



GABRIEL
Roşia Montană
IN PARTNERSHIP

PRESS RELEASE

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2019 Second Quarter Report

Gabriel Resources Ltd. (“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, 2019.

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”). A hearing on the merits of the claim is scheduled to be held in Washington D.C. from December 2 to 13, 2019. The following final substantive submissions were made by the parties in Q2 2019:
 - On May 24, 2019, Romania (“Respondent”) filed its rejoinder with ICSID (“Rejoinder”) in response to the Company’s reply submission of November 2, 2018 (“Reply”), together with its own reply to the Company’s counter-memorial on the objection to the jurisdiction of the Tribunal that Respondent filed with ICSID in May 2018 (“Jurisdictional Challenge”); and
 - On June 28, 2019 Gabriel filed its surrejoinder on the Jurisdictional Challenge (“Surrejoinder”).
- On June 18, 2019, an addendum providing for the extension of the term of the exploitation concession license No. 47/1999 (“License”) for the Roşia Montană gold and silver project (“Roşia Montană Project”) to June 20, 2024, including an increased royalty rate from 4% to 6% on mineral production value, was concluded between Gabriel’s principal operating subsidiary, Roşia Montană Gold Corporation S.A (“RMGC”) and the Romanian National Agency for Mineral Resources (“NAMR”).
- The net loss for the second quarter of 2019 was \$7.4 million (Q1 2019 \$7.7 million).
- On June 19, 2019, RMGC concluded an agreement with an interested buyer for an option to purchase the remaining ball mill and received a non-refundable deposit of US\$325,000. Completion of the sale is expected to take place in Q3 2019 for gross proceeds of US\$3.25 million.
- As at June 30, 2019, the Company held \$12.7 million of cash and cash equivalents. The Company believes that it has sufficient sources of funding to cover its planned activities through November 2019 and is currently planning to raise additional financing in 2019.
- The Romanian National Agency for Fiscal Administration (“ANAF”) has appealed a February 6, 2019 decision of the Alba Iulia Court of Appeal which ruled in favour of the annulment challenge by RMGC to the assessment of a liability for value added tax in the amount of RON 27m (“VAT Assessment”). A first hearing date for the appeal has been set as December 2, 2020. RMGC will contest this appeal.
- In the second quarter, shareholders elected Mr. Ali Erfan and Mr. Dan Kochav as new directors to the Board of Gabriel (“Board”), Mr. Richard Brown has been appointed by the Board as Chief Financial Officer (“CFO”), and Mr. Simon Lusty, the Group General Counsel, has been appointed as Corporate Secretary.

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

“In the second half of 2019, Gabriel will continue its clear focus on two priority issues: (i) thorough preparation for the ICSID Arbitration hearings, an opportunity to substantiate and reinforce the compelling written arguments supporting the \$5.7 billion arbitration claim and (ii) securing long term financing for the Corporation to ensure sufficient funding until an ICSID award judgment is made.”

Further information and commentary on the results in the second quarter of 2019 are given below. The Company has filed its Unaudited Condensed Interim Consolidated Financial Statements for Q2 2019 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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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 protections afforded by certain treaties for the promotion and protection of foreign investment to which Romania is a party against expropriation, unfair and inequitable treatment and discrimination in respect the Roşia Montană Project and the prospective gold, silver and porphyry copper deposits in the neighbouring Bucium concession area ("Projects") and related licenses.
 - On May 25, 2018, the Respondent filed the Jurisdictional Challenge with ICSID challenging the jurisdiction of the Tribunal to hear the claims presented by Gabriel Resources (Jersey) Ltd.
 - On November 2, 2018, Claimants filed its Reply with ICSID, a comprehensive rebuttal of the legal and factual contentions raised in the Respondent's counter-memorial of February 22, 2018, and its response to the Jurisdictional Challenge.
 - On February 28, 2019, the Claimants and the Respondent filed their comments on an amicus curiae submission to the Tribunal by certain non-governmental organizations (or "non-disputing parties") who have opposed the Roşia Montană Project for many years.
 - The Respondent filed its Rejoinder and reply on the Jurisdictional Challenge on May 24, 2019.
 - Gabriel filed its Surrejoinder on the Jurisdictional Challenge on June 28, 2019.
- The oral hearings on the merits of the claim are scheduled to take place in Washington D.C. between December 2 and 13, 2019. Gabriel, together with its counsel, White & Case LLP, is currently analyzing the Rejoinder and preparing for the hearings.
- A redacted version of the Reply was published on the ICSID website on February 8, 2019 following completion of a process prescribed by the procedural orders of the Tribunal. The Rejoinder is subject to the confidentiality provisions of the procedural orders issued by the Tribunal, which can be found on the ICSID website, and Gabriel anticipates the Rejoinder will be published on the ICSID website in the second half of 2019.

VAT Assessment

- As previously reported, the VAT Assessment levied against RMGC (together with a further demand in respect of related interest and penalties) by ANAF 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 January 2016.
- On April 5, 2018, RMGC initiated an action before the Alba Iulia Court of Appeal (Division for Administrative and Tax Claims) seeking the annulment of the VAT Assessment. On February 6, 2019, the Alba Court of Appeal ruled in favour of RMGC's annulment challenge of the VAT Assessment. On February 28, 2019, RMGC received a copy of the Alba Court of Appeal's written decision. ANAF subsequently filed an appeal against this decision in March 2019 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.

- 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 annulment challenge of the VAT Assessment. ANAF subsequently filed an appeal against this decision with the High Court of Cassation and Justice. On February 28, 2019, the High Court of Cassation and Justice dismissed ANAF's appeal and the stay of enforcement remains in effect.
- The Company 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.

Extension of the License

- RMGC holds the License for the Roșia Montană Project which was due to expire on June 21, 2019 following its initial 20 year term. In March 2019, RMGC submitted an application to NAMR requesting the extension of the term of the License for a further period of five years.
- In mid-June 2019, NAMR presented to RMGC a draft addendum to the License providing for, amongst other things, a 5-year term extension and the establishment of an increased royalty rate from 4% to 6% on mineral production value, the 6% rate being the level of royalty set forth in Romanian law since 2014. NAMR made it clear to RMGC that the License would not be extended unless RMGC agreed to such royalty provision. Gabriel and RMGC has conveyed in writing its strong disagreement with NAMR's position and interpretation of the law and NAMR's handling of the License extension process. Notwithstanding, Gabriel and RMGC concluded that, in view of the circumstances, there was no other way to preserve RMGC's existing rights under law, including an extension of its License, other than to accept the increased royalty rate, as required by NAMR. Accordingly, an addendum providing for the extension of the term of the License to June 20, 2024, and including the revised royalty rate, was concluded on June 18, 2019.

Long Lead-Time Equipment

- Long lead-time equipment comprised of crushing and milling equipment was originally procured by the Gabriel, and the group of companies of which it is directly or indirectly parent ("Group") between 2007 and 2009 for the operational phase of the Roșia Montană Project. The prospect of the long lead-time equipment being used in the future for the purpose for which it was purchased is now considered remote.
- Since December 2015, when the Company formally engaged two specialist agents to broker the sale of this equipment, the Group has sold a gyratory crusher plus spares and a ball mill plus motors and spares. On June 19, 2019, RMGC concluded an agreement with an interested buyer for an option to purchase the remaining ball mill and received a non-refundable deposit of US\$325,000. On August 1, 2019, the option was taken up by the buyer and completion of the sale is expected to take place in Q3 2019 for gross proceeds of US\$3.25 million.
- The Company continues, through its agents, to procure the sale of the remaining long lead-time equipment, comprising predominantly a SAG mill and ball mill motors.

Liquidity and Capital Resources

- Cash and cash equivalents at June 30, 2019 were \$12.7 million, inclusive of the above-mentioned deposit of approximately \$0.43 million.
- The Company's average monthly cash usage during Q2 2019 was \$1.4 million (Q1 2019: \$2.6 million). The lower cash usage in Q2 2019 was due principally to the reduced Arbitration related activities in the period and the payment of one-off costs in Q1 2019 in respect of the License extension application, insurance premia and compensation awards. At the end of Q2 2019, accruals for costs in respect of the ICSID Arbitration amounted to \$1.4 million (Q1 2019: \$0.3 million), reflecting the higher Arbitration related activity in the period analysing the Rejoinder.
- The Company believes that it has sufficient sources of funding to cover its planned activities through November 2019. The Group will require additional funding to maintain its primary assets, including its License and associated rights and permits, and to fund the estimated costs associated with the Company advancing the ICSID Arbitration. Management is currently planning to raise additional financing in 2019 and continues to review the Company's activities in order to identify areas to rationalize expenditures.

Financial Performance

- The net loss for the second quarter of 2019 was \$7.4 million, a decrease of \$6.4m from a loss of \$13.8 million in the corresponding period in 2018, primarily due to inclusion in the 2018 operating loss of an impairment charge of \$3.9m relating to the LLTE, and the significantly higher 2018 legal and other advisory activity levels following the filing by Romania of its Counter-Memorial in February 2018 and the Jurisdictional Challenge in May 2018.

Director and Management Changes

- On June 20, 2019, the Company announced that all of the matters submitted to shareholders were approved by the requisite majority of votes cast at its annual and special meeting on that date, including a resolution electing Mr. Ali Erfan and Mr. Dan Kochav as new directors to the Board in the stead of Mr. David Kay and Mr. William Natbony, who did not stand for re-election.
- As previously indicated by the Company, Mr. Richard Brown, who was Chief Commercial Officer and Corporate Secretary, has been appointed to undertake the duties and responsibilities of Chief Financial Officer, with Mr. Max Vaughan, who was previously in the CFO role, moving to act as a consultant. Mr. Simon Lusty, the Group General Counsel, has been appointed by the Board as Corporate Secretary, effective May 16, 2019.

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. It is anticipated that the Roşia 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.

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:

- delay or extension to the duration of the ICSID Arbitration;
- required disclosure, costs, process and outcome of the ICSID Arbitration against Romania;
- 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, 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 which can be viewed online at www.sedar.com. **ENDS**