

TSX Trading Symbol: GBU

## **Gabriel Resources Ltd**

### **SECOND QUARTER REPORT**

**Toronto, Ontario, Canada: August 3, 2011**

#### **Highlights**

- Permitting for the Rosia Montana gold and silver mining project (“Project”) remains the core focus of the business. The following recent progress has been made:
  - Ongoing engagement with the Technical Analysis Committee (“TAC”) through its review of the Rosia Montana Environmental Impact Assessment (“EIA”).
  - Award of the Archaeological Discharge Permit for the Carnic open pit (“ADC”) in July 2011.
  - The amended Zonal Urbanization Plan for the Industrial Area of Rosia Montana (“Amended PUZ”) is progressing with six further endorsements granted in the quarter and 19 of the 22 required endorsements having now been received.
  - The Zonal Urbanization Plan for the Protected Area of the Historical Centre of Rosia Montana (“PUZ Protected Area”) is ongoing, with 10 of the 12 required endorsements having now been received.
- Gabriel is maintaining its commitment to the Project and its cultural heritage through its ongoing restoration of the historical town centre of Rosia Montana and its undertaking to provide co-operation and future funding at a regional and national level to protect and restore Romanian cultural heritage.
- \$176.4 million of cash and short-term investments held at June 30, 2011 following the receipt of proceeds from a warrant exercise.
- In July 2011 the Company increased its ownership interest in the Project to 80.69% through the acquisition of a minority shareholding for a net cash consideration of US\$1.15 million. Minvest S.A., a Romanian state-owned mining company, holds the remaining 19.31% interest.

Jonathan Henry, Gabriel’s President and Chief Executive Officer, stated:

“We continue to make good progress on the permitting of the Rosia Montana gold and silver mining project. The recent granting of the archaeological discharge permit for the Carnic open pit represents an extremely important milestone as we continue to maintain a pro-active dialogue with all the stakeholders in addressing the key issues. The Company’s public information campaign continues to focus on the significant employment opportunities as well as the far reaching economic benefits that will arise from the Project.”

Further commentary on operations and results in the second quarter of 2011 is given below. The Company has filed its Interim Financial Report and Management Discussion & Analysis on SEDAR at [www.sedar.com](http://www.sedar.com) and these documents are also available on the Company’s website at [www.gabrielresources.com](http://www.gabrielresources.com).

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### **About Gabriel**

Gabriel is a Canadian-listed resource company engaged in the exploration and development of mineral properties in Romania. The Company is presently in the permitting stage and preparing to develop its 80.69%-owned Rosia Montana gold and silver project. Gabriel is committed to responsible mining and sustainable development in the communities in which it operates. The Project is anticipated to bring US\$19 billion to Romania as potential direct and indirect investment according to 2010 estimates from British-based Oxford Policy Management. The Project will generate thousands of jobs while observing all Romanian and European environmental laws and also helping preserve important historic buildings as well as local cultural heritage. For more information please visit the Company's website at [www.gabrielresources.com](http://www.gabrielresources.com).

### **Financial Performance**

- The second quarter net loss was \$3.5 million, or \$0.009 per share, primarily reflecting stock based compensation and corporate costs of \$5.2 million offset by foreign exchange gains and interest receivable of \$1.7 million.
- A total of \$13.5 million was spent on development projects during the quarter.

### **Liquidity and Capital Resources**

- Cash, cash equivalents and short-term investments at June 30, 2011 totaled \$176.4 million.
- The capital cost to complete the development of the Project – including interest, financing and corporate costs – is currently estimated at approximately US\$1 billion.

### **Political Environment**

- The Romanian Government continued to implement austerity measures intended to reduce Romania's budget deficit and comply with the requirements of the International Monetary Fund emergency aid programme.
- While some political and NGO opposition to the Project exists, a broader understanding of the employment, economic, cultural development and environmental issues and benefits of the Project represents a key factor in the ongoing permitting of the Project among Romania's governing authorities.

### **Environmental/Permitting**

- On April 5, 2011 the Ministry of Environment ("MOE") extended the deadline for the public submission of observations and questions for the TAC process by one month to May 5, 2011. In order for the Company's Romanian subsidiary, Rosia Montana Gold Corporation ("RMGC"), to progress certain issues raised by the TAC through this process, there have been no further TAC meetings since March 2011.
- Recent statements made by Government officials in Romania have indicated that over 500 questions raised in the recent public submissions need to be addressed by RMGC, a process which has now been initiated. Additionally, the statements noted that the Romanian Government is also waiting for a letter from the Hungarian Government with respect to its opinion of the EIA and the Project, which is subject to a deadline of August 9, 2011. The Company believes both issues will need to be resolved to the satisfaction of the MOE before a further TAC meeting is to be convened.
- The Company does not know how many further meetings will be required by the TAC to review and assess the Project's EIA or how long this process may take. Ultimately, the EIA must be approved by a Cabinet decision of the Romanian Government. While the EIA is the most important project approval, significant recent progress has been made in respect of other permitting activities.

- In the second quarter of 2011, RMGC secured six further endorsements for the Amended PUZ, and now holds 19 out of the total number of 22 endorsements necessary for its approval. By the end of June 2011, RMGC had obtained 10 endorsements out of the total of 12 endorsements necessary for the final approval of the PUZ Protected Area.

### **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 permit to build the Project. The Company submitted documents in 2010 to obtain a new archeological discharge certificate for the Carnic open pit. The National Archaeology Commission of Romania met on July 12, 2011 and recommended approval of the ADC 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.
- The Company has continued maintenance work on 160 houses located in the historical center of Rosia Montana, with the aim of preventing any deterioration. This emergency conservation work will continue through a multi-year program, set to run in parallel with the construction and the operation phases of the Project. This is just one element of a commitment of approximately US\$140 million to be invested over all phases of the Project in local heritage and culture in and around Rosia Montana, together with funding research, appraisal and consolidation-restoration works of historical monuments across Romania included in the National Program for the Restoration of Historical Monuments. This commitment includes the establishment of a special commission, to include independent experts, which will monitor the work undertaken by RMGC.

### **Employment and Economic Benefits for Romania**

- Given the critical importance of sustained economic development for Romania, the Company continues to draw public and political attention to the significant employment and economic opportunities the Project brings, while at the same time aiming to conform to the highest standards on engineering, environmental, cultural and social matters.
- 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 has significant damage to its cultural heritage and environment from many years of unregulated mining activities.