



MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS **Six Months Ended September 30, 2019**

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, 2019. 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, 2019 and 2018 and the unaudited interim consolidated financial statements for the three and six months ended September 30, 2019 and 2018, 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 six months ended September 30, 2019 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at November 11, 2019 unless otherwise indicated.

The unaudited interim consolidated financial statements for the three and six months ended September 30, 2019 and 2018, 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 six months ended September 30, 2019 and 2018 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, 2019 and 2018.

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.

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 six months ended September 30, 2019 was \$178,014 (\$0.00 loss per share) as compared to a net loss and comprehensive loss of \$146,700 (\$0.00 loss per share) for the six months ended September 30, 2018. The net loss for the period is mainly due to professional fees, shareholders' information; and interest and accretion on loans and debentures. General and administrative expenses ("G&A") for the six month period ended September 30, 2019 of \$155,379 were slightly higher compared to prior year period's G&A of \$148,778.

MINERAL EXPLORATION PROPERTIES

None of the Company's properties are at or near production. As at the date of this report, 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. 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 nonstrategic 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.

LIQUIDITY

Operating Activities

Cash flow used by operating activities during the six months ended September 30, 2019 was \$20,760 compared to cash flow provided in the amount of \$20,162 during the same period in 2018.

Financing Activities

During the six months ended September 30, 2019, cash flow provided by financing activities was \$22,876 (2018 – cash used \$11,040) through proceeds of shareholder loan.

Liquidity Outlook

Hornby had cash of \$7,331 available as at September 30, 2019, an increase of \$2,116 from the balance at March 31, 2019 of \$5,215. As at September 30, 2019, the Company had a working capital deficiency of \$886,917 (March 31, 2019 - \$826,096).

The current cash and receivables as at September 30, 2019 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 fiscal 2020.

Other than occasional income realized on the sale of idle assets, Hornby receives, from time to time, 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

On October 16, 2019, the Company announced the retirement Mr. James Brady. Mr. Fred Leigh succeeded Mr. Brady as President and Chief Executive Officer and joined the board of directors. In addition, the Company announced its intention to complete a non-brokered private placement of up to 25,000,000 units (each, a "Unit") of the Company, at a price of \$0.05 per Unit for gross proceeds of up to \$1,250,000 (the "Offering"). Each Unit will be comprised of one common share (each, "Common Share") and one-half of one Common Share purchase warrant (each whole warrant, a "Warrant"). Each whole Warrant will entitle the holder thereof 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 "Closing Date").

On November 8, 2019, the Company completed a first tranche of the Offering consisting of 12,500,000 Units for gross proceeds of \$625,000. Each Unit is comprised of one common share and one-half of one Common share purchase warrant and entitles the holder thereof to acquire a Common Share for a period of two years from the date of issuance, exercisable at a price of \$0.10 per Common Share. In connection with the closing, the Company paid finder's fee to a qualified individual (the "Finder"). The Finder received a fee equal to \$43,750 representing 7% of the gross proceeds of the Offering and issued finder warrants ("Finder Warrants") entitling the Finder to purchase 875,000 Common Shares, representing 7% of the aggregate number of Units sold by such Finder under the Offering, at a price of \$0.10 per Common Share for a period of two years from the date of issuance.

On October 21, 2019, the Company announced the resignation of Mr. John Doran from the board of directors of the Company. Mr. Maurice Colson has been appointed as Non-Executive Chairman of the board of directors. In connection to the appointment, the Company granted Mr. Colson a total of 3,500,000 options to purchase common share of the Company at an exercise price of \$0.05 for a period of two years.

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:

	<u>September 30, 2019</u>	<u>March 31, 2019</u>
Officers and directors	\$ 78,958	\$ 46,993
Shareholder's loan	\$ 136,441	\$ 113,565
Debenture	\$ 1,150,126	\$ 1,052,933

Included in the amount owing to officers and directors is \$58,534 (March 31, 2019 - \$38,519) for legal services provided by a director of the Company prior to and during the period ended September 30, 2019. During the period then ended, \$nil was paid to the officer and director for legal services (March 31, 2019 - \$nil). The remaining balance owing to officers and directors of \$20,425 (March 31, 2019 - \$8,475) is owed to an officer of the Company for management services rendered during the same period; \$5,000 was paid to this officer during the period ended September 30, 2019 (March 31, 2019 - \$28,250).

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 \$97,194 was recorded on the Statement of Loss and Comprehensive Loss during the period ended September 30, 2019 (2018 - \$80,995).

Compensation of Key Management Personnel

For the periods ended September 30,	2019 \$	2018 \$
Salaries including bonuses	15,000	15,000
Share-based payments ¹	-	-
	15,000	15,000

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.

¹No share-based payments were paid to key management personnel during the period ended September 30, 2019.

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 14 to the unaudited interim consolidated financial statements for the three and six month periods ended September 30, 2019 and 2018 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, 2019 and 2018, which are available on SEDAR at www.sedar.com.

Fred Leigh
 President and CEO
 November 11, 2019