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 as at and for the three-month periods ended March 31, 2012 and 2011.

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, 2012 and 2011 ("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 condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, 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 10, 2012, 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 Canadian, Toronto Stock Exchange listed, resource company engaged in the exploration and development of mineral properties in Romania. Gabriel is presently in the permitting stage and preparing to develop its majority-owned Rosia Montana gold and silver project (the "Project"). Through its equity shareholding in Rosia Montana Gold Corporation ("RMGC"), Gabriel has a beneficial 80.69% ownership interest in the Project. CNCAF Minvest S.A. ("Minvest"), a Romanian state-owned mining company, owns the remaining 19.31% equity shareholding in RMGC. Gabriel holds a right of first refusal to acquire that non-controlling interest in RMGC from Minvest.

The Company's mission is to create value for all stakeholders from responsible mining. Gabriel is also fully committed to sustainable development in the communities in which it operates. As the Company develops the Project, it will strive to set high standards through good governance, responsible engineering, open and transparent communications, and operations and reclamation based on EU recognized best available techniques – all with the goal of achieving value creation and sustainable development.

Key Issues

Political Situation

The political landscape in Romania changed significantly on April 27, 2012 when the incumbent Romanian Government ("Government") lost a vote of no confidence. This vote led to the appointment of a new Prime Minister to lead the Government and the second major overhaul of Cabinet constituents in two months. At the date of this MD&A the main opposition parties which existed at the start of the year are now in political power and their combined political programme is yet to be formally implemented. Set out below is a summary of the political situation as it relates to the progress of the Project before and after the vote of no confidence which led to the change of Government.

Prior to April 27, 2012

Mr. Traian Basescu was elected President of Romania for a second five-year term in 2009. In December 2009, Mr. Emil Boc, as Prime Minister, formed a new government, comprising a coalition of parties including the Liberal Democratic Party ("PDL"), a Hungarian-ethnic party alliance ("UDMR"), together with independent and minority bloc parliamentarians.

Throughout 2010 and 2011, the Government, with support from the President, continued to apply a general economic policy in line with the strategy agreed with the International Monetary Fund. These austerity measures, influenced also by the wider economic crisis within the European Union, gradually eroded the public support for the activity of the Government and led to public protests in Romania in January, 2012. On January 30, 2012 the opposition PSD and PNL party alliance ("USL") announced its withdrawal from parliamentary decision making and voting for all usual activity. On February 6, 2012, the lack of public support led to Prime Minister Boc announcing his resignation together with that of his entire Cabinet. Shortly thereafter President Basescu asked Mihai Razvan Ungureanu, the Head of the Foreign Intelligence Service and a former Minister of Foreign Affairs, to form a new Government which was sworn in on February 9, 2012 pursuant to a confidence vote in Parliament.

At that time Prime Minister Ungureanu was politically independent but his Cabinet was backed by the same ruling coalition parties formed of the PDL, the UDMR, plus independent and minority bloc parliamentarians. While PDL appointed new ministers, its political partners decided to preserve the same individuals and positions held in the past ministerial structure under former Prime Minister Boc including Mr. Laszlo Borbely as Minister of Environment and Mr. Kelemen Hunor, leader of the UDMR, as Minister of Culture. On April 5, 2012, following formal allegations of influence peddling and filing false financial statements, Mr. Borbely resigned from office. On April 10, 2012 Mr. Atilla Korodi, an MP representing the UDMR, accepted the position of Minister of Environment, a role he held previously for approximately one year spanning 2007 and 2008.

In the last year the Project has become a high profile issue for the Government, with wide coverage in television debates, on the internet and in print media, as well as being the subject of comment from leaders of all major political parties in Romania. A broader understanding of the employment, economic, cultural development and environmental issues is a key factor in the increasing support for the Project among Romania's voting public.

The Company's public communication activities have been a key element behind increased public awareness of the Project, which has been successful in many areas, evidenced in April 2012 by:

- Polls showing that a majority of Romanians agree with the development of the Project.
- President Basescu, who remains in power until 2014 and visited Rosia Montana in August 2011, continued to state publicly his support for the Project and the need for jobs in Romania, together with the urgent need for a Government decision in respect of authorizing the environmental permit ("EP") for the Project in the best interests of Romania.

- Mr. Hunor declaring in a media interview that the situation at Rosia Montana is disastrous, and the community is “dying” because of the lack of livelihood. Furthermore, he was reportedly of the opinion that the Romanian state should do something for the community, either by starting the exploitation, if the environmental conditions are met, or by finding alternative solutions, and that it should renegotiate the terms of the licence so as to maximize the benefits for the Romanian state.
- Ungureanu, while Prime Minister, stated in a television interview that a decision on the Project remains a priority for the Government and commented upon the extreme environmental and economic issues which he had witnessed and which exist currently for the people of Rosia Montana. Furthermore he stated his support for any project which adheres to environmental guidelines and brings jobs, foreign direct investment and money to the Romanian budget.

Political Situation - following April 27, 2012

On April 27, 2012 the Government, led by then Prime Minister Ungureanu, lost a no confidence vote brought by the opposition resulting in its demise after only 11 weeks in power. President Basescu asked Mr. Victor Ponta, leader of the Romanian Social Democratic Party (“PSD”), to create a new Government, which was sworn in on May 7, 2012 pursuant to a confidence vote in Parliament. In its latest combined political programme the new Government has stated it will re-analyze the Rosia Montana Project in a transparent manner and based on an open and democratic dialogue, so that the decisions are in accordance with the national interest, environmental protection and European legislation. Key new ministers with respect to the Project include Ms. Rovana Plumb as Minister of Environment, Mr. Mircea Diaconu as Minister of Culture and Mr. Daniel Chitoiu as Minister of Economy, the former two, while they were in Government opposition, both having expressed comments of criticism regarding various aspects of the Project. The Company is looking forward to having an open and transparent hearing with these respective ministries to discuss any and all issues in relation to the Project. Parliamentary elections scheduled for November 2012 may see further changes to the Government. In the shorter term, local elections are scheduled for June 10, 2012.

Given the critical importance of sustained economic development for Romania, in addition to its commitment to adhere to the highest standards on engineering, environmental, cultural and social matters, the Company continues to draw public and political attention to the significant economic and employment opportunities offered by the Project.

Management continues to engage with stakeholders, including directly with ministries of the Government, to understand their issues and concerns and to explain the benefits and impacts of the Project. This approach will be maintained with the new Government in place. The continued strong local and regional support is welcomed by the Company. The Company’s communication efforts are fact-based, focusing on the critically-needed employment and economic advantages the Project will bring to Romania as well as the benefits to an area that is facing extreme poverty whilst continuing to suffer a growing legacy of environmental damage caused by past unregulated mining activities polluting nearby rivers and causing decay to its cultural heritage.

Project Ownership and Royalty

The Company has previously reported its understanding that the previous Government was reviewing the royalty regime for extractive industries. Through its website on December 27, 2011, the Government noted its agreement of an increased royalty rate for all mineral resources regulated by the Mining Law in Romania, and specifically that the royalty payable to the Romanian state for precious metals production would be increased from 4% to 8%. On March 30, 2012, the previous Government confirmed that there has been no adoption of any legislative change in royalty rate for mineral resources and that the royalty regime should be reviewed further in the short-term.

Gabriel and RMGC have been involved in a dialogue with a number of ministries of the previous Government in respect of questions raised on the potential for a revised ownership interest in the Project, royalty rates for gold and silver production and the route to successful permitting of the Project. These discussions encompassed a wide range of issues relevant to the interests of all stakeholders in a project to build a world class and modern mine, including the need for investors to see a stable fiscal regime in the context of the overall expected returns from the Project to Romania as well as those to Gabriel shareholders. In late 2011, a proposal on these matters was submitted to the Government for consideration and a revised proposal was made by Gabriel in late January 2012. Whilst there was a subsequent change in Government in February 2012, the discussions with relevant ministries remained infrequent but ongoing until early April 2012. There have been no discussions with the new Government installed in early May 2012 in this regard. The Company will provide further updates as and when matters are progressed.

Environmental/Permitting

On September 17, 2010 the Ministry of Environment (“MOE”) recommenced the Technical Analysis Committee (“TAC”) review of the Project’s Environmental Impact Assessment (“EIA”). This process remains ongoing, although the Company is waiting to engage with the new Government in order to take the TAC review forward.

The TAC is the most substantive level of review provided by the Government and is a required procedural step prior to the Government providing its final decision on whether to approve the EP for the Project. Four TAC meetings, attended by RMGC, have been held since September 2010 with the most recent held on November 29, 2011.

A majority of members of the TAC visited Rosia Montana on October 19/20, 2011 to understand better the site of the Project and its potential impact on the environment. This was followed by the most recent TAC meeting on November 29, 2011 where the analysis of all EIA chapters was completed.

Until recently, it was Management’s understanding that the TAC had concluded that all technical aspects have been clarified to its satisfaction, although the Company has been awaiting formal feedback from the TAC as to whether further meetings or documentation will be requested. However, in recent weeks, public statements attributed to Government ministers have indicated additional considerations may have a bearing on the TAC process, including:

- In early March 2012, Mr. Borbely (former Minister of Environment) noted that whilst the Company had the required approval from the local council of Alba Iulia for the diversion of a stream in the Corna valley, under the Project footprint, such a diversion also required Government approval. Government approval requires a formal procedure in order for the Project to be made of 'public interest'. Although the Company understands that documentation was drafted by former Government officials to make the Project of public interest, until the decision has been finalized there is the potential that further progress with the TAC will be delayed.
- On April 5, 2012 a Government spokesperson noted publicly that an unspecified decision from the Ministry of Culture ("MOC") was required before the TAC process could be finalized. On April 11, 2012 Mr. Hunor (the former Minister of Culture) made a public statement saying that approval cannot be given for the entire Project because an archeological discharge certificate has not yet been granted for the proposed open pit at Orlea, for which RMGC needs to conduct archeological research. The Company's understanding is that an archaeological discharge certificate for the Orlea deposit is not required prior to the commencement of operations as the Orlea deposit will not be mined until year 7 of the current mine plan. The Company will be seeking clarification from the new Minister of Culture.
- On April 24, 2012 Marin Anton, the chairman of the TAC, resigned from his post in the Ministry of Environment and the Company is awaiting the appointment of a new TAC chairman.
- On April 25, 2012 Mr. Korodi (the former Minister of Environment) noted publicly that dialogue with RMGC has been completed on most technical topics, however implementation of the new EU waste management directive required a further industrial waste management plan to be provided following which the TAC can require 60 days to assess its content. The Company believes it has complied with this requirement having already completed an update of its waste management plan. This plan has been reviewed by the National Agency for Mineral Resources and has been submitted for approval to the MOE. The Company awaits further guidance on the review process for its waste management plan.
- On May 2, 2012, it was reported in the press that Mr. Korodi, prior to the end of the limited time in his recent ministerial position, had requested a legal 'audit' as to whether an April 4, 2012 court ruling by the Alba Iulia Court of Appeal ("AICA") required that the TAC process be suspended. Further details on the AICA court ruling are set out below, however the full written judgment has yet to be issued by the court. On May 3, 2012 Mr. Korodi is reported to have stated that he was in receipt of the legal analysis that he claims shows that the effect of the above mentioned court ruling is viewed as an impediment in the continuation of the TAC procedure. The Company will consider the implications of the AICA court ruling once the written reasons for the judgment are published. In the interim, the Company has been advised that continuation in the progress of the TAC review, environmental and other permitting for the Project should not be affected by the decision of the AICA.

As a consequence of the above, the Company is seeking further clarification from the new Government and the TAC as to the next steps in its review process. Gabriel remains unable to provide guidance on the time that it might take the TAC to vote on the EIA or to release its recommendation to the Government. Ultimately, the EP must be approved by a Cabinet decision of the Government prior to its issuance.

Although the EP is the most important approval for the Project, and whilst significant progress has been made with the issue of an archeological discharge certificate for the Carnic open pit (“ADC”), there are a large number of 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 application for, and issuance of, each material license, permit, approval and authorization is governed by a separate set of laws, rules and regulations. To the extent these additional permits and approvals for the development, construction and operation of the Project are not dependent on issue of the EP, or the acquisition of surface rights, the processes for each of these are proceeding in parallel with the EIA review.

The Company’s amended industrial zonal urbanism plan (“Industrial Area PUZ”), which designates an industrial zone under the footprint of the proposed new mine at Rosia Montana, is at an advanced stage albeit there has been limited progress in recent months. RMGC now holds 19 out of the total number of 22 endorsements necessary for the approval of the Industrial Area PUZ. After obtaining all the necessary endorsements, the final approval will be given by the local councils of Rosia Montana, Abrud and Bucium. In addition, the local council of Rosia Montana has initiated the process for the zonal urbanism plan for the Rosia Montana historical protected area (“Historical Area PUZ”) and currently holds 10 out of the total of 13 endorsements necessary for its final approval. Once the process has been completed, the matter will be referred to the local council of Rosia Montana for approval. Whilst the Company understands there is no formal link between the receipt of remaining endorsements for the Industrial Area PUZ, the Historical Area PUZ and the EIA review process, it believes that these respective remaining endorsements are likely to be obtained on or after the issuance of the EP.

Recent amendment to the legislation concerning the approval of zonal urbanism plans commenced prior to February 2011 has put the timing and the approval process of such plans in question. The Chamber of Deputies of the Romanian Parliament is currently reviewing the applicable legislation with a view to clarifying the approval process. If the relevant legislation is not amended or otherwise clarified, the process for the approval of the Company's zonal urbanism plans may be delayed further.

During Q1 2012, the local councils of Rosia Montana, Abrud and Bucium, sponsored by the Company, have undertaken preliminary steps for the selection and initiation of the updating process for obtaining new General Urbanism Plans (PUGs) for the respective localities.

On June 29, 2010, the Romanian National Dam Safety Commission (“CONSIB”) approved the design of the Project’s Corna and Cetate dams and endorsements were issued, both valid for two years. Following the submission by the Company of the necessary technical documents, during the CONSIB meeting of March 30, 2012, approval was given for the extension of the two endorsements for a further period of five years (subject to Project construction commencing within two years). The MOE is required to ratify the extension of these endorsements. The forestry and agricultural land use change permits will proceed after the EP has been issued and surface rights obtained. Although there is no precedent or regulatory timeline, in the absence of any other extraordinary events, legal or otherwise, the Company expects the processes currently in place to obtain the majority of the outstanding surface rights acquisitions and other permits and approvals (including initial construction permits for the Project) to take approximately one year from the date the EP is issued by the Government.

Litigation

Over the years certain foreign and domestically-funded non-governmental organizations ("NGOs") have initiated a multitude of 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 over many years have been successful, most have been, and continue to be proved to be, frivolous in the Romanian courts. RMGC recently achieved the 15th court victory for the Project from 16 hearings since 2010.

The Company, through RMGC, has intervened in all material cases brought to date where it is judged 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 as much as possible, but to ultimately stop the development of the Project. There are a variety of procedural matters that allow the NGOs to raise pleas which create additional legal actions that are separate from but related to the principal legal actions. Often an action will be taken by the NGOs on a particular issue in several different regional court jurisdictions, and such legal objection may be raised in separate cases seeking a suspension or cancellation of a particular license, permit or approval. These actions add significant delay, distraction and cost to the process of permitting the Project.

By way of example, since 2004, RMGC has obtained four separate urbanism certificates with respect to the Project and all four have been the subject of legal action by NGOs. In Romania, urbanism certificates form part of the legal regime associated with obtaining a construction permit for any kind of construction undertaking and are not solely associated with the mining industry. An urbanism certificate is an informational document issued by a local or county council and is not a permit or an approval.

The latest urbanism certificate, UC-87, has also been, and remains, the subject of further legal challenge by NGOs. To date, the Romanian courts have rejected all such challenges, although two challenges, previously dismissed by lower courts, remain subject to appeals by the NGOs.

On September 29, 2010 a lower court rejected an NGO claim seeking the suspension of UC-87. This decision was challenged by the NGO but such appeal was dismissed by an irrevocable decision of the Bucharest Court of Appeal on May 30, 2011. RMGC also successfully intervened in an action brought by two NGOs against Alba County Council in the Bucharest Tribunal for the annulment and suspension of UC-87. At the first hearing on December 21, 2011 the Bucharest Tribunal ruled in RMGC's and Alba County Council's favour. Again, the interested NGOs have appealed such ruling to the Bucharest Court of Appeal, the first hearing of which is scheduled for October 8, 2012. More recently, two NGOs filed a claim for the annulment of UC-87 before the Cluj Tribunal. On April 17, 2012, the Cluj Tribunal rejected the NGOs' claim. This decision remains subject to a potential appeal by the interested NGOs to the Cluj Court of Appeal.

In 2009 RMGC intervened in a claim commenced by three NGOs which challenged the legality of a 2009 decision of the local council of Rosia Montana ("LCD 1/2009") which had ratified a resolution passed by the same local council in 2002 approving a general urbanism plan for the Rosia Montana commune and a zonal urbanism plan designating an industrial zone under the footprint of the proposed mine at Rosia Montana. In the second quarter of 2011, a lower court admitted the NGOs claim that LCD 1/2009 had been illegally adopted. RMGC and the local council of Rosia Montana subsequently submitted an appeal against this decision to the AICA.

On April 4, 2012, the AICA upheld the ruling of the lower court that LCD 1/2009 had been illegally adopted by the local council of Rosia Montana and was invalid (the "AICA Decision"). The AICA Decision is not appealable. However, the AICA did not rule explicitly that the original 2002 local council resolution, which LCD 1/2009 had sought to ratify, was invalid. The Company will need to consider the implications of the AICA Decision in due course once the written reasons for the judgment are published by the court, expected to be within two months of the ruling. Further background to the AICA Decision and the urbanism plan permitting process is provided in the Company's news release of April 9, 2012.

On May 3, 2012, the Company issued a press release regarding media reports of statements made by Mr. Korodi that refer to the existence of a legal 'audit' into potential impacts of the AICA Decision on the TAC review process. To the Company's knowledge neither Mr. Korodi nor any party has yet had sight of any written judgment with regard to the recent AICA Decision regarding approval of the urbanisation plans for the Project. It remains questionable on that basis how any such legal 'audit' could be concluded with any certainty of the impact on the TAC review. As noted, the Company will consider the implications of the AICA Decision once the written reasons for the judgment are published. In the interim, the Company has been advised that continuation in the progress of the TAC review, environmental and other permitting for the Project should not be affected by the AICA Decision.

In the meantime, and as described above, the Company is moving forward with an amended zonal urbanism plan for the industrial area of the Project, the Industrial Area PUZ, which is well advanced. The Company has been advised that the Industrial Area PUZ should be unaffected by the AICA Decision.

A second case also seeking the suspension of LCD 1/2009 was initiated by an NGO through the Cluj Tribunal. Although this claim was rejected by the Cluj Tribunal, the NGO submitted an appeal to the Cluj Court of Appeal where proceedings have been suspended pending the settlement of an ancillary request regarding certain formal aspects of the case. This claim has become moot because the relief sought by the NGOs, a suspension of LCD 1/2009, has been otherwise obtained through the AICA Decision. A third case seeking both suspension and cancellation of LCD 1/2009 was initiated in the Bucharest Tribunal by two other NGOs. In October 2011, the Bucharest Tribunal, at RMGC's request, elected to suspend such action until such time as the above-mentioned case had been irrevocably settled by the AICA. As with the preceding case, the suspension element of this claim has become moot for the same reason stated above, however, the NGOs may request the continuance of the cancellation action in due course.

In September 2011, two NGOs filed a new claim seeking the cancellation of the Strategic Environmental Assessment endorsement ("SEA") which was issued by the Regional Agency for Environmental Protection of Sibiu in March 2011. The SEA is a key endorsement in respect of the Industrial Area PUZ. The first hearing is scheduled at Cluj Tribunal on June 15, 2012. A second case seeking the suspension of the SEA has been initiated by an NGO through the Cluj Tribunal and the next hearing of such claim is scheduled for June 15, 2012.

In late September 2011, three NGOs filed a request to the Cluj Tribunal for the cancellation of the ADC issued in July 2011 and the next hearing is scheduled to be heard on June 18, 2012. On January 20, 2012, the same three NGOs filed a claim in the Cluj Tribunal seeking the suspension of the ADC and the next hearing is scheduled to be heard on May 18, 2012.

A claim initiated by the Archaeological Restoration Association ("ARA") in the Alba Iulia Tribunal which sought to commence the procedure of classifying certain buildings from Rosia Montana as historical monuments was rejected by the Tribunal at a hearing on February 3, 2012. This decision may be appealed by ARA to the AICA within 15 days of receipt of the Tribunal's judgment. In April 2012, a further claim seeking the cancellation of the ADC was filed by two NGOs in the Bucharest Tribunal and such action is scheduled to be heard on April 1, 2013.

A case brought by RMGC to recover taxes over the period January 2005 to June 2007 was decided in RMGC's favor by the Bucharest Court of Appeal on May 10, 2011. The Romanian fiscal authorities have submitted an appeal against this decision to the High Court of Cassation and Justice, which is the supreme court of Romania, and the first hearing of such appeal is scheduled to be heard on February 5, 2013.

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 the Company and/or RMGC (as the case may be) will prevail in these matters. If any claims are not resolved in the Company's or RMGC's favor, then such a negative ruling 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. The implications of a negative court ruling will only be known once such a decision is issued and the position of the Government is assessed.

Whilst the Company has designed the Project to follow all applicable laws to protect against permitting delays, legal challenges brought forward by NGOs or other parties – those currently ongoing and those that may be introduced in the future – have the potential to cause significant delays to the Project timeline. There were no other material developments involving litigation matters associated with the Company or RMGC in 2012 up to the date of this MD&A.

Surface Rights

As a result of the suspension of the EIA review process in September 2007, the surface rights purchase program at the Rosia Montana site was suspended in February 2008 and remains largely on hold pending progress in the permitting process. 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.

In addition to the remaining private properties yet to be acquired, the Company needs to acquire properties (approximately 16% of the surface area of the Project) which are owned by institutions, including the local administrations of Rosia Montana and Abrud, as well as state-owned mining companies. RMGC continues to implement a comprehensive community relations program in Rosia Montana and to engage in Project related discussions with past and current regional homeowners. Negotiations have been initiated with various institutions to acquire the institutional properties and this process is expected to be completed after the approval of the EP.

Ultimately, the Company's ability to obtain construction permits for the mine and plant is predicated on securing all necessary surface rights within the Project footprint, the attainment and timing of which is subject to third party actions and a number of risk factors which are not within the Company's control.

Resettlement Sites

Construction of 125 homes in the Alba Iulia resettlement site, known as Recea, was completed in 2010 and all but one of these homes are now occupied by resettled families. In Q2 2011, the Company commenced the construction of a church and associated annexes at the Recea site. This project is progressing well and the structural / civil works are expected to be complete by mid-2012. During Q4 2011, the Company commenced the construction of six new houses at the Recea site and, as part of the preparation for the future expansion of Recea, the construction of a road and all necessary services infrastructure in the northern area of the site. The completion of these civil works is forecast for mid-2012 and the definitive review of the Recea expansion project is nearing completion. All these initiatives stand as a visible testimony to the determination of the Company to deliver on its promises to the people of Rosia Montana.

A feasibility study is in progress for a further resettlement village to be built close to Rosia Montana for the remaining homeowners who have chosen, or may choose, to be resettled in the Rosia Montana area. The preparation of technical documents necessary for permitting the construction of the resettlement village has been initiated. Furthermore, preliminary zoning and concept studies for a new administrative center for the Rosia Montana commune (where administrative, institutional and social facilities could be resettled) have been in progress since Q4 2011.

As part of the resettlement options for the owners wishing to remain in Rosia Montana, approximately 110 Company-owned houses in the historic protected area of Rosia Montana are included in the ongoing design and permitting process for future rehabilitation program of Rosia Montana.

Archaeology and Preservation of Cultural Heritage

An archaeological review of the historical mining activity at Rosia Montana is a critical step in the granting of the construction permits to build the Project. A number of archaeological discharge certificates are required for various parts of the proposed Project footprint. In order to obtain such discharge certificates, the Company must conduct an extensive program of exploratory and preventative archaeology in order to ensure that all valuable historical relics in the area are uncovered and preserved.

In 2004, an NGO commenced legal action with respect to RMGC's then ADC for the Carnic open pit and ultimately obtained an annulment from the High Court of Cassation and Justice in December 2008. Having reviewed the Court's written reasons for this decision, the Company submitted documents in 2010 for obtaining a new ADC for the Carnic open pit through a revised application prepared by independent researchers. The National Archaeology Commission of Romania met on July 12, 2011 to consider the revised application and recommended its approval to the Alba County Directorate for Culture and National Patrimony. On July 14, 2011 the Alba County Directorate for Culture and National Patrimony issued a new ADC to RMGC for the Carnic open pit, which complements those it already holds for the Cetate and Jig open pits. In order to end the protective archaeological regime covering the proposed site of the Carnic pit, RMGC now awaits formal confirmation that the Carnic massif has been removed from the List of Historical Monuments by the National Monuments Committee and the Minister of Culture.

The Company has continued maintenance work on 160 houses located in the historical center of the village of Rosia Montana which will not be directly affected by mining operations ("Protected Area"), with the aim of preventing their deterioration. While these houses are not designated as historic, the restoration will contribute to maintaining the character of the village. This is just one element of approximately US$70 million to be invested in local heritage and cultural aspects in and around Rosia Montana over all phases of the Project. This includes the establishment of a special commission, to include independent experts, which will monitor the work undertaken by RMGC.

The Company has initiated the design work to prioritize the restoration of more than 100 houses located within the Protected Area, which will bring these back into functional use. To date, the design work for the first phase of more than 50 houses has been completed with a view to obtaining the necessary permits and potentially starting construction activities in Q2 2012, and the second phase of design work is in progress. The permitting process for obtaining individual construction authorization, and the subsequent restoration, started in Q1 2012 and is now in its final stages. In addition, RMGC, in partnership with the local council of Rosia Montana, is progressing the restoration of two iconic houses (the old school house and former town hall) in the Protected Area, along with the rehabilitation of a number of houses, which will be used for tourism initiatives.

With the ADC for Carnic issued, RMGC has commenced further detailed archaeological work in the old underground mining galleries that lie under the Protected Area. This work has focused on opening up previously unexplored Roman galleries and the commencement of archaeological rehabilitation work on underground development adits and old mining areas that have never been restored for public interest. These areas will be restored by RMGC with a view to opening them as a permanent museum and visible testimony to the 2,000 year mining history at Rosia Montana and as an accessible example of historical mining activities for parties with interests in the regional mining sector. One such example is the Catalina Monulesti underground mining gallery which is in the process of being successfully restored and reopened.

The Roman workings within the Protected Area are some of the most diverse and archeologically significant examples of Roman engineering discovered in the area to date. Though access to these Roman galleries remains difficult, RMGC has made substantial progress in putting in sufficient infrastructure to allow the public to share in Romania's rich cultural heritage for future generations. This is all part of the long term initiatives funded solely by RMGC in the Protected Area.

In 2011 RMGC also committed, subject to final contract, to an additional US$70 million patrimony expenditure plan, through a protocol agreed with the National Institute of Heritage in 2011. This agreement sets out the terms and conditions on which RMGC will partner with the National Institute of Heritage to carry out research, appraisal and consolidation / restoration works of historical monuments across Romania included in the National Program for the Restoration of Historical Monuments.

In February 2011, a number of independent senior academics from the Romanian Academy in the fields of archaeology, architecture and history established the Independent Group for Monitoring the Cultural Heritage from Rosia Montana ("GIMPCRM"). GIMPCRM meets quarterly and monitors the Company's archaeology research and restoration projects and provides recommendations and feedback on content and quality of the Company's programs. The Company enjoys an active and positive relationship with GIMPCRM.

Corporate and Social Responsibility (CSR)

The Company takes pride in its commitment to achieving the highest levels of sustainability from workplace safety to community and environmental responsibility. It has a clear goal of attaining business performance through a dynamic process of continuous improvement in all aspects of its business and respecting all stakeholders. The Company invests significant resources into its CSR programs, which in Romania is a multi-dimensional commitment managed by RMGC and covering employee training and safety, local communities, living traditions, direct and indirect social impacts, educational programs, environmental protection, community sponsorship and heritage aspects.

RMGC is the anchor sponsor to the annual 'Miner's Day & Mining Communities and Mining Traditions Festival', which in August 2011 involved 13 mining communities and more than 5,000 attendees. One of RMGC's core commitments is to develop local employment, local supply and a strategy for local economy diversification during the life of the Project and beyond, evidenced through:

- Local employment – RMGC currently employs approximately 500 people directly and numerous others indirectly, with some 85% hired from the local community, and the Company is investing in training and skills assessments for the construction phase of the Project;
- Local supply - more than 600 local firms are suppliers / contractors to RMGC;
- Skills enhancement - RMGC has provided training to NGOs on tourism initiatives, fundraising for community development projects, on-line communications and food processing standards.

Liquidity and Capital Resources

Cash, cash equivalents and short term investments at March 31, 2012 amounted to $118.5 million.

During the three months ended March 31, 2012 the Company issued 0.3 million common shares on the exercise of stock options for aggregate gross proceeds of approximately $1.5 million.

During the three months ended March 31, 2012, excluding the impact of funds received by the Company through the exercise of stock options, the Company's average monthly net cash usage has been $6.2 million.

The Company is currently reviewing all areas of expenditure with a view to reducing monthly costs until such time as the new Government moves ahead with Project permitting.

Following the issue of the EP, the level of monthly expenditure is expected to increase to $20 - $40 million for the period during which the Company moves to acquire the remaining surface rights for the Project, together with preparation for construction.

Capital Cost

The estimated capital cost to complete the development of the Project taken from the March 2009 National Instrument 43-101 technical report, together with other interest, financing and corporate costs, was approximately US$1 billion.

The Company is in the process of updating the capital and operating cost estimates to complete the development of the Project and expects to provide a new NI 43-101 compliant technical report incorporating revised estimates concurrently with the conclusion of discussions with the Government regarding ownership of the Project and applicable royalty rates. The report has been commissioned to update the 2009 capital and operating cost estimates within the context of the existing Project parameters forming the basis of the EIA process, taking into account the current environment for commodity prices and the cost impact of increasing industry demand for critical capital equipment and consumables.

Project Timeline

Management continues to be of the view that, once the EP for the Project is issued by the Government, in the absence of any other extraordinary events, legal or otherwise, 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 to fully finance construction of a mine at Rosia Montana.

Once construction of the mine begins, it is estimated to take approximately 30 months to complete. Ultimately, the Government determines the timing of the EP issuance and all other permits and approvals required for the Project, subject to the Romanian courts dealing with litigation from NGOs and any other parties in a timely manner.

Outlook

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

- Obtain approval of the EP and all other required permits that allow construction activities to commence;
- Complete the revised estimate of capital and operating costs of developing the Project, such that a new NI 43-101 technical report can be issued;
- Review all areas of expenditure with a view to reducing monthly costs until such time as the new Government moves ahead with Project permitting.
- Continue efforts to increase Romanian public and Government education and support for the Project, which recent opinion polls show has a significant majority of public support; and
- Maximize shareholder value, while optimizing the Project benefits to those in the community and the surrounding area.

Results of Operations

The results of operations are summarized in the following tables, which have been prepared in accordance with IFRS:

in thousands of Canadian dollars, except per share amounts	2012 Q1	2011 Q4	2011 Q3	2011 Q2
Statement of Loss				
Loss	$ 2,567	$ 8,411	$ 3,640	$ 3,534
Loss per share - basic and diluted	0.007	0.026	0.010	0.009
Statement of Financial Position				
Working capital	106,575	120,725	148,588	166,543
Total assets	616,971	619,294	629,951	631,720
Statement of Cash Flows				
Investments in development and exploration including working capital changes	14,902	14,771	16,892	13,021
Cash flow from financing activities	1,503	197	1,261	77,629

in thousands of Canadian dollars, except per share amounts	2011 Q1	2010 Q4	2010 Q3	2010 Q2
Statement of Loss / (Income)				
Loss / (income)	$ 1,102	$ 9,487	$ (13,107)	$ 11,419
Loss / (income) per share - basic and diluted	0.003	0.027	(0.038)	0.033
Statement of Financial Position				
Working capital	102,720	109,753	122,874	110,278
Total assets	554,345	539,170	537,530	481,828
Statement of Cash Flows				
Investments in development and exploration including working capital changes	8,595	8,706	8,882	10,660
Cash flow from financing activities	785	14,718	-	3,764

Statement of Loss

in thousands of Canadian dollars, except per share amounts	**3 months ended March 31** **2012**	2011
Operating loss for the period	**$ 2,953**	$ 4,177
Loss for the period	**2,567**	1,102
Loss per share - basic and diluted	**0.007**	0.003

Total operating loss for the three month period ended March 31, 2012 decreased from the corresponding period in 2011. The decrease was mainly due to lower compensation expense, reflecting permitting delays, which have lengthened the vesting period of certain performance based option grants, and a credit to DSU expense in the quarter as a result of the Company's lower share price as at March 31, 2012.

The loss for the three-month period ended March 31, 2012 is higher than the loss in the same period in 2011 as a result of an adverse variance period-on-period of $2.8 million in foreign currency exchange movements.

The Company expects to incur operating losses until commercial production of the Project commences and revenues are generated.

Expenses

Corporate, General and Administrative

in thousands of Canadian dollars	**3 months ended March 31** **2012**	2011
Finance	**$ 256**	$ 660
External communications	**144**	131
Information technology	**13**	46
Legal	**215**	154
Payroll	**505**	328
Other	**213**	287
Corporate, general and administrative expense	**$ 1,346**	$ 1,606

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

Finance costs for the three-month period ended March 31, 2012 decreased from the same period in 2011. The number of permanent corporate staff has increased and temporary staff reduced, which has resulted in a reallocation of costs from Finance to Payroll.

Corporate, general and administrative costs are anticipated to increase once the Project is awarded its EP and the Company increases its resources for construction and operating activities.

Stock Based Compensation

in thousands of Canadian dollars		3 months ended March 31 **2012**		2011
DSUs and RSU's - expensed	**$**	**(360)**	$	223
Stock option compensation - expensed		**1,905**		2,299
Stock based compensation - expensed	**$**	**1,545**	$	2,522
DSUs and RSU's - capitalized	**$**	**-**	$	-
Stock option compensation - capitalized		**2,439**		3,942
Stock based compensation - capitalized	**$**	**2,439**	$	3,942
DSU Compensation				
Number of DSUs issued		**9,516**		83,938
Average value ascribed to each DSU issued	**$**	**5.25**	$	8.06
RSU Compensation				
Number of RSUs issued		**76,258**		-
Average value ascribed to each RSU issued	**$**	**5.77**	$	-

Deferred Share Unit ("DSU") and Restricted Share Unit ("RSU") costs for the three-month period ended March 31, 2012 primarily reflect amortization related to the 357,995 DSUs issued to the Company's Chief Executive Officer ("CEO") at the time of his commencement of employment and the 81,172 DSUs issued to the Company's Chief Financial Officer ("CFO") and Chief Commercial Officer ("CCO") at the time of their respective commencements, which are being expensed over a two-year period.

DSU's issued during the three-month period ended March 31, 2012 were to certain directors, at their election, in lieu of their quarterly directors fees for the quarters ended March 31, 2012 and December 31, 2011. RSU's were issued during the three-month period ended March 31, 2012 to the CEO, CFO and COO as a component of their 2011 compensation.

Initially valued at the five-day weighted average market price of the Company's shares at date of issue, DSUs and RSU's are revalued each period end based on the closing share price at the period end, with the difference between the total value of the share unit at period end compared to the value at the end of the previous period. The change in share price of the share unit at the end of the period is charged to the Statement of Loss or capitalized for share units granted to personnel working on development projects. At March 31, 2012 the Company's share price of $4.69 was $1.59 lower than compared to the price on December 31, 2011, giving rise to the reversal of expense for the quarter.

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

	3 months ended March 31	
	2012	2011
Stock option compensation		
Number of stock options granted	**2,168,333**	1,000,000
Average value ascribed to each regular vesting option granted	**$ 5.77**	$ 5.06
Options granted to corporate employees, consultants, officers, and directors	**1,033,333**	1,000,000
Options granted to development project employees and consultants	**1,135,000**	-

During the three–month period ended March 31, 2012 all of the 2.168 million granted stock options vest over a three-year period.

Interest Income

	3 months ended March 31	
in thousands of Canadian dollars	**2012**	2011
Interest income	**$ 225**	$ 126

Higher interest income in the three-month period ended March 31, 2012 compared to the same period in 2011 is the result of a combination of (i) higher cash and cash equivalent and short term investment balances and (ii) a greater ratio of Canadian dollar to Euro holdings, with Canadian dollar holdings currently attracting higher interest rates than Euro holdings.

As at March 31, 2012 approximately 68% of the Company's cash and cash equivalents were invested in Canadian government guaranteed instruments with the remaining 32% held as cash deposits with major Canadian banks.

Foreign Exchange

	3 months ended March 31	
in thousands of Canadian dollars	**2012**	2011
Foreign exchange loss - realized	**$ -**	$ (136)
Foreign exchange gain - unrealized	**161**	3,085
Total foreign exchange gain	**$ 161**	$ 2,949

During 2011 the Company liquidated its holdings of Euro denominated short-term investments. Realised currency movements previously experienced on those investments are no longer incurred.

In light of Euro instability the Company has attempted to reduce its Euro exposure. At March 31, 2012, Euro holdings represent 23% of cash and cash equivalents. The reduction in Euro exposure also contributed to the lower foreign exchange gains. The Euro strengthened slightly against the Canadian Dollar in the three-month period to March 31, 2012.

The Company expects to continue to report foreign currency gains and losses as it continues to hold foreign currencies.

Taxes

All tax assessments have been paid and provided for in the respective individual company's financial statements.

Investing Activities

The most significant 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. Once the 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 Romania related to development and exploration of the Project are capitalized to mineral properties and those related to the Bucium project are expensed in accordance with IFRS until such time as economic feasibility is established.

Listed below is a summary of Project expenditures for the three-month periods ended March 31, 2012 and 2011.

	3 months ended March 31			
in thousands of Canadian dollars		**2012**		2011
Finance and administration	**$**	**1,483**	$	1,164
External communications		**4,624**		2,355
Legal		**1,435**		1,522
Permitting		**1,464**		680
Community development		**1,618**		1,430
Project management and engineering		**2,573**		1,889
Exploration - Rosia Montana		**521**		181
Total exploration and development expenditures	**$**	**13,718**	$	9,221
Capitalized depreciation and disposals	**$**	**84**	$	73
Capitalized stock based compensation	**$**	**2,439**	$	3,942
Decrease in resettlement liabilities	**$**	**137**	$	129

The increase in external communications costs for the three-month period ended March 31, 2012 compared to the same period in 2011 reflects the continued efforts by the Company to provide relevant and timely information to the Romanian population to maintain the positive momentum of public support for the Project. For the three-month period ended March 31, 2012 compared to the same period in 2011, these initiatives included higher use of television and online media.

For the three-month period ended March 31, 2012 Project management, engineering and permitting costs increased compared to the corresponding period in 2011 due to increased activity related to the TAC process, pre-construction and logistics planning activities.

The Company has continued with community development activities in line with its commitment to sustainable development, legal activities in defending the Company's position in numerous legal challenges and finance and administration activities in the continued administration of the Romanian operating company. Exploration costs have increased at Rosia Montana period-on-period due to additional geotechnical drilling as part of the ongoing process of the technical review of the Project. No additional work is planned on the Bucium property until the exploration license is converted into two exploitation licenses. The Government has indicated that a decision on the conversion of the Bucium exploration to exploitation licenses will not be made until after a decision on the EP for the Project is made.

Purchase of Capital Assets

		3 months ended March 31		
in thousands of Canadian dollars		**2012**		2011
Resettlement site development costs	**$**	**667**	$	-
Investment in long-lead-time equipment		**-**		261
Other		**419**		75
Total investment in capital assets	**$**	**1,086**	$	336
Depreciation and disposal - expensed	**$**	**62**	$	49
Depreciation and disposal - capitalized to mineral properties	**$**	**84**	$	-

The resettlement site development costs for the three-month period ended March 31, 2012 relate mainly to the construction of a church and additional houses at the Recea resettlement site, which commenced during 2011.

The final installments for the processing mills are expected to be made during 2012 ($0.5 million) at which point the grinding area systems and crushing facilities will be fully paid for and in the possession of the Company.

Other expenditure for the three-month period ended March 31, 2012 is higher than the expenditure for the same period in 2011 due to the construction of worker facilities at Rosia Montana.

Cash Flow Statement

Liquidity and Capital Resources

The main sources of liquidity are the Company's cash balances, prospective exercise of stock options outstanding and the equity and debt markets. In the second quarter of 2011 the Company raised $75 million through the exercise by BSG of its 30 million share purchase warrants. There are no further warrants in issue at present.

As at March 31, 2012 cash, cash equivalents and short-term investments were $118.5 million compared to $111.6 million at March 31, 2011.

In light of recent Euro instability, the Company is following a strategy of reducing Euro balances through operational expenditure in preference to US and Canadian dollar holdings. At March 31, 2012 Euro holdings accounted for 23% of total cash and cash equivalents.

The cost to complete the Project was estimated in the NI 43-101 technical report of March 2009 at US$876 million. Based on this estimate, the Company previously referenced a financing requirement for the development of the Project of approximately US$1 billion, comprising the capital costs together with other working capital, interest, financing and corporate costs. The Company is in the process of updating the capital and operating cost estimates to complete the development of the Project and expects to provide a new NI 43-101 compliant technical report incorporating revised estimates concurrently with discussions with the Government regarding ownership of the Project and applicable royalty rates.

Working Capital

As at March 31, 2012 the Company had working capital, calculated as total current assets less total current liabilities, of $106.6 million compared to $120.7 million as at December 31, 2011. The reduction in working capital during the three-month period ended March 31, 2012 relates to expenditures on the Project.

As at March 31, 2012 the Company had current liabilities of $18.8 million of which $4.4 million relates to resettlement obligations stemming from the acquisition of homes in the Project area.

Decrease in short-term investments and restricted cash

The Company divested of the remainder of its short-term investments in the third quarter of 2011. Cash generated by the reduction of short-term investments in the three-month period ended March 31, 2011, of $23.7 million, was not repeated in the current three-month period.

Related Party Transactions

The Company advanced loans in 2004 and 2009 in aggregate totaling US$41 million to non-controlling shareholders of RMGC to facilitate various statutory share capital increases in RMGC. The balance on the two loans outstanding at March 31, 2012 was US$40.4 million (March 31, 2011 US$40.4 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 interests on the 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 component will be reflected individually on the Statement of Financial Position, in accordance with IFRS.

Resettlement Liabilities

For a number of years, RMGC has had a program for purchasing homes in the Project area, which was suspended in February 2008 due to the suspension of the EIA review process in September 2007. The homeowners could either choose to take the sale proceeds and move to a new location of their choosing or they could exchange their properties for a new property to be built by RMGC at one of the designated resettlement sites. For those residents who choose the resettlement option, the Company increases its mineral properties on the balance sheet as well as resettlement liabilities for the anticipated construction costs of the resettlement houses. As the construction takes place, the cost of newly built houses are capitalized as construction in progress. After the transfer of legal title of the property is completed, the Company reduces the amounts capitalized as construction in progress and at the same time 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, 2012 the Company had accrued resettlement liabilities totaling $4.4 million (December 31, 2011 – $4.6 million), which represents the cost of building the remaining new homes for the local residents and outstanding delay penalties.

In addition to the Recea resettlement site, construction of which was completed in 2010, the Company is conducting a feasibility study for a further resettlement village to be built close to Rosia Montana for the remaining 24 homeowners who have chosen to be resettled. As a result of the delay in delivery of additional resettlement homes, the Company has paid or accrued 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, 2012 the Company has accrued $0.3 million (December 31, 2011 - $0.4 million) representing its total estimated delay penalty. During the three-month period ended March 31, 2012 the Company paid delay penalties of $39,000 (March 31, 2011 - $42,000).

Contractual Obligations

The following is a summary of the Company's contractual commitments, as of March 31, 2012 including payments due for each of the next five years and thereafter:

	Total	**2012**	**2013**	**2014**	**2015**	**2016**	**Thereafter**
Resettlement	7,669	7,669	-	-	-	-	-
Goods and services	14,376	13,726	227	22	22	22	357
Long lead time equipment	517	517	-	-	-	-	-
Rosia Montana exploitation license	1,092	182	182	182	182	182	182
Surface concession rights	772	20	20	20	20	20	672
Lease agreements	1,661	398	367	286	271	271	68
Total commitments	26,087	22,512	796	510	495	495	1,279

RMGC has contracted building services for the construction of a church and additional houses at Recea. Construction activities commenced in the later stages of 2011 and are expected to be completed in 2012. The construction contracts are 'arms-length' agreements with unrelated third parties.

The Company and its subsidiaries have a number of agreements with arms-length third parties who provide a wide range of goods and services which totaled $14.4 million at March 31, 2012 (December 31, 2011 – $11.0 million). Typically, the service agreements are for a term of not more than one year and permit either party to terminate for convenience on notice periods ranging from 15 to 90 days. Upon termination, the Company has to pay for services rendered and costs incurred to the date of termination.

In July 2011 RMGC committed, subject to final contract, to a US$70 million expenditure plan through a formal protocol agreed with the National Institute of Heritage. This contract, which is yet to be finalized, will partner RMGC with the National Institute of Heritage to carry out research, appraisal and consolidation-restoration works of historical monuments across Romania included in the National Program for the Restoration of Historical Monuments. The payment of the US$70 million is contingent upon certain milestones, which as of March 31, 2012 have not been attained. In addition, RMGC is working with the local government on various heritage and cultural initiatives in and around Rosia Montana. Subject to contract, and following the issuance of the environmental permit, RMGC will be committed to these undertakings, the cost of which is estimated to be approximately US$70 million.

Critical Accounting Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards 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 the recoverability of mineral properties, benefits of future income tax assets, estimated useful lives of capital assets, stock based compensation and warrant valuation assumptions and determinations as to whether costs are expensed or deferred. 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 quarters.

Going Concern

The underlying value of the Company's mineral properties is dependent upon the existence and economic recovery of such reserves in the future and the ability of the Company to obtain all necessary permits and raise long-term financing to complete the development of the properties. In addition, the Project may be subject to sovereign risk, including political and economic instability, changes in existing government regulations, for example, a ban on the use of cyanide in mining, re-designation of the Project area as an archeological site of national importance, government regulations relating to mining which may withhold the receipt of required permits or impede the Company's ability to acquire the necessary surface rights, as well as currency fluctuations and local inflation. On September 17, 2010 the Ministry of the Environment and Sustainable Development restarted the EIA review process. During 2011 the TAC met on several occasions to further its deliberations. There have been no further TAC meetings in 2012 and to date the TAC has not concluded on its activities.

The base budget and forecast for 2012 for the Project includes only those expenditures and commitments to maintain the value of the Company's investment in mineral properties and to move the Project through EIA approval. Once the EIA is approved, the cost for the acquisition of remaining surface rights, completion of control estimate, and higher activity to acquire all permits and approvals required to apply for construction permits could exceed the Company's current cash and cash equivalents holdings.

As at March 31, 2012 the Company had no sources of operating cash flows and does not have sufficient cash to fund the development of the Project and therefore will require additional funding which, if not raised, would result in the curtailment of activities and Project delays.

Mineral properties

The Company has determined that the area covered by the Rosia Montana exploitation license contains economically recoverable reserves. The ultimate recoverability of the $439.4 million carrying value at March 31, 2012 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.

Changes in future conditions, for example a ban on cyanide in the mining industry, could require material write-downs of the Project carrying value.

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 financial statements. When impairment indicators are identified, 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 the Group's accounting policy for exploration and evaluation assets is that exploration expenditures should be expensed and only capitalized to Mineral Properties after the completion of a feasibility study.

Income taxes

Income taxes are calculated using the asset and liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current 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. 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 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. Based on the advice of its professional tax advisors, the Company believes that the state tax authorities still have concerns relating to tax legislation and it is continuing to contest these positions through the courts.

Financial instruments and other instruments

The recorded amounts for cash, cash equivalents, short-term investments, 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 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 highly liquid, highly rated financial institutions and instruments.

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, cash equivalents, and short-term investments that are held in investment accounts with Canadian banks and invested in Canadian sovereign debt. The Group has adopted an investment strategy to minimize its credit risk by investing in sovereign debt (primarily issued by Canada, subject to availability) with the balance of cash being invested on short-term overnight deposit with the 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 immediate 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 collectable from the Romanian government, although RMGC is permitted in certain circumstances to offset certain RMGC payroll taxes against such recoverable value-added taxes.

Liquidity risk

The Group has sufficient funds as at March 31, 2012 to settle all current and long-term liabilities.

Market risk

(a) Interest rate risk

The Group has significant cash balances and no debt. With the Group maintaining a short-term investment horizon, typically less than 6 months, for its cash, cash equivalent, and short-term investment balances, it minimizes the risk of interest rate volatility as investments mature and are rolled over. 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, cash equivalents, and short-term investments is to mitigate credit risk. The Group has elected to forego yield in favour of capital preservation.

(b) Foreign currency risk

The Group's presentation currency is the Canadian dollar and its activities expose it to significant fluctuations in foreign exchange rates. The Group has monetary assets and liabilities denominated in Romanian Leu (RON), 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 significant foreign exchange gains or losses during periods of significant economic and market volatility. The Group currently keeps the majority of its cash, cash equivalents, and short-term investments in Canadian dollars.

The Company has not entered into any derivatives hedging activities. The Company incurs foreign currency gains and losses on foreign denominated cash balances as the currencies fluctuate against each other. Accordingly, the Company will continue to experience foreign exchange gains and losses as long as it maintains foreign currency cash balances.

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, 2012 the following movements are "reasonably possible" over a twelve-month period:

- Cash and cash equivalents include deposits, which are at floating interest rates. A plus or minus 0.5% change in earned interest rates would affect net income from deposits by $0.2 million.
- The Company holds significant balances in foreign currencies, and this gives rise to exposure to foreign exchange risk. As of March 31, 2012 a plus or minus 1% change in foreign exchange rates would affect net income by $0.2 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, which is filed for public inspection on www.sedar.com.

- Political and Economic Risks of Operating in Romania
- Permitting Process
- Acquisition of Surface Rights and Resettlement
- Mineral Tenure Rights
- Legal Proceedings
- 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
- Global Economic Conditions
- Dilution
- Mineral 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 Estimates
- Environmental and other Regulatory Requirements
- Infrastructure
- Price Fluctuations of Consumed Commodities
- Accounting Policies and Internal Controls
- Conflict of Interest

Adoption of Accounting Standards and Pronouncements under IFRS

The Canadian Accounting Standards Board (AcSB) announced its decision to replace Canadian generally accepted accounting principles ("GAAP") with International Financial Reporting Standards (IFRS) for all Canadian Publicly Accountable Enterprises (PAEs) in 2006.

The effective changeover date for the Company was January 1, 2011, at which time Canadian GAAP was replaced by IFRS. The Company's first annual consolidated financial statements prepared under IFRS were the audited consolidated financial statements for the year ended December 31, 2011, which included full disclosure of its new IFRS policies. The unaudited condensed consolidated financial statements for the three-month period ended March 31, 2012 were prepared in accordance with IFRS as applicable to the preparation of interim financial statements, including International Accounting Standard 34 ('Interim Financial Reporting').

CEO/CFO Certification

The Company's Chief Executive Officer and Chief Financial Officer 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*, for the Company.

Our CEO and CFO certify that, as at March 31, 2012 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 interim 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. They also certify that the Company's ICFR have been designed and operates effectively to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The control framework the Company's CEO and CFO used to design the Company's ICFR is the Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission ("COSO").

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, 2012 which has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Outstanding Share Data

The Company's fully diluted share capital as at May, 10 2012 was:

	Outstanding
Common shares	380,071,629
Common stock options	26,320,982
Deferred share units - common shares	546,028
Restricted share units - common shares	76,258
Fully diluted share capital	**407,014,897**

Proven and Probable Mineral Reserves

The Company owns an 80.69% economic interest in the Project, which has aggregate proven and probable reserves as follows:

		Grade *(g/t)*		In Situ (Ounces)	
Reserve Category	**Tonnes**	**Gold**	**Silver**	**Gold**	**Silver**
Proven	112,455,000	1.63	9.0	5,893,000	32,540,000
Probable	102,476,000	1.27	4.6	4,184,000	15,156,000
Total	214,931,000	1.46	6.9	10,077,000	47,696,000

John Marek, P.Eng., is the qualified person responsible for calculating the reserve estimate in the March 2009 NI 43-101 technical report and set forth in the table above.

Forward-Looking Statements

Certain statements included herein, including capital costs estimates, sustaining capital and reclamation estimates, estimated production and total cash costs of production, future ability to finance the Project and other statements that express Management's expectations or estimates regarding the timing of completion of various aspects of the Projects' development or of our future performance, constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and Canadian securities legislation. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule", and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. In particular, the Management's Discussion and Analysis includes many such forward-looking statements and such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of the Company to be materially different from its estimated future results, performance or achievements expressed or implied by those forward-looking statements and its forward-looking statements are not guarantees of future performance. These risks, uncertainties and other factors include, but are not limited to: changes in the worldwide price of precious metals; fluctuations in exchange rates; legislative, political or economic developments including changes to mining and other relevant legislation in Romania; operating or technical difficulties in connection with exploration, development or mining; environmental risks; the speculative nature of gold exploration and development, including the risks of diminishing quantities or grades of reserves; and the Company's requirements for substantial additional funding.

While Gabriel may elect to, Gabriel is under no obligation to and does not undertake to update this information at any particular time, except as required by law.