

ARBITRAGE EXPLORATION INC. (formerly Blue Vista Technologies Inc.)
(a development stage company)
CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS
(PREPARED BY MANAGEMENT)
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2016 AND 2015

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ARBITRAGE EXPLORATION INC.
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
MARCH 31, 2016

The accompanying interim unaudited condensed financial statements of Arbitrage Exploration Inc. (the "Company") (formerly Blue Vista Technologies Inc.) were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its financial reporting responsibilities and for reviewing and approving the financial statements together with other financial information. The Audit Committee, on behalf of the Board of Directors, meets with management to review the internal controls over the financial reporting process, the financial statements together with other financial information of the Company, and the auditor's report. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements for issuance to the shareholders. Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Notice of no auditor review of interim financial statements:

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying interim unaudited condensed financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

ARBITRAGE EXPLORATION INC. (FORMERLY BLUE VISTA TECHNOLOGIES INC)

(a development stage company)

CONDENSED INTERIM UNAUDITED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

AS AT

	March 31, 2016	December 31, 2015
ASSETS		
Current		
Cash	\$ 3,644	\$ 7,476
HST receivable	10,172	8,970
	13,816	16,446
Exploration and evaluation asset (Note 5)	290,000	290,000
Equipment (Note 6)	1,418	1,493
	\$ 305,234	\$ 307,939
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 88,946	\$ 82,318
Due to related party (Note 9)	225	225
	89,171	82,543
Long-term debt (Note 7)	44,353	43,195
	133,524	125,738
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	9,802,643	9,802,643
Contributed surplus	180,609	180,609
Deficit	(9,811,542)	(9,801,051)
	171,710	182,201
	\$ 305,234	\$ 307,939

Approved on Behalf of the Board*'Alex Falconer'* Director*'Chris Irwin'* Director

See accompanying notes to the Condensed interim unaudited financial statements.

ARBITRAGE EXPLORATION INC. (FORMERLY BLUE VISTA TECHNOLOGIES INC)

(a development stage company)

CONDENSED INTERIM UNAUDITED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

FOR THE THREE MONTH PERIODS ENDED

(Unaudited-prepared by management)

	Three Months March 31,	
	2016	2015
Expenses		
Depreciation (Note 6)	\$ 75	\$ 93
Administrative expenses	7,517	28,943
Professional fees	-	3,026
Listing fees	1,741	3,099
Interest expense	1,158	-
Forgiveness of loan payable and accounts payable (Note 9)	-	(78,000)
Loss (income) from operations	10,491	(42,839)
Net (loss) income and comprehensive (loss) income for the period	(10,491)	42,839
Net loss per share		
Basic and fully diluted (loss) income per share	\$ (0.001)	\$ 0.004
Weighted average number of shares - basic and fully diluted	13,072,312	11,134,233

See accompanying notes to the Condensed interim unaudited financial statements.

ARBITRAGE EXPLORATION INC. (FORMERLY BLUE VISTA TECHNOLOGIES INC)

(a development stage company)

CONDENSED INTERIM UNAUDITED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2016 AND 2015

(Unaudited-prepared by management)

	Common shares	Amount	Contributed Surplus	Accumulated deficit	Total
Balance January 1, 2015	11,133,312	\$ 9,735,762	\$ 152,527	\$ (9,705,567)	\$ 182,722
Net income	-	-	-	42,839	42,839
Balance, March 31, 2015	11,133,312	\$ 9,735,762	\$ 152,527	\$ (9,662,728)	\$ 225,561
Balance January 1, 2016	13,048,312	\$ 9,802,643	\$ 180,609	\$ (9,801,051)	\$ 182,201
Net loss	-	-	-	(10,491)	(10,491)
Balance, March 31, 2016	13,048,312	\$ 9,802,643	\$ 180,609	\$ (9,811,542)	\$ 171,710

See accompanying notes to the Condensed interim unaudited financial statements.

ARBITRAGE EXPLORATION INC. (FORMERLY BLUE VISTA TECHNOLOGIES INC)

(a development stage company)

CONDENSED INTERIM UNAUDITED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

FOR THE THREE MONTH PERIODS ENDED

(Unaudited-prepared by management)

	Three Months March 31,	
	2016	2015
OPERATING ACTIVITIES		
Net (loss) income for the period	\$ (10,491)	\$ 42,839
Adjustments not effecting cash:		
Depreciation	75	93
Forgiveness of loan payable and accounts payable (Note 9)	-	(78,000)
Interest on long-term debt	1,157	-
Changes in non-cash working capital		
Accounts receivable	-	1,639
Prepaid expenses	-	1,250
HST receivable	(1,201)	(1,201)
Accounts payable and accrued liabilities	6,628	24,255
Cash used in operating activities	(3,832)	(9,125)
Net decrease in cash	(3,832)	(9,125)
Cash, beginning of period	7,476	6,102
Cash, end of period	\$ 3,644	\$ (3,023)

ARBITRAGE EXPLORATION INC. (FORMERLY BLUE VISTA TECHNOLOGIES INC)

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2016 AND 2015

(Expressed in Canadian Dollars)

1. REPORTING ENTITY AND GOING CONCERN

Arbitrage Exploration Inc. (formerly Blue Vista Technologies Inc.) (the "Company") is an exploration stage enterprise incorporated under the laws of Ontario on December 9, 1995. The Company is listed on the Canadian Stock Exchange ("CSE"), having the symbol AEA and is in the process of exploring its mineral properties. Effective December 12, 2014, the company changed its name to Arbitrage Exploration Inc.

The address of the Company's corporate office and principal place of business is 365 Bay Street, Suite 400 Toronto, Ontario, M5H 2V1, Canada.

These condensed interim unaudited financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern, and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material. It is not possible to predict whether the company will be able to raise adequate financing or to ultimately attain profit levels of operations. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Changes in future conditions could require material write downs of the carrying values.

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of \$9,716,059 as at March 31, 2016 (December 31, 2015 - \$9,801,051). The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to execute on its business strategy or be successful in future financing activities. As at March 31, 2016, the Company had current assets of \$13,816 (December 31, 2015 - \$16,446) to cover current liabilities of \$89,171 (December 31, 2015 - \$82,543).

2. BASIS OF PRESENTATION

Statement of Compliance

The condensed interim unaudited financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), as issued by the International Accounting Standards Board ("IASB") and therefore, do not contain all disclosures required by International Financial Report Standards ("IFRS") for annual financial statements. Accordingly, these condensed interim unaudited financial statements should be read in conjunction with the Company's most recently prepared audited annual financial statements for the fiscal year ended December 31, 2015.

The policies applied in these condensed interim unaudited financial statements are consistent with the policies disclosed in Notes 2 and 3 of the audited annual financial statements for the year ended December 31, 2015.

The condensed interim unaudited financial statements were authorized for issue by the Board of Directors on May 30, 2016.

ARBITRAGE EXPLORATION INC. (FORMERLY BLUE VISTA TECHNOLOGIES INC)

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2016 AND 2015

(Expressed in Canadian Dollars)

FUTURE ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

IFRS 9, Financial Instruments (“IFRS 9”)

IFRS 9 was issued in November 2009 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, Revenue from Contracts with Customers (“IFRS 15”)

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.

3. FINANCIAL INSTRUMENTS

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks (commodity prices, foreign currency exchange rate and interest rate), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities and, if required, through the use of derivative financial instruments. The Company does not use derivative financial instruments for purposes other than risk management. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The Company may use derivative financial instruments such as foreign exchange contracts and interest rate swaps to manage certain exposures. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2016 AND 2015

(Expressed in Canadian Dollars)

Liquidity Risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. The Company's main sources of liquidity is derived from its common stock issuances. These funds are primarily used to finance working capital, operating expenses, capital expenditures, and acquisitions.

The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities and holding adequate amounts of cash. The 2016 budget is planned to be funded by additional financing.

Accounts payable and accrued liabilities are current financial instruments, are due within 30 days expected to be settled in the normal course of operations. Long-term debt is due in 2017 (Note 8).

As at March 31, 2016 the Company held cash of \$3,644 (December 31, 2015 - \$7,476) to settle current liabilities of \$89,171 (December 31, 2015 - \$82,543).

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash bears interest at market rates. Management believes that the risk that the Company will realize a loss on interest rates due to the long-term debt is remote due to current market prices and its fixed rate. Other current financial assets and liabilities are not exposed to interest rate risk because of their short-term nature.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and accounts receivable. The Company has reduced its credit risk by investing its cash with a Canadian chartered bank.

Fair Value

The Company has designated its cash as FVTPL, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and HST payable are classified as other financial liabilities, which are measured at amortized cost.

The carrying value and fair value of financial instruments excluding long-term debt held at March 31, 2016 and December 31, 2015 approximate fair value due to their short term nature. Long-term debt is carried at its fair value, which is the amortized cost and is accreted to its face value over the term of the debt.

4. CAPITAL MANAGEMENT

The Company defines capital management in the manner it manages its share capital. As at March 31, 2016 the Company's share capital was \$9,802,643 (December 31, 2015 - \$9,802,643).

There were no changes in the Company's approach to capital management during the year ended March 31, 2016 and the Company is not subject to any externally imposed capital requirements.

The Company's objectives when managing capital are:

- a) To safeguard the Company's financial capacity and liquidity for future earnings in order to continue to provide an appropriate return to shareholders and other stakeholders;
- b) To maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk; and
- c) To enable the Company to maximize growth by meeting its capital expenditure budget, to expand its budget to accelerate projects, and to take advantage of acquisition opportunities.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2016 AND 2015

(Expressed in Canadian Dollars)

The Company regularly monitors and reviews the amount of capital in proportion to risk and future development and exploration opportunities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new debt or equity or similar instruments, reduce debt levels from, or make adjustments to, its capital expenditure program.

5. EXPLORATION AND EVALUATION ASSET

	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Total exploration and evaluation asset	<u>\$ 290,000</u>	<u>\$ 290,000</u>

Hurdman Property

On September 4, 2013, the Company closed the acquisition of the Hurdman property with Eoro Resources Ltd. ("Eoro"), whereby the Company acquired Eoro's wholly owned Hurdman Property, comprising 14 contiguous mining claims covering 2,944 hectares in Hurdman Township, 120 kilometres north northwest of the City of Timmins, Ontario. The acquisition was completed by issuing 5,000,000 common shares (post consolidation - 1,250,000 common shares) and paying \$40,000 in cash to Eoro.

6. EQUIPMENT

<u>Cost</u>	<u>Office equipment</u>
Balance at December 31, 2013	\$ 4,438
Additions	-
Balance at December 31, 2014	\$ 4,438
Additions	-
Balance at December 31, 2015 and March 31, 2016	\$ 4,438
<u>Accumulated Depreciation</u>	<u></u>
Balance at December 31, 2013	\$ 2,106
Amortization for the period	466
Balance at December 31, 2014	\$ 2,572
Amortization for the period	373
Balance at December 31, 2015	\$ 2,945
Depreciation for the period	75
Balance at March 31, 2016	\$ 3,020
<u>Carrying Amounts</u>	<u></u>
As at December 31, 2013	\$ 2,332
As at December 31, 2014	\$ 1,866
As at December 31, 2015	\$ 1,493
Balance at Mar 31, 2016	\$ 1,418

7. LONG-TERM DEBT

In March 2015, a director of the Company converted \$46,307 of accounts payable to a long-term note. The note bears interest at 10% per annum and due March 31, 2017. The fair value of the note on the date of issuance was \$35,811 based on the present value of cash out flows using a discount rate of 25%, the Company recorded a gain on extinguishment of \$10,496 to administrative expenses in the statement of operations and comprehensive loss. During the year ended December 31, 2015, the Company recorded accretion expense of \$3,911.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2016 AND 2015

(Expressed in Canadian Dollars)

8. SHARE CAPITAL

- a) Authorized:
Unlimited number of common shares
Unlimited number of special shares, issuable in series

- b) Total outstanding shares:
Issued: 13,048,312 Common shares
To be issued: 24,000 Common shares

- (c) Warrants

The following table summarizes warrants that have been issued during the period ended March 31, 2016:

	Number of Warrants	Black-Scholes Value	Weighted Average Exercise Price
Balance, January 1, 2015			
Issued	1,600,000	\$ 23,234	\$ 0.10
Issued	315,000	4,573	0.10
Issued (Broker)	15,750	275	0.10
Balance, December 31, 2015 and March 31, 2016	1,930,750	\$ 28,082	\$ 0.10

At March 31, 2016, the following warrants were outstanding. The warrants entitle the holders to purchase the stated number of common shares at the exercise price on or before the expiry date:

Warrants	Exercise Price	Fair Value	Expiry date
1,600,000	\$ 0.10	\$ 23,234	May 27, 2017
315,000	0.10	4,573	June 3, 2017
15,750	0.10	275	June 3, 2017
1,930,750	\$ 0.10	\$ 28,082	

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2016 AND 2015

(Expressed in Canadian Dollars)

9. 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
	<u>\$ 7,500</u>	<u>\$ 24,000</u>

Professional fees expense:

Legal fees were charged by an officer/director for legal and corporate secretarial services	\$ -	\$ 26,283
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Rent fees expense:

Rent fees (office premises) were charged by an officer/director	\$ -	\$ 3,000
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- 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.
- 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.
- 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.
- 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.