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NEWS

TSX.V: AWS

For Immediate Release

Decision to Relinquish Port Snettisham Iron Ore Property Option Due Diligence on Copper Concentration Plant – Manzanillo Mexico

September 19, 2014 - Arrowstar Resources Ltd. (“Arrowstar” or the “Company”) (TSX-V: AWS) announces that the Company has decided to relinquish its option over the 49 tenements at Port Snettisham, Alaska. The Company still retains 21 claims covering the area where a second magnetic anomaly was identified. The claim fees are current until August 28, 2015.

The key reasons why the Board decided to relinquish the option granted by BullRun Prospecting Inc. were as follows:

- **Unsatisfactory Returns** -The return on capital employed and internal rate of return at a 10% discount rate did not meet the Board’s threshold of investment return. The 62% Fe Platts iron ore index price has remained at \$84 per tonne, and the outlook expressed by a range of analysts does not see the average price recovering over \$100 per tonne for some years. With an expected freight cost of \$20 per tonne, a loading cost of \$5 per tonne and an \$80 million capital expenditure, the cost of production and management of the waste did not provide sufficient profit at 2 million tonnes a year production of final product to adequately reward shareholders.
- **Increase in Production In Australia** - Production from Rio Tinto, BHP Billiton Ltd., Fortescue Metals Group Ltd. (FMG) and the Roy Hill mine will add about 100 million tons a year to Australia’s exports of iron ore where the freight cost is less than \$10 per tonne to China and CIF cost under \$50 per tonne.
- **Expensive Option Agreement** – Negotiations with the option grantor failed to produce a fee arrangement that didn’t materially impact on the economic success of the project.
- **Environmentally Sensitive** - The deposit is in an environmentally sensitive area with salmon farms located 15 kilometres away and a very large sea lion colony three kilometres away. Whales have been seen in Stephen’s passage and eagles that frequent the area could obstruct helicopter operations. With 90,000 to 110,000 tonne ships visiting the area to load, we felt it would be difficult and capital intensive to secure the environment. An archeological site has been identified close to one of the key beach landing areas. Fog can be a major issue in November.
- **Waste Difficulties** -The project will produce a significant amount of waste, approximately 2 million tonnes or 1 million cubic metres of silica/pyroxenite per year. Finding a suitable location close to the proposed mine site to build a waste stockpile was proving economically unviable. Trucking in the area would have been difficult without considerable road building expenditures and permits.
- **Double Processing** - The geochemistry from the 109 samples taken after extensive testing showed that the grind size would have to be 1mm to produce 63.5% Fe iron ore that would cost an additional \$3-4 per tonne in operating costs. The samples containing representative magnetite iron ore also showed that the FeO value was low (reducing the price) and that a dual processing system would have to be implemented as 75% of the iron extracted was hematite or altered

magnetite (non-magnetic) and only 25% was magnetic that could be separated by high speed magnetic drums. High concentrations of silica and titanium were present in the high Fe samples.

- **Impact of Snow, Moisture** - Processing would have to take place under a large covered area to prevent the high impact grinders and magnetic drums from getting clogged from high moisture. Melting snow on crushed preprocessed ore and wet ore from the wet magnetic drum system would have been problematic for shipping, adding additional cost. This covered area would be a very substantial construction, some 130 metres by 60 metres by 25 metres high.
- **Bulk Loading Port Costs** - The cost of building bulk loading ports is increasing, and while \$30m was budgeted more detailed studies have shown that the capital cost maybe as high as US\$65-125 million based on the depth of the channel and the infrastructure required for shipping two million tonnes in 90 - 110,000 panamax ships, being 20 shipments, or two per month.
- **Difficult Terrain** - The terrain where the mine would be situated if the project had proceeded was very steep and challenging to mine given the mobile track equipment being proposed. Road construction in the Tongass Forest is still limited.

Copper Concentration Project – Manzanillo Mexico

Due diligence is being conducted on a copper concentrator located close to Manzanillo with the view to start production of copper concentrate within three months of acquisition. Discussions are being held with various miners to buy their raw ore. This project may provide the company with cash flows from a modest investment and provide a platform for substantial expansion.

Respectfully submitted
ON BEHALF OF THE BOARD

“Phillip Thomas”

Phillip Thomas
President, CEO, and Director

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