HORNBY BAY
MINERAL EXPLORATION

Interim Consolidated Financial Statements

Three and Nine Months Ended December 31, 2015 and 2014

NOTICE TO READER

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 interim condensed consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

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

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

As at	December 31, 2015 $	March 31, 2015 $
Assets	**(Unaudited)**	
Current		
Cash	**509**	2,242
Amounts receivable (Note 4)	**16,784**	10,066
Prepaid expenses (Note 5)	**2,000**	18,787
Total current assets	**19,293**	31,095
Prepaid expenses (Note 5)	**367,454**	367,454
Total Assets	**386,747**	398,549
Liabilities and Shareholders' Deficiency		
Current Liabilities		
Accounts payable and accruals (Notes 13, 14 and 15)	**815,675**	780,930
Shareholder's loan (Note 14)	**630,421**	573,490
Loans payable (Note 9)	**376,244**	220,000
Provision for environmental remediation (Note 7)	**50,000**	-
Provision for camp decommissioning (Note 7)	**-**	50,000
Total Current Liabilities	**1,872,340**	1,624,420
Debenture (Note 14)	**581,213**	507,780
Convertible debenture (Note 8)	**159,583**	139,520
Total Liabilities	**2,613,136**	2,271,721
Shareholders' Deficiency		
Capital stock (Note 10)	**38,968,423**	38,945,423
Share-based payments reserve (Note 11)	**97,733**	415,101
Equity portion of convertible debt (Note 8)	**27,986**	27,986
Deficit	**(41,320,531)**	(41,261,682)
Total Shareholders' Deficiency	**(2,226,389)**	(1,873,172)
Total Liabilities and Shareholders' Deficiency	**386,747**	398,549

GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Notes 6, 14 and 15)
SUBSEQUENT EVENTS (Note 18)

APPROVED ON BEHALF OF THE BOARD:

Signed "*Chris Irwin*", Director

Signed "*James Brady*", Director

See accompanying notes to the unaudited interim consolidated financial statements.

HORNBY BAY MINERAL EXPLORATION LTD.

Consolidated Statements of Operations and Comprehensive Loss
(Expressed In Canadian Dollars)
(Unaudited)

For the periods ended December 31,	Three months ended 2015	Three months ended 2014	Nine months ended 2015	Nine months ended 2014
	$	$	$	$
Revenue				
Sale of assets (Note 17)	**-**	-	**16,500**	-
Expenditures				
Exploration and evaluation expenses				
Lease rental payments (recovery)	**-**	-	**21,738**	46,321
Technical consulting	**-**	21,813	**4,350**	36,433
Program planning and reports (recovery)	**5,514**	1,837	**6,426**	17,299
Camp and support	**-**	683	**84,357**	51,581
Geology	**-**	-	**4,900**	-
Licences and permits	**-**	1,411	**2,223**	3,941
Airborne geophysics	**1,470**	-	**1,470**	-
Equipment rental	**-**	-	**-**	992
Total exploration and evaluation expenses	**6,984**	25,744	**126,514**	156,567
General and administrative expenses				
Share-based payments	**30,274**	-	**30,274**	13,000
Professional fees	**19,119**	29,261	**98,370**	77,229
Shareholders' information	**13,729**	14,238	**21,996**	29,463
Office and general	**768**	760	**2,216**	2,157
Travel and promotion	**-**	1,496	**-**	2,670
Interest and accretion on debenture	**33,419**	24,741	**93,496**	67,975
Interest and bank charges	**12,441**	9,643	**27,125**	13,214
Total general and administration expenses	**109,750**	80,139	**273,477**	205,708
Total expenditures	**116,734**	105,883	**399,991**	362,275
Net loss and comprehensive loss for the period	**(116,734)**	(105,883)	**(383,491)**	(362,275)
Loss per share – basic and diluted	**(0.002)**	(0.002)	**(0.007)**	(0.006)
Weighted average number of common shares outstanding	**58,159,989**	58,063,814	**58,159,989**	58,095,989

See accompanying notes to the unaudited interim consolidated financial statements.

HORNBY BAY MINERAL EXPLORATION LTD.

Consolidated Statements of Cash Flows
(Expressed In Canadian Dollars)
(Unaudited)

For the periods ended December 31,	**2015**	2014
	$	$
Cash flows from		
Operating activities		
Net loss for the period	**(383,491)**	(362,275)
Adjust for: operating items not involving cash		
Share-based payments	**30,274**	13,000
Accrued interest and accretion on debenture	**93,496**	67,975
Change in non-cash working capital:		
Amounts receivable	**(6,719)**	(5,384)
Prepaid expenses	**16,788**	(6,223)
Accounts payable and accruals	**34,745**	13,434
Provision for environmental remediation	**-**	50,000
	(214,907)	(229,473)
Financing activities		
Proceeds from loan	**156,243**	100,000
Proceeds from convertible debenture	**-**	103,000
Shareholder's loan	**56,931**	22,454
	213,174	225,454
(Decrease) increase in cash	**(1,733)**	(4,019)
Cash at beginning of period	**2,242**	5,893
Cash at end of period	**509**	1,874

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	**-**	3,730
Issuance of shares as cost of loan financing	**-**	13,000
Taxes paid	**-**	-
Issuance of shares for advisory services	**24,000**	-

See accompanying notes to the unaudited interim consolidated financial statements.

HORNBY BAY MINERAL EXPLORATION LTD.

Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed In Canadian Dollars)

	Number of Shares	Capital Stock $	Share-based Payments Reserve $	Equity Portion of Convertible Debenture $	Deficit $	Total Shareholder's Deficiency $
Balance April 1, 2014	57,959,989	38,932,423	421,101	-	(40,782,696)	(1,429,172)
Net loss for the period	-	-	-	-	(362,275)	(362,275)
Issuance of shares as cost of loan financing	200,000	13,000	-	-	-	13,000
Convertible debenture	-	-	-	18,598	-	18,598
Options forfeited	-	-	(6,000)	-	6,000	-
Balance December 31, 2014	58,159,989	38,945,423	415,101	18,598	(41,138,971)	(1,759,849)
Net loss for the period	-	-	-	-	(122,711)	(122,711)
Convertible debenture	-	-	-	9,388	-	9,388
Balance March 31, 2015	58,159,989	38,945,423	415,101	27,986	(41,261,682)	(1,873,172)
Net loss for the period	-	-	-	-	(383,491)	(383,491)
Warrants expired	-	23,000	(23,000)	-	-	-
Options granted	-	-	30,274	-	-	30,274
Options forfeited	-	-	(324,642)	-	324,642	-
Balance December 31, 2015	58,159,989	38,968,423	97,733	27,986	(41,320,531)	(2,226,389)

See accompanying notes to the unaudited interim 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 400-365 Bay Street, Toronto, ON M5H 2V1. The Company's shares are listed on the TSX Venture Exchange.

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 condensed interim 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, 2015, 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, 2015, the Company had a working capital deficiency of $1,853,047 (March 31, 2015 - $1,593,324). 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 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, 2015 and 2014, 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 three and nine months ended December 31, 2015 and 2014 were approved and authorized for issue by the Board of Directors on February 26, 2016.

(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 15.

(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, 2015 and 2014. In addition, these interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

3. FUTURE ACCOUNTING PRONOUNCEMENTS

(Expressed in Canadian dollars)

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for the Company's accounting periods beginning on April 1, 2016 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.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted. The Company has yet to assess the full impact of IAS 1 on its financial statements.

4. AMOUNTS RECEIVABLE

	December 31, 2015	March 31, 2015
HST/GST receivable	$ 6,571	$ 7,066
Trade receivable	10,213	3,000
	$ 16,784	$ 10,066

5. PREPAID EXPENSES

	December 31, 2015	March 31, 2015
Total current prepaid expenses	$ 2,000	$ 18,787
Advances – non-current	367,454	367,454
Total non-current prepaid expenses	$ 367,454	$ 367,454

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. As at December 31, 2015, there was a remaining balance of $367,454 (March 31, 2015 - $367,454). The Company is unlikely to use up this advance with the supplier in the next twelve months; as such, the amount of the advance was reclassified to non-current prepaid expenses on the Statement of Financial Position as at December 31, 2015. Other current year, current prepaid expenses relate to prepaid interest on a loan; prior year period amounts are for advances to legal counsel and technical consultants to perform work related to the Company's B.C. property.

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. 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 holds a 100% interest 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% net smelter return royalty interest on certain parts of the Copper Mountain Mine.

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 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 Nunavut camp facilities. Given that the camp is used infrequently and is expensive to maintain, Hornby Bay has opted to dismantle the existing camp and use temporary facilities 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. The remaining camp decommissioning was completed during the period ended December 31, 2015. 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 under camp and support costs on the consolidated statement of loss and comprehensive loss for the period ended December 31, 2015. The provision is measured at management's best estimate of the final cost of the any remediation work.

8. CONVERTIBLE DEBENTURES

During Q1 2015, 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 matures on June 4, 2016. Each $0.10 of the principal amount of the Note is convertible into 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 debenture is classified as a liability, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the debenture being less than face value. The equity portion of this debt totals $9,931. The discount is being accreted over the term of the debenture utilizing the effective interest rate method at a 20.0% (2014 – Nil) discount rate. An amount of $2,726 was recorded as accretion expense on the consolidated statements of loss and comprehensive loss for the three months ended December 31, 2015 (December 31, 2014 - $2,608), and $7,715 was recorded for the nine months then ended (December 31, 2014 - $6,781).

On January 17, 2015, Hornby entered into a secured, convertible promissory note (the "Note") with the same party (the "Lender") for an amount of $100,000 (the "Principal Amount"). The funds were 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. The debenture is classified as a liability, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the debenture being less than face value. The equity portion of this convertible debt totals $18,055. The discount will be accreted over the term of the debenture utilizing the effective interest rate method at a 20.0% (2014 – $Nil) discount rate. An amount of $4,131 was recorded as accretion expense on the consolidated statements of loss and comprehensive loss for the three months ended December 31, 2015 (December 31, 2014 - $Nil) and $12,348 was recorded for the nine months then ended (December 31, 2014 - $Nil).

9. 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. The Company has paid interest of $Nil and accrued interest of $2,250 on the consolidated statements of loss and comprehensive loss during the three months ended December 31, 2015 (December 31, 2014: paid-$2,250) and accrued interest of $6,750 on the consolidated statements of loss and comprehensive loss during the nine months ended December 31, 2015 (December 31, 2014: paid-$6,750).

During the period ended December 31, 2015, 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, which are now due March 20, 2016. In connection with the extension, Hornby must pay an additional extension fee of 12%, or $1,000 monthly, for each of the 6 months of the extension term (paid and current to December 31, 2015).

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. The Company has paid interest of $Nil and accrued interest of $2,250 on the consolidated statements of loss and comprehensive loss during the three months ended December 31, 2015 (December 31, 2014 - paid $2,250), and accrued interest of $6,750 on the consolidated statements of loss and comprehensive loss during the nine months ended December 31, 2015 (December 31, 2014: paid-$6,750).

(Expressed in Canadian dollars)

During the period ended December 31, 2015, 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, which are now due June 27, 2016. In connection with the extension, Hornby must pay an additional extension fee of 12%, or $1,000 monthly, for each of the 6 months of the extension term.

During the nine months ended December 31, 2015, the Company entered into a loan agreement for an aggregate of $155,000 with an unrelated third party (the “Lender”); this loan is in addition to an amount of $20,000 borrowed from this same lender in March 2015. Of the total, $80,000 was used to pay for lease rental payments of its Nunavut leases and to cover other working capital needs. Another $75,000 was advanced to a consultant of the Company who has been engaged in the decommissioning of its Nunavut camp facilities (Note 7). The loan is unsecured and bears interest at 9% per annum. The Lender will also be given 100,000 shares of a public, junior mining company currently held by an officer and director of the Company. The Company has accrued interest of $3,488 on the consolidated statements of loss and comprehensive loss for the three months ended December 31, 2015 (December 31, 2014 - $Nil). The Company has accrued interest of $8,527 on the consolidated statements of loss and comprehensive loss for the nine months ended December 31, 2015 (December 31, 2014 - $Nil).

10. CAPITAL STOCK

(i) As at December 31, 2015 and March 31, 2015, the Company’s authorized number of common shares was unlimited without par value.

(ii) **Common Shares**

Issued 58,159,989 common shares	**Number of Shares**	**Amount**
Balance at April 1, 2014	**57,959,989**	**$38,932,423**
Issuance of shares as cost of loan financing (Note 9)	**200,000**	**13,000**
Balance at March 31, 2015	**58,159,989**	**38,945,423**
Expiry of warrants (Note 11)	**-**	**23,000**
Balance at December 31, 2015	**58,159,989**	**$38,968,423**

11. 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 April 1, 2014	5,766,666	$ 0.16	**$ 398,101**	1,000,000	$ 0.20	**$ 23,000**	**$421,101**
Forfeited	(66,666)	(0.30)	**(6,000)**	-	-	**-**	**(6,000)**
Balance March 31, 2015	5,700,000	$ 0.15	**$ 392,101**	1,000,000	$ 0.20	**$ 23,000**	**$415,101**
Granted	3,400,000	0.10	**30,274**	-	-	**-**	**30,274**
Expired	-	-	**-**	(1,000,000)	(0.20)	**(23,000)**	**(23,000)**
Forfeited	(4,800,000)	(0.16)	**(324,642)**	-	-	**-**	**(324,642)**
Balance December 31, 2015	4,300,000	$ 0.10	**$ 97,733**	-	$ -	**$ -**	**$ 97,733**

Warrants

Pursuant to the issuance of FT Units on June 21, 2013, the Company issued 1,000,000 common share purchase warrants. 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 grant date fair value of the warrants was estimated to be $23,000, using the Black-Scholes option pricing model assuming a risk-free interest rate of 1.23% on the date of issue, an expected life of two years, an expected volatility of 172% and expected dividends of $Nil. On June 21, 2015, these warrants expired unexercised.

(Expressed in Canadian dollars)

Options

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

On August 11, 2015, 2,500,000 options with a weighted average exercise price of $0.20 and a fair value of $261,817 expired unexercised. On November 26, 2015, 3,400,000 options were granted: 2,200,000 options were granted to directors and officers of the Company, and 1,200,000 options were granted to consultants of the Company. The options can be exercised into Common Shares of the Company at a price of $0.10 and expire in three years.

Options outstanding to purchase common shares at December 31, 2015 have a weighted average exercise price of $0.10. 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)
900,000	900,000	0.12	67,459	22-Aug-16	0.65
3,400,000	3,400,000	0.10	30,274	26-Nov-18	2.91
4,300,000	4,300,000	0.10	97,733		

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 %
22-Aug-16	0.10	0.12	137	3	0	1.3
26-Nov-18	0.02	0.10	122	3	0	0.7

12. 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.

(Expressed in Canadian dollars)

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, 2015, 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 periods ended December 31, 2015 or 2014.

13. 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 are disclosed in Note 3 to the Annual Audited Consolidated Financial Statements for the years ended March 31, 2015 and 2014.

Financial assets and financial liabilities as at December 31, 2015 and March 31, 2015 were as follows:

December 31, 2015	Loans and receivables	Other liabilities	Total
Cash	$ 509	$ -	$ 509
Accounts payable and accruals	-	(815,676)	(815,676)
Shareholder's loan	-	(645,421)	(645,421)
Loan payable	-	(376,244)	(376,244)
Convertible debenture	-	(159,583)	(159,583)
Debenture	-	(581,213)	(581,213)
	$ 509	$ (2,578,136)	$ (2,577,627)

March 31, 2015	Loans and receivables	Other liabilities	Total
Cash	$ 2,242	$ -	$ 2,242
Accounts payable and accruals	-	(780,930)	(780,930)
Shareholder's loan	-	(573,490)	(573,490)
Loan payable	-	(220,000)	(220,000)
Convertible debenture	-	(139,520)	(139,520)
Debenture	-	(507,780)	(507,780)
	$ 2,242	$ (2,221,721)	$ (2,219,478)

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, 2015 and 2014.

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, 2015, the Company had cash and an amounts receivable balance of $17,293 (March 31, 2015 - $12,308) to settle current liabilities of $1,887,340 (March 31, 2015 - $1,624,420). 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, except for the convertible debenture described in Note 8, the loans described in Note 9, the debenture and shareholder's loan described in Note 14, and the provision described in Note 15. 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, 2015 and March 31, 2015, 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, 2015 and March 31, 2015 the Company had no financial instruments that are carried at fair value.

(Expressed in Canadian dollars)

14. 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 periods ended:

	December 31, 2015	March 31, 2015
Officers and directors	$ 179,258	$ 129,798
Shareholder's loan	$ 630,421	$ 573,490
Interest and accretion on debenture	$ 73,433	$ 84,630
Debenture	$ 581,213	$ 507,780

Included in the amount owing to officers and directors is $109,908 (March 31, 2015 - $92,048) for legal services provided by a director of the Company prior to and during the period ended December 31, 2015. During the period then ended, $2,889 was paid to the officer and director for legal services (December 31, 2014 – $6,889). The remaining balance owing to officers and directors of $69,350 (March 31, 2015 - $36,950) is owed to an officer of the Company for management services rendered during the period; $1,500 was paid to this officer during the period ended December 31, 2015.

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 $26,561 was recorded on the Statement of Loss and Comprehensive Loss during the three months ended December 31, 2015 (December 31, 2014 - $22,134), and $73,433 was recorded during the nine months ended December 31, 2015 (December 31, 2014 - $61,194).

In July 2015, a director and officer of the Company transferred 300,000 common shares of Hornby Bay Mineral Exploration Ltd. from his personal shareholdings account to Red Cloud Mining Capital ("Red Cloud") pursuant to an agreement for advisory services entered into during the period ended June 30, 2015. The value of the common shares on the TSX Venture Exchange on the date that the Company entered into the agreement with Red Cloud was $0.08 per share; as such, the transferred shares have been valued for accounting purposes at an aggregate of $24,000. This amount is included in the Shareholder's loan on the Consolidated Statement of Financial Position as at December 31, 2015.

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, 2015 and 2014 was as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2015 **$**	2014 $	**2015** **$**	2014 $
Salaries including bonuses	**15,000**	15,000	**45,000**	45,000
Share-based payments[1]	**19,589**	-	**19,589**	-
	34,589	15,000	**64,589**	45,000

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]See Note 11 for details of share-based payments paid to key management personnel during the period ended December 31, 2015.

15. COMMITMENTS AND CONTINGENCIES

a) 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, 2015.

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 has been recognized at December 31, 2015 in the amount of $50,000. The nature of this provision is disclosed in Note 7.

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, 2015 and 2014.

17. SALE OF ASSETS

In connection with the decommissioning of Hornby's camp facilities in Nunavut (See Note 7), the Company realized income of $16,500 during the nine months ended December 31, 2015 (December 31, 2014 - $Nil) on the sale of some idle assets that were located on-site and no longer of use to the Company.

18. SUBSEQUENT EVENTS

a) There were no material events which occurred subsequent to the period ended December 31, 2015.