

Gabriel Resources Ltd. 2020 Annual Results

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LONDON, March 11, 2021 - [Gabriel Resources Ltd.](#) (TSXV:GBU)("Gabriel" or the "Company") announces the publication of its Annual Results and Management's Discussion and Analysis Report for the year ended December 31, 2020.

Summary

- Gabriel remains focused on the progression of its arbitration case brought by the Company and its wholly-owned subsidiary, Gabriel Resources (Jersey) Ltd. (together "Claimants") against the Romanian State ("Respondent") under the rules of the International Centre for Settlement of Investment Disputes ("ICSID"), part of the World Bank ("ICSID Arbitration"):
 - On May 11, 2020 and July 13, 2020 respectively, the Claimants and Respondent filed their submissions in response to written questions issued by the tribunal constituted to adjudicate the ICSID Arbitration ("Tribunal") arising from the evidence presented during the oral hearing on the merits of the claim held in December 2019 ("Hearing").
 - A second oral hearing on the merits of the claim was held virtually from September 28 to October 4, 2020 with a focus on the technical and feasibility-related aspects of the Roşia Montană gold and silver project, together with the valuable gold, silver and porphyry copper deposits defined in the Bucium concession area ("Projects") and the quantum of the damages claimed ("Second Hearing").
 - Subsequent to the Second Hearing, the Tribunal invited the Claimants and Respondent to make two further simultaneous written submissions ("Post-Hearing Briefs"), the first of which was filed on February 18, 2021 and the second is scheduled to be filed on April 23, 2021.
- The net loss for the fourth quarter of 2020 was \$7.4 million (Q3 2020 \$11.7 million) and for the year ended December 31, 2020 was \$34.7 million, or \$0.06 per share (2019 loss of \$44.5 million, or \$0.09 per share).
- Following completion of a US\$5 million fundraising in December 2020, as at December 31, 2020, the Company held \$6.4 million of cash and cash equivalents (Q3 2020 \$7.7 million).
- The Company believes that it has sufficient funds to cover its planned activities through to May 2021 and is currently planning to raise additional financing in the short-term.
- Following a request of certain of the major shareholders for ongoing Board renewal, Mr. Walter Segsworth, Mr. David Peat and Ms. Janice Stairs left the Board effective December 11, 2020 and Ms. Anna El-Erian, Mr. James Lieber and Mr. Jeffrey Couch were elected as Directors with effect from January 21, 2021.

Dragos Tanase, Gabriel's President and Chief Executive Officer, stated: "We are pleased to have completed important milestones in our ICSID Arbitration claim in recent months and to take significant steps closer to an arbitral award. With the new Board appointees now in place the Company is extremely well positioned to assess the strategic path forward for Gabriel as it completes the post hearing briefs and then awaits a final decision from the Tribunal."

Further information and commentary on the results in the fourth quarter of 2020 and the full financial year is given below. The Company has filed its Annual Audited Consolidated Financial Statements 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

Impact of Coronavirus

- With respect to the outbreak of the novel coronavirus (COVID-19), Gabriel continues to consider carefully its impact, noting the widespread disruption to normal activities and the uncertainty over the duration of this disruption. The highest priority of the Board of Directors is the health, safety and welfare of the Group's employees and contractors. Gabriel recognizes that the situation is extremely fluid and is monitoring the relevant recommendations and restrictions on work practices and travel. At this time, these recommendations and restrictions do not significantly impact Gabriel's ability to continue the ICSID Arbitration process or conduct the limited operations in Romania, nor has there been a significant impact on the Group's results or operations in 2020.
- The Group will require additional financing and is also looking to sell its long lead-time equipment. The market and timing for each initiative may be adversely affected by the effects of COVID-19. As a result, Gabriel will react to circumstances as they arise and will make the necessary adjustments to the work processes required, including to maintain the ICSID Arbitration calendar. Should any material disruption from COVID-19 affect the Group for an extended duration, Gabriel will review certain planned activities in Romania and take remedial actions if it is determined to be necessary or prudent to do so.

Status of the ICSID Arbitration

- The ICSID Arbitration seeks compensation for all of the loss and damage suffered by the Claimants, resulting from the Respondent'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, including against expropriation, unfair and inequitable treatment, discrimination and other unlawful treatment in respect of the Projects and related licenses.
- On March 10, 2020, the Tribunal issued a list of further questions arising from the evidence presented during the two-week Hearing ("Tribunal's Questions") and the Claimants and the Respondent filed their responses to the Tribunal's Questions on May 11, 2020 and July 13, 2020 respectively.
- The Second Hearing on the merits of the claim was held virtually from September 28 to October 4, 2020 and focused on the technical and feasibility-related aspects of the Projects and the quantum of the damages claimed, including testimony from certain of the parties' fact and expert witnesses.
- Subsequent to the Second Hearing the Tribunal invited the Claimants and Respondent to make two further simultaneous written submissions in order to comment in conclusion on the full evidentiary record. The first Post-Hearing Brief submissions were filed on February 18, 2021 and the second submissions are currently scheduled to be filed on April 23, 2021, after which the Tribunal may pose further questions, as was the case following the Hearing, or focus on further deliberations ahead of its decision.
- There is no specified timeframe in which a final decision is to be made by the Tribunal. The Company is informed that it is typical for tribunals in this type of arbitration to require twelve to eighteen months to finalize and issue a decision after Post-Hearing Briefs are submitted. However, there can be no assurances that the ICSID Arbitration will advance in a customary or predictable manner or be completed or settled within any specific or reasonable period of time.

Board Changes

- Following a request of certain of the major shareholders for ongoing Board renewal, Mr. Walter Segsworth, Mr. David Peat and Ms. Janice Stairs resigned as directors of Gabriel effective December 11, 2020.
- On January 21, 2021 Gabriel announced the appointment to the Board of Mr. Jeffrey Couch, Ms. Anna El-Erian and Mr. James Lieber as independent non-executive directors, effective immediately. Following these appointments, the Board is composed of seven members, of which three are independent directors. Ms. El-Erian has been appointed Chair of the Board and Chair of the Corporate Governance and Nominating Committee. Mr. Couch has been appointed Chair of the Audit Committee and Chair of the Compensation Committee. The new Board members will work with Gabriel's existing Board and Management team as the Company advances its ICSID Arbitration case against the Government of Romania.

UNESCO World Heritage

- As previously disclosed, Gabriel has provided notice to Romania of a dispute under the Treaties with regard to Romania's application to UNESCO in relation to Ro?ia Montan? and has reserved its right to commence a further arbitration if warranted accordingly (the "Notice").
- In the Notice, Gabriel confirmed that it is prepared to cooperate in good faith at a senior level with the Romanian Government and other authorities in a process of consultation with regard to the UNESCO application. Gabriel is hopeful that Romania will engage constructively, however, Romania has yet to respond officially to the Notice.
- The issuance of the Notice does not in any way interfere with Gabriel's pursuit of the ICSID Arbitration.

VAT Assessment

- As previously reported, in July 2017, an assessment of a liability for value added tax in the amount of RON 27m (approximately \$8.6 million) ("VAT Assessment") was levied by the Romanian National Agency for Fiscal Administration ("ANAF") against Ro?ia Montan? Gold Corporation S.A. ("RMGC"), together with a further demand in October 2017 of RON 18.6 million (approximately \$6.0 million) in respect of related interest and penalties. RMGC challenged the VAT Assessment before the Romanian courts requesting, amongst other things, the annulment of the VAT Assessment.
- On February 6, 2019, the Alba Court of Appeal (Division for Administrative and Tax Claims) ruled in favour of RMGC's challenge seeking the annulment of the VAT Assessment. ANAF subsequently filed an appeal against this decision with the High Court of Cassation and Justice, Romania's supreme court.
- Following a December 2, 2020 hearing, the High Court of Cassation and Justice handed down judgment dismissing ANAF's appeal and upholding the annulment of the VAT Assessment. This decision is final and conclusive.

Financing

- As previously announced, on December 23, 2020 the Company completed closing of a non-brokered private placement of 25,326,972 units each comprising one common share and one half of one common share purchase warrant (with an exercise price of each whole warrant of \$0.39 at any time prior to the date that is three (3) years following the closing) at a price of \$0.26 per unit for gross proceeds of US\$5 million (approximately \$6.6 million).
- The proceeds from the financing are being used by the Company to finance the costs of the ICSID Arbitration and for general working capital requirements.

Liquidity and Capital Resources

- Cash and cash equivalents at December 31, 2020 were \$6.4 million.
- The Company's average monthly cash usage during Q4 2020 was \$ 2.5 million (Q3 2020: \$2.1 million), the increase primarily reflecting the payment of significant ICSID Arbitration related costs accrued in the prior quarter, where activities focused on preparation and attendance at the Second Hearing.
- At December 31, 2020, accruals for costs in respect of the ICSID Arbitration amounted to \$1.5 million (Q3 2020: \$4.6 million), the significant reduction primarily reflecting limited activities in the final quarter of 2020 with a focus on Post-Hearing Briefs in the period.
- The Company believes that it has sufficient funds to enable the Group to maintain its primary assets, including the exploitation license for the Ro?ia Montan? Project ("License") and associated rights and permits, and to fund general working capital requirements together with the material estimated costs associated with the Company advancing the ICSID Arbitration through to May 2021.
- The Group will seek additional funding in the short-term to maintain its primary assets while it awaits the decision of the Tribunal. The Company does not have sufficient cash to fund either the development of the Project or all the long-term activities related to the ICSID Arbitration, including any potential annulment proceeding and/or litigation to enforce any arbitral award. Accordingly, further to the necessary short-term financing, Gabriel will need to raise additional funding to pursue the ICSID Arbitration to its conclusion.
- Notwithstanding the Company's recent and historic funding, there is a risk that sufficient additional financing may not be available to the Company on acceptable terms, or at all.

Financial Performance

- The net loss for the fourth quarter of 2020 was \$7.4 million, a decrease of \$10.9 million from a loss of \$18.3 million in the corresponding period in 2019.
- Operating loss for the fourth quarter was \$4.7 million, some \$12.0 million lower than the corresponding period in 2019 primarily arising from (i) \$8.4 million lower costs related to the ongoing ICSID Arbitration, reflecting limited activities in the final quarter of 2020 with a focus on Post-Hearing Briefs, whereas comparable costs in 2019 reflect activity in respect of preparation and attendance for the two-week Hearing in December 2019; (ii) \$2.3 million lower costs related to payroll; (iii) a \$0.6 lower million impairment charge recognized in 2020 compared to 2019; and (iv) a \$0.4m reduction in share-based compensation.
- Operating loss for the year ended December 31, 2020 was \$25.6 million, some \$10.6 million lower than the prior year principally driven by reduced operational expenditures of \$22.9 million (2019: \$32.2 million) including \$12.2 million of ICSID Arbitration costs (2019: \$18.3 million), \$4.7 million of group payroll costs (2019: \$7.1 million), an impairment charge of \$0.4 million relating to the long lead time equipment held for sale (2019: \$1.0 million) and a lower charge in relation to stock-based compensation of \$1.5 million in 2020 compared to \$3.0 million in 2019, offset by \$0.8m of severance-related costs.
- Additional finance costs in respect of the convertible debt components of private placements completed in May 2014 and July 2016 incurred in 2020 amounted to \$9.8 million (2019: \$9.0 million).

About Gabriel

Gabriel is a Canadian resource company listed on the TSX Venture Exchange. The Company's principal business 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.

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 unlawfully 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:

- the outbreak of the coronavirus (COVID-19) may affect the Company's operations and/or the anticipated timeline for the ICSID Arbitration;
- the duration, costs, process and outcome of the ICSID Arbitration;
- the advancement of Romania's nomination of the "Roşia Montan Mining Landscape" as a UNESCO World Heritage site;
- 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: any allegations of 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;
- global economic and financial market conditions;
- volatility of currency exchange rates; and
- the availability and continued participation in operational or other matters pertaining to the Group of certain key employees and consultants.

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.

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