

Gabriel Resources Ltd.: 2019 Annual Results

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LONDON, March 11, 2020 - [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, 2019.

Summary

- Gabriel remains focused on the progression of its arbitration case against Romania under the rules of the International Centre for Settlement of Investment Disputes ("ICSID"), part of the World Bank ("ICSID Arbitration"):
 - A hearing on the merits of the claim ("Hearing") was held from December 2 to 13, 2019.
 - The original Hearing was bifurcated by the tribunal constituted to adjudicate the ICSID Arbitration ("Tribunal") granting Romania's request to hold an additional hearing, which is now scheduled to be held in Paris in the week of September 28, 2020 ("Second Hearing").
- Following the Romanian Government's official request for the "reactivation" of its nomination of the "Roşia Montan? Mining Landscape" as a UNESCO World Heritage site in January 2020:
 - Gabriel has provided to Romania a notice requesting consultation with regard to Romania's application to UNESCO reserving its right to commence a further arbitration if warranted accordingly.
 - Gabriel is hopeful that Romania will engage constructively and that it will promptly withdraw its UNESCO application in order to preserve the possibility that the sustainable development of the Roşia Montan? Project may be part of an amicable resolution of the dispute regarding Gabriel's investments in Romania.
 - The issuance of the Notice does not in any way interfere with Gabriel's pursuit of the ICSID Arbitration. The Company remains focused on the progression and conclusion of the ICSID Arbitration.
- In October 2019, the sale of the remaining ball mill, excluding motors, was completed for aggregate gross proceeds of US\$3.3 million (approx. \$4.3 million).
- The net loss for the fourth quarter of 2019 was \$18.3 million (Q3 2019 \$11.1 million), and for the year ended December 31, 2019 was \$44.5 million, or \$0.09 per share.
- Cash and cash equivalents at December 31, 2019 were \$25.7 million (Q3 2019 \$34.3 million).
- The Company believes that it has sufficient sources of funding for general working capital requirements and to fund the estimated costs associated with advancing the ICSID Arbitration through the Second Hearing to the fourth quarter of 2020. The Company has identified a requirement for additional funding in the medium-term to maintain its primary assets while it awaits a final decision from the Tribunal and to pursue the ICSID Arbitration to its conclusion.

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

"We believe that the strength of our claim and the credibility of our witnesses were highly evident in front of the Tribunal at the Hearing and Gabriel looks forward to providing compelling commentary on the quantum and technical phases of the ICSID Arbitration to be heard next September. Gabriel is fully focused on its preparation for the Second Hearing and remains very confident in the merits of its ICSID Arbitration claim."

Further information and commentary on the results in the fourth quarter of 2019 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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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 seeks compensation for all of the loss and damage suffered by the Company and its wholly-owned subsidiary, Gabriel Resources (Jersey) Ltd. (together "Claimants"), resulting from the Romanian State's ("Respondent") 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 Ro?ia Montan? Project and the prospective gold, silver and porphyry copper deposits in the neighbouring Bucium concession area ("Projects") and related licenses.
 - On May 25, 2018, the Respondent filed a jurisdictional objection with the Tribunal challenging the jurisdiction of the Tribunal to hear the claims presented by Gabriel Resources (Jersey) Ltd. ("Jurisdictional Challenge").
 - On November 2, 2018, Claimants filed its reply ("Reply") with ICSID, a comprehensive rebuttal of the legal and factual contentions raised in the Respondent's counter-memorial of February 22, 2018 ("Counter-Memorial"), and its response to the Jurisdictional Challenge.
 - On February 28, 2019, the Claimants and the Respondent filed their comments on an amicus curiae submission to the Tribunal by certain non-governmental organizations (or "non-disputing parties") who have opposed the Ro?ia Montan? Project for many years.
 - On May 24, 2019, Respondent filed its rejoinder with ICSID ("Rejoinder") in response to the Company's Reply, together with its own reply to the Company's counter-memorial on the Jurisdictional Challenge; and
 - On June 28, 2019, Claimants filed its surrejoinder on the Jurisdictional Challenge ("Surrejoinder").
 - An oral hearing on the merits of the claim was held in Washington D.C. between December 2 and December 13, 2019.
- The Hearing was the culmination of an extensive undertaking by the Claimants' legal counsel, legal and other experts and fact witnesses, which focused on the evidentiary record in the case and allowed counsel for both parties to address issues on liability and jurisdiction. The Hearing also afforded the Tribunal the opportunity to hear testimony from certain of the parties' fact and expert witnesses, as well as to address questions to each of the parties.
- In October 2019, the Tribunal ruled that an additional one week oral hearing would be scheduled as soon as possible after the Hearing. The Second Hearing has been scheduled for the week of September 28, 2020 and will be held at the ICSID hearing facilities in Paris. The Second Hearing will focus on the technical and feasibility-related aspects of the Projects and the quantum of the damages claimed.
- On December 7, 2019, the Tribunal granted the European Commission's request to file a non-disputing party submission, but rejected the EC's request to participate in the oral hearings of the ICSID Arbitration. The Tribunal also decided to provide the parties an opportunity in due course to submit written comments on the EC's submission.
- On March 10, 2020, the Tribunal issued Procedural Order No. 27 whereby it set out a list of questions arising from the evidence presented during the Hearing. The parties will have an opportunity to respond to these questions in a sequential manner during the course of April and May.
- A summary of the procedural aspects of the ICSID Arbitration, together with copies of the procedural orders of the Tribunal and the principal submissions, including the Memorial, the Counter-Memorial, the Reply and the Rejoinder are available on ICSID's website. Redacted versions of the transcripts of the Hearing will also be uploaded to the ICSID website in due course.

UNESCO World Heritage

- On January 31, 2020, the Ministry of Culture in Romania submitted a letter to UNESCO conveying the Romanian Government's official request for the "reactivation" of its nomination of the "Ro?ia Montan? Mining Landscape" as a UNESCO World Heritage site. The act of applying to UNESCO for such designation is wholly incompatible with development of the Ro?ia Montan? Project. The application itself is an undertaking by Romania to protect the subject area from development and precludes mining, as would a decision by UNESCO formally approving the application.
- In light of these recent developments and, for the avoidance of doubt, 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 and that it will promptly withdraw its UNESCO application in order to preserve the possibility that Romania, and in particular the local communities in and around Rosia Montana, can enjoy the significant wide-ranging benefits from the sustainable development of the Project, as part of an amicable resolution of the dispute regarding Gabriel's investments in Romania.
- The issuance of the Notice does not in any way interfere with Gabriel's pursuit of the ICSID Arbitration. The Company remains focused on the progression and conclusion of the ICSID Arbitration.

VAT Assessment

- As previously reported, an assessment of a liability for value added tax in the amount of RON 27m (approximately \$8.6 million) ("VAT Assessment") was levied against Ro?ia Montan? Gold Corporation S.A. ("RMGC"), together with a further demand in respect of RON 18.6 million (approximately \$6.0 million) of related interest and penalties, by the Romanian National Agency for Fiscal Administration ("ANAF"). The VAT Assessment relates to VAT refunds 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 December 2015.
- On February 6, 2019, the Alba Court of Appeal (Division for Administrative and Tax Claims) ruled in favour of RMGC's annulment challenge of the VAT Assessment. ANAF subsequently filed an appeal against this decision with the High Court of Cassation and Justice, and the first hearing date has been set as December 2, 2020. RMGC is contesting this appeal and a stay of enforcement granted by the Alba Iulia Court of Appeal remains in effect for the VAT Assessment and for the interest and penalties demand.
- The Company, along with RMGC, 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.

Financing

- As previously announced, on September 13, 2019, the Company completed closing of a non-brokered private placement of 81,730,233 units each comprising one common share and one common share purchase warrant (with an exercise price of \$0.645) for gross proceeds of US\$20 million (approximately \$26.4 million).

Long Lead-Time Equipment

- Long lead-time equipment comprised of crushing and milling equipment was originally procured by the Gabriel, and the group of companies of which it is directly or indirectly parent ("Group") between 2007 and 2009 for the operational phase of the Ro?ia Montan? Project. The prospect of the long lead-time equipment being used in the future for the purpose for which it was purchased is now considered remote.
- On October 18, 2019, RMGC concluded the sale of the remaining ball mill, excluding motors, for aggregate gross proceeds of US\$3.3 million (approx. \$4.3 million). Taking into account costs of sale, including commission payable to the Company's equipment broker, Gabriel added to its treasury net cash receipts of US\$2.3 million (approx. \$3.0 million) in the fourth quarter of 2019.
- The Company continues, through its agents, to procure the sale of the remaining long lead-time equipment, comprising predominantly a SAG mill together with a gearless motor drive and ball mill motors.

Liquidity and Capital Resources

- Cash and cash equivalents at December 31, 2019 were \$25.7 million.

- Excluding the receipt of proceeds of \$3.0 million in respect of the sale of the remaining ball mill and \$0.4 million from the exercise of incentive stock options, the Company's average monthly cash usage during Q4 2019 was \$4.0 million (Q3 2019: \$1.5 million). The higher cash usage in Q4 2019 compared to Q3 2019 was due principally to the increase in ICSID Arbitration related activities in the period, including analyzing the Respondent's Rejoinder and the significant resources necessary to undertake intense activity preparing for and attending the Hearing in early December 2019.
- At December 31, 2019, accruals for costs in respect of the ICSID Arbitration amounted to \$6.5 million (Q3 2019: \$4.2 million), primarily reflecting the acceleration in activities in the final quarter of 2019 related to the ICSID Arbitration in the period.
- The Group had sufficient funds as at December 31, 2019 to settle all current and existing long-term liabilities, after taking into account that the Company has the option to repay all or a proportion of the principal amount of the convertible notes outstanding at maturity by issuing Common Shares. Management continues to review the Company's activities in order to identify areas to rationalize expenditures.
- The Company believes that it has sufficient sources of funding to enable the Group to maintain its primary assets, including its mining 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 the Second Hearing to the fourth quarter of 2020. The Company will require additional funding in the medium-term to maintain its primary assets while it awaits a decision from the Tribunal and to pursue the ICSID Arbitration to its conclusion.

Financial Performance

- Operating loss for the year ended December 31, 2019 was \$8.2 million lower than the prior year principally driven by reduced operational expenditures of \$32.2 million (2018: \$39.5 million) including \$18.3 million of ICSID Arbitration costs (2018: \$22.0 million), \$7.1 million of group payroll costs (2018: \$10.7 million) and an impairment charge of \$1.0 million relating to the LLTE (2018: \$3.9 million) partly offset by a higher charge in relation to stock-based compensation of \$3.0 million in 2019 compared to \$0.9 million in 2018.
- Finance costs in 2019 include \$9.0 million (2018: \$8.0 million) of accreted interest costs in respect of the debt components of private placements completed in May 2014 and July 2016.

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 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 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, required disclosure, costs, process and outcome of the ICSID Arbitration;
- the advancement of Romania's nomination of the "Ro?ia 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: 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; 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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