HORNBY BAY
MINERAL EXPLORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS
Three and Nine Months Ended December 31, 2017

INTRODUCTION

The following Management Discussion & Analysis – Quarterly Highlights ("Quarterly Highlights") of Hornby Bay Mineral Exploration Ltd. *(the "Company" or "Hornby")* has been prepared to provide material updates to the business operations, liquidity and capital resources of the Corporation since its last management discussion & analysis, being the Management Discussion & Analysis ("Annual MD&A") for the fiscal year ended March 31, 2017. This Quarterly Highlights report does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This Quarterly Highlights report has been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Annual MD&A and the audited consolidated financial statements of the Company for the years ended March 31, 2017 and 2016 and the unaudited interim consolidated financial statements for the three and nine months ended December 31, 2017 and 2016, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the three and nine months ended December 31, 2017 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at February 7, 2018 unless otherwise indicated.

The unaudited interim consolidated financial statements for the three and nine months ended December 31, 2017 and 2016, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited interim financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting.

External auditors, appointed by the shareholders, have not audited or reviewed the interim consolidated financial statements for the three and nine months ended December 31, 2017 and 2016 and did not perform the tests deemed necessary to enable them to express an opinion on these unaudited consolidated financial statements.

For the purposes of preparing this Quarterly Highlights report, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Hornby's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors.

Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

ADDITIONAL INFORMATION

Additional information is accessible at the Company's website www.hornbybay.com or through the Company's public filings at www.sedar.com.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Highlights includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. In the event that the Company is able to acquire a suitable mining property, such risks and uncertainties include, but are not limited to, risks associated with the mining industry (including operational risks in exploration development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of the Company to obtain all permits, consents or authorizations required for its operations and activities; and health safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the ability of Hornby to fund the capital and operating expenses necessary to achieve the business objectives of Hornby, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by the Company. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking statements. Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this press release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

A detailed discussion of risk factors applicable to Hornby is presented in the Annual MD&A for the years ended March 31, 2017 and 2016.

CORPORATE OVERVIEW AND OUTLOOK

The shares of the Company are listed on the TSX Venture Exchange and trade under the symbol “HBE”. Hornby is a Canadian-based junior mining and exploration company incorporated under the Canada Business Corporations Act and domiciled in Ontario, Canada. The Company currently holds a portfolio of exploration and evaluation projects in Ontario and Nunavut, Canada, which Hornby continues to evaluate. Hornby also holds 5% Net Smelter Return (“NSR”) Royalty within Copper Mountain Mining Corporation’s land holdings, which include a producing mine in Princeton, BC.

Over the last five years, the global financial and commodity markets were characterized by extreme volatility as market participants reacted and responded to uncertainty and pessimism over the depressed North American and international economies. These circumstances have had an impact on the Company’s operations and, in particular, on the economics of its existing exploration and evaluation projects, its strategy to evaluate and, if attractive, complete potential acquisitions and otherwise its ability to pursue growth opportunities. In the short-term, the Company is not actively carrying out any exploration activities on any of its claims due to the current lack of financial resources to do so.

The Company will continue to evaluate its strategic options and potential acquisitions and may, if conditions are favourable, seek to raise additional funds through a private or public offering of securities or debt as required.

COMPANY HIGHLIGHTS

- The Company’s CEO advanced to Hornby $10,605; $9,605 was to pay for advertisements in the Northern Miner; the other $1,000 was paid for the right of way to a local landowner.
- The Company received $50,000 from the prepaid amount deposited for demobilization from the Nunavut project, and returned $45,000 to the Company’s CEO to decrease the loan amount payable.
- The Company has coordinated demobilization of the drill that was previously on its Nunavut property; however; the camp decommissioning was not completed within the agreed time with the contractor from Kugluktuk. If this default is not corrected by the current contractor to the satisfaction of the

Company, the Company will seek a new contractor to complete the decommissioning of the camp this coming winter.

- The geophysical surveys commenced in December on the Company's mining leases in Stock Township; however, weather conditions slowed progress until early in January and these have now been completed. Current weather conditions have made it possible to conduct a diamond drill program on the ice created by beaver dams on the property. The Company intends to commence diamond drilling on the geophysical targets within the Pipestone Fault portion of the area which covers 2 km. of strike length on the Fault. Consultants are currently determining drill targets.

OVERALL PERFORMANCE

The Company does not currently have a producing property. Recovery of the cost of mining assets is subject to the discovery of economically recoverable reserves, the ability to obtain the financing required to pursue the exploration and development of its properties, and profitable future production or the proceeds from the sale of its properties. The Company must periodically obtain new funds in order to pursue its activities. It is not possible to predict whether financing efforts will be successful and management cannot provide assurance that it will be able to obtain the required financing to fund operations.

The net loss and comprehensive loss for the three months ended December 31, 2017 was $104,689 ($0.002 loss per share) as compared to a net loss and comprehensive loss of $68,183 ($0.001 loss per share) for the three months ended December 31, 2016. The net loss for the period is mainly due to professional fees, shareholders' information; and interest and accretion on loans and debentures. In the prior year period, the Company earned income from royalties of $17,665; this was offset by exploration and administrative expenditures of $83,383 during the three months ended December 31, 2016. General and administrative expenses ("G&A") for the three month period ended December 31, 2017 of $100,382 were higher than prior year period's G&A of $83,383. The increase can be attributed to higher shareholders' information and office and general costs.

MINERAL EXPLORATION PROPERTIES

None of the Company's properties are at or near production. As at February 7, 2018, the Company had the following mineral properties under exploration:

(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. During the prior year, Hornby's Management decided to drop 18 leases that formed part of its Nunavut property. This was done to save the Company money as the 18 leases are considered to be outside of the Company's strategic holdings within the total land package.

(b) UNAD JV, NUNAVUT

Hornby holds 100% of 5 mineral claims in the Coppermine River area of Nunavut.

(c) ONTARIO GOLD PROPERTIES

The company owns a 100% interest in in certain gold leases near Timmins, Ontario.

(d) B.C. PROPERTIES

The Company holds a 100% interest in four Crown grants in the area of the Independence Cu-Mo deposit in British Columbia, and a 5% NSR royalty interest on certain parts of the Copper Mountain Mining Corporation operating mine.

LIQUIDITY

Operating Activities

Cash flow used by operating activities during the nine months ended December 31, 2017 was $42,685 compared to cash flow provided in the amount of $62,563 during the same period in 2016.

Financing Activities
During the nine months ended December 31, 2017, cash flow provided by financing activities was $45,938 through proceeds of shareholder loan. This compares to $55,326 used as a result of repayment of shareholder loan.

Liquidity Outlook
Hornby had cash of $10,703 available as at December 31, 2017, an increase of $3,253 from the balance at March 31, 2017 of $7,450. As at December 31, 2017, the Company had a working capital deficiency of $1,966,736 (March 31, 2017 - $1,859,381).

The current cash and receivables as at December 31, 2017 will be used to pay existing liabilities and for general working capital purposes. The Company will continue its financing efforts, through equity or debt financings or the sale of mineral property and/or idle assets, to help fund ongoing operations in 2018.

Other than occasional income realized on the sale of idle assets, Hornby receives royalty income on its 5% NSR royalty interest with Copper Mountain which it uses to pay existing liabilities and meet general working capital needs. Hornby has no other source of operating revenues and royalty income will only continue as long as production continues on Hornby's royalty ground. Once production ceases, the Company will be in need for external financing to maintain operations; there is no guarantee of obtaining future equity or debt financings or on favourable terms to the Company. It is not possible to predict whether financing efforts will be successful.

The Company must utilize its current cash reserves and other sources of financing to meet working capital requirements, and ongoing discretionary expenditures, and to fund any further development activities. The Company anticipates that it will raise additional capital when and if the opportunity arises.

SUBSEQUENT EVENTS

At the Annual and Special Meeting held on January 8, 2018, the shareholders approved the consolidation of the Company's common shares on a 1,000-to-1 basis and the subsequent subdivision of common shares on a 1-to-1,000 basis in order to reduce the odd-lot shareholdings of shareholders holding less than 1,000 shares, pre-consolidated basis.

On January 15, 2018, the Company announced that it has agreed to settle an aggregate of $1,150,000 of indebtedness owed to certain non-arm's length creditors through the issuance of an aggregate of 23,000,000 common shares of the Company at a price of $0.05 per common share subject to regulatory approval.

RELATED PARTY DISCLOSURES

Certain corporate entities and consultants that are related to the Company's officers and directors provide consulting and other services to Hornby. All transactions were conducted in the normal course of operations and are measured as follows:

	Amounts owed to related parties for the periods ended:	
	December 31, 2017	March 31, 2017
Officers and directors	$ 129,451	$ 231,989
Shareholder's loan	$ 622,319	$ 576,381
Interest and accretion on debenture	$ 105,743	$ 121,867
Debenture	$ 836,946	$ 731,203

Included in the amount owing to officers and directors is $126,625.88 (March 31, 2017 - $112,139) for legal services provided by a director of the Company prior to and during the period ended December 31, 2017. During the nine months then ended, $Nil was paid to the officer and director for legal services (December 31, 2016 - $19,658). The remaining balance owing to officers and directors of $2,825 (March 31, 2017 - $Nil) is owed to an officer of the Company for management services rendered during the period. A former officer of the Company is owed $136,000 for management services (March 31, 2017 - $113,567)

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. 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 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 $105,743 was recorded on the Statement of Loss and Comprehensive Loss during the nine months ended December 31, 2017 (December 31, 2016 - $88,119).

Compensation of Key Management Personnel

	Three months ended,		Nine months ended,	
For the periods ended December 31,	**2017** **$**	2016 $	**2017** **$**	2016 $
Salaries including bonuses	**7,500**	15,000	**32,500**	30,000
Share-based payments[1]	**-**	-	**-**	-
	7,500	15,000	**32,500**	30,000

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. [1]No share-based payments were paid to key management personnel during the period ended December 31, 2017.

PROPOSED TRANSACTIONS

None.

DIVIDENDS

The Company intends to retain its earnings, if any, to finance growth and expand its operations and does not anticipate paying any dividends in the foreseeable future.

CONTINGENCIES AND COMMITMENTS

Outside of annual lease rents on its Nunavut land leases and property tax payments on the Company's Ontario claims, there are no outstanding contingencies or commitments as of the date of this MD&A. See Note 15 to the unaudited interim consolidated financial statements for the three and nine month periods ended December 31, 2017, and 2016 for more detailed disclosure regarding possible contingencies or commitments.

RISKS AND UNCERTAINTIES

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk and Uncertainties" in the Company's Annual MD&A for the years ended March 31, 2017 and 2016, which are available on SEDAR at www.sedar.com.

James M. Brady
President and CEO
February 7, 2018