

2023 Second Quarter Report

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LONDON, August 3, 2023 - [Gabriel Resources Ltd.](#) (TSXV:GBU) ("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, 2023.

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 Claimants and Respondent (together "Parties") currently await a final decision from the presiding arbitral tribunal ("Tribunal") in the ICSID Arbitration proceedings (an arbitral award ("Award")). In a procedural order made by the Tribunal on June 27, 2023, the Tribunal noted that its decision-making at this stage is almost complete.
 - However, there is no specified timeframe in the ICSID Rules applicable to this case in which an Award is to be rendered by the Tribunal. Accordingly, there is no certainty as to when the written Award will be issued or whether further procedural steps may be required by the Tribunal prior to the issuance of an Award.
- On June 8, 2023, the Company completed a non-brokered private placement (the "2023 Private Placement") of 24,782,212 common shares of the Company ("Common Shares") at a price of \$0.26 each for gross proceeds of US\$4.75 million (approximately \$6.4 million).
- As at June 30, 2023, the Company held \$7.0 million of cash and cash equivalents (Q1 2023 \$3.6 million).
- The Company believes that it has sufficient funding necessary to cover its planned activities through to December 2023 and will need to raise additional financing thereafter to fund ICSID Arbitration costs and working capital requirements.
- The net loss for the second quarter of 2023 was \$2.6 million (Q1 2023 \$2.0 million).
- All resolutions were adopted at the annual general meeting of shareholders ("AGM") held earlier today.

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

"We remain grateful for the continued financial support and patience of our shareholders as Gabriel looks forward to the prospect of receiving a binding and enforceable judgment in its favour from the ICSID Arbitration tribunal this year. We will then assess the strategic direction and tactical steps of the business post Award."

Further information and commentary on the results in the second quarter of 2023 is given below. The Company has filed its Unaudited Condensed Interim Consolidated Financial Statements for Q2 2023 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 unlawful treatment in respect of the Roşia Montană gold and silver project, together with the gold, silver and porphyry copper deposits defined in the Bucium concession area ("Projects") and related licenses.
- 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.
- In a procedural order made by the Tribunal on June 27, 2023, rejecting a further request by non-disputing parties for leave to add a second submission to the record of the case, the Tribunal noted that its decision-making at this stage is almost complete.
- There is no specified timeframe in the ICSID Rules applicable to this case in which an Award is to be rendered by the Tribunal. Accordingly, there is no certainty as to when the written Award will be issued or whether further procedural steps may be required by the Tribunal prior to the issuance of an Award.
- Any Award may be subject to a request for annulment by either party (albeit such annulment application can only be made on very limited grounds under the ICSID Convention). The process for annulment, enforcement and recovery of an Award may present material challenges and take a number of years. 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.

Liquidity

- Cash and cash equivalents at June 30, 2023 were \$7.0 million.
- The Company's average monthly cash usage during Q2 2023 was \$1.0 million (Q1 2023: \$0.7 million), primarily reflecting the consistent level of ongoing operational cost and limited ICSID Arbitration activity quarter on quarter.
- At June 30, 2023, accruals for costs in respect of the ICSID Arbitration amounted to \$4.6 million (Q1 2023: \$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.

Capital Resources

Private Placement

- On June 8, 2023, the Company completed the 2023 Private Placement of 24,782,212 Common Shares at a price of \$0.26 each for gross proceeds of US\$ 4.75 million (approximately \$ 6.4 million). The Company will use the proceeds from the 2023 Private Placement to finance the ongoing costs of the ICSID Arbitration and for general working capital requirements.

Future Financing Requirements

- The Company believes that, taking into account (i) the fee agreement in respect of the deferral of payment of certain ICSID Arbitration costs and (ii) 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 December 2023.
- At that time, the Tribunal may not have yet reached a decision. Accordingly, post December 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, such as its 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.

Financial Performance

- Operating loss for the second quarter of 2023 of \$2.6 million was \$0.2 million lower when compared to the corresponding period in 2022 (\$2.8 million) primarily reflecting a \$0.2 million lower share-based compensation charge.
- Overall loss for the second quarter of 2023 was also \$2.6 million, compared to \$2.8 million in the corresponding period in 2022.

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 over 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.

Change of Auditors

- Effective as of May 12, 2023, PriceWaterhouseCoopers LLP resigned as auditor at the request of the Company and Ernst & Young LLP has been appointed as successor auditor to hold office until the close of next annual meeting of the Company at a remuneration to be fixed by the Board.

Annual General Meeting

- The Company held its AGM earlier today, August 3, 2023, and all of the resolutions proposed to shareholders, as set out in the Company's Management Information Circular dated June 28, 2023, were adopted. The resolutions included: (i) re-electing Anna El-Erian, Jeffrey Couch, Dag Cramer, Ali Erfan, Daniel Kochav, James Lieber and Dragos Tanase as directors of the Company; and (ii) re-appointing Ernst and Young LLP as auditors of the Company for the ensuing year and authorization of the directors of the Company to fix the auditor's remuneration.

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 and enforcement of the Award;
- access to funding to support the Group's continued ICSID Arbitration and/or operating activities in the future;

- 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;
- 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;
- 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;
- the COVID-19 pandemic may affect the Company's operations and/or the anticipated timeline for the ICSID Arbitration
- 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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