

FORM 51-102F3 - MATERIAL CHANGE REPORT

1. **NAME AND ADDRESS OF COMPANY**

South Star Mining Corp.
c/o Suite 1200 - 750 West Pender Street
Vancouver, B.C. V6C 2T8

2. **DATE OF MATERIAL CHANGE**

June 15, 2018

3. **NEWS RELEASE**

News release dated June 18, 2018 was disseminated via the facilities of TheNewswire.

4. **SUMMARY OF MATERIAL CHANGE**

South Star Mining Corp. announced closing of \$4.94 million in brokered and non-brokered financings, completion of the Brazil Santa Cruz Graphite Acquisition and the appointment of two directors.

5. **FULL DESCRIPTION OF MATERIAL CHANGE**

South Star Mining Corp. ("South Star" or the "Company") announced that, further to its announcements of October 23, 2017 and May 16, 2018, regarding the acquisition of the Santa Cruz graphite project and financings, the Company has completed the acquisition and raised a total of C\$4,943,099 in which Company insiders invested a total of C\$635,000.

The Company has completed the acquisition of the Santa Cruz Graphite Project located in the Bahia State of Brazil by acquiring 100% of Brazil Graphite Corp., which owns 100% of Brasil Grafite S.A. which in turn owns 100% of the Santa Cruz graphite project, for a total consideration of 9,444,903 units, valued at CDN\$0.45 per unit and US\$850,000 cash. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for a period of 24 months from the date of issuance at a price of C\$0.75 per common share. The common shares comprising the units and those underlying the warrants will be subject to resale restrictions in accordance with applicable securities laws, pursuant to which they may not be sold or transferred until October 16, 2018, as well as voluntary resale restrictions imposed under the transaction agreement. Under the terms of the transaction agreement, one-third of the securities issued will be released from resale restrictions on the date which is 4 months after the closing date, one-third of the securities issued will be released from resale restrictions on the date which is 8 months after the closing date and the remaining securities issued will be released from resale restrictions on the date which is 12 months after the closing date. In addition, South Star paid a CDN\$300,000 finder's fee in connection with this acquisition.

The Company is very pleased to announce the appointments of Brazil-based, Mr. Felipe Holzacker Alves and Mr. Richard Pearce as incoming Directors of South Star Mining and

Managing Directors of Brasil Grafite S.A. Mr. Alves is a professional mining engineer with a Master's degree in Political Economy of Resources from the Colorado School of Mines. He is a Brazilian native who combines international capital markets experience with an extensive local network of governmental and regulatory agencies, resource financiers and technical, legal and tax consulting services. Mr. Alves is the Founder/CEO of Frontera Minerals Group, a Brazil-focused exploration and project development company. He previously held various roles at Rand Merchant Bank, where he was mainly responsible for Latin American Investments. His technical experience includes roles at open pit and underground mines. He is the President of CBRR (Brazilian Commission for Resources and Reserves), Brazil's equivalent to NI 43-101/CIM in Canada. Mr. Pearce is also an Engineer, Economist and is the Founding Principal of Brasil Insight Capital and Frontera Minerals Group. He has over 20 years of experience in planning and managing complex operations throughout the Americas. Mr. Pearce has a wide range of consulting and advisory experience including technical services, operations, project and asset development, business administration and incorporation services, deal origination, M&A advisory, market and benchmark studies, valuation services, corporate advisory services and risk assessment. Based out of Belo Horizonte, Brazil Mr. Pearce is a native English speaker and fluent in Portuguese and Spanish. He is also a Qualified Person (QP) as defined by NI 43-101.

Company CEO Eric Allison stated "We are pleased to close this acquisition and the financing that will provide the Company with the necessary funds to advance our Santa Cruz Graphite Project toward a feasibility study. A number of activities will get underway in the coming weeks including drilling, engineering, metallurgical studies, permitting and marketing that will assist us in more fully unlocking the significant potential of Santa Cruz. We are extremely pleased to add Felipe and Richard to our team. Their substantial knowledge and experience in project development, particularly in Brazil, will be invaluable as the Company moves the Santa Cruz project toward production. The demand for graphite is expected to increase substantially in the coming years driven by the forecast global growth in electric vehicles and the lithium ion batteries needed to power them. South Star intends to be a significant player in this growth market."

The acquisition of the Santa Cruz Graphite Project and related financing described herein are part of a reactivation of the Company pursuant to the policies of the TSX Venture Exchange (the "TSXV") and will result in the graduation of the Company from NEX to Tier 2 of the TSXV. Effective at the open of trading on Wednesday June 20, 2018, the Company's common shares will commence trading on Tier 2 of the TSXV.

Previously, South Star entered into an agreement with a syndicate of agents led by Echelon Wealth Partners Inc. (the "Lead Agent"), which included Haywood Securities Inc., PI Financial Corp. and Eight Capital Inc. (collectively referred to as, the "Agents") to sell subscription receipts (the "Subscription Receipts") at a price of C\$0.45 per Subscription Receipt (the "Brokered Placement"). A total of 9,312,442 Subscription Receipts were placed in the Brokered Placement. In addition, the Company completed a non-brokered financing of 1,672,222 units at \$0.45 per unit raising an additional \$752,500 for a total of \$4,943,099 (the "Non-Brokered Placement", together with the Brokered Placement, the "Offering").

The escrow release conditions for the Brokered Placement, including satisfaction of all conditions to the acquisition of the Santa Cruz Graphite Project, receipt of TSXV approval for the acquisition and the Offering and the acquisition of all outstanding shares of Brasil Grafite S.A. by Brazil Graphite Corp., have now been satisfied. As a result, escrowed proceeds of the

Brokered Placement have been released to the Company and each Subscription Receipt has now been automatically converted, without any further action by the holder of such Subscription Receipt, and for no additional consideration, into one unit of the Company, each unit consisting of one common share and one warrant. Each non-brokered unit also consists of one common share of the Company and one common share purchase warrant. The warrants issued under the Offering entitle the holder thereof to purchase one common share of the Company for a period of 24 months from the date of issuance at a price of C\$0.75 per common share.

The Company paid a cash commission to the Agents for the Brokered Placement of \$293,657.43, and issued 698,433 compensation options to the Agents (the “**Compensation Options**”) with each Compensation Option entitling the holder to acquire one unit at the offering price of \$0.45 until May 15, 2020. Each unit will consist of one share and one warrant, each warrant entitling the holder thereof to purchase one common share of the Company at a price of \$0.75 per common share within 24 months of the date of issuance of the units. No commissions were paid for the non-brokered placement.

Certain insiders of the Company participated in the Brokered Placement and contributed aggregate proceeds of \$635,000. The participation of the insiders is considered to be a “related party transaction” pursuant to Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transaction (“**MI 61-101**”). The Company determined that exemptions from the formal valuation and minority shareholder approval requirements of MI 61-101 were available for the related party transaction pursuant to Section 5.5(a) and Section 5.7(1)(a) of MI 61-101 on the basis that the fair market value of the transaction involving insiders was not more than 25% of the Company’s market capitalization.

All of the securities issued in the Brokered Placement and the Non-Brokered Placement will be subject to resale restrictions in accordance with applicable securities laws, pursuant to which they may not be sold or transferred until September 16, 2018 and October 16, 2018, respectively.

South Star intends to use the net proceeds of the Offering to fund additional drilling, environmental studies, engineering, metallurgical studies, permitting etc. with the intent of producing a bankable feasibility study on the Santa Cruz Graphite Project within the next 12-18 months. It is currently anticipated that additional drilling and environmental studies will commence in early July 2018.

6. RELIANCE ON SUBSECTION 7.1(2) OF NATIONAL INSTRUMENT 51-102

Not applicable.

7. OMITTED INFORMATION

Not applicable.

8. EXECUTIVE OFFICER

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9. DATE OF REPORT

June 18, 2018