



GABRIEL
Roșia Montană
IN PARTNERSHIP

PRESS RELEASE

FOR IMMEDIATE RELEASE

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2016 Annual Results and Fourth Quarter Report

Gabriel Resources Ltd. ("Gabriel" or the "Company") announces the publication of its Annual Results and Fourth Quarter Management's Discussion and Analysis Report for the period ended December 31, 2016.

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 now determined that Gabriel shall file its memorial on the merits and quantum of its claims ("Memorial") no later than June 30, 2017.
- As previously reported Gabriel's Romanian subsidiary, Roșia Montană Gold Corporation S.A. ("RMGC"), remains subject to a value added tax inspection which commenced on October 12, 2016. RMGC also remains subject to an investigation by the Romanian National Agency for Fiscal Administration ("ANAF") which Gabriel considers is abusive in nature and has been initiated by the Romanian authorities in retaliation for the filing of the ICSID Arbitration.
- As at December 31, 2016, the Company held \$60.3 million of cash and cash equivalents.
- The net loss for the fourth quarter of 2016 was \$13.2 million, and for the year ended December 31, 2016 was \$71.5 million, or \$0.19 per share.

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

"The Romanian State's complete disregard for the benefits of the Rosia Montana Project, including job creation and the economic stimulus for the country, continues. The Company has been left with no alternative but to deploy significant resources to pursue the ICSID Arbitration claim against Romania whilst the Romanian State, through its agencies and authorities, is continuing to commit discriminatory, abusive and arbitrary acts against the Company and its investments. The Company remains fully committed to safeguarding its rights and investments in Romania and will continue to focus its efforts and resources on the progression of the ICSID Arbitration."

Further information and commentary on the operations and results in the fourth quarter of 2016 and the full financial year is given below. The Company has filed its Annual Audited 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, including protections against expropriation, unfair and inequitable treatment and discrimination in respect of the Rosia Montana gold and silver project (“Project”) and the related licenses.
- On September 23, 2016 the Tribunal held a hearing to consider requests for certain provisional measures submitted to the Tribunal by the Claimants (the “PM Hearing”). Since the PM Hearing, the Tribunal has issued a decision on one aspect of the provisional measures requests and a further three Procedural Orders as follows:
 - *Procedural Order No.2 issued on October 29, 2016*; a direction to the Claimants and Romania to report back to the Tribunal on the issues discussed at the PM Hearing;
 - *Procedural Order No.3 issued on November 14, 2016*; establishing what documentation will be classified and confidential and how such documents should be protected and exchanged between the parties; and
 - *Procedural Order No.4 issued on January 10, 2017*; being the procedural calendar with specific dates for the filing of submissions by the parties and other necessary procedural matters (“Procedural Calendar”).
- In accordance with Procedural Order No.4, the Claimants are required to submit their Memorial no later than June 30, 2017, wherein the factual and legal arguments supporting the 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 scheduled to occur in Washington D.C. from September 9 to 20, 2019, which date should be considered indicative and subject to change in the future should the Tribunal determine amendment to be appropriate in the circumstances.
- Gabriel will continue to protect its rights and interests in Romania, including support to RMGC in respect of any further abusive, illegal, and retaliatory behavior of the Romanian authorities and, so far as reasonably practical and desirable, ensuring that existing licenses and permits remain in good standing.

RMGC Investigations

- As previously announced by the Company, ANAF raised an assessment against RMGC in July 2016 demanding the repayment of value added tax (“VAT”) deductions claimed by RMGC in the period 2011 to 2016 which, together with interest and penalties, totaled RON 42.9 million (approximately \$13.7m). 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.
- A separate directorate of ANAF has also 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”). To date, ANAF has demanded 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. As at the date of this MD&A, neither the Company nor RMGC has received any feedback on the status of the ANAF Investigation.

Long Lead-Time Equipment

- Long lead-time equipment comprised of crushing and milling equipment was originally procured by the Group between 2007 and 2009. Since delivery, the long lead-time equipment has been stored in various warehouse locations which, with non-material exceptions, are outside of Romania and are held in accordance with both the original manufacturers' and current insurer's recommended storage requirements.
- During Q3 2016, the Group sold a gyratory crusher for gross proceeds of US\$2.0 million (approx. \$2.6 million) and, after sales commission, recorded a net gain on disposal of \$0.6 million.
- Due to the combined status of the Project permitting and the ICSID Arbitration, the Company recognized an additional impairment of the long lead-time equipment of \$3.9 million at December 31, 2016 (2015: \$33.0 million), with the remaining book value recorded as assets held for sale. The Company continues, through its agents, to procure the sale of the remaining long lead-time equipment.

Liquidity and Capital Resources

Liquidity

- Excluding cash flows from fundraising activities and those from the sale of long lead-time equipment, the Company's average monthly cash usage during Q4 2016 was \$2.1 million, including costs in respect of the ICSID Arbitration.

Capital Resources

- Cash and cash equivalents at December 31, 2016 amounted to \$60.3 million.

Financial Performance

- As in the prior year, as at December 31, 2016, the Company assessed the Project for asset impairment and concluded that, despite its continued efforts to develop the Project and to seek an amicable resolution of the dispute in arbitration, an impairment should be recorded. Accordingly, as at December 31, 2016, the Company recorded an additional non-cash write-down of certain residual assets owned by RMGC in the Project area of \$4.2 million (2015: \$631.2 million relating to all mineral property and a material proportion of its other property, plant and equipment (the "2015 Impairment")).
- Given the nature of the assessed impairment indicators that gave rise to the 2015 Impairment, 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 have been expensed to the income statement.
- The net loss for the fourth quarter of 2016 was \$13.2 million, and for the year ended December 31, 2016 was \$71.5 million, or \$0.19 per share.
- The net loss for 2016 was significantly impacted by \$6.6 million of expenditures which would previously have been capitalized, but in 2016 have been expensed, and the aggregate \$8.1 million non-cash impairment charges relating to long lead-time equipment and other Project assets noted above, together with a one-off, non-cash, loss recognition of \$34.4 million recorded in the Q3 2016 results (in compliance with technical accounting rules applied to the private placement completed in July 2016).

Parliamentary Elections

- Parliamentary elections were held in Romania on December 11, 2016, where the Social Democrat Party (PSD) obtained 45 percent of the vote, enabling it to form a coalition government with the Liberal Democratic Alliance (ALDE). Together, the PSD and ALDE account for 250 of the combined 465 parliamentary seats in the two-house assembly. The PSD-ALDE coalition government led by Prime Minister Sorin Grindeanu was approved by the Parliament on January 4, 2017.

UNESCO World Heritage List

- At the annual meeting of United Nations Educational, Scientific and Cultural Organization (UNESCO) in Paris in October 2016, it was confirmed that the “Roșia Montană Mining Cultural Landscape”, an area which includes the Project footprint, had been added to Romania’s ‘Tentative List’, the first procedural step in having the site inscribed on the World Heritage List.
- Notwithstanding statements by the outgoing Prime Minister, Dacian Cioloș, that the Romanian Government did not intend to send an official file to UNESCO, the departing Minister of Culture, Corina Suteu, issued an announcement on January 5, 2017 confirming that she had submitted the nomination file for the “Roșia Montană Mining Cultural Landscape” to the UNESCO World Heritage Centre on January 4, 2017.
- Neither the Company nor RMGC have been notified of, or consulted on, any of the above matters.

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 the 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 Project.

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 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 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 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 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 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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