

FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1 - Name and Address of Company

Gabriel Resources Ltd. (“**Gabriel**” or the “**Company**”)
Suite 200-204
Lambert Street
Whitehorse, Yukon
Canada Y1A 1Z4

Item 2 - Date of Material Change

December 13, 2018 and December 24, 2018

Item 3 - News Release

News releases announcing the material change were disseminated to the market through Accesswire and filed on SEDAR on December 13, 2018 and December 24, 2018 respectively.

Item 4 - Summary of Material Change

On December 13, 2018 the Company announced that it had entered into subscription agreements with certain existing securityholders pursuant to which the Company intended to raise US\$20 million by way of a non-brokered private placement (the “**Private Placement**”).

The Company noted that it is progressing with its arbitration case against Romania before the World Bank’s International Centre for Settlement of Investment Disputes (“**ICSID Arbitration**”) and that it intends to use the proceeds of the Private Placement to finance the costs of the ongoing ICSID Arbitration and for general working capital requirements.

On December 24, 2018, Gabriel announced that it had partially closed the Private Placement with funding of US\$15.2 million (equivalent to the issuance of an aggregate of 80,702,475 Units (as defined below)) and that it expected to close the remainder of the Private Placement on or around January 15, 2019.

Item 5 - Full Description of Material Change

Private Placement

Pursuant to the Private Placement, the Company announced it would issue 106,425,846 units (the “**Units**”) to the Subscribers (as defined below), each Unit consisting of: (i) one common share (“**Common Share**”) in the capital of the Company (the “**New Shares**”) and; (ii) one Common Share purchase warrant (the “**New Warrants**”) and together with the New Shares, the “**New Securities**”).

An aggregate of 80,702,475 Units were issued effective December 21, 2018 (“**Initial Closing**”) with the balance to follow subject to the closing of the remainder of the Private Placement.

The New Shares are to be issued at a price of \$0.2475 per Common Share, representing a 25.0% discount to the closing price (the “**Market Price**”) of the Common Shares on the TSX Venture Exchange (“**TSXV**”) on December 12, 2018, the trading day immediately preceding the announcement of the Private Placement.

Each New Warrant will entitle the holder to acquire one Common Share at an exercise price of \$0.49, which represents a premium of approximately 48.5% to the Market Price, at any time prior to December 21, 2023.

The New Securities, including the underlying Common Shares issuable pursuant to the New Warrants, are subject to a statutory 4-month hold period. U.S. investors are subject to applicable resale restrictions. Subject to the foregoing, the securities described herein have not been registered under the U.S. Securities Act of 1933 (the “**Act**”), as amended, and may not be offered or sold in the United States unless registered under the Act or unless an exemption from registration is available.

Anticipated Effect of the Private Placement

As a result of completion of the Private Placement, the Company will be able to continue to progress with the ICSID Arbitration. Furthermore, given that the estimated corporate working capital needs and costs of pursuing the ICSID Arbitration will be significantly higher than the amount of cash and cash equivalents held by the Company prior to the closing of the Private Placement, the Private Placement will improve the financial position of the Company.

Resultant Total Securities in Issue

Prior to the announcement of the Private Placement, the Company had 384,452,780 Common Shares issued and outstanding. Taking into account the Initial Closing of the Private Placement, the Company has the following additional securities in issue (the “**Relevant Securities**”):

- A further 80,702,475 Common Shares, resulting in an aggregate 465,155,255 Common Shares issued and outstanding;
- 80,702,475 Common Share purchase warrants which are exercisable at a price of \$0.49 at any time prior to December 21, 2023;
- \$95,625,000 of convertible subordinated unsecured notes, with an annual coupon of 0.025%, a conversion price of \$0.3105, and a maturity date of June 30, 2021. At maturity, the Company will have the ability to repay the notes through the issuance of Common Shares;
- 111,536,250 Common Share purchase warrants which are exercisable at a price of \$0.46 at any time prior to June 30, 2021; and
- 95,625 arbitration value rights (“**AVRs**”), comprising:
 - 55,000 AVRs entitling the holders to a pro rata share of 7.5% of any proceeds arising from any monies received by the Company and/or any of its affiliates pursuant to any settlement or arbitral awards irrevocably made in its favour in relation to the ICSID Arbitration (“**ICSID Award**”), subject to a maximum aggregate entitlement of \$175 million among all holders of such AVRs; and
 - 40,625 AVRs entitling the holders to a pro rata share of 5.54% of any proceeds arising from any ICSID Award, subject to a maximum aggregate entitlement of \$129.3 million among all holders of such AVRs.

Private Placement Participation of Related Parties

The subscribers include Electrum Group Holdings L.P. (“**Electrum**”), BSG Capital Markets Ltd. (“**BSG**”) and funds managed by The Baupost Group, L.L.C. (“**Baupost**”) and Paulson & Co. (“**Paulson**”), who are deemed insiders as they each exercise control and direction over 10% or more of the issued and outstanding Common Shares of the Company immediately prior to the closing of the Private Placement. As such, the Private Placement constitutes a “related party transaction”, as defined under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”). Other subscribers include funds managed by Kopernik Global Investors, LLC (“**Kopernik**”) and Enescu Investments LLC, an entity managed by Tenor Capital Management Company, L.P. (“**Tenor**”), neither of which are currently an insider but each of whom are significant shareholders assuming the exercise or conversion, as applicable, of the Company’s outstanding warrants and convertible securities. Electrum, BSG, Baupost, Paulson, Kopernik and Tenor are collectively referred to as the “**Subscribers**.”

Insiders of the Company have subscribed for 55,213,059 Units for gross proceeds of US\$10.37 million under the Private Placement although not all insiders of the Company participated in the Private Placement. The Private Placement was negotiated on an arm’s length basis with all Subscribers, notwithstanding the participation of these insiders.

In aggregate, prior to giving effect to the Private Placement and on a non-diluted basis, approximately 72.7% of all of the issued and outstanding Common Shares are owned or controlled, beneficially or otherwise, by insiders and 62.7% of all of the issued and outstanding Common Shares are owned or controlled, beneficially or otherwise, by the Subscribers.

In connection with the Private Placement, all Subscribers have been granted the right to participate in future equity security and debt issuances of the Company on a pro-rata basis in order to maintain their fully diluted proportionate ownership interest in the Company. Any future equity issuances of the Company to which these pre-emptive rights apply will be subject to the approval of the TSXV.

Effect of the Private Placement

The anticipated effect of the Private Placement on the percentage of Common Shares beneficially owned or controlled by Subscribers who are insiders is not material, either on an individual or aggregated basis. Prior to giving effect to the Private Placement, such insiders owned or controlled approximately 59.5% (on a non-diluted basis) of all of the issued and outstanding Common Shares. After giving effect to the Private Placement, such insiders would own or control approximately 57.8% (on a non-diluted basis) of all of the issued and outstanding Common Shares.

Assuming full dilution on conversion or exercise (as applicable) of all securities of the Company issued and outstanding, in aggregate, all insiders of the Company, as would exist following the Private Placement, would hold approximately 50.1% of all of the issued and outstanding Common Shares and the Subscribers would hold approximately 85.9% of all of the issued and outstanding Common Shares.

Effect of the Initial Closing of the Private Placement

The anticipated effect of the Initial Closing of the Private Placement on the percentage of Common Shares beneficially owned or controlled by Subscribers who are insiders is not material, either on an individual or aggregated basis. Prior to giving effect to the Initial Closing of the Private Placement, such insiders owned or controlled approximately 59.5% (on a non-diluted basis) of all of the issued and outstanding Common Shares. After giving effect to the Initial Closing of the Private Placement, such insiders own or control approximately 61.0% (on a non-diluted basis) of all of the issued and outstanding Common Shares.

Assuming full dilution on conversion or exercise (as applicable) of the Relevant Securities, in aggregate, all insiders of the Company, as would exist following the Initial Closing of the Private Placement, would hold approximately 52.7% of all of the issued and outstanding Common Shares and the Subscribers would hold approximately 85.1% of all of the issued and outstanding Common Shares.

Review Process and Reliance on Certain Exemptions

The issuance of Units to insiders pursuant to the Private Placement will constitute a “related party transaction” within the meaning of TSXV Policy 5.9 and as well as under MI 61-101.

The Company relied on the “financial hardship” exemption from the minority shareholder approval requirement available under Section 5.7(1)(e) of MI 61-101 in respect of such insider participation. Accordingly, “independent directors” of the Company, as defined in MI 61-101, have reviewed and approved the terms of the proposed Private Placement and, after careful consideration, determined that the Company is in serious financial difficulty, the Private Placement is designed to improve the financial position of the Company, and the terms of the Private Placement are reasonable in the circumstances of the Company.

The Company also relied on the “financial hardship” exemption as well as the “specified markets” exemption in Section 5.5(g) and Section 5.5(b) of MI 61-101, respectively, for purposes of the formal valuation requirements of MI 61-101.

The Company received conditional approval from the TSXV to close the Private Placement on December 20, 2018.

Closing of the Private Placement

Initial Closing of the Private Placement to raise approximately US\$15.2 million (representing an aggregate of 80,702,475 Units) was completed effective December 21, 2018 following the execution of definitive documentation with respect to the Private Placement and upon satisfaction of customary closing conditions and deliveries.

A second and final closing of the Private Placement to raise the balance of the proceeds of approximately US\$4.8 million (or an aggregate of 25,723,371 Units) is expected to be completed on or about January 15, 2019 or such earlier or later date as may be determined by the Company, subject to satisfaction or waiver by the relevant party of the conditions of closing.

The Private Placement was unanimously approved by the directors of the Company other than Dag Cramer and David Kay who abstained from voting having declared their interest in the transaction as nominees of participants in the Private Placement. Other than the subscription agreements and the New Warrants issued pursuant to the Private Placement, the Company has not entered into any agreement with an interested party or a joint actor with an interested party in connection with the Private Placement.

Item 6 - Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

Item 7 - Omitted Information

No information has been omitted from this report.

Item 8 - Executive Officer

The name of the executive officer of Gabriel who is knowledgeable about this material change and this report is Richard Brown, Chief Commercial Officer and Corporate Secretary, who can be reached at +44 7748 760 276.

Item 9 - Date of Report

December 24, 2018