

# ARGO GOLD INC. (formerly ARBITRAGE EXPLORATION INC.)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

#### General

*This Management's Discussion and Analysis ("MD&A") is prepared as of November 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.

#### Revenue

The Company did not earn any revenue during the three and nine-month period ended September 30, 2016.

#### Expenses for the three months ended September 30, 2016

	September 30, 2016	September 30, 2015
Administrative expenses	\$49,534	\$17,485
Professional fees	\$nil	\$3,069
Listing fees	\$4,593	\$1,516
Share-based compensation	\$58,082	\$nil

Administration expenses increased by \$32,049 due to the increased activity of this quarter, including contract fees for due diligence on properties. Professional fees were \$nil and substantially unchanged. Listing fees were also substantially unchanged at \$4,593. Share-based compensation was due to options granted during the quarter ended September 30, 2016

## Expenses for the nine months ended September 30, 2016

	September 30, 2016	September 30, 2015
Administrative expenses	\$107,870	\$62,740
Professional fees	\$750	\$10,067
Listing fees	\$8,607	\$21,501
Forgiveness of accounts payable	-	\$(78,000)
Share-based Compensation	\$58,082	\$nil

Administration expenses increased by \$45,130 due to the increase in activity of the Company, including contract fees for due diligence on properties. Professional fees decreased by \$9,317 due to the decrease of activity following the successful listing on the CSE. Listing fees decreased by \$12,894 due to reduced costs by moving to the CSE and the one time payment to the CSE of \$10,000 in the nine months ending September 30, 2015. There was no forgiveness of accounts payable during the current nine months ending September 30, 2016. Share-based compensation was due to options granted during the nine months ended September 30, 2016

### Quarterly Financial Information (unaudited)

	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4
(a) Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b) Net Income (loss)	\$(113,442)	\$(55,073)	\$(10,491)	\$(76,581)	\$(24,478)	\$(37,264)	\$42,839	\$(44,755)
(c) Net Income (loss) per share	\$ (0.008)	\$ (0.004)	\$ (0.001)	\$ (0.007)	\$ (0.002)	\$ (0.003)	\$ 0.004	\$ 0.000

## Liquidity and Capital Resources

As at September 30, 2016 there was cash of \$43,275 compared to cash of \$7,476 as at December 31, 2015 and HST receivable of \$6,033 (December 31, 2015 - \$8,970) The Company's September 30, 2016 short-term obligations consist of accounts payable of \$124,297 (December 31, 2015 - \$82,318) and a due to related party of \$225 (December 31, 2015 - \$225) and a short-term obligation of \$46,668 as at September 30, 2016 (December 31, 2015 - \$nil).

The Company's working capital at September 30, 2016 was a deficit of \$121,882 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 September 30, 2016, the Company had 15,725,812 common shares outstanding including 24,000 shares to be issued).

- Warrants – As at September 30, 2016 the Company had 3,257,500 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. During the quarter the Company granted an aggregate of 1.5 million options to purchase common shares of the company exercisable at a price of 10 cents per share and expiring on Aug. 18, 2019, to the directors, officers and consultants of the corporation.

### Related Party Transactions

The following related party transactions occurred and were reflected in the financial statements during the period ended September 30, 2016 and 2015 as follows:

	September 30, 2016	September 30, 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	\$ -
Consulting fees were charged by the CEO for corporate administration (note b)	\$ 15,000	\$ 12,000
	\$ 22,500	\$ 12,000

- Included in accounts payable and accrued liabilities are management fees of \$50,200 (December 31, 2015 - \$22,70) to a company controlled by the CEO and 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.
- CEO and CFO compensation was incurred of \$22,500 (September 30, 2015 - \$12,000).
- Included in short-term debt is with a principal balance of \$48,780 (carrying value \$45,510) (December 31, 2015 - \$48,780) due to a company controlled by an officer/director in common with the Company.
- As at September 30, 2016, amounts due to related party consist of \$225 (December 31, 2015 - \$225) to company controlled by an officer/director of the Company.

### Subsequent Events

**After quarter end**, the Company has entered into a mining claim acquisition agreement with Upper Canada Explorations Ltd. pursuant to which the Company can acquire a 100-per-cent interest in certain mineral claims located in the townships of Jacobson, Riggs, Abbie Lake area and David Lakes area located near Wawa, Ont., in exchange for an aggregate of 1,739,833 common shares of the company and the grant of a 2-per-cent net smelter returns royalty on the property. The acquisition of the mineral claims is subject to receipt of regulatory approval and the common shares issuable thereunder will be subject to a statutory hold period of four months and

one day from the date of issuance.

The mineral claims include: the Rockstar property comprising 16 mineral claims in Jacobson and Riggs townships, the Macassa Creek property comprising two mineral claims in the David Lakes area, and the Abbie Lake property comprising 24 mineral claims in the Abbie Lake area.

**After quarter end**, the Company entered into a mining claim acquisition agreement with Dollard Mines Ltd., pursuant to which the Company can acquire a 100-per-cent interest in certain mineral claims located in Earngey township of the Red Lake mining district in exchange for an aggregate of one million common shares of the company and the grant of a 2-per-cent net smelter return royalty on the property. The acquisition of the mineral claims is subject to receipt of regulatory approval, and the common shares issuable thereunder will be subject to a statutory hold period of four months and one day from the date of issuance.

The Woco gold project comprises 20 mineral claims in Earngey township covering 320 hectares located northwest of Uchi Lake, proximal to the Uchi Lake deformation zone in the Birch-Uchi greenstone belt. The Woco gold project is located 85 kilometres northeast of Ear Falls, Ont., and 1.5 kilometres south of the past-producing Uchi mine.

#### **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 September 30, 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 September 30, 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 Falconer" CFO  
November 29, 2016