



G A B R I E L
Roșia Montană
IN PARTNERSHIP

PRESS RELEASE

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2016 Second Quarter Report

Gabriel Resources Ltd. (“Gabriel” or the “Company”) announces the publication of its Second Quarter Financial Statements and Management’s Discussion and Analysis Report for the period ended June 30, 2016.

Summary

- Q2 2016 brought no change in Romania’s continued prevention of the implementation of the Roșia Montană gold and silver project (“Project”). Accordingly, the Company is progressing with its arbitration case against Romania before the World Bank’s International Centre for Settlement of Investment Disputes (“ICSID”) under applicable treaties for the promotion and protection of foreign investment to which Romania is a party (“ICSID Arbitration”).
- The ICSID Arbitration is the core focus of the Company and the arbitral tribunal (“Tribunal”) that will adjudicate the case was constituted on June 21. The first session of the Tribunal with all parties is scheduled to be held on August 12, 2016.
- As at June 30, 2016, the Company held \$28.0 million of cash and cash equivalents.
- On July 14, 2016, the Company completed the previously announced non-brokered private placement financing to raise \$40.625 million (“Private Placement”). The proceeds from the Private Placement will be used for the ICSID Arbitration and for general working capital requirements.
- Mr. David Kay has been appointed to the Board of the Company with effect from July 29, 2016 as a nominee of Tenor International & Commercial Arbitration Fund (“Tenor”), associated with the principal investor in the Private Placement.
- On July 14, 2016 the Company reported that the fiscal authorities in Romania had levied a value added tax assessment (“VAT Assessment”) on its subsidiary Roșia Montană Gold Corporation S.A. (“RMGC”) amounting to approximately RON 27 million (approximately \$8.6 million) and that RMGC has been subjected to a number of investigations by various Romanian government agencies which Gabriel considers are abusive in scope and execution and were initiated by the Romanian State in reaction to the ICSID Arbitration and recent successful funding initiatives of the Company.

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

“The failure of Romania to allow the development of a world class mining project at Roșia Montană, where the largest beneficiary would be the Romanian State and its people, has left the Company with no alternative but to focus on the ICSID Arbitration. We welcome the recent establishment of the Tribunal and Gabriel, in conjunction with its expert legal team, is preparing the relevant submissions to present its case to the Tribunal. Gabriel has already filed certain applications with the Tribunal to procure access to material documentation and to address the demonstrable acts of bad faith committed since the commencement of the ICSID Arbitration through the intrusive and arbitrary investigations initiated by Romania’s fiscal authorities. RMGC intends to challenge the VAT Assessment.

Following the completion of the Private Placement, the Company is well-positioned to finance the ICSID Arbitration and to safeguard its rights and investments in Romania. We welcome David Kay to the Board and anticipate that his experience will be invaluable to the future progression of the ICSID Arbitration.”

Further information and commentary on the operations and results in the second quarter of 2016, together with events anticipated in the short term, is given below. The Company has filed its Unaudited Condensed Interim Consolidated Financial Statements and Management's Discussion & Analysis on SEDAR at www.sedar.com and each is available for review on the Company's website at www.gabrielresources.com.

For information on this press release, please contact:

Jonathan Henry
President & Chief Executive Officer
Mobile: +44 7798 801783
jh@gabrielresources.com

Max Vaughan
Chief Financial Officer
Mobile: +44 7823 885503
max.vaughan@gabrielresources.com

Richard Brown
Chief Commercial Officer
Mobile: +44 7748 760276
richard.brown@gabrielresources.com

Further Information

Status of the ICSID Arbitration

- The ICSID Arbitration seeks compensation for all of the loss and damage suffered by the Company and its wholly-owned subsidiary, Gabriel Resources (Jersey) Ltd. (together "Claimants"), resulting from the Romanian State's wrongful conduct and its breaches of certain bilateral investment treaties which the Romanian Government has entered into.
- The Tribunal, which was constituted on June 21, 2016, consists of the following arbitrators: Ms. Teresa Cheng as President of the Tribunal (a Chinese national appointed by the Secretary-General of ICSID), Dr. Horacio Grigera Naón (an Argentinian national appointed by the Claimants); and Mr. Zachary Douglas (an Australian national appointed by Romania).
- The Tribunal has scheduled the first session with the parties for August 12, 2016 at which time the Tribunal will likely address, among other things, the procedural calendar for the ICSID Arbitration.
- The Tribunal will consider, in due course, requests for provisional measures recently submitted to the Tribunal by the Claimants relating to (i) the use by Claimants, their counsel and the Tribunal, among others, of certain categories of documents and information considered classified and/or confidential by Romania and (ii) various aspects of the VAT Assessment and a purported anti-fraud investigation of RMGC undertaken by Romanian authorities.
- Despite the initiation of the ICSID Arbitration, the Company continues to remain open to engagement with the Romanian authorities in order to achieve an amicable resolution of the dispute. Notwithstanding, Gabriel will continue to protect its rights and investments in Romania, including support to RMGC in respect of any abusive, illegal, or retaliatory conduct by Romanian authorities and, so far as reasonably practical and desirable, ensuring that existing licenses and permits remain in good standing.

RMGC Investigations

- Recently, RMGC has been subjected to audits and investigations by Romanian authorities operating under the Ministry of Public Finance, which is also charged with organizing and overseeing the defense of Romania in the ICSID Arbitration. The main investigations have taken the form of a value added (purchase sales) tax ("VAT") audit and a purported anti-fraud investigation. Gabriel considers that such audits and investigations are biased, are abusive in scope, and/or execution, and particularly with respect to the anti-fraud investigation, have been initiated by the Romanian State in reaction to the ICSID Arbitration. These investigations are in addition to the impact on RMGC of the previously disclosed investigation into the Kadok Group.

- On October 12, 2015, the National Agency for Fiscal Administration (“ANAF”) initiated an unannounced, ad hoc investigation of transactions RMGC has had with various suppliers. RMGC has not received any formal notification of the purpose or scope of the investigation. Such investigation has required RMGC to provide voluminous amounts of information in respect of RMGC suppliers and respective transactions, particularly over the period 2007 to 2014, but has also included substantial amounts of documents and information dating back to 1997. Following ANAF’s initial requests in October 2015, a period of approximately 6 months elapsed before, on April 21, 2016, ANAF again requested significant volumes of further supplier information. RMGC has been co-operating fully with ANAF. As of the date of this press release, there has been no report from ANAF regarding the purpose or findings of this investigation.
- On March 14, 2016, RMGC received a tax inspection notice from ANAF advising of the initiation of an audit primarily covering tax declarations in respect of VAT that RMGC has reclaimed over the period July 1, 2011 through January 31, 2016. Following RMGC’s compliance with extensive information requests from ANAF, on July 7, 2016, RMGC received a final report from ANAF (the “Report”) challenging the legitimacy of the reclaim of VAT by RMGC in respect of multiple suppliers of services related to public relations, advertising, promotion and consultancy advice. This challenge directly conflicts with 18 previous VAT audits into RMGC conducted by ANAF from January 2007 to June 2011, where the reclaim by RMGC of such VAT for the same types of activity, in many cases with the identical suppliers, had not been challenged.
- The Report establishes the VAT Assessment on RMGC amounting to approximately RON 27 million (approximately \$8.6 million) to which may be added associated penalties and interest. Prior to finalization of the Report, RMGC responded in writing to preliminary conclusions received from ANAF, noting among other things the lack of basis in Romanian tax law, inconsistency with prior audits conducted by the same body and, overall, its fundamental disagreement with the preliminary conclusions. The Report notes RMGC’s disagreement, but does not change ANAF’s conclusions. RMGC intends to challenge vigorously the VAT Assessment in Romania through appropriate administrative and legal means. Gabriel understands that the Romanian authorities have expressed their intention to take measures to enforce the VAT Assessment against RMGC’s assets in Romania and already are taking steps to do so. Gabriel and RMGC intend to pursue options to seek a stay of such enforcement pending RMGC’s challenge to the underlying VAT Assessment, including through the above-mentioned provisional measures.

Board Appointment

- With effect from July 29, 2016 and in accordance with the terms of the Private Placement, Mr. David Kay was appointed to the Board of the Company. Mr. Kay is a partner and the portfolio manager of Tenor which he joined in 2009. Previously, Mr. Kay was an investment banker at Jefferies & Company and an attorney at Akin Gump Strauss Hauer & Feld LLP. Mr. Kay currently serves on multiple boards for companies in the mineral, mining and energy industries.

Financial Performance

- As previously reported, since January 1, 2016 the Company has determined that, absent any positive, material permitting developments, none of the Company’s continuing expenditures meet the criteria for capitalization in the statement of financial position and all will be expensed to the income statement.
- The net loss for the second quarter of 2016 was \$8.9 million, including a one-off debt extinguishment charge of \$4.7 million relating to the restructuring element of the May 2016 Transactions (as defined below).

Liquidity and Capital Resources

Liquidity

- The Company’s average monthly cash usage during Q2 2016 was \$2.0 million, including legal services in respect of the ICSID Arbitration (Q1 2016 monthly average \$1.5 million, Q4 2015: monthly average \$2.1 million). Excluding legal and other advisory services in respect of the ICSID Arbitration, the average monthly cash usage during Q2 2016 was \$1.4 million (Q1 2016 monthly average: \$1.3 million, Q4 2015 monthly average: \$1.3 million).

Capital Resources

- Cash and cash equivalents at June 30, 2016 amounted to \$28.0 million, including the funds raised from the May 2016 Transactions, as defined below.
- In order to strengthen and improve the financial position of the Company and to provide funding to pursue the ICSID Arbitration, and for general working capital purposes, the Company closed the following transactions during the course of 2016 raising aggregate gross proceeds of \$60.625 million:
 - On May 11, 2016, the Company (i) closed a \$20 million non-brokered private placement with a number of existing investors and (ii) completed an amendment to the terms of securities issued by the Company in June 2014 and held by certain existing security holders (together the “May 2016 Transactions”).
 - On July 14, 2016, the Company closed a non-brokered private placement with Enescu Investments, LLC, an entity managed by Tenor International & Commercial Arbitration Fund, L.P., and Kopernik Global Investors, LLC, on behalf of certain of its managed funds, to raise C\$40.625 million.
- Additional details are provided in the respective announcements available on the Company’s website at www.gabrielresources.com and filed on SEDAR at www.sedar.com.

Project Development (including Permitting and Litigation)

- In the context of the above disclosures concerning the ICSID Arbitration and its continuance as the core focus of the Company, readers are advised to refer to the Annual Information Form of the Company for the year ended December 31, 2015 (“AIF”) published on March 29, 2016, for information relating to the status of the Project, the exploitation license relating thereto, the Company’s exploration and development activities in Romania, the Project approval and permitting process, legal proceedings concerning the Project and reported gold and silver resources and reserves. Other than as updated in the Company’s First and Second Quarter Management’s Discussion & Analysis, there has been no material change in that information from the date of publication of the AIF to the date of this press release. The Company has filed its AIF and First and Second Quarter 2016 Management’s Discussion & Analysis on SEDAR at www.sedar.com and each is available for review on the Company’s website at www.gabrielresources.com.

About Gabriel

Gabriel is a Toronto Stock Exchange listed Canadian resource company. The Company’s principal focus has been the exploration and development of the Roşia Montană gold and silver project in Romania. The Project, one of the largest undeveloped gold deposits in Europe, is situated in the South Apuseni Mountains of Transylvania, Romania, an historic and prolific mining district that since pre-Roman times has been mined intermittently for over 2,000 years. The exploitation license (“License”) for the Project is held by Roşia Montană Gold Corporation S.A., a Romanian company in which Gabriel owns an 80.69% equity interest, with the 19.31% balance held by Minvest Roşia Montană S.A., a Romanian state-owned mining company. It is anticipated that the Project would bring over US\$24 billion (at US\$1,200/oz gold) to Romania as potential direct and indirect contribution to GDP and generate thousands of employment opportunities.

Since the grant of the License in June 1999, the Company has focused substantially all of its management and financial resources on the exploration, feasibility and subsequent development of the Project. Despite the Company’s fulfilment of its legal obligations and its development of the Project as a high-quality, sustainable and environmentally-responsible mining project, using best available techniques, Romania has blocked and prevented implementation of the Project without due process and without compensation.

For more information please visit the Company’s website at www.gabrielresources.com.

Forward-looking Statements

This press release contains “forward-looking information” (also referred to as “forward-looking statements”) within the meaning of applicable Canadian securities legislation. Forward-looking statements are provided for the purpose of providing information about management’s current expectations and plans and allowing investors and others to get a better understanding of the Company’s operating environment. All statements, other than statements of historical fact, are forward-looking statements.

In this press release, forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies that may cause the Company’s actual financial results, performance, or achievements to be materially different from those expressed or implied herein. Some of the material factors or assumptions used to develop forward-looking statements include, without limitation, the uncertainties associated with: completion of the Transactions, the ICSID Arbitration, actions by the Romanian Government, conditions or events impacting the Company’s ability to fund its operations or service its debt, exploration, development and operation of mining properties and the overall impact of misjudgments made in good faith in the course of preparing forward-looking information.

Forward-looking statements involve risks, uncertainties, assumptions, and other factors including those set out below, that may never materialize, prove incorrect or materialize other than as currently contemplated which could cause the Company's results to differ materially from those expressed or implied by such forward-looking statements. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of fact and may be forward-looking statements.

Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including without limitation:

- the duration, required disclosure, costs, process and outcome of the ICSID Arbitration against Romania;
- changes in the liquidity and capital resources of Gabriel, and the group of companies of which it is parent ("Gabriel Group");
- access to funding to support the Gabriel Group's continued ICSID Arbitration and/or operating activities in the future;
- equity dilution resulting from the conversion or exercise of existing securities in part or in whole to Common Shares;
- the ability of the Company to maintain a continued listing on the Toronto Stock Exchange or any regulated public market for trading securities;
- the impact on business strategy and its implementation in Romania of: unforeseen historic acts of corruption, uncertain fiscal investigations; uncertain legal enforcement both for and against the Gabriel Group and political and social instability;
- regulatory, political and economic risks associated with operating in a foreign jurisdiction including changes in laws, governments and legal regimes and interpretation of existing and future fiscal and other legislation ;
- volatility of currency exchange rates, metal prices and metal production;
- the availability and continued participation in operational or other matters pertaining to the Gabriel Group of certain key employees and consultants; and
- risks normally incident to the exploration, development and operation of mining properties.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements.

Investors are cautioned not to put undue reliance on forward-looking statements, and investors should not infer that there has been no change in the Company's affairs since the date of this report that would warrant any modification of any forward-looking statement made in this document, other documents periodically filed with or furnished to the relevant securities regulators or documents presented on the Company's website. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice. The Company disclaims any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events or otherwise, subject to the Company's disclosure obligations under applicable Canadian securities regulations. Investors are urged to read the Company's filings with Canadian securities regulatory agencies including Gabriel's Annual Information Form for the year ended December 31, 2015, which can be viewed online at www.sedar.com.

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