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BLUE STAR GOLD CORP. EXERCISING OPTION FOR 100% OF ULU GOLD PROJECT IN NUNAVUT AND ANNOUNCING PRIVATE PLACEMENT WITH INSIDER PARTICIPATION AND RELATED TRANSACTIONS

Vancouver, BC / July 29, 2019 / Blue Star Gold Corp. {TSX-V: BAU} (“Blue Star” or the “Company”) is pleased to report it is exercising its option to acquire a 100% undivided interest in the Ulu Gold Property (the “Ulu”). To achieve this, Blue Star has amended its previous option agreement dated the 8th of January, 2018 with Mandalay Resources Corporation (“Mandalay”) and the terms of the amended agreement may be summarized as follows:

- Blue Star’s consideration to acquire 100% interest in the Ulu is:
 - To pay \$450,000 in cash to Mandalay in lieu of issuing 15 million Blue Star common shares, with such payment being made upon the closing of the transfer of the Ulu and associated permits.
 - Assume all environmental liabilities, past and present, of the Ulu property, including all current and future obligations to any regulatory agency.
 - To arrange for a third party cash payment of \$200,000 for the 5 million Blue Star common shares presently held by Mandalay upon the Closing of the property transfer.
- Mandalay’s consideration is:
 - To transfer to Blue Star a 100% interest in the Ulu and associated permits upon regulatory approval of the transfers.
 - Assignment of its rights to the remediation security, currently standing at approximately \$1.68 million and held by the Nunavut Water Board.
 - To transfer all right, title and interest in all structures, property and equipment located on the property.

Stephen Wilkinson, CEO and President commented, “Blue Star’s management and consultant advisors visited the Ulu during the first week of July to inspect the site and its condition having been partially remediated by Mandalay. Upon giving our written satisfaction as to the state of remediation to Mandalay, we have been able to quickly conclude our negotiations for the Amendment. Blue Star is now excellently positioned to move to its next stage of corporate growth with the acquisition of an excellent, advanced gold project immediately adjacent to our 8,015 hectare (“ha”) Hood River gold property.”

The Company has also committed to the land owners, the Kitikmeot Inuit Association (the “KitIA”), to improve the remediation process so as to include a more thorough treatment of hydrocarbon contaminated soils located at multiple sites at the Ulu. Blue Star’s new plan is to treat these soils by way of a *land farm*, a method previously

proven in Nunavut method for remediating hydrocarbon contamination. In conjunction with this plan, Blue Star is committing additional remediation security to the KitIA.

Private Placement of Debenture Units

Blue Star also announces it has arranged a non-brokered private placement of Units for gross proceeds of up to \$3.0 million. Each Unit will be priced at \$1,000 and consist of 20,000 non-secured Convertible Debentures (the “Debenture”) and 20,000 non-transferable Common Share purchase warrants (“Warrants”). Each Debenture will bear an annual simple interest rate of 7.5% over its term of up to 3 years (the “Term”). The interest is to be calculated and paid annually in advance for each year of the Term.

During the first year of the Term, the conversion price will be \$0.05 per share, so that 20,000 Debentures may be converted into 400,000 Blue Star Common Shares (“Debenture Shares”). During the second and third years of the Term, the conversion price will be \$0.10 per share so that 20,000 Debentures may be converted into 200,000 Debenture Shares.

Each Warrant will entitle the holder to purchase one Blue Star Common Share at an exercise price of \$0.075 per Common Share during the Term.

It is anticipated that Dr. Georg Pollert, a principal shareholder and director of Blue Star, will subscribe for aggregate gross proceeds of \$1,400,000.00 of the offering or 1400 Units, and would subscribe for additional Units in the event that the placement is not fully subscribed. It is also anticipated that another director of Blue Star will subscribe for aggregate gross proceeds \$100,000.00 or 100 Units of the offering.

In connection with the private placement, Blue Star may pay a finder's fee to non-insiders, subject to regulatory and TSXV approval.

The private placement is expected to close on or about August 9, 2019.

Blue Star intends to use the net proceeds of the private placement to fund its exercise of its Option to purchase the Ulu property and to fund its exploration programs on the Ulu property and its adjacent Hood River property.

The Units will be offered and sold to investors in Canada pursuant to exemptions from the prospectus requirements of applicable Canadian provincial securities laws. All securities issued under the offering will be subject to a statutory four month hold period.

Remediation Security Deposits and their Financing

In May 2015, the Nunavut Water Board (“NWB”) issued the Ulu Water Licence, **2BM-ULU1520**, which required a financial security for the reclamation liability of the mining license. This security was approximately \$1.7 million and was posted in the form of a standby letter of credit held by the NWB. The security deposit will upon regulatory approval be assigned to Blue Star. It is expected that the closing of the property ownership and transfer of the water licence will not coincide with the transfer of the security funds, causing a period where Blue Star will be required to post the reclamation security.

To fund the security required, Dr. Pollert has agreed to advance sufficient funds for the posting of a standby letter of credit on the behalf of the Company. Dr. Pollert has further agreed to post any required additional security with the

KitIA as may be needed for the extra remediation work to properly treat hydrocarbon contaminated soils with a *land farm* – a process that has been successfully applied to the treatment of such contamination within Nunavut and elsewhere. The security provided by Dr. Pollert will be advanced for a period of 12 months and the Company will pay to Dr. Pollert simple interest in the amount of 3% per annum, earned in advance.

In further consideration of his advancing funds for the reclamation securities, the Company has agreed to award Dr. Pollert bonus shares, subject to the approval of the TSXV. The exact amount of advanced funds is not yet known but the Company expects that the total advances may be in the order of \$2.1 million and would therefore result in the issuance of an estimated 8.4 million Blue Star shares based on a per share price of \$0.05.

Sale of Stakes in Blue Star Gold Properties

In addition to the option on the Ulu, Blue Star has been working on the permitting of the 2019 exploration program on its Hood River Concessions that are owned through its 100% owned subsidiary, Inukshuk Exploration Inc. To fund its operations, its consultants and the permit applications, Dr. Pollert has lent the Company a total of \$750,000 in the form of unsecured 2-year notes bearing an annual simple interest of 7.5%. To settle these debts and to help put Blue Star on a more secure financial footing, Blue Star has agreed to exchange a 20% equity interest in Inukshuk for forgiveness of \$500,000 of the notes and to grant to Dr. Pollert the option to acquire up to a 20% equity interest in the vehicle through which Ulu will be owned by the Company in exchange for forgiveness of the remaining \$250,000 of the notes and \$250,000 in cash (with such cash amount to be subject to set-off to account for accrued interest on the notes).

Compliance with TSXV Policy 5.9

The issuances of Units to insiders pursuant to the private placement, the interest payment and issuance of bonus shares to Dr. Pollert and the forgiveness of loans from Dr. Pollert in exchange for minority equity interests in Blue Star's gold properties will be considered related party transactions within the meaning of TSXV Policy 5.9 and Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). Blue Star intends to rely on exemptions from the formal valuation and minority approval requirements in sections 5.5(b) and 5.7(e) of MI 61-101 in respect of the aforementioned transactions, on the basis that Blue Star is not listed on any specified senior stock exchanges and that Blue Star is facing financial hardship and the transactions are designed to improve Blue Star's financial position.

Blue Star will be filing a material change report in respect of the transactions described above within 10 days of the material changes described in this news release and less than 21 days prior to anticipated August 9th closing date of the private placement. Blue Star considers this timing to be reasonable in the circumstances so that it can obtain and utilize the net proceeds of the private placement in an expeditious manner and because it is anticipated that no shareholders' meeting will be required to approve the transactions.

The transactions described in this news release are subject to all necessary regulatory approvals, including that of the TSXV.

About the Ulu Gold Property

The Ulu property consists of the renewable 21-year Lease No: NL3563 which covers an area of approximately 947 ha and has an expiry date of Nov 18, 2038.

The Property hosts an advanced gold project that between 1989 and 2006 saw significant exploration and development. The past work includes approximately 1.7 km of underground development and approximately 351 diamond drill holes that produced 135,713 m of core. Supplementing the exploration data, metallurgical testing by the Company on the Flood Zone gold mineralization has shown that gold is recoverable in amounts greater than 90% by gravity, flotation and cyanidation.

The Company filed on SEDAR its updated Ulu mineral resource in July 2015. Using a gold cut-off grade of 4 grams per tonne ("g/t"), the overall resources were reported as 2.50 million ("M") tonnes grading 7.53 g/t Au for 605,000 gold ounces in the Measured and Indicated Categories and 1.26 M tonnes at a grade of 5.57 g/t Au for 226,000 Au ounces in the Inferred Category.

Qualified Person

Warren Robb P.Geo. is a Qualified Person under National Instrument 43-101 ("NI 43-101"), and has reviewed and approved the geological information contained in this presentation.

About Blue Star Gold Corp.

Blue Star is a Vancouver-based gold and silver exploration company focused on mineral exploration and development within Nunavut, Canada. The Company through its subsidiary, Inukshuk Exploration Inc., owns the highly prospective 8,015 ha Hood River gold property located contiguous to the Ulu mining lease. Blue Star holds a definitive agreement to acquire the Ulu, an advanced gold and silver project. The Company website is www.bluestargold.ca. Blue Star has 129.6 million shares outstanding and is listed on the TSX Venture Exchange with the symbol: BAU.

For further information, please contact:

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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.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This press release contains "forward-looking statements" within the meaning of applicable securities laws. Forward-looking statements can be identified by words such as: "anticipate," "intend," "plan," "goal," "seek," "believe," "project," "estimate," "expect," "strategy," "future," "likely," "may," "should," "will" and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding prospective income and revenues, anticipated levels of capital expenditures for fiscal year, expectations of the effect on our financial condition of claims, litigation, environmental costs, contingent liabilities and governmental and regulatory investigations and proceedings, and estimates of mineral resources and reserves on our properties.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following: economic and financial conditions, including volatility in interest and exchange rates, commodity and equity prices and the value of financial assets, strategic actions, including acquisitions and dispositions and our success in integrating acquired businesses/our success in integrating the Ulu Gold Property into our operations, developments and changes in laws and regulations, including increased regulation of the mining industry through legislative action and revised rules and standards applied by the regulatory bodies in Nunavut, changes in the price of fuel and other key materials and disruptions in supply chains for these materials, closures or slowdowns and changes in labour costs and labour difficulties, including stoppages affecting either our operations or our suppliers' abilities to deliver goods and services to us, as well as natural events such as severe weather, fires, floods and earthquakes or man-made or other disruptions of our equipment, and inaccuracies in estimates of mineral resources and/or reserves on our mineral properties.

Any forward-looking statement made by us in this press release is based only on information currently available to us and speaks only as of the date on which it is made. Except as required by applicable securities laws, we undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.