ARROWSTAR RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

REPORT DATE
November 20, 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 period ended September 30, 2019.

The Company's principal business is the identification and evaluation of assets, or a business, and once identified or evaluated, to negotiate the acquisition or participation in the business. See Proposed Transact section of the MDA.).

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 of 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 is 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 (the "LOI") to enter into a non-arm's length Share Exchange Agreement (the "Transaction") to acquire 100% of the issued and outstanding shares in Adastra Labs Holdings Ltd. ("Adastra"). The details of the transaction are under the Proposed Transaction section of this 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.

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 September 30, 2019.

Quarter Ended Amounts in 000's	Sept. 30, 2019	June 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	Mar. 31, 2018	Dec. 31, 2017
Net loss	$(93)	$(131)	$(32)	$(181)	$(115)	$(102)	$(26)	$(37)
Loss per share – basic and diluted	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	26	38	36	48	96	135	139	9
Working capital	(817)	(723)	(593)	(557)	(380)	(265)	(317)	(428)

During the quarter ended September 30, 2019 general and administration expenses increased due to legal expenses on the Adastra transaction. During the quarter end June 30, 2019 general and administration expenses increased due to the Adastra transaction. During the quarter end March 31, 2019 general and administration expenses were consistent with prior quarters. 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.

Financial Results of Operations

Nine Months ended September 30, 2019 compared to nine months ended September 30, 2018

The Company's general and administrative costs were $256,029 (2018 - $243,209), and reviews of the major items are as follows:

- Consulting fees of $88,900 (2018 - $104,000) due to time spent on the letter of intent transaction with Adastra;
- Insurance of $5,929 (2018 - $7,890) decreased due to the Company no longer requiring additional insurance on exploration property;
- Professional fees of $139,032 (2018 - $93,403) and consisting of accounting and audit of $11,191 (2018 - $12,433) and legal of $127,841 (2018 - $80,970) and;
- Regulatory fees of $16,046 (2018 - $13,586), was consistent with prior periods activities.

Three Months ended September 30, 2019 compared to three months ended September30, 2018

The Company's general and administrative costs were $93,311 (2018 - $114,487), and reviews of the major items are as follows:

- Consulting fees of $18,000 (2018 - $18,000), for time spent on Company transactions and the letter of intent with Adastra in 2019 ;

- Insurance of $1,326 (2018 - $2,863), decreased due to the Company no longer requiring additional insurance on exploration properties;

- Professional fees of $67,182 (2018 - $72,020) and consisting of accounting and audit of $6,388 (2018 - $6,388) and legal of $65,632 (2018 - $65,632); and

- Regulatory fees of $5,219 (2018 - $1,667), increased due to Adastra transaction.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2019, the Company has a working capital deficit of $817,402 (December 31, 2018 – $561,373).

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, 2018 - $54,945)

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 June 30, 2019, an officer of the Company had advanced $Nil (December 31, 2018 – $12,500) to the Company.

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 no 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 period ended September 30, 2019, 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	Period Ended September 30, 2019
Promaid Services Ltd.	Personal services company controlled by the CFO and Director of the Company	Consulting	$ 31,500
Panopus PLC	Personal services company controlled by the CEO and Director of the Company	Consulting	$ 34,900
Oakside Advisory Ltd.	Personal services company controlled by a Director of the Company	Consulting	$ 22,500

Accounts payable and accrued liabilities as at September 30, 2019 included $382,573 (December 31, 2018 - $280,974) 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, 2017, Panopus extended a USD$7,500 (CDN$9,912) unsecured loan to the Company repayable within six months. On July 3, 2017 the loan was extended for an additional six month term. On maturity the Company is required to repay the principal plus interest of US$563.
- On January 27, 2017, Panopus extended a $10,000 unsecured loan to the Company repayable within six months. On July 27, 2017 the loan was extended for an additional six month term. On maturity the Company is required to repay the principal plus interest of $1,500.
- On March 29, 2017, Panopus extended a $17,000 unsecured loan to the Company repayable within six months. On September 29, 2017 the loan was extended for an additional six month term.
- On November 17, 2017, Panopus extended a $2,010 non-interest bearing unsecured loan to the Company repayable within six months.

The balance of principal and interest on the loans as at September 30, 2019 is $42,445 (December 31, 2018 – $42,445). As at September 30, 2019, these loans have not been repaid and are due on demand.

As of September 30, 2019, an officer of the Company had advanced $Nil (December 31, 2018 – $12,500) to the Company.

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 has entered into a letter of intent (the "LOI") to enter into a Share Exchange Agreement with Adastra Labs Holdings Ltd. ("Adastra") whereby the parties will complete a business combination by way of a transaction that will constitute a reverse takeover of the Company by Adastra (the "Transaction").

Pursuant to the Transaction, the Company will first apply to delist from the TSX Venture Exchange (the "TSXV"), then on closing of the Transaction (the "Closing") all of the issued and outstanding common shares of Adastra (the "Adastra Shares") will be exchanged for common shares of the Company (the "AWS Shares"), which will result in Adastra becoming a wholly-owned subsidiary of the Company or otherwise combining its corporate existence with a wholly-owned subsidiary of the Company. The resulting issuer upon completion of the Transaction (the "Resulting Issuer") will change its business from mining to cannabis standard processor and analytical testing laboratory and apply to be listed on the Canadian Securities Exchange (the "CSE"). During the period ended September 30, 2019 the Company received conditional approval to list on the CSE.

Description of Adastra and its Business

Adastra is a private company incorporated under the British Columbia Business Corporations Act in 2018 to capitalize on the significant opportunities in the cannabis industry. It is headquartered in Langley, British Columbia where it has invested in re-purposing a former food manufacturing facility into a cannabis standard processor and analytical testing laboratory. Adastra's focus is to provide B2B services for cannabis extractions and concentrates through its standard processing subsidiary Adastra Labs Inc. while offering full-spectrum cannabis analytical testing services to its customers through its testing lab subsidiary Chemia Analytics Inc., co-located in their Langley facility. Adastra is also developing its own cannabis extracts-related products through its brand subsidiary Adastra Brands Inc. Adastra expects to provide these services to the cannabis industry on a global basis but only in jurisdictions where all laws and statutes governing the business are complied with at all levels of government. Adastra has focused on developing a GMP-compliant facility design using the latest technology to allow high volume production of cannabis extractions. Adastra subsidiaries submitted licence applications in October 2018 and received the Analytical Testing License from Health Canada under the Cannabis Act and Cannabis Regulations.

Transfer of Listing to the CSE

Upon Closing of the Transaction and subject to receipt of approvals of the TSXV for the delisting of the AWS Shares from the TSXV (the "TSXV Delisting") and the CSE for the listing of the AWS Shares on the CSE (the "CSE Listing"), the listing of AWS Shares will be transferred from the TSXV to the CSE. The TSXV Delisting is subject to the Company receiving approval from the TSXV and the CSE Listing is subject to the Company receiving approval from the CSE. There can be no assurance that the TSXV will approve the proposed TSXV Delisting or that the CSE will approve the listing of the Resulting Issuer's shares. Non-approval of the transfer of the listing will prohibit or negatively impact closing of the Transaction with the result that the Company may need to seek and secure another acquisition of a business or assets to ensure that the Company will meet the TSXV's continued listing requirements.

Shareholder Approvals for the Company

Prior to the completion of the Transaction, the Company will call a meeting of its shareholders for the purpose of approving, among other matters, (i) the TSXV Delisting; (ii) the Listing on the CSE; and (iii) the approval of the Transaction.

The Transaction is a non-arm's length transaction. The Company has prepared and filed with the CSE a CSE Form 2A listing statement (the "Listing Statement") providing comprehensive disclosure on Adastra and the Transaction in connection with the application to list on the CSE.

Adastra Private Placement

Prior to or concurrently with Closing, Adastra is to complete up to $4,000,000 12% Secured Convertible Debentures convertible to units and a private placement of a minimum $1,000,000 and a maximum of $5,000,000 (the "Adastra Private Placement"). Final terms of the Adastra Private Placement such as pricing, financing structure, commission and finder's or agent's fees will be subject to final approval by Adastra, the CSE and/or other applicable regulatory authorities.

Securities Exchange and AWS Warrants

Pursuant to the Transaction, all of the existing 81,138,333 Adastra Shares will be acquired by AWS in consideration of AWS issuing one (1) AWS Shares for each one (1) Adastra Share issued and outstanding immediately prior to Closing (the "Exchange Ratio).

In addition, all Adastra Shares issued in the Adastra Private Placement will be exchanged into additional AWS Shares upon completion of the Transaction at the Exchange Ratio, and all Adastra convertible securities issued in the Adastra Private Placement shall be exchanged, at the Exchange Ratio, for an equivalent number of AWS convertible securities on the same terms and conditions with the exercise/conversion price adjusted based on the Exchange Ratio.

Further, following Closing, the outstanding AWS Warrants will remain in effect.

Management of the Resulting Issuer

Upon closing of the Transaction, Philip Thomas and Andrew Jarvis, AWS's current directors and officer, will resign; the board of directors of the Resulting Issuer will consist of four directors, including Blaine Bailey, Stephen Brohman, who will also be appointed CFO, George Routhier and Andrew Hale, who will be appointed President and CEO of the Resulting Issuer.

Name Change

It is anticipated that Arrowstar will be renamed "Adastra Labs Holdings Ltd." following completion of the Transaction.

The Company

The Company will consolidate its shares on a of five (5) old Company shares for one (1) new Company share prior to closing of the Transaction. It is a condition to the Share Exchange Agreement that prior to the Closing of the completion of the Transaction, Arrowstar will complete an equity offering (the "Concurrent Financing"), post share consolidation, to raise $500,000, such Concurrent Financing to consist of 10,000,000 common shares (the "Offering Shares") at a price of $0.05 per Offering Share, or such other terms as the Company and Adastra may agree, mutually in writing.

Closing Conditions

The completion of the Transaction is subject to several conditions, including but not limited to the following:

- completion of mutually satisfactory due diligence;
- completion of the Private Placement; and
- receipt of all required regulatory, corporate and third-party approvals, including approvals by the TSXV, the CSE, the shareholders of the Company and Adastra, and fulfilment of all applicable regulatory requirements and conditions necessary to complete the Transaction.

Trading Halt

Trading in the Company's shares was halted on June 13, 2018 and is expected to remain halted until closing of the Transaction and listing on the CSE.

Recycling Fuel Technologies Inc. ("RFT")

The Company has terminated the RFT letter of intent dated June 12, 2018.

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 September 30, 2019, the Company had cash balance of $10,648 (December 31, 2018 - $37,629) to settle current liabilities of $839,696 (December 31, 2018 - $605,723). 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 $700 (December 31, 2018 - $1,500).

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$4,568 as of September 30, 2019 (December 31, 2018 - US$22,622).

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.

New accounting standards

The Company adopted the following accounting standards that are effective for accounting periods beginning on or after January 1, 2019:

IFRS 16 – Leases

IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and replaced IAS 17, Leases. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset.

The Company does not have any leases and accordingly, there was no impact to the Company's financial statements as a result of adopting this new standard.

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 period ended September 30, 2019, 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 period ended September 30, 2019, 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 period ended September 30, 2019, 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.