To: David Hohnstein

From: David Bent

Re: Water Permit Application

Notes to follow up on our conversation of Oct-07-05 regarding the application for a Water Permit for Hornby Bay Exploration Limited's Mouse Lake mineral exploration project.

Brief History of the Project

The Hornby Bay Proterozoic sandstone formation was targeted for uranium exploration in the 1970's by BP Minerals due to it's similarities to the Athabasca basin in northern Saskatchewan and the Thelon basin to the west of Hudson's Bay. Although at the time the direct relationship of Proterozoic sandstone to uranium mineralization was not really understood, the prevalence of uranium occurrences in the older basement rocks peripheral to the basins was first recognized with the discovery of the Rabbit Lake deposit in Saskatchewan.

BP conducted a major reconnaissance program to the east of Great Bear Lake in the mid-70's and identified the Big Bend area of the Coppermine River as the deepest part of the Proterozoic basin and therefore the zone with best uranium potential. They concentrated their efforts in the basement rocks around the southern and eastern margin of the sandstone outcrop. They were just starting to explore for the unconformity uranium deposits (model discovered in the Athabasca basin in late 70's) when the price dropped and the project was halted in 1983.

There was a short-lived recovery in the uranium price in the mid – 1990's and many of the historical properties were restaked. Two newly formed companies were instrumental in staking the Coppermine property - Hornby Bay Resources that was formed by a former BP geologist named Eric Craigie and Hornby Bay Exploration that was formed by a mining entrepreneur named Jim Brady. The staking occurred in 1996-97 and was immediately followed by airborne geophysical surveys by both groups. Subsequently, Mr. Brady purchased the claims held by Mr. Craigie and the property was consolidated into a single block somewhat larger than the present configuration. Two additional claim blocks (East Block & Asiak River) were staked to cover other historical uranium occurrences to the east of the Coppermine river.

The anticipated uranium price increase failed to materialize until late 2003 and it was very difficult to raise the funding required to maintain the large land package during the period 1996 – 2003. Other than additional airborne surveys, the only field work was conducted in 1998-99 when two conductors were drilled on the Coppermine property and a zinc showing was drilled on East Block.

The staking rush following the discovery of diamond deposits at Lac de Gras eventually extended to the Coronation Gulf. The Asiac property in particular fell within the 'Northern Slave diamond corridor' and was completely surrounded by claims staked as part of the rush. This aided the Company in raising funds for a reconnaissance till survey in the fall of 2003. There was a coincidental resurgence of interest in uranium as a

practical energy alternative and the Company's potential for raising exploration funding increased dramatically.
The present management of the company became involved in the project in early 2004 and was able to mount a $3.5 million program during the 2004 field season. There was more time for planning and fund raising prior to the 2005 field season and about $7 million has been spent so far this year.
The foresight and patience of the originators of the project is beginning to be rewarded but at a significant cost. For instance, the claims are reaching their tenth anniversaries and must be land surveyed in order to be maintained in good standing. This procedure was initiated in 2005 and will continue through 2007.
Good relations with the local community are a cornerstone of the Company's exploration philosophy. There is a great deal of ignorance as well as historical trepidation surrounding the nuclear industry. The fact that uranium is one of the more abundant elements in the earth's crust and presently the only practical alternative to fossil fuel/ hydrological power production is slowly becoming apparent to even the most ardent environmentalists. The bad old days of disregard for local concerns regarding mining projects, particularly in the North, are past. The Company has made an effort to explain the project to the community of Kugluktuk as well as maximize local hiring and purchasing of services. In addition, the company donated approximately thirty hours of helicopter time for a bear survey of the Kugluktuk area conducted by the local Wildlife department.

Questions Oct 3, 2005

1) The peninsula on the south side of Mouse Lake is a natural campsite. The moraine is dry and approximately 200 meters wide with only one access point. The lake has a 3 kilometer straight stretch of water for safely landing planes and a relatively deep shoreline for docking. There are signs (fire pits, etc) that the site was used in the past by hunters or prospectors. The modern camp was established in 1998 at which time four Weatherhaven tents were erected. A kitchen and dry were added in 2003 and an additional five tents were erected in 2004/05.
The present management realized that the Land Use permit (N2004C002), Safety permit and drill permission under which it was exploring needed to be complemented by a Water Permit which apparently had not been obtained for the prior exploration program. The previous work (1998-99) was conducted under Land Use permit number N98C849.

2) As stated in the application, pit toilets have been in use at the Mouse Lake camp. There are two toilets for men and one for ladies. The area is very dry and the pits were excavated to approximately 1.8 meters depth. It should be noted that the number of people using the camp is highly variable and is normally in the 18-22 person range. The 35 man peak in August of this year was due to the use of a second helicopter to service a land survey crew from Yellowknife and the coincidental short visit by three consultant geologists.
The Company will look into the possibility of using a more sophisticated sewage disposal system for future operations.

3) Hornby Bay has had a very good relationship with Cameco and acquired their Exploration Procedures as a guideline for the safe conduct of the Mouse Lake Project. The Company has conducted limited drilling to date and has not intersected a zone of sufficiently high uranium content to require the sealing of any of the holes. Cementing holes in permafrost is a difficult procedure due to the natural freezing conditions once circulation of saline solution is interrupted. The contract drill company (Peak Drilling from Yellowknife) has proposed a system whereby an expandable plug will be set 10 meters below the high grade intersection and a combination of Portland cement and SUPER SET (a cement accelerator) will be pumped down the hole as the rods are extracted.
Radioactive cuttings from the intersection will be collected in the sump tank and returned down the hole at the time of cementing.
Long term storage of mineralized intersections on the property is not contemplated during the initial exploration program. Once the intersection has been assayed and the grade determined, the plan would be to ship the remaining half of the core to the SRC lab at Saskatoon for temporary storage in their approved facility. The radioactive core may then in all likelihood be consumed in the metallurgical testing process.

D. Bent
Oct 26-05