HORNBY BAY MINERAL EXPLORATION LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
THREE AND NINE MONTHS ENDED DECEMBER 31, 2014

GENERAL

This Management's Discussion and Analysis ("MD&A") relates to the performance, financial condition and future prospects of Hornby Bay Mineral Exploration Ltd. ("Hornby Bay", "HBE" or the "Company") and should be read in conjunction with the Unaudited Interim Consolidated Financial Statements for the three and nine months ended December 31, 2014, and Notes thereto. Readers are cautioned that the MD&A contains forward-looking statements and that actual events may vary from management's expectations. Readers are encouraged to consult the Company's Audited Consolidated Financial Statements and corresponding Notes to the financial statements for the years ended March 31, 2014 and 2013, for additional details. The Unaudited Interim Consolidated Financial Statements and MD&A are presented in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are presented in Canadian dollars unless otherwise specified. This discussion addresses matters we consider important for an understanding of our financial condition and results of operations as of February 24, 2015 and for the three and nine months ended December 31, 2014. Readers are encouraged to read the Company's public information filings which can be accessed and viewed through a link to the Company's Canadian Securities Commissions filings via the System for Electronic Data Analysis and Retrieval (SEDAR) at www.sedar.com

This section contains forward-looking statements and should be read in conjunction with the risk factors described in "Risks and Uncertainties" and the "Cautionary Statement on Forward-Looking Information" at the end of this MD&A.

1. Corporate Overview

In 1996, the Company was incorporated in Ontario with its primary focus on uranium exploration in Nunavut, Canada. Nunavut is the only province and/or territory that has settled its native land claim issues. On its BC properties, the Company has determined the boundaries of its 5% Net Smelter Return Royalty (NSR) within Copper Mountain Mining Corporation's land holdings, which include a producing mine in Princeton, BC.

The Company is a reporting issuer in Ontario, British Columbia and Alberta and trades on the TSX Venture Exchange under the symbol HBE.

2. 2013/2014 Exploration Season and Plans

Hornby Bay Mineral Exploration Ltd. is exploring for uranium on its Coppermine River Property and on part of a Joint Venture Property in the Hornby Bay Basin, Nunavut. The Coppermine Property is 100% owned by HBE and consists of 12 claims and 39 leases covering 116,830 acres (47,279 hectares). The Company has a joint venture on a small portion of Hornby Bay's land holdings with MIE Metals Corporation. Hornby Bay is the operator of 2 mineral claims of the property, covering 5,165 acres (2,090 hectares), and owns 5 mineral claims and one mining lease of the joint venture, covering 15,484 acres (6,266 hectares). The Company's properties are located in the northern region of the Early Proterozoic Wopmay Orogen, where the units of the orogen are overlain by Middle Proterozoic sedimentary rocks of the deeper, eastern lobe of the Hornby Bay Basin. During the period ended December 31, 2014 the Company did not conduct any field-based activities on its Nunavut properties. On January 22, 2015, the Company received confirmation from the Aboriginal Affairs and Northern Development Canada (AANDC) that its land use permit related to its Nunavut Properties has been extended until April 11, 2016.

As advised by the Nunavut Water Board, the Company's water licence is valid for a period of five years, until April 23, 2019.

During the nine months ended December 31, 2014, the Company was made aware by Nunavut's Aboriginal Affairs and Northern Development Canada (AANDC) that some upgrades were required to be made to the Company's camp facilities in order to comply with current environmental regulations, such as storage of heating oil tanks and drilling salt containers, cleanup of salt-contaminated soil, and repairs to a small tear in one of the berms. Also, a berm near the drill site must be constructed to protect the several diesel drilling fuel drums. This work must be carried out by May 31, 2015. The camp heating oil system must also be upgraded by July 15, 2015 to comply with the land use permit. In connection with this work, the Company must modify and submit, by March 31, 2015, its Spill Contingency Plan and Abandonment and Restoration Plan to include preventive measures for the heating oil system. As at December 31, 2014, a provision of $50,000 has been recognized, which is Management's best estimate of the cost of the remediation work as of the period then ended. These costs have been included under camp and support costs on the consolidated statements of loss and comprehensive loss.

Because of the drastic reversal of the uranium and related stock markets worldwide following the nuclear-plant tragedy in Japan, the Company postponed its exploration initially planned for 2011; the Company had hoped that some holes would be drilled in the 2013 season but was unable to find any JV partners needed to raise the necessary funds required to complete this work. A 2015 exploration plan is dependent on obtaining financing and/or finding a joint venture partner. A capable, new diamond drill is on site, as well as most of the necessary supplies to conduct a multiple-hole drilling program.

The Company is planning an exploration program to be conducted on the gold mining leases that it owns in the Timmins area in Ontario. The exploration program will include drilling of targets defined by earlier exploration, establishment of geophysical grids, ground magnetic, VLF-EM, and IP resistivity surveying, and compilation of the new geophysical data with historic data. The Ontario exploration program is expected to commence in 2015.

Hornby Bay 5% Net Smelter Return Royalty (NSR) - Copper Mountain Mining Corporation Holdings ("CUM", or "Copper Mountain") – Princeton, British Columbia

Legal surveys conducted under the guidance of a B.C. land surveyor on all of Hornby Bay's 5% NSR boundaries indicate that Hornby Bay owns a 5% NSR on 4,000 acres of CUM's 18,000 acre copper-gold-silver mine leases in Princeton, British Columbia. The 5% NSR covers 22.3% of CUM's mining leases and mineral rights, and consists of several areas within the holdings, but HBE's 5% NSR areas are not currently being mined by CUM. There are a number of known mineralized areas within Hornby Bay's 5% NSR area. Both airborne photographic surveys and ground legal surveys have been completed and the data has been filed with B.C. government departments. A review of all documentation pertaining to Hornby Bay's 5% NSR has been underway since 2012 and is on-going. Management anticipates that further specifics regarding the assessment of the value of this royalty, and further actions contemplated by Hornby Bay, will be reported as the information becomes available.

The Phase One Legal Survey covering about 50% of Hornby Bay's 5% NSR on all minerals produced was approved on February 8, 2013 by the Surveyor General of B.C. under Section 42 of the Mineral Tenure Act. These Mining Leases comprise the northern portion of the 5% NSR and are adjacent to areas currently being mined by Copper Mountain Mining Corporation.

The Phase Two Legal Survey, initiated in late 2012, of the southern 5% NSR Royalty areas, was completed and later accepted by the Surveyor General B.C. on September 17, 2013. The legal surveys have been registered with the Surveyor General's Office of British Columbia for the purpose of confirming the exact location of the underlying mineral rights and boundaries of Hornby Bay's NSR.

The Company has prepared an overlay of the recently surveyed boundaries of its 5% NSR land holdings on an aerial ortho-rectified image of the Copper Mountain mine. Please refer to the map posted in the "News" section of the Company's website, dated January 21, 2014.

3. Exploration Expenses

During the three months ended December 31, 2014 the Company spent $25,744 on exploration activities compared to $10,230 during the prior year comparative period. During the nine months ended December 31, 2014 the Company spent $156,567 on exploration activities compared to $193,489 during the prior year comparative period. In the prior period the Company hired technical consultants to delineate the Company's legal boundaries of its NSR royalty on the Copper Mountain land holdings in BC. As such, technical consulting and program planning and reports expenditures were higher in the prior year period, when the bulk of the work was completed, compared to the current year period. During the nine months ended December 31, 2014 a provision of $50,000 was recognized in camp and support costs related to camp upgrades that must be completed by May 31, 2015 to comply with environmental regulations.

	Three months ended December 31,		Nine months ended December 31,	
	2014	2013	**2014**	2013
Exploration Expenses				
Lease rental payments	**$ -**	$ -	**$ 46,321**	$ 46,409
Technical consulting	**21,813**	1,335	**36,433**	78,964
Program planning and reports	**1,837**	7,768	**17,299**	56,495
Camp and support	**683**	175	**51,581**	8,540
Airborne geophysics	**-**	702	**-**	702
Equipment rental	**-**	-	**992**	-
Licences and permits	**1,411**	250	**3,941**	2,379
	$ 25,744	$ 10,230	**$ 156,567**	$ 193,489

4. Liquidity and Capital Resources

The Company has no operating revenues and relies primarily on equity financings as well as the exercise of warrants and options to fund its exploration and administrative costs.

The Company's operations consist of the exploration and evaluation of its various properties, a process that is ongoing, and is dependent on many factors some of which are beyond the Company's control. The Company maintains a policy of reviewing its working capital requirements on a continuous basis and is mindful of its property and administrative commitments.

At December 31, 2014, the Company had a working capital deficiency of $984,321 compared to a working capital deficiency of $906,021 at March 31, 2014. Cash balances were $1,874 at December 31, 2014 compared with $5,893 at March 31, 2014.

The Company has a need for equity capital and 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.

5. Results of Operations

During the three months ended December 31, 2014, the Company recorded a net loss and comprehensive loss of $105,883. This is compared to a net loss of $58,203 for the three-month comparative period in 2013. The increase in net loss in the current period is mainly attributable to higher technical consulting fees with respect to exploration and evaluation work on the Company's NSR royalty in BC in the current quarter (see Note 3 above), and to higher professional fees and interest charges on loans incurred during the three months ended December 31, 2014.

During the nine months ended December 31, 2014, the Company recorded a net loss and comprehensive loss of $362,275. This is compared to a net loss of $435,748 for the nine month comparative period in 2013. The decrease in net loss in the current period is mainly attributable to lower exploration and evaluation expenses in the current quarter (see Note 3 above), and to lower share-based payments incurred during the nine months ended December 31, 2014.

The following schedule provides the details of general and administration expenses.

	Three months ended December 31,		Nine months ended December 31,	
	2014	2013	**2014**	2013
General and Administration Expenses				
Share-based payments	**$ -**	$ -	**$ 13,000**	$ 67,458
Professional fees	**29,261**	16,080	**77,229**	78,945
Shareholders' information	**14,238**	11,352	**29,463**	36,535
Office and general	**759**	2,011	**2,156**	8,089
Travel and promotion	**1,496**	-	**2,670**	-
Interest and accretion on debenture	**24,741**	18,445	**67,975**	50,995
Interest and bank charges	**9,643**	85	**13,214**	237
	$ 80,139	$ 47,973	**$ 205,708**	$ 242,259

Selected Annual Information

	2014	2013	2012
	$	$	$
Total revenues	-	-	-
Net loss (income)	583,420	(477,147)	1,070,324
Basic & diluted net (income) loss per share	(0.01)	0.01	0.02
Total assets	392,609	399,589	381,053

Summary of Quarterly Results

	Fiscal 2015			Fiscal 2014
	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter
	$	$	$	$
Total Revenues	-	-	-	-
Net loss	105,883	171,057	85,335	147,672
Net loss per share[1]	0.003	0.003	0.001	0.003
Shares issued & outstanding	58,159,989	58,159,989	58,159,989	57,959,989

	Fiscal 2014			Fiscal 2013
	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter
	$	$	$	$
Total Revenues	-	-	-	-
Net (income) loss	58,203	219,450	158,096	(953,684)
Net (income) loss per share[1]	0.001	0.003	0.003	(0.017)
Shares issued & outstanding	57,759,989	56,785,405	56,785,405	56,785,405

[1] Basic and diluted

6. Outstanding Share Data

The following is the outstanding share data and outstanding securities that are convertible into common shares of the Company as of February 24, 2015:

	# outstanding	Weighted average exercise price
Common shares	58,159,989	N/A
Derivatives:		
Warrants	1,000,000	$0.20
Stock options	5,700,000	$0.15
Convertible debenture		
Principal amount convertible to:		
Common shares	1,550,000	$0.10
Warrants	1,550,000	$0.20

On June 21, 2013, the Company announced that it had closed a non-brokered private placement (the "Offering") consisting of 1,000,000 flow-through units (the "FT Units") of the Company at a price of $0.10 per FT Unit, for aggregate gross proceeds of $100,000. Each FT Unit is comprised of one common share in the capital of the Company and one common share purchase warrant. Each warrant is exercisable to purchase one common share at a price of $0.20 per common share for a period of two years following the closing of the Offering. The proceeds of the Offering will be used to update the camp at the Company's Nunavut Properties to comply with environmental regulations.

On August 23, 2013, 900,000 options to purchase common shares of the Company were granted to directors, officers and consultants of the Company at an exercise price of $0.12 per share for a period of three years. The shares issuable upon exercise of the options are subject to a four-month hold period from the original date of grant.

On November 17, 2013, the common shares of the Company were consolidated on a 100-to-1 basis and subsequently split on a 1-to-100 basis, in order to reduce the number of odd-lot shareholdings of shareholders holding less than 100 shares, pre-consolidation. As a result of this transaction, 25,161 shares were cancelled. Shareholders whose shares were eliminated pursuant to this process are entitled to receive a cash payment equal to the number of pre-consolidation common shares held by such holder multiplied by the volume weighted average trading price per pre-consolidation common share on the TSX Venture Exchange during the five consecutive trading days prior to November 18, 2013, which is equal to $0.055 per share. The cost to the Company to compensate those shareholders whose shares were eliminated in the transaction will be less than $1,399.

On March 20, 2014, the Company completed a private placement financing of $100,000 principal amount of unsecured promissory notes ("Notes") from an unrelated party. The Notes are due 18 months from the date of closing 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. The securities issued in connection with this financing are subject to a regulatory-imposed 4-month hold period from the date of closing. The proceeds of the financing will be used for general working capital purposes.

On June 27, 2014, the Company completed a private placement financing of $100,000 principal amount of unsecured promissory notes ("Notes") from an unrelated party. The Notes are due 18 months from the date of closing 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. The securities issued in connection with this financing are subject to a regulatory-imposed 4-month hold period from the date of closing. The proceeds of the financing will be used for general working capital purposes.

During the period ended June 30, 2014, the Company issued a $55,000 principal amount of unsecured convertible promissory note (the "Note"). The Note will bear interest at a rate of 9% per annum, calculated annually and will be due two years from the date of issuance. Each $0.10 of the principal amount of the Note is convertible into units (the "Units"), each Unit consists of one common share ("Common Share") in the capital of the Company and one Common Share purchase warrant ("Warrant"). Each Warrant is exercisable to purchase one Common Share at a price of $0.20 per Common Share for a period of two years following the issuance of the Note. The securities issued in connection with the loan are subject to a statutory four month hold period from the date of issuance. The proceeds of the Financing will be used for general working capital purposes.

The Company issued a $100,000 principal amount of secured convertible promissory note, which the lender has the option to convert into 1,000,000 Common Shares of the Company and 1,000,000 Common Share purchase warrants. See Note 14(b), Subsequent Events, for details on the terms of the financing.

On June 16, 2014, 66,666 options expired unexercised

7. Commitments and Contingencies

Pursuant to the issuance of 8,346,820 flow-through shares on September 9, 2010, the Company has 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 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 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 is included in Accounts payable and accruals on the consolidated statement of financial position. No adjustments have been made to the provision as at and during the period ended December 31, 2014.

Pursuant to the issuance of 1,000,000 flow-through shares on June 21, 2013, the Company will renounce $100,000 of qualified exploration expenditures with an effective date of December 31, 2013. The Company has spent the full amount of the flow-through funds prior to its deadline of December 31, 2014. A premium liability on flow-through shares in the amount of $20,200 had been recognized on the consolidated statement of financial position, which represented the premium between the quoted market price and the price paid by investors for the flow-through shares. The related flow-through expenditures were renounced to shareholders in February

2014 and the premium liability was reversed and recognized in the consolidated statement of operations and comprehensive loss.

8. Critical Judgements and Estimates

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its unaudited condensed interim consolidated financial statements. In addition, the preparation of financial data requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

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

9. Accounting Pronouncements

Adoption of New and Revised Standards and Interpretations

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods on or after January 1, 2014. Many are not applicable or do not have a significant impact on the Company and have been excluded from the list below.

IAS 32 – Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted.

Management has adopted the above standards in the Company's financial statements for the period beginning April 1, 2014, and has determined that there is no impact of the adoption of these standards or amendments on the financial statements of the Company.

Future Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for the Company's accounting periods beginning on April 1, 2015 or later periods. Many of these updates are not applicable or are not consequential to the Company and have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The amendments to IFRS 9 are effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

10. Financial Instruments

Details of the significant accounting policies and methods adopted for financial instruments (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 3 to the Audited Consolidated Financial Statements for the years ended March 31, 2014 and 2013.

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 during the periods ended December 31, 2014 and 2013.

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, 2014, the Company had a cash and amounts receivable balance of $10,884 (March 31, 2014 - $12,519) to settle current liabilities of $1,384,518 (March 31, 2014 - $1,298,631). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms, except for the loans and convertible debentures described in Note 6, the debenture described in Note 12, and the provision described in Note 2. The shareholder’s loan is also described in Note 12.

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, 2014 and March 31, 2014, no amounts were held in short-term deposit certificates.

(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.

Fair value

The Company has designated its cash and amounts receivable as loans and receivables, which are measured at amortized cost. Accounts payable and accruals, promissory note, and shareholder’s loan 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, amounts receivable, promissory note and accounts payable and accruals on the balance sheet approximate fair value because of the limited term of the instruments. It is not possible to determine if the shareholder's loan is at fair value as there is no comparable market value for such a loan.

At December 31, 2014 and March 31, 2014, the Company had no financial instruments that are carried at fair value.

11. Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

12. Related Party Transactions

Included in current liabilities is an amount owing to a shareholder of $579,401 (March 31, 2014 - $556,947), and included in long term liabilities is a debenture and related accrued interest as described below. 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 and matures on November 1, 2017. The Company may extend the maturity date to November 1, 2022. Advances to the Company, and payments made on its behalf by the Shareholder in excess of the $1,500,000 principal loan amount are included on the Statement of Financial Position as Shareholder's loan. The Shareholder's loan continues to be unsecured, due on demand and non-interest bearing. 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 Similkameen Copper 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 $22,134 was recorded on the Statement of Loss and Comprehensive Loss during the three months ended December 31, 2014 (December 31, 2013 - $18,445). An amount of $61,194 was recorded in interest and accretion on the debenture during the nine months ended December 31, 2014 (December 31, 2013 - $50,995).

Included in accounts payable at December 31, 2014 is an amount owing to officers and a director of the Company of $87,525 (March 31, 2014 - $65,018), which relates to legal services provided by an officer and director prior to and during the period ended December 31, 2014. During the three months ended December 31, 2014, no professional fees were paid to this officer and director (December 31, 2013 - $3,757). Another $25,650, which is included in accounts payable at December 31, 2014 (March 31, 2014 - $5,650), is owed to an officer of the Company for management services rendered during the period.

13. Directors and Officers Compensation

During the three months ended December 31, 2014 the Company incurred an expense of $15,000 to an officer of the Company as remuneration for services provided (December 31, 2013 - $15,000). During the nine months ended December 31, 2014 the Company incurred an expense of $45,000 to an officer of the Company as remuneration for services provided (December 31, 2013 - $45,000).

14. Subsequent Events

a) Subsequent to the period ended December 31, 2014, Hornby made a partial repayment of advances to a director and officer of the Company in the amount of $12,500. The shareholder's loan is unsecured, due on demand and non-interest bearing.

b) Subsequent to the period ended December 31, 2014, Hornby completed a debt financing, which comprised of a secured, convertible promissory note (the "Note") with an unrelated third party (the "Lender") for an amount of $100,000 (the "Principal Amount"); the first tranche of this Note of $48,000 had been received during the quarter ended December 31, 2014 (see Note 8). The funds will be used to make lease rental payments on its land leases in Nunavut, and cover other working capital needs.

   The Note will bear interest at a rate of 9% per annum, calculated annually and matures on January 12, 2017 (the "Maturity Date"). The Lender may at any time, at its sole option, convert, in whole or in part, the Principal Amount into units (the "Units") of the Company at a conversion price of $0.10 per Unit. Each Unit consists of one common share ("Common Share") in the capital of the Company and one Common Share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one Common Share of the Company at an exercise price of $0.20 on or before the Maturity Date. The securities issued pursuant to the financing will be subject to a statutory four-month hold period.

   The indebtedness will be secured by a security interest on the Company's right, title, and interest in, and to, its East Clavos gold property consisting of mining lease 107313, comprising 20 claims on 322.837 hectares about 45 km east northeast of Timmins, and all proceeds thereof and therefrom.

15. Risks & Uncertainties

Exploration

The Company's exploration projects are subject to conditions beyond its control that can affect the carrying costs and development costs for varying lengths of time. Such conditions include environmental hazards, unusual or unexpected geological formations or pressures and periodic interruptions due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or facilities, personal injury, environmental damage, delays in exploration programs, monetary losses and possible legal liability. Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that exploration efforts will be successful. Success in establishing reserves is a result of a number of factors, including the quality of management, the Company's level of geological and technical expertise, the quality of land holdings, the availability of suitable contractors, and other factors. Through high standards and continuous improvement the Company works to reduce these risks and maintains insurance to cover normal business risks.

If mineralization is discovered, it may take several years in the initial phases of exploration and development activities until a production decision is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling, to determine the optimal metallurgical process to extract the metals from the ore and to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment of resources or reserves. Whether a resource deposit will ultimately be commercially viable depends on a number of factors, including the particular attributes of the deposit such as the deposit's size, financing costs and the prevailing prices for the applicable resource. Also of key importance are government regulations, including those relating to prices, taxes, royalties, land tenure, land use and environmental protection.

Financing

In the absence of cash flow from operations the Company relies on the capital markets to fund operations. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that additional funding will be available, or available under terms favourable to the Company. Failure to obtain such additional finance could result in delay or the indefinite postponement of further exploration and the development of the Company's properties.

Licenses and Permits, Laws and Regulations

The Company's exploration activities require permits from various government authorities, and are subject to extensive federal provincial and local laws and regulations governing prospecting, exploration, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become stringent and compliance can therefore become more costly. The Company relies on the expertise and commitment of its management team, their advisors, its employees and contractors to ensure compliance with current laws and fosters a climate of open communication and co-operation with regulatory bodies.

The Company believes that it holds all necessary licenses and permits under applicable laws and regulations and believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in various circumstances. There can be no guarantee that the Company will be able to maintain or obtain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities or to maintain continued operations.

Environmental, Health and Safety

The Company's activities are subject to extensive federal, provincial and local laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, where enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The company is also subject to various reclamation-related conditions imposed under federal or provincial rules and permits, and there can be no assurance that they will not change in the future in a manner that could have a material effect on the Company's financial condition, liquidity or results of operations.

16. Forward Looking Statements

Certain statements contained in the section "Description of the Business" of this MD&A constitutes forward-looking statements. These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect, "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Information concerning the interpretation of drill results, mineral resource and reserve estimates and capital cost estimates may also be deemed as forward-looking statements as such information constitutes a prediction of what mineralization might be found to be present and how much capital will be required if and when a project is actually developed. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the supply and demand for, deliveries of, and the level and volatility of prices of base metals, and uranium, among others;
- the availability of financing for the Company's exploration and development projects on reasonable terms;
- the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- the ability to attract and retain skilled staff;
- market competition;
- the accuracy of the Company's resource estimate (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which it is based;
- tax benefits and tax rates.

These forward-looking statements involve risks and uncertainties relating to, among other things, changes in commodity and, particularly, gold prices, uranium and copper prices, access to skilled mining development and mill production personnel, results of exploration and development activities, the Company's limited experience with production and development stage mining operations, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals, actual performance of facilities, equipment and processes relative to specifications and expectations and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors incorporated by reference herein. See "**Risks and Uncertainties**" for additional information. The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The Company also cautions readers not to place undue reliance on these forward-looking statements. Moreover, these forward-looking statements may not be suitable for establishing strategic priorities and objectives, future strategies or actions, financial objectives and projections other than those mentioned above.

Dated February 24, 2015

"James M. Brady"

President & CEO