

**ARROWSTAR RESOURCES LTD.**  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

REPORT DATE  
November 27, 2017

This Management Discussion and Analysis (the “MDA”) provides relevant information on the operations and financial condition of Arrowstar Resources Ltd. (the “Company”) for the period ended September 30, 2017.

The Company’s activities are primarily directed towards acquisition and exploration of exploration and evaluation assets. The realization of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves and future profitable production, or proceeds from the disposition of these assets. The carrying values of exploration and evaluation assets do not necessarily reflect their present or future values.

All monetary amounts in this MDA and in the consolidated financial statements are expressed in Canadian dollars, unless otherwise stated. Financial results are being reported in accordance with International Financial Reporting Standards (“IFRS”).

The Company’s certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and these consolidated financial statements together with other financial information included in these filings. The Board of Directors’ approves the consolidated financial statements and MDA and ensures that management has discharged its financial responsibilities. The Board’s review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

The MDA should be read in conjunction with the Company’s consolidated financial statements and notes thereto for the year ended December 31, 2016 which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **RESULTS OF OPERATIONS**

### Nature of Business

Arrowstar is a publicly traded mineral exploration company, whose common shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol “AWS”. The Company’s principal business activity is the exploration and evaluation of mineral properties located in USA.

The head office and principal address of the Company is 2300 – 1177 West Hastings Street, Vancouver, BC, V6E 2K3, Canada. The registered and records offices of the Company are located at 2300 – 550 Burrard Street, Vancouver, BC, V6C 2B5, Canada.

### **Exploration Properties**

#### *Secret Pass*

During the period ended September 30, 2017 the Company terminated the Tin Cup Option Agreement. As a result, the Company wrote off cumulative costs to date on the Secret Pass Property of \$343,657 as an impairment loss.

The Company had entered into an Assignment Agreement with Performance Acquisitions LLC (“Performance”) who had entered into an option agreement, the “Tin Cup Option Agreement” with NJB Mining Inc. (“NJB”) pursuant to which Performance has the option (the “Option”) to acquire a one hundred percent (100%) right, title and interest in and to the Secret Pass Concessions situated in the State of Arizona, USA. Performance has assigned all its rights and obligations (the “Assignment”) in the Tin Cup Option Agreement to a wholly-owned USA subsidiary of the Company. The Company would have paid consideration of five million common shares to Performance.

Arrowstar had prepared a National Instrument 43-101 (“NI 43-101”) compliant Technical Report for the Secret Pass Gold Project, Mohave County, Arizona. The purpose of the report was to demonstrate that the historical exploration data, drill core and RC drilling samples, geophysics, geochemical and metallurgical reports confirm that the project merits additional exploration work as set out in the budget to verify previously defined mineralization and to explore for additional mineralization and resources. The NI 43-101 has been filed on SEDAR.

## **SUMMARY OF QUARTERLY RESULTS**

The following selected financial data have been prepared in accordance with IFRS and should be read in conjunction with the Company’s consolidated financial statements. The following is a summary of selected financial data for the Company for its eight completed financial quarters ended June 30, 2017.

<b>Quarter Ended Amounts in 000’s</b>	<b>Sept. 30, 2017</b>	<b>June 30, 2017</b>	<b>Mar. 31, 2017</b>	<b>Dec. 31, 2016</b>	<b>Sep. 30, 2016</b>	<b>Jun 30, 2016</b>	<b>Mar. 31, 2016</b>	<b>Dec. 31, 2015</b>
Net gain (loss)	\$(57)	\$(393)	\$(42)	\$(90)	\$(71)	\$276	(\$24)	(\$55)
Gain (loss) per share – basic and diluted	(0.00)	(0.02)	(0.00)	(0.00)	(0.01)	0.02	(0.00)	(0.00)
Total assets	9	12	321	315	357	454	13	30
Working capital	(390)	(333)	(283)	(242)	(113)	12	(912)	(888)

During the period ended June 30, 2017 the Company recorded a loss of \$392,965 because of the termination of the Tin Cup Option Agreement. As a result, the Company wrote off cumulative costs to date on the Secret Pass Property of \$343,657 as an impairment loss. General and administrative expenses remained consistent from period to period. Also during the period end June 30, 2017, the Company’s total assets was decreased to \$11,533 because of the termination of the Tin Cup Option Agreement. During the period ended June 30, 2016 the Company recorded a gain of \$276,626 because of debt settlement on accounts payable of \$565,899 and recorded share based compensation of \$154,272. Total assets in the quarter ended September 20, 2016 increased because of an increase in expenditures in exploration and assets. Working capital during the quarter ended September 30, 2016 increases substantially due to the financing that was completed of \$345,000 and the debt settlement on accounts payable of \$698,245.

## **Financial Results of Operations**

### ***Nine Months ended September 30, 2017 compared to Nine months ended September 30, 2016***

The Company’s general and administrative costs were \$492,046 (2016 - \$366,123), and reviews of the major items are as follows:

- Consulting fees of \$35,231 (2016 - \$81,474) consisted of CFO fees of \$31,500 (2016 - \$31,500), investor relations of \$Nil (2016 – \$15,000), business development of \$Nil (2016 - \$33,590) and other of \$3,731Nil (2016 - \$1,348);

- Insurance of \$17,192 (2016 - \$13,539) increased as the Company added comprehensive general liability on the Secret Pass property and prior year would have been directors and officer's insurance only;
- Professional fees of \$71,743 (2016 - \$47,344) consisting of accounting and audit of \$17,098 (2016 - \$11,315) and legal of \$54,646 (2016 - \$36,030 which increased as the Company reviewed various business opportunities;
- Property investigation of \$Nil (2016 - \$14,152) no preparatory review during the period;
- Regulatory fees of \$11,577 (2016 - \$19,841), decreased as prior year consisted of debt settlement, property agreement and private placement activities;
- Share-based compensation of \$Nil (2016 - \$166,634) for options issued during the prior year period; and
- Property impairment of \$343,657(2016 - \$Nil) because of the Company terminated the Tin Cup Option Agreement. The Company wrote off cumulative costs to date on the Secret Pass Property of \$343,657 as an impairment loss.

Other items showed a gain (loss) of \$(200) (2016 – \$547,000). Due to their nature, these transactions relate to events that do not necessarily generate comparable effects on the Company's operating results. Significant areas of change include:

- Gain on settlement of accounts payable of \$Nil (2016 - \$545,600). During the prior period the Company settled \$698,245, on debt owed to creditors, by issuing 4,060,000 common shares of the Company at a deemed price of \$0.05. The Company also settled \$51,145 on debt owed to creditors by paying cash of \$4,500.

### ***Three Months ended September 30, 2017 compared to three months ended September 30, 2016***

The Company's general and administrative costs were \$56,466 (2016 - \$72,293), and reviews of the major items are as follows:

- Consulting fees of \$10,500 (2016 - \$26,849) consisted of CFO fees of \$10,500 (2016 - \$10,500), investor relations of \$Nil (2016 – 15,000) and other of \$Nil (2016 - \$348);
- Professional fees of \$35,787 (2016 - \$14,631) and consisting of accounting and audit of \$3,142 (2016 - \$3,385) and legal of \$32,645 (2016 - \$11,246) which increased as the Company review various business opportunities; and
- Regulatory fees of \$3,142 (2016 - \$14,631), decreased as prior year included fees for property acquisition, incorporation of US subsidiary and property agreement fees.

Other items showed a gain (loss) of \$(950) (2016 – \$1,150). Due to their nature, these transactions relate to events that do not necessarily generate comparable effects on the Company's operating results.

The variation seen over such quarters is primarily dependent upon the success of the Company's ongoing property evaluation program and the timing and results of the Company's exploration activities on its then current properties, none of which are possible to predict with any accuracy. There are no general trends regarding the Company's quarterly results, and the Company's business of mineral exploration is not seasonal, except to the extent that explorations work on certain properties may be restricted to certain portions of the year if prevailing weather conditions make such work prohibitively expensive or practically impossible to complete at other times. Quarterly results can vary significantly depending on whether the Company has granted any stock options or paid any employee bonuses and these are factors that account for material variations in the Company's quarterly net losses, none of which are predictable.

General operating costs other than the specific items noted above tend to be quite similar from period to period. The variation in income is related solely to the interest earned on funds held by the Company, which is dependent upon the success of the Company in raising the required financing for its activities which will vary with overall market conditions, and is therefore difficult to predict.

## LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2017, the Company has a working capital deficit of \$390,573 (December 31, 2016 – \$242,184).

Because of economic conditions, globally, there is uncertainty in capital markets and the Company anticipates that it and others in the mineral resource sector will have limited access to capital. Although the business and assets of the Company have not changed, investors have increased their risk premium and their overall equity investment has diminished. The Company continually monitors its financing alternatives and expects to finance its fiscal 2017 operating overhead and acquisition and exploration expenditures through a private placement.

The quantity of funds to be raised and the terms of any equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. There can be no assurance that such funds will be available on favorable terms, or at all.

On May 13, 2016, the Company received TSX Venture Exchange approval on the settlement of \$698,245, on debt owed to creditors, by issuing 4,060,000 common shares of the Company at \$0.045. The Company also settled \$51,145 on debt owed to creditors by paying cash of \$4,500.

On June 21, 2016, the Company issued 6,900,000 units at a price of \$0.05 per unit for gross proceeds of \$345,000. Each unit consists of one common share and one transferrable share purchase warrant with each Warrant entitling the holder to purchase an additional common share for a period of two (2) years at a price of \$0.085 per share in the first year of exercise and \$0.12 per share in the second year of exercise.

The Company entered loan agreements with Panopus PLC (“Panopus”), a company controlled by Phil Thomas, CEO and director of the Company. The loans are summarized as follows:

- On January 3, 2017, Panopus extended a USD\$7,500 unsecured loan to the Company repayable within six months and on July 3, 2017 extended for an additional six months. On maturity, the Company is required to repay the principal plus interest of US\$563.
- On January 27, 2017, Panopus extended a \$20,000 unsecured loan to the Company repayable within six months and on July 27, 2017 extended for an additional six months. On maturity, the Company is required to repay the principal plus interest of \$1,500.
- On March 29, 2017, Panopus extended a non-interest bearing \$17,000 unsecured loan to the Company repayable within six months and on March 29, 2017 extended for an additional six months. On maturity, the Company is required to repay the principal plus interest of \$1,275.

The Company has no long-term debt obligations.

## SHARE CAPITAL

- (a) As of the date of the MDA the Company has 22,924,921 issued and outstanding common shares. The authorized share capital is unlimited no par value common shares.
- (b) As at the date of the MDA the Company has 1,300,000 incentive stock options outstanding.
- (c) As at the date of the MDA the Company has 9,380,500 outstanding share purchase warrants.

## RELATED PARTY TRANSACTIONS

During the three and nine months ended September 30, 2017, the Company entered the following transactions with related parties and paid or accrued the following amounts, excluding share-based payment charges in connection therewith:

<b>Name</b>	<b>Relationship</b>	<b>Purpose of transaction</b>	<b>Three Months Ended</b>	<b>Nine Months Ended</b>
Promaid Services Ltd.	Personal services company controlled by the CFO and Director of the Company	Consulting	\$ 21,000	\$ 21,000

Accounts payable and accrued liabilities and due to related parties as at September 30, 2017 included \$112,883 (December 31, 2016 - \$69,081) owed to directors and companies controlled by a director or officer.

During the period ended September 30, 2017, there no stock options granted to related parties.

## OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements except those disclosed in Business Highlights.

## INVESTOR RELATIONS

The Company currently does not currently engage any party for investor relation services.

## PROPOSED TRANSACTIONS

The Company has no proposed transactions.

## UPCOMING ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations and amendments to existing standards are not yet effective as of September 30, 2017, see note 2 of the December 31, 2016 consolidated financial statements for details.

## RISKS AND UNCERTAINTIES

The Company's principal activity is resource property exploration and development. Companies in this industry are subject to many and varied kinds of risks, but not limited to, environmental, mineral prices, political, and economic.

The Company will take steps to verify the title to any properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties. These procedures do not guarantee the Company's title. Property titles may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

The Company has no significant sources of operating cash flow and no revenue from operations. Additional capital will be required to fund the Company's exploration program. The sources of funds available to the Company are the sale of equity capital or the offering of an interest in its project to

another party. There is no assurance that it will be able to obtain adequate financing in the future or that such financing will be advantageous to the Company.

The property interests to be owned by the Company or in which it may acquire an option to earn an interest are in the exploration stages only, are without known bodies of commercial minerals and have no ongoing operations. Mineral exploration involves a high degree of risk and few properties, which are explored, are ultimately developed into production.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties in which it previously had no interest. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liabilities to the Company.

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data

The fair value of cash and marketable securities are measured at Level 1 of the fair value hierarchy. The carrying value of receivables, exploration and evaluation advances, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

### **Financial risk factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### *Credit risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote and has deposited cash in high credit quality financial institutions.

### *Liquidity risk*

As of September 30, 2017, the Company had cash balance of \$993 (December 31, 2016 - \$1,226) to settle current liabilities of \$352,499 (December 31, 2016 - \$249,647). All the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. Amounts exposed to market risk include marketable securities of \$1,900 (December 31, 2016 - \$2,100).

### *Interest rate risk*

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade demand investments issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

### *Foreign currency risk*

The Company is exposed to foreign currency risk on fluctuations related to assets and liabilities that are denominated in US Dollars. The Company has minimal balances denominated in USD, and is therefore minimally exposed to foreign currency risk.

### *Price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

## CAPITAL MANAGEMENT

The Company defines capital that it manages as shareholders' equity, consisting of issued common shares, stock options and warrants.

The Company manages its capital structure and adjusts it, based on the funds available to the Company, to support the acquisition, exploration and development of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The property in which the Company currently has an interest is in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions. There were no changes to the Company's approach to capital management during the year.

## FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements and forward-looking information (collectively, “forward-looking statements”) within the meaning of applicable Canadian and U.S. securities legislation. These statements relate to future events or the future activities or performance of the Company. All statements, other than statements of historical fact, are forward-looking statements. Information concerning mineral resource/reserve estimates and the economic analysis thereof contained in preliminary economic analyses or prefeasibility studies also may be deemed to be forward-looking statements in that they reflect a prediction of the mineralization that would be encountered, and the results of mining that mineralization, if a mineral deposit were developed and mined. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate, plans and similar expressions, or which by their nature refer to future events. These forward-looking statements include, but are not limited to, statements concerning:

- the Company’s strategies and objectives, both generally and in respect of its specific mineral properties or exploration and evaluation assets;
- the timing of decisions regarding the timing and costs of exploration programs with respect to, and the issuance of the necessary permits and authorizations required for, the Company’s exploration programs;
- the Company’s estimates of the quality and quantity of the resources and reserves at its mineral properties;
- the timing and cost of planned exploration programs of the Company and the timing of the receipt of result thereof;
- general business and economic conditions;
- the Company’s ability to meet its financial obligations as they come due, and to be able to raise the necessary funds to continue operations; and
- the Company’s expectation that it will be able to add additional mineral projects of merit to its existing property portfolio.

Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Inherent in forward looking statements are risks and uncertainties beyond the Company’s ability to predict or control, including, but not limited to, risks related to the Company’s inability to raise the necessary capital to be able to continue in business and to implement its business strategies, to identify one or more economic deposits on its properties, variations in the nature, quality and quantity of any mineral deposits that may be located, variations in the market price of any mineral products the Company may produce or plan to produce, the Company’s inability to obtain any necessary permits, consents or authorizations required for its activities, to produce minerals from its properties successfully or profitably, to continue its projected growth, and other risks identified herein under “Risk Factors”.

The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results are likely to differ, and may differ materially, from those expressed or implied by forward looking statements contained in this MD&A. Such statements are based on many assumptions which may prove incorrect, including, but not limited to, assumptions about:

- the level and volatility of the price of commodities;
- general business and economic conditions;



- the timing of the receipt of regulatory and governmental approvals, permits and authorizations necessary to implement and carry on the Company's planned exploration;
- conditions in the financial markets generally;
- the Company's ability to attract and retain key staff;
- the accuracy of the Company's resource/reserve estimates (including with respect to size and grade) and the geological, operational and price assumptions on which these are based;
- the nature and location of the Company's mineral exploration projects, and the timing of the ability to commence and complete the planned exploration programs; and
- the ongoing relations of the Company with its regulators.

These forward-looking statements are made as of the date hereof and the Company does not intend and does not assume any obligation, to update these forward-looking statements, except as required by applicable law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

Historical results of operations and trends that may be inferred from the following discussion and analysis may not necessarily indicate future results from operations. The current state of the global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

## **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Disclosure controls and procedures are controls and other procedures that are designed to provide reasonable assurance that all relevant information required to be disclosed in the Company's reports filed or submitted as part of the Company's continuous disclosure requirements is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure and such information can be recorded, processed, summarized and reported within the time periods specified by applicable regulatory authorities.

Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as at September 30, 2017 as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of September 30, 2017, the disclosure controls and procedures were effective. However, Management and the Board of Directors recognize that no matter how well designed the Company's control systems are, such controls can only provide reasonable assurance, not absolute assurance, of detecting, preventing and deterring errors.

## **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

There have not been any changes in the Company's internal control over financial reporting or any other factors during the period ended September 30, 2017, that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

## **DISCLOSURE OF MANAGEMENT COMPENSATION**

In accordance with the requirements of Section 19.5 of TSXV Policy 3.1, the Company provides the following disclosure with respect to the compensation of its directors and officers during the period:

1. During the nine months ended September 30, 2017, the Company did not enter into any standard compensation arrangements made directly or indirectly with any directors or officers of the

Company, for their services as directors or officers, or in any other capacity, with the Company or any of its subsidiaries except as disclosed under “Related Parties Transactions”.

2. During the nine months ended September 30, 2017, officers of the Company were paid (or accrued) for their services as officers by the Company as noted above under “Related Parties Transactions”.
3. During the nine months ended September 30, 2017, the Company did not enter any arrangement relating to severance payments to be paid to directors and officers of the Company and its subsidiaries.

#### APPROVAL

The Board of Directors of the Company has approved the disclosures in this MDA.

Additional information on the Company available through the following source: [www.sedar.com](http://www.sedar.com).