



GABRIEL
Roşia Montană
IN PARTNERSHIP

PRESS RELEASE

FOR IMMEDIATE RELEASE

TSX Trading Symbol: GBU

May 11, 2017

2017 First Quarter Report

Gabriel Resources Ltd. (“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, 2017.

Summary

- The Company’s core focus is the progression of 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 tribunal appointed to hear and determine the ICSID Arbitration (“Tribunal”) has issued a procedural timetable for the ICSID Arbitration which requires Gabriel to file its memorial on the merits and quantum of its claims (“Memorial”) no later than June 30, 2017.
- Gabriel’s Romanian subsidiary, Roşia Montană Gold Corporation S.A. (“RMGC”), remains subject to investigations by the Romanian National Agency for Fiscal Administration (“ANAF”) which Gabriel considers are abusive in scope and duration and were initiated by the Romanian authorities solely in retaliation for the filing of the ICSID Arbitration.
- One such ANAF investigation relates to a re-run of a previously quashed value added tax (“VAT”) assessment relating to amounts claimed by RMGC in the period 2011 to 2016. On May 2, 2017 RMGC received a preliminary report indicating an amount of VAT assessed as owing by RMGC of RON 26m (\$8.5m)¹, which does not include any penalties or fines. This preliminary report is subject to a review period in Romania and RMGC intends to dispute this claim as without merit and unlawful.
- As at March 31, 2017, the Company held \$55.1 million of cash and cash equivalents.
- The net loss for the first quarter of 2017 was \$9.3 million (Q4 2016:\$13.2 million).

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

“Gabriel remains fully committed to safeguarding its rights and investments in Romania and will continue to focus its efforts and resources on filing its Memorial by the end of June. The Memorial will present the strong factual and legal arguments supporting Gabriel’s claims against the Romanian State and the significant quantum of damages sustained as a consequence of Romania’s unlawful acts. Meanwhile Romania continues its discriminatory, abusive and retaliatory activities against RMGC. The Company believes any requests from the Romanian fiscal authorities for VAT refunds are completely without merit.”

Further information and commentary on the operations and results of the Company in the first quarter of 2017 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.

¹ Assumes the May 2, 2017 Bank of Romania exchange rate of RON 3.05 to the \$

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Further Information

Status of the ICSID Arbitration

- The ICSID Arbitration seeks compensation for all of the losses and damages suffered by the Company and its wholly-owned subsidiary, Gabriel Resources (Jersey) Ltd. (together “Claimants”), resulting from the Romanian State’s violations of its obligations under certain bilateral investment treaties which provide protections against expropriation, unfair and inequitable treatment and discrimination in respect of the Claimants’ investments in Romania. These losses and damages arise not only due to the enormous wasted costs associated with the Rosia Montana gold and silver project (“Project”) and related licenses, but also to the loss of value of the Claimants’ investments as a consequence of Romania’s acts and inactions which have substantially deprived the Claimants of the use, benefit and value of their property rights.
- The Tribunal’s most recent decision, Procedural Order No.4 issued on January 10, 2017, sets out the procedural calendar for the ICSID Arbitration process with specific dates for the filing of submissions by the parties and other necessary procedural matters (“Procedural Calendar”). The Procedural Calendar requires that the Claimants submit their Memorial no later than June 30, 2017, wherein factual and legal arguments supporting their claims against Romania will be detailed. The Memorial will also include details of the claimed quantum of the damages sustained due to Romania’s treaty breaches.
- A hearing on the merits of the claims before the Tribunal is currently scheduled to occur in Washington D.C. from September 9 to 20, 2019.
- A summary of the procedural aspects of the ICSID Arbitration is available on ICSID’s website at the address given below. In addition, certain procedural orders and decisions of the Tribunal, together with certain of the principal submissions filed by the parties during the ICSID Arbitration, will be published on the ICSID website at the following location: <https://icsid.worldbank.org/en/Pages/cases/casedetail.aspx?CaseNo=ARB/15/31>.

RMGC Investigations

- As previously announced by the Company, ANAF raised an assessment against RMGC in July 2016 demanding the repayment of VAT deductions claimed by RMGC in the period 2011 to 2016 which, together with interest and penalties, amounted to RON 42.9 million (approximately \$13.7m). This was challenged with the authorities by RMGC as, among other matters, it was contrary to the conclusions of eighteen prior ANAF audits relating to similar suppliers, transactions and activities. In late September 2016 the General Directorate for the Settlement of Challenges, a division of ANAF, partially quashed that assessment and directed the VAT inspection to be re-run for the same period but using a new inspection team. On October 12, 2016 ANAF commenced a new VAT inspection.
- On May 2, 2017 RMGC received a preliminary report from ANAF including a provisional assessment in respect of VAT deductions claimed by RMGC in the period 2011 to 2016 (the “Assessment”). The amount of VAT assessed as owing by RMGC is RON 26m (\$8.5m), which does not include any penalties or fines that the Company understands could also be levied. This preliminary report is subject to comment from RMGC and a review meeting between RMGC and ANAF before it is finalized.

- In parallel with the Assessment, and for over eighteen months to date, a separate directorate of ANAF has continued to pursue an ad hoc investigation of a broad range of operational activities and transactions of RMGC and a number of its consultants and advisors over an extensive period spanning 1997 to 2016 (the “ANAF Investigation”). ANAF has continually demanded, to short and often unachievable deadlines, that RMGC provide voluminous amounts of information and explanations in respect of, amongst other matters, transactions with its suppliers and financing transactions of RMGC. Although RMGC is co-operating in good faith with the ANAF Investigation, Gabriel believes that there is no justification for the ANAF Investigation, that the breadth and depth of ANAF’s demands are intentionally abusive, and that it has been initiated in an attempt to intimidate and harm RMGC and the Claimants in view of the dispute with the Romanian State and the Claimants’ filing of the ICSID Arbitration. Neither the Company nor RMGC has received any feedback on the status of the ANAF Investigation.

Liquidity and Capital Resources

Liquidity

- The Company’s average monthly cash usage during Q1 2017 was \$1.7 million, including costs in respect of the ICSID Arbitration (Q4 2016 monthly average: \$2.1 million, Q3 2016 monthly average: \$1.3 million). At the end of Q1 2017, accruals for costs in respect of the ICSID Arbitration amounted to \$4.6 million (Q4 2016 \$1.9 million).

Capital Resources

- Cash and cash equivalents at March 31, 2017 amounted to \$55.1 million.

Financial Performance

- The net loss for the first quarter of 2017 was \$9.3 million, an increase from a loss of \$7.4 million in the corresponding period in 2016, primarily due to incremental legal and other advisory costs pursuant to the ICSID Arbitration. In addition, there was a \$0.7 million increase period-on-period in the accreted finance on the convertible notes in issue, partially offset by a reduction in payroll costs.

Project Development (including Permitting and Litigation)

- In the context of the above disclosures concerning the ICSID Arbitration, the complete lack of positive Romanian Government engagement on the Project and the change in core focus of Gabriel, and the group of companies of which it is parent (“Group”), readers are advised to refer to the Annual Information Form of the Company for the year ended December 31, 2016 (“AIF”) published on March 29, 2017, a copy of which is filed on SEDAR at www.sedar.com, for information relating to the status of the Project, RMGC’s exploitation license in Romania, the Group’s exploration and development activities in Romania, the Project approval and permitting process, and reported gold and silver resources and reserves. Except as disclosed in the Company’s public filings thereafter, there has been no material change in the information therein from the date of publication of the AIF to the date of this press release. The Company has also filed its first quarter 2017 quarterly Management’s Discussion & Analysis on SEDAR and it is available for review, together with the AIF, 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. Accordingly, the Company’s current core focus is the ICSID Arbitration.

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: 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;
- 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 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 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 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 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 including Gabriel’s Annual Information Form for the year ended December 31, 2016, which can be viewed online at www.sedar.com.

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