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January 15, 2008

George P. Bell
President & CEO
Unor Inc.
Suite 700, 357 Bay Street
Toronto, Ontario M5H 2T7

RE: Water License Inspections- Mouse Lake Camp – UNOR INC. August 10, 2007

The Water Resources Officer (WRO) appreciates the assistance and cooperation provided by Steve Ward Camp Manager, who accompanied the Inspector during the inspection of the Mouse Lake Camp and Doug Cruickshank who assisted in the Inspection of the Drill sites.

The following report is based on observations made at the time of the inspection at Mouse Lake Camp on the Coppermine property, August 10th 2007. Items outlined during the Inspection with Mr. Ward were also reviewed with Mr. Cruickshank. A review of the terms and conditions of the water license was completed with the above after the inspection.

Following the inspection (s) an Industrial Water Use Inspection Report outlining any concerns was signed off by the parties with the Inspector.

Part A: Scope and Conditions

No issues were found with respect to the location of the camp as it relates to the information contained within the current license. The current license is new, was submitted on June 28th 2005 and issued on February 7th, 2006 to Hornby Bay Exploration Ltd.

A review of the Nunavut Water Board FTP site was undertaken during the writing of this report and recorded on the site are the required documents related to the name change of Hornby Bay Exploration Ltd. to UNOR Inc. It was noted that an application for amendment correcting the name on the current license has not been requested by the Nunavut Water Board.

The license, as issued, remains a Type “B” license classed for Mining and Milling activities on the Coppermine Property.

Part B: General Conditions

The issues of water use fees and security were not included within the context of this inspection.

A review of the Nunavut Water Board FTP – Public Registry was conducted during the writing of this report. An annual report for the 2006 annum was located and reviewed. This report is a requirement under the terms and conditions of the current Water License and was found to be complete.

The proponent is reminded that an annual report is required to be filed by March 31st 2008 for the year ending December 31st 2007. The annual report must include but should not be limited to those items listed in Section 2 (i through v) of this part as well as any information required by the Inspector.

Failure to file a complete report as outlined in the license is a violation of the Act and will subject the licensee to the enforcement measures and penalties provided for under the Act.



The licensee is reminded that it is the responsibility of the licensee to ensure that any documentation submitted by the licensee to the Nunavut Water Board is acknowledged by the Manager of Licensing.

It should be noted that during the period of the inspection a water meter was found not to have been installed on the water intake from Mouse Lake. This was noted in the Inspection form and reviewed with Mr. Ward. A meter is to be installed by the next inspection to ensure accurate volumes are included in the 2007 annual report.

Part C: Conditions Applying to the use and the Protection of Water

At the time of the inspection the licensee was allocated the use of 20 cubic meters of water per day for all purposes. Domestic use is to come from Mouse Lake and from sources adjacent to the drilling operations for use in exploration drilling activities.

A new system of 10 and 5 micron filters with an UV treatment lamp were on site and working during the period of the camp inspection.

Part D: Conditions Applying to Waste Disposal

During the inspections of the camp the following items were noted and brought to the attention of Mr. Ward.

- At the time of the inspection it was noted that the fuel transfer area for the helicopter(s) did not have secondary containment.
- Fuel storage on site did not have sufficient secondary containment.
- During the inspection of the Mouse Lake camp evidence of open burning was found. Burn barrels, debris and scorched earth were documented during the inspection. This was discussed with Mr. Ward who was present during the inspection. Open burning is expressly prohibited in the license. Mr. Ward stated this area would be restored and a proper incinerator installed.
- Empty barrels (barrels still contain some fuel) were stored on the Beach adjacent to the float plane dock for transport off site. This practice was corrected during the period of inspection.
- Poor management of drill cuttings and drill wastes were noted during the inspection of the drill sites. Licensee was directed to remediate the drill sites.

The proponent is reminded to include in the 2007 annual report due on March 31st 2008 a list of hazardous materials shipped out of the camp, the treatment received, and the location of the approved treatment facility to which they were sent. All of the foregoing is required information to be included in the annual report. Shipping and receiving invoices are not required so long as the records are available for inspection during the 2008 inspection season.

The capability of the new camp incinerator to meet the Canada-wide Standards for Dioxins and Furans and the Canada-wide Standard for Mercury Emissions was not reviewed with the proponent. The licensee is reminded that this standard must be met by the date of the next inspection if not already achieved.

Part E: Conditions Camps, Access Infrastructures And Operations

No new construction was found by the inspector. The use of solid piping for heating fuel transfer between cabins was noted and is supported by the inspector. All construction appeared to be within the terms of the existing license.

Part F: Conditions Applying To Drilling Operations

Section 5 of this Part reads as follows;



- 5. The Licensee shall ensure that all drill cuttings and any return water and sludge that cannot be re-circulated, including CaCl in any quantity or concentration, be disposed of in a Sump located at least thirty (30) metres above the ordinary high water mark of any adjacent water body, where direct flow into a water body is not possible and no additional impacts are created.*

During the period of the inspection it was clear that this section of the license was not properly addressed by the licensee. Drill muds and waste were found flowing from under the drill platform on the active drill as well as from the return water. This waste flowed downstream and covered an area of over 100m².

Further inspection of the site and other drill holes at the time of the inspection revealed that drill wastes on other set-ups were not being properly managed or controlled. This indicated to the inspector a pattern of non-compliance that required the attention of the licensee.

Immediately following the inspection of the drill site a verbal direction to take remedial action on these sites was provided to Mr. Cruickshank. It was recommended that Mr. Cruickshank provide photographic evidence of the remedial actions taken and provide this information via E-mail to the inspector once completed. To date this documentation has not been received by the inspector.

The licensee is reminded that patterns of non-compliance are of great concern to the inspector, subsequent inspections will be carried out on this site and will be a focus for future inspectors. Further instances of non-compliance with the terms of the issued water License will each be treated as a separate violation of the Act.

During the writing of this report a review of the Nunavut Water Board FTP site was conducted. A Uranium Exploration Plan was not located on the site. This plan was to have been submitted to the Nunavut water Board for approval within 90 days of the issuance of the current license. If this plan has been submitted the Licensee is directed to provide a copy of the Plan and appropriate approvals from the Nunavut Water Board to the inspector within 30 days of receipt of this report. If the Plan has not been submitted the licensee shall submit the Plan as an addendum to the 2007 Annual report.

Part G: Conditions Applying To Modifications

No modifications to the current license were brought to the attention of the Inspector during the period of Inspection or since.

Part H: Conditions Applying To Spill Contingency Planning

A review of the Water Board FTP site during the writing of this report found an addendum to the Spill Contingency Plan dated March 1st, 2006.

The Licensee is reminded that the Licensee is required to ensure that no chemical, petroleum products or wastes enter water and that caches of fuel have secondary containment and that they are not located within 30 meters of the ordinary high water mark of any water body. It was noted during the period of Inspection that the Licensee had not installed sufficient secondary containment. This must be addressed by the period of the next inspection.

The Licensee is reminded that as per Section 6 (iii) of this Part the Licensee is required to submit a detailed report on each spill occurrence no later than 30 days following the initial event.

Part H: Conditions Applying To Abandonment And Restoration

A review of the Nunavut Water Board FTP site found a document entitled the Abandonment and Restoration Plan and an approval document from the Nunavut Water Board dated April 19th 2006.

No discussion on the plan was undertaken during the period of inspection and as noted the camp appears to be growing. The camp is well organized and clean, issues remain with the drilling and drill waste



management, open burning and secondary containment in the camp and fuel caches, these will be reviewed in the coming inspection season.

Part I: Conditions apply to the Monitoring Program

The Licensee has indicated they are moving toward the installation of meters on the intake system that will allow the licensee to accurately record volumes as required.

The proponent is reminded that a list of hazardous materials shipped out of the camp, the treatment received, and the location of the approved treatment facility to which they were sent all also required under the monitoring program.

Non-Compliance:

During the inspection a number of items were noted and discussed with Mr. Ward and Mr. Cruickshank during the inspection of the Mouse Lake camp. These issues required corrective action to be undertaken prior to the date of the next inspection. The submission of a record showing these activities had been completed was requested at the time.

Specifically these concerns were;

- Fuel storage (barrels) without secondary containment
- Open burning at the camp
- Location of the treatment facility where hazardous wastes generated on site are shipped.
- Lack of secondary containment at the helicopter fuel transfer area.
- Lack of secondary containment on fuel drums at the drill site.
- Drill waste management and containment.
- Installation of meters on intake lines for all water uses.

The Mouse Lake camp was found to be a well organized and clean. The licensee has made great efforts in developing a well run camp.

Andrew Keim
Inspector's Name

Inspector's Signature

Attached under separate cover;
Photos taken during Inspection of August 10th, 2007

Cc:
Peter Kusugak – Manager Field Operations Section- Indian and Northern Affairs Canada
Phyllis Beaulieu – Manager licensing – Nunavut Water Board