HORNBY BAY
MINERAL EXPLORATION

Interim Consolidated Financial Statements

Three and Nine Months Ended December 31, 2019 and 2018

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 unaudited condensed 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 financial statements in accordance with standards established by CPA Canada for a review of interim financial statements by an entity's auditor.

February 12, 2020

"Fred Leigh"
Chief Executive Officer

"Arvin Ramos"
Chief Financial Officer

HORNBY BAY MINERAL EXPLORATION LTD.
Interim Consolidated Statements of Financial Position
(Expressed In Canadian Dollars)

As at	December 31, 2019 $	March 31, 2019 $
Assets	**(Unaudited)**	(Audited)
Current		
Cash	**236,392**	5,215
Amounts receivable (Note 4)	**5,660**	3,863
Total current assets	**242,052**	9,078
Prepaid expenses (Note 5)	**95,695**	115,695
Total Assets	**337,747**	124,773
Liabilities and Shareholders' Deficiency		
Current Liabilities		
Accounts payable and accruals (Notes 12,13 and 14)	**72,573**	471,609
Shareholders' loan (Note 13)	**-**	113,565
Loans payable (Note 8)	**-**	200,000
Provision for environmental remediation (Note 7)	**50,000**	50,000
Total Current Liabilities	**122,573**	835,174
Debenture (Note 15)	**955,202**	1,052,933
Total Liabilities	**1,077,775**	1,888,107
Shareholders' Deficiency		
Capital stock (Note 9)	**40,742,277**	39,975,535
Share-based payments reserve (Note 10)	**596,765**	73,298
Other reserves	**128,435**	128,435
Deficit	**(42,207,505)**	(41,940,602)
Total Shareholders' Deficiency	**(740,028)**	(1,763,334)
Total Liabilities and Shareholders' Deficiency	**337,747**	124,773

GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Notes 7, 13 and 14)
SUBSEQUENT EVENTS (Note 18)

APPROVED ON BEHALF OF THE BOARD:

Signed "*Chris Irwin*", Director

Signed "*Maurice Colson*", Director

See accompanying notes to the unaudited consolidated financial statements.

HORNBY BAY MINERAL EXPLORATION LTD.
Interim Consolidated Statements of Operations and Comprehensive Loss
(Expressed In Canadian Dollars)
(Unaudited)

	Three months ended December 31,		Nine months ended December 31,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Revenues				
Sale of property interest (Note 6)	**-**	-	**-**	30,000
	-	-	**-**	30,000
Expenditures				
Exploration and evaluation expenses				
Lease rental payments	**88**	-	**16,473**	17,722
Technical consulting	**-**	-	**6,250**	10,200
Total exploration and evaluation expenses	**88**	-	**22,723**	27,922
General and administrative expenses				
Professional fees	**44,256**	13,622	**78,346**	43,034
Shareholders' information	**9,248**	876	**11,346**	8,329
Office and general	**161**	912	**943**	2,107
Interest and accretion on debenture	**55,076**	45,897	**152,270**	126,892
Interest and bank charges	**322**	10,700	**21,536**	40,423
Stock-based compensation (Note 10)	**60,709**	-	**60,709**	-
Total general and administration expenses	**169,772**	72,007	**325,150**	220,785
Loss before the following items	**(169,860)**	(72,007)	**(347,873)**	(248,707)
Gain on settlement of loans payable (Note 8)	**80,970**	-	**80,970**	-
Net loss and comprehensive loss for the period	**(88,890)**	(72,007)	**(266,903)**	(218,707)
Loss per share – basic and diluted	**(0.00)**	(0.00)	**(0.00)**	(0.00)
Weighted average number of common shares outstanding – basic and diluted	**91,428,534**	80,870,925	**84,402,925**	80,870,925

See accompanying notes to the unaudited consolidated financial statements.

HORNBY BAY MINERAL EXPLORATION LTD.
Interim Consolidated Statements of Cash Flows
(Expressed In Canadian Dollars)

For the periods ended December 31,	2019 $	2018 $
Cash flows from:		
Operating activities		
Net loss for the year	**(266,903)**	(218,707)
Adjust for: operating items not involving cash		
Accrued interest and accretion on debenture	**152,270**	126,892
Stock-based compensation	**60,709**	-
Change in non-cash working capital:		
Amounts receivable	**(1,797)**	9,959
Prepaid expenses	**20,000**	65,416
Accounts payable and accruals	**(399,037)**	32,710
	(434,758)	16,270
Financing activities		
Proceeds from share issuance, net of costs	**1,229,500**	-
Repayment of convertible debenture	**(250,000)**	-
Repayment of loans payable	**(200,000)**	-
Repayment of shareholder’s loan	**(113,565)**	(16,951)
	665,935	(16,951)
Increase (decrease) in cash	**231,177**	(681)
Cash at beginning of period	**5,215**	2,410
Cash at end of period	**236,392**	1,729

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	**100,321**	-
Taxes paid	**-**	-
Issuance of shares for advisory services	**-**	-

See accompanying notes to the unaudited consolidated financial statements.

HORNBY BAY MINERAL EXPLORATION LTD.
Interim Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed In Canadian Dollars)

	Number of Shares	Capital Stock $	Share-based Payments Reserve $	Other reserves $	Deficit $	Total Shareholder's Deficiency $
Balance April 1, 2018	80,870,925	39,975,535	55,968	128,435	(41,584,579)	(1,424,641)
Options forfeited	-	-	(55,968)	-	55,968	-
Net loss for the period	-	-	-	-	(218,707)	(218,707)
Balance December 31, 2018	80,870,925	39,975,535	-	128,435	(41,747,318)	(1,643,348)
Stock-based compensation	-	-	73,298	-	-	73,298
Net loss for the period	-	-	-	-	(193,284)	(193,284)
Balance March 31, 2019	80,870,925	39,975,535	73,298	128,435	(41,940,602)	(1,763,334)
Shares issued on private placement	25,500,000	1,229,500	-	-	-	1,229,500
Warrants issued on private placement	-	(462,758)	462,758	-	-	-
Stock-based compensation	-	-	60,709	-	-	60,709
Net loss for the period	-	-	-	-	(266,903)	(266,903)
Balance December 31, 2019	106,370,925	40,742,277	596,765	128,435	(42,207,505)	(740,028)

See accompanying notes to the unaudited consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Hornby Bay Mineral Exploration Ltd. (the "Company") currently has interests in exploration and evaluation properties in Canada. Substantially all of the Company's efforts are devoted to financing and developing these properties. There has been no determination on whether the Company's interests in exploration and evaluation properties contain mineral reserves which are economically recoverable. The Company is incorporated and domiciled in Ontario, Canada. The registered address of the Company and its principal place of business is 401-217 Queen Street West, Toronto, ON M5V 0R2. The Company's shares are listed on the TSX Venture Exchange and trade under the symbol, "HBE".

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 unaudited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, under which material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern must be disclosed. As at December 31, 2019, the Company had not yet achieved profitable operations and continues to be dependent upon its ability to obtain sufficient working capital from external financing to meet the Company's liabilities as they become payable and ultimately to generate profitable future operations. As at December 31, 2019, the Company had a working capital of $119,479 (March 31, 2019 – deficiency of $826,096). These unaudited condensed interim consolidated financial statements 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 operations, and at amounts different from those in the accompanying interim consolidated financial statements. Such adjustments could be material.

2. BASIS OF PRESENTATION

(i) Statement of compliance

These unaudited condensed interim consolidated financial statements ("interim consolidated financial statements") of Hornby Bay Mineral Exploration Ltd. and its subsidiary, as at and for the periods ended December 31, 2019 and 2018, have been prepared in accordance with IAS 34, Interim Financial Reporting, and do not include all of the information required for full annual consolidated financial statements. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed.

These interim consolidated financial statements of the Company for the periods ended December 31, 2019 and 2018 were approved and authorized for issue by the Board of Directors on February 12, 2020.

(ii) Significant accounting judgements, estimates and assumptions

The preparation of interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the interim consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions 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 results may differ from these estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Contingencies

Refer to Note 14.

(iii) Basis of consolidation

The interim consolidated financial statements of the Company include the accounts of its 100% owned subsidiary, Copper Royalty Mineral Corp. (a company incorporated in British Columbia), and the proportionate accounts of all of its joint ventures (see Note 16). Unrealized gains and losses on transactions between the Company and its subsidiary and joint ventures are eliminated to the extent of the Company's interest in those entities. Amounts reported in the financial statements of jointly controlled entities have been adjusted where necessary to ensure consistency with the accounting policies of the Company.

These interim consolidated financial statements were prepared under the historical cost basis, except for certain assets which are measured at fair value as explained in the accounting policies set out in Note 3 to the Audited Annual Financial Statements for the years ended March 31, 2019 and 2018. In addition, these interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

(Expressed in Canadian dollars)

3. NEW ACCOUNTING STANDARD

Effective January 1, 2019, the Company adopted IFRS 16 – Leases. The standard was issued by the IASB on January 13, 2016, and will replace IAS 17, "Leases". IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The Company assessed that the new standard does not have any impact on the Company's financial statements.

4. AMOUNTS RECEIVABLE

	December 31, 2019	March 31, 2019
HST/GST receivable	$ 5,660	$ 3,863
	$ 5,660	$ 3,863

5. PREPAID EXPENSES

	December 31 ,2019	March 31, 2019
Advances – non-current	$ 95,695	$ 115,695
Total prepaid expenses	$ 95,695	$ 115,695

During the year ended March 31, 2011, the Company entered into an agreement with a supplier whereby the Company advanced $600,000 to be applied against future invoices for demobilization of drilling equipment at the Company's Nunavut property site. During the year ended March 31, 2019, the supplier partially removed some of the equipment from Hornby's property. As at December 31, 2019, there was a remaining prepaid balance of $95,695 (March 31, 2019 - $115,695).

6. EXPLORATION AND EVALUATION PROPERTIES

(a) **COPPERMINE RIVER, NUNAVUT**

The Company holds a 100% interest in certain mineral leases and mineral claims in the Coppermine River area of Nunavut. The leases are subject to a 1% net smelter royalty and/or a 1% gross diamond royalty to a maximum of $10,000,000. In November 2016, Hornby's Management decided to drop 10 leases that formed part of its Nunavut property. This was done to save the Company money as the leases are considered to be outside of the Company's strategic holdings within the total land package.

(b) **ONTARIO GOLD PROPERTIES**

The Company has 100% ownership, without royalty, of mining lease 107313 on the gold-bearing Pipestone Fault in Stock Township in the Timmins area. The East Clavos Property shares a common boundary with the Clavos Gold Mine Property, previously owned by Sage Gold. The Company has an active permit for drilling on this lease. The two-kilometer-long segment of the Pipestone Fault across the East Clavos Property represents one of the last untested major gold targets in the Timmins-Porcupine Camp. During the year ended March 31, 2019, the Company surrendered four small non-strategic leases in the Timmins area.

(c) **B.C. PROPERTIES**

The Company holds a 5% NSR royalty interest on certain parts of the Copper Mountain Mining Corporation operating mine located near Princeton, BC. During the year ended March 31, 2019, the Company sold its 100% interest in four Crown grants in the area of the Independence Cu-Mo deposit in British Columbia for $30,000 and retained a 1% NSR royalty. These Crown grants were not significant to the Company's future plans.

7. PROVISION FOR CAMP DECOMMISSIONING AND ENVIRONMENTAL REMEDIATION

During the year ended March 31, 2015, the Company was made aware by Nunavut's Aboriginal Affairs and Northern Development Canada (AANDC) that some upgrades were needed to be made to the Company's permanent camp facilities in order to comply with current environmental regulations, such as storage of fuel tanks and salt containers, soil cleanup, and repairs to one of the berms. Certain other work needed to be done to comply with the land use permit. Hornby Bay's management considered this work and the cost of completion and decided instead to dismantle its permanent Nunavut camp facilities. Given that the camp is used infrequently and is expensive to maintain, Hornby Bay has opted to dismantle the existing, permanent camp and will use temporary facilities in future if and when it may carry out field activities from time to time. The Company initially recognized a provision of $50,000 for the cost of environmental remediation work, which was management's best estimate of the cost to complete the work. The amount was later reallocated as a provision for camp decommissioning as at March 31, 2015. During the three months ended June 30, 2015, much of the work to dismantle the camp was completed and the provision was reversed. To allow for any residual environmental obligations as a result of the camp decommissioning work, the Company has recognized a provision in the amount of $50,000, which is included on the Statement of Financial Position as at December 31, 2019. During the year ended March 31, 2018, further work to decommission the camp was commissioned; however, the contractor did not complete the work as agreed in the time frame agreed although the Company had advanced him 50% of the agreed price to complete the contract. The estimated additional completion costs are $50,000 and have been fully accrued. It is anticipated that this work will be completed in the current fiscal year.

8. LOANS PAYABLE

On March 20, 2014, the Company completed a non-brokered private placement financing of $100,000 principal amount of unsecured promissory notes ("Notes") from an unrelated party. The Notes were due September 20, 2015 and bear interest at a rate of 9% per annum, payable monthly. In addition, each lender has been issued 2,000 common shares of the Company for every $1,000 principal amount of Notes subscribed for in the financing for an aggregate issuance of 200,000 shares. These shares were valued at $17,000, which represents the closing market price of the shares on the day that the financing was completed.

During the year ended March 31, 2016, the Company re-negotiated the term of the Notes with the lenders, who agreed to a six-month extension of the expiry date of the Notes to March 20, 2016. In June 2016, the Company negotiated another extension in terms and was due on December 31, 2017. The Notes are now due and the lender has not yet demanded repayment but may do so at any time. In connection with the extensions, Hornby must pay an additional extension fee of 12%, or $1,000 monthly.

The Company has paid the principal of $100,000 and interest of $50,018 during the period ended December 31, 2019 (2018 - $nil).

On June 27, 2014, the Company completed a non-brokered private placement financing of $100,000 principal amount of unsecured promissory notes (the "Notes"). The Notes are due December 27, 2015 and bear interest at a rate of 9% per annum, payable monthly. The Notes are senior in rank to all other indebtedness of the Company. In addition, each lender has been issued 2,000 common shares of the Company for every $1,000 principal amount of Notes subscribed for in the financing for an aggregate issuance of 200,000 shares. These shares were valued at $13,000, which represents the closing market price of the shares on the day that the financing was completed. The proceeds of the financing will be used for general working capital purposes.

During the year ended March 31, 2016, the Company re-negotiated the term of the Notes with the lenders, who agreed to a six-month extension of the expiry date of the Notes to June 27, 2016. In June 2016, the Company negotiated another extension in terms and was due on December 31, 2017. The Notes are now due and the lender has not yet demanded repayment but may do so at any time. In connection with the extensions, Hornby must pay an additional extension fee of 12%, or $1,000 monthly.

(Expressed in Canadian dollars)

The Company has paid the principal of $100,000 and interest of $50,303 during the period ended December 31, 2019 (2018 - $nil).

Additionally, the Company realized a gain of $80,970 when these loans were paid in full.

9. CAPITAL STOCK

(i) As at December 31, 2019 and 2018, the Company's authorized number of common shares was unlimited without par value.

(ii) **Common Shares**

Issued 106,370,925 common shares	**Number of Shares**	**Amount**
Balance at April 1, 2017	**58,159,989**	**$38,968,423**
Issuance on debt settlement	**23,000,000**	**1,150,000**
Fractional shares cancelled	**(289,064)**	**(142,888)**
Balance at December 31, 2019	**80,870,925**	**$39,975,535**
Private placement	**25,500,000**	**1,275,000**
Cost of issuance	**-**	**(76,797)**
FMV of warrants issued	**-**	**(431,461)**
Balance at December 31, 2019	**106,370,925**	**$40,742,277**

The Company repurchased 289,064 fractional shares for cancellation and paid $14,453. The shares had a paid up capital value of $142,888 and therefore $128,435 was transferred to other reserves as a result of this transaction.

During the period ended December 31, 2019, the Company completed a non-brokered private placement and issued 25,500,000 units (each, a "Unit") of the Company, at a price of $0.05 per Unit for gross proceeds of $1,275,000. Each Unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at an exercise price of $0.10 for a period of twenty-four (24) months from the date of issuance. The fair value of the warrants in the amount of $431,461 was allocated to the warrants issued (Note 10). In addition, the Company paid an aggregate of $45,500 as finder's fee and issued 910,000 Finder's Warrants. Each warrant entitles the holder to purchase one additional common share at an exercise price of $0.10 for a period of twenty-four (24) months from the date of issuance. The fair value of the finder's warrants in the amount of $31,297 was allocated to the warrants issued (Note 10).

10. SHARE-BASED PAYMENTS RESERVE

	Number of Options	Weighted Average Exercise Price	**Grant Date Value of Options**	Number of Warrants	Weighted Average Exercise Price	**Grant Date Value of Warrants**	**Total Value**
Balance March 31, 2018	2,800,000	$ 0.10	**$ 55,968**	-	$ -	**$ -**	**$ 55,968**
Granted	3,000,000	0.05	**73,298**	-	-	**-**	**73,298**
Expired	(2,800,000)	0.10	**(55,968)**	-	-	**-**	**(55,968)**

(Expressed in Canadian dollars)

Balance March 31, 2019	3,000,000	$ 0.05	**$ 73,298**	-	$ -	**$ -**	**$ 73,298**
Granted/issued	3,500,000	0.05	**60,709**	13,660,000	0.10	**462,758**	**523,467**
Balance December 31, 2019	**6,500,000**	**$ 0.05**	**$ 134,007**	**13,660,000**	**$ 0.10**	**$ 462,758**	**$596,765**

Warrants

Pursuant to the issuance of Units during the period ended December 31, 2019 (Note 9(ii)), the Company issued 12,750,000 common share purchase warrants. Each warrant is exercisable to purchase one common share at a price of $0.10 per common share for a period of two years following the closing of the Offering. The grant date fair value of the warrants was estimated to be $431,461, using the Black-Scholes option pricing model assuming a risk-free interest rate between 1.57% - 1.65% on the date of issue, an expected life of two years, an expected volatility between 134% to 136% and expected dividends of $Nil.

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.

During the year ended March 31, 2019, 2,800,000 options with a weighted average exercise price of $0.10 and a fair value of $55,968 expired unexercised with the amount transferred to deficit. On January 29, 2019, 3,000,000 options were granted: 2,000,000 options were granted to directors and officers of the Company, and 1,000,000 options were granted to consultants of the Company. The options are exercisable into common shares of the Company at a price of $0.05 and expire in five years.

On October 21, 2019, the Company granted 3,500,000 options to a director of the Company. The options are exercisable into common shares of the Company at a price of $0.05 and expire in two years.

Options outstanding to purchase common shares at December 31, 2019 have a weighted average exercise price of $0.05. Individual options grants carry exercise prices and remaining terms to maturity as follows:

Number of Options	Options Exercisable	Exercise Price	Fair Value at Grant Date	Expiry Date	Remaining Contractual Life Outstanding
#	#	$	$		(Years)
3,000,000	3,000,000	0.05	73,298	29-Jan-24	4.09
3,500,000	3,500,000	0.05	60,709	21-Oct-21	1.81

The fair values of options granted have been estimated on the date of grant using the Black-Scholes option-pricing model. Assumptions used in the pricing model are as follows:

Expiry Date	Grant date share price $	Exercise price $	Expected volatility %	Expected option life (Years)	Expected dividend yield %	Risk-free interest rate %
29-Jan-24	0.03	0.05	128.23	5	0	1.88
21-Oct-21	0.03	0.05	135.65	2	0	1.65

(Expressed in Canadian dollars)

11. 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 evaluation of its properties. The capital of the Company consists of shareholder's loan, debenture, capital stock and share-based payments reserve. 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.

The 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.

The Company and its subsidiary are not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2019, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

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 period ended December 31, 2019 or 2018.

12. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement, and the bases for recognition of income and expenses) for each class of financial asset, and financial liability.

Financial assets and financial liabilities as at December 31, 2019 and 2018 were as follows:

December 31, 2019	Loans and receivables	Other liabilities	Total
Amounts receivable	$ 5,660	$ -	$ 5,660
Accounts payable and accruals	-	(72,573)	(72,573)
Debenture	-	(955,202)	(955,202)
	$ 5,660	$ (1,027,775)	$ (1,022,115)

December 31, 2018	Loans and receivables	Other liabilities	Total
Amounts receivable	$ 2,341	$ -	$ 2,341
Accounts payable and accruals	-	(415,212)	(415,212)
Shareholders' loan	-	(93,565)	(93,565)
Loan payable	-	(200,000)	(200,000)
Debenture	-	(1,004,336)	(1,004,336)
	$ 2,341	$ (1,713,113)	$ (1,710,772)

Financial Instrument 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 as at and during the periods ended December 31, 2019 and 2018.

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 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, 2019, the Company had cash and an amounts receivable balance of $242,052 (March 31, 2019 - $9,078) to settle current liabilities of $122,573 (March 31, 2019 - $835,174). As such, liquidity risk for the Company should be considered high. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms, the loans described in Note 8, the debenture (Note 15) and shareholder's loan described in Note 13, and the provision described in Note 14. Interest payable on the convertible debenture, debenture and loans payable will further impact the Company's liquidity risk and working capital.

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. Management considers interest rate risk to be minimal given that, as at December 31, 2019 and, no amounts were held in short-term deposit certificates. Interest rates on the debentures and loans are fixed and therefore interest rate risk is considered by Management to be low.

(b) Foreign currency risk
The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. 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 significant 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 exploration 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 currently a revenue producing entity.

(d) Fair value
Fair value estimates are made at the statement of financial position 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, amounts receivable, and accounts payable and accruals on the statement of financial position approximate fair value because of the limited term of the instruments. It is not possible to determine if the shareholder's loan or the debenture are at fair value as there is no comparable market value for such loans.

At December 31, 2019 and 2018, the Company had no financial instruments that are carried at fair value.

(Expressed in Canadian dollars)

13. RELATED PARTY TRANSACTIONS

The amounts due to related parties of the Company at the reporting date, as disclosed in the table below, arose as a result of transactions entered into with the related parties in the ordinary course of business.

Amounts owed to related parties for the period/year ended:	December 31, 2019	March 31, 2019
Officers and directors	$ 24,186	$ 46,993
Shareholders' loan	$ -	$ 113,565

Included in the amount owing to officers and directors is $13,536 (March 31, 2019 - $38,519) for legal services provided by a director of the Company prior to and during the period ended December 31, 2019. During the period then ended, $58,534 was paid to the officer and director for legal services (March 31, 2019 – $nil). The amount of $5,650 (March 31, 2019 - $8,475) is owed to an officer of the Company for management services rendered during the same period; $39,550 was paid to this officer during the period ended December 31, 2019 (March 31, 2019 - $28,250). The balance of $5,000 is owed to a director during the period ended December 31, 2019; $5,000 was paid to this director in the period (2018 - $nil).

Compensation of key management personnel of the Company
The remuneration of directors and other members of key management personnel during the periods ended December 31, 2019 and 2018 was as follows:

For the periods ended December 31,,	**2019** **$**	2018 $
Salaries including bonuses	**42,500**	22,500
Share-based payments	**60,709**	-
	103,209	22,500

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

14. COMMITMENTS AND CONTINGENCIES

a) Pursuant to the issuance of 8,346,820 flow-through shares on September 9, 2010, the Company renounced $1,318,421 of qualified exploration expenditures with an effective date of December 31, 2010. The Company was required to spend these flow-through funds by December 31, 2011 but was unable to do so. As of December 31, 2011, the amount remaining to be spent was approximately $882,000. The Company had indemnified the subscribers of the flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments. As a result of this indemnification, the Company recorded a provision of $580,537 during the year ended March 31, 2012, which was included in Accounts payable and accruals on the consolidated statement of financial position at that time.

   As the Company had not paid any claims associated with the indemnification in over six years, the Company reversed the remaining provision of $483,789 during the year ended March 31, 2018.

b) Environmental Contingencies

   The Company's exploration and evaluation activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. Hornby has made, and expects to make in the future, expenditures to comply with such laws and regulations. A provision for environmental remediation in the amount of $50,000 is included on the Statement of Financial Position as at December 31, 2019. The nature of this provision is disclosed in Note 7.

15. DEBENTURE

On November 1, 2012, the shareholder's loan, which was previously due on demand and non-interest bearing, was cancelled and a secured debenture for principal of $1,500,000 was issued in its place. The debenture bears interest at 3% per annum which is payable at maturity and matures on November 1, 2017. The Company may extend the maturity date to November 1, 2022 with 30 days' notice. As security for the debenture, the Company has granted a security interest to the holder over its 5% net smelter return royalty on certain parts of the Copper Mountain Mine located in British Columbia.

The fair value of the debenture was estimated at $325,500 on the date of issuance using an interest rate of 20%. The debenture will be accreted to its maturity value using the effective interest rate method at an annual interest rate of 20%. Interest and accretion on the debenture of $152,270 was recorded on the Statement of Loss and Comprehensive Loss during the period ended December 31, 2019 (2018 - $126,892).

On October 9, 2019, the Debentureholder signed an agreement whereby the holder agreed to be paid an aggregate of $1,750,000 and forgave the balance of indebtedness with the following payment schedule:

i) the amount of $250,000 upon completion of an offering (paid);
ii) the amount of $10,000 payable monthly for a period of thirty-six (36) months from the closing date of the offering, for an aggregate consideration of $360,000;
iii) the amount of $380,000 payable on each of March 1, 2020, March 1, 2021 and March 1, 2022 for an aggregate consideration of $1,140,000.

16. INTERESTS IN JOINT VENTURES

The Company does not have any significant assets, liabilities, revenues, expenses or cash flows from its interests in joint ventures as at and for the periods ended December 31, 2019 and 2018.

17. LEGAL PROCEEDINGS

Hornby filed a claim in the Supreme Court of British Columbia against Copper Mountain related to Copper Mountain's failure to pay Hornby's five percent (5%) net smelter returns royalty (the "NSR") covering part of the Copper Mountain Mine. The claim requests special damages for non-payment of due royalties and general damages for breach of contract. Although royalty payments have been made, there are still unresolved issues.

18. SUBSEQUENT EVENTS

On February 7, 2020, the Company announced that it has completed the sale of its 5% net smelter return royalty (the "Royalty") on the Copper Mountain mine located in southern British Columbia near the town of Princeton. The Company received the initial cash payment of $2,500,000 from Copper Mountain Mine (BC) Ltd. and a promissory note in the amount of $2,500,000, representing the balance of the $5,000,000 purchase price, which is due on February 1, 2021. Legal claim filed by the Company has been dismissed.

On February 10, 2020, Hornby announced that it has advanced the initial $500,000 to fund the initial drilling program on the Fenton project according to the option and earn-in agreement entered into with

Copper Mountain on January 30, 2020. Under the terms of the agreement the Company can acquire up to a 40% interest in Copper Mountain's Fenton Property comprised of 41 minerals claims located in the Omineca mining district of British Columbia. The Company can earn an initial 25% interest in the Fenton Property by making the initial $500,000 payment and an additional payment of $500,000 on or before January 30, 2021. The funds paid to Copper Mountain in connection with the agreement will be utilized for exploration expenditures on the Fenton Property. After exercising the initial option, the Company can elect to earn an additional 15% interest by making a further $1,500,000 payment to Copper Mountain on or before October 30, 2022.

In addition, Hornby made $1,500,000 payment on secured debenture and the release of the related security over its assets and undertaking.

On February 12, 2020, Hornby announced that it has granted an aggregate of 1,800,000 options to purchase common shares of the Company exercisable at a price of $0.07 per share for a period of 5 years from the date of issuance to a director of the Company.