

FORM 51-102F3
MATERIAL CHANGE REPORT

ITEM 1 – NAME AND ADDRESS OF COMPANY

Kutcho Copper Corp. (formerly, Desert Star Resources Ltd.) (the “Company”)
1030 West Georgia Street, Suite 717
Vancouver, BC V6E 2Y3

ITEM 2 – DATE OF MATERIAL CHANGE

December 14, 2017

ITEM 3 – NEWS RELEASE

The Company issued a news release relating to the material changes on December 15, 2017 which was disseminated through Accesswire and filed on SEDAR with the securities commissions of British Columbia and Alberta.

ITEM 4 – SUMMARY OF MATERIAL CHANGE

Effective December 14, 2017, the Company completed the acquisition of the Kutcho high grade high grade copper-zinc-gold-silver project from Capstone Mining Corp., first announced on June 15, 2017, following closing of a C\$20 million subordinated secured convertible term debt loan from Wheaton Precious Metals Corp. (“**Wheaton**”), previously announced on October 31, 2017 and a US\$65 million Early Deposit Precious Metals Purchase Agreement with Wheaton, previously announced on August 10, 2017, and the release of escrowed funds and issuance of an aggregate of 22,574,307 units (“**Units**”) of the Company upon conversion of subscription receipts previously issued under the Company’s C\$14.6 million private placement (the “**Private Placement**”), announced on December 8, 2017.

ITEM 5 – FULL DESCRIPTION OF MATERIAL CHANGE

See full description disclosed in the attached news release.

Directors and Officers of the Company subscribed for an aggregate of 230,500 Units under the Private Placement. Issuance of the Units to the Directors and Officers is a “related party transaction” under the policies of the TSX Venture Exchange and Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions (“MI 61-101”). The Company is relying on exemptions from the minority shareholder approval and formal valuation requirements applicable to the related party transactions under Sections 5.7(b) and 5.5(b), respectively, of MI 61-101. There has been no prior formal valuation of the common shares and share purchase warrants issued as there has not been any necessity to do so. The Private Placement has been reviewed and unanimously approved by the Company’s board of directors, including the independent directors.

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

Not applicable.

ITEM 7 – OMITTED INFORMATION

No significant information has been omitted from this form on the basis that it is confidential information.

ITEM 8 – EXECUTIVE OFFICER

The following executive officer of the Company is knowledgeable about the material change and this Report:

Gavin Cooper, CFO, at Suite 717 – 1030 West Georgia Street, Vancouver, BC V6E 2Y3, telephone: (604) 639-9051.

ITEM 9 – DATE OF REPORT

December 21, 2017



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Kutcho Copper Corp. (formerly Desert Star Resources) Announces Closing of the Kutcho Project Acquisition

Vancouver, B.C., December 15, 2017. Kutcho Copper Corp. (formerly, Desert Star Resources Ltd.) (TSX-V: DSR) (the “**Company**”) is pleased to announce the completion of the acquisition (the “**Acquisition**”) of the Kutcho high grade copper-zinc-silver-gold project (“**Kutcho**”), as well as the closing of a C\$20 million subordinated secured convertible term debt loan (the “**Term Debt Loan**”) and a US\$65 million Early Deposit Precious Metals Purchase Agreement (the “**PMPA**”) with Wheaton Precious Metals Corp. (TSX: WPM) (NYSE: WPM) (“**Wheaton**”), and the subsequent release of escrowed funds and conversion of subscription receipts under its C\$14.7 million private placement (the “**Private Placement**”), that was announced on December 8, 2017.

In connection with the closing of the Acquisition, the Company has changed its name to Kutcho Copper Corp. Trading in the shares of the Company will remain halted until all TSX Venture Exchange filings have been completed, at which time the Company’s common shares will commence trading under the symbol “**KC**”.

“The completion of the acquisition of Kutcho and over C\$100 million financing package represents a transformational step forward for the company” stated Vince Sorace, President & CEO of Kutcho Copper Corp. “The Kutcho project is a highly prospective advanced-stage project with significant near-term upside potential in both project optimization and resource expansion. With the acquisition complete, we look forward to aggressively advancing Kutcho towards a Feasibility Study and to working closely with First Nations, local communities and all levels of Government to move the project towards production.”

Kutcho Project Acquisition

The Company acquired 100% of Kutcho from Capstone Mining Corp. (TSX: CS) (“**Capstone**”) for total consideration of C\$28.8 million in cash plus the issuance of 4,646,892 common shares of the Company (the “**Purchase Price**”).

The Company has previously filed an independent technical report entitled “Prefeasibility Study Technical Report on the Kutcho Project, British Columbia” (the “**Technical Report**”) dated July 31, 2017, a copy of which can be found on the Company’s profile at www.SEDAR.com.

Release of Escrowed Private Placement Proceeds and Conversion of Subscription Receipts

Immediately prior to the completion of the Acquisition, the escrowed proceeds from the Company’s C\$14.7 million private placement of subscription receipts (“**Subscription Receipts**”) were released following satisfaction or waiver of the escrow release conditions. A portion of the net proceeds (after payment of agents’ commissions) was used to pay the cash portion of the Purchase Price under the Acquisition. In

connection with private placement the Company issued 22,574,307 units (“**Units**”). Each Unit consists of one common share of the Company (“**Placement Share**”) and one-half of one common share purchase warrant (“**Placement Warrant**”) with each Placement Warrant entitling the holder to acquire an additional common share of the Company at C\$1.00 per share for a period of 36 months.

Capstone acquired 3,076,923 Subscription Receipts as part of the Private Placement and has been issued 3,076,923 Placement Shares and 1,538,461 Placement Warrants following conversion of Subscription Receipts into Units. Combined with the shares issued to Capstone as consideration for the Acquisition, Capstone will own 7,723,815 shares in the Company, representing approximately 16.5% of the current issued and outstanding shares on a non-diluted basis. Wheaton acquired 6,153,846 Subscription Receipts as part of the Private Placement and has been issued 6,153,846 Placement Shares and 3,076,923 Placement Warrants following conversion of Subscription Receipts into Units. The 6,153,846 Placement Shares acquired by Wheaton represent 13.1% of the common shares of the Company currently issued and outstanding, on a non-diluted basis. Assuming the exercise of all Placement Warrants received by Wheaton in connection therewith, Wheaton would hold, in aggregate, approximately 18.5% of the common shares of the Company currently issued and outstanding on such partially diluted basis. Prior to all the transactions contemplated hereby, Wheaton did not hold any securities of the Company.

In connection with the conversion of the Subscription Receipts into underlying shares and warrants, the Company paid a cash commission of 6% and issued a total of 346,853 broker warrants (“**Broker Warrants**”) to a syndicate of agents including Macquarie Capital Markets Canada Ltd., BMO Capital Markets, Haywood Securities Inc. and PI Financial Corporation (the “**Agents**”). Each Broker Warrant is exercisable for one common share of the Company for a 24 month term at an exercise price of C\$0.65 per common share. In addition, the Company paid aggregate finders fees of \$261,888.85 and issued an aggregate of 160,235 Broker Warrants to certain arm’s length finders.

The Broker Warrants and an aggregate of 75,500 Units are subject to a hold period of four months and one day. The balance of the shares and warrants issued under the private placement will be free from hold periods under applicable Canadian securities laws.

Term Debt Loan with Wheaton Precious Metals Corp.

Also immediately prior to the completion of the Acquisition, the Company closed the C\$20 million seven-year Term Debt Loan with Wheaton previously announced on October 31, 2017. The principal terms of the Term Debt Loan are as set out below.

Principal Amount	C\$20,000,000 (the “ Principal Amount ”)
Convertibility	Lender may convert all or any portion of the Principal Amount into common shares of the Company on any date prior to and including the maturity date.
Interest Rate	10.00% per annum.
Interest Payments	Payments will be made in cash semi-annually with the Company having the right to defer the first three payments until 24 months after the Effective Date. If the holder elects to convert the principal amount, any unpaid accrued interest owing,

	may be converted into common shares at the applicable market price at the time of conversion.
Conversion Price	C\$0.8125
Term	84 months.
Early Redemption	Repayment may be made in full on or after 24 months from the Effective Date with the payment of applicable pre-payment cash penalties: • 25% of the outstanding amount if pre-paid on or after 24 months until 36 months; • 20% of the outstanding amount if pre-paid on or after 36 months until 60 months; and • 15% of the outstanding amount if pre-paid on or after 60 months until maturity.
Security Interest	All assets of the Company relating to Kutcho, subject to being subordinated only to Wheaton's precious metals stream under the PMPA.

As a result of its investment under the Private Placement and the Term Debt Loan, and after giving effect to the conversion of the Subscription Receipts, the exercise of all Placement Warrants received by Wheaton in connection therewith and assuming the conversion of the entire Principal Amount of the Term Debt Loan to common shares (with no portion consisting of converted interest), Wheaton would hold, in aggregate, approximately 45.4% of the common shares of the Company currently issued and outstanding on such partially diluted basis (approximately 36.1% on a fully diluted basis). The Term Debt Loan and the Placement Shares and Placement Warrants issued to Wheaton are presently being held only for investment purposes. Wheaton may from time to time in the future increase or decrease its ownership, control or direction over Placement Shares or any other securities of the Company, through market transactions, private agreements or otherwise. Wheaton intends to file an early warning report (the “**Early Warning Report**”) pursuant to applicable securities laws in connection with the transactions contemplated hereby. A copy of the Early Warning Report to which this press release relates can be obtained from Wheaton, at 1-844-288-9878 or info@wheatonpm.com or on the SEDAR profile of the Company at www.sedar.com.

Macquarie Capital Markets Canada Ltd. will receive an advisory fee in relation to the Term Debt Loan, a portion of which is to be paid through the issuance of 769,230 common shares of the Company, which are subject to a hold period of four months.

Precious Metals Purchase Agreement (“PMPA”) with Wheaton Precious Metals Corp.

Also immediately prior to the completion of the Acquisition, the Company entered into a definitive PMPA with Wheaton in respect to Kutcho. The principal terms of the PMPA are described in the Company's press release on August 10, 2017 whereby Wheaton will pay Desert Star upfront cash payments totaling US\$65 million for 100% of the silver and gold production from Kutcho until 5.6 million ounces of silver and 51,000 ounces of gold have been delivered, at which point the stream will decrease to 66.67% of the silver and gold production for the life of the mine. Wheaton will make an ongoing cash payment equal to 20% of the applicable spot price of silver and gold for each ounce delivered under the agreement.

Desert Star is entitled to receive US\$7 million on an early deposit basis to fund Feasibility Study expenditures at Kutcho. The balance of the US\$65 million is payable in installments during construction of Kutcho. Wheaton would make an additional payment of up to US\$20 million should the processing throughput at Kutcho be increased to 4,500 tpd or more within 5 years of attaining commercial production.

New Director

The Company is also pleased to announce that, in connection with the closing of the Acquisition, Brad Mercer, Senior Vice President Exploration of Capstone has been appointed to its board of directors.

Post Transaction Capital Structure

The resulting share structure post-transaction is 46,938,310 issued and outstanding shares, 17,739,932 share purchase warrants and 4,393,375 stock options. In addition, up to 24,615,385 shares may be issued in connection with the \$20 million Term Debt Loan at C\$0.8125 per share.

Advisors

Fort Capital Partners acted as the Company's financial advisor in connection with the Acquisition and Capital Markets Strategy. Macquarie Capital Markets Canada Ltd. acted as financial advisor and lead agent with regard to any acquisition financing.

Vince Sorace

President and CEO, Kutcho Copper Corp. For further information regarding Desert Star, please email info@kutcho.com or visit our website at www.kutcho.com.

Cautionary Note Regarding Forward-Looking Statements

[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 news release contains certain statements that may be deemed "forward-looking statements" with respect to the Company within the meaning of applicable securities laws, including statements with respect to the acquisition of the Kutcho Project, private placement and related financing arrangements with Wheaton Precious Metals, estimated mineral resources and mineral reserves, the timing and amount of estimated production, costs of production, capital expenditures, commodity price assumptions, the Company's ability to successfully obtain all regulatory approvals and permits to commence and conduct mining operations, environmental risks and title challenges. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance, are subject to risks and uncertainties, and actual results or realities may differ materially from those in the forward-looking statements. Such material risks and uncertainties include, but are not limited to, the Company's ability to negotiate a final binding transaction agreements, obtain all requisite approvals for the acquisition of the Kutcho Project, private placement and related financing arrangements with Wheaton Precious Metals, including approval of the TSX Venture Exchange, the Company's ability to raise sufficient capital to fund its obligations under the proposed acquisition of the Kutcho Project or under its property agreements going forward, to maintain its mineral tenures and concessions in good standing, to explore and develop the Kutcho Project or its

other projects, to repay its debt and for general working capital purposes; changes in economic conditions or financial markets; the inherent hazards associates with mineral exploration, and mining operations, future prices of copper and other metals, changes in general economic conditions, accuracy of mineral resource and reserve estimates, the ability of the Company to obtain the necessary permits and consents required to explore, drill and develop the Kutcho Project and if obtained, to obtain such permits and consents in a timely fashion relative to the Company's plans and business objectives for the projects; the general ability of the Company to monetize its mineral resources; and changes in environmental and other laws or regulations that could have an impact on the Company's operations, compliance with environmental laws and regulations, aboriginal title claims and rights to consultation and accommodation, dependence on key management personnel and general competition in the mining industry. Forward-looking statements are based on the reasonable beliefs, estimates and opinions of the Company's management on the date the statements are made. Except as required by law, the Company undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change.

United States Advisory

The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), have been offered and sold outside the United States to eligible investors pursuant to Regulation S promulgated under the U.S. Securities Act, and may not be offered, sold, or resold in the United States or to, or for the account of or benefit of, a U.S. Person (as such term is defined in Regulation S under the United States Securities Act) unless the securities are registered under the U.S. Securities Act, or an exemption from the registration requirements of the U.S. Securities Act is available. Hedging transactions involving the securities must not be conducted unless in accordance with the U.S. Securities Act. This press release shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in the state in the United States in which such offer, solicitation or sale would be unlawful.]