

ARBITRAGE EXPLORATION INC. (formerly Blue Vista Technologies Inc.)
(a development stage company)
CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS
(PREPARED BY MANAGEMENT)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2015 AND 2014

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ARBITRAGE EXPLORATION INC.
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
JUNE 30, 2015

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.

(a development stage company)

CONDENSED INTERIM UNAUDITED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

AS AT

	June 30, 2015	December 31, 2014
ASSETS		
Current		
Cash	\$ 47,266	\$ 6,102
Accounts receivable	-	1,639
Prepaid expenses	-	1,250
	47,266	8,991
Exploration and evaluation asset (Note 5)	290,000	290,000
Equipment (Note 6)	1,679	1,866
	\$ 338,945	\$ 300,857
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 10,526	\$ 117,267
HST payable	2,154	868
Due to related party (Note 9)	225	-
	12,905	118,135
Long-term debt (Note 7)	46,308	-
	59,213	118,135
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	9,762,807	9,735,762
Warrants (Notes 8(c))	64,390	-
Contributed surplus	152,527	152,527
Deficit	(9,699,992)	(9,705,567)
	279,732	182,722
	\$ 338,945	\$ 300,857

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.

(a development stage company)

CONDENSED INTERIM UNAUDITED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

FOR THE THREE AND SIX MONTH PERIODS ENDED

(Unaudited-prepared by management)

	Three Months June 30,		Six Months June 30,	
	2015	2014	2015	2014
Expenses				
Depreciation (Note 6)	\$ 93	\$ 117	\$ 187	\$ 233
Administrative expenses	17,012	(1,496)	45,954	10,677
Professional fees	3,272	10,725	6,298	10,725
Listing fees	16,887	1,250	19,986	4,866
Forgiveness of loan payable and accounts payable (Note 9)	-	-	(78,000)	-
Loss (income) from operations	37,264	10,596	(5,575)	26,501
Net (loss) income and comprehensive (loss) income for the period	(37,264)	(10,596)	\$ 5,575	\$ (26,501)
Net loss per share				
Basic and fully diluted loss per share	\$ (0.003)	\$ (0.001)	\$ 0.001	\$ (0.001)
Weighted average number of shares - basic and fully diluted	11,856,256	11,157,312	11,506,784	11,157,312

The 4 for 1 common share consolidation affected all of the Company's outstanding common shares as at the effective date (Note 8); as a result, the prior year presentation in the financial statements has been restated.

See accompanying notes to the Condensed interim unaudited financial statements.

ARBITRAGE EXPLORATION INC.

(a development stage company)

CONDENSED INTERIM UNAUDITED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2015 AND 2014

(Unaudited-prepared by management)

	Preference shares	Share capital		Warrants reserve	Contributed Surplus	Accumulated deficit	Total	
		Amount	Common shares					Amount
Balance January 1, 2014	-	\$ -	11,157,312	\$ 9,735,762	\$ -	\$ 152,527	\$ (9,612,535)	\$ 275,754
Net loss	-	-	-	-	-	-	(26,501)	(26,501)
Balance, June 30, 2014	-	\$ -	11,157,312	\$ 9,735,762	\$ -	\$ 152,527	\$ (9,639,036)	\$ 249,253
Balance January 1, 2015	-	\$ -	11,157,312	\$ 9,735,762	\$ -	\$ 152,527	\$ (9,705,567)	\$ 182,722
Shares issued for cash (Note 8(b)(i)(ii))	-	-	1,915,000	95,750	-	-	-	95,750
Fair value of warrants (Note 8(c))	-	-	-	(64,390)	64,390	-	-	-
Shares issue costs (Note 8(b)(ii))	-	-	-	(4,315)	-	-	-	(4,315)
Net income	-	-	-	-	-	-	5,575	5,575
Balance, June 30, 2015	-	\$ -	13,072,312	\$ 9,762,807	\$ 64,390	\$ 152,527	\$ (9,699,992)	\$ 279,732

The 4 for 1 common share consolidation affected all of the Company's outstanding common shares as at the effective date (Note 8); as a result, the prior year presentation in the financial statements has been restated.

See accompanying notes to the Condensed interim unaudited financial statements.

ARBITRAGE EXPLORATION INC.

(a development stage company)

CONDENSED INTERIM UNAUDITED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

FOR THE THREE AND SIX MONTH PERIODS ENDED

(Unaudited-prepared by management)

	Three Months June 30,		Six Months June 30,	
	2015	2014	2015	2014
OPERATING ACTIVITIES				
Net (loss) income for the period	\$ (37,264)	\$ (10,596)	\$ 5,575	\$ (26,501)
Adjustments not effecting cash:				
Depreciation	93	117	187	233
Forgiveness of loan payable and accounts payable (Note 9)	-	-	(78,000)	-
Changes in non-cash working capital				
Accounts receivable	-	-	1,639	-
Prepaid expenses	-	-	1,250	-
HST payable	(3,154)	4,373	1,287	(2,851)
Accounts payable and accrued liabilities	(6,866)	(4,192)	(28,742)	10,090
Cash used in operating activities	(47,191)	(10,298)	(96,804)	(19,029)
FINANCING ACTIVITIES				
Issuance of common shares	91,435	-	91,435	-
Due to related party	225	-	225	-
Convertible debentures	-	-	46,308	-
Cash provided by financing activities	91,660	-	137,968	-
Net increase (decrease) in cash	44,469	(10,298)	41,164	(19,029)
Cash, beginning of period	2,797	45,090	6,102	53,821
Cash, end of period	\$ 47,266	\$ 34,792	\$ 47,266	\$ 34,792

ARBITRAGE EXPLORATION INC.

(a development stage company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2015 AND 2014

(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 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 \$9,699,992 as at June 30, 2015 (December 31, 2014 - \$9,705,567). 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 June 30, 2015, the Company had current assets of \$47,266 (December 31, 2014 - \$8,991) to cover current liabilities of \$12,905 (December 31, 2014 - \$118,135).

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, 2014.

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, 2014.

The condensed interim unaudited financial statements were authorized for issue by the Board of Directors on August 13, 2015.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2015 AND 2014

(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.

IAS 24, Related Party Disclosures (“IAS 24”)

The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014. The Company is in the process of assessing the impact of this pronouncement.

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.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2015 AND 2014

(Expressed in Canadian Dollars)

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.

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 2015 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.

As at June 30, 2015 the Company held cash of \$47,266 (December 31, 2014 - \$6,102) to settle current liabilities of \$12,905 (December 31, 2014 - \$118,135).

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. 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 held at June 30, 2015 and December 31, 2014 approximate fair value due to their short term nature.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2015 AND 2014

(Expressed in Canadian Dollars)

4. CAPITAL MANAGEMENT

The Company defines capital management in the manner it manages its share capital. As at June 30, 2015 the Company's share capital was \$9,762,807 (December 31, 2014 - \$9,735,762).

There were no changes in the Company's approach to capital management during the year ended June 30, 2015 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.

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

	June 30, 2015	December 31, 2014
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.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2015 AND 2014

(Expressed in Canadian Dollars)

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 June 30, 2015	\$ 4,438
<u>Accumulated Depreciation</u>	
Balance at December 31, 2013	\$ 2,106
Amortization for the period	466
Balance at December 31, 2014	\$ 2,572
Amortization for the period	186
Balance at June 30, 2015	\$ 2,758
<u>Carrying Amounts</u>	
As at December 31, 2013	\$ 2,332
As at December 31, 2014	\$ 1,866
Balance at June 30, 2015	\$ 1,680

7. LONG-TERM DEBT

In March 2015, a director of the Company converted \$46,308 of accounts payable to a long-term note. The note bears interest at 10% per annum and due March 31, 2017.

8. SHARE CAPITAL

- a) Authorized:
Unlimited number of common shares
Unlimited number of special shares, issuable in series
- b) Total outstanding shares:
Issued:
13,072,312 Common shares

(i) In May 2015, the Company completed a private placement of 1,600,000 shares at a price of \$0.10 per share for aggregate proceeds of \$80,000. Each unit consist of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of \$0.10 per a common share for a period of 24 months from the date of issuance.

(ii) In June 2015, the Company completed a private placement of 315,000 units at a price of \$0.10 per unit for aggregate proceeds of \$15,750. Each unit consist of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of \$0.10 per a common share for a period of 24 months from the date of issuance. In connection with this financing, the Company paid cash commissions of \$4,315 and issued 15,750 broker warrants where each broker warrant entitles the holder to acquire one additional common share at a price of \$0.10 for a period of 24 months from the date of issuance.

ARBITRAGE EXPLORATION INC.

(a development stage company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2015 AND 2014

(Expressed in Canadian Dollars)

(c) Warrants

The following table summarizes warrants that have been issued during the period ended June 30, 2015:

	Number of Warrants	Black-Scholes Value	Weighted Average Exercise Price
Balance, January 1, 2015	-	\$ -	\$ -
Issued	1,600,000	53,362	0.10
Issued	330,750	11,028	0.10
Balance, June 30, 2015	1,930,750	\$ 64,390	\$ 0.10

At June 30, 2015, 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	\$ 53,362	May 27, 2017
330,750	\$ 0.10	\$ 11,028	June 3, 2017
1,930,750	\$ -	\$ 64,390	

9. RELATED PARTY TRANSACTIONS

The following related party transactions occurred and were reflected in the financial statements during the year ended June 30, 2015 and 2014 as follows:

	June 30, 2015	June 30, 2014
Management fees and consulting fees expense:		
Management fees were charged by officers for corporate administrative and financial management services	\$ -	\$ 9,000
Professional fees expense:		
Legal fees were charged by an officer for legal and corporate secretarial services	\$ 2,772	\$ -
Rent fees expense:		
Rent fees (office premises) were charged by an officer	\$ -	\$ 3,000

- Included in accounts payable and accrued liabilities are management and consulting fees of \$Nil (December 31, 2014 - \$39,000) to companies controlled by certain directors and officers in common with the Company and legal fees of \$500 (December 31, 2014 - \$40,981) due to a company controlled by a director in common with the Company.
- Key Management compensation was incurred of \$Nil (June 30, 2014 - \$9,000).
- In March 2015, the Company has negotiated with certain directors for the forgiveness of accounts payable due to them. The outstanding indebtedness of the Company was reduced in the amount of \$78,000.
- As at June 30, 2015, amounts due to related parties consist of \$225 to company controlled by officers and directors of the Company.