

Gabriel Resources Ltd. 2022 Results

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LONDON, April 19, 2023 - [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, 2022.

Summary

- Gabriel and its wholly-owned indirect subsidiary, Gabriel Resources (Jersey) Ltd. (together "Claimants"), remain focused on concluding their arbitration case 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"). The ICSID Arbitration case is well advanced. Of note:
 - On June 14, 2022 the Claimants filed a submission responding to a limited list of further questions issued to the Claimants and Respondent (together "Parties") in April 2022 by the arbitral tribunal ("Tribunal"). The Respondent submission was filed on September 19, 2022.
 - On October 18, 2022 the Parties responded with comments on a submission to the record of the case by certain non-governmental organizations ("Amici Filing").
 - On November 8, 2022, the Tribunal invited the Parties to confer and agree on a schedule for the exchange of their cost statements, which were filed by the Parties simultaneously in two rounds of submissions on December 16, 2022 and January 6, 2023.
 - In April 2023, the President of the Tribunal advised the Parties that the Tribunal was working hard to prepare the arbitral award ("Award") and deliver it to the Parties in a timely manner.
 - There is no specified timeframe in the ICSID Rules applicable to this case in which an Award is to be made by the Tribunal and an additional procedural step may be required by the Tribunal prior to the issuance of an Award.
- In November 2022 the sale of the remaining mining equipment was completed and ownership and title to the assets passed to the buyer. Taking into account the costs of sale, received net cash of approximately US\$1.6 million (approx. \$2.0 million) in aggregate from the sale.
- The net loss for the fourth quarter of 2022 was \$2.6 million (Q3 2022 \$1.4 million) and for the year ended December 31, 2022 was \$7.7 million, or \$0.01 per share (2021 loss of \$19.9 million, or \$0.02 per share).
- As at December 31, 2022, the Company held \$5.6 million of cash and cash equivalents (Q3 2022 \$7.0 million). The Company believes that it has sufficient funding necessary to cover its planned activities through to June 2023 and is currently planning to raise additional financing in Q2 2023 to fund ICSID Arbitration costs and working capital requirements.

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

"We are encouraged by the recent Tribunal communication regarding its deliberations and the prospect for an Award in the coming months. Our immediate focus is to finance the continued operations of Gabriel for the short term and then to assess the strategic direction and tactical steps of the business post Award. We are again very thankful for the patience and support of our shareholders as Gabriel awaits a final decision from the Tribunal."

Further information and commentary on the results in the fourth quarter of 2022 and the full financial year is given below. The Company has filed its Unaudited Condensed Interim Consolidated Financial Statements for Q3 2022 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 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 Ro?ia Montan? gold and silver project, together with the gold, silver and porphyry copper deposits defined in the Bucium concession area ("Projects") and related licenses.
- On April 12, 2022, the Tribunal issued a limited list of further questions to the Parties and reserved the possibility of an additional round of submissions by the Parties on the questions if it considered the same to be necessary. The Claimants and Respondent filed submissions in reply to the questions on June 14, 2022 and September 19, 2022 respectively.
- On September 16, 2022, the Tribunal informed the Parties that it had received a request by certain non-governmental organizations ("Amici") for leave to add a submission to the record of the case ("Amici Filing"). Neither the Claimants nor the Respondent objected to the Amici Filing being added to the record and each responded with comments thereon to the Tribunal on October 18, 2022.
- On November 8, 2022, the Tribunal informed the Parties that it was still deliberating and invited the Parties to agree on the exchange of their cost statements, which were filed with the Tribunal by the Parties simultaneously in two rounds of submissions on December 16, 2022 and January 6, 2023.
- In April 2023, the President of the Tribunal advised the Parties that the Tribunal's latest deliberations took place in December 2022 and March 2023 and that the Tribunal was working hard to prepare an Award and deliver it to the Parties in a timely manner.
- There is no specified timeframe in the ICSID Rules applicable to this case in which an Award is to be made by the Tribunal. Furthermore, an additional procedural step may be required by the Tribunal prior to the issuance of an Award. Any Award may be subject to a request for annulment (albeit such annulment application can only be made on very limited grounds under the ICSID Rules).

Liquidity

- Cash and cash equivalents at December 31, 2022 were \$5.6 million.
- The Company's average monthly cash usage during Q4 2022 was \$0.5 million (Q3 2022: \$0.5 million), primarily reflecting the consistent level of ongoing operational cost and limited ICSID Arbitration activity quarter on quarter, offset by cash receipts from the sale of long lead-time equipment noted below.
- At December 31, 2022, accruals for costs in respect of the ICSID Arbitration amounted to \$4.5 million (Q3 2022: \$4.5 million), reflecting the continuation of a fee agreement in respect of the deferred payment of certain ICSID Arbitration costs until an Award is issued.

Sale of Long Lead Time Equipment ("LLTE")

- On November 1, 2021, Ro?ia Montan? Gold Corporation S.A. ("RMGC"), Gabriel's 80.69%-owned Romanian subsidiary, concluded an agreement with a buyer for an instalment-based purchase of the remaining LLTE for aggregate gross proceeds of US\$1.75 million (approx. \$2.4 million).
- In November 2022, the final payment due under the sale and purchase agreement was received and ownership and title to the assets passed to the buyer. Taking into account the costs of sale, including storage and insurance of the LLTE for the instalment period, Gabriel added to treasury net cash receipts of approximately US\$1.6 million (approx. \$2.0 million) in aggregate from the sale.

Capital Resources - Future Financing Requirements

- As previously disclosed, on June 29, 2022, the Company closed a non-brokered equity private placement to raise gross proceeds of US\$5.6 million, approximately \$7.1 million (the "2022 Private Placement").
- The Company believes that, taking into account the fee agreement in respect of the deferral of payment of certain ICSID Arbitration costs and the deferral of a portion of salary and fees for certain employees and directors, it has sufficient cash to enable the Group to fund general working capital requirements together with the material estimated costs associated with the Company advancing the ICSID Arbitration through to June 2023.
- At that time Gabriel may still await an Award from the Tribunal. 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 and further procedural steps may be required to be completed prior to the issuance of an Award.
- Accordingly, post June 2023, Gabriel will require further funding in order to pursue the long-term activities required to see the ICSID Arbitration through to its conclusion (which may include, as appropriate, costs of any potential annulment proceedings and/or costs of enforcement of any Award) and for general working capital purposes, including to preserve its remaining assets, including the exploitation license for the Roşia Montană Project ("License") and associated rights and permits.
- 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. The market and timing of such additional financing could also be adversely affected by the effects of COVID-19 and the Russia-Ukraine conflict, amongst other factors.

Financial Performance

- Operating loss for the three-month period ended December 31, 2022 of \$2.7 million was \$0.5 million higher when compared to the corresponding period in 2021 (\$2.2 million) primarily reflecting a \$0.6 million higher share based compensation charge offset by \$0.2 million lower corporate, general and administrative costs.
- Overall loss for the three-month period ended December 31, 2022 was \$2.6 million, \$0.1 million lower than the operating loss due to a foreign exchange gain of \$0.1 million being recognized. This result compares to an overall loss of \$2.3 million for the fourth quarter of 2021.
- Operating loss for the year ended December 31, 2022 was \$9.3 million, some \$5.2 million lower than the prior year of \$14.5 million, principally driven by reduced operational expenditures of \$8.5 million (2021: \$13.4 million) including \$1.4 million of ICSID Arbitration costs (2021: \$4.1 million), \$3.3 million of group payroll costs (2021: \$3.9 million), reflecting the aggregate impact of a 20% deferral of certain employees base salary effective as of February 1, 2022 and a similar reduction in directors fees from April 1, 2022, and \$1.6 million lower costs related to corporate, general and administration - such operating expenditures incurred by the Group are lower when compared to 2021 due to the ongoing efforts of management to reduce the cost base of the Group and preserve cash balances.
- Overall loss for the year ended December 31, 2022 was \$7.7 million, or \$0.01 per share (2021 loss of \$19.9 million, or \$0.02 per share) the year on year difference reflecting the operating loss noted above and a \$6.9 million reduction in other expenses, primarily arising from the following:
 - Finance costs incurred in 2021 of \$5.2 million were not repeated in 2022 following the maturity and repayment of convertible subordinated unsecured notes on June 30, 2021.
 - A gain of \$1.4 million was recognized in 2022 in respect of the sale of the Recea Land.
 - Exchange gains of \$0.1 million were recognized in 2022 (compared to a 2021 loss of \$0.1million).

RMGC - Government Audits and Investigations

- Since the filing of the ICSID Arbitration, RMGC has been subjected to several Value Added Tax ("VAT") audits and other investigations by divisions of the Romanian National Agency for Fiscal Administration ("ANAF"), an agency of the Romanian Ministry of Public Finance, the Ministry charged with Romania's defense of the ICSID Arbitration. The timing, scope and manner of implementation of these audits and investigations are, in the view of Gabriel and RMGC, excessive and retaliatory to the Company's pursuit of the ICSID Arbitration.
- In October 2022, RMGC was notified of ANAF's decision to fully reimburse amounts challenged by RMGC to the refusal of ANAF to refund VAT during initial audits of periods from February 2016 to September 2021 (in aggregate approximately \$0.25million).
- For almost eight years, a directorate of ANAF has continued to pursue an ad hoc investigation covering a broad range of operational activities and transactions of RMGC, and several of its suppliers, consultants, and advisors, covering an extensive period spanning 1997 to 2023. The investigation remains active and ongoing and the most recent developments include:

- In December 2022, a division of ANAF issued two findings reports in respect of an aggregate 16 suppliers of RMGC. In March 2023, a division of ANAF issued a further findings report in respect of an additional 35 suppliers of RMGC.
- These findings reports assessed transactions amounting to an aggregate value of approximately \$157m and allege that various amounts were incorrectly deducted for fiscal purposes, erroneously adjusting VAT and with labour tax inaccuracies.
- ANAF concluded that expenditure of ~\$14.6m was allegedly incurred on purposes not directly related to carrying out RMGC's object of activity.
- A further findings report in respect of an investigation of transactions involving RMGC's core technical advisers is expected in due course.
- RMGC (together with its professional advisers) has filed substantive written rebuttal submissions in response to the above-noted findings reports, identifying, amongst other things, the multiple errors and inaccuracies in such reports; that the conclusions of the findings' reports contradict the conclusions of multiple prior fiscal audits undertaken in respect of RMGC; and that such conclusions disregard Romanian legislation, European jurisprudence and prior decisions of the Romanian Supreme Court.
- Gabriel and RMGC will continue to vigorously challenge and contest the continuing abusive investigations by ANAF and the flawed findings reports.

Impact of Coronavirus

- Gabriel continues to consider carefully the impact of the COVID-19 pandemic. The highest priority of the Board of Directors and Management is the health, safety and welfare of the Group's employees and contractors.
- Gabriel recognizes that the situation is 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 through 2021, 2022 or 2023 to date.
- Gabriel will react to circumstances as they arise and will make the necessary adjustments to the work processes required. 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.

Russia-Ukraine Conflict

- Given, amongst other things, the geographical proximity of Romania to Ukraine, Gabriel is closely monitoring the situation in Ukraine with concern for all those who are impacted by the unfolding conflict and humanitarian crisis.
- At this time, Gabriel has not experienced any material disruption to its operations, including its limited activities in Romania, as a consequence of the Russia-Ukraine conflict and the Group will continue to operate its business in accordance with the circumstances that arise.

About Gabriel

Gabriel is a Canadian resource company listed on the TSX Venture Exchange. The Company's principal business had 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 duration, costs, process and outcome of the ICSID Arbitration;
- access to funding to support the Group's continued ICSID Arbitration and/or operating activities in the future;
- the COVID-19 pandemic may affect the Company's operations and/or the anticipated timeline for the ICSID Arbitration
- changes in the liquidity and capital resources of Gabriel, and/or the group of companies of which it is directly or indirectly parent;
- 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 listing on the TSX Venture Exchange or any regulated public market for trading securities;
- Romania's actions following the inscription of the "Roşia Montan Mining Landscape" as a UNESCO World Heritage site;
- the impact on financial condition, 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, unpredictable regulatory or agency actions 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, including inflation risk;
- the geo-political situation and the resulting economic developments arising from the unfolding conflict and humanitarian crisis as a consequence of the Russia-Ukraine conflict;
- 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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