

AMENDMENT TO NEW ULU PROPERTY OPTION AGREEMENT

THIS AMENDMENT AGREEMENT dated for reference the 19th day of July, 2019 (the “**Reference Date**”).

BETWEEN:

MANDALAY RESOURCES CORPORATION

a company duly incorporated under the laws of the Province of British Columbia, Canada;

(“**Mandalay**”)

AND

LUPIN MINES INCORPORATED

a company duly incorporated under the laws of the Province of Ontario, Canada;

(“**Lupin**” or the “**Optionor**”)

AND

BLUE STAR GOLD CORP.

a company duly incorporated under the laws of the Province of British Columbia, Canada;

(“**Blue Star**” or “**WPC**” or the “**Optionee**”)

WHEREAS:

- A. The Optionee (formerly known as WPC Resources Inc.), Mandalay and the Optionor entered into an option agreement to grant to the Optionee the sole, immediate, exclusive and irrevocable option to acquire up to a 100% undivided interest in the Ulu Property (defined below) (the “**Option**”), subject to the terms of the an option agreement entitled NEW ULU PROPERTY OPTION AGREEMENT dated 8th of January 2018 (the “**Option Agreement**”).
- B. The Optionee, Mandalay and the Optionor have agreed to amend the Option Agreement to reflect the changed commercial circumstances that have arisen since the Option Agreement was executed.

NOW THEREFORE THIS AMENDMENT AGREEMENT WITNESSETH that for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties do hereby covenant and agree as follows:

1. DEFINITIONS

- 1.1 **Definitions.** All capitalized terms used in this Amendment Agreement shall, unless otherwise indicated herein, have the meanings ascribed thereto in the Option Agreement.
- 1.2 **Effective Date of this Amendment Agreement.** For purposes of this Amendment Agreement, the “**Effective Date**” shall mean the date on which this Amendment Agreement, in full, becomes effective and legally binding on the parties, which date shall be the date on which the last of the conditions referred to in Article 7 of this Amendment Agreement has been fully satisfied or waived.
- 1.3 **Additional Defined Terms.** Each of the following additional defined terms are hereby inserted in alphabetical order (as applicable) in Section 1.1 of the Option Agreement:
- (a) “**Amendment Agreement**” means the Amendment To New Ulu Property Option Agreement dated as of the 19th day of July, 2019.”
 - (b) “**Land Use License**” means KIA Land Use License no. KTL311C013, which license is held in the name of Bonito Capital Corp.”
 - (c) “**NWB**” means the Nunavut Water Board.”
 - (d) “**Water License**” means any water license issued by the NWB to Optionor, or any Affiliate of Optionor, and applicable to the Ulu Property as at the date of transfer of the Ulu Property to the Optionee pursuant to this Agreement.”
- 1.4 **Amendment to Definitions of Optionee and WPC.** The defined term for each of “Optionee” and “WPC” in Section 1.1 of the Option Agreement are hereby deleted and the defined term of “Optionee” is hereby replaced with the following:
- “**Optionee**” means Blue Star Gold Corp.”
- 1.5 **INAC/CIRNAC.** All references in the Option Agreement to “Inuit and Northern Affairs Canada” or “INAC” shall be deemed to be references to “Crown-Indigenous Relations and Northern Affairs Canada” or “CIRNAC”.

2. EFFECTIVE DATE AND COVENANTS

- 2.1 **Effective Date.** This Section 2.1, Sections 2.2, 2.3, 2.4 and 2.5 and Article 11 of this Amendment Agreement shall be effective as of the Reference Date. Except as expressly stated in this Section 2.1, no provisions of this Amendment Agreement are effective as of the Reference Date and there shall be no remedy available to any Party prior to the Effective date for a failure to perform any obligations which is not expressly effective as of the Reference Date.
- 2.2 **Covenant re Conditions.** Each of the parties agrees to use its commercially reasonable efforts to cause the conditions precedent referred to in Article 7 of this Amendment Agreement to be performed, fulfilled or completed on or before the dates specified in

Article 7 and thereafter to complete the transactions contemplated by this Amendment Agreement in a timely manner.

- 2.3 **Termination for Failure to Achieve Conditions.** If any of the following conditions are not satisfied or waived by the applicable party (or the parties, if applicable) on or before November 30, 2019, or such later date as the parties may agree, this Amendment Agreement shall automatically terminate and the amendments referred to herein shall not become effective and shall not amend the Option Agreement, except as expressly stated in Section 2.4 below:

- (a) The following conditions in favour of the Optionor:
 - (i) The Optionee shall have complied with all of its covenants of under this Amendment Agreement;
 - (ii) Crown-Indigenous Relations and Northern Affairs Canada ("CIRNAC") and/or the NWB (as applicable) shall have released all security posted by the Optionor (or any Affiliate of Optionor) in respect of remediation obligations in connection with the Ulu Property, including with respect to the Water License, or shall have advised the Optionor that such security shall be released to Optionor upon posting of security satisfactory to CIRNAC, NWB and/or KIA by the Optionee;
 - (iii) The Optionor shall have received confirmation from the NWB stating that the Water Licence may be assigned to Optionee effective upon Closing and confirming that the NWB is satisfied that the operation of the Ulu Project by the Optionee is not likely to result in a contravention of the Water License or any applicable legislation and that, upon such assignment, the Optionor and Mandalay (and/or an applicable Affiliate thereof) shall be released from all reclamation and remediation obligations, expenses and liabilities in connection with the lands to which the Water License applies;
 - (iv) The Optionor shall have attained all other necessary approvals from the NWB and Kitikmeot Inuit Association ("KIA") for the transfer of the Ulu Property and the Water License to the Optionee, effective upon Closing;
 - (v) The Optionor shall have received a letter from the KIA confirming assignment of the Land Use License, effective upon Closing; and
 - (vi) The Optionor shall have received written confirmation within 3 Business Days of the Site Visit, that the Optionee is satisfied, acting reasonably, with the current state of remediation of the Ulu Property, based on its observations and inquiries carried out at the Site Visit and that the condition in Section 2.3(b)(vi) is therefore satisfied;
- (b) The following conditions in favour of the Optionee:
 - (i) The Optionor shall have complied with all of its covenants of under this Amendment Agreement;

- (ii) The Optionee shall have received confirmation from the NWB stating that the Water Licence may be assigned to the Optionee effective upon Closing and confirming that the NWB is satisfied that the operation of the Ulu Project by the Optionee is not likely to result in a contravention of the Water License or any applicable legislation;
- (iii) The Optionor shall have attained all other necessary approvals from the NWB and KIA for the transfer of the Ulu Property and the Water License to the Optionee, effective upon Closing;
- (iv) The Optionor shall have received a letter from the KIA confirming the assignment of the Land Use License to the Optionee, effective upon Closing;
- (v) The Optionee and Optionor shall have attended at the Ulu Property, at a mutually agreeable date and at the sole expense of the Optionee (the “Site Visit”);
- (vi) The Optionee shall be satisfied, acting reasonably, with the current state of remediation of the Ulu Property, based on its observations and reasonable inquiries carried out at the Site Visit.

Upon termination under this Section 2.3, each of the parties shall be released from its obligations under this Amendment Agreement, except that if a party has breached its obligations under this Article 2, the breaching party shall not be so released. For certainty, upon termination of this Amendment Agreement the Option Agreement shall continue in full force and effect, unamended.

2.4 **Extension of Option Period in Original Option Agreement.** Notwithstanding the foregoing provisions of this Article 2, the parties agree that, upon termination of this Amendment Agreement pursuant to Section 2.3, the reference to “December 31, 2019” in Section 6.1 of the (unamended) Option Agreement shall be replaced with “December 31, 2020”.

2.5 **Covenants re Transfer of Water License and Ulu Property.** The Optionor shall use commercially reasonable efforts to submit transfer applications to each of (i) NWB with respect to the Water License; and (ii) KIA with respect to the Ulu Property, within 30 days following receipt by Optionor of notice that the condition in new Section 7.2 (f) of the Option Agreement (as described in Section 7.2 of this Amendment Agreement) is satisfied. The Optionee shall use commercially reasonable efforts to cooperate and assist in the preparation of such transfer applications in a timely manner.

3. **AMENDMENT TO SECTION 3.2**

3.1 **New Section 3.2(k).** The following is hereby inserted as a new Section 3.2(k) of the Option Agreement:

“(k) **Ownership of Subsidiaries.** The Optionor is a wholly owned indirect subsidiary of Mandalay; and Bonito Capital Corp. is a wholly owned direct subsidiary of Mandalay.”

4. AMENDMENT TO SECTION 3.3 OF THE OPTION AGREEMENT

- 4.1 **Amended Section 3.3(a).** Section 3.3(a) of the Option Agreement is hereby deleted and replaced with the following:

“**3.3(a) Share Capital.** As at the date of the Amendment Agreement, the authorized share capital of the Optionee consists of an unlimited number of common shares, of which **129,600,304** common shares are issued and outstanding as of the date of this Agreement. Upon the exercise of all convertible securities of the Optionee that are issued and outstanding as of the date of this Agreement, **132,900,304** common shares of the Optionee would be issued and outstanding. All the issued and outstanding shares in the capital of the Optionee have been validly issued, are fully paid and were not issued subject to any pre-emptive rights. No person has any agreement or option or any right or privilege (written by law, pre-emptive or contractual) capable of becoming an agreement for the purchase, subscription or issuance of any of the unissued common shares of the Optionee, other than as disclosed in the Disclosure Documents. There are no shareholder agreements, voting trust accounts or other agreements restricting voting or dividend rights or transferability with respect to the common shares of the Optionee to which the Optionee is a party.”

5. AMENDMENTS TO SECTION 5 OF THE OPTION AGREEMENT

- 5.1 **Amended Section 5.2.** Section 5.2 of the Option Agreement is hereby deleted and replaced with the following:

“**5.2 Option Payments.** To maintain the Option on the Property the Optionee shall make the following non-refundable cash payments:

	Cash Payments
Within five business days of the receipt of Regulatory Approval	\$200,000 (Paid)
On or before May 31, 2018	\$200,000 (Paid)
On the date of Closing (as defined below)	\$650,000

- 5.2 **New Section 5.3.** The following is hereby inserted as a new Section 5.3 of the Option Agreement:

“**5.3 Transfer of Shares.** As additional consideration for the final payment by Optionee pursuant to Section 5.2 above, at the Closing, the Optionor shall transfer

five million (5,000,000) common shares in the capital of Blue Star, currently held by the Optionor, to a person designated by the Optionee, free and clear of any Encumbrances.”

6. AMENDMENT TO SECTION 6 OF THE OPTION AGREEMENT

- 6.1 **Amended Section 6.1.** Section 6.1 of the Option Agreement is hereby deleted and replaced with the following:

“**6.1 Option Exercise.** On the date on which each of the conditions set out in Section 7 have been satisfied or waived, the Optionee shall be deemed to have exercised the Option, without further act or notice, subject only to completion of Closing. If Closing does not occur on or before December 31, 2019, the Option and this Agreement shall automatically terminate unless an extension is mutually agreed by the Parties acting in good faith, and neither Party shall have any further obligations to the other, except in respect of any breach of this Agreement prior to such termination.”

7. AMENDMENTS TO SECTION 7 OF THE OPTION AGREEMENT

- 7.1 **Amended Section 7.1.** Section 7.1 of the Option Agreement is hereby deleted and replaced with the following:

“**7.1 Conditions of the Optionor.** The obligation of the Optionor to complete the transfer of the Property to the Optionee (the “Closing”) are subject to:

- a. The Optionee shall have paid the Option Payments set out under Section 5.2 to the Optionor (or as the Optionor directs);
- b. The Optionee shall have complied with all the covenants of the Optionee to be complied with on or prior to the Closing;
- c. Crown-Indigenous Relations and Northern Affairs Canada” (“CIRNAC”) and/or the NWB (as applicable) shall have released all security posted by the Optionor (or any Affiliate of Optionor) in respect of remediation obligations in connection with the Ulu Property, including with respect to the Water License, or shall have advised the Optionor that such security shall be released to Optionor upon posting of security satisfactory to CIRNAC, NWB and/or KIA by the Optionee;
- d. The Optionor shall have received confirmation from the NWB stating that the Water Licence may be assigned to Optionee effective upon Closing and confirming that the NWB is satisfied that the operation of the Ulu Project by the Optionee is not likely to result in a contravention of the Water License or any applicable legislation and that, upon such assignment, the Optionor and Mandalay (and/or an applicable Affiliate thereof) shall be released from all reclamation and remediation obligations, expenses and liabilities in connection with the lands to which the Water License applies;

- e. The Optionor shall have attained all other necessary approvals from the NWB and Kitikmeot Inuit Association (“**KIA**”) for the transfer of the Ulu Property and the Water License to the Optionee, effective upon Closing;
- f. The Optionor shall have received a letter from the KIA confirming assignment of the Land Use License to the Optionee, effective upon Closing;
- g. The Optionor shall have received written confirmation within 3 Business Days of the Site Visit, that the Optionee is satisfied, acting reasonably, with the current state of remediation of the Ulu Property, based on its observations and inquiries carried out at the Site Visit and that the condition in Section 7.2 (f) is therefore satisfied;
- h. The representations and warranties of the Optionee shall be true and correct on the date of Closing as if made on the date of Closing.”

7.2 **Amended Section 7.2.** Section 7.2 of the Option Agreement is hereby deleted and replaced with the following:

“7.2 Conditions of the Optionee. The obligations of the Optionee to complete the transactions contemplated under this Agreement are subject to:

- a. The Optionor shall be in compliance and current with all material requirements relating to the Water License;
- b. The Optionee shall have received confirmation from the NWB stating that the Water Licence may be assigned to the Optionee effective upon Closing and confirming that the NWB is satisfied that the operation of the Ulu Project by the Optionee is not likely to result in a contravention of the Water License or any applicable legislation;
- c. The Optionor shall have attained all other necessary approvals from the NWB and KIA for the transfer of the Ulu Property and the Water License to the Optionee, effective upon Closing;
- d. The Optionor shall have received a letter from the KIA confirming the assignment of the Land Use License to the Optionee, effective upon Closing;
- e. The Optionee and Optionor shall have attended at the Ulu Property, at a mutually agreeable date and at the sole expense of the Optionee (the “**Site Visit**”);
- f. The Optionee shall be satisfied, acting reasonably, with the current state of remediation of the Ulu Property, based on its observations and reasonable inquiries carried out at the Site Visit;
- g. The Optionor shall have complied with all of the covenants of the Optionor to be complied with on or prior to the Closing; and

- h. The representations and warranties of the Optionor shall be true and correct on the date of Closing as if made on the date of Closing.”

8. AMENDMENTS TO SECTION 8 OF THE OPTION AGREEMENT

- 8.1 **Amendment of Section 8.1.** Section 8.1 of the Option Agreement is hereby deleted and replaced with the following:

“8.1 Closing. The Closing will be completed by the Parties on or before the day that is 10 business days after the Optionee is deemed to have exercised the Option in accordance with Section 6.1. At the Closing:

- a. the Optionor and/or Mandalay (as applicable) shall
 - i. deliver to the Optionee recordable conveyance documents and bills of sale transferring and conveying a 100% interest in the Ulu Property to the Optionee free and clear of all Encumbrances, other than the Permitted Encumbrances;
 - ii. cause Bonito Capital Corp. to assign its right, title and interest in and to the Water Licence to the Optionee, provided that the Optionee has posted security in accordance with the requirements of the CIRNAC and NWB;
 - iii. deliver a covenant to pay to Optionee, forthwith following release to Optionor of such security, an amount equal to the lesser of: (i) the quantum of the security posted with CIRNAC and/or the NWB and/or KIA by the Optionor (or any Affiliate of Optionor), as at the date of Closing; and (ii) the quantum of the replacement security posted (or to be posted) with CIRNAC and/or the NWB and/or KIA by the Optionee (or any Affiliate of Optionee), in each case with respect to existing remediation obligations in connection with activities by or on behalf of Optionor (or any Affiliate of Optionor) on the Ulu Property;
 - iv. deliver to the Optionee all right title and interest in the structures and chattels, including machinery and other equipment, located on the Ulu Property as at Closing, which structures and chattels shall be delivered on an “as-is” basis; and
 - v. deliver to the Optionee executed share transfer documents to assign to Optionee (or its designee) the five million (5,000,000) common shares in the capital of Blue Star, to be transferred pursuant to Section 5.3;
- b. the Optionee shall
 - i. pay to the Optionor the amount of \$650,000, pursuant to Section 5.2;
 - ii. assume all obligations and liabilities of the Optionor with respect to environmental matters related to the Ulu Property and lands related

thereto, including without limitation reclamation and remediation of the lands to which the Ulu Property and/or the Water License is applicable, and all other obligations and liabilities arising under the Water License or otherwise imposed by KIA, CIRNAC and/or NWB in connection with the Ulu Property; and

- iii. deliver to the Optionor such documents or agreements as the Optionor may reasonably require evidencing that the Optionee has assumed all future reclamation obligations and site monitoring expenses and liabilities associated with the Ulu Property, in a manner reasonably satisfactory to Mandalay, and that, upon Closing, the Optionor and Mandalay (and/or any applicable Affiliate thereof) shall be released from such obligations, expenses and liabilities.”

9. AMENDMENTS TO SECTION 10 OF THE OPTION AGREEMENT

- 9.1 **New Section 10.2A.** The following is hereby inserted as a new Section 10.2A, immediately following Section 10.2 of the Option Agreement:

“**10.2A. Termination of the Agreement Upon Closing.** This Agreement shall terminate upon completion of Closing, provided that each of Sections 9.1 (*Exploration During Option Period*), 12 (*Survival/Indemnity*) and 16 (*Miscellaneous*) shall survive such termination.”

10. AMENDMENTS TO SECTION 15 OF THE OPTION AGREEMENT

- 10.1 **Section 15.1.** Section 15.1 of the Option Agreement is hereby deleted and replaced with the following:

“**15.1 Notices.** All notices, requests, demands or other communications which by the terms hereof are permitted to be given by a Party to the other Party shall be given in writing by personal delivery or email, addressed to such other Party or delivered to such other Party as follows:

- i. to the Optionee at:

Blue Star Gold Corp.
Suite 1125 – 595 Howe Street
Vancouver, BC V6C 2T5

Attention: Stephen Wilkinson
Email: s.wilkinson@shaw.ca

- ii. to the Optionor at:

Lupin Mines Incorporated
c/o Mandalay Resources Corporation.
Suite 330, 76 Richmond Street East
Toronto, ON M5C 1P1

Attention: Belinda Labatte, Chief Development Officer
Email: b.labatte@mandalayresources.com

or at such other addresses and to such other Person that may be given by either of them to the other in writing from time to time on 10 days' prior written notice and such notices, requests, demands or other communications shall be deemed to have been received when delivered or in the case of an email, when such email is received."

11. MISCELLANEOUS

- 11.1 **Timing and Effect of Amendments.** This Amendment Agreement amends, is incorporated into, and is to be read together with, the Option Agreement, effective as of the Effective Date, unless otherwise expressly indicated herein. Except as expressly amended hereby, all the terms and conditions as set forth in the Option Agreement remain valid, binding and in full force and effect, unamended.
- 11.2 **Further Assurances.** Each of the parties to this Amendment Agreement shall execute and deliver such further documents and do such further acts and things as may be reasonably required from time to time, either before, on or after the date of the Closing, to carry out the full intent and meaning of this Amendment Agreement.
- 11.3 **Counterparts.** This Amendment Agreement may be signed and delivered in any number of counterparts (including by way of facsimile or other electronic transmission), each of which shall be deemed to be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF the parties have executed these presents as of the date first indicated above.

MANDALAY RESOURCES CORPORATION

Per: 

Authorized Signatory

LUPIN MINES INCORPORATED

Per: 

Authorized Signatory

BLUE STAR GOLD CORP.

Per: _____

Authorized Signatory

IN WITNESS WHEREOF the parties have executed these presents as of the date first indicated above.

MANDALAY RESOURCES CORPORATION

Per: _____
Authorized Signatory

LUPIN MINES INCORPORATED

Per: _____
Authorized Signatory

BLUE STAR GOLD CORP.

Per: _____
Authorized Signatory

SCHEDULE A

THE ULU PROPERTY

PERMIT #	TYPE OF PERMIT	EFFECTIVE	EXPIRES
ML 3563	Mining lease	1996-11-18	2038-11-18

SCHEDULE B

Encumbrances and Underlying Agreements

The Property is subject to a 5% net production proceeds royalty granted pursuant to a Purchase and Sale Agreement made and effective as of the 17th day of November, 1995 between BHP Minerals Canada Ltd. and Echo Bay Mines Ltd. (royalty obligation assumed by Bonito Capital Corp. ("Bonito") pursuant to a Release and Assumption Agreement made as of the 8th day of July, 2011 between MMG Resources Inc., Bonito and International Royalty Corporation).