



GABRIEL
Roşia Montană
IN PARTNERSHIP

PRESS RELEASE

FOR IMMEDIATE RELEASE

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2017 Third Quarter Report

Gabriel Resources Ltd. (“Gabriel” or the “Company”) announces the publication of its Third Quarter Financial Statements and Management’s Discussion and Analysis Report for the period ended September 30, 2017.

Summary

- The Company’s core focus remains the progression of its arbitration case against Romania before the World Bank’s International Centre for Settlement of Investment Disputes (“ICSID”) in accordance with the provisions of the Canada-Romania and UK-Romania bilateral investment treaties for the promotion and protection of foreign investment (together the “Treaties”) (“ICSID Arbitration”).
- On June 30, 2017 Gabriel filed its memorial on the merits and quantum of its claims (“Memorial”) which seeks compensation for all of the losses it has incurred as a result of Romania’s breaches of the Treaties in an amount equivalent to \$5.7 billion¹.
- On July 5, 2017 Roşia Montană Gold Corporation S.A. (“RMGC”) was served with a decision by the Romanian National Agency for Fiscal Administration (“ANAF”) assessing a VAT liability in the principal amount of RON 27m (approximately \$8.6m), relating to VAT reimbursed to RMGC in the period 2011 to 2016 (“VAT Assessment”). RMGC has filed an administrative challenge to ANAF’s decision on the grounds that it is fundamentally flawed, unlawful and abusive and is awaiting a ruling. In addition, RMGC requested a judicial stay of enforcement of the VAT Assessment, which was granted by the Alba Iulia Court of Appeal on October 2, 2017 pending the determination of RMGC’s administrative (and if necessary judicial) challenge of the VAT Assessment.
- On October 23, 2017 RMGC received a further notification from ANAF in respect of interest and penalties related to the VAT Assessment in the amount of RON 18.6 million (approximately \$6.0 million) which it understands are also subject to the judicial stay of enforcement.
- In late September 2017, the International Council on Monuments and Sites (“ICOMOS”) conducted a site visit in respect of the inclusion of the “Roşia Montană Mining Cultural Landscape” on the United Nations Educational, Scientific and Cultural Organization (“UNESCO”) World Heritage List. It is the Company’s understanding that the Ministry of Culture is currently undertaking some form of inquiry to assess the lawfulness of the Romanian Government’s submission of the nomination file to UNESCO in January 2017.
- As at September 30, 2017, the Company held \$37.8 million of cash and cash equivalents.
- The net loss for the third quarter of 2017 was \$7.2 million (Q2 2017:\$13.7 million).

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

“Romania continues to demonstrate its bad faith against Gabriel and RMGC through ongoing discriminatory, abusive and retaliatory ANAF activities such as the VAT Assessment and the related interest and penalties, which are without merit. The Memorial details strong factual and legal arguments supporting Gabriel’s firm belief that the Company will prevail in its international arbitration case against Romania.”

¹ The claim, based on a damages assessment performed by an independent expert, seeks compensation in the amount of US\$4.4 billion, the Canadian dollar equivalent uses the closing foreign exchange rate applicable nearest the date of announcement, being that of June 27.

Further information and commentary on the operations and results of the Company in the third 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.

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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 wrongful conduct and its breaches of the Treaties' protections against expropriation, unfair and inequitable treatment and discrimination in respect the Projects² and related licenses.
- The Claimants submitted their Memorial on June 30, 2017. The Memorial filing is scheduled to be followed by the following key submissions:
 - Romania to file its response to the Memorial ("Counter-Memorial") by February 15, 2018.
 - The Claimants to file their reply to the Counter-Memorial ("Reply") by September 5, 2018.
 - Romania to file its response to the Reply ("Rejoinder") by February 19, 2019.
- A hearing on the merits of the claims before the tribunal appointed to hear and determine the ICSID Arbitration ("Tribunal") is currently scheduled to occur in Washington D.C. from September 9 to 20, 2019.
- Certain procedural orders and decisions of the Tribunal, together with certain of the principal submissions filed by the parties during the ICSID Arbitration, have and will continue to be published on the ICSID website at the following location: <https://icsid.worldbank.org/en/Pages/cases/casedetail.aspx?CaseNo=ARB/15/31>.
- The Memorial is subject to the confidentiality provisions of Procedural Order No.3 which can be found on the ICSID website. Gabriel anticipates that the Memorial will be published on the ICSID website in due course in accordance with those provisions and the determination of the Tribunal as appropriate.

RMGC Investigations

- As previously disclosed by the Company, RMGC was served with the VAT Assessment by ANAF in the amount of RON 27m (approximately \$8.6m) on July 5, 2017. The liability relates to VAT previously reimbursed to RMGC in respect of its purchase of goods and services from July 2011 to January 2016.
- On August 9, 2017 RMGC filed an administrative challenge before the Romanian tax authorities against the VAT Assessment, which is ongoing. RMGC also filed a request for a stay of enforcement of the VAT Assessment before the Alba Iulia Court of Appeal on August 10, 2017. On October 2, 2017 the Alba Iulia Court of Appeal admitted RMGC's request for a stay of enforcement of the VAT Assessment, pending the determination of RMGC's administrative (and if necessary judicial) challenge of the VAT Assessment. This ruling may be appealed by ANAF within 5 days of notification in writing to the parties of the Court's decision and the legal basis thereof, which has yet to be received by RMGC.
- Notwithstanding the Court of Appeal's decision of October 2, 2017, RMGC received a further notification from ANAF in respect of interest and penalties related to the VAT Assessment for RON 18.6 million (approximately \$6.0 million) on October 23, 2017. It is the Company's understanding that, similar to the VAT Assessment, the interest and penalties are also subject to the judicial stay of enforcement.

² For the purposes of this release the Roşia Montană gold and silver project (the "Roşia Montană Project") and the prospective gold, silver and porphyry copper deposits in the neighbouring Bucium concession area are referred to collectively as the "Projects".

- The Company believes the VAT Assessment is fundamentally flawed and abusive. Further, the Company believes that the procedure followed by ANAF to arrive at the VAT Assessment, and the subsequent interest and penalties, was improper and unlawful and that the VAT Assessment conflicts with Romanian fiscal laws as well as the mandatory applicable principles of EU law. The Company intends to pursue all available legal avenues to challenge the VAT Assessment and the interest and penalties and to fully protect its rights and assets.
- In parallel with the VAT Assessment, and for a period of over two years, 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 an increasing number of its suppliers, consultants and advisors over an extensive period spanning 1997 to 2016 (the “ANAF Investigation”). RMGC still awaits formal indication of the grounds for the ANAF Investigation and believes that it has no justification, 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 Gabriel in view of the dispute with the Romanian State and the filing of the ICSID Arbitration.

Liquidity and Capital Resources

Liquidity

- The Company’s average monthly cash usage during Q3 2017 was \$2.8 million, including costs in respect of the ICSID Arbitration (Q2 2017 monthly average: \$3.0 million, Q1 2017 monthly average: \$1.7 million). At the end of Q3 2017, accruals for costs in respect of the ICSID Arbitration amounted to \$3.7 million (Q2 2017: \$7.1 million, Q1 2017: \$4.6 million). For the remainder of 2017, the Company expects the costs to be incurred for the ICSID Arbitration to reduce.

Capital Resources

- Cash and cash equivalents at September 30, 2017 amounted to \$37.8 million.

Financial Performance

- The net loss for the third quarter of 2017 was \$7.2 million, a decrease from a loss of \$13.7 million in the prior quarter and a loss of \$42.0 million in the corresponding period in 2016, reflecting lower incremental legal and other advisory costs pursuant to the ICSID Arbitration in the third quarter following the submission of the Memorial and a \$34.4 million non-cash charge in Q3 2016 on the issue of in-the-money equity instruments. Accrued finance charges of \$1.8 million on the convertible notes in issue are reflected in the loss for the quarter ended September 30, 2017 (Q3 2016: \$1.5 million).

UNESCO World Heritage List

- As previously disclosed, on January 4, 2017, the Romanian Ministry of Culture submitted the nomination file (“Nomination File”) for the inclusion of the “Roşia Montană Mining Cultural Landscape” on the UNESCO World Heritage List. It is the Company’s understanding that on March 1, 2017 the Ministry of Culture was informed by UNESCO that the Nomination File had been sent to ICOMOS for evaluation.
- In September 2017, RMGC was informed that ICOMOS had constituted a team to conduct a site visit of the nominated area, which was facilitated by the Ministry of Culture and subsequently took place between September 25 and 29, 2017.
- Notwithstanding the aforementioned initiatives, the Company is aware of several public statements attributed to various Romanian ministers and government officials (including the Prime Minister) who have questioned whether the Nomination File was prepared in accordance with applicable law and whether its submission to UNESCO was properly authorised. It is the Company’s understanding that the Ministry of Culture is undertaking some form of internal inquiry to assess the lawfulness of the submission of the Nomination File.
- The Company understands that ICOMOS will communicate a recommendation to the World Heritage Committee of UNESCO in or around March 2018 and that the World Heritage Committee will assess the Nomination File and adopt a decision at its 42nd session in July 2018.

Roșia Montană Project Development (including Permitting and Litigation)

- In the context of the above disclosures concerning the development of the Roșia Montană Project and the ICSID Arbitration being the 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 Roșia Montană Project, RMGC’s exploitation license in Romania, the Group’s exploration and development activities in Romania, the Roșia Montană 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.

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 Roșia Montană gold and silver project in Romania. The Roșia 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 (“License”) for the Roșia Montană Project is held by Roșia 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 Roșia Montană S.A., a Romanian state-owned mining company. It is anticipated that the Roșia Montană 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 Roșia Montană Project. Despite the Company’s fulfilment of its legal obligations and its development of the Roșia Montană Project as a high-quality, sustainable and environmentally-responsible mining project, using best available techniques, Romania has blocked and prevented implementation of the Roșia 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 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. **ENDS**