**51-102F3**
**MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Arctic Star Exploration Corp. (the "**Company**")
1400 – 1111 West Georgia Street
Vancouver, BC V6E 4M3

**Item 2 Date of Material Change**

December 29, 2016

**Item 3 News Release**

The news release was disseminated on December 30, 2016 through Stockwatch.

**Item 4 Summary of Material Change**

On December 30, 2016, the Company announced that it has completed the second tranche of its previously announced private placement financing (the "**Financing**"), as described in its News Release dated October 12, 2016, pursuant to which it has issued an aggregate 7,760,000 units (each, a "**Unit**") at a price of $0.06 per Unit for gross proceeds of $465,600. Each Unit consists of one common share (each, a "**Share**") and one share purchase warrant (each, a "**Warrant**"). Each Warrant is exercisable into one Share at a price of $0.08 per Share for a period of two years from the date of issuance.

Each Unit consists of one common share (each, a "Share") and one share purchase warrant (each, a "Warrant"). Each Warrant is exercisable into one Share at a price of $0.08 per Share for a period of two years from the date of issuance.

The Company intends on completing an additional tranche of the Financing.

The Company also announced that it closed a non-brokered private placement (the "**Flow-through Financing**") consisting of 5,000,000 flow-through common shares (each, a "**Flow-through Share**") at a price of $0.06 per Flow-through Share for total proceeds of $300,000. The Company raised total gross proceeds of $1,472,300.04 from the closing of the first and second tranches of the Financing and the closing of the Flow-through Financing.

**Item 5 Full Description of Material Change**

*5.1 Full Description of Material Change*

See attached new releases with respect to the matter described above.

<u>**Disclosure Required by MI 61-101**</u>

Pursuant to Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"), the Financing constitutes a "related party transaction" as a related party of the Company participated in the Financing.

The following supplementary information is provided in accordance with Section 5.2 of MI 61-101.

*(a) a description of the transaction and its material terms:*

The Company entered into a subscription agreement with William Ferreria, a director of the Company, whereby Mr. Ferreira agreed to purchase 1,000,000 Units of the Company at a price of $0.06 per Share for proceeds of $60,000.

*(b) the purpose and business reasons for the transaction:*

Proceeds of the Financing are anticipated to be used to develop existing properties, potential future acquisitions and general working capital.

*(c) the anticipated effect of the transaction on the issuer's business and affairs:*

The Financing will provide funds to develop existing properties, potential future acquisitions and for general working capital.

*(d) a description of:*

*(i) the interest in the transaction of every interested party and of the related parties and associated entities of the interested parties:*

See item (a).

*(ii) the anticipated effect of the transaction on the percentage of securities of the issuer, or of an affiliated entity of the issuer, beneficially owned or controlled by each person or company referred to in subparagraph (i) for which there would be a material change in that percentage:*

The following table sets out the effect of the Financing on the percentage of securities of the Company beneficially owned or controlled by William Ferreira:

| Name and Position | Dollar Amount of Shares Purchased | Number of Securities Purchased | No. of Shares Held prior to Closing of the Financing | Percentage of Issued and Outstanding Shares prior to Closing of the Financing | No. of Shares Held After Closing of the Financing | Percentage of Issued and Outstanding Shares After Closing of the Financing |
|---|---|---|---|---|---|---|
| William Ferreira *Director* | $60,000 | 1,000,000 Units | Undiluted: 741,866(1)<br>Diluted: 143,750(2) | Undiluted: 1.80%(3)<br>Diluted: 0.35%(4) | Undiluted: 1,741,866(5)<br>Diluted: 1,143,750(6) | Undiluted: 3.56%(7)<br>Diluted: 2.27%(8) |

(1) Comprised of: (i) 558,741 Shares held directly, (ii) 116,500 Shares held indirectly through RRSP, (iii) 2,875 Shares held indirectly through Scanion Holdings Ltd. and (iv) 63,750 Shares held indirectly through W.S. Ferreira Ltd.

**(2)** Comprised of: (i) 558,741 Shares held directly, (ii) 116,500 Shares held indirectly through RRSP, (iii) 2,875 Shares held indirectly through Scanion Holdings Ltd. and (iv) Shares held indirectly through W.S. Ferreira Ltd., (v) 50,000 stock options (each, an "Option") held directly, each of which is exercisable into one Share at a price of $0.20 per Share until February 20, 2020, and (vi) 93,750 warrants (each, a "Warrant") held directly, each of which is exercisable into one Share at a price of $0.20 per Share until April 11, 2018.

(3) Based on 41,119,106 Shares outstanding prior to the completion of the Financing.

(4) Based on 41,362,856 Shares outstanding on a partially-diluted basis prior to the completion of the Financing, comprised of: (i) 41,119,106 outstanding prior to the completion of the Financing, (ii) 50,000 Shares that may be issued on exercise of Options held directly, and (iii) 93,750 Shares that may be issued on exercise of Warrants held directly.

**(5)** Comprised of: (i) 558,741 Shares held directly, (ii) 116,500 Shares held indirectly through RRSP, (iii) 2,875 Shares held indirectly through Scanion Holdings Ltd. and (iv) 63,750 Shares held indirectly through W.S. Ferreira Ltd.

**(6)** Comprised of: (i) 558,741 Shares held directly, (ii) 116,500 Shares held indirectly through RRSP, (iii) 2,875 Shares held indirectly through Scanion Holdings Ltd. and (iv) 63,750 Shares held indirectly through W.S. Ferreira Ltd., (ii) all of the convertible securities of the Company set out in footnote (2) above, and (iii) 1,000,000 warrants held directly, each of which is exercisable into one share at a price of $0.08 per Share until December 18, 2018.

(7) Based on 48,879,106 Shares outstanding following the completion of the Financing.

(8) Based on 50,022,856 Shares outstanding on a partially diluted-bases following the completion of the Financing, comprised of: (i) 48,879,106 Shares outstanding following the completion of the Financing, (ii) 1,093,750 Shares that may be issuable on exercise of warrants held directly, and (iii) 50,000 Shares that may be issued on exercise of Options held directly.

*(e) unless this information will be included in another disclosure document for the transaction, a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the issuer for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee:*

A resolution of the board of directors was passed on October 11, 2016 which approved the Financing. No special committee was established in connection with the transaction, and no materially contrary view or abstention was expressed or made by any director.

*(f) a summary in accordance with section 6.5 of MI 61-101, of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction:*

Not applicable.

*(g) disclosure, in accordance with section 6.8 of MI 61-101, of every prior valuation in respect of the issuer that related to the subject matter of or is otherwise relevant to the transaction:*

*(i) that has been made in the 24 months before the date of the material change report:*

Not applicable.

*(ii) the existence of which is known, after reasonable enquiry, to the issuer or to any director or officer of the issuer:*

Not applicable.

*(h) the general nature and material terms of any agreement entered into by the issuer, or a related party of the issuer, with an interested party or a joint actor with an interested party, in connection with the transaction:*

See item (a).

*(i) disclosure of the formal valuation and minority approval exemptions, if any, on which the issuer is relying under sections 5.5 and 5.7 of MI 61-101 respectively, and the facts supporting reliance on the exemptions:*

The Financing is exempt from the valuation and minority shareholder approval requirements of MI 61-101 by virtue of the exemptions contained in section 5.5(a) and 5.7(1)(a) of MI 61-101, since neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the Financing, insofar as it involves interested parties, exceeds 25% of the Company's market capitalization.

As this material change report is being filed less than 21 days before the closing of the Financing, there is a requirement under MI 61-101 to explain why the shorter period was reasonable or necessary in the circumstances. In the view of the Company, such shorter period was reasonable and necessary in the circumstances to improve the Company's financial position.

*5.2 Disclosure for Restructuring Transactions*

N/A

**Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102**

N/A

**Item 7 Omitted Information**

None

**Item 8 Executive Officer**

Contact: Patrick Power, President
Telephone: 604.689.1799

**Item 9 Date of Report**

January 13, 2017

**ARCTIC STAR EXPLORATION CORP.**
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Fax: (604) 689 – 8199

# ARCTIC STAR ANNOUNCES CLOSING OF SECOND TRANCHE OF PRIVATE PLACEMENT AND FLOW-THROUGH PRIVATE PLACEMENT

**December 30, 2016 -** Arctic Star Exploration Corp, ("Arctic Star" or the "Company") (TSXV:ADD) announces that it has completed the second tranche of its previously announced private placement financing (the "Financing"), as described in its News Release dated October 12, 2016, pursuant to which it has issued an aggregate 7,760,000 units (each, a "Unit") at a price of $0.06 per Unit for gross proceeds of $465,600. Each Unit consists of one common share (each, a "Share") and one share purchase warrant (each, a "Warrant"). Each Warrant is exercisable into one Share at a price of $0.08 per Share for a period of two years from the date of issuance.

The Company paid cash finder's fees of $21,600 and issued 760,000 share purchase warrants (the "Finder's Warrants") to one finder in connection with the second tranche of the Financing. Each Finder's Warrant is exercisable into one Share at a price of $0.06 per Share for a period of two years from the date of issuance.

Proceeds from the Financing will be used to develop existing properties, potential future acquisitions and general working capital.

The Company also announced that it closed a non-brokered private placement (the "Flow-through Financing") consisting of 5,000,000 flow-through common shares (each, a "Flow-through Share") at a price of $0.06 per Flow-through Share for total proceeds of $300,000. The Company has raised total gross proceeds of $1,472,300.04 from the closing of the first and second tranches of the Financing and the closing of the Flow-through Financing.

Use of proceeds received from the Flow-through Financing is planned for a drill program on Arctic's 100 percent owned Cap Property, located 85 Kilometers northeast of Prince George, B.C. The Cap property is a 2,353ha Rare Earth Elements and Niobium property that has had extensive geophysics, as well as soil and rock sampling programs that has identified key drill targets. Dahrouge Geological Consulting will be managing the program on behalf of Arctic.

The Company paid $24,000 finder's fees in connection with the closing of the Flow-through Financing.

The securities issued under the Financing and the Flow-through Financing, and the shares that may be issuable on exercise of the Warrants and Finder's Warrants, are subject to a statutory hold period expiring on April 30, 2017.

An Insider of the Company subscribed for a total of 1,000,000 Units under the Financing, which is a "related party transaction" within the meaning of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). The issuance to the insider is exempt from the valuation requirement of MI 61-101 by virtue of the exemption contained in section 5.5(b) as the Company's shares are not listed on a specified market and from the minority shareholder approval requirements of MI 61-101 by virtue of the exemption contained in section 5.7(a) of MI 61-101 in that the fair market value of the consideration of the shares issued to the related parties did not exceed 25% of the Company's market capitalization.

The Company also announces that it has granted an aggregate of 3,680,000 stock options to its directors, officers, employees and consultants for the purchase of up to 3,680,000 common shares of the Company pursuant to its Stock Option Plan. Each option is exercisable for a period of 5 years at a price of $0.085 per common share.

**ON BEHALF OF THE BOARD OF DIRECTORS OF**
**ARCTIC STAR EXPLORATION CORP.**

*"Patrick Power"*

Patrick Power, President
(604) 689-1799