SIGNAL EXPLORATION INC.

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2012

INTRODUCTION

Signal Exploration Inc. (the "Company") was incorporated in the province of British Columbia on March 9, 2010. The Company is a resource exploration company that is acquiring and exploring mineral properties. On December 28, 2011 the Company completed an Initial Public Offering ("IPO") and its shares commenced trading on the TSX-Venture Exchange (TSX-V) on January 9, 2012 under the symbol SNL. The Company is currently exploring for base metals on its Scotch Creek property in British Columbia.

The following management discussion and analysis (MD&A) of the financial position of the Company and results of operations should be read in conjunction with the audited annual financial statements and accompanying notes for the year ended December 31, 2012. The audited annual financial statements together with the following MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to potential future performance.

This MD&A includes material occurring up to and including April 25, 2013.

FORWARD LOOKING STATEMENTS:

This MD&A may contain forward-looking statements including but not limited to comments regarding the timing and content of upcoming operation, exploration and business development plans. Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements. Forward looking statements are usually identified by our use of certain terminology, including but not limited to "will", "believes", "may", "expects", "should", "seeks", "anticipates" or "intends" or by discussions of strategy or intentions.

Forward-looking statements used in this discussion are subject to various risks and uncertainties, most of which are difficult to predict and generally beyond the control of the Company. If risks or uncertainties materialize, or if underlying assumptions prove to be incorrect, our actual results may vary materially from those expected, estimated or projected. Forward-looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements.

BUSINESS OF THE COMPANY:

Overview

The Company's principal asset and project is its interest in the Scotch Creek Property, comprised of 8 map-staked mineral claims covering a total area of approximately 1,384.12 hectares (3,418.78 acres) located in the Kamloops Mining Division and in the Kamloops Land District in Shuswap Highland of south-central British Columbia. The current expiry date of these claims is February 19, 2023. In the current fiscal year and for the foreseeable future, the Company intends to continue to focus its efforts on advancing the exploration and, if merited, the development of the Scotch Creek Property.

Summary of Projects

Scotch Creek property:

During the fiscal year ended December 31, 2010 the Company completed a geological mapping program. A total of 482 hectares (1,190 acres) were mapped at a scale of 1:5,000 across most of the property-area. A total of 42 samples of mineralization were taken. An estimated 100 hectares (247 acres) of area was prospected with varying degrees of intensity in numerous areas throughout the property-area. Prospecting was conducted as an adjunct to geological mapping in several areas in order to locate old workings, drill sites, mineralization, and outcrop. Standard prospecting methods were employed. Soil survey was conducted over a grid comprising a total of 22.95 km (14.0 miles) of survey line and 2.4 km (1.5 miles) of base line for a total of 25.35 km (15.5 miles). A total of 481 soil samples were taken.

During the year ended December 31, 2012 the Company completed an induced polarization survey of the Scotch Creek Property. The induced polarization survey covered the same grid covered by the soil sampling survey described above. The induced polarization survey anomalies correlated with the anomalies of the soil sampling completed during the year ended December 31, 2010. Based on the results of the induced polarization and soil sampling four drill target have been identified. The Company intends to drill these targets once it has been able to raise the required funding for the drill program, estimated to be $750,000.

SELECTED ANNUAL INFORMATION:

	Year ended December 31, 2012 $	Year ended December 31, 2011 $
Total Revenues	NIL	NIL
Net loss	112,008	261,417
Loss per share (Basic and diluted)	(0.01)	(0.04)
Total Assets	529,681	684,554
Total long term financial liabilities	NIL	NIL

RESULTS OF OPERATIONS - FINANCIAL:

The Company is an exploration stage company and normally at this stage, without revenues. Net loss for the year ended December 31, 2012 was $112,008, compared with $261,417 for the year ended December 31, 2011, a decrease of $149,409. Significant line item changes during the year are as follows:

- General and administrative expenses were $29,341 in 2012 compared to $109,010 in 2011, a decrease of $79,669. The decrease is due to costs incurred to list the Company’s shares on the TSX-V during the year ended December 31, 2011.

- Impairment of exploration and evaluation asset was $17,919 in 2012 compared to $nil in 2011, a increase of $17,919. The increase as a result of the impairment of a mineral exploration property during the year ended December 31, 2012.

- Management fees were $48,000 in 2012 compared to $40,000 in 2011, an increase of $8,000. The increase is due to higher compensation paid to management during the year ended December 31, 2012.

- Property investigation costs were $7,956 in 2012 compared to $Nil in 2011, an increase of $7,956. The increase is due to the company evaluating potential property acquisitions during the year ended December 31, 2012.

- Stock-based compensation was $Nil in 2012 compared to $112,407 in 2011, a decrease of $112,407. The decrease is due to stock options granted during the year ended December 31, 2011.

- Deferred income tax expense was $8,792 in 2012 compared to $Nil in 2011, an increase of $8,792. The increase is due to deferred income tax timing differences during the year ended December 31, 2012 which will reverse in future years.

SUMMARY OF QUARTERLY RESULTS:

The following table sets out selected quarterly information for each of the Company's most recent eight completed quarters:

	Total Revenues $	Net loss $	Net loss per share (Basic and diluted) $
March 31, 2011	-	18	0.00
June 30, 2011	-	33,896	0.00
September 30, 2011	-	18,060	0.00
December 31, 2011	-	209,443	0.03
March 31, 2012	-	15,890	0.00
June 30, 2012	-	27,368	0.00
September 30, 2012	-	37,387	0.00
December 31, 2012	-	31,363	0.00

LIQUIDITY AND CAPITAL RESOURCES:

As at December 31, 2012 current assets were $194,643 consisting of $162,087 in cash and $32,556 in HST receivable. Current liabilities at December 31, 2012 were $30,872, which consisted of accounts payable of $22,080 and deferred tax liability of $8,792. As at December 31, 2012, the Company had working capital of $163,771 which management considers sufficient to continue operations, excluding explorations programs, for the 2013 fiscal year.

For the year ended December 31, 2012, net cash used in operating activities was $152,087. The Company incurred $202,176 in mineral exploration expenditures. The company received cash of $Nil resulting from share issuances. The Company realized a net decrease of $354,263 from the Company’s cash position in fiscal 2011.

There are no other known demands, commitments, events or uncertainties that would adversely affect the trends and expected fluctuations in the Company’s liquidity. However, at this time, the Company has no operating income/sales from mineral production. Funding for operations is raised primarily through equity financings. Realization of the carrying value of mineral interests is dependent upon funding, the ability of the Company and third parties to bring mineral interests into profitable production, or recovery from sale. In order to continue operations, the Company will need to raise additional capital through equity financings. There is no guarantee that financing will be available on terms acceptable to the Company, given the current climate in the financial markets and reduced availability of funding.

The Company has no debt obligations, other than short-term liabilities incurred in the normal monthly activities of exploration and administration. The Company has no long-term debt.

OFF BALANCE SHEET ARRANGEMENTS:

The Company has no off-balance sheet arrangements that would potentially affect current or future operations, or the financial condition of the Company.

RELATED PARTY TRANSACTIONS:

Related party transactions are described in Note 4 accompanying the audited annual financial statements for the year ended December 31, 2012. Rates for the services provided by the related party transactions represent normal commercial rates.

FOURTH QUARTER RESULTS:

See summary of quarterly results above.

PROPOSED TRANSACTIONS:

The Company does not currently have any proposed transactions approved by the Board of Directors. All current transactions are fully disclosed in the audited annual financial statements for the year ended December 31, 2012.

FUTURE ACCOUNTING POLICIES:

Basis of presentation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared on a historical cost basis, modified where applicable. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

Recent Accounting Pronouncement, Not Yet Adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended December 31, 2012 and have not been applied in preparing the Company's financial statements.

New standard IFRS 9, "Financial Instruments"

New standard IFRS 10, "Consolidated Financial Statements" and IFRS 12 "Disclosure of interests in Other Entities"

New standard IFRS 11, "Joint Arrangements"

New standard IFRS 13, "Fair Value Measurement"

Amendments to IAS 1, "Presentation of Financial Statements"

Interpretation 20 "Stripping Costs in the Production Phase of a Surface Mine"

The Company has not early-adopted these new and revised standards and is currently assessing the impact that these standards will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

RISKS AND UNCERTAINTIES:

Resource exploration is a speculative business and involves a high degree of risk. There is no certainty that the expenditures made by the Company in the exploration of property will result in discoveries of commercial quantities of minerals. Exploration for mineral deposits involves risks which even a combination of professional evaluation and management experience may not eliminate. Significant expenditures are required to locate and estimate ore reserves, and further the development of a property. Capital expenditures to bring a property to a commercial production stage are also significant. There is no assurance the Company has, or will have, commercially viable ore bodies. There is no assurance that the Company will be able to arrange sufficient financing to bring ore bodies into production. The following are some of the risks to the Company, recognizing that it may be exposed to other additional risks from time to time:

- Limited business history of the Company, including lack of revenues and no assurance of profitability;
- Dependence on key management personnel;
- Reliance on availability and performance of independent contractors;
- Challenges by other unknown parties to property title;
- Environmental issues;
- Federal and provincial political risk;
- Commodity price risk; and
- Financial markets.

The Company is diligent in minimizing exposure to business risk, but by the nature of its activities and size, will always have some risk. These risks are not always quantifiable due to their uncertain nature. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements.

FINANCIAL INSTRUMENTS

The carrying value of cash, accounts payable and amounts due to related parties their fair values due to the relatively short periods to maturity of these financial instruments.

Financial assets that may be exposed to credit risk consist primarily of cash, which is placed with a major Canadian financial institution.

The Company's functional currency is the Canadian dollar and the Company does not operate in foreign jurisdictions, which could give rise to exposure to market risk from foreign currency rate changes.

ADDITIONAL INFORMATION:

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR (www.SEDAR.com). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

DISCLOSURE BY VENTURE ISSUER WITHOUT SIGNIFICANT REVENUE

An analysis of the material components of the Company's general and administrative expenses is disclosed in the audited annual financial statements for the year ended December 31, 2012 to which this MD&A relates. An analysis of the material components of the acquisition and deferred exploration costs of the Company's mineral property is disclosed in Note 3 to the audited annual financial statements for the year ended December 31, 2012 to which this MD&A relates.

SHARE CAPITAL:

At April 25, 2013, the Company had the following number of securities outstanding:

Securities	Number	Exercise Price	Expiry date
Common shares issued and outstanding	10,350,000		
Stock options	1,000,000	$0.15	October 30, 2016
Share purchase warrants	377,000	$0.15	December 27, 2014
Fully diluted share capital	11,727,000		