



# **UNOR INC**

**(FORMERLY HORNBY BAY EXPLORATION LIMITED)**

## **ANNUAL REPORT**

**MARCH 31, 2006**



## **CORPORATE PROFILE**

**Listing:** TSX Venture - Symbol **UNI** US OTC – Symbol HRBYF

**Share Capital:**

- **Authorized:** Unlimited number of common shares  
Unlimited number of preferred shares
  
- **As of June 21, 2006 issued:**
  - 117,471,344 common shares
  - 5,745,447 options @ wt avg 48 cents
  - 10,193,557 warrants @ wt avg 66 cents

**Officers:**

- George Bell, President & CEO
- David Bent, Vice President Exploration
- Ian Shaw, Vice President Finance & CFO
- Thomas Devlin, Secretary

**Directors:**

- Ronald Barnes, Chairman
- Bruno Arnold
- Birks Bovaird
- James Marlatt
- Andrew Rickaby

**Auditors:**

McGovern, Hurley, Cunningham, LLP  
2005 Sheppard Avenue, Suite 300  
Toronto, Ontario M2J 5B4

**Legal Counsel:**

Beach, Hepburn, LLP  
36 Toronto Street, Suite 1000  
Toronto, Ontario M5C 2C5

**Head Office:**

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Toronto, Ontario, Canada M5H 2T7

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## TO OUR SHAREHOLDERS

Over the last twelve months, UNOR has accomplished the following significant events:

- attracted a major new investor and strategic partner in Cameco Corporation
- completed its second successful uranium exploration program on its 100% owned mineral claims in western Nunavut
- changed its name to UNOR Inc. to reflect its focus on uranium discoveries in the northern hemisphere
- developed a strong balance sheet.

In June 2006, Cameco Corporation, the world's largest uranium producer, acquired 19.5% of your company along with a long-term Strategic Alliance Agreement. In its press release the President & CEO of Cameco, Jerry Grandey said, "*this agreement strengthens our efforts to identify new uranium reserves for the future. Cameco gains the right to participate in the exploration of new regions and adds the expertise of a solid technical team to our knowledge base.*" UNOR believes that the Cameco investment and Strategic Alliance Agreement is a vote of confidence in the company and emphasizes the value of its uranium assets, and also; provides unique technical and commercial opportunities to develop UNOR's uranium potential.

As reported in January 2006, the company has identified 18 high-potential, drill-ready uranium targets based on its 2005 field season. In addition, all required land and water permits are in place along with the 2006 contracts for 5,000 metres plus diamond drilling, ground geophysics surveys and geological field work. UNOR's \$6.0 million 2006 exploration season commenced late April and will operate until late September.

UNOR's exploration focus is the discovery of world-class uranium deposits on its 100% owned mineral claims in the northern hemisphere. The company's new name reflects its **uranium north** focus.

Since May 2005, your company has been debt free and as of July 2006, it has approximately two years working capital on hand.

The market outlook remains positive for the uranium price which is currently trading at US\$46.50 per pound or 60% above its price a year ago of US\$29.00. The forward buoyant market outlook is based on a tight supply position forecasted over the next ten years. Forward indicators suggest the uranium price could reach US\$70.00 within a year, a further increase of 50%.

Much of the new demand for uranium will come from expanding nuclear power requirements of developing economies with 180 new reactors expected over the next 15 years, representing a 30% increase in the current number of reactors. Globally, federal governments are speaking out in favour of uranium as a fuel source.

George P. Bell  
President & CEO  
Toronto

July 7, 2006

**UNOR INC.**  
(FORMERLY HORNBY BAY EXPLORATION LIMITED)  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
For the year ended March 31, 2006

**UNOR INC.**  
(FORMERLY HORNBY BAY EXPLORATION LIMITED)  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**March 31, 2006**

This Management Discussion and Analysis (“MD&A”) has been prepared as of June 6, 2006 and should be read in conjunction with the consolidated financial statements of the Company for the year ended March 31, 2006, and the related notes. The Company’s reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars unless noted otherwise. The Company reports its financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles.

**1. Forward-Looking Statements**

This MD&A contains certain forward-looking statements. These statements are based on certain estimates and assumptions and involve risks and uncertainties, including but not limited to: political risks, title risks, commodity price and currency exchange rate risks, operating and environmental hazards encountered in the mineral exploration and development business, general industry and economic conditions, changes in the regulatory requirements affecting the Company’s business, future capital expenditures and the availability and terms of financing. Consequently, actual results and events may vary significantly from those included, contemplated or implied by such statements.

**2. Corporate Overview**

In 1996, Hornby Bay Exploration Limited (“Hornby Bay” or the “Company”) was incorporated in Ontario with its primary focus on uranium exploration in the Hornby Bay Basin in Nunavut. On April 25, 2006, at a special meeting of shareholders, the Company’s name was changed to UNOR Inc.

On March 31, 2006, the Company entered into a Memorandum of Understanding with Cameco Corporation to form a strategic alliance and for Cameco to subscribe for a non-brokered private placement of shares representing a 19.5% ownership of the Company at a price of \$0.40 per share. On May 9, 2006, the Company announced that it had executed with Cameco a binding subscription agreement to subscribe for 22,906,912 common shares of UNOR for aggregate gross proceeds of \$9,162,765 and also, that the Company and Cameco will enter into a Strategic Alliance Agreement formalizing the ongoing relationship between the companies.

The Company owns 100% of 226 mineral claims covering 215,889 hectares in northwestern Nunavut, Canada. This massive claim base has been benchmarked as a world-class, multi-target uranium exploration region similar to the uranium-rich Athabasca Basin.

The Company also owns 100% of four copper crown grants in the Princeton area of British Columbia; one nickel claim in the Thompson area of Manitoba and 25 gold claims and leases in the Timmins area of Ontario.

During 2004 and 2005, the Company has spent \$11.0 million on the systematic advancement of its world-class uranium claims in Nunavut. During 2006, the Company's budget for the March/September Nunavut uranium exploration program is \$6.0 million.

The Company is a reporting issuer in Ontario, British Columbia and Alberta and trades on the TSX Venture Exchange under the symbol UNI.

### **3. Operating Strategy**

The Company's overall strategy is based on:

- Aggressively and systematically pursuing the discovery of massive, world-class uranium deposits beneath the Hornby Bay Basin in Nunavut on its 100% owned 226 mineral claims covering 215,889 hectares; and
- Evaluating its 100% controlled land base in Nunavut, Ontario, British Columbia and Manitoba for all forms of economic mineral development, including diamonds, precious metals, copper and nickel.

### **4. Highlights**

**Since May 2005, the Company has been debt free and as of June 21, 2006 has \$10.2 million cash on hand.**

On May 27, 2005, the principle balance of the loan of \$425,571 obtained for the refundable Nunavut mineral claims bonding was repaid and accumulated interest to that date of \$305,115 was settled by the issuance of 526,062 common shares.

On May 31, 2005, the Company issued 1,500,000 units at \$0.55 per unit pursuant to a non-brokered private placement to raise gross proceeds of \$825,000. Each unit consists of one common share and one common share purchase warrant. Each share purchase warrant entitles the holders to purchase one common share at \$0.75 per share for two years.

On July 6, 2005, the Company received \$401,817 deposit refunds from the Government of Canada leaving refundable deposits receivable of \$959,308 scheduled to be repaid the second half of 2006.

On August 18, 2005, the Company issued 1,320,200 flow-through common shares at \$0.75 per share pursuant to a brokered private placement to raise gross proceeds of \$990,150.

On December 12, 2005, the Company issued 4,328,014 units at \$0.35 per unit pursuant to a non-brokered private placement to raise gross proceeds of \$1,514,804.90. Each unit consists of one (1) flow-through common share and one half (1/2) common share purchase warrant. Each share purchase warrant entitles the holders to purchase one common share at \$0.45 per share for two years.

On March 31, 2006, the Company entered into a Memorandum of Understanding with Cameco Corporation to form a strategic alliance and for Cameco to subscribe for a non-

brokered private placement of shares representing a 19.5% ownership of the Company at a price of \$0.40 per share. On May 9, 2006, the Company announced that the parties had executed a binding subscription agreement in which Cameco subscribed for 19.5% of the outstanding shares of UNOR for aggregate gross proceeds of \$9,162,765. A special meeting of shareholders has been scheduled for June 16, 2006 to approve the Cameco transaction and the closing of the transaction will occur on June 19, 2006. At the closing of this non-brokered private placement the companies will enter into a Strategic Alliance Agreement. The Strategic Alliance Agreement includes the following terms and conditions:

- (a) for as long as Cameco maintains ownership of at least 16% of the issued and outstanding shares of UNOR, Cameco will have the right to participate in any future equity issuances by UNOR, to match any equity or debt funding required by UNOR for development of a mine, to operate any mine developed, to provide milling capacity and to market any uranium produced by UNOR;
- (b) for as long as Cameco maintains ownership of at least 10% of the issued and outstanding shares of UNOR, Cameco will have the right to nominate one person for election to the board of directors of UNOR and UNOR will consult with Cameco concerning exploration, development and mining technical work programs; and
- (c) each party will have first right of refusal to purchase from the other any uranium exploration projects the other may wish to sell in a specified area of western Nunavut or eastern North West Territories.

## **5. Exploration Properties**

The Company's March/September 2005 exploration program was focused on the Coppermine River property in western Nunavut, located approximately 100 kilometers south of Kugluktuk. Some exploration work was also conducted on the Asiatic River property, located approximately 50 kilometers southeast of Kugluktuk. These properties have excellent potential for unconformity-type uranium deposits and good potential for Eldorado vein type and unconformity sandstone eroded type mineralization as well as potential for diamond and base metal deposits.

### ***2005 Exploration Program - Coppermine River Area***

Twelve geophysical grids were established over anomalies identified by the 6,492 line kilometer MEGATEM survey completed in May. Ground geophysics included 74.4 kilometers of Fixed Loop TDEM, 10.2 kilometers of Moving Loop TDEM, 15.2 kilometers of HLEM, and 92.7 kilometers of magnetics. This work successfully extended the Wolf Creek conductor, defined the Contact Lake East conductor and established 80 kilometers of new conductors beneath sandstone cover that warrant drill testing.

The 2005 diamond drill program totaled 5135.8 meters in thirteen holes. Five of the holes tested the two sub-parallel Contact Lake conductors. Two holes tested the Wolf Creek conductor. The remaining six holes tested structural targets, two of the new conductors and the large alteration zone in the southern panhandle. There were 320 core samples split for assaying and alteration studies.

Highlights Hole HB-05-19 was drilled to test the northern extension of the Wolf Creek conductor and intersected 79 meters of regolith/ graphitic metapelite with several

geochemically anomalous values ranging up to 26 ppm uranium. This hole was very significant in that it has opened up the Wolf Creek conductor for further drilling to the north under deeper sandstone cover.

Hole HB-05-21 that tested the southern end of the Contact Lake East conductor, intersected 18 meters of regolith/ graphitic metapelite with assay values ranging up to 107 ppm uranium.

The last hole of the program, HB-05 24 testing the large clay/ silica alteration zone in the panhandle, was suspended at 594 meters still in altered sandstone. There is a correlation of the higher geochemical uranium values with the stronger clay zones. Completing this hole to the unconformity is a priority.

A total of 414 rock samples were collected as part of the continuing process of defining outcropping geochemical anomalies and to support the mapping program and the geology interpretation. The sampling confirmed the geochemical anomaly in the central north part of the property Good progress was made in the effort to unravel the stratigraphy of the sandstone sequence and the structural fabric of the basin through satellite imagery studies and field traverses.

A total of 56 till/soil samples were collected to follow up diamond indicator anomalies from the 2003/2004 surveys. The results from the till/soil samples are not expected until the end of the third quarter of 2006.

The main Coppermine River claim block was expanded to the north by six full claims totaling 6,267 hectares and to the southwest by eight partial claims totaling 910 hectares. The northern extension was added to cover the Hornby Bay/Dismal Lakes contact. The southwestern extension was staked in competition with three other groups to cover the source area of a lake bottom sediment anomaly in a pond near the Coppermine fault.

Boundary surveys were completed for the 49 oldest claims (staked in 1996) in order to convert them to Mining Leases in compliance with the Mining Regulations.

### ***2005 Exploration Program - Asiak River Area***

Fifteen geophysical grids were established over groups of targets picked as potential kimberlite pipes from the airborne surveys. A total of 43.7 kilometers of HLEM and 156.5 kilometers of magnetics were completed to define drill targets.

A total of 710 till/soil samples were collected for geochemical pathfinder element assaying and diamond indicator mineral separation to follow up till anomalies from the 2003/04 surveys and screen the geophysical targets prior to drilling. The results from the till/soil samples are not expected until the end of the third quarter of 2006. Preliminary indications from the first 150 samples are that the indicator grain counts are extremely high and in some cases surpass 6000 grains per site.

Geologic mapping and prospecting for uranium mineralization along conductive zones delineated by the RESOLVE electromagnetic surveys was also part of the Asiak River property exploration program in 2005. Several of the Uranerz showings were relocated and will be followed up with EM surveying.



### ***2006 Exploration Program – Coppermine and Asiak River Areas***

On April 13, 2006, the Company received the required Land Use Permit to cover exploration on its Coppermine and Asiak properties for two years.

The Company's March/September 2006 \$6.0 million exploration program will continue to focus on the search for unconformity uranium deposits on the Coppermine River property and also, vein type uranium mineralization as well as the potential for diamond on the Asiak River property.

### ***Other Properties***

The Company has ensured that its Ontario gold, Manitoba gold/nickel and British Columbia copper properties remained in good standing.

### **Ontario Properties:**

In April 2005, the Company finalized an option agreement with Laurion Gold Inc. whereby the Company has granted Laurion the option to acquire a 50% interest in UNOR's East Clavos gold project near Timmins, Ontario in consideration for Laurion making certain payments, deliveries and expenditures. Laurion will be able to earn the interest by incurring work expenditures of \$1.0 million on the East Clavos property over a four year period and by issuing 480,000 Laurion common shares and making cash payments totaling \$100,000 to UNOR over a three year period.

Laurion announced in mid April 2006 the results of two holes drilled to test below a 1996 intersection of 5.83 gpt Au/ 4.27m. Hole EC-06-01 at -50° intersected 0.28 gpt Au/ 4.0m and hole EC-06-02 intersected 1.09 gpt Au/ 5.84m. The total drilling was 705 meters. Laurion is presently awaiting for the 2006 summer season to drill a further two holes totaling 1200 meters to test the gold bearing structure at greater depths.

### **Manitoba & British Columbia Properties:**

No work was conducted on the Manitoba gold/nickel and the British Columbia copper properties this fiscal year.

## Exploration and Development Costs Summary

<b>Property</b>	<b>Balance March 31, 2006</b>	<b>Additions During Period</b>	<b>Balance March 31, 2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Asiak River, Nunavut			
Airborne Geophysics	<b>587,575</b>	-	587,575
Assaying	<b>331,163</b>	231,289	99,874
Camp Operations & Support	<b>826,178</b>	245,799	580,379
Drilling	<b>374,025</b>	-	374,025
Geology	<b>257,889</b>	99,853	158,036
Ground Geophysics	<b>514,893</b>	466,445	48,448
Program Planning & Reports	<b>147,663</b>	83,366	64,297
Recording fees	<b>48,561</b>	12,633	35,928
Sampling	<b>612,142</b>	437,289	174,853
Total Asiak	<b>3,700,089</b>	1,576,674	2,123,415
Coppermine River, Nunavut			
Airborne Geophysics	<b>1,718,240</b>	985,849	732,391
Assaying	<b>187,521</b>	104,582	82,939
Camp Operations & Support	<b>1,539,957</b>	461,075	1,078,882
Drilling	<b>3,358,431</b>	2,608,012	750,419
Geology	<b>593,929</b>	265,742	328,187
Ground Geophysics	<b>1,223,586</b>	921,850	301,736
Program Planning & Reports	<b>436,633</b>	239,330	197,303
Recording fees	<b>73,501</b>	37,179	36,322
Sampling	<b>426,321</b>	122,286	304,035
Surveying	<b>511,608</b>	511,608	
Total Coppermine	<b>10,069,727</b>	6,257,513	3,812,214
East Block, Nunavut			
Airborne Geophysics	<b>103,595</b>	27,879	75,716
Assaying	<b>16,619</b>	4,900	11,719
Camp Operations & Support	<b>154,723</b>	87,253	67,470
Geology	<b>56,606</b>	35,446	21,160
Program Planning & Reports	<b>43,142</b>	28,601	14,541
Recording fees	<b>13,103</b>	2,127	10,976
Sampling	<b>44,924</b>	10,471	34,453
Total East Block	<b>432,712</b>	196,677	236,035
Total Nunavut	<b>14,202,528</b>	8,030,864	6,171,664
Ontario Gold Properties	<b>185,928</b>	(21,221)	207,149
B.C. Properties	<b>32,305</b>	104	32,201
Ace Claim, Manitoba	<b>1,321</b>	-	1,321
	<b>14,422,082</b>	8,009,747	6,412,335

## **6. Liquidity and Capital Resources**

The Company has no operating revenues and relies primarily on equity financings as well as the exercise of warrants and options to fund its exploration and administrative costs. During the year ended March 31, 2006, the company received gross proceed of \$3,329,955 on equity financings, \$1,780,937 on the exercise of warrants and \$104,000 on the exercise of options.

The Company's operations consist of the exploration and evaluation of its various properties, 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.

During the year ended March 31, 2004, the Company found it necessary to secure its land positions in the Hornby Bay Basin and Asiatic River areas of Nunavut by making cash deposits with the Government of Canada in amounts totaling \$2,375,030. Funds to make these deposits were sourced from loans totaling \$2,376,974 which have been repaid.

To date, the Company has received \$1,415,722 in deposit refunds from the government, and is awaiting approval of assessment reports it has filed with the government totaling \$615,736. Further filings of exploration work in June 2006 will recoup the remaining deposit balances from the government.

At March 31, 2006, the Company's working capital totaled \$3,006,603 compared to \$6,754,742 at March 31, 2005. Cash balances were \$2,576,585 compared with \$6,505,017 at March 31, 2005. These decreases are primarily due to exploration costs in Nunavut. The Company's cash resources will fund the Company's planned activities for the first half of 2006. Additional financing provided by the June 19, 2006 closure of the investment by Cameco will cover the Company's working capital requirements until 2008.

### **Selected Annual Information**

	2006	2005	2004
	\$	\$	\$
Total revenues	65,833	37,022	0
Net Income (loss)	(1,036,748)	(1,296,702)	(30,314)
Basic net Income (loss) per share	(0.01)	(0.02)	0.00
Diluted net Income (loss) per share	(0.01)	(0.02)	0.00
Total assets	18,560,769	14,795,517	6,509,540

## **7. Results of Operations**

During the year ended March 31, 2006, the Company recorded an operating loss before Stock Option Compensation of \$942,811 compared to \$1,334,788 for the year ended March 31, 2005. As a result of the renunciation of flow-thru expenditures the Company recorded a future income tax recovery of \$2,420,000 in fiscal 2006 compared to \$1,090,800 in fiscal 2005. Due to these future income tax recoveries the Company recorded a profit for fiscal 2006 of \$870,552 compared to a net loss of \$1,296,702 for fiscal 2005.

## Summary of Quarterly Results

	Fiscal 2006			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Total Revenues	12,662	\$ 14,505	\$ 9,487	\$ 29,179
Net loss (income)	102,887	178,636	354,174	401,051
Basic net loss (income) per share	-	-	0.01	-
Diluted net loss (income) per share	-	-	0.01	-

  

	Fiscal 2005			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Total Revenues	\$ 19,489	\$ 13,403	\$ 4,130	-
Net loss (income)	584,680	(170,294)	540,828	341,488
Basic net loss (income) per share	0.01	-	0.01	-
Diluted net loss (income) per share	0.01	-	0.01	-

## **8. Outstanding Share Data**

As of June 21, 2006, the Company has issued one class of common shares and a total of 117,471,344 shares are outstanding. The Company has 10,193,557 share purchase warrants outstanding. Each warrant entitles the holder to purchase one common share at prices ranging from \$0.45 per share to \$0.92 per share until December 24, 2007. Stock options outstanding as of June 21, 2006 total 5,745,447 and are exercisable for common shares at prices ranging from \$0.35 per share to \$ 0.67 per share

## **9. Commitments and Contingent Liability**

- The Company is party to certain management contracts. These contracts contain clauses requiring additional payments be made upon the occurrence of certain events. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these financial statements.
- Pursuant to the issuance of 4,328,014 flow through shares in December 2005 and the exercise of 3,526,320 flow through warrants during the period from January 1 to March 31, 2006, the Company is committed to spending \$1,770,862 on qualified expenditures by December 31, 2006.
- The Company is committed to minimum rentals under a long-term lease for premises which expires May 31, 2007. Minimum rental commitments remaining under this lease approximate \$39,800 including \$34,100 due within one year. Minimum rental commitments for successive years approximately:

<u>Year</u>	<u>Amount</u>
	\$
2007	34,100
2008	5,700
	<u>39,800</u>

## **10. Financial Instruments**

### ***Fair value***

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet 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 refundable deposits, GST Receivable, prepaid expenses, accounts payable and accrued liabilities, and notes payable on the balance sheet approximate fair value because of the limited term of the instruments.

## **11. Litigation**

The Company is not involved in any outstanding litigation.

## **12. Off Balance Sheet Arrangements**

The Company has no off balance sheet arrangements.

## **13. Related Party Transactions**

For the year ended March 31, 2006, financing costs of \$26,953 (2005 - Nil) were paid to an officer of the Company.

Included in accounts payable and accrued liabilities at March 31, 2006 is \$20,678 (2005 - \$102,955) owing to certain officers and directors of the Company.

The above amounts were in the normal course of operations and were measured at the exchange amounts which is the amount of consideration established and agreed to by the related parties.

## **14. Evaluation of Disclosure Controls and Procedures**

Public companies are required to perform an evaluation of disclosure controls and procedures annually and to disclose management's conclusions about the effectiveness of these disclosure controls and procedures in its annual MD&A.

The Company has established, and is maintaining, disclosure controls and procedures to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is disclosed in annual filings, interim filings or other reports and recorded, processed, summarized and reported within the time periods specified as required by securities regulations.

Management has evaluated the effectiveness of the Company's disclosure controls and procedures for the period ended March 31, 2006 and believes that they are sufficient to provide reasonable assurance that the Company's disclosures are compliant with securities regulations.

## **15. Risks & Uncertainties**

### ***Exploration***

The Company's exploration projects are subject to conditions beyond its control that can affect the carrying costs and development costs for varying lengths of time. Such conditions include environmental hazards, unusual or unexpected geological formations or pressures and periodic interruptions due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or facilities, personal injury, environmental damage, delays in exploration programs, monetary losses and possible legal liability. Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that exploration efforts will be successful. Success in establishing reserves is a result of a number of factors, including the quality of management, the Company's level of geological and technical expertise, the quality of land holdings, the availability of suitable contractors, and other factors. Through high standards and continuous improvement the Company works to reduce these risks and maintains insurance to cover normal business risks.

If mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling, to determine the optimal metallurgical process to extract the metals from the ore and to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment of resources or reserves. Whether a resource deposit will ultimately be commercially viable depends on a number of factors, including the particular attributes of the deposit such as the deposit's size, financing costs and the prevailing prices for the applicable resource. Also of key importance are government regulations, including those relating to prices, taxes, royalties, land tenure, land use and environmental protection.

### ***Financing***

In the absence of cash flow from operations the Company relies on the capital markets to fund operations. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that additional funding will be available, or available under terms favourable to the Company. Failure to obtain such additional finance could result in delay or the indefinite postponement of further exploration and the development of the Company's properties.

### ***Licenses and Permits, Laws and Regulations***

The Company's exploration activities require permits from various government authorities, and are subject to extensive federal provincial and local laws and regulations governing prospecting, exploration, development, production, exports, taxes, labour

standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become stringent and compliance can therefore become more costly. The Company relies on the expertise and commitment of its management team, their advisors, its employees and contractors to ensure compliance with current laws and fosters a climate of open communication and co-operation with regulatory bodies.

The Company believes that it holds all necessary licenses and permits under applicable laws and regulations and believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in various circumstances. There can be no guarantee that the Company will be able to maintain or obtain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities or to maintain continued operations.

### ***Environmental***

The Company's activities are subject to extensive federal, provincial and local laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, where enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The company is also subject to various reclamation-related conditions imposed under federal or provincial rules and permits, and there can be no assurance that they will not change in the future in a manner that could have a material effect on the Company's financial condition, liquidity or results of operations.

### **16. Subsequent Events**

- (a) On April 25, 2006, at a special meeting of shareholders, the Company changed its name to Unor Inc. and its TSX Venture trading symbol to UNI. The Company's new name became effective May 1, 2006.
- (b) On May 9, 2006, UNOR Inc. and Cameco Corporation executed a binding subscription agreement under which Cameco has subscribed for 22,906,912 common shares of UNOR, at a price of \$0.40 per share, for aggregate gross proceeds of \$9,162,765. Upon completion of the private placement, Cameco will hold approximately 19.5% of the outstanding common shares of UNOR. In connection with the closing of the private placement, UNOR and Cameco will enter into a Strategic Alliance Agreement formalizing the ongoing relationship between the parties, as described in UNOR's press release dated April 3, 2006.

The TSX Venture Exchange required that, as a condition of the Exchange's acceptance of the Cameco transaction, that shareholders of UNOR approve the private placement. At a special meeting of shareholders on June 16, 2006 the shareholders approved the Cameco transaction and the transaction closed on June 19, 2006.

- (c) On June 19, 2006, Mr. Oliver Lennox-King resigned as a director of the Company and Mr. James Marlatt was appointed as a director of the Company.

## FORM 52-109F1

### CERTIFICATION OF ANNUAL FILINGS

**I, George P. Bell, the Chief Executive Officer of Hornby Bay Exploration Limited,** certify that:

1. I have reviewed the annual filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Hornby Bay Exploration Limited (the issuer) for the period ending March 31, 2006;
2. Based on my knowledge, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings; and
3. Based on my knowledge, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the annual filings.
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
  - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared;
  - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
  - (c) evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the annual filings and have caused the issuer to disclose in the annual MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings and such evaluation; and



5. I have caused the issuer to disclose in the annual MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: June 21, 2006

(Signed) "*George P. Bell*"

---

[Name] George P. Bell

[Office] President and CEO

## FORM 52-109F1

### CERTIFICATION OF ANNUAL FILINGS

**I, Ian A. Shaw, the Chief Financial Officer of Hornby Bay Exploration Limited,** certify that:

1. I have reviewed the annual filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Hornby Bay Exploration Limited (the issuer) for the period ending March 31, 2006
2. Based on my knowledge, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings; and
3. Based on my knowledge, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the annual filings.
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
  - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared;
  - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
  - (c) evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the annual filings and have caused the issuer to disclose in the annual MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings and such evaluation; and

5. I have caused the issuer to disclose in the annual MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: June 21, 2006

(Signed) "Ian A. Shaw"

---

[Name] Ian A. Shaw

[Office] Vice President and CFO

**HORNBY BAY EXPLORATION LIMITED**  
**(Subsequently renamed "Unor Inc.")**  
*(A Development Stage Company)*

**Consolidated Financial Statements**

**March 31, 2006 and 2005**

**HORNBY BAY EXPLORATION LIMITED**  
**(Subsequently renamed “Unor Inc.”)**  
*(A Development Stage Company)*

**Consolidated Financial Statements**

**March 31, 2006 and 2005**

<b>INDEX</b>	<b>PAGE</b>
Auditors' Report	1
Consolidated Balance Sheets	2
Consolidated Statements of Operations and Deficit	3
Consolidated Statements of Cash Flows	4
Notes to the Consolidated Financial Statements	5 - 17



**AUDITORS' REPORT**

To the Shareholders of  
**Hornby Bay Exploration Limited**  
(Subsequently renamed "Unor Inc.")  
(A Development Stage Company)

We have audited the consolidated balance sheets of Hornby Bay Exploration Limited (Subsequently renamed "Unor Inc.") (A Development Stage Company) as at March 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for each of the years in the two-year period ended March 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2006 and 2005 and the results of its operations and the changes in its cash flows for each of the years in the two-year period ended March 31, 2006 in accordance with Canadian generally accepted accounting principles.

**McGOVERN, HURLEY, CUNNINGHAM, LLP**

**Chartered Accountants**

TORONTO, Canada  
May 9, 2006

**Consolidated Balance Sheets**

as at March 31,

	<b>2006</b>	<b>2005</b>
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash and equivalents	2,576,585	6,505,017
Refundable deposits	959,308	1,361,126
GST receivable	49,922	50,008
Prepaid expenses	16,457	6,573
	<u>3,602,272</u>	<u>7,922,724</u>
<b>Equipment (Note 3)</b>	<b>30,003</b>	<b>38,803</b>
<b>Prepaid Mineral Exploration Expenditures</b>	<b>506,412</b>	<b>421,655</b>
<b>Interest In Mineral Properties (Note 4)</b>	<b>14,422,082</b>	<b>6,412,335</b>
	<u><b>18,560,769</b></u>	<u><b>14,795,517</b></u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accruals (Note 10)	595,669	460,546
Notes payable	-	707,436
	<u>595,669</u>	<u>1,167,982</u>
Future income tax liability (Note 7)	1,907,300	-
	<u>2,502,969</u>	<u>1,167,982</u>
<b>Shareholders' Equity</b>		
Capital Stock (Note 5)	21,906,058	18,984,532
Contributed Surplus (Note 6)	1,992,017	1,446,530
Deficit	(7,840,275)	(6,803,527)
	<u>16,057,800</u>	<u>13,627,535</u>
	<u><b>18,560,769</b></u>	<u><b>14,795,517</b></u>

**COMMITMENTS AND CONTINGENCIES (Note 9)**

APPROVED ON BEHALF OF THE BOARD:

\_\_\_\_\_, Director

\_\_\_\_\_, Director

**HORNBY BAY EXPLORATION LIMITED**  
 (Subsequently renamed "Unor Inc.")  
 (A Development Stage Company)

Page 3

**Consolidated Statements of Operations and Deficit**  
 for the years ended March 31,

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>REVENUE</b>		
Interest	<b>65,833</b>	37,022
<b>EXPENSES</b>		
Stock option compensation	<b>606,637</b>	988,830
Professional and consulting fees	<b>389,349</b>	435,247
Salaries and benefits	<b>200,927</b>	249,785
Office and general	<b>126,649</b>	127,769
Travel and promotion	<b>76,618</b>	138,833
Shareholders' information	<b>70,606</b>	49,283
Directors' fees	<b>59,583</b>	17,292
Interest and bank charges	<b>43,572</b>	213,522
Financing costs	<b>26,953</b>	125,029
Ontario capital taxes	<b>5,587</b>	-
Amortization	<b>8,800</b>	15,050
	<b>1,615,281</b>	2,360,640
<b>OPERATING LOSS</b>	<b>(1,549,448)</b>	(2,323,618)
Prior years expense recovery	-	(32,248)
Write-down of oil & gas properties	-	96,132
	-	63,884
Loss before income taxes	<b>(1,549,448)</b>	(2,387,502)
Income taxes (Note 7(a))	<b>512,700</b>	1,090,800
<b>NET LOSS FOR THE YEAR</b>	<b>(1,036,748)</b>	(1,296,702)
<b>DEFICIT</b> , beginning of year	<b>(6,803,527)</b>	(5,506,825)
<b>DEFICIT</b> , end of year	<b>(7,840,275)</b>	(6,803,527)
<b>LOSS PER SHARE</b> - basic and diluted	<b>(0.01)</b>	(0.02)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	<b>84,885,369</b>	61,170,813

See accompanying notes to the consolidated financial statements



**Consolidated Statements of Cash Flows**

for the years ended March 31,

	2006 \$	2005 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss for the year	(1,036,748)	(1,296,702)
Changes to income not involving cash		
Amortization	8,800	15,050
Financing costs	-	113,923
Stock option compensation	606,637	988,830
Write-down of interest in oil & gas properties	-	95,127
Future income tax recovery	(512,700)	(1,090,800)
	<u>(934,011)</u>	<u>(1,174,572)</u>
Changes in non-cash working capital balances:		
Decrease in subscriptions receivable	-	446,750
Decrease in refundable deposits	401,818	1,013,904
Decrease in GST receivable	86	130,291
(Increase) in prepaid expenses	(9,884)	(4,067)
(Decrease) increase in accounts payable and accrued liabilities	(167,793)	63,108
(Decrease) in advances from related parties	-	(130,909)
	<u>224,227</u>	<u>1,519,077</u>
Net cash flows from operating activities	<u>(709,784)</u>	344,505
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Private placements (net of share issue costs)	3,090,323	8,677,436
Decrease in notes payable	(402,320)	(2,018,996)
Warrants exercised	1,780,937	2,763,587
Options exercised	104,000	216,500
Net cash flows from financing activities	<u>4,572,940</u>	<u>9,638,527</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of capital assets	-	(51,304)
Prepaid mineral exploration expenditures	(84,757)	(374,828)
Interest in mineral properties	(7,706,831)	(3,679,825)
Net cash flows from investing activities	<u>(7,791,588)</u>	<u>(4,105,957)</u>
(Decrease) increase in cash and equivalents	(3,928,432)	5,877,075
Cash and equivalents, beginning of year	<u>6,505,017</u>	<u>627,942</u>
Cash and equivalents, end of year	<u>2,576,585</u>	<u>6,505,017</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Interest paid	-	13,971
Income taxes paid	-	-
Common shares issued for debt conversion	<u>305,116</u>	-
Common shares issued for cash issue costs	<u>83,500</u>	-
Cash and equivalents are composed of the following:		
Cash	973,547	722,403
Cash equivalents	1,603,038	5,782,614
	<u>2,576,585</u>	<u>6,505,017</u>

See accompanying notes to the consolidated financial statements

**Notes to the Consolidated Financial Statements****March 31, 2006 and 2005**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Hornby Bay Exploration Limited, subsequently renamed "Unor Inc.", (the "Company") is a development stage company and currently has interests in exploration and development properties in Canada. Substantially all of the Company's efforts are devoted to financing and developing these properties. There has been no determination whether the Company's interests in mineral properties contain mineral reserves which are economically recoverable.

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 recoverability of the carrying value of exploration properties and 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. Changes in future conditions could require material write downs of the carrying values.

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 unregistered prior agreements and non-compliance with regulatory requirements.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they 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 business and at amounts different from those in the accompanying consolidated financial statements.

The Company has a need for equity capital and financing in order to explore and develop its properties and for working capital requirements. 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 and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year. Outlined below are those policies considered particularly significant:

**Principles of Consolidation:**

These consolidated financial statements include the accounts of the Company and its 100% owned subsidiary Hornby Hydrocarbons Inc.

**Notes to the Consolidated Financial Statements**

**March 31, 2006 and 2005**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Interest in Mineral Properties:**

The cost of mineral properties and related exploration expenditures are deferred until the properties to which they relate are placed into production, sold or allowed to lapse. These costs will be amortized over the estimated useful life of the properties following commencement of production or written off if the properties are sold or allowed to lapse. The Company does not accrue future costs to keep the properties in good standing. Administrative expenditures are charged to operations as incurred.

The Company reviews its mineral properties on an annual basis to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the mineral properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. In reviewing its mineral properties, the Company estimates the future cash flows expected to result from each asset and its eventual disposition. If the sum of the undiscounted, expected future cash flow is less than the carrying value of the asset, an impairment loss is recognized. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near-term could require a change in the determination of the need for and amount of any write down.

**Asset Retirement Obligations:**

The Company follows the CICA accounting standard on "Asset retirement obligations". Under the standard the Company is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mineral exploration properties. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount is recorded as an increase to exploration properties and deferred exploration expenditures and is amortized over the useful life of the property. Management is not aware of any asset retirement obligations.

**Equipment and Amortization:**

Equipment is stated at acquisition cost. Amortization is provided on the diminishing-balance basis at the following annual rates:

Furniture and fixtures	20%
Computer equipment	30%

**Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of stock-based compensation, warrants and brokers' options and the valuation of tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

Continued...

**Notes to the Consolidated Financial Statements****March 31, 2006 and 2005**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Loss Per Share:**

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

**Flow-Through Financing:**

The Company has financed a portion of its exploration activities through the issue of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to capital stock and the related exploration costs have been charged to interest in mineral properties.

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation will reduce share capital.

**Income Taxes:**

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

**Stock-Based Compensation Plan:**

The Company has adopted the recommendations of the Canadian Institute of Chartered Accountants Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments. The section defines recognition, measurement and disclosure standards for stock-based compensation to non-employees and employees. Under these standards, all stock-based payments must be systematically accounted for in the enterprise's financial statements. These standards define a fair value-based method of accounting. Under this method, compensation cost is measured at the grant date based on the fair value of the reward as determined using the Black-Scholes option pricing model and is accounted for in operations over the vesting period of the options, with the related credit being included in contributed surplus.

**Cash and Equivalents:**

Cash and equivalents include cash and highly liquid investments with original maturities of three months or less. The Company invests cash in term deposits maintained in high credit quality institutions.

Continued...

**Notes to the Consolidated Financial Statements**

**March 31, 2006 and 2005**

**3. EQUIPMENT**

<u>2006</u>	Cost	Accumulated Amortization	Net
	\$	\$	\$
Furniture and fixtures	43,225	22,057	21,168
Computer equipment	26,519	17,684	8,835
	<u>69,744</u>	<u>39,741</u>	<u>30,003</u>

<u>2005</u>	Cost	Accumulated Amortization	Net
	\$	\$	\$
Furniture and fixtures	43,225	16,857	26,368
Computer equipment	26,519	14,084	12,435
	<u>69,744</u>	<u>30,941</u>	<u>38,803</u>

**4. INTEREST IN MINERAL PROPERTIES**

	Balance, March 31, 2005	Additions	Balance, March 31, 2006
	\$	\$	\$
<b>Property</b>			
(a) Asiak River, Nunavut	2,123,415	1,576,674	3,700,089
(b) Coppermine River, Nunavut	3,812,214	6,257,513	10,069,727
(c) East Block, Nunavut	236,035	196,677	432,712
(d) Ontario Gold Properties	207,149	(21,221)	185,928
(e) B.C. Properties	32,201	104	32,305
(f) Ace Claim, Manitoba	1,321	-	1,321
	<u>6,412,335</u>	<u>8,009,747</u>	<u>14,422,082</u>

	Balance, March 31, 2004	Additions	Balance, March 31, 2005
	\$	\$	\$
<b>Property</b>			
(a) Asiak River, Nunavut	1,013,526	1,109,889	2,123,415
(b) Coppermine River, Nunavut	1,397,330	2,414,884	3,812,214
(c) East Block, Nunavut	85,842	150,193	236,035
(d) Ontario Gold Properties	202,344	4,805	207,149
(e) B.C. Properties	32,146	55	32,201
(f) Ace Claim, Manitoba	1,321	-	1,321
	<u>2,732,509</u>	<u>3,679,826</u>	<u>6,412,335</u>

Continued...

**Notes to the Consolidated Financial Statements**

**March 31, 2006 and 2005**

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**4. INTEREST IN MINERAL PROPERTIES (Continued)**

**(a)(b)(c) ASIAK RIVER, COPPERMINE RIVER and EAST BLOCK, NUNAVUT**

The Company holds a 100% interest in 226 mineral claims covering 533,461 acres in Nunavut. Due to the uncertainty of the status of these claims, the Company, at March 31, 2002 and March 31, 2003, wrote down their value by \$3,877,148 to \$2. During the 2004 fiscal year the Company reevaluated these claims and made refundable deposits of \$2,375,030 with the Government of Canada to bring these claims into good standing and completed exploration work totaling \$2,496,696 on the claims. During the 2005 fiscal year the Company completed exploration work totaling \$3,674,966 on the claims and during the current year the Company completed exploration work totaling \$8,030,864 on the claims. Of these claims, 209 are subject to a 1% net smelter royalty and/or a 1% gross diamond royalty subject to a combined maximum of \$10,000,000.

**(d) ONTARIO GOLD PROPERTIES**

The Company holds a 100% interest in five mineral properties located in Ontario (the "Ontario Gold Properties").

On April 21, 2005 the Company entered into an agreement with Laurion Gold Inc. ("Laurion") whereby Laurion would have the right to earn a 50% interest in Hornby Bay's East Clavos gold project in consideration for Laurion making certain payments, deliveries and expenditures. Laurion will be able to earn the interest by incurring work expenditures of \$1.0 million on the property over a four-year period, issuing 480,000 Laurion common shares (120,000 shares received during the year and an additional 120,000 shares received subsequent to year end) and by making cash payments totaling \$100,000 (\$25,000 received during the year and an additional \$25,000 received subsequent to year end) to the Company over a three year period.

**(e) B.C. PROPERTIES**

The Company holds a 100% interest in four Crown grants in the Camsell and Similkameen area of British Columbia and a 5% net smelter royalty interest on certain parts of the Similkameen Copper Mine.

**(f) ACE 1 CLAIM, MANITOBA**

The Company holds a 100% interest in the Ace 1 Claim Block at Asean Lake, in Manitoba.

**Notes to the Consolidated Financial Statements**

**March 31, 2006 and 2005**

**5. CAPITAL STOCK**

**(a) Common Shares**

**Authorized**

Unlimited number of common shares  
Unlimited number of preference shares

**Issued**

94,314,432 common shares

	March 31, 2006		March 31, 2005	
	Number		Number	
	of Shares	Amount	of Shares	Amount
	#	\$	#	\$
Balance at beginning of year	78,481,599	18,984,532	49,481,522	8,169,836
Issued by private placements (i)	7,148,214	2,756,955	16,831,135	9,417,153
Less: Share issue costs	-	(239,632)	-	(739,717)
Exercise of warrants (ii)	7,768,557	1,780,937	10,639,716	2,763,587
Exercise of options-cash proceeds (iii)	590,000	104,000	1,190,000	216,500
Exercise of options-valuation allocation	-	61,150	-	134,050
Issued for payment of interest (iv)	526,062	305,116	-	-
Renunciation of flow-thru expenditures	-	(2,420,000)	-	(1,090,800)
Extension of warrants	-	(497,531)	-	-
Issued for financing costs	-	(83,500)	139,226	13,923
Balance at end of year	94,514,432	20,752,027	78,281,599	18,884,532

**Shares to be issued**

	March 31, 2006		March 31, 2005	
	Number		Number	
	of Shares	Amount	of Shares	Amount
	#	\$	#	\$
To be issued for financing costs	-	-	200,000	100,000
	94,514,432	20,752,027	78,481,599	18,984,532

**Issued**

10,193,558 warrants

	March 31, 2006		March 31, 2005	
	Number		Number	
	of Warrants	Amount	of Warrants	Amount
	#	\$	#	\$
Balance at beginning of year	17,039,900	-	18,058,271	-
Exercised	(7,768,557)	-	(10,839,716)	-
Expired	(3,264,207)	-	-	-
Issued by private placements	3,664,007	573,000	8,967,138	-
Financing Costs	522,415	83,500	854,207	-
Extension of warrants	-	497,531	-	-
Balance at end of year	10,193,558	1,154,031	17,039,900	-

Total share capital

21,906,058

18,984,532

Continued...

**Notes to the Consolidated Financial Statements****March 31, 2006 and 2005**

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**5. CAPITAL STOCK (Continued)**

- (i) On December 12, 2005 the Company issued 4,328,014 units at \$0.35 per unit pursuant to a non-brokered private placement to raise gross proceeds of \$1,514,805. Each unit consists of one (1) flow-through common share and one half (1/2) of one common share purchase warrant. Each whole share purchase warrant entitles the holders to purchase one common share at \$0.45 per share for two years. The fair values of warrants issued has been calculated using the Black-Scholes warrant pricing model and has determined the value of the warrants issued at \$288,000.00 and the common shares issued at \$1,226,805.

On August 18, 2005 the Company issued 1,320,200 flow-through common shares at \$0.75 per share pursuant to a brokered private placement to raise gross proceeds of \$990,150.

On May 31, 2005 the Company issued 1,500,000 units at \$0.55 per unit pursuant to a non-brokered private placement to raise gross proceeds of \$825,000. Each unit consists of one (1) common share and one (1) common share purchase warrant. Each share purchase warrant entitles the holders to purchase one common share at \$0.75 per share for two years. The fair values of warrants issued has been calculated using the Black-Scholes warrant pricing model and has determined the value of the warrants issued at \$285,000 and the common shares issued at \$540,000.

On March 23, 2005 the Company, under a brokered private placement, issued 3,133,699 flow-through common shares at a price of \$0.90 per share to raise gross proceeds of \$2,820,329.

On October 25, 2004 the Company, under a brokered private placement, issued 2,727,271 units at \$0.55 per unit and 2,083,333 flow through units at \$0.72 to raise gross proceeds of \$3,000,000. Each unit is comprised of one (1) common share and one half (1/2) of one common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at \$0.75 for a period of one year. Each flow through unit is comprised of one (1) flow through common share and one half (1/2) of one flow through common share purchase warrant. Each whole warrant entitles the holder to purchase an additional flow through common share at \$0.92 for a period of one year. During 2006, these warrants were extended until October 25, 2006.

On July 20, 2004 the Company, under a brokered private placement, issued 2,325,000 flow-through common shares at a price of \$0.40 per share to raise gross proceeds of \$930,000.

On June 29, 2004 the Company, under a non-brokered private placement, issued 3,701,832 units at \$0.45 per unit to raise gross proceeds of \$1,665,825. Each unit is comprised of one (1) common share, one half (1/2) of one Series A common share purchase warrant and one-half (1/2) of one Series B common share purchase warrant. Each whole Series A warrant entitles the holder to purchase an additional common share at \$0.60 for a period of one year and each whole Series B warrant entitles the holder to purchase an additional common share at \$0.70 for a period of one year. During 2006, these warrants were extended until July 13, 2006.

Continued...



(Subsequently renamed "Unor Inc.")

(A Development Stage Company)

**Notes to the Consolidated Financial Statements**
**March 31, 2006 and 2005**


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**5. CAPITAL STOCK (Continued)**

On May 19, 2004 the Company, under a non-brokered private placement, issued 2,860,000 units at \$0.35 per unit to raise gross proceeds of \$1,001,000. Each unit is comprised of one (1) common share and one (1) common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at \$0.50 for a period of one year. During 2006, 2,660,000 of these warrants expired.

On April 27, 2004 the Company closed the non-brokered private placement subscribed for in March, 2004 and issued 4,185,715 units at \$0.35 per unit for gross proceeds of \$1,465,000. Each unit is comprised of one (1) common share and one half (1/2) of one common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at \$0.45 for a period of one year. During 2005 these warrants were exercised for gross proceeds of \$941,787.

- (ii) During the year warrants to purchase common shares were exercised as follows:

Number of Warrants	Exercise Price	Amount
#	\$	\$
844,469	0.125	105,559
1,706,250	0.15	255,938
937,499	0.22	206,250
4,030,339	0.27	1,088,192
250,000	0.50	125,000
<u>7,768,557</u>		<u>1,780,939</u>

- (iii) During the year options to purchase common shares were exercised as follows:

Number of Options	Exercise Price	Amount
#	\$	\$
450,000	0.10	45,000
90,000	0.35	31,500
50,000	0.55	27,500
<u>590,000</u>		<u>104,000</u>

- (iv) On May 31, 2005, the Company issued 526,062 common shares at \$0.58 per common share in payment of interest with a value of \$305,116.

Continued...

**Notes to the Consolidated Financial Statements**

**March 31, 2006 and 2005**

**5. CAPITAL STOCK (Continued)**

**(b) Warrants Outstanding**

Number of Warrants	Exercise Price	Expiry Date
#	\$	
1,750,916	0.60	13-Jul-06 (i)
1,850,916	0.70	13-Jul-06 (i)
1,363,636	0.75	24-Oct-06 (i)
1,041,667	0.92	24-Oct-06 (i)
1,500,000	0.75	31-Jul-07
92,414	0.75	17-Aug-06
2,164,007	0.45	24-Dec-07
430,001	0.45	24-Dec-07
<u>10,193,557</u>		

(i) During the year, the Company extended the expiry date of 6,007,135 warrants by one year. The expiry dates of the warrants were originally July and October, 2005.

Each warrant entitles the holder to purchase one common share of the Company. Share purchase warrant transactions for the respective years were as follows:

	2006		2005	
	Number	Weighted average exercise price per share	Number	Weighted average exercise price per share
	#	\$	#	\$
Warrants outstanding, beginning of year	17,039,900	0.47	18,058,271	0.23
Granted	4,186,422	0.56	9,821,345	0.66
Exercised	(7,768,557)	(0.23)	(10,839,716)	(0.26)
Expired	(3,264,207)	(0.57)	-	-
Warrants outstanding, end of year	<u>10,193,558</u>	(0.66)	<u>17,039,900</u>	0.47

**(c) Stock 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 Exchange on the trading day immediately preceding the date options are granted, and are not transferable. 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 shares.

Continued...

**Notes to the Consolidated Financial Statements**

**March 31, 2006 and 2005**

**5. CAPITAL STOCK (Continued)**

**(c) Stock options (Continued)**

Options to purchase common shares of the Company have been granted in accordance with the Plan as follows:

	2006		2005	
	Number	Weighted average exercise price per share	Number	Weighted average exercise price per share
	#	\$	#	\$
Options outstanding, beginning of year	5,498,769	0.44	3,613,769	0.29
Granted	1,600,000	0.44	3,275,000	0.53
Exercised	(590,000)	0.18	(1,190,000)	(0.18)
Cancelled	(713,322)	0.47	(200,000)	(0.55)
Options outstanding, end of year	<u>5,795,447</u>	0.46	<u>5,498,769</u>	0.44
Options exercisable, end of year	<u>5,245,447</u>		<u>4,263,769</u>	

Options to purchase common share outstanding at March 31, 2006 carry exercise prices and remaining terms to maturity as follows:

Number of Options	Options		Expiry Date
	Exercisable	Exercise Price	
#	#	\$	
877,947	877,947	0.385	10-Mar-09
1,092,500	1,092,500	0.40	31-Mar-09
425,000	325,000	0.35	14-Apr-09
100,000	50,000	0.35	09-May-09
1,300,000	1,200,000	0.60	20-Sep-09
100,000	100,000	0.67	04-Oct-09
100,000	100,000	0.63	04-Oct-09
50,000	50,000	0.55	20-Oct-09
150,000	100,000	0.55	26-Oct-09
350,000	200,000	0.55	21-Apr-10
150,000	50,000	0.60	13-Jul-10
1,100,000	1,100,000	0.38	05-Jan-11
<u>5,795,447</u>	<u>5,245,447</u>		

The fair values of warrants issued and options granted have been calculated using the Black-Scholes option-pricing model. Assumptions used in the pricing model are as follows:

	Options	Warrants
Average risk-free interest rate	4%	4%
Expected life	5 years	2 years (one year for broker warrants)
Expected volatility	100%	100%
Expected dividends	Nil	Nil

Continued...

**Notes to the Consolidated Financial Statements**

**March 31, 2006 and 2005**

**6. CONTRIBUTED SURPLUS**

Contributed surplus transactions for the respective years were as follows:

	<u>2006</u>	<u>2005</u>
	\$	\$
Balance, beginning of the year	1,446,530	591,750
Stock options exercised	(61,150)	(134,050)
Employee stock-based compensation	526,903	818,838
Non employee stock-based compensation	79,734	169,992
Balance, end of the year	<u>1,992,017</u>	<u>1,446,530</u>

**7. INCOME TAXES**

(a) **Provision for Income Taxes**

Major items causing the Company's income tax rate to differ from the Canadian statutory rate of 36% (2005 – 36%) were as follows:

	<u>2006</u>	<u>2005</u>
	\$	\$
Loss before income taxes	<u>(1,549,448)</u>	<u>(2,387,502)</u>
Expected income tax recovery	(557,800)	(859,500)
Adjustments to benefit resulting from:		
Stock based compensation	218,400	356,000
Share issue costs	(116,300)	(266,300)
Expiring non-capital losses	72,400	33,000
Write down of mineral properties	-	34,600
Other	(900)	-
Change in valuation allowance	<u>(128,500)</u>	<u>(388,600)</u>
Provision for income taxes	<u>(512,700)</u>	<u>(1,090,800)</u>

(b) The future income tax assets and liabilities consist of the following temporary differences:

	<u>2006</u>	<u>2005</u>
	\$	\$
Plant and equipment	14,400	11,200
Non-capital loss carry-forwards	307,900	319,400
Resource properties	(2,491,500)	(430,200)
Share issue costs	261,900	228,100
	<u>(1,907,300)</u>	<u>128,500</u>
Valuation allowance	<u>-</u>	<u>128,500</u>
Total future income tax liability	<u>(1,907,300)</u>	<u>-</u>

Continued...

**Notes to the Consolidated Financial Statements**

**March 31, 2006 and 2005**

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**7. INCOME TAXES (Continued)**

(c) As at March 31, 2006, the Company has accumulated losses for income tax purposes of approximately \$855,160 that are available to be carried-forward to reduce taxable income of future years. The future benefit of these losses has not been recognized in the accounts. These losses expire as follows:

<u>Year</u>	<u>Amount</u>
	\$
2007	143,561
2008	213,651
2009	160,363
2010	4,560
2011	68,666
2015	95,379
2016	168,980
	<u>855,160</u>

The Company has approximately \$815,000 and \$6,636,000 Canadian development expenses and Canadian exploration expenditures respectively, as at March 31, 2006 which, under certain circumstances, may be utilized to reduce taxable income of future years. The potential income tax benefit of these losses has not been recognized in the accounts.

**8. FINANCIAL INSTRUMENTS**

***Fair value***

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet 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 refundable deposits, GST receivable, accounts payable and accruals, and notes payable on the balance sheet approximate fair value because of the limited term of the instruments.

**9. COMMITMENTS AND CONTINGENT LIABILITY**

(a) The Company is party to certain management contracts. These contracts contain clauses requiring additional payments be made upon the occurrence of certain events. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these financial statements.

(b) Pursuant to the issuance of 4,328,014 flow through shares in December 2005 and the exercise of 3,526,320 flow through warrants during the period from January 1 to March 31, 2006, the Company is committed to spending \$1,770,862 on qualified expenditures by December 31, 2006.

Continued...

**Notes to the Consolidated Financial Statements****March 31, 2006 and 2005**

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**9. COMMITMENTS AND CONTINGENT LIABILITY(Continued)**

- (c) The Company is committed to minimum rentals under a long-term lease for premises which expires May 31, 2007. Minimum rental commitments remaining under this lease approximate \$39,800 including \$34,100 due within one year. Minimum rental commitments for successive years approximate:

<u>Year</u>	<u>Amount</u>
	\$
2007	34,100
2008	5,700
	<u>39,800</u>

**10. RELATED PARTY TRANSACTIONS**

For the year ended March 31, 2006, financing costs of \$26,953 (2005 - Nil) were paid to an officer of the Company.

Included in accounts payable and accruals at March 31, 2006 is \$20,678 (2005 - \$102,955) owing to certain officers and directors of the Company.

The above amounts were in the normal course of operations and were measured at the exchange amounts which is the amount of consideration established and agreed to by the related parties.

**11. COMPARATIVE FIGURES**

Certain of the 2005 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2006.

**12. SUBSEQUENT EVENTS**

- (a) In April 2006, the Company changed its name to Unor Inc. The Company's new name became effective May 1, 2006.
- (b) In May 2006, the Company announced that Cameco Corporation has subscribed for 22,906,912 common shares of the Company at a price of \$0.40 per share, for aggregate gross proceeds of \$9,162,705.
- (c) See Note 4 (d).

