## MATERIAL CHANGE REPORT

**Section 75 of the *Securities Act* (Ontario)**
**Section 85 of the *Securities Act* (British Columbia)**
**Section 146 of the *Securities Act* (Alberta)**
**Section 84 of the *Securities Act* (Saskatchewan)**
**Section 73 of the *Securities Act* (Quebec)**
**Section 81 of the *Securities Act* (Nova Scotia)**
**Section 75 of the *Securities Act* (Newfoundland and Labrador)**

### 1. Reporting Issuer

Gabriel Resources Ltd. ("Gabriel")
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### 2. Date of Material Change

August 9, 2005

### 3. Press Release

The press release was dated August 9, 2005 and was released to The Toronto Stock Exchange and through various other approved public media.

### 4. Summary of Material Change

- Second quarter net loss was $2.3 million, or $0.02 per share, including $0.5 million related to severance payments to senior Romania based management

- Second quarter monthly expenditures averaged $1.6 million per month, excluding severance payments, with a total of $3.9 million invested in two development projects

- Working capital at June 30, 2005 totaled $32.8 million

- Appointment of new senior management team – experienced in building some of the largest gold mines in the world

- Restructured and appointed new senior management team in Romania

- Appointed Former Ambassador to Romania as a Director of the Company

- Advanced the Rosia Montana EIA in accordance with the Terms of Reference – to appoint independent EIA team during third quarter of 2005

- Archeological discharge certificate number 4 annulled

- Updated timetable on project; target date to receive construction permit – second half of 2006, with first gold pour expected in late 2008 or early 2009

- Romania signed Treaty of Accession with the European Union

**5. Full Description of Material Change**

**Loss for the period**

We incurred a loss of $2.3 million or $0.02 per share in the second quarter of 2005 compared to a loss of $2.3 million in the year-earlier period. For the six months ended June 30, 2005, we lost $4.7 million or $0.03 per share compared to a loss of $4.7 million in the first half of 2004. Overall, lower project financing costs in the second quarter and six-month period were offset by reorganization severance costs, reversal of prior year accrural and an increase in non-cash charges related to stock option compensation.

"With the changes we made during the second quarter, I believe your Company now has in place a great team, dedicated to a single objective –- to do it right," said Alan R. Hill President and Chief Executive Officer. "As we develop the world-class Rosia Montana project, we will strive to set high standards through good governance, open and transparent communications, and operations and reclamation based on Best Available Techniques –- all in the service of sustainable development," added Mr. Hill.

**Development activities**

We invested $3.9 million in our two development projects during the second quarter of 2005, compared to $14.0 million in the year earlier quarter. The reduction in expenditures during 2005 reflects our decision to delay most expenditures that are not directly related to the permitting process. As a result, village relocation and engineering costs, as well as finance and administration overheads, were significantly lower than the year earlier period.

**Liquidity and capital resources**

We have $32.8 million in working capital, as at the end of June 2005, which could be bolstered by $30 million by year end if warrants currently outstanding that expire at year end are exercised in full. We averaged $1.6 million per month during the quarter, excluding severance payments, which is in line with our expected monthly expenditure range of between $1.5 million and $2.0 million per month through the balance of the year. We expect to have about $20 million in working capital at year end, excluding warrants, based on the current expenditure rate.

**Appointment of new senior management team**

During the second quarter, the corporate senior management team was bolstered by the hiring of three former Barrick Gold Corporation employees, as well as a new senior management group in Romania to lead the project permitting and development efforts.

Alan R. Hill was appointed the President and Chief Executive Officer of Gabriel upon the retirement of Oyvind Hushovd as the Chairman and Chief Executive Officer. Mr. Hushovd continues as the Non-Executive Chairman of Gabriel. Prior to his retirement from Barrick Gold Corporation in September 2003, Mr. Hill managed the development of Barrick's four latest projects: Alto Chicama, Pascua, Veladero and Cowal. During his 20-year tenure at Barrick, Mr. Hill also managed the development of that company's Goldstrike, Pierina and Bulyanhulu projects.

Also during the second quarter, Richard Young was appointed as Vice President and Chief Financial Officer of Gabriel upon the resignation of Paul Martin. Mr. Young, a chartered accountant, brings financial, mine development and capital markets experience to Gabriel. During his 13-year career with Barrick Gold Corporation, he gained extensive financial experience through a number of positions within the finance group, as well as mine development experience as Barrick developed its Goldstrike and Pierina Properties.

In addition, Yani Roditis was appointed Vice President Projects of Gabriel. Mr. Roditis, an engineer, brings extensive engineering, environmental permitting and operations experience to Gabriel. During his 11-year career with Barrick Gold Corporation, he gained extensive experience permitting, constructing and operating a number of gold mines, primarily in South America. In his new capacity, Mr. Roditis will be based in Romania and oversee the permitting and construction of the Rosia Montana gold project.

**Restructuring of and appointment of new senior management team in Romania**

During the second quarter, we restructured and refocused our project development activities for the Rosia Montana project by opening a corporate office in Bucharest and appointing a new senior management team, which will be based in the Romanian capital. Our expanded presence in Bucharest will enable us to more effectively co-ordinate and communicate with the Romanian Government, the regulatory authorities, as well as our consultants and suppliers during the permitting, construction and operational phases of the Rosia Montana project. We closed our existing office in Alba Iulia, reducing a number of staff positions not immediately relevant to permitting and development efforts, and relocated all remaining staff to either Bucharest or the project site in Rosia Montana.

In addition to Alan R. Hill's role as President and Chief Executive Officer of the Company, he is also assuming the role of Chief Executive Officer of our Romanian subsidiary Rosia Montana Gold Corporation ("RMGC"), committing a significant portion of his time and effort to be the lead person in Romania during the permitting and construction of Rosia Montana. Joining Mr. Hill are three new appointments to RMGC.

Mr. John Aston - Vice President Responsible Development and Communications;

Mr. Greg Duras - Vice President Finance and Administration; and

Mr. Liviu Popa - Vice President Community Relations.

"This new team has the energy and the enthusiasm to provide real momentum to our project development efforts," said Mr. Hill.

**Election of Former Canadian Ambassador to Romania as Director of Gabriel**

At Gabriel's annual general meeting, held during the second quarter, Mr. Raphael Girard, the Former Canadian Ambassador to Romania from 2000 to 2003, was elected as a member of Gabriel's Board of Directors. Prior to serving as Canada's ambassador to Romania, Mr. Girard served as Canada's ambassador to Yugoslavia. "Mr. Girard, with his knowledge, experience and relationships, has been invaluable during the short time he has been on the Board of the Company," said Mr. Hill.

**Rosia Montana Project Development**

**Mineral Resource Estimate Update**

We have initiated the process of updating our mineral resource estimate for the Rosia Montana project, to include all exploration drilling and sampling results generated since the last resource estimate was completed in 2003. The updated resource estimate is expected to be completed during the third quarter of 2005. Once we have the updated resource estimate, we will be updating the capital and operating cost estimates for the project, which we expect to announce at year end. Once we have updated parameters for the project, we will be in a position to restart project financing activities.

**Environmental Impact Assessment**

During the second quarter, the Romanian Ministry of Environment issued the terms of reference (the "TOR") for the environmental impact assessment ("EIA") for the Rosia Montana project. The TOR provides an outline of the matters that must be addressed in the EIA and, after an initial review, are as we expected. Our experienced team of Romanian, European Union and international environmental consulting firms will now proceed to finalize the EIA in compliance with requirements specified in the TOR, relevant Romanian laws and regulations, both current and draft European Union directives as well as the Equator Principles. Based on our current estimate, we do not expect to file our EIA with the Romanian Government until the end of the first quarter 2006, as the specialist team we wish to hire, to complete, finalize and submit, is currently engaged in other projects into the fourth quarter of 2005. Our goal is to obtain our construction permits as quickly as possible, which implies having the right team in place to facilitate that permitting process.

**Archaeological Discharge Certificate**

On June 20, 2005 the Alba Iulia Court of Appeal (the "Court") granted Alburnus Maior's (a Romanian NGO opposing the development of a new mine at Rosia Montana) petition against the Romanian Ministry of Culture (the "Ministry") for the annulment of archaeological discharge certificate no. 4 for a portion of the Carnic massif, issued by the Ministry on January 15, 2004 pursuant to RMGC's application. We are awaiting receipt of a copy of the Court's decision in this matter and expect to appeal the decision to a higher court after its receipt. The ruling of the Court does not prevent us from continuing our archaeological discharge program and we can reapply for a new archaeological discharge certificate at any time either before or after an appeal of the

Court's decision is heard.

Over the past year, Alburnus Maior has initiated a multitude of legal challenges against virtually every local, regional and national Romanian regulatory authority that has the administrative authority to grant permits, authorizations and approvals for any aspect of the exploration and development of the Rosia Montana project. These actions include both civil actions and criminal complaints against both the regulatory authorities and individuals within such regulatory authorities and, in general, claim that such regulatory authorities are acting in violation of Romanian laws. Generally, the sanction requested is cancellation of the permit or authorization. We, through RMGC, have intervened in the majority of these cases in order to ensure that the Romanian courts considering these actions are presented with a legally correct, fair and balanced analysis as to why the various Romanian regulatory authorities' actions are in accordance with the relevant and applicable Romanian laws.

**Rosia Montana Project Timeline Update**

Our goal is to submit our EIA by the end of the first quarter 2006. If we are able to complete the village relocation and obtain our archaeology discharges in parallel with the EIA, as we intend to do, we would expect to receive our construction permit in the second half of 2006. This timetable firms up previous guidance issued by the Company that construction may not be possible during 2006. We would only begin construction in the second half of 2006 if we receive our construction permits early enough in the fall to complete sufficient work to allow us to work through the winter, which can be severe. Otherwise, we would take the additional time to prepare for construction, order long-lead-time equipment and be ready to break ground as soon as we can in the spring of 2007. The project should take approximately two years to construct, putting our projected first pour in the second half of 2008 or early 2009.

"During the second half of this year we will focus on assembling an independent specialist team to complete, finalize and submit the EIA, defining a community development strategy and advancing our archeology program, all in an effort to meet our target date of obtaining our construction permits in the second half of 2006," said Mr. Hill.

**Romanian Developments - Romania Signs Accession Treaty with European Union**

During the second quarter, Romania signed the Treaty of Accession (the "Treaty") with the European Union providing for Romania to join the European Union on January 1, 2007. Romania also entered into the Accession Protocol and its Annexes, which form an integral part of the Treaty and which contain most of the detailed conditions and arrangements for accession to the European Union. The signing of the Treaty followed the European Parliament's vote on April 13, 2005 approving the entry of Romania into the European Union in 2007.

## 6. Reliance on Subsection 75 (3) of the Ontario Securities Act or Equivalent Provisions

Not applicable

## 7. Omitted Information

Not applicable.

**8. Senior Officers**

The following senior officer of Gabriel is knowledgeable about the material change and may be contacted by the Commission at the following address and telephone number:

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**9. Statement of Senior Officer**

The foregoing accurately discloses the material change referred to herein.

**DATED** at Toronto, Ontario this 11th day of August, 2005.

"*Frank D. Wheatley*"

Frank D. Wheatley
Vice-President and General Counsel