



GABRIEL
Roşia Montană
IN PARTNERSHIP

PRESS RELEASE

FOR IMMEDIATE RELEASE

August 4, 2020

2020 Second Quarter Report

Gabriel Resources Ltd. (TSXV trading symbol GBU - “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, 2020.

Summary

- Gabriel remains focused on the progression of its arbitration case brought by the Company and its wholly-owned subsidiary, Gabriel Resources (Jersey) Ltd. (together “Claimants”) against the Romanian State (“Respondent”) under the rules of the International Centre for Settlement of Investment Disputes (“ICSID”), part of the World Bank (“ICSID Arbitration”):
 - On May 11, 2020 and July 13, 2020 respectively, the Claimants and Respondent filed their responses to a list of questions issued by the tribunal constituted to adjudicate the ICSID Arbitration (“Tribunal”) arising from the evidence presented during the oral hearing held in December 2019.
 - A second one week oral hearing is scheduled to be held in September 2020 (“Second Hearing”). Given the ongoing impact of the COVID-19 pandemic on travel and the ability to form large gatherings, the parties have agreed that the Second Hearing will be held virtually from Monday, September 28 to Sunday, October 4, 2020. The Second Hearing will focus on the technical and feasibility-related aspects of the Project and the quantum of the damages claimed.
- In June 2020, a total of \$4,763,000 principal of the convertible subordinated unsecured notes of the Company (“Convertible Notes”) were converted into 15,339,773 common shares of the Company (“Common Shares”) and 7,663,430 Common Share purchase warrants (“Warrants”) were exercised with the Company receiving proceeds of \$3.5 million.
- The net loss for the second quarter of 2020 was \$8.8 million (Q1 2020 \$6.8 million).
- As at June 30, 2020, the Company held \$14.0 million of cash and cash equivalents.
- The Company believes that it has sufficient sources of funding to cover its planned activities through to the end of January 2021 and is currently planning to raise additional financing in the short-term to maintain its primary assets while it awaits a decision from the Tribunal.

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

“Our priority and focus remains steadfastly on the preparation for the ICSID Arbitration hearing scheduled to be held in September 2020, and on ensuring that beyond the hearing the Company is able to demonstrate a strong funding position through to a final award.”

Further information and commentary on the results in the second quarter of 2020 is given below. The Company has filed its Unaudited Condensed Interim Consolidated Financial Statements for Q2 2020 and related 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.

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Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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 (other than a change to a virtual format for the Second Hearing) or conduct the limited operations in Romania. As previously announced, the Group is currently seeking new investment and the Group is also looking to sell its long lead-time equipment. The market and timing for each initiative may be adversely affected by the effects of COVID-19. As appropriate, 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 Claimants, resulting from the Respondent's 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 ("Hearing").
- 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 ("Tribunal's Questions"). The Tribunal subsequently issued Procedural Orders No. 28 and No. 31 whereby the parties were instructed to respond to the Tribunal's Questions in a sequential manner. The Claimants and the Respondent filed their responses to the Tribunal's Questions on May 11, 2020 and July 13, respectively.
- 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.
- An additional one week oral hearing has been scheduled for the week commencing September 28, 2020. Given the ongoing impact of the COVID-19 pandemic on travel and the ability to form large gatherings, the parties have agreed that the Second Hearing will be held virtually. The parties have reached agreement on a joint proposed protocol for the conduct of the Second Hearing to be held from Monday, September 28 to Sunday, October 4, 2020. 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.

UNESCO World Heritage

- As previously disclosed, Gabriel has provided notice to Romania of a dispute under the Treaties with regard to Romania's application to UNESCO in relation to Roșia Montană and has reserved its right to commence a further arbitration if warranted accordingly (the "Notice").
- 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, however, 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 Roșia 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.
- 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 June 30, 2020 were \$14.0 million.
- The Company's average monthly cash usage during Q2 2020 was \$1.7 million (Q1 2020: \$3.3 million), a reduced run-rate primarily reflecting (i) the settlement in Q1 2020 of \$5.7 million of accruals for 2019 costs relating to the ICSID Arbitration following the intense activity preparing for and attending the Hearing in December 2019 that was not repeated in the second quarter of the year; (ii) costs associated with ICSID Arbitration related activities in the first and second quarters of 2020, including preparing responses to the Tribunal's Questions, an additional rebuttal submission and a response to a written submission to the Tribunal by the European Commission as a "non-disputing party"; and consistent cost overheads required to maintain the Romanian assets in good standing and compliance with operational and regulatory obligations in the quarter.
- In June 2020, \$4,763,000 principal of the Convertible Notes were converted by a holder into Common Shares (at a conversion price of \$0.3105 per Common Share) and the holder exercised 7,663,430 Warrants, at an exercise price of \$0.46. The conversion of the Convertible Notes and exercise of the Warrants resulted in the issuance of an aggregate of 23,008,203 Common Shares with the Company receiving proceeds of \$3,527,478 from the Warrant exercise.
- 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 end of January 2021. 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 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 while it awaits a decision from the Tribunal and thereafter further funds to pursue the ICSID Arbitration to its conclusion.

Financial Performance

- The net loss for the second quarter of 2020 was \$8.8 million, an increase of \$1.4m from a loss of \$7.4 million in the corresponding period in 2019, primarily due to ICSID Arbitration related costs for the quarter being \$1.2m higher than in the 2019 period due to increased activities in Q2 2020, including preparing responses to the Tribunal's Questions and a response to a written submission to the Tribunal by the European Commission as a "non-disputing party", and \$0.3 million higher finance costs in Q2 2020 when compared to the same period in 2019 due to the interest component of the Convertible Notes increasing as the liability to repay those Convertible Notes increases over the period to maturity.

Annual General Meeting

- The Company intends to hold its annual general meeting of shareholders on Thursday, September 17, 2020 in Vancouver ("AGM"). The items of business to be considered at the AGM will be described in the notice of the AGM, and the accompanying Management Information Circular, which the Company will file under its profile on SEDAR at 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.

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: any allegations of 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.

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