HORNBY BAY EXPLORATION LIMITED

MOUSE LAKE PROJECT

LICENCE 2BE-MOU0608

ADDENDUM

TO

SPILL CONTINGENCY PLAN

ABANDONMENT and RESTORATION PLAN

URANIUM EXPLORATION PROCEDURE

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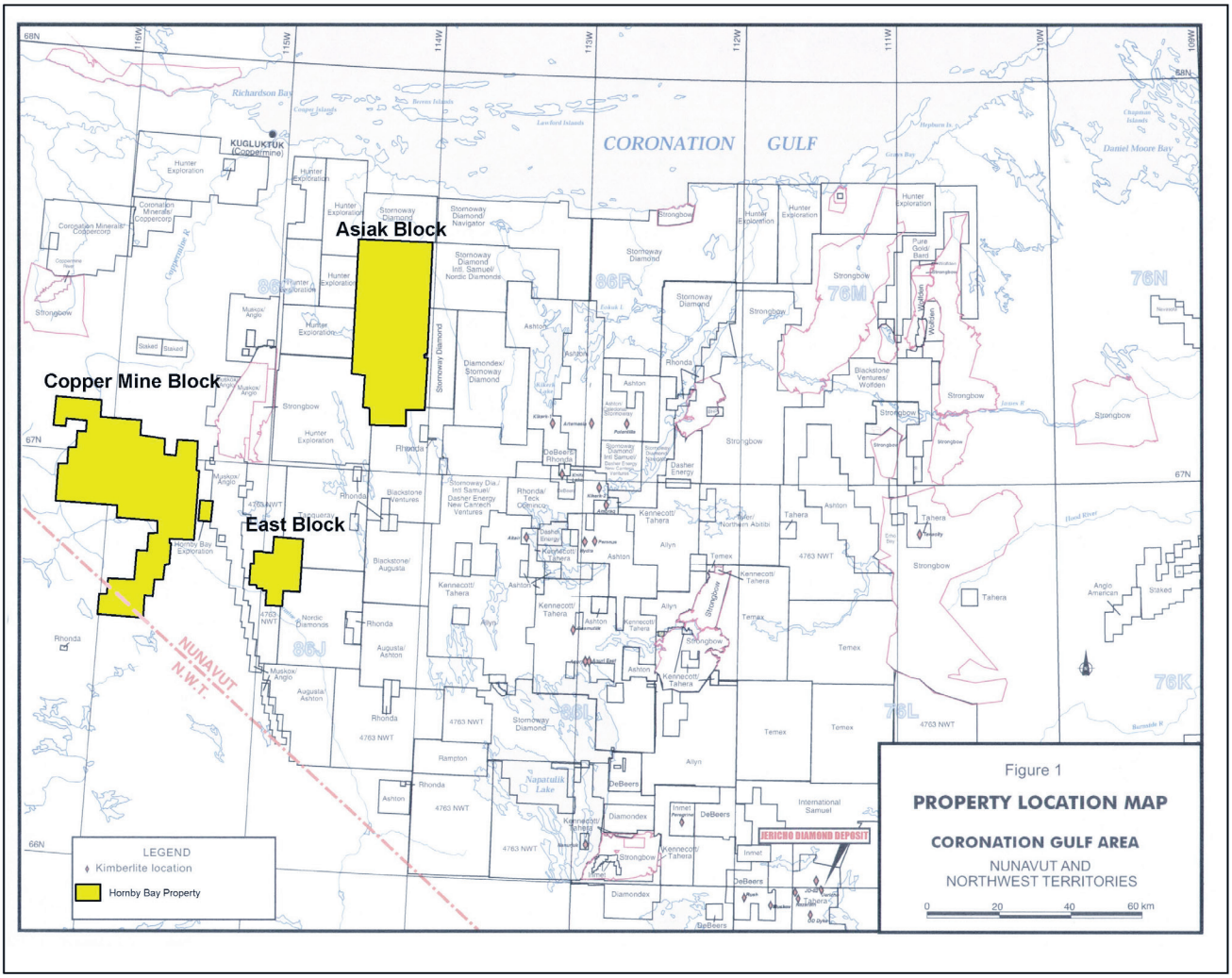
HBE An Emerging Uranium Source



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PART F of Licence 2BE-MOU0608

1. Uranium Exploration Procedures

The Mouse Lake Project is in the grassroots exploration drilling stage. A major component of the program is the search for uranium deposits, therefore procedures have been established to provide a safe workplace for employees and cause the minimum of harm to the environment. The guidelines are based on the Mineral Industry Environmental Protection Regulations (Sask. 1996); the Environmental Management and Protection Act (Sask. 2002); the Canadian Transportation of Dangerous Goods Act; and Cameco's Exploration Radiation Safety Program Manual. The procedures will be revised if the grassroots program is successful in identifying a deposit warranting a more intensive, delineation drill program.

At each drill site a suitable natural depression is sought to serve as a sump for the disposal of cuttings, sludge and return water that can not be re-circulated during the drilling process. The sump must be a minimum of 30 meters 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. Upon completion of the hole, the sump will be backfilled and restored to the pre-existing natural contour of the land.

If uranium mineralization is encountered in a drill hole, the drill mud solids or cuttings with a uranium concentration greater than 0.05 per cent must be collected pending completion of the hole at which time they will be disposed down the drill hole and sealed by grouting the upper 30 meters of bedrock.

Any drill hole that encounters mineralization with a uranium content greater than 1.0 per cent over a length of > 1.0 metre, and with a metre-per-cent concentration > 5.0, will be sealed by grouting over the entire length of the mineralization zone and not less than 10 metres above or below each mineralization zone. The top 30 metres of the hole within bedrock will also be sealed by grouting once any radioactive cuttings and sludge have been disposed down the hole.

Peak Drilling has experience in drilling and grouting in areas of permafrost. The system for grouting will involve inserting a Van Ruth plug at the bottom of the interval and then filling to the top of the interval a mixture of Portland cement and Super Set. The latter component accelerates the hardening time of the cement to allow it to set before the hole freezes. It also counteracts the interference with cement hardening by the salt

content of the standing water in the hole. A description of the plug and additive are attached with the MSDS appendix.

A separate logging tent will be used at the camp for handling and temporary storage of radioactive core having a uranium content greater than 1.0 percent over a length of > 1.0 metre. Once the uranium content has been established by assaying, a decision will be made on the long range storage of the core. If stored on the property, it must be a minimum of at least 30 metres above the high water mark of any adjacent water body, where any direct flow into a water body is not possible and no additional impacts are created. Additionally, radiation levels must be reduced to less than 1.0 µSv measured at 1 metre from the surface and in no instance will the level be allowed to exceed 2.5 µSv. To avoid the difficulties involved with long term storage of highly radioactive core on the property, the Company will ship the mineralized intersections, with greater than the minimum radiation levels stated above, in their entirety to the Saskatchewan Research Council laboratory in Saskatoon. The core will in all probability undergo further testing and any remnants will be stored in the laboratory's approved radioactive materials storage facility.

Hornby Bay Exploration Limited has a contract with the National Dosimetry Services branch of Health Canada to provide monitoring of radiation exposure for the personnel involved with core or samples that may contain radioactive minerals. Each individual is provided with a badge which they carry on their torso at all times. The badges are replaced every three months. The used badges are read and a report on radiation exposure levels is provided by NDS for each individual.

The shipping of radioactive materials (Class 7) from the Project site is controlled by the Transportation of Dangerous Goods Act and Regulations. The Regulations stipulate that Low Specific Activity consignments will be shipped as Excepted Packages if the radiation on the external surface does not exceed 5µSv/hr. The container must bear the UN Number PTNSR 17(2) and contain a marking of "radioactive" on an internal surface that is visible upon opening the package. The Company has an 'INSPECTOR' dose level meter manufactured by Canadawide Scientific Limited to determine radiation levels in Sieverts as well as scintillometers for general cps levels and a spectrometer to differentiate the radiation by mineral type. The Project Manager has a certificate in the Packaging & Transport of Radioactive Materials.

PART H of Licence No. 2BE-MOU0608

I. Addendum to the Spill Contingency Plan

i. The original Spill Contingency Plan was prepared on June15, 2005. This addendum is dated March 1, 2006 and has been prepared to fulfill the requirements contained in Licence No. 2BE-MOU0608 issued by the Nunavut Water Board (Motion #: 2005-34) on February 7, 2006. The revised Spill Contingency Plan will be in effect until its expiry date of October 31, 2008.

ii. A site map of the camp and fuel cache is attached. The map includes the camp components and indicates the distances to the main body of Mouse Lake as well as the bay to the south of camp. Other than the two bodies of water, the only other notable sensitive habitat in the vicinity is a fox den located near the discharge of the small bay into the main body of Mouse Lake. The foxes have used the den area during the past two summers (2004/ 2005) and warning signs have been placed nearby to discourage staff from molesting or feeding them.

iii. As stated in Section 2.2, the fuel cache is located in a flat to slightly concave area north of camp. The fuel is stored in individual 205 liter drums which would minimize the amount of fuel that would be involved in a potential spill. The direction of drainage is toward a very small gully between the camp and the cache. Hornby Bay Exploration proposes to erect a berm (Insta Berm) at the commencement of the gully as secondary containment in the case of a spill.

iv. Hornby Bay Exploration Limited will comply with the requirement to notify the DIAND Water Resources Inspector at (867) 975 4298 under Sections 4.2, 4.3 and 4.4 of the Mouse Lake Project Spill Contingency Plan should a spill of chemicals, petroleum products or waste occur.

v. The most recent MSDS information is attached. A periodic review will be made to assure that the MSDS information is current and complete.

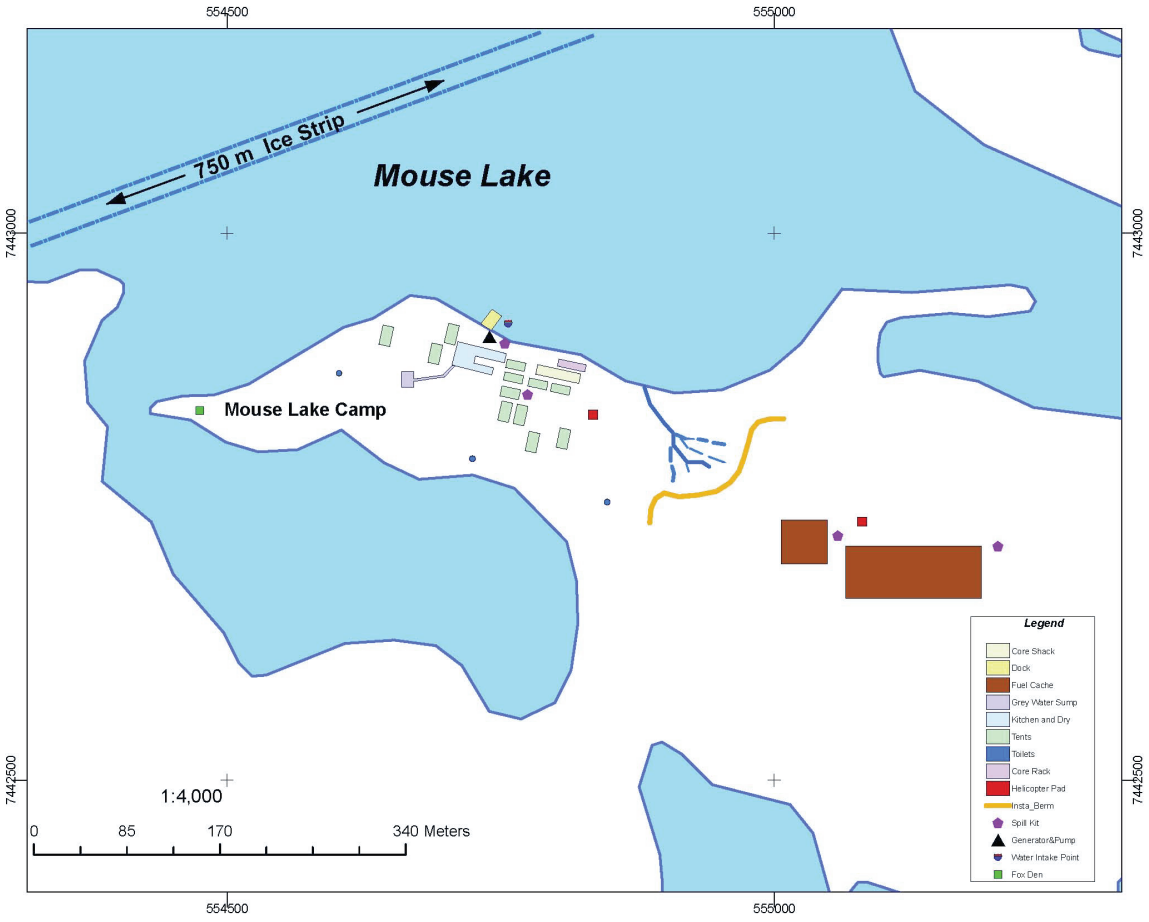
PART I of License 2BE-MOU0608

3. Addendum to the Abandonment and Restoration Plan

i. Topographic maps at a scale of 1:50,000 of the Asiak Block and Coppermine Block showing the proposed drill hole/ water intake sites and potentially sensitive habitat (wetlands and eskers) are included.

ii. Contaminated soils/ materials encountered within the Project area (camp and drill sites), as described in Section 1 items 3, 4, 8 and 11 as well as in the corresponding items in Section 2, will be collected in appropriate containers and documented prior to shipment by plane to Kugluktuk for disposal at the Municipal contaminated soils containment site. The cleaned sites will be rehabilitated to the original contours and treated by the application of peat moss and fertilizers to promote the regeneration of natural vegetation.

Hornby Bay Exploration Limited is registered with the DOE to document and ship hazardous materials under Waste Generator No. NUG100019. All documentation (description, number of containers and corresponding MSDS) accompanying the shipment of contaminated soils/ materials will be stamped with the Generator Number and Project name. The contaminated soils/ materials will be flown to Kugluktuk by Air Tindi and delivered to Mulco (HBE's expediter in Kugluktuk) with the accompanying documents. Mulco is an experienced handler of contaminated substances and will be responsible for the proper disposal of the consignment in the hazardous waste disposal site.



Mouse Lake Camp Plan

ENCLOSURES

Location Map of the Mouse Lake Project

Layout of Mouse Lake Camp and Proposed Ice Strip

Proposed Drill Hole Locations & Sensitive Habitats
Coppermine Block; Scale 1: 50,000

Proposed Drill Hole Locations & Sensitive Habitats
Asiak Block; Scale 1: 50,000

Proposed Drill Hole Table

Appendix: MSDS Information

Proposed Drill Holes 2006/ 07

Coppermine Block

Collar Easting	*Collar Northing*	*Water Intake Point E*	*Water Intake Point N*	*Est_Depth m*	*Target*
553229	7393656	552441	7393800	600	Conductor
560954	7405002	560707	7405146	550	Conductor & Structure
552298	7417294	552226	7417196	250	Conductor
552798	7419986	552467	7420001	500	Conductor & Structure
545472	7422515	546114	7424756	300	Conductor
545230	7423237	546114	7424756	300	Conductor & Structure
543589	7422738	543662	7423697	450	Structure
546923	7429301	547565	7429771	300	Conductor & Structure
553253	7428917	553367	7429047	700	Conductor & Structure
550501	7426969	550553	7427199	550	Structure
548934	7425966	548269	7427069	450	Structure
557207	7423927	557013	7423884	700	Conductor & Structure
551114	7392520	550702	7392690	300	Conductor
558233	7402794	558247	7403126	500	Conductor & Structure
554286	7417134	554919	7417140	250	Structure
548528	7417038	548343	7417381	250	Conductor & Structure
546130	7440137	545883	7440152	600	Conductor & Structure
557807	7435426	558114	7435695	650	Conductor & Structure

Asiak Block

Collar Easting	*Collar Northing*	*Water Intake Point E*	*Water Intake Point N*	*Est_Depth m*	*Target*
613724	7490920	613395	7490982	160	Magnetics & Till Anomaly
613724	7490920	613746	7490602	160	Magnetics & Till Anomaly
608972	7488070	608753	7488099	160	Magnetics & Till Anomaly
625438	7459521	625217	7459467	160	Magnetics & Till Anomaly
626896	7457146	626657	7456919	160	Magnetics & Till Anomaly

Note: UTM coordinates are for NAD 27 projection