

**ARBITRAGE EXPLORATION INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**General**

*This Management's Discussion and Analysis ("MD&A") is prepared as of April 29, 2016 and should be read in conjunction with the audited annual financial statements of Arbitrage Exploration Inc. ("Arbitrage" or "Company") for the year ended December 31, 2015 and December 31, 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical fact, that address future exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Additional information, including the Annual Information Form can be found on SEDAR, [www.sedar.com](http://www.sedar.com). All amounts are in Canadian dollars.*

**Overview**

The Company is seeking investment opportunities.

**Results of Operations**

During the year ending December 31, 2015, the Company listed on the Canadian Stock Exchange (the "CSE").

**Revenue**

The Company did not earn any revenue during the year ended December 31, 2015.

**Expenses**

	December 31, 2015	December 31, 2014	December 31, 2013
Administrative expenses	\$92,638	\$32,105	\$146,622
Professional fees	\$49,829	\$46,884	\$19,574
Listing fees	\$23,260	\$13,577	\$32,107
Forgiveness of loan payable and accounts payable	\$(78,000)	\$-	\$-

Administration expenses increased by \$60,533 due to the inactivity of the previous year. Professional fees were consistent. Listing fees increased by \$9,683 due to the one time transaction costs of listing on the CSE.

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Quarterly Financial Information  
(unaudited)

	2015 Q4 IFRS Reporting	2015 Q3 IFRS Reporting	2015 Q2 IFRS Reporting	2015 Q1 IFRS Reporting
(a) Revenue	- \$	- \$	- \$	-
(b) Net Income (loss)	(76,581) \$	(24,478) \$	(37,264) \$	42,839
(c) Net Income (loss) per share (Basic & Fully Diluted)	(0.007) \$	(0.002) \$	(0.003) \$	0.004
	2014 Q4 IFRS Reporting	2014 Q3 IFRS Reporting	2014 Q2 IFRS Reporting	2014 Q1 IFRS Reporting
(a) Revenue	\$ -	\$ -	\$ -	-
(b) Net Income (loss)	\$ (44,755)	\$ (21,776)	\$ (10,596)	(15,905)
(c) Net Income (loss) per share (Basic & Fully Diluted)	\$ 0.000	\$ 0.000	\$ 0.000	(0.000)

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### Liquidity and Capital Resources

As at December 31, 2015 there was cash of \$7,476 compared to cash of \$6,102 as at December 31, 2014 and HST receivable of \$8,970 (December 31, 2014 – \$(868)) The Company's December 31, 2015 short-term obligations consist of accounts payable of \$82,318 (December 31, 2014 - \$117,267) and a due to related party of \$225 (December 31, 2014 - \$nil). The Company has a long-term obligation of \$43,195 as at December 31, 2015 (December 31, 2014 - \$nil).

The Company's working capital at December 31, 2015 was a deficit of \$66,097 compared to a deficiency of \$109,144 at December 31, 2014. It is clearly not sufficient for the general operations of the Company. The Company has been successful in accessing the equity market in the past and while there is no guarantee that this will be continue to be available, management has no reason to expect that this capability will diminish in the near term.

### Outstanding Share Data

#### Shares, warrants and options outstanding are:

- Shares - As at December 31, 2015, the Company had 13,072,312 (of which 24,000 is to be issued) common shares. During the year, the Company completed a private placement of 1,600,000 shares at a price of \$0.05 per share for aggregate proceeds of \$80,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of \$0.10 per a common share for a period of 24 months from the date of issuance and

another private placement following for 315,000 units at a price of \$0.05 per unit for aggregate proceeds of \$15,750. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of \$0.10 per a common share for a period of 24 months from the date of issuance. In connection with this financing, the Company paid cash commissions of \$787.

- Warrants – As at December 31, 2015 the Company had 1,930,750 warrants outstanding. During the year there were 1,930,750 warrants issued. Each warrant entitles the holder thereof to acquire one common share at a price of \$0.10 per a common share for a period of 24 months from the date of issuance
- Stock Options - The Company has established a stock option plan (the "Plan") to encourage ownership of the Company by its key officers, directors, employees and consultants. The maximum number of common shares which can be issued under the Plan at any time is a maximum of 10% of the issued and outstanding shares of the company. As at December 31, 2015 there are no options outstanding.

### Related Party Transactions

The following related party transactions occurred and were reflected in the financial statements during the period ended December 31, 2015 and 2014 as follows:

	<b>December 31, 2015</b>	December 31, 2014
<b>Management fees and consulting fees expense:</b>		
Management fees were charged by the CFO for corporate administrative and financial management services (note b)	\$ 31,500	\$ 36,000
Consulting fees were charged by the CEO for corporate administration (note b)	<u>\$ 38,000</u>	<u>\$ 15,000</u>
	\$ 69,500	\$ 51,000
<b>Professional fees expense:</b>		
Legal fees were charged by an officer/director for legal and corporate secretarial services	\$ 38,603	\$ 26,283
<b>Rent fees expense:</b>		
Rent fees (office premises) were charged by an officer/director	\$ 6,038	\$ 12,000

- a) Included in accounts payable and accrued liabilities are management fees of \$22,700 (December 31, 2014 - \$39,000) to a company controlled by the CFO in common with the Company and legal fees of \$35,833 (December 31, 2014 - \$46,308) due to a company controlled by a director in common with the Company.

- b) CEO and CFO compensation was incurred of \$69,500 (December 31, 2014 - \$51,000). During the year ended December 31, 2015, \$24,000 (December 31, 2014 - \$25,000) of accrued compensation was forgiven by the CEO and CFO.
- c) In March 2015, the Company has negotiated with the CEO and CFO for the forgiveness of accounts payable due to them. The outstanding indebtedness of the Company was reduced in the amount of \$78,000 including \$27,000 of expenses generated in the December 31, 2015 year end and \$51,000 of expenses generated in the December 31, 2014 year end.
- d) Included in long-term debt is with a principal balance of \$48,780 (carrying value \$43,195) (December 31, 2014 - \$Nil) due to a company controlled by an officer/director in common with the Company.
- e) As at December 31, 2015, amounts due to related party consist of \$225 to company controlled by an officer/director of the Company.

### **Future accounting pronouncements**

IFRS 9 was issued in July 2014 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement ("IAS 39") for debt instruments with a new mixed measurement model having only two categories; amortized cost and fair value through profit or loss.

IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 will be effective as at January 1, 2018. The Company is in the process of assessing the impact of this pronouncement. The extent of impact has not yet been determined.

IFRS 15 was issued by IASB in May 2014 and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2017. The Company is in the process of analyzing IFRS 15 and determining the effect on its financial statements as a result of adopting this standard.

### **New Accounting Standards Adopted During the Year**

IAS 24, Related Party Disclosures ("IAS 24") The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the

more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014. The Company is in the process of assessing the impact of this pronouncement.

### **Off-Balance Sheet Arrangements**

The Company has not entered into any off balance sheet arrangements, other than previously disclosed, that has, or is reasonably likely to have, an impact on the current or future results of operations or the financial condition of our company.

### **Commitments**

The Company has no commitments, other than previously disclosed, that has, or is reasonably likely to have, an impact on the current or future results of operations or the financial condition of our company.

### **Management's evaluation of disclosure controls**

Management is responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2015 and have concluded that these controls and procedures are effective.

### **Internal Control over Financial Reporting:**

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures are appropriately designed as at December 31, 2015.

### **Risks and Uncertainties**

The Company's business of exploring and developing mineral properties is highly uncertain and risky by its very nature. In addition, the ability to raise funding in the future to maintain the Company's exploration and development activities is dependant on financial markets, which often fail to provide necessary capital.

Regulatory standards continue to change making the review process longer, more complex and more costly. Even if an apparently mineable deposit is developed, there is no assurance that it will ever reach production or be profitable, as its potential economics are influenced by many key factors such as commodity prices, foreign exchange rates, equity markets and political interference, which can not be controlled by management. As a result, the Company's future business, operations, and financial condition could differ materially from the forward-looking information contained in this MD&A's and described in the Forward-Looking Statements section below.

## **Forward Looking Statements**

This report may contain forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the Company's business and operational results. By nature, these risks and uncertainties could cause actual results to differ materially from what has been indicated. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to failure to establish estimated resources and reserves, the grade and recovery of ore which is mined from estimates, capital and operating costs varying significantly from estimates, delays or failure in obtaining governmental, environmental or other project approvals and other factors including those risks and uncertainties identified above. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information as a result of new information, future results or other such factors which affect this information, except as required by law.

Signed  
"Alex Falconer" CFO  
April 29, 2016