HORNBY BAY MINERAL EXPLORATION LTD.

(FORMERLY UNOR INC.)

(A Development Stage Company)

Interim Consolidated Financial Statements

December 31, 2010

HORNBY BAY MINERAL EXPLORATION LTD.
(FORMERLY UNOR INC.)
(A Development Stage Company)
Interim Consolidated Balance Sheets
Unaudited

	December 31, 2010	March 31, 2010
	$	$
Assets		
Current		
Cash	**284,255**	5,470
Accounts receivable	**41,010**	5,440
Prepaid expenses	**505,500**	3,667
	830,765	14,577
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accruals (Note 11)	**966,253**	228,643
Promissory note (Note 9 and 11)	**30,000**	30,000
	996,253	258,643
Shareholders' (Deficiency) Equity		
Capital stock (Note 7)	**35,156,099**	33,915,683
Contributed surplus (Note 8)	**4,838,005**	4,474,555
Deficit	**(40,159,592)**	(38,634,304)
Total (Deficiency) Equity	**(165,488)**	(244,066)
	830,765	14,577

Going Concern (Note 2)
Commitments and Contingencies (Notes 9 and10)

APPROVED ON BEHALF OF THE BOARD

Signed "M. Colson" ,Director

Signed "C. Irwin" ,Director

"See accompanying notes to the interim unaudited consolidated financial statements"

HORNBY BAY MINERAL EXPLORATION LTD.
(FORMERLY UNOR INC.)
(A Development Stage Company)
Interim Consolidated Statements of Operations, Comprehensive Loss and Deficit
Unaudited

	3 months ending December 31,		9 months ending December 31,	
	2010	2009	**2010**	2009
	$	$	**$**	$
Revenue				
Interest	-	-	**13**	-
Option payments	-	18,747	-	18,747
	-	18,747	**13**	18,747
Expenditures				
Exploration Expenses				
Assaying	-	-	**2,039**	-
Camp and support	**4,297**	(210)	**397,345**	15,596
Drilling	**117,583**	-	**217,583**	-
Ground geophyics	**15,113**	-	**43,095**	-
Helicopter	-	-	**168,741**	-
Lease Rental overpayment	-	-	**(21,246)**	-
Program planning and reports	**15,000**	41,015	**71,200**	122,954
Recording fees and taxes	**1,257**	-	**3,021**	1,241
	153,250	40,805	**881,778**	139,791
General and Administration Expenses				
Depreciation	-	21,981	-	43,981
Insurance	-	-	**19,500**	22,912
Interest and bank charges	**2,638**	153	**3,503**	365
Office and general	**2,211**	23,550	**22,163**	41,182
Professional fees	**67,655**	11,824	**168,373**	25,320
Salaries and benefits	-	4,160	**4,452**	29,405
Shareholders information	**28,258**	1,679	**55,060**	26,737
Stock-based compensation	**33,450**	-	**363,450**	44,000
Tax interest on flow-through funds	-	-	-	2,155
Travel and promotion	**1,123**	643	**7,022**	816
	135,335	63,990	**643,523**	236,873
Total Expenses	**288,585**	104,795	**1,525,301**	376,664
Operating and comprehensive Loss	**(288,585)**	(86,048)	**(1,525,288)**	(357,917)
Deficit, beginning of period	**(39,871,007)**	(38,364,544)	**(38,634,304)**	(38,092,675)
Deficit, end of period	**(40,159,592)**	(38,450,592)	**(40,159,592)**	(38,450,592)
Net Loss per share - basic and diluted	**(0.01)**	(0.00)	**(0.03)**	(0.01)
Weighted average number of common shares outstanding	**56,785,405**	48,438,585	**51,898,721**	48,438,585

"See accompanying notes to the interim unaudited consolidated financial statements"

HORNBY BAY MINERAL EXPLORATION LTD.

(FORMERLY UNOR INC.)

(A Development Stage Company)

Interim Consolidated Statements of Cash Flows

Unaudited

	3 months ending December 31,		9 months ending December 31,	
	2010	2009	**2010**	2009
	$	$	**$**	$
Cash Flows From				
Operating activities				
Net (Loss) for the period	**(288,585)**	(86,048)	**(1,525,288)**	(357,917)
Less: Items not involving cash				
Depreciation	**-**	21,981	**-**	43,981
Stock option compensation	**33,450**	-	**363,450**	44,000
Change in non cash working capital				
(Increase) decrease in accounts receivable	**-**	4,000	**(21,246)**	55,750
(Increase) in GST receivable	**20,723**	482	**(14,324)**	577
Refundable deposit	**-**	-	**-**	25,167
(Increase) in prepaid expenses	**-**	8,000	**(501,833)**	8,000
Increase in accounts payable	**(213,367)**	(5,811)	**737,610**	(5,192)
Promissory Note	**-**	30,000	**-**	30,000
	(447,779)	(27,396)	**(961,631)**	(155,634)
Financing activities				
Issuance of capital stock - net of issue costs	**-**	-	**1,234,206**	-
Refund of issuance costs	**6,210**	-	**6,210**	-
	6,210	-	**1,240,416**	-
(Decrease) in cash	**(441,569)**	(27,396)	**278,785**	(155,634)
Cash at beginning of period	**725,824**	29,149	**5,470**	157,387
Cash at end of period	**284,255**	1,753	**284,255**	1,753

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Interest paid	-	-	**724**	-
Income taxes paid	-	-	-	-

1. BASIS OF PRESENTATION

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

The Company's independent auditor has not performed a review of these interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an auditor.

These interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and follow the same accounting policies and methods of application as the audited consolidated financial statements for the year ended March 31, 2010, except as noted below. They do not include all of the information and disclosures required by Canadian GAAP for annual consolidated financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these interim consolidated financial statements. Operating results for the period ended December 31, 2010 are not necessarily indicative of the results that may be expected for the full year ended March 31, 2011. For further information, see the Company's consolidated financial statements including the notes thereto for the year ended March 31, 2010.

2. NATURE OF OPERATIONS AND GOING CONCERN

Hornby Bay Mineral Exploration Ltd. (the "Company") is a development stage company as defined by the Canadian Institute of Chartered Accountants (the "CICA") Accounting Guideline 11 and currently has interests in exploration and development properties in Canada. Substantially all of the Company's efforts are devoted to financing and developing these properties. There has been no determination whether the Company's interests in mineral properties contain mineral reserves which are economically recoverable.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. 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.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements.

These consolidated financial statements have been prepared in accordance with Canadian GAAP applicable to a going concern. 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 consolidated financial statements. Such adjustments could be material.

The Company has a need for equity capital and financing in order to explore and develop its properties and for working capital requirements. Because of limited working capital and continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing. It is not possible to predict whether financing efforts will be successful.

3. FUTURE ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with International Financial Reporting Standards ("IFRS") for Canadian enterprises with public accountability. On February 13, 2008, the AcSB confirmed that the use of IFRS would be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to have prepared, in time for its first quarter of fiscal 2011 filing, comparative financial statements in accordance with IFRS for the three months ended June 30, 2010. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, Consolidated Financial Statements. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - Consolidated and Separate Financial Statements. The Company is currently in the process of evaluating the impact of these standards.

4. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The capital of the Company consists of capital stock and contributed surplus. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Several properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the nine months ended December 31, 2010. The Company and its subsidiaries are not subject to externally imposed capital requirements.

5. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies or procedures from the previous year.

Credit risk
The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash consists of bank deposits which have been invested with or purchased from reputable financial institutions, from which management believes the risk of loss to be remote.

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2010, the Company had a cash and accounts receivable balance of $325,265 (March 31, 2010 - $10,910) to settle current liabilities of $996,253 (March 31, 2010 - $258,643). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

(a) Interest rate risk
The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The promissory note is not subject to interest rate risk as it has a fixed rate of interest.

(b) Foreign currency risk
The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. From time to time, the Company funds certain operations, exploration and administrative expenses in US dollars using US dollar currency converted from its Canadian dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. The Company does not hold any balances in foreign currencies to give rise to exposure to foreign exchange risk.

(c) Price risk
The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company's mineral properties. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Price risk is remote since the Company is not a revenue producing entity.

Fair value
The Company has designated its cash as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accruals and promissory note are classified as other financial liabilities, which are measured at amortized cost.

Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The carrying amounts for cash, accounts receivable, promissory note and accounts payable and accruals on the balance sheet approximate fair value because of the limited term of the instruments.

At December 31, 2010, the Company's financial instruments that are carried at fair value, consisting of cash have been classified as level 1 within the fair value hierarchy.

6. MINERAL PROPERTIES

(a) COPPERMINE RIVER, NUNAVUT

The Company holds a 100% interest in 40 mineral leases and 16 mineral claims in the Coppermine River area of Nunavut. The 40 leases are subject to a 1% net smelter royalty and/or a 1% gross diamond royalty to a maximum of $10,000,000. Cumulative exploration and development expenditures made by the Company on this project as at December 31, 2010 totaled $23,524,187 (March 31, 2010 – $22,642,513).

(b) UNAD JV, NUNAVUT

Pursuant to agreements dated September 30, 2006 the Company holds a 50% interest in certain mineral claims in the Coppermine River area of Nunavut. Cumulative exploration and development expenditures made by the Company on this project as at December 31, 2010 totaled $772,313 (March 31, 2010 – $772,313).

(g) ONTARIO GOLD PROPERTIES

The Company holds a 100% interest in five gold leases near Timmins, Ontario. Cumulative exploration and development expenditures made by the Company on this project as at December 31, 2010 totaled $125,570 (March 31, 2010 – $125,570).

(h) B.C. PROPERTIES

The Company holds a 100% interest in four Crown grants in the Camsell and Similkameen area of British Columbia and a 5% net smelter royalty interest on claims adjacent to certain areas of the Similkameen Copper Mine. Cumulative exploration and development expenditures made by the Company on this project as at December 31, 2010 totaled $37,859 (March 31, 2010 – $37,755).

7. CAPITAL STOCK

(i) Common Shares and Warrants

Authorized
Unlimited number of common shares
Unlimited number of preference shares

Issued
56,785,405 common shares

	Number of Shares	Amount
Balance at March 31, 2010	48,438,585	$ 33,915,683
Issued on rights offering	8,346,820	1,335,491
Share issue costs	-	(151,915)
Balance December 31, 2010	56,785,405	$ 35,099,259

7. CAPITAL STOCK (Continued)

(i) Common Shares and Warrants (Continued)

Issued
710,500 warrants

	Number of Warrants	Amount
Balance March 31, 2010	-	$ -
Issued for rights solicitations	710,500	56,840
Balance December 31, 2010	710,500	$ 56,840
Total common shares and warrants		$ 35,156,099

On April 6, 2010 the Company consolidated its shares on a 1-for-3 basis. All references to common shares, per share amounts, warrants, and options for all periods presented have been retroactively restated to reflect this consolidation unless otherwise stated.

On September 9, 2010, the Company issued 8,346,820 flow-through common shares at $0.16 per share pursuant to a rights offering to raise gross proceeds of $1,335,491. In connection with this rights offering the Company paid solicitation fees of $82,728 to registered dealers whose name appeared on the rights certificate representing rights surrendered for exercise. In addition the company issued 710,500 broker warrants pursuant to standby commitments. Each Broker warrant entitles the holder to acquire one common share of the Company at a price of $0.16 for two years. The fair value of the warrants was estimated, using the Black-Scholes option pricing model assuming a risk-free interest rate of 2% on the date of issue, an expected life of 2 years, a volatility of 150% and dividends of $Nil to be $56,840.

(ii) Warrants

Warrants Outstanding

Number of Warrants	Exercise Price	Expiry Date	Book value
#	$		$
710,500	0.16	September 9, 2012	56,840

Warrant Transactions

	Number	Weighted average exercise price per shares
Balance March 31, 2010	-	$ -
Issued for rights solicitations	710,500	0.16
Balance December 31, 2010	710,500	$0.16

7. **CAPITAL STOCK (Continued)**

(iii) **Options**

The Company's Stock Option Plan (the "Plan") provides for the granting of stock options to directors, officers, employees and consultants of the Company. Share options are granted for a term not to exceed five years at exercise prices not less than the closing sale price of the shares on the TSX Venture Exchange on the trading day immediately preceding the date the options are granted, and are not transferrable. The Plan is administered by the Board of Directors, which determines individual eligibility under the Plan, number of shares reserved for optioning to each individual (not to exceed 5% of issued and outstanding shares to any one individual) and the vesting period. The maximum number of shares of the Company that are issuable pursuant to the Plan is limited to 10% of the issued and outstanding common shares.

On April 6, 2010, following a 1-for-3 consolidation of the Company's common shares, the number of options outstanding was reduced by a factor of 3, and the exercise price of the options was multiplied by a factor of 3. All references to common shares, per share amounts, warrants, and options for all periods presented have been retroactively restated to reflect this consolidation unless otherwise stated.

Options Transactions	Number	Weighted average exercise price per share
	#	$
Options outstanding, March 31, 2010	1,765,000	0.81
Expired	(1,326,667)	0.82
Granted	3,250,000	0.20
Options outstanding, December 31. 2010	3,688,333	0.27

The fair value of the options granted during the nine months ended December 31, 2010 was estimated to be $363,450 using the Black-Scholes option pricing model assuming: risk-free interest rate from 1.51-2.20% on the date of issue; expected life from 2-5 years; volatility from 116-150% and dividends of $Nil.

Options to purchase common shares outstanding at December 31, 2010 carry exercise prices and remaining terms to maturity as follows:

Options Outstanding

Number of Options	Options Exercisable	Exercise Price	Expiry Date
#	#	$	
66,667	66,667	1.14	05-Jan-11
75,000	75,000	1.71	06-Mar-12
113,333	113,333	0.66	19-Feb-13
183,333	183,333	0.30	16-Jun-14
2,750,000	2,750,000	0.20	10-Aug-15
200,000	50,000	0.20	16-Sep-12
200,000	200,000	0.20	27-Oct-15
100,000	100,000	0.20	9-Nov-15
3,688,333	3,538,333	0.25	

8. CONTRIBUTED SURPLUS

Balance, March 31, 2010	$ 4,474,555
Stock based compensation – employees	288,300
Stock-based compensation – non-employees	75,150
Balance, December 31, 2010	$ 4,838,005

9. CONTINGENCIES

The Company has been named a defendant in legal proceedings brought by a former officer of the Company. The former officer is claiming approximately $30,000 in settlement of the promissory note (see Note 11) and approximately $170,000 damages for breach of contract.

The Company has accrued $30,000 in these financial statements relating to the promissory note. The Company believes that the claims for damages are without merit and plans to vigorously defend itself. As the outcome of these proceedings cannot be reasonably determined, no further amounts are recorded in these financial statements.

10. COMMITMENTS

Pursuant to the issuance of 8,346,820 flow-through shares on September 9, 2010 the Company intends to renounce $1,335,491 of qualified exploration expenditures with an effective date of December 31, 2010. The Company is required to expend these flow-through funds by December 31, 2011.

The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not having met its expenditure commitments.

11. RELATED PARTY TRANSACTIONS

During the year ended March 31, 2010 a former officer of the Company loaned the Company $30,000 in the form of an unsecured promissory note bearing interest at 12% per annum. The promissory note is due on demand. As at December 31, 2010, no principal or interest had been repaid relating to this promissory note. See note 9.

Included in accounts payable is an amount owing to a shareholder of $891,587. This amount is due on demand, unsecured, non-interest bearing with no fixed terms of repayment.