

ARROWSTAR RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

REPORT DATE
APRIL 29, 2019

This Management Discussion and Analysis (the “MDA”) provides relevant information on the operations and financial condition of Arrowstar Resources Ltd. (the “Company”) for the year ended December 31, 2018.

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, 2018 which can be found on SEDAR at www.sedar.com.

RESULTS OF OPERATIONS

Nature of Business

The Company 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 has entered into a letter of intent dated June 12, 2018 (the “LOI”) to enter into an arm’s length Share Purchase (the “Transaction”) to acquire 100% of the issued and outstanding shares in Recycle Fuel Technologies Inc. (“RFT”). The details of the transaction are under the Proposed Transaction section of the MDA.

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.

SELECTED ANNUAL INFORMATION

The following selected financial data have been prepared in accordance with IFRS unless otherwise noted and should be read in conjunction with the Company's consolidated financial statements. The following table sets forth selected financial data for the Company for and as of the end of the last three completed financial years.

Financial Year Ended	December 31, 2018	December 31, 2017	December 31, 2016
Net gain (loss)	(\$424,476)	(\$529,190)	\$90,786
Gain (loss) per share – basic and diluted	(0.02)	(0.02)	0.01
Exploration and evaluation assets	-	-	303,657
Total assets	48,350	9,155	315,120
Working capital (deficiency)	(561,373)	(427,717)	(242,184)

The Company's net gain in the year ended December 31, 2016 of \$90,786 was attributed to a gain on settlement of accounts payable of \$565,899. Total assets in the year ended December 31, 2016 was \$315,120 and was attributed to an increase in exploration and assets of \$303,657 as a result of a financing of \$345,000 completed during the year. The Company's net loss of \$529,190 in the year ended December 31, 2017 was mainly attributed to the write-off of \$339,825, the carry value, of the Secret Pass Property in Arizona. The Company's net loss of \$424,476 in the year ended December 31, 2018 was mainly attributed to the operating activities. Total assets in the year ended December 31, 2018 was \$48,350 and was attributed to an increase in cash as a result of a financing of \$300,000 completed during the year.

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 December 31, 2018.

Quarter Ended Amounts in 000's	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	Mar. 31, 2017
Net loss	\$(181)	\$(115)	\$(102)	\$(26)	\$(37)	\$(57)	\$(393)	\$(42)
Loss per share – basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)	(0.00)
Total assets	48	96	135	139	9	9	12	321
Working capital	(557)	(380)	(265)	(317)	(428)	(390)	(333)	(283)

General and administrative expenses remained consistent from period to period. During the period ended December 31, 2018, the Company incurred additional consulting and professional fees related to the proposed share purchase of Recycle Fuel Technologies Inc. During the period ended September 30, 2018 the Company also incurred additional expenses on the proposed share purchase of Recycle Fuel Technologies Inc. During the period ended March 31, 2018 the Company's total assets increased as a result of a completion of a private placement for gross proceeds of \$300,000. During the period ended June 30, 2017 the Company recorded a write-off of \$339,825 attributed to the Secret Pass Property.

Financial Results of Operations

Twelve Months ended December 31, 2018 compared to twelve months ended December 31, 2017

The Company's general and administrative costs were \$424,276 (2017 - \$192,735), and reviews of the major items are as follows:

- Consulting fees of \$244,570 (2017 - \$45,731) increased due to additional time spent on the letter of intent dated June 12, 2018 relating to the arm's length share purchase of Recycle Fuel Technologies Inc.;
- Insurance of \$10,754 (2017 - \$19,906) decreased due to the Company no longer requiring additional insurance on the Secret Pass property agreement;
- Professional fees of \$108,830 (2017 - \$99,966) consisting of accounting and audit of \$16,018 (2017 - \$23,795) and legal of \$92,812 (2017 - \$76,171);
- Regulatory fees of \$18,904 (2017 - \$12,719), increased due to additional regulatory requirements surrounding the arm's length share purchase of Recycle Fuel Technologies Inc.;

Other items showed a loss of \$200 (2017 - \$336,455) relating to changes in the value of marketable securities held by the Company and because the Company terminated the Tin Cup Option Agreement in 2017. The Company wrote off cumulative costs to date on the Secret Pass Property of \$343,657 as an impairment loss. Due to their nature, these transactions relate to events that do not necessarily generate comparable effects on the Company's operating results.

Three Months ended December 31, 2018 compared to three months ended December 31, 2017

The Company's general and administrative costs were \$181,267 (2017 - \$44,546), and reviews of the major items are as follows:

- Consulting fees of \$140,570 (2017 - \$10,500) increased due to additional time spent on the letter of intent dated June 12, 2018 relating to the arm's length share purchase of Recycle Fuel Technologies Inc.;
- Insurance of \$2,864 (2017 - \$2,714), was consistent with the prior period;
- Professional fees of \$15,427 (2017 - \$28,223) and consisting of accounting and audit of \$3,585 (2017 - \$6,150) and legal of \$11,842 (2017 - \$22,073); and
- Regulatory fees of \$5,318 (2017 - \$1,142), increased due to additional regulatory requirements surrounding the arm's length share purchase of Recycle Fuel Technologies Inc.

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 December 31, 2018, the Company has a working capital deficit of \$561,373 (December 31, 2017 – \$427,717).

As a result 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 2019 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.

As at December 31, 2018 the Company had entered into related party loan agreements with companies controlled by officers and directors of the Company for \$54,945 (December 31, 2017 - \$52,445)

On April 30, 2018, the Company issued 5,000,000 units at \$0.06 per unit for gross proceeds of \$300,000. Each unit consists of one common share and one share purchase warrant entitling the holder the purchase an additional share of the Company for a period of two years at \$0.20 per warrant in year one and \$0.30 in year two.

As of December 31, 2018, an officer of the Company had advanced \$12,500 (December 31, 2017 – \$10,000) to the Company. The advance is non-interest bearing with no set repayment terms.

SHARE CAPITAL

- (a) As of the date of the MDA the Company has 27,924,921 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 7,596,000 outstanding share purchase warrants.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2018, the Company entered into the following transactions with related parties and paid or accrued the following amounts, excluding share-based payment charges in connection therewith:

Name	Relationship	Purpose of transaction	Year Ended December 31, 2018
Promaid Services Ltd.	Personal services company controlled by the CFO and Director of the Company	Consulting	\$ 64,000
Panopus PLC	Personal services company controlled by the CEO and	Consulting	\$ 138,215

Name	Relationship	Purpose of transaction	Year Ended December 31, 2018
	Director of the Company		
Oakside Advisory Ltd.	Personal services company controlled by a Director of the Company	Consulting	\$ 27,000

Accounts payable and accrued liabilities as at December 31, 2018 included \$280,974 (December 31, 2017 - \$114,170) owed to directors and companies controlled by a director or officer.

The Company entered into 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, 2018, Panopus extended a USD\$7,500 (CDN\$9,912) unsecured loan to the Company repayable within six months. On June 30, 2018 the loan was extended to January 3, 2019. On maturity the Company is required to repay the principal plus interest of US\$563.
- On January 27, 2018, Panopus extended a \$10,000 unsecured loan to the Company repayable within six months. On June 30, 2018 the loan was extended to January 27, 2019. On maturity the Company is required to repay the principal plus interest of \$1,500.
- On March 29, 2018, Panopus extended a \$17,000 unsecured loan to the Company repayable within six months. On June 30, 2019 the loan was extended to March 29, 2019.
- On November 18, 2017, Panopus extended a \$2,010 non-interest bearing unsecured loan to the Company repayable within six months. On June 30, 2018 the loan was extended to May 17, 2019.

The balance of principal and interest on the loans with Panopus as at December 31, 2018 is \$42,445 (December 31, 2017 – \$42,445).

During the period ended December 31, 2018, the CFO advanced \$12,500 (December 31, 2017 – \$10,000) to the Company. The advance is non-interest bearing with no set repayment terms.

OFF BALANCE SHEET ARRANGEMENTS

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

INVESTOR RELATIONS

The Company has no Investor Relations Agreements

PROPOSED TRANSACTIONS

The Company entered into a Letter of Intent (“LOI”) dated June 12, 2018 with Dr. Carlos Sorentino and Lucian C. Sorentino (the “Sorentino’s”) to acquire 100% of the issued and outstanding shares in Recycle Fuel Technologies (“RFT”).

Under the terms of the LOI, the Company will acquire all the issued and outstanding shares of RFT and will become a wholly owned subsidiary of the Company. The total purchase price for the shares will be US\$5,000,000 payable in cash and shares of the Company valued at \$0.20 per share as follows:

	Cash (US\$)	Shares
TSX-V approval	\$500,000	10,000,000
Six months after TSX-V approval	\$500,000	5,000,000
Twelve months after TSX-V approval	\$500,000	8,400,000
Total	\$1,500,000	23,400,000

Prior to or concurrent with completion of the transaction, the Company will conduct a financing for gross proceeds of CDN\$5,000,000 at a price of \$0.20.

The Company nor the Sorentino's have completed closing conditions that were required in the LOI or extended the time for due diligence and closing conditions, which was to expire on September 30, 2018. The Company is evaluating its options to determine if it is in the best interest of the Company to proceed or extend the option which the Sorentino's have agreed in principle or terminate the LOI.

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, accounts payable and accrued liabilities, and due to related parties 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 December 31, 2018, the Company had cash balance of \$37,629 (December 31, 2017 - \$219) to settle current liabilities of \$605,723 (December 31, 2017 - \$432,872). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company will need to raise additional funds through equity or debt to continue its operations.

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 \$1,500 (December 31, 2017 - \$1,700).

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. Amounts exposed to foreign currency risk include cash of US\$22,622 as of December 31, 2018 (December 31, 2017 - US\$22).

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 makes adjustments to it, based on the funds available to the Company, in order 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 a number of 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. In particular, 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.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

New accounting policy

Effective for January 1, 2018, the Company adopted the following accounting standards:

IFRS 9, Financial Instruments (“IFRS 9”)

IFRS 9 Financial Instruments was issued by the IASB in July 2014 and has replaced IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant changes to hedge accounting.

The following summarizes the significant changes in IFRS 9 compared to the current standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The change did not impact the carrying amounts of any of the Company's financial assets on the transition date. Prior periods were not restated and no material changes resulted from adopting this new standard.
- The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of financial assets on the transition date.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	FVTPL	FVTPL
Marketable securities	FVTPL	FVTPL
Receivables	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost

The Company did not restate prior periods and determined that the adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on January 1, 2018.

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards (“IAS”) Board or International Financial Reporting Standards Interpretation Committee (“IFRIC”) that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 16 *Leases*: New standard to establish principles for recognition, measurement, presentation, and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

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 year ended December 31, 2018, the Company did not enter 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 year ended December 31, 2018, officers of the Company were paid (or accrued) for their services as officers of the Company as noted above under “Related Parties Transactions”.
3. During the year ended December 31, 2018, 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.