

WABI EXPLORATION INC.
MANAGEMENT'S DISCUSSION & ANALYSIS – QUARTERLY HIGHLIGHTS
THREE MONTHS ENDED JULY 31, 2016

INTRODUCTION

The following Management Discussion & Analysis – Quarterly Highlights (“Quarterly Highlights”) of Wabi Exploration Inc. (*the “Company” or “Wabi”*) 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 April 30, 2016. This Quarterly Highlights does not provide a general update to the Annual MD&A, or reflect any non-material events since date of the Annual MD&A.

This Quarterly Highlights 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 Annual MD&A and the audited consolidated financial statements of the Company for the years ended April 30, 2016 and 2015 and the unaudited interim consolidated financial statements for the three months ended July 31, 2016 and 2015, 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 months ended July 31, 2016 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at September 27, 2016 unless otherwise indicated.

The unaudited interim consolidated financial statements for the three months ended July 31, 2016 and 2015, 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 consolidated financial statements for the three months ended July 31, 2016 and 2015 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, 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 Wabi is presented in the Annual MD&A for the years ended April 30, 2016 and 2015.

CORPORATE OVERVIEW AND OUTLOOK

Wabi Exploration Inc. ("Wabi", or the "Company") is a Canadian, junior resource company that holds a 0.5% Net Smelter Royalty ("NSR") in the Georgia Lake and Conway Properties located in the Thunder Bay Mining District, Ontario. Wabi also holds three claims in the Copper Mountain area of Princeton, BC.

The Company's shares are listed on the Canadian Securities Exchange ("CSE") and are trading under the symbol "WAB".

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

- Wabi reported a net loss for the three months ended July 31, 2016 of \$4,902.
- During the period ended July 31, 2016, the Company forfeited one of its claims in the Princeton, B.C. area, originally staked in July 2015.

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 July 31, 2016 was \$4,902 (\$0.00 loss per share) as compared to a net loss and comprehensive loss of \$4,773 (\$0.00 loss per share) for the three months ended July 31, 2015. The net loss for the current period is mainly due to shareholder relations and professional fees incurred during the quarter, which were consistent with the prior year three month period.

MINERAL EXPLORATION PROPERTIES

None of the Company's properties are at or near production. As at July 31, 2016, the Company held three claims in the Copper Mountain area of Princeton, B.C. No work was performed on these claims during the three months ended July 31, 2016.

NET SMELTER ROYALTY

In December 2014, Wabi acquired from its President and CEO (the "Assignor") the right, title and interest in a 0.5% Net Smelter Royalty ("NSR") in the Georgia Lake and Conway Properties located in the Thunder Bay Mining District, Ontario, for which the Company issued an aggregate of 500,000 common shares to the Assignor as consideration.

LIQUIDITY

Operating Activities

Cash flow used in operating activities during the three month period ended July 31, 2016 was \$6,639 compared to cash flow used of \$12,558 during the same period in 2015.

Financing Activities

During the three month period ended July 31, 2016, cash flow provided in financing activities was \$6,795 (July 31, 2015 – \$13,413) as a result of advances received from the Company's President & CEO during the period. The funds were used for general working capital purposes.

Liquidity Outlook

Wabi had cash of \$1,089 available as at July 31, 2016, an increase of \$156 from the balance at April 30, 2016 of \$933. As at July 31, 2016, the Company had negative working capital of \$292,624 (April 30, 2016 - \$287,722) and cumulative losses of \$2,633,123 (April 30, 2016 - \$2,628,221).

The current cash and receivables as at July 31, 2016 will be used to pay existing liabilities and for general working capital purposes.

The Company has no operating revenues and relies primarily on equity financings and debt facilities to fund its exploration and administrative costs. The Company anticipates that it will be in need for external financing to maintain operations; there is no guarantee of obtaining future

equity or debt financings will be on favourable terms to the Company. It is not possible to predict whether financing efforts will be successful.

The Company's operations consist of the exploration and evaluation of its sole property, 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.

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. Given the current global financial conditions and recent lack of alternate sources of financing available to the Company, Wabi's President and CEO advances funds to the Company, from time to time, in order to cover working capital needs.

RELATED PARTY TRANSACTIONS

The amounts due to related parties of the Company at the period end 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.

	<u>July 31, 2016</u>	<u>April 30, 2016</u>
Officers and directors	\$ 101,989	\$ 100,294
Convertible debenture	\$ 65,000	\$ 65,000
Accrued interest on convertible debenture	\$ 3,250	\$ 3,088
Advance from related party	\$ 105,030	\$ 98,235

The convertible debenture is owed to the Company's President and CEO, James Brady, and is convertible into common shares of the Company at a price of \$0.05 per common share, is due August 3, 2017, is unsecured and bears interest at 1% per annum (Note 6). Accrued interest on the debenture of \$3,250 has been included on the statement of financial position as at July 31, 2016 (April 30, 2016 - \$3,088).

The amount advanced from related party relates to a loan from Mr. Brady, which is due on demand, unsecured and non-interest bearing. No guarantees have been given for this amount.

See "**NET SMELTER ROYALTY**" for additional related party disclosures.

The amounts to officers and directors are included in accounts payable and accrued liabilities at July 31, 2016. The total consists of \$23,165 (April 30, 2016 - \$21,470) owing to the Company's CFO for management services rendered. No amount was paid to the CFO for management services during the period ended July 31, 2016 and 2015. Also included in accounts payable is an additional \$78,824 (April 30, 2016 - \$78,824), which relates to legal services rendered by a lawyer who also acts as the Company's Corporate Secretary. These services were incurred for general corporate matters, attending to filings, and for attendance at board and committee meetings. No amount was paid to the Corporate Secretary for legal services during the three months ended July 31, 2016 and 2015. All services were provided in the normal course of business and were made on terms equivalent to prevailing market rates for arm's length transactions.

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel during the recent three month period and its prior year comparative period was as follows:

	Three months ended July 31,	
	2016	2015
Salaries including bonuses	\$ 1,500	\$ 1,500
Share-based payments	-	-
Total remuneration	\$ 1,500	\$ 1,500

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

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

There are no outstanding contingencies or commitments as of the date of this MD&A. See Note 12 to the unaudited interim consolidated financial statements for the three month periods ended July 31, 2016 and 2015 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 April 30, 2016 and 2015, which are available on SEDAR at www.sedar.com.

Dated September 27, 2016

"James M. Brady"
President and CEO