

FORM 51-102F3
MATERIAL CHANGE REPORT

1. **Name and Address of Company**

Arbitrage Exploration Inc. (the “**Company**”)
365 Bay Street, Suite 400
Toronto, Ontario M5H 2V1

2. **Date of Material Change**

May 20, 2016

3. **News Release**

A press release disclosing the material change was released on May 20, 2016, through the facilities of Marketwired.

4. **Summary of Material Change**

The Company announced the completion of the first tranche (“**First Tranche**”) of its previously announced private placement (the “**Offering**”) for gross proceeds of \$95,225 through the issuance of 1,904,500 units (the “**Units**”), of which 104,500 Units were subscribed for by Ms. Judy Baker, a director, President and Chief Executive Officer of the Company. Each Unit consists of one common share in the capital of the Company (each, a “**Common Share**”) and one-half of one Common Share purchase warrant (each whole warrant, a “**Warrant**”). Each Warrant shall entitle the holder thereof to purchase one Common Share at a price of \$0.10 per Common Share for a period of twenty-four (24) months from the date of issuance. Gross proceeds raised from the Offering will be used for general operating expenses.

The securities issued upon closing of the First Tranche are subject to a hold period until September 21, 2016, pursuant to applicable securities laws.

The participation by Ms. Baker in the First Tranche constitutes a “related party transaction” as defined under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”).

The securities issued upon closing of the First Tranche are subject to a hold period until September 21, 2016, pursuant to applicable securities laws.

The participation by Ms. Baker in the First Tranche constitutes a “related party transaction” as defined under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”).

5. **Full Description of Material Change**

The material change is fully described in the Company’s press release which is attached as Schedule “A” and is incorporated herein.

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 closing of the First Tranche of a non-brokered private placement, consisting of 1,904,500 Units at a price of \$0.05 per Unit for gross proceeds of \$95,225, of which the related party subscribed for 104,500 Units.

The material terms of the “related party transaction” are described under Item 4.

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

Gross proceeds raised from the Offering will be used for general operating expenses.

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

The Completion of the Offering will provide the Company with funds to be used for general operating expenses.

(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:

The related party’s participation in the First Tranche consisted of her subscription for 104,500 Units.

(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 referred to in subparagraph (i) for which there would be a material change in that percentage:

Prior to the completion of the First Tranche of the Offering, Ms. Baker directly and indirectly, owned 2,896,500 Common Shares of the Company representing approximately 22.20% of the issued and outstanding Common Shares of the Company.

Upon completion of the First Tranche of the Offering, Mr. Baker will hold an aggregate of 3,001,000 Common Shares, representing approximately 20.20% of the Company’s issued and outstanding Common Shares on a non-diluted basis. If Ms. Baker were to exercise all of her convertible securities she would hold an aggregate of 4,653,250 Common Shares, representing approximately 28.19% of the Company’s then outstanding Common Shares, on a partially diluted basis.

(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 May 18, 2016 approving the Offering. 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 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 every prior valuation in respect of the issuer that relates 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 inquiry, to the issuer or to any director or senior 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:**

Other than the subscription agreements to purchase the Units pursuant to the Offering, the Company did not enter into any agreement with an interested party or a joint actor with an interested party in connection with the Offering. To the Company's knowledge, no related party to the Company entered into any agreement with an interested party or a joint actor with an interested party, in connection with the Offering.

- (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 respectively, and the facts supporting reliance on the exemptions:**

The Offering constituted a related party transaction within the meaning of MI 61-101 as an insider of the Company subscribed for an aggregate of 104,500 Units. The Company is relying on the exemptions from the formal valuation and minority approval requirements of MI 61-101 contained in subsections 5.5(a)(iv) and 5.7(1)(a), of MI 61-101, respectively, as the fair market value of the subject matter of, or the fair market value consideration for, the transaction, insofar as it involves interested parties, did not exceed 25 per cent of the issuer's market capitalization.

The participants in the First Tranche and the extent of such participation were not finalized until shortly prior to the completion of the First Tranche. Accordingly, it was not possible to publicly disclose details of the nature and extent of related party participation in the First Tranche pursuant to a material change report at least 21 days prior to the completion date.

6. **Reliance on subsection 7.1(2) of National Instrument 51-102**

The report is not being filed on a confidential basis.

7. **Omitted Information**

No significant facts have been omitted from this Material Change Report.

8. **Executive Officer.**

For further information, please contact Judy Baker, President and CEO at (416) 786-7860.

9. **Date of Report.**

This report is dated at Toronto, this 26th day of May, 2016.

ARBITRAGE EXPLORATION INC.

Per: “Judy Baker” (Signed)
Judy Baker
President & CEO

SCHEDULE "A"

ARBITRAGE EXPLORATION INC.

365 Bay Street, Suite 400
Toronto, Ontario M5H 2V1

FOR IMMEDIATE RELEASE

May 20, 2016
Symbol: AEA

ARBITRAGE ANNOUNCES FIRST CLOSING OF PRIVATE PLACEMENT

Toronto, CANADA, May 20, 2016 – Arbitrage Exploration Inc. (“**Arbitrage**” or the “**Company**”) (CSE: **AEA**) is pleased to announce that, further to its press release dated May 18, 2016, the Company has completed the first tranche (“**First Tranche**”) of a private placement (the “**Offering**”) for gross proceeds of \$95,225 through the issuance of 1,904,500 Units, of which 104,500 Units have been subscribed for by Ms. Judy Baker, a director, President and Chief Executive Officer of the Company. Each Unit consists of one common share in the capital of the Company (each, a “**Common Share**”) and one-half of one Common Share purchase warrant (each whole warrant, a “**Warrant**”). Each Warrant shall entitle the holder thereof to purchase one Common Share at a price of CDN\$0.10 per Common Share for a period of twenty-four (24) months from the date of issuance. Gross proceeds raised from the Offering will be used for general operating expenses.

The securities issued upon closing of the First Tranche are subject to a hold period until September 21, 2016, pursuant to applicable securities laws.

The participation by Ms. Baker in the First Tranche constitutes a “related party transaction” as defined under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”). Such related party transaction is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 as neither the fair market value of securities being issued to the related party nor the consideration being paid by the related party will exceed 25% of the Company's market capitalization. The participants in the First Tranche and the extent of such participation were not finalized until shortly prior to the completion of the First Tranche. Accordingly, it was not possible to publicly disclose details of the nature and extent of related party participation in the First Tranche pursuant to a material change report at least 21 days prior to the completion date.

For more information please contact:

Judy Baker
President
(416) 786-7860
judybakertoronto@gmail.com

NEITHER THE CANADIAN SECURITIES EXCHANGE NOR ITS REGULATIONS SERVICES PROVIDER HAVE REVIEWED OR ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.

Forward-looking Information Cautionary Statement

Except for statements of historic fact, this news release contains certain “forward-looking information” within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as “plan”, “expect”, “project”, “intend”, “believe”, “anticipate”, “estimate” and other similar words, or statements that certain events or conditions “may” or “will” occur. Forward-looking statements are based on the opinions and estimates at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking statements including, but not limited to delays or uncertainties with regulatory approvals, including that of the CSE. There are uncertainties inherent in forward-looking information, including factors beyond the Company's control. The Company undertakes no obligation to update forward-looking information if circumstances or management's estimates or opinions should change except as required by law. The reader is cautioned not to place undue reliance on forward-looking statements. Additional information identifying risks and uncertainties that could affect financial results is contained in the Company's filings with Canadian securities regulators, which filings are available at www.sedar.com.