EXITO ENERGY II INC.

(“Exito” or the “Corporation”)

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE YEARS AND THREE MONTH PERIODS
ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

This Management Discussion & Analysis (“MD&A”) is a review of the financial results and condition of the Corporation for the years and three month periods ended December 31, 2016 and December 31, 2015, and should be read in conjunction with the audited financial statements for the same periods, 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 April 28, 2017.

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. Although the Agent's Options expired during the three months ended June 30, 2015, subsequent to the end of the period the Corporation received approval from the TSXV to re-issue the Agent's Options with a revised term. 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.

The Corporation entered into a letter of intent with Millennium Stimulation Services Ltd. ("Millennium") dated November 13, 2014 (the "Letter Agreement"), pursuant to which the Corporation intended to acquire all of the issued and outstanding common shares of Millennium (the "Millennium Shares"), to be effected by way of an amalgamation pursuant to the Business Corporations Act (Alberta). This agreement expired on April 13, 2016.

On February 16, 2016, the Corporation's deadline for completing a qualifying transaction was extended by the TSXV until May 13, 2016. The TSXV continues to provide the Corporation with time to complete a qualifying transaction, however it is anticipated that if the GLN Transaction (defined below) does not close then the Corporation's shares will be transferred to the NEX Exchange (a separate board of the TSXV).

On March 29, 2016, the Corporation entered a non-binding term sheet (the "Term Sheet") with MagneticNorth Partners, Inc. ("Magnetic"). The Term Sheet contemplated the acquisition of all of the issued and outstanding common shares of Magnetic by the Corporation as well as various changes to the Corporation's management team and board of directors. On June 3, 2016, the Corporation signed a non-binding letter of intent (the "LOI") with the principals of Magnetic, namely Andrew Osis and Kevin Spall (the "Vendors"), to acquire all of the Vendors' interests in various private equity investments, to have the Vendors become the management of the Corporation and to change the Corporation's name to MagneticNorth Partners Corp. The transaction contemplated with the Vendors did not proceed as the Corporation elected to enter into the GLN Transaction (defined below).

The Corporation signed an arrangement agreement dated October 7, 2016 and an amended and restated arrangement agreement dated January 31, 2017 and an amendment to the amended and restated arrangement agreement dated effective March 31, 2017 on April 25, 2017, and a second amending agreement dated effective March 31, 2017 on April 27, 2017, with Good Life Networks Inc. ("GLN"), a Vancouver-based, digital media company, with respect to a proposed business combination (the "GLN Transaction"). The GLN Transaction will be structured as a share exchange by way of plan of arrangement. Pursuant to the terms of the GLN Transaction, the Corporation will complete a consolidation of its common shares on the basis of one post-consolidation share for every two pre-consolidation shares. Holders of GLN common shares will receive 0.2601 of a post-consolidation common share of the Corporation (the "Consolidation") and will continue into the jurisdiction of British Columbia (the "Continuation"). The GLN Transaction is conditional on GLN completing a non-brokered private placement of subscription receipts at a price of not less than $0.25 per subscription receipt to raise gross proceeds of not less than $3,500,000. In conjunction with entering the GLN Transaction, the Corporation made a $25,000 unsecured loan to GLN. The date set for the meeting of shareholders to vote on the Consolidation and the Continuation is May 26, 2017 and the outside date for completion of the GLN Transaction is July 31, 2017. The completion of the GLN Transaction is conditional upon approval of the TSXV.

On October 19, 2016, 2,000,000 escrowed seed shares of the Corporation held by non-arm's length parties were cancelled as a result of the Corporation's failure to complete a Qualifying Transaction within the time period prescribed by the TSXV. As a result, the Corporation now has 8,000,000 common shares issued and outstanding, 3,000,000 of which are subject to TSXV escrow conditions.

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 Exchange, at which time the Exchange may de-list the Corporation's shares from trading. In May 2015, the Corporation's shares were suspended from trading on the TSXV.

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

Selected Annual Financial Information

The following sets forth selected audited annual financial data relating to the Corporation's years ended December 31, 2016 and December 31, 2015:

	Year ended December 31, 2016	Year ended December 31, 2015
Total assets	$ 507,322	$ 549,662
Shareholders' equity	411,847	509,595
Comprehensive loss	97,748	54,006
Total revenue – interest income	4,474	4,709
General and administrative costs:		
Business acquisition	57,388	-
Office rent and supplies	22,850	21,083
Professional fees	15,185	17,530
Listing fees	6,799	5,700
Share-based payments	-	14,402

Results of Operations

As at December 31, 2016, the Corporation did not have any active operations and therefore no revenues from operations since inception except interest income. During the year ended December 31, 2016 interest income totalling $4,474 was received (year ended December 31, 2015 - $4,709). The activity during the year ended December 31, 2016 related to identifying and reviewing potential Qualifying Transactions.

The total comprehensive loss for the year ended December 31, 2016 was $97,748, or $0.01 per share, as compared to total comprehensive loss of $54,006 for the year ended December 31, 2015, or $0.01 per share. The loss in 2016 was a result of business acquisition costs of $57,388 (2015 - $nil) associated with the GLN qualifying transaction, general operating expenses of $44,834 (2015 - $44,313), and stock-base payment $nil (2015 - $14,402) during the year ended December 31, 2016. The increase in the loss in 2016 was largely the result of an increase business acquisition costs, general office expense, and listing fees being offset by lower share-based payments expense, and professional fees.

Expenses

During the year ended December 31, 2016, the following costs were incurred by the Corporation:

- Business acquisition costs of $57,388 (2015 - $nil). This amount related to professional fees incurred with respect to the GLN Transaction. See "*Transactions with Related Parties*";
- Office, rent and supplies expense of $22,850 (2015 - $21,083), including certain fees paid to a company owned by non-arm's length parties to the Corporation. See "*Transaction with Related Parties*". The increase in these costs was the result of higher costs for the dissemination of shareholder communications;
- Professional fees of $15,185 (2015 – $17,530), included audit/accounting fees and legal fees paid to a firm which is a non-arm's length party to the Corporation. See *"Transactions with Related Parties"*. The decrease is from lower audit fees for 2016 as compared to the prior year;
- Filing fees of $6,799 (2015 - $5,700), relating to the Corporation's annual TSXV listing fee. The increase was associated with filing an application with the TSXV for a Qualifying Transaction deadline extension; and
- Share-based payments of $nil (2015 - $14,402), relating to the re-issued Agent's Options in 2015.

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 December 31, 2016, Exito had approximately $92,652 in tax pools comprised of $86,291 in non-capital losses and $6,361 in share issue costs. The Corporation's non-capital losses will begin to expire in 2031.

Summary of Quarterly Results

The following compares the Corporation's results for the three month periods ended December 31, 2016 and 2015:

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015
Total assets	$ 507,322	$ 549,662
Shareholders' equity	411,847	509,595
Net loss (income)	44,020	6,782
Total revenue	1,047	1,231
General and administrative costs:		
Business acquisition	33,167	-
Office rent and supplies	7,080	4,643
Professional fees	4,820	3,370

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

	Three Months Ended December 31, 2016	Three Months Ended September 30, 2016	Three Months Ended June 30, 2016	Three Months Ended March 31, 2016
Total assets	$ 507,322	$ 517,183	$ 522,742	539,560
Shareholders' equity	411,847	455,867	481,285	492,232
Net loss (income)	44,020	25,418	10,946	17,364
Total revenue – interest income	1,047	1,165	1,143	1,119
General and administrative costs:				
Business acquisition	33,167	19,215	-	5,006
Office rent and supplies	7,080	4,293	6,840	4,637
Professional fees	4,820	3,075	3,650	3,640
Filing fee	-	-	1,599	5,200
Share-based payments	-	-	-	-

	Three Months Ended December 31, 2015	Three Months Ended September 30, 2015	Three Months Ended June 30, 2015	Three Months Ended March 31, 2015
Total assets	$ 549,662	556,663	563,950	$ 584,356
Shareholders' equity	509,595	516,377	526,872	537,731
Net loss (income)	6,782	24,897	10,859	11,468
Total revenue – interest income	1,231	1,264	1,077	1,137
General and administrative costs:				
Business acquisition	-	-	-	-
Office rent and supplies	4,643	7,009	5,101	4,330
Professional fees	3,370	4,750	6,335	3,075
Filing Fee	-	-	500	5,200
Share-based payments	-	14,402	-	-

Discussion of Quarterly Results

During the three months ended December 31, 2016, interest income totalling $1,047 was received ($1,231 for the three months ended December 31, 2015). The activity during the three months ended December 31, 2016 related to identifying and reviewing potential Qualifying Transactions.

The total comprehensive loss for the three months ended December 31, 2016 was $44,020 or $0.01 per share, as compared to total comprehensive loss of $6,782 for the three months ended December 31, 2015, or $nil per share. The loss in 2016 was a result of business acquisition costs of $33,167 (2015 - $nil) associated with the GLN qualifying transaction, general operating expenses of $11,900 (2015 - $11,759), and stock-based payments $nil (2015 - $14,402) during the three months ended December 31, 2016. The increase in the loss in 2016 was largely the result of an increase business acquisition costs and additional general office expenses associated with the Qualifying Transaction with GLN.

Expenses

During the three months ended December 31, 2016, the following costs were incurred by the Corporation:

- Business acquisition costs of $33,167 (2015 - $nil). This amount related to professional fees incurred with respect to the Corporation's proposed amalgamation with GLN. See *"Transactions with Related Parties";*
- Professional fees of $4,820 (2015 – $3,370), included audit/accounting fees and general corporate service legal fees paid to a firm which is a non-arm's length party to the Corporation. See *"Transactions with Related Parties"*. The increase is from higher accounting fees as compared to the prior year; and
- Office rent and supplies expense of $7,080 (2015 - $4,643), including certain fees paid to a company owned by non-arm's length parties to the Corporation. See *"Transaction with Related Parties"*. The increase in these costs was the result of higher costs for the dissemination of shareholder communications, travel costs associated with the Qualifying Transaction and applications for Qualifying Transaction deadline extensions.

Liquidity and Capital Resources

As at December 31, 2016, the Corporation had working capital of $411,847 ($509,995 - December 31, 2015) and a cash balance of $479,305 ($547,625 – December 31, 2015). 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 has been placed into interest saving accounts which pays the Corporation modest variable interest on a monthly basis.

Although the Corporation currently has sufficient working capital to meets 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 December 31, 2016 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	8,000,000	-	-
Stock Options to Directors & Officers	1,000,000	$0.10	May 13, 2018
Agent's Options	500,000	$0.10	2016(1)

(1) The agent options expire at the earliest of: delisting of the Corporation's shares, transfer to NEX Exchange (a separate board of the TSXV) upon failing to complete a qualifying transaction within the time frame prescribed by the TSXV or issuance of the final bulletin for acceptance of a qualifying transaction. It was management's original expectation that one of these events will occur in 2016, however, none of the listed events occurred in 2016. As a result, the expiry date has been extended into 2017.

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 and year ended December 31, 2016, $4,287 and $17,143 (2015 - $4,287 and $17,143) was paid in accordance with this arrangement. There was $nil in accounts payable and accrued liabilities at December 31, 2016 and 2015.

During the three months and year ended December 31, 2016, $31,467 and $56,628 (2015 - $295 and $295) in legal fees and disbursements were incurred and was paid to a law firm, for legal services, in which a Director of the Corporation is a Partner. The legal fees incurred that were associated with the qualifying transactions as business acquisition costs for the three months and year ending December 31, 2016 were $31,192 and $55,413 (2015 - $nil and $nil) with the remaining fees being associated with general legal services. There was $86,620 in accrued liabilities at December 31, 2016 ($31,208 at December 31, 2015) related to business acquisition costs for the qualifying transaction and due diligence processes associated with the proposed business combination with GLN in 2016 and the non-successful transaction with Millennium in 2014. There was $nil in accounts payable at December 31, 2016 ($nil at December 31, 2015) relating to general legal service fees.

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 December 31, 2016 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 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 and year ended December 31, 2015.

The management of the Corporation has filed the Venture Issuer Basic Certificate with the annual filings for the period ended December 31, 2016 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 financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty due to their exposure to credit, liquidity and market risks.

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. Deferred income tax assets are recognized to the extent it is more likely than not to be realized.

Share based payments

The amounts disclosed relating to fair values of stock options issued are based on management's estimates of expected stock price volatility, expected lives of the options, risk-free interest rates and other assumptions. By their nature these estimates are subject to uncertainty and the effect from changes in such estimates in future years could be material.

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 December 31, 2016 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:

Financial Instrument	Category	Measurement Method
Cash and cash equivalents	*Loans and receivables*	*Amortized cost*
Accounts receivable	*Loans and receivables*	*Amortized cost*
Accounts payable and accruals	*Other financial liabilities*	*Amortized cost*

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) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. Credit risk primarily arises from the Corporation's cash and cash equivalents, accounts receivable and note receivable balances. The Corporation manages its exposure to credit risk through standard credit granting procedures and short repayment terms of less than one year. The Corporation's credit risk exposure is equal to the carrying value of these financial instruments at the statement of financial position date. The Corporation is exposed to significant credit risk relating to the note receivable issued to GLN if the qualifying transaction is not completed as the note is unsecured. The Corporation attempts to monitor the financial condition of GLN and the industry in which it operates.

(b) Liquidity Risk

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 accrued 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.

(c) 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 December 31, 2016 or as of the date of this MD&A.

Capital Management

The Corporation's capital as at December 31, 2016 consists of $479,305 (December 31, 2015 - $547,625) cash and cash equivalents and $505,906 (December 31, 2015 - $605,906) 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 December 31, 2016, Exito has spent $174,428 (2015 -$134,068) that fall within this spending restriction.

Recent accounting pronouncements

The following standards and amendments have not been adopted as they apply to future periods and may result in future changes to existing accounting policies and disclosures. The adoption of these amendments is not expected to have a material impact on the Corporation's financial statements.

IFRS 9, *Financial Instruments* - The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of the standard.

IFRS 15, *Revenue from Contracts with Customers* - The new standard was issued in May 2014 and replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The standard provides clarification for recognizing revenue from contracts with customers and establishes a single revenue recognition and measurements retrospectively or using a modified transaction approach for fiscal years beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently evaluation the impact of the standard.

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 pursue the completion of a Qualifying Transaction.

EXITO ENERGY II INC.

CORPORATE DATA

LISTING:
TSX Venture Exchange
Symbol: **EXI.P**

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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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