

Gabriel Resources Ltd. 2024 Second Quarter Report

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LONDON, August 2, 2024 - [Gabriel Resources Ltd.](#) (TSXV:GBU) ("Gabriel" or the "Company") announces the publication of its Second Quarter Financial Statements and Management's Discussion and Analysis for the period ended June 30, 2024.

Summary

- On March 8, 2024, Gabriel announced that a majority of the presiding tribunal ("Tribunal"), over the strong dissent of one of the three arbitrators, had issued a final decision ("Arbitral Decision") dismissing the ICSID arbitration claims filed against the Romanian State ("ICSID Arbitration") and awarded Romania approximately US\$10 million in costs ("Costs Order").
- The Arbitral Decision is binding on the parties and the amount payable incurs simple interest from the date of the Arbitral Decision at the 3-month US Treasury rate.
- On July 8, 2024, Gabriel announced that it has filed an application requesting the annulment of the Arbitral Decision ("Annulment Application") on grounds including that:
 - the two arbitrators who rendered the majority decision lacked the qualities of independence and impartiality that the ICSID Convention requires, and failed to adequately disclose relationships;
 - the Arbitral Decision suffers from manifest excesses of power by disregarding the applicable law, multiple serious departures from fundamental rules of procedure, and failures to state reasons for decisions made on several of the most fundamental aspects of the claims.
- On July 12, 2024, the Acting Secretary-General of ICSID registered the Annulment Application and notified the parties of the provisional stay of enforcement of the Costs Order.
- On June 20, 2024, RMGC was notified that the Romanian National Agency for Mineral Resources ("NAMR") had rejected its application for extension of the term of the License for an additional five years, as provided by Romanian law ("License Extension Application"). Gabriel and RMGC will pursue all options to defend and reinstate its legal rights.
- On April 26, 2024 Gabriel announced a fundraising of up to US\$5.575 million and on May 17, 2024 the Company announced proceeds received of US\$3.25 million (approximately \$4.4 million). No further funds are expected in this regard.
- As at June 30, 2024, the Company held \$2.5 million of cash and cash equivalents (Q1 2024 \$2.2 million), excluding prepayment of \$2 million set aside in respect of certain legal fees in the Annulment process.
- Excluding the Costs Order and amounts prepaid, Gabriel believes that it has sufficient funding necessary to cover its planned activities through to the end of September 2024 and will need to raise additional financing during the third quarter of 2024 to fund its working capital requirements.
- The net loss for the second quarter of 2024 was \$3.2 million (Q1 2024 \$1.8 million).

Further information and commentary on the results in the second quarter of 2024 is given below. The Company has filed its Unaudited Condensed Interim Consolidated Financial Statements for Q2 2024 and related Management's Discussion & Analysis on SEDAR+ and each is available for review on the Company's website at www.gabrielresources.com.

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Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Further Information

Status of the ICSID Arbitration

The ICSID Arbitration sought compensation for all of the loss and damage suffered by Gabriel and its wholly-owned indirect subsidiary, Gabriel Resources (Jersey) Limited (together "Claimants") resulting from the Romanian State's wrongful conduct in respect of the Roșia Montană gold and silver project, together with the gold, silver and porphyry copper deposits defined in the Bucium concession area ("Projects") and related licenses.

Annulment Application

- The Company previously announced that it strongly disagrees with the Arbitral Decision, which it believes is at odds with the opinion of the dissenting arbitrator and inconsistent with any objective assessment of the evidence presented.
- Accordingly, on July 5, 2024, the Claimants filed with the Annulment Application which sets out the grounds under Article 52 of the ICSID Convention that warrant the annulment of the Arbitral Decision.
- The annulment process prescribed by the ICSID Convention is not an appeal of the merits of the Arbitral Decision, but a procedure which would, if successful, extinguish the Arbitral Decision, including the Costs Order.
- There can be no assurances that any annulment process pursuant to the ICSID Convention will result in a positive outcome for the Company or advance in a customary or predictable manner or be completed or settled within any specific or reasonable period of time.

'Stay' of Enforcement of Costs Order

- The Company considers that the Costs Order is unjust and inequitable given the manner in which the Tribunal conducted, and the Romanian State approached its defence of, the ICSID Arbitration case, which introduced significant delays to the procedure and significantly increased Claimants' costs. The Arbitral Decision is binding on the parties and the amount payable incurs simple interest from the date of the Arbitral Decision at the 3-month US Treasury rate.
- The Annulment Application, in accordance with Article 52(5) of the ICSID Convention, also requests a stay of enforcement of the Costs Order pending a decision thereon by the Ad-Hoc Committee following its appointment and due consideration of the matter.
- On July 12, 2024, the Acting Secretary-General of ICSID registered the Annulment Application and notified the parties of the provisional stay of enforcement of the Costs Order.
- The Company announced on April 4, 2024 that the Government of Romania has requested the Claimants to settle the Costs Order and noted that they will take action to enforce the same. In this regard, the Romanian State has sought precautionary measures in Romania to impose restrictions on the sale or transfer of the shares held by Gabriel Jersey in RMGC, pending settlement of the Costs Order. The Company believes that these actions are premature and suffer from serious procedural infirmities, Gabriel Jersey and RMGC have submitted complaints before the Romanian courts challenging these measures. Gabriel will vigorously defend its rights and interest in Romania and elsewhere.

- As noted above, the Annulment Application requests a provisional stay against enforcement of the Costs Order. The imposition of the provisional stay was notified to the Parties by ICSID on July 12, 2024 and is effective from that date.

Liquidity

- Cash and cash equivalents at June 30, 2024 were \$2.5 million. In addition, legal fees in respect of the Annulment Application of up to US\$1.5 million have been prepaid
- The Company's average monthly cash usage during Q2 2024 was \$1.4 million (Q1 2024: \$0.8 million), primarily reflecting the consistent level of ongoing operational cost together with increased payments with regard to ICSID Arbitration-related activity quarter on quarter following the Arbitral Decision in late Q1 2024.
- At June 30, 2024, accruals for costs in respect of ICSID Arbitration-related matters amounted to \$5.0 million (Q1 2024: \$4.6 million), reflecting activity post Arbitral Decision in the quarter, with the continuation of a fee agreement in respect of the deferral of payment of certain ICSID Arbitration costs incurred before the Arbitral Decision.

Capital Resources

Private Placement

- On April 26, 2024, the Company announced a non-brokered private placement (the "2024 Private Placement") of 377,594,750 Common Shares at a price of \$0.02 per Common Share for gross proceeds of up to US\$5.575 million (approximately \$7.5 million).
- On May 17, 2024, the Company announced the receipt of US\$3.25 million (approximately \$4.4 million) and the closing of an initial tranche of the 2024 Private Placement subject to certain conditions, including, but not limited to, the approval of the TSX Venture Exchange and the receipt of all other applicable approvals.
- The remainder of the 2024 Private Placement was anticipated to close on or before July 3, 2024, however, this did not transpire. While the Company is progressing further discussions with the party that had previously committed to participating in the 2024 Private Placement, Gabriel will seek and explore alternative financing options.

Future Financing Requirements

- Gabriel continues to manage its cash resources and its current and future financial obligations carefully and will use the proceeds from the 2024 Private Placement to finance the ongoing costs of the Annulment Application and for general working capital requirements.
- Excluding the Costs Order and amounts set aside for Annulment related legal fees, on the basis of the Company's balance of cash and cash equivalents as at June 30, 2024, and taking into account (i) a fee agreement in respect of the deferral of payment of certain ICSID Arbitration costs; and (ii) the continued deferral of a portion of salary and fees for certain employees and directors, the Company believes that it has sufficient cash necessary to fund general working capital requirements together with other material estimated costs associated with the Company advancing the ICSID annulment proceedings through to September 2024.
- Accordingly, Gabriel will require further funding during the third quarter of 2024 in order to pursue long-term activities and for general working capital purposes, including preserve its remaining assets, rights and permits.
- Notwithstanding the Company's recent and historic funding, there can be no assurance that additional financing will be available to the Company at any time or, if available, that it can be obtained on terms and timing satisfactory to the needs of the Company.

- These events and conditions indicate that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Mineral Tenure Rights

- In March 2024, RMGC submitted the License Extension Application to the NAMR, together with the requisite supporting documentation, requesting an extension of the term of the License for an additional five years, as provided by Romanian law. The term of the License, as currently extended, was due to expire on June 20, 2024.
- On June 20, 2024, RMGC was notified that the NAMR has rejected the License Extension Application.
- The Company believes that the justifications provided by NAMR are pretextual and the timing of this decision, coming less than three months following the conclusion of the Company's arbitration claim against Romania, is dubious.
- The Company and RMGC strongly disagree with the NAMR's decision and intend to vigorously pursue all legal avenues to reinstate their rights. The decision of the NAMR shows a flagrant disregard for the rule of law and established investment rights and, in the Company's view, is a politically motivated decision to deny RMGC's rights to develop the Roșia Montană Project arbitrarily, without due process, and without compensation.
- RMGC has also recently urged NAMR to issue the exploitation licenses for the two Bucium Projects in accordance with the applications made in 2007 ("Bucium Applications"). Throughout the ICSID Arbitration, the Romanian State has consistently maintained a position, relied upon by the majority in the Arbitral Decision, that the Bucium Applications remain pending before the NAMR. There remains no response from NAMR in this regard.

Financial Performance

- Operating loss for the three-month period ended June 30, 2024 of \$3.2 million was \$0.7 million higher than the corresponding period in 2023, primarily reflecting \$0.1 million lower share based compensation charge, offset by \$0.2 million accrual for interest on the Costs Order and a \$0.5 million increase in corporate, general and administrative expenses.
- The overall loss for the three-month period ended June 30, 2024 was also \$3.2 million, the impact of limited doubtful debt provision, interest income and foreign exchange loss in aggregate of less than \$0.1 million. The overall loss was \$2.6 million in the corresponding period in 2023.

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 Roșia Montană gold and silver project in Romania, one of the largest undeveloped gold deposits in Europe. 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 Roșia Montană Project. An extension of the exploitation license for the Roșia Montană Project (held by Roșia 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 Roșia Montană S.A., a Romanian state-owned mining company) was rejected by the competent authority in late June 2024.

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 annulment proceedings;
- access to additional funding to support the Group's strategic objectives;
- the impact on the Company's financial condition and operations of the rejection of the extension of the Rosia Montana exploitation license and/or any actions taken by Romania to enforce the ICSID costs order;
- 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 Group's liquidity and capital resources;
- 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 Exchange or any regulated public market for trading securities;
- Romania's actions following inscription of the "Roșia Montană 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 and fiscal regimes;
- 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 conflicts such as the Russia-Ukraine war;
- 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.sedarplus.ca.

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