



GABRIEL  
*Roșia Montană*  
IN PARTNERSHIP

## PRESS RELEASE

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### FOR IMMEDIATE RELEASE

May 12, 2020

### 2020 First Quarter Report

Gabriel Resources Ltd. (TSXV trading symbol GBU - “Gabriel” or the “Company”) announces the publication of its First Quarter Financial Statements and Management’s Discussion and Analysis Report for the period ended March 31, 2020.

#### Summary

- Gabriel remains focused on the progression of its arbitration case against Romania under the rules of the International Centre for Settlement of Investment Disputes (“ICSID”), part of the World Bank (“ICSID Arbitration”):
  - The original hearing on the merits of the claim was held over two weeks in December 2019 (“Hearing”) with a focus on liability and jurisdiction. A second hearing on the merits of the ICSID Arbitration claim is scheduled to be held in Paris in the week of September 28, 2020 that will focus on technical and quantum related matters (“Second Hearing”).
  - On March 10, 2020, the tribunal constituted to adjudicate the ICSID Arbitration (“Tribunal”) set out a list of questions arising from the evidence presented during the Hearing. The Claimants filed their answers on May 11, 2020 and the Respondent is required to do so in July 2020. The Tribunal also reserved the possibility of having an additional round of answers to the relevant questions.
- Following the Romanian Government’s official request for the “reactivation” of its nomination of the “Roșia Montană Mining Landscape” as a UNESCO World Heritage site in January 2020, Gabriel provided to Romania a notice requesting consultation with regard to Romania’s application to UNESCO (“Notice”) reserving its right to commence a further arbitration if warranted. The issuance of the Notice does not in any way interfere with Gabriel’s pursuit of the ICSID Arbitration.
- The net loss for the first quarter of 2020 was \$6.8 million (Q4 2019 \$18.3 million).
- As at March 31, 2020 the Company held \$15.7 million of cash and cash equivalents.
- The Company believes that it has sufficient funding to cover its planned activities through to the fourth quarter of 2020 and is currently planning to raise additional financing in the short term to maintain its primary assets and to pursue the ICSID Arbitration through to the issuance of an award by the Tribunal.
- At this time, Gabriel believes that the restrictions of the outbreak of the novel coronavirus do not significantly impact Gabriel’s ability to continue the ICSID Arbitration process or conduct its limited operations in Romania. Notwithstanding, the Company has determined, as a consequence of the COVID-19 pandemic, to defer setting a date for its annual general meeting of shareholders due to public health measures and restrictions on gatherings and to help protect the health and well-being of its shareholders, colleagues, communities and other stakeholders.

Dragos Tanase, Gabriel’s President and Chief Executive Officer, stated:

“We remain confident on the prospects of the arbitration case. Our priority and focus in the coming months is on the preparation for the ICSID Arbitration hearing scheduled to be held in September 2020, and on reinforcing the financing of the Company in order to maintain a strong funding position through to a final award.”

**Further information and commentary on the results in the first quarter of 2020 is given below. The Company has filed its Unaudited Condensed Interim Consolidated Financial Statements for Q1 2020 and related Management's Discussion & Analysis on SEDAR at [www.sedar.com](http://www.sedar.com) and each is available for review on the Company's website at [www.gabrielresources.com](http://www.gabrielresources.com).**

For information on this press release, please contact:

Dragos Tanase  
President & CEO  
Phone: +1 425 414 9256  
[dt@gabrielresources.com](mailto:dt@gabrielresources.com)

Richard Brown  
Chief Financial Officer  
Mobile: +44 7748 760276  
[richard.brown@gabrielresources.com](mailto:richard.brown@gabrielresources.com)

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## Further Information

### Impact of Coronavirus

- With respect to the outbreak of the novel coronavirus (COVID-19), Gabriel has carefully considered the impact, noting the widespread disruption to normal activities and the uncertainty over the duration of this disruption. The highest priority of the Board of Directors is the health, safety and welfare of the Group's employees, contractors and community members. Gabriel recognizes that the situation is extremely fluid and is monitoring the relevant recommendations and restrictions on travel. At this time, these recommendations and restrictions do not significantly impact Gabriel's ability to continue the ICSID Arbitration process or conduct the limited operations in Romania. As previously announced, the Group is currently seeking new investment and it is possible that this will take longer than previously anticipated. The Group is also looking to sell its long lead time equipment assets, the market for which may be adversely affected by the effects of COVID-19. As a result, Gabriel will make the necessary adjustments to the work processes required to maintain the ICSID Arbitration calendar, and, should the disruption last for an extended duration, review certain planned activities in Romania, and take remedial actions if it is determined to be necessary or prudent to do so.

### 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 ("Respondent") wrongful conduct and its breaches of the protections afforded by certain treaties for the promotion and protection of foreign investment to which Romania is a party, including against expropriation, unfair and inequitable treatment and discrimination in respect of the Roşia Montană gold and silver project and the valuable gold, silver and porphyry copper deposits defined in the neighboring Bucium concession area ("Projects") and related licenses.
- The Company is well advanced in the ICSID Arbitration process. To date, and in accordance with the procedural timelines established by the Tribunal, the parties have exchanged a number of substantial written submissions and participated in the first hearing on the merits of the claim, which was held in Washington D.C. between December 2 and December 13, 2019.
- The Hearing focused on the evidentiary record in the case and allowed counsel for both parties to address issues on liability and jurisdiction. The Hearing also afforded the Tribunal the opportunity to hear testimony from certain of the parties' fact and expert witnesses, as well as to address questions to each of the parties.
- On March 10, 2020, the Tribunal issued Procedural Order No. 27 whereby it set out a list of further questions arising from the evidence presented during the Hearing. The Tribunal subsequently issued Procedural Orders No. 28 and No. 31 whereby the parties were instructed to respond to these questions in a sequential manner. The Tribunal also reserved the possibility of having an additional round of answers to the relevant questions. The Claimants filed their answers on May 11, 2020 and the Respondent is required to do so in July 2020.
- On April 10, 2020, the Claimants and the Respondent filed their comments on a written submission to the Tribunal by the European Commission as a "non-disputing party" in the ICSID Arbitration.

- As previously disclosed, an additional one week oral hearing has been scheduled for the week commencing September 28, 2020 and will be held at the ICSID hearing facilities in Paris. The Second Hearing will focus on the technical and feasibility-related aspects of the Project and the quantum of the damages claimed with further related testimony from certain of the parties' fact and expert witnesses.
- A summary of the procedural aspects of the ICSID Arbitration, together with copies of the procedural orders of the Tribunal and the principal submissions are available on ICSID's website. Redacted versions of the transcripts of the Hearing were uploaded to the ICSID website on April 28, 2019.

### **UNESCO World Heritage**

- On January 31, 2020, the Ministry of Culture in Romania submitted a letter to UNESCO conveying the Romanian Government's official request for the "reactivation" of its nomination of the "Roşia Montană Mining Landscape" as a UNESCO World Heritage site. The act of applying to UNESCO for such designation is wholly incompatible with development of the Roşia Montană Project. The application itself is an undertaking by Romania to protect the subject area from development and precludes mining, as would a decision by UNESCO formally approving the application.
- In light of these recent developments and, for the avoidance of doubt, Gabriel has provided notice to Romania of a dispute under the Treaties with regard to Romania's application to UNESCO in relation to Roşia Montană and has reserved its right to commence a further arbitration if warranted accordingly.
- In the Notice, Gabriel confirmed that it is prepared to cooperate in good faith at a senior level with the Romanian Government and other authorities in a process of consultation with regard to the UNESCO application. Gabriel is hopeful that Romania will engage constructively and that it will promptly withdraw its UNESCO application in order to preserve the possibility that Romania, and in particular the local communities in and around Rosia Montana, can enjoy the significant wide-ranging benefits from the sustainable development of the Project, as part of an amicable resolution of the dispute regarding Gabriel's investments in Romania. Romania has yet to respond to the Notice.
- The issuance of the Notice does not in any way interfere with Gabriel's pursuit of the ICSID Arbitration. The Company remains focused on the progression and conclusion of the ICSID Arbitration.

### **VAT Assessment**

- As previously reported, an assessment of a liability for value added tax in the amount of RON 27m (approximately \$8.6 million) ("VAT Assessment") was levied against Roşia Montană Gold Corporation S.A. ("RMGC"), together with a further demand in respect of RON 18.6 million (approximately \$6.0 million) of related interest and penalties, by the Romanian National Agency for Fiscal Administration ("ANAF"). The VAT Assessment relates to VAT refunds previously claimed and received by RMGC from the Romanian tax authorities in respect of RMGC's purchase of goods and services from July 2011 to December 2015.
- On February 6, 2019, the Alba Court of Appeal (Division for Administrative and Tax Claims) ruled in favour of RMGC's annulment challenge of the VAT Assessment. ANAF subsequently filed an appeal against this decision with the High Court of Cassation and Justice, and the first hearing date has been set as December 2, 2020. RMGC is contesting this appeal and a stay of enforcement granted by the Alba Iulia Court of Appeal remains in effect for the VAT Assessment and for the interest and penalties demand.
- The Company, along with RMGC, intends to pursue all available legal avenues to challenge the VAT Assessment along with the interest and penalties and to fully protect its rights and assets.

### **Liquidity and Capital Resources**

- Cash and cash equivalents at March 31, 2020 were \$15.7 million.
- The Company's average monthly cash usage during Q1 2020 was \$3.3 million (Q4 2019: \$4.0 million) primarily reflecting a \$5.7 million reduction in accruals for costs in respect of the ICSID Arbitration at the end of Q1 2020 (Q4 2019: \$6.5 million); higher costs incurred in Q4 2019 related to ICSID Arbitration related activities, including analyzing the Respondent's rejoinder and the significant resources necessary to undertake intense activity preparing for and attending the Hearing; and more limited ICSID Arbitration activities in the first quarter of 2020.

- The Company believes that it has sufficient sources of funding to enable the Group to maintain its primary assets, including its License and associated rights and permits, and to fund general working capital requirements together with the material estimated costs associated with the Company advancing the ICSID Arbitration through the Second Hearing to the fourth quarter of 2020. Notwithstanding, there can be no assurances that the ICSID Arbitration will advance in a customary or predictable manner or within any specific or reasonable period of time.
- However, the Company does not have sufficient cash to fund either the development of the Project or all the long-term activities required to see the ICSID Arbitration through to its conclusion, including in any potential annulment proceeding and/or litigation to enforce any award. Accordingly, Gabriel is currently planning to raise additional financing in the short term to maintain its primary assets and to pursue the ICSID Arbitration through to the issuance of an award by the Tribunal.

## Financial Performance

- The net loss for the first quarter of 2020 was \$6.8 million, a decrease of \$0.9m from a loss of \$7.7 million in the corresponding period in 2019, primarily due to exchange gains of \$1.4 million reflecting the strong appreciation of the US dollar against the Canadian dollar offset by \$0.5 million higher costs related to the ongoing ICSID Arbitration compared to 2019, and \$0.3 million higher finance costs due to the interest component of the convertible subordinated unsecured notes increasing as the liability to repay those notes increases over the period to maturity.

## Annual General Meeting

- The Company intends to hold its annual general meeting of shareholders of the Company (“AGM”) later in the calendar year at a date yet to be set. The decision to move the date of the AGM, typically held in June, has been made by the Company due to public health measures and restrictions on gatherings enacted in response to the COVID-19 pandemic and to help protect the health and well-being of its shareholders, colleagues, communities and other stakeholders. Once the Board of Directors has set the date for the AGM, the Company will file a notice of meeting and record date and its management information circular under its profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## About Gabriel

Gabriel is a Canadian resource company listed on the TSX Venture Exchange. The Company’s principal focus has been the exploration and development of the Roşia Montană gold and silver project in Romania. The Roşia Montană 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 for the Roşia Montană 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.

Upon obtaining the License in June 1999, the Group focused substantially all of their management and financial resources on the exploration, feasibility and subsequent development of the Roşia Montană Project. Despite the Company’s fulfilment of its legal obligations and its development of the Roşia Montană Project as a high-quality, sustainable and environmentally-responsible mining project, using best available techniques, Romania has blocked and prevented implementation of the Roşia Montană Project without due process and without compensation. Accordingly, the Company’s current core focus is the ICSID Arbitration. For more information please visit the Company’s website at [www.gabrielresources.com](http://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: the ICSID Arbitration, actions by the Romanian Government, conditions or events impacting the Company’s ability to fund its operations (including but not limited to the completion of further funding noted above) 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", "is of the view", "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 outbreak of the coronavirus (COVID-19) may affect the Company's operations and/or the anticipated timeline for the ICSID Arbitration;
- the duration, required disclosure, costs, process and outcome of the ICSID Arbitration;
- the advancement of Romania's nomination of the "Roşia Montană Mining Landscape" as a UNESCO World Heritage site;
- changes in the liquidity and capital resources of Gabriel, and/or the group of companies of which it is directly or indirectly parent;
- access to funding to support the Group's continued ICSID Arbitration and/or operating activities in the future;
- equity dilution resulting from the conversion or exercise of new or existing securities in part or in whole to Common Shares;
- the ability of the Company to maintain a continued listing on the TSX Venture 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 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; and
- the availability and continued participation in operational or other matters pertaining to the Group of certain key employees and consultants.

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 press release 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 which can be viewed online at [www.sedar.com](http://www.sedar.com).

**ENDS**