

**FORM 51-102F3
MATERIAL CHANGE REPORT**

1. Name and Address of Company

True North Gems Inc. (“True North” or the “Company”)
Suite 700 – 1055 West Georgia Street
PO Box 11108
Vancouver, BC V6E 3P3

2. Date of Material Change

August 25, 2015

3. News Release

The news release announcing the material change was disseminated on August 26, 2015, through Marketwired. The news release was also filed on SEDAR with the securities regulatory authorities in British Columbia, Alberta, Ontario, Northwest Territories and Yukon.

4. Summary of Material Change

The Company announced that it signed a share purchase and option agreement with Greenland Venture A/S (“Greenland Venture”) under which Greenland Venture will purchase 5,722,940 issued A-shares of the Company’s operating subsidiary in Greenland, True North Gems (Greenland) A/S, from the Company for a purchase price of US\$4,000,000 (approximately CDN \$5,300,000).

5.1 Full Description of Material Change

See attached news release.

5.2 Disclosure for Restructuring Transactions

N/A

6. Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

7. Omitted Information

No information has been intentionally omitted from this material change report.

8. Executive Officer

Nicholas Houghton, CEO, 604-687-8055

9. Date of Report

August 28, 2015



True North Gems Secures US\$4 million in Financing for the Aappaluttoq Ruby Project in SW Greenland

Vancouver – August 26, 2015 – True North Gems Inc. (TGX: TSX-V) (“True North”, “TNG” or the “Company”) is pleased to announce that it has signed a share purchase and option agreement (the “Share Purchase Agreement”) with Greenland Venture A/S (“Greenland Venture”) under which Greenland Venture will purchase 5,722,940 issued A-shares (the “Purchased Shares”) of the Company’s operating subsidiary in Greenland, True North Gems (Greenland) A/S (“TNGG”), from True North for a purchase price of US\$4,000,000 (approximately CDN \$5,300,000). The Purchased Shares represent 7% of the issued and outstanding shares of TNGG. Following completion of the sale of the Purchased Shares, True North will own 85.39% of the issued and outstanding shares of TNGG, which interest remains subject to a 20% earn-in right by True North’s joint venture partner, LNS Greenland A/S and LNS Denmark ApS (collectively, “LNSG”), as previously disclosed.

“This transaction will provide True North the resources for transition into the production phase of the Aappaluttoq Ruby Project, and once again endorses the importance of having a Greenlandic partner in Greenland Venture,” said Nicholas Houghton, President and CEO of True North. *“The combined financing package will allow the Company to restructure its share of operating expenses, reducing our immediate requirements and in particular, minimizing dilution to current shareholders. With this funding arrangement, the Company will be able to deliver on its vision of becoming one of the world’s leading coloured gemstone production and exploration companies.”*

True North has the option under the Share Purchase Agreement to repurchase 2,861,470 of the Purchased Shares, representing 3.5% of the issued and outstanding shares of TNGG, from Greenland Venture for three years from the closing of the share purchase. The repurchase price under the option is: US\$2,000,000; plus a premium of (1) US\$1,000,000 if True North exercises the repurchase option on or before the first anniversary of the closing of the share purchase; (2) US\$2,500,000 if True North exercises the repurchase option after the first anniversary but before or on the second anniversary of the closing of the share purchase; or (3) US\$4,750,000 if True North exercises the repurchase option after the second anniversary of the closing of the share purchase. Should the Company exercise the repurchase option in the first year, it will have the right to reacquire all 2,861,470 of the Purchased Shares. If True North exercises the repurchase option in the second or third year, then LNSG will have the pro rata right to participate in the repurchase option. The repurchase option gives True North the ability to retain up to 70% of the Aappaluttoq project and its subsequent earnings, notwithstanding the 20% earn-in right held by LNSG.

The Company intends to use the net proceeds of the transaction to finalize the delivery and installation of the processing system developed for the Aappaluttoq project whilst working with LNSG to complete construction as scheduled.

In connection with and as a condition precedent to the Share Purchase and Option Agreement, TNGG and Greenland Venture have also entered into a loan agreement (consolidation and replacement) (the “Loan Agreement”) under which current loans and accrued interest in an aggregate amount of DKK 7,909,254.77 (approximately US\$1,170,000) owing by TNGG to Greenland Venture, with True North as



guarantor, have been consolidated. Under the Loan Agreement, the consolidated loan will have a maturity date of July 31, 2017, and will bear interest at a fixed rate of 2% per month.

For further information, contact:

Nicholas Houghton
President and CEO

Stephanie Delaney
Corporate Coordinator

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

This document contains “forward-looking information” and “forward-looking statements” (together, “forward-looking statements”) within the meaning of applicable securities legislation, which are made as of the date of this document or the document(s) referred to herein. Statements that express predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects”, “anticipates”, “plans”, “projects”, “estimates”, “intends”, “strategy”, “goals”, “objectives” or variations thereof or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements. Forward-looking statements include, without limitation, statements with respect to: the amount of mineral reserves and mineral resources; the amount of future production over any period; net present value and internal rates of return of the proposed mining operation; capital costs; operating costs; strip ratios and mining rates; and mine life. The forward-looking statements are made based upon certain assumptions which, if untrue, could cause the actual results, performances or achievements of the Company to be materially different from future results, performances or achievements expressed or implied by the forward-looking statements. These assumptions include, without limitation: the price of gemstone products produced; anticipated costs; the presence of and continuity of gemstones at modeled grades and values; the capacities of various machinery and equipment; the availability of personnel, machinery and equipment at estimated prices; exchange rates; appropriate discount rates; tax rates applicable to the proposed mining operation; financing structure and costs; anticipated mining losses and dilution; gemstone recovery rates; reasonable contingency requirements; and receipt of regulatory approvals on acceptable terms. By their very nature, forward-looking statements involve inherent risks and uncertainties that could cause actual results, performances or achievements to differ materially from those in the forward-looking statements. These include, without limitation: price volatility, discrepancies between actual and estimated production, mineral reserves and resources and metallurgical recoveries, mining operational and development risks, regulatory restrictions (including environmental regulatory restrictions and liability), activities by governmental authorities (including changes in taxation), currency fluctuations, the speculative nature of gemstone exploration, the global economic climate, dilution, share price volatility, competition, loss of key employees; additional funding requirements and defective title to mineral claims or property. This list is not exhaustive. See also, for example, the risks disclosed in the Company’s other disclosure documents filed at www.sedar.com, including, without limitation, those disclosed in the Company’s management’s discussion & analysis. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements, except as otherwise required by applicable securities legislation.