

# Gabriel Resources Ltd.: 2017 Annual Results

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London, England (FSCwire) - [Gabriel Resources Ltd.](#) ("Gabriel" or the "Company") announces the publication of its Annual Results and Management's Discussion and Analysis Report for the year ended December 31, 2017.

## Summary

- The Company remains focused on the progression of its World Bank International Centre for Settlement of Investment Disputes ("ICSID") arbitration case against Romania ("ICSID Arbitration").
- On February 22, 2018, Romania filed its counter-memorial ("Counter-Memorial") with ICSID in response to the Company's June 2017 filing of a memorial on the merits and quantum of its claim ("Memorial"). Gabriel, together with its counsel, White & Case LLP, and other advisors and experts in the ICSID Arbitration, is currently analyzing the Counter-Memorial.
- The Company awaits the appointment by ICSID of a successor to Ms. Teresa Cheng as President of the three-person tribunal ("Tribunal") selected to hear and determine the ICSID Arbitration. Until such vacancy has been filled, the proceedings remain suspended.
- In October 2017, a Romanian Court of Appeal blocked the Romanian National Agency for Fiscal Administration ("ANAF") from enforcing a July 2017 RON 27m (approximately \$8.6m) VAT assessment (the "VAT Assessment") which ANAF had issued against Gabriel's Romanian subsidiary, RoE-trade;ia Montană & Gold Corporation S.A. ("RMGC"), together with additional interest and penalties in the amount of RON 18.6 million (approximately \$6.0 million). ANAF has also failed to respond to an administrative challenge filed by RMGC against the VAT Assessment.
- RMGC remains subject to an investigation by 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, 2017, the Company held \$31.2 million of cash and cash equivalents.
- The net loss for the fourth quarter of 2017 was \$7.4 million, and for the year ended December 31, 2017 was \$37.7 million, or \$0.10 per share.

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

"Following an initial review of Romania's Counter-Memorial, the Company remains confident in the merits of its \$5.7bn<sup>1</sup> claim against the State. The Company regrets that the Romanian authorities are continuing to pursue abusive and retaliatory acts through ANAF. Gabriel's efforts now will focus on the preparation of its Reply, which is scheduled to be filed in the latter half of 2018, and on the continuation of the ICSID Arbitration."

Further information and commentary on the operations and results in the fourth quarter of 2017 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](http://www.sedar.com) and each is available for review on the Company's website at [www.gabrielresources.com](http://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 of the "RoE&trade;ia Montan&fnof; gold and silver project (the "RoE&trade;ia Montan&fnof; Project") and the prospective gold, silver and porphyry copper deposits in the neighbouring Bucium concession area ("Projects") and related licenses.
- On February 22, 2018, Romania filed its Counter-Memorial in response to the Memorial. Gabriel, together with its counsel, White & Case LLP, and other advisors and experts, is currently analyzing the Counter-Memorial with a view to preparing its reply in support of its claim ("Reply"), which is due to be filed in September 2018.
- As previously announced by the Company, on February 8, 2018, Ms. Teresa Cheng tendered her resignation as President of the Tribunal following her appointment as Secretary for Justice of Hong Kong. The ICSID Arbitration proceeding is therefore suspended pending the appointment by ICSID of a replacement President, whereupon the proceeding shall continue from the point it had reached at the time the vacancy occurred. The Company has been advised that there is no set timeframe for the appointment of a successor to Ms. Cheng and will make further disclosure in regard to any effect of the suspension on the ICSID Arbitration as matters are clarified.
- A hearing on the merits of the claim before the Tribunal is currently scheduled to occur at ICSID's headquarters at the World Bank 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.
- Certain procedural orders and decisions of the Tribunal ("Procedural Orders"), together with certain of the principal submissions filed by the parties during the ICSID Arbitration, have been 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 and Romania's Counter-Memorial are subject to the confidentiality provisions of Procedural Orders No.3 and No.7 (as applicable) which can be found on the ICSID website. Gabriel anticipates that both the Memorial and Counter-Memorial will be published on the ICSID website in due course in accordance with those provisions and the further determination(s) of the Tribunal, once re-constituted, as appropriate.

#### VAT Assessment and ANAF Investigations

- As previously reported, the RON 27m (approximately \$8.6m) VAT Assessment levied against RMGC by ANAF relates to VAT 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 August 9, 2017 RMGC filed an administrative challenge before the Romanian tax authorities against the VAT Assessment. It is the Company's understanding that such challenge should have been determined by ANAF within a six month period, however, to date, no decision has been issued.
- On August 10, 2017 RMGC also filed a request for a stay of enforcement of the VAT Assessment before the Alba Iulia Court of Appeal (‘Court of Appeal’) which, on October 2, 2017, admitted RMGC's request pending the determination of RMGC's annulment challenge of the VAT Assessment.
- Further to the VAT Assessment, and notwithstanding the Court of Appeal's decision, on October 23, 2017, RMGC received a further demand from ANAF in respect of interest and penalties related to the VAT Assessment for RON 18.6 million (approximately \$6.0 million).
- On March 2, 2018 RMGC received a copy of the Court of Appeal's written decision. This ruling may be appealed by ANAF. In its written decision, the Court of Appeal stated, inter alia, that there were circumstances which gave rise to serious doubt as to the legality of the VAT Assessment, that the approach of the ANAF tax inspection team failed to meet the requirements set out under the Romanian Tax Procedure Code, that there was a ‘sudden and unfounded change in the conduct of [ANAF]’ and that the ANAF inspection team had failed to perform a comprehensive examination of the 23 prior tax inspections of RMGC or to specify the reasons for not taking into consideration the solutions adopted in those prior inspections.
- 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.
- In parallel with the VAT Assessment, and for over two years as of the date of this MD&A, a separate directorate of ANAF has continued to pursue an ad hoc investigation covering 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’). Gabriel still awaits formal indication of the grounds for the ANAF Investigation and, as at the date of this press release, neither the Company nor RMGC has received any feedback on the status of the ANAF Investigation.

#### UNESCO World Heritage List

- In late September 2017, the Romanian Ministry of Culture facilitated a visit of the ‘RoÅ&Yuml;ia MontanÅ&fnof; Mining Cultural Landscape’ by the International Council on Monuments and Sites (ICOMOS). The Company understands that ICOMOS will communicate a recommendation to the World Heritage Committee of UNESCO and that the World Heritage Committee could adopt a decision on the nomination of the RoÅ&Yuml;ia MontanÅ&fnof; Mining Cultural Landscape for inscription on the World Heritage List at its 42<sup>nd</sup> session in July 2018.

#### Liquidity and Capital Resources

##### *Liquidity*

- The Company's average monthly cash usage during Q4 2017, including costs in respect of the ICSID Arbitration, was \$2.2 million including payment of substantial costs incurred in Q2 2017 regarding the ICSID arbitration. For Q1 and Q2 2018, the Company expects the costs to be incurred for the ICSID Arbitration to increase due to legal advisory services in respect of the review and response to the Counter-Memorial.
- Based on the approved budget the Company estimates it has sufficient sources of funding to cover its planned activities through to the second quarter of 2019. Management has contracted to sell elements of the remaining long-lead time equipment and is also in ongoing discussions about the provision of longer-term funding for the Company.

##### *Capital Resources*

- Cash and cash equivalents at December 31, 2017 amounted to \$31.2 million.

#### Financial Performance



&ldquo;estimates&rdquo;, &ldquo;assumes&rdquo;, &ldquo;intends&rdquo;, &ldquo;strategy&rdquo;, &ldquo;goals&rdquo;, &ldquo;objectives&rdquo;, &ldquo;potential&rdquo;, &ldquo;possible&rdquo; or variations thereof or stating that certain actions, events, conditions or results &ldquo;may&rdquo;, &ldquo;could&rdquo;, &ldquo;would&rdquo;, &ldquo;should&rdquo;, &ldquo;might&rdquo; or &ldquo;will&rdquo; 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 the group of companies of which it is directly or indirectly parent (&ldquo;Group&rdquo;);
- access to funding to support the Group&rsquo;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&rsquo;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&rsquo;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&rsquo;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&rsquo;s disclosure obligations under applicable Canadian securities regulations. Investors are urged to read the Company&rsquo;s filings with Canadian securities regulatory agencies which can be viewed online at [www.sedar.com](http://www.sedar.com).

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<sup>1</sup> 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, 2017.

To view the original release, please click [here](#)

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