

EXITO ENERGY II INC.
(“Exito” or the “Corporation”)

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE THREE MONTH PERIODS
ENDED MARCH 31, 2015 AND MARCH 31, 2014

This Management Discussion & Analysis (“MD&A”) is a review of the financial results and condition of the Corporation for the three month periods ended March 31, 2015 and March 31, 2014, and should be read in conjunction with the unaudited interim financial statements for the same periods and the Corporation’s audited financial statements for the year ended December 31, 2014, including the notes to the financial statements, and the Corporation’s Prospectus dated March 28, 2013. This MD&A addresses events up to and including May 27, 2015.

The Corporation prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. All dollar figures included therein and in this MD&A are quoted in Canadian dollars.

Additional information regarding the Corporation is available on SEDAR at www.sedar.com.

This MD&A contains forward-looking information that involves material assumptions and known and unknown risks and uncertainties, certain of which are beyond the Corporation’s control. Such assumptions, risks and uncertainties include, without limitation, those associated with, decreased value of the general stock market, stock market volatility, decreased market valuations of companies with respect to announced transactions and the final valuation thereof, volatility of commodity prices, delays resulting from an inability to obtain regulatory approvals, an inability to access sufficient capital from internal and external sources, the effect of economic conditions in North America, industry conditions, changes in laws and regulations and changes in how they are interpreted and enforced, increased competition, the lack of qualified personnel or management, an inability to secure a suitable asset or business to qualify the Corporation for listing on the TSX Venture Exchange or the Toronto Stock Exchange beyond its listing as a Capital Pool Company. The Corporation’s actual results, performance or achievements could differ materially from those expressed in, or implied by, this forward-looking information and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking information will transpire or occur, of if any of them do so, what benefits the Corporation will derive therefrom. The forward-looking information is made as at the date of this MD&A. Although the Corporation has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements as such information may not be appropriate for other purposes. The Corporation undertakes to publically disclose all material changes to its forward-looking statements as soon as such changes are known.

Description of Business and Overall Performance

The Corporation was incorporated under the *Business Corporations Act* (Alberta) on November 11, 2010 as Capitalize Acquisition I Corp. On March 26, 2012, the Corporation’s name was changed to Exito Energy II Inc.

Exito is a Capital Pool Company (“CPC”) as defined pursuant to Policy 2.4 of the TSX Venture Exchange (“TSXV”) Corporate Finance Manual. The Corporation proposes to identify and evaluate corporations, businesses and assets for acquisition and once identified and evaluated, to negotiate an acquisition or participation in such

corporations, businesses or assets that qualifies it for listing on the TSXV beyond its CPC listing (a “Qualifying Transaction”).

On January 16, 2013, the Corporation completed a private placement of 5,000,000 common shares at a price of \$0.05 per share (the “Seed Shares”) for gross proceeds of \$250,000.

On March 28, 2013, the Corporation received a final receipt for a Capital Pool Company Prospectus (the “Prospectus”) filed with the Alberta Securities Commission and the British Columbia Securities Commission to complete its initial public offering (“IPO”) through the issuance of 5,000,000 common shares at a price of \$0.10 per share (the “IPO Shares”). Upon issuance of the final receipt the Corporation became a “reporting issuer” pursuant to applicable securities legislation in the provinces of Alberta and British Columbia. The Prospectus can be viewed under the Corporation’s profile on SEDAR at www.sedar.com.

On May 7, 2013, the Corporation completed its IPO and issued the IPO Shares. Pursuant to an Agency Agreement between the Corporation and Macquarie Private Wealth Inc. (the “Agent”), the Corporation paid the Agent a commission of 10% of the gross proceeds of the IPO and a corporate finance administration fee of \$12,500 (plus GST). The Agent was also granted a non-transferable Agent’s Option to purchase 500,000 common shares at a price of \$0.10 per common share for a period of 24 months from the date that the IPO closed. The Corporation also paid for the Agent’s legal fees incurred with respect to the IPO, which amount totalled \$12,894 (including disbursements and GST). The Agency Agreement can be viewed under the Corporation’s profile on SEDAR at www.sedar.com.

On May 8, 2013, the common shares of the Corporation commenced trading on the TSXV under the symbol EXI.P.

Net proceeds to the Corporation from issuance of the Seed Shares and the IPO Shares, after payment of all associated costs and fees, was approximately \$630,000.

In addition, upon closing of the IPO, pursuant to escrow agreements entered between the Corporation, Valiant Trust Company (the “Transfer Agent”) and certain shareholders of the Corporation, 5,000,000 common shares of Exito were placed in escrow and will remain in escrow until the Corporation completes a Qualifying Transaction.

On May 13, 2013, the directors and officers of the Corporation were granted options that entitle them to purchase 1,000,000 common shares of Exito at a price of \$0.10 per common share for a period of 5 years from the date that the IPO closed.

As at the date of this MD&A, the Corporation had no active business operations and its only significant asset was cash.

Selected Financial Information

The following is a summary of financial information for the three months ended March 31, 2015 and 2014:

	<u>Three Months Ended</u> <u>March 31, 2015</u>	<u>Three Months Ended</u> <u>March 31, 2014</u>
Total assets	\$ 584,356	\$ 615,755
Total long term liabilities	-	-
Shareholders' equity	537,731	600,045
Net loss	11,468	8,488
Total revenue – interest income	1,137	2,004
General and administrative costs:		
Professional fees	3,075	1,000
Office rent and supplies	4,330	4,285
Listing fees	5,200	5,200
Other	-	7

Summary of Quarterly Results & Results of Operations

As at March 31, 2015, the Corporation did not have any active operations and therefore, no revenues from operations since inception except interest income. During the three months ended March 31, 2015 interest income totalling \$1,137 was received (\$2,004 during the three months ended March 31, 2014). The activity during the three months ended March 31, 2015 related to identifying and reviewing potential Qualifying Transactions.

The total comprehensive loss for the three months ended March 31, 2015 was \$11,468, or \$0.00 per share, as compared to \$8,488 total comprehensive loss for the three months ended March 31, 2014, or \$0.00 per share. The loss during the three months ended March 31, 2015 was a result of general operating expenses of \$12,605. The increased loss in 2015 was largely the result of accruing for the year end audit fees for 2015 and a decrease in interest income.

Expenses

During the three months ended March 31, 2015, the following costs were incurred by the Corporation:

- Professional fees during the three months ended March 31, 2015 of \$3,075, including audit/accounting and legal fees paid to firms with non-arm's length parties to the Corporation; see "*Transaction with Related Parties*" below (three months ended March 31, 2014 - \$1,000);
- Office rent and supplies expense during the three months ended March 31, 2015 of \$4,330, including certain fees paid to a company owned by non-arm's length parties to the Corporation; see "*Transaction with Related Parties*" below (three months ended March 31, 2014 - \$4,285); and
- Filing fees during the three months ended March 31, 2015 of \$5,200 (three months ended March 31, 2014 - \$5,200), relating to the Corporation's annual TSXV listing fee;

As at the date of this MD&A, the Corporation's only operations consist of identifying and reviewing potential Qualifying Transactions, thus expenses of the Corporation will vary from period to period depending on the availability of opportunities and the timing of ongoing fees associated with maintaining its status as a CPC. The Corporation incurs periodic charges relating to its public listing and evaluation of potential Qualifying Transactions, including for preparation of tax documents, dissemination of news releases, fees for its ongoing TSXV listing, holding of its Shareholder Meeting and conducting due diligence on projects.

Income Taxes

As at March 31, 2015 Exito had approximately \$217,272 in tax pools available to reduce future taxable income, comprised of \$152,488 in non-capital losses and \$64,784 in share issue costs. The non-capital loss carry-forward has not been recognized in the financial statements and will begin to expire in 2031.

Summary of Quarterly Results

The following is a summary of financial information for each of the Corporation's last eight quarters:

	<u>Three Months Ended</u> <u>March 31, 2015</u>	<u>Three Months Ended</u> <u>December 31, 2014</u>	<u>Three Months Ended</u> <u>September 30, 2014</u>	<u>Three Months Ended</u> <u>June 30, 2014</u>
Total assets	\$ 584,356	\$ 596,903	\$ 592,591	\$ 597,310
Total long term liabilities	-	-	-	-
Shareholders' equity	537,731	549,199	588,488	592,310
Net loss (income)	11,468	39,289	3,822	7,735
Total revenue – interest income	1,137	2,035	1,724	1,701
General and administrative costs:				
Business acquisition	-	36,561	-	-
Professional fees	3,075	465	1,253	3,455
Office rent and supplies	4,330	4,288	4,286	5,965
Filing fee	5,200	-	-	-
Other	-	10	7	16
Share-based compensation	-	-	-	-

	<u>Three Months Ended</u> <u>March 31, 2014</u>	<u>Three Months Ended</u> <u>December 31, 2013</u>	<u>Three Months Ended</u> <u>September 30, 2013</u>	<u>Three Months Ended</u> <u>June 30, 2013</u>
Total assets	\$ 615,755	\$ 618,140	\$ 620,667	\$ 627,509
Total long term liabilities	-	-	-	-
Shareholders' equity	600,045	608,553	618,666	626,508
Net loss (income)	8,488	(2,515)	7,842	93,113
Total revenue – interest income	2,004	2,328	637	-
General and administrative costs:				
Business acquisition	-	-	-	-

Professional fees	1,000	(4,051)	2,606	13,042
Office rent and supplies	4,285	3,857	5,583	4,500
Filing Fee	5,200	-	-	-
Other	7	7	290	811
Share-based compensation	-	-	-	74,760

Liquidity and Capital Resources

As at March 31, 2015, the Corporation had working capital of \$537,731 (\$600,045 – 2014) and a cash balance of \$582,266 (\$610,919 – 2014). The Corporation does not have any long-term debt or bank facilities. Management considers its amount of working capital to be sufficient for the Corporation to meet its ongoing obligations. Management intends to ensure that the operational and administrative costs are minimal prior to the completion of a Qualifying Transaction to preserve its working capital as much as possible. The majority of the Corporation's working capital was held in a 30-day rolling Term Deposit with TD Canada Trust during Q1 2015, which paid the Corporation approximately 0.80% (1.20% - 2014) interest on an annualized basis.

Although the Corporation currently has sufficient working capital to meet its ongoing obligations to identify and evaluate possible Qualifying Transactions, there is no assurance that this amount of working capital will be sufficient to permit the completion of a Qualifying Transaction. The Corporation may be required to complete additional financings in order to be in a position to complete a Qualifying Transaction, which the Corporation anticipates would occur through the issuance of additional common shares.

Outstanding Share Data

As at March 31, 2015 and as of the date of this MD&A, the Corporation had the following common shares and options to purchase common shares outstanding:

	# of Shares	Exercise Price	Expiry Date
Issued and Outstanding Common Shares	10,000,000	-	-
Stock Options to Directors & Officers	1,000,000	\$0.10	May 13, 2018
Agent Options	500,000	\$0.10	May 7, 2015

Transactions with Related Parties

Pursuant to an Administration Services Agreement, Exito pays \$1,429 per month to a corporation wholly owned by two directors of the Corporation for the use of office space, reception and boardrooms, equipment (including computers, telephones, vehicles, etc.), printing and all other necessary administrative functions and services required to permit Exito to review and evaluate potential Qualifying Transactions. During the three months ended March 31, 2015, \$4,286 (\$4,285 during the three months ended March 31, 2014) was paid in accordance with this arrangement. There was \$nil in accounts payable and accrued liabilities at March 31, 2015 (\$nil at March 31, 2014) relating to this arrangement.

During the three months ended March 31, 2015 \$nil (\$1,000 during three months ended March 31, 2014) in professional fees were incurred from a partnership, for accounting services relating to the preparation of financial statements, in which a Director of the Corporation has family relationships. It was determined in Q4 2014 that fees

previously paid to this accounting firm were not in compliance with the Exchange policies relating to Capital Pool companies. In total, \$7,300 (excluding GST) was paid to this partnership, \$1,900 and \$5,400 in the years ended 2014 and 2013 respectively. There was \$7,665 in accounts receivable at December 31, 2014 required to be refunded. The Corporation received full repayment of these fees in Q1 2015. There was \$nil in accounts payable and accrued liabilities at March 31, 2015 (\$3,250 at March 31, 2014) for such professional fees.

During the three months ended March 31, 2015, \$nil (\$nil during the three months ended March 31, 2014) in legal fees were incurred for legal services, in which a Director of the Corporation is a Partner. There was \$35,000 in accounts payable and accrued liabilities at March 31, 2015 (\$nil at March 31, 2014) related to business acquisition costs recorded in Q4 2014 for the due diligence process associated with Letter Agreement with Millennium.

Financial Instruments

The fair values of the Corporation's cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts due to the short-term nature of these financial instruments.

To date, the Corporation has not participated in any risk management or commodity price contracts.

Off-Balance Sheet Arrangements

The Corporation had no off-balance sheet arrangements as at March 31, 2015 or as of the date of this MD&A.

Risk and Uncertainties

The Corporation does not have an active business and its only significant assets are cash and insured term deposits. The Corporation does not have a history of earnings, nor has it paid or does it expect to pay any dividends. The Corporation has only limited funds and there is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the TSXV, at which time the TSXV may suspend or de-list the Corporation's shares from trading.

For additional information regarding risks and uncertainties relating to the Corporation, readers are encouraged to review the "Risk Factors" section of the Corporation's Prospectus dated March 28, 2013, which is available on SEDAR at www.sedar.com.

Disclosure Controls and Internal Controls Over Financial Reporting

The management of the Corporation is responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. Management is also responsible for the design and evaluation of internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the financial statements for the three months ended March 31, 2015.

The management of the Corporation has filed the Venture Issuer Basic Certificate with the interim filings for the period ended March 31, 2015 on SEDAR at www.sedar.com.

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over

financial reporting (“ICFR”), as defined in NI 52-109. In particular, the certifying officers filing certificates for venture issuers are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s generally accepted accounting principles.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

Critical Accounting Policies and Estimates

The preparation of the Corporation’s condensed interim financial statements is in conformity with IFRS. Preparing the Corporation's condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management continually evaluates these judgments, estimates and assumptions based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates. Note 3 of the Corporation’s audited annual financial statements for the year ended December 31, 2014 provides greater detail regarding all of the significant accounting policies.

Financial Instruments

Fair Value

The Corporation’s financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable and accruals. The fair value of financial instruments represents the amounts that would have been received from or paid to counterparties to settle these instruments. The carrying amount of all financial instruments as at March 31, 2015 approximates their fair value because of the short maturities and normal trade term of these instruments.

The Corporation has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Category</u>	<u>Measurement Method</u>
Cash and cash equivalents	<i>Loans and receivables</i>	<i>Amortized Cost</i>

Accounts receivable	<i>Loans and receivables</i>	<i>Amortized cost</i>
Accounts payable and accruals	<i>Other financial liabilities</i>	<i>Amortized cost</i>

Financial Risk Management

The Corporation manages its exposure to financial risks, including liquidity risk and interest rate risk in accordance with its risk management framework. The Corporation's Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework and reviews the Corporation's policies on an ongoing basis.

(a) Liquidity Risk

The liquidity risk is the risk that the Corporation will not be able to meet the obligations associated with its financial liabilities. The Corporation's financial liabilities mainly include accounts payable and deferred liabilities, which relate to pursuing the IPO, general administrative expenses and costs associated with pursuing a Qualifying Transaction. As of the date of this MD&A, the Corporation has sufficient funds to allow for it to pursue a Qualifying Transaction, however this does not ensure that such a Qualifying Transaction will ever be completed or that the Corporation's current amount of funds will be enough to facilitate a Qualifying Transaction if one is located. The Corporation handles liquidity risk through the management of its capital structure.

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation's cash is located in bank accounts that earn variable interest rates. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have significant impact on the fair values of the financial instruments as at March 31, 2015 or as of the date of this MD&A.

Capital Management

The Corporation's working capital as at March 31, 2015 consists of \$582,266 (March 31, 2014 - \$610,919) of cash and cash equivalents and \$605,906 (March 31, 2014 - \$605,906) of share capital. The Corporation's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete a Qualifying Transaction.

The Corporation sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Corporation's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,
- ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Corporation is restricted to spending \$210,000 of its capital on corporate costs that do not relate to pursuing a Qualifying Transaction, such as general and administrative expenses relating to being listed on the TSXV and issuing shares. As of the date of this MD&A, Exito has spent \$117,495 that falls within this spending restriction.

Future Accounting Standards

There were no new or amended standards issued during the three months ended March 31, 2015 that are applicable to the Company in future periods. A description of standards and interpretations that will be adopted by the Company in future periods can be found in the notes to the annual Financial Statements for the year ended December 31, 2014.

Operational Outlook

The Corporation has not had any significant changes to its overall business strategy from that discussed in the Prospectus and it continues to identify and evaluate businesses and assets with a view to completing a Qualifying Transaction.

Subsequent Events

On May 21, 2015, Exito and Millennium executed an amended Letter Agreement that extended the timeline for completing definitive documentation relating to the proposed amalgamation until December 31, 2015.

EXITO ENERGY II INC.

CORPORATE DATA

LISTING:
TSX Venture Exchange
Symbol: **EXLP**

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DIRECTORS AND OFFICERS

- Brad Docherty: President, CEO, Director & Audit Committee Member
- Eli Abergel: Chief Financial Officer, Corporate Secretary & Director
- Bill Matheson: Independent Director & Audit Committee Member
- Chris Scase: Independent Director & Audit Committee Member
- Andrew Oppenheim: Independent Director
- Colin Reeves: Independent Director
- Brody Loster: Independent Director

REGISTRAR AND TRANSFER AGENT

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