	648,074

Nature of operations (Note 1)

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

Condensed Consolidated Income Statement

For the three-month periods ended March 31

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

	Notes	3 months ended March 31 2015	2014
Expenses			
Corporate, general and administrative		**2,462**	1,464
Severance costs		-	2,642
Share-based compensation		**118**	(28)
Depreciation		**24**	46
Operating loss		**2,604**	4,124
Other (income) / expense			
Interest received		**(71)**	(67)
Finance costs - convertible note accretion	13	**925**	-
Foreign exchange loss / (gain)		**73**	(26)
Loss for the period		**3,531**	4,031
Loss for the period attributable to:			
- Owners of the parent		**3,531**	3,521
- Non-controlling interest		-	510
Loss for the period		**3,531**	4,031
Basic and diluted loss per share	10	**$ 0.01**	$ 0.01

Condensed Consolidated Statement of Comprehensive Income

For the three-month periods ended March 31

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

	3 months ended March 31 2015	2014
Loss for the period	**3,531**	4,031
Other comprehensive loss / (income)		
- may recycle to the Income Statement in future periods		
Currency translation adjustment	**8,570**	(29,075)
Comprehensive loss / (income) for the period	**12,101**	(25,044)
Comprehensive loss / (income) for the period attributable to:		
- Owners of the parent	**10,446**	(19,940)
- Non-controlling interest	**1,655**	(5,104)
Comprehensive loss / (income) for the period	**12,101**	(25,044)

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

Condensed Consolidated Statement of Changes in Shareholders’ Equity

For the three-month periods ended March 31

(Unaudited and expressed in thousands of Canadian dollars)

	Notes	3 months ended March 31 2015	2014
Common shares			
At January 1		**868,081**	868,081
Shares issued on the exercise of share options		**3**	-
Transfer from contributed surplus - exercise of share options		**2**	-
At March 31		**868,086**	868,081
Other reserves			
At January 1		**52,832**	53,352
Share-based compensation		**(1,269)**	(3,900)
Exercise of share options		**(2)**	-
At March 31		**51,561**	49,452
Currency translation adjustment			
At January 1		**(35,216)**	(14,930)
Currency translation adjustment		**(6,915)**	23,461
At March 31		**(42,131)**	8,531
Accumulated deficit			
At January 1		**(291,738)**	(264,990)
Loss for the period		**(3,531)**	(3,521)
Transfer of interest in Rosia Montana Gold Corporation	7	**-**	(20,426)
At March 31		**(295,269)**	(288,937)
Non-controlling interest			
At January 1		**15,067**	-
Transfer of interest in Rosia Montana Gold Corporation	7	**-**	20,426
Loss for the period		**-**	(510)
Currency translation adjustment		**(1,655)**	5,614
At March 31		**13,412**	25,530
Total shareholders' equity at March 31		**595,659**	662,657

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

Condensed Consolidated Statement of Cash Flows

For the three-month periods ended March 31

(Unaudited and expressed in thousands of Canadian dollars)

	3 months ended March 31	
	2015	2014
Cash flows used in operating activities		
Loss for the period	**(3,531)**	(4,031)
Adjusted for the following non-cash items:		
Depreciation	**24**	46
Share-based compensation	**118**	(28)
Finance costs - convertible note accretion	**925**	-
Unrealized foreign exchange gain	**(35)**	(22)
Cash utilized in operations	**(2,499)**	(4,035)
DSU/RSU cash settlement	**(68)**	-
Changes in operating working capital	**692**	2,288
	(1,875)	(1,747)
Cash flows used in investing activities		
Exploration and development expenditures	**(3,071)**	(6,653)
Purchase of property, plant and equipment	**(32)**	(40)
Changes in investing working capital	**(230)**	(2,304)
	(3,333)	(8,997)
Cash flows provided by financing activities		
Proceeds from the exercise of share options	**3**	-
	3	-
Decrease in cash and cash equivalents	**(5,205)**	(10,744)
Effect of foreign exchange on cash and cash equivalents	**(157)**	(157)
Cash and cash equivalents - beginning of period	**44,156**	42,123
Cash and cash equivalents - end of period	**38,794**	31,222

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

1. Nature of operations

Gabriel is a Toronto Stock Exchange listed Canadian resource company engaged in the exploration and development of mineral properties in Romania.

The Company is presently in the permitting stage in the development of its majority-owned Roșia Montană gold and silver project (the "Project"). Roșia Montană Gold Corporation S.A. ("RMGC") is the beneficial owner of, and holds an exclusive exploitation license for, the Project. Since obtaining the Project's exploitation license in 1999, RMGC along with Gabriel and its subsidiary companies (together the "Group") have been focused on identifying and defining the size of the four ore bodies, engineering to design the size and scope of the Project, environmental assessment and permitting, rescue archaeology and surface rights acquisitions.

The underlying value of the Group's mineral properties, and in particular the Project, is dependent upon the existence and economic recovery of such proven ore body reserves in the future together with the ability of the Group to obtain all necessary permits and raise long-term financing to complete the development of the properties.

Following over fifteen years of investment in the Project, permitting of the Project continues to be stalled. On January 20, 2015, the Company issued a formal notification to the President and Prime Minister of Romania on behalf of the Group to engage formally in a process of consultation ("Notice"). The Notice has been issued pursuant to the provisions of international bilateral investment protection treaties, which the Romanian State has entered into with each of Canada, the Netherlands and the United Kingdom (together the "Treaties"). The Treaties exist as an encouragement and reciprocal protection of investments agreed between sovereign states, and each state offers various protections to foreign investors from the other state to give both parties to an investment confidence in their rights, the investment process and the expected outcomes. The purpose of the Notice is to seek an amicable resolution to determining a clear and robust path forward for permitting and construction of the Project and which leads to the development of the Project for the benefit of all stakeholders. Gabriel has not yet initiated any application for arbitration to any international arbitration court. However, in the event that Gabriel is unable to obtain satisfactory resolution of the issues under dispute, or if Romania does not take tangible steps to reach such an amicable settlement, the Group is prepared to present its claims to international arbitration, or pursue other available remedies, in order to compensate fully for its rights to develop the Project that have been denied by Romanian treaty violations.

In addition, the Project may be subject to sovereign risk, including political and economic instability, changes in existing fiscal regime, changes in existing government regulations, for example, an increase in royalty rates or state ownership applicable to the Project, a ban on the use of cyanide in mining, designation of the Project area as an archeological site of national importance, government regulations relating to mining, which may withhold the receipt of required permits or impede the Group's ability to acquire the necessary surface rights, as well as litigation risk against permits and the Project, currency fluctuations and local inflation. Continued political, public, and NGO opposition to the Project, and the multitude of legal challenges to permits issued in respect of the Project demonstrate the significant risks that the Project faces.

The types of risks summarized above, if realized, may adversely affect the Group's ability to continue as a going concern and may result in the impairment or loss of all or part of the Group's assets.

These unaudited condensed interim consolidated financial statements have been prepared using IFRS applicable to a "going concern", which assume that the Group will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Following the issue of the Notice, Management remains of the view that the going concern presumption remains appropriate based upon, without limitation, the Group's financial resources and fundamental intent to develop the Project, Management will continue to review this presumption based upon future engagement with the applicable Romanian authorities. The Group has no sources of operating cash flows and does not have sufficient cash to fund the development of the Project and therefore will require additional funding which, if not raised, would result in the curtailment of activities and Project delays. The timeline to build the Project is dependent on a number of factors which include both the permitting and financing processes.

1. Nature of operations (continued)

The Company's registered address is Suite 200 – 204 Lambert Street, Whitehorse, Yukon, Canada Y1A 3T2. The Company receives significant management services from its wholly-owned subsidiary, RM Gold (Services) Ltd. ("RMGS"). The principal place of business for RMGS is 16 Great Queen Street, London, WC2B 5DG, United Kingdom. The Company is the ultimate parent of the Group and does not have any controlling shareholders.

2. Basis of preparation

These unaudited condensed interim consolidated financial statements ("Condensed Financial Statements"), for the three-month period ended March 31, 2015, have been prepared in accordance with IFRS as applicable to the preparation of interim financial statements, including International Accounting Standard IAS 34 ('Interim Financial Reporting'). The Condensed Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with IFRS.

The Condensed Financial Statements have been prepared according to the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss. These Condensed Financial Statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

The Board of Directors approved these Condensed Financial Statements on May 13, 2015.

3. Critical accounting estimates, risks and uncertainties

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

The preparation of Condensed Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses and other income for the period. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience. The significant estimates and assumptions are the same as those disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2014.

While management believes that the estimates and assumptions applied are reasonable, actual results may differ materially from the amounts included in the Condensed Financial Statements.

4. Accounting policies

The material accounting policies followed in these Condensed Financial Statements are the same as those applied in the Company's audited consolidated financial statements for the year ended December 31, 2014. The Company has consistently applied the same material accounting policies throughout all periods presented.

No new IFRS accounting standards have been adopted by the Company during the three-month period ended March 31, 2015.

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

4. Accounting policies (continued)

The following accounting standard is mandatory effective from January 1, 2018. The Company has not adopted this standard early and is assessing the impact of adoption on the Condensed Financial Statements:

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

5. Cash and cash equivalents

As at	**March 31 2015**	December 31 2014
Cash at bank and on hand	**8,521**	8,897
Short-term bank deposits	**30,273**	35,259
	38,794	44,156

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

The Group manages its domestic Romanian bank credit risk by centralizing custody, control and management of its surplus cash resources at its corporate office and only transferring money to its Romanian subsidiary based on near term cash requirements, thereby mitigating exposure to domestic Romanian banks. At March 31, 2015 the Group held $0.2 million of cash and cash equivalents in Romanian banks (December 31, 2014 $1.0 million).

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

6. Mineral properties

	Rosia Montana
Balance - December 31, 2013	553,923
Development costs - additions [1]	16,023
Currency translation adjustment	(23,112)
Balance - December 31, 2014	546,834
Development costs - additions [1]	**2,369**
Currency translation adjustment	**(7,853)**
Balance - March 31, 2015	**541,350**

[1] *Mineral property additions of $2.4 million in the three months to March 31, 2015 (2014 full year - $16.0 million) is $0.7 million lower than the amount reported in the Condensed Consolidated Statement of Cash Flows of $3.1 million (2014 full year - $18.6 million). The difference is attributed to the non-cash reversals for share based compensation & amortization and resettlement liabilities charges.*

At March 31, 2015, the Group's principal asset was its 80.69% interest in the Project held indirectly through RMGC, which holds two mineral licenses in Romania, being the exploitation license for the Project and an expired exploration license for the Bucium property. The latter is subject to an application with the requisite authorities in order to upgrade into two separate exploitation licenses. Minvest Roșia Montană S.A. ("Minvest"), a Romanian state-owned mining company, holds the remaining 19.31% interest in RMGC.

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

6. Mineral properties (continued)

The Group holds the pre-emptive right to acquire the 19.31% non-controlling interest. The Company is required to fund 100% of all expenditures related to the exploration and development of these properties and holds a preferential right to recover all funding plus interest (other than on non-interest bearing loans) from future cash flows prior to the non-controlling shareholders receiving dividends.

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

7. Non-controlling interest

The Company has historically advanced loans totaling US$39.5 million to Minvest, the non-controlling shareholder of RMGC, to facilitate mandatory statutory share capital increases in RMGC. These loans, which remain outstanding at March 31, 2015, are non-interest bearing and are to be repaid as and when RMGC distributes dividends to its shareholders. The loans are accounted for as part of the Group's net investment in RMGC and have, accordingly, been set-off against non-controlling interests on the Condensed Consolidated Statement of Financial Position until such time as the repayment of the loans is more certain. Once there is certainty that the loans will be repaid, the loans and non-controlling interest components will be reflected individually.

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

8. Related party transactions

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

Related party transactions with Minvest are disclosed in Note 7.

9. Common share options

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

	Number of options ('000)	Weighted average exercise price (dollars)
Balance - December 31, 2013	22,139	4.71
Options granted	10,675	0.73
Options forfeited	(1,365)	5.81
Options expired	(2,809)	2.99
Balance - December 31, 2014	28,640	3.34
Options exercised	**(5)**	**0.56**
Balance - March 31, 2015	**28,635**	**3.34**

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

9. Common share options (continued)

The fair value of common share options granted to personnel working on development projects is capitalized over the vesting period. The fair value of share options expensed and capitalized during the three-month periods is as follows:

	3 months ended March 31	
	2015	2014
Condensed Consolidated Income Statement - reversal	**(93)**	(655)
Mineral Properties - reversal	**(1,176)**	(3,245)

The reversal of share option costs is a result of the ongoing delays in the permitting of the Project and management's reassessment of its assumptions relating to future vesting dates for performance based options.

10. Loss per share

	3 months ended March 31	
	2015	2014
Loss for the period attributable to owners of the parent	**3,531**	3,521
Weighted-average number of common shares (000's)	**384,148**	384,145
Basic and diluted loss per share	**$ 0.01**	$ 0.01

11. Commitments and contingencies

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

	Total	**2015**	**2016**	**2017**	**2018**	**2019**	**Thereafter**
Capital commitments							
Resettlement	504	287	217	-	-	-	-
Operating lease commitments							
Roșia Montană exploitation license	829	237	237	237	118	-	-
Surface concession rights	1,185	32	32	32	32	32	1,025
Property lease agreements	456	323	133	-	-	-	-
Total commitments	**2,974**	**879**	**619**	**269**	**150**	**32**	**1,025**

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

12. Segmental information

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

The Group has one operating segment: the exploration, evaluation and development of precious metal mining projects located in Romania ("Mining").

The rest of the entities within the Group are grouped into a secondary segment ("Corporate"). The cash flows of the Mining segment are primarily in investing activities as disclosed in the Condensed Consolidated Statement of Cash Flows.

The segmental report is as follows:

	Mining		**Corporate**		**Total**	
For the three-month period ended March 31,	**2015**	2014	**2015**	2014	**2015**	2014
Reportable items in the Condensed Consolidated Income Statement and Condensed Statement of Comprehensive Income						
Interest received	-	-	**(71)**	(67)	**(71)**	(67)
Finance costs - convertible note accretion	-	-	**925**	-	**925**	-
Amortization	-	-	**24**	46	**24**	46
Reportable segment loss	**-**	2,642	**3,531**	1,389	**3,531**	4,031
As at March 31,	**2015**	2014	**2015**	2014	**2015**	2014
Reportable segment in Condensed Consolidated Statement of Financial Position						
Reportable segment current assets	**865**	2,559	**39,262**	30,930	**40,127**	33,489
Reportable segment non - current assets	**596,381**	645,383	**112**	201	**596,493**	645,584
Reportable segment liabilities	**(8,075)**	(13,729)	**(32,886)**	(2,687)	**(40,961)**	(16,416)

Except for certain items of long lead-time equipment, the Group's non-current assets are predominantly located in Romania. Management has determined that all mineral property assets relate to the Mining segment.

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

13. Private placement

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

- $1,000 principal amount of convertible, subordinated, unsecured notes with a coupon of 8% (the "Notes"). The Notes mature on June 30, 2019 and are convertible at any point prior to maturity, at the option of the holder, into common shares of the Company at a conversion price of $1.255 per common share. Interest on the Notes is payable in cash semi-annually commencing December 2014. The Company has the ability to issue common shares of the Company from treasury in the market to raise funds towards the settlement of the semi-annual interest payments which are payable to the Note holders. In addition, subject to regulatory approval and other limitations, the Company may, at its option, repay all or a proportion of the principal amount of the Notes outstanding at maturity by issuing common shares of the Company at 95% of the volume weighted average trading price of the shares on the TSX for the 20 consecutive trading days ending five trading days preceding the date of maturity;
- 398 common share purchase warrants (the "Warrants"), which entitle the holder to purchase one common share of the Company at a price of $1.674 at any time prior to June 30, 2019; and
- one arbitration value right ("AVR"), which entitles the holder, subject to certain limitations and exclusions, to a pro-rata proportion of up to 5% (capped at an aggregate of $130 million) of any amounts received by the Group pursuant to any settlement or arbitral awards irrevocably made in favor of the Group if bi-lateral investment treaty proceedings are instituted before June 30, 2019. The Company retains absolute discretion on whether to institute arbitration proceedings and if an arbitration filing is made, whether to settle or withdraw such filing, including the terms of any settlement or withdrawal.

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

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

Initial recognition

The accounting treatment applied for the initial measurement of the Private Placement was as follows:

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

There are two derivatives that are embedded within the Notes: a 'make-whole premium' to protect Note holders in a change of control event prior to maturity; and a 'common share repayment right' providing the Company with the right to repay the principal in common shares at a discounted amount of 95% of par at maturity. These two embedded derivatives were determined to have insignificant initial values and were accordingly not accounted for, but are reassessed at each reporting date.

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

13. Private placement (continued)

Subsequent recognition

Interest and transaction costs are recognized by accreting the debt component to its face value over the term of the Note at an effective interest rate of 12.43%. The accounting for the various components of the Private Placement to March 31, 2015 is as follows:

	Note Debt	Note Equity	Warrants	Arbitration Value Right
Value on completion of Private Placement	28,901	1,695	3,961	-
Add: Debt component accretion	2,164			
Less: Interest repayments	(1,649)			
Balance at December 31, 2014	29,416	1,695	3,961	-
Add: Debt component accretion	**925**			
Balance at March 31, 2015	**30,341**	**1,695**	**3,961**	**-**

The principal amount of the debt component of the Notes approximates the fair value of the debt as at March 31, 2015.

Dilution of equity

As at the date of these Condensed Financial Statements, assuming both (i) conversion of all the Notes and (ii) exercise of all the Warrants respectively issued pursuant to the Private Placement, the number of issued and outstanding common shares of the Company will increase by approximately 10.9%. Furthermore, the Company has the option to (A) issue common shares from treasury in the market to raise funds towards the settlement of the semi-annual interest payments which are payable in cash to the Note holders, and (B) repay all or a proportion of the principal amount of the Notes outstanding at maturity by issuing common shares of the Company at 95% of the volume weighted average trading price of the shares on the TSX for the 20 consecutive trading days ending five trading days preceding the date of maturity, which respectively may result in further dilution.