

ARBITRAGE EXPLORATION INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2016

General

This Management's Discussion and Analysis ("MD&A") is prepared as of May 30, 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. All amounts are in Canadian dollars.

Overview

The Company is seeking investment opportunities.

Revenue

The Company did not earn any revenue during the three month period ended March 31, 2016.

Expenses

	March 31, 2016	March 31, 2015
Administrative expenses	\$7,517	\$28,943
Professional fees	\$-	\$3,026
Listing fees	\$1,158	\$-
Forgiveness of loan payable and accounts payable	\$-	\$(78,000)

Administration expenses decreased by \$21,426 due to the inactivity in this quarter. Professional fees were nil. Listing fees increased by \$1,158 due to the activity on the CSE.

Quarterly Financial Information
(unaudited)

	2016	2015	2015	2015
	Q1	Q4	Q3	Q2
	IFRS	IFRS	IFRS	IFRS
	Reporting	Reporting	Reporting	Reporting
(a) Revenue	\$ -	\$ -	\$ -	\$ -
(b) Net Income (loss)	\$ (10,491)	\$ (76,581)	\$ (24,478)	\$ (37,264)
(c) Net Income (loss) per share (Basic & Fully Diluted)	\$ (0.001)	\$ (0.007)	\$ (0.002)	\$ (0.003)

	2015	2014	2014	2014
	Q1	Q4	Q3	Q2
	IFRS	IFRS	IFRS	IFRS
	Reporting	Reporting	Reporting	Reporting
(a) Revenue	\$ -	\$ -	\$ -	\$ -
(b) Net Income (loss)	\$ 42,839	\$ (44,755)	\$ (21,776)	\$ (10,596)
(c) Net Income (loss) per share (Basic & Fully Diluted)	\$ 0.004	\$ 0.000	\$ 0.000	\$ 0.000

Liquidity and Capital Resources

As at March 31, 2016 there was cash of \$3,644 compared to cash of \$7,476 as at December 31, 2015 and HST receivable of \$10,172 (December 31, 2015 ó \$8,970) The Company's March 31, 2016 short-term obligations consist of accounts payable of \$88,946 (December 31, 2015 - \$82,318) and a due to related party of \$225 (December 31, 2015 - \$225). The Company has a long-term obligation of \$44,353 as at March 31, 2016 (December 31, 2015 - \$43,195).

The Company's working capital at March 31, 2016 was a deficit of \$75,355 compared to a deficiency of \$66,097 at December 31, 2015. 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 March 31, 2016, the Company had 13,072,312 (of which 24,000 is to be issued) common shares.
- Warrants ó As at March 31, 2016 the Company had 1,930,750 warrants outstanding.
- 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 March 31, 2016 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 March 31, 2016 and 2015 as follows:

	March 31, 2016	March 31, 2015
Management fees and consulting fees expense:		
Management fees were charged by the CFO for corporate administrative and financial management services (note b)	\$ 7,500	\$ 9,000
Consulting fees were charged by the CEO for corporate administration (note b)	\$ -	\$ 15,000
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	\$ 7,500	\$ 24,000
Professional fees expense:		
Legal fees were charged by an officer/director for legal and corporate secretarial services	\$ -	\$ 26,283
Rent fees expense:		
Rent fees (office premises) were charged by an officer/director	\$ -	\$ 3,000

- a) Included in accounts payable and accrued liabilities are management fees of \$30,200 (December 31, 2015 - \$22,70) to a company controlled by the CFO in common with the Company and legal fees of \$35,833 (December 31, 2015 - \$35,833) due to a company controlled by a director in common with the Company.
- b) CEO and CFO compensation was incurred of \$7,500 (March 31, 2015 - \$24,000). During the period ended March 31, 2016 \$nil (March 31, 2015 - \$78,000) of accrued compensation was forgiven by the CEO and CFO.
- c) Included in long-term debt is with a principal balance of \$48,780 (carrying value \$43,195) (December 31, 2015 - \$48,780) due to a company controlled by an officer/director in common with the Company.
- d) As at March 31 2016, amounts due to related party consist of \$225 (December 31, 2015 - \$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 March 31, 2016 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 March 31, 2016.

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 Falconerö CFO
May 30, 2016