

# Gabriel Resources Ltd.: 2018 Second Quarter Report

02.08.2018 | [FSCwire](#)

London, England (FSCwire) - Summary &ndash; Arbitration Developments

- [Gabriel Resources Ltd.](#) (&ldquo;Company&rdquo;) remains focused on the progression of its International Centre for Settlement of Investment Disputes (&ldquo;ICSID&rdquo;), part of the World Bank, arbitration case against Romania (&ldquo;ICSID Arbitration&rdquo;).
- On April 5, 2018, the three-person tribunal (&ldquo;Tribunal&rdquo;) selected to hear and determine the ICSID Arbitration was reconstituted following the appointment of Professor Tercier as the presiding arbitrator, and the suspension of the proceedings was lifted.
- On May 25, 2018, Romania supplemented its counter-memorial (&ldquo;Counter-Memorial&rdquo;) by filing a further preliminary objection to the jurisdiction of the Tribunal (&ldquo;Jurisdictional Challenge&rdquo;) with ICSID.
- A procedural order issued on June 8, 2018 established a revised procedural calendar for the ICSID Arbitration (&ldquo;Procedural Calendar&rdquo;) scheduling a hearing on the merits of the claim before the Tribunal from December 2 to 13, 2019.
- On July 11, 2018, ICSID published, in redacted form, the Company&rsquo;s memorial on the merits and quantum of its claim which it filed on June 30, 2017 (&ldquo;Memorial&rdquo;).

Other Material Events

- On April 5, 2018, the Company&rsquo;s 80.69% owned Romanian subsidiary, Rosia Montana Gold Corporation (&ldquo;RMGC&rdquo;), initiated a court action seeking the annulment of the RON 27m (approximately \$8.6m) VAT assessment (the &ldquo;VAT Assessment&rdquo;) issued against RMGC in July 2017.
- On May 4, 2018, the Company completed the sale of a ball mill for net proceeds of \$4.3 million. At June 30, 2018 an impairment charge of \$3.9 million was taken against the carrying amount of the remaining long-lead time equipment.
- The net loss for the second quarter of 2018 was \$13.8 million (Q1 2018 \$6.9 million).
- As at June 30, 2018, the Company held \$24.5 million of cash and cash equivalents.
- On July 10, 2018, the Company announced the resignation of its President and Chief Executive Officer and the retention of his services as a consultant in connection with the ICSID Arbitration.

Keith Hulley, Gabriel&rsquo;s Interim Chief Executive Officer, stated:

&ldquo;Gabriel is intensely focused on the preparation of its reply to Romania&rsquo;s Counter-Memorial, which is scheduled to be filed in October 2018, and on the raising of further funding to underpin the continuation of the \$5.7 billion ICSID Arbitration claim.&rdquo;

*Further information and commentary on the results in the second quarter of 2018 is given below. The Company has filed its Unaudited Condensed Interim Consolidated Financial Statements for Q2 2018 and related Management&rsquo;s Discussion & Analysis, together with the Annual Information Form of the Company for the year ended December 31, 2017 on SEDAR at [www.sedar.com](http://www.sedar.com) and each is available for review on the Company&rsquo;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 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.
- On April 5, 2018, the Tribunal was reconstituted following the appointment of Professor Pierre Tercier as the presiding arbitrator and the suspension of the proceedings was lifted. Following its reconstitution, the Tribunal issued Procedural Order No.9 establishing the revised Procedural Calendar.
- On May 25, 2018 Romania supplemented the submission of its Counter-Memorial with the Jurisdictional Challenge, which concerns the ability of Gabriel to utilize the United Kingdom-Romania bi-lateral investment treaty as a basis for claims in the ICSID Arbitration.
- Gabriel, together with its counsel, is currently analyzing the Counter-Memorial and the Jurisdictional Challenge and is preparing its reply in support of its claim ("Reply"), to be filed in accordance with the revised Procedural Calendar which now includes the following key dates:

• Gabriel to file its Reply to the Counter-Memorial and its counter-memorial to the Jurisdictional Challenge by October 26, 2018.

• Romania to file its response to the Reply ("Rejoinder") and its reply on the Jurisdictional Challenge by May 3, 2019.

• Gabriel to file its rejoinder with regard to the Jurisdictional Challenge by June 7, 2019.

• A hearing on the merits of the claim before the Tribunal from December 2 to 13, 2019.

- Following a process prescribed by certain Procedural Orders of the Tribunal, a redacted version of the Memorial was published and made available on the ICSID website on July 11, 2018.

#### *UNESCO World Heritage List*

- At its meeting on July 2, 2018, the UNESCO World Heritage Committee accepted a late request of the Romanian Government to postpone its decision on the inclusion of the Romania Mining Cultural Landscape on the UNESCO World Heritage List due to "the ongoing international arbitration". In media reports, the Romanian Minister of Culture subsequently confirmed that the Romanian Government had requested the postponement of a decision on the file until such time as the ICSID Arbitration is settled in order to "to protect the national assets and financial interests of the Romanian state".

#### VAT Assessment

- As previously reported, the RON 27m (approximately \$8.6m) VAT Assessment levied against RMGC (together with a further demand of RON 18.6 million (approximately \$6.0 million) in respect of related interest and penalties) by the Romanian National Agency for Fiscal Administration ("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 challenged the validity of the VAT Assessment before the ANAF Directorate-General for the Settlement of Complaints. The Company is advised by counsel that such challenge should have been determined by ANAF within a six month period of the date of the lodging the challenge, however no decision was issued by ANAF within such period, or since. 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. The next hearing date for such challenge has been set for September 5, 2018.
- 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"). On October 2, 2017, the Court of Appeal admitted RMGC's request pending the determination of RMGC's annulment challenge of the VAT Assessment. On March 2, 2018, RMGC received a copy of the Court of Appeal's written decision. ANAF subsequently filed an appeal against this decision with the High Court of Cassation and Justice, however no hearing date for such appeal has yet been set. RMGC has filed a statement of defence in response to ANAF's appeal.
- 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.

#### Management Changes

- On July 10, 2018, the Company announced that its President and Chief Executive Officer, Jonathan Henry, had resigned from his position with immediate effect. Mr. Henry has agreed to act as a consultant in connection with the ICSID Arbitration claim against Romania. Keith Hulley, the Non-Executive Chairman of the Board, assumed the position of interim Chief Executive Officer of Gabriel until a permanent replacement is identified.

#### Liquidity and Capital Resources

- As at June 30, 2018, the Company held \$24.5 million of cash and cash equivalents.
- Excluding the receipt of proceeds of \$3.9m from the sale of the ball mill, the Company's average monthly cash usage during Q2 2018 was \$2.4 million (Q1 2018 monthly average: \$1.1 million). At the end of Q2 2018, accruals for costs in respect of the ICSID Arbitration amounted to \$3.4 million (Q1 2018: \$2.3 million). Through to the end of 2018 the Company expects an increase in costs to be incurred for the ICSID Arbitration compared to Q1 and Q2 2018 due to legal advisory services in respect of the review and response to the Counter-Memorial.
- The Company estimates it has sufficient sources of funding to cover its planned activities through to the end of November 2018. Further funding is required by the Company to continue as a going concern and to pursue the ICSID Arbitration to its conclusion, and for general working capital requirements. Management is in ongoing discussions about the provision of funding for the Company and also continues to review the Company's activities in order to identify areas to rationalize expenditures.

#### Financial Performance

- On May 4, 2018, the Company completed the sale of a ball mill for net proceeds of \$4.3 million and at June 30, 2018, Management deemed it appropriate to record an impairment charge of \$3.9 million to the carrying amount of the remaining long-lead time equipment.
- The net loss for the second quarter of 2018 was \$13.8 million which, after accounting for the impairment charge, is a reduction from a loss of \$13.6 million in the corresponding period in 2017, primarily due to the significantly higher 2017 legal and other advisory activity levels in preparation for the June 30, 2017 filing by Gabriel of its Memorial.

## 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 RoÅ&Yuml;ia MontanÅ&fnof; gold and silver project in Romania (&ldquo;RoÅ&Yuml;ia MontanÅ&fnof; Project&rdquo;). The RoÅ&Yuml;ia MontanÅ&fnof; 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 (&ldquo;License&rdquo;) for the RoÅ&Yuml;ia MontanÅ&fnof; Project is held by RoÈ&trade;ia MontanÅ&fnof; Gold Corporation S.A., a Romanian company in which Gabriel owns an 80.69% equity interest, with the 19.31% balance held by Minvest RoÈ&trade;ia MontanÅ&fnof; S.A., a Romanian state-owned mining company. It is anticipated that the RoÅ&Yuml;ia MontanÅ&fnof; 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 (as defined below) focused substantially all of their management and financial resources on the exploration, feasibility and subsequent development of the RoÅ&Yuml;ia MontanÅ&fnof; Project. Despite the Company's fulfilment of its legal obligations and its development of the RoÅ&Yuml;ia MontanÅ&fnof; Project as a high-quality, sustainable and environmentally-responsible mining project, using best available techniques, Romania has blocked and prevented implementation of the RoÅ&Yuml;ia MontanÅ&fnof; 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](http://www.gabrielresources.com).

## Forward-looking Statements

This press release contains &ldquo;forward-looking information&rdquo; (also referred to as &ldquo;forward-looking statements&rdquo;) 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 &ldquo;expects&rdquo;, &ldquo;is expected&rdquo;, &ldquo;anticipates&rdquo;, &ldquo;believes&rdquo;, &ldquo;plans&rdquo;, &ldquo;projects&rdquo;, &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).

ENDS

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/305514--Gabriel-Resources-Ltd.--2018-Second-Quarter-Report.html>

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