

**HORNBY BAY MINERAL EXPLORATION LTD.
(FORMERLY UNOR INC.)
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2010**

GENERAL

This Management's Discussion and Analysis ("MD&A") relates to the performance, financial condition and future prospects of Hornby Bay Mineral Exploration Ltd. ("Hornby Bay" or the "Company") and should be read in conjunction with the Unaudited Interim Financial Statements for the three and nine months ended December 31, 2010, and Notes thereto. Readers are cautioned that the MD&A contains forward-looking statements and that actual events may vary from management's expectations. Readers are encouraged to consult the Company's Audited Consolidated Financial Statements and corresponding Notes to the financial statements for the years ended March 31, 2010 and 2009, for additional details. The Interim Unaudited Consolidated Financial Statements and MD&A are presented in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). All amounts are presented in Canadian dollars unless otherwise specified. This discussion addresses matters we consider important for an understanding of our financial condition and results of operations as of February 8, 2011, and for the quarter ended, December 31, 2010. Readers are encouraged to read the Company's public information filings which can be accessed and viewed through a link to the Company's Canadian Securities Commissions filings via the System for Electronic Data Analysis and Retrieval (SEDAR) at www.sedar.com

This section contains forward-looking statements and should be read in conjunction with the risk factors described in "Risks and Uncertainties" and the "Cautionary Statement on Forward-Looking Information" at the end of this MD&A.

1. Corporate Overview

In 1996, the Company was incorporated in Ontario with its primary focus on uranium exploration in Nunavut, Canada. Nunavut is the only territory and/or province that has settled its native land claim issues.

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

On April 6, 2010 the Company consolidated its shares on a 1-for-3 basis. All references to common shares, per share amounts, warrants, and options for all periods presented have been retroactively restated to reflect this consolidation unless otherwise stated.

On September 9, 2010, the Company issued 8,346,820 flow-through common shares at \$0.16 per share pursuant to a rights offering to raise gross proceeds of \$1,335,491. In connection with this rights offering the Company paid solicitation fees of \$82,728 to registered dealers whose name appeared on the rights certificate representing rights surrendered for exercise. In addition the company issued 710,500 broker warrants pursuant to standby commitments. Each Broker warrant entitles the holder to acquire one common share of the Company at a price of \$0.16 for two years. The fair value of the warrants was determined, using the Black-Scholes option pricing model assuming a risk-free interest rate of 2% on the date of issue, an expected life of 2 years, a volatility of 150% and dividends of \$Nil to be \$56,840.

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2. 2010 exploration season and 2011 exploration plans

During the three months that ended on December 31st, 2010 the Company did not conduct any field-based activities on its properties.

In July 2010, Hornby Bay Mineral Exploration Ltd. (HBME) commenced its 2010 uranium exploration program on the Coppermine Property in the Hornby Bay Basin, Nunavut, with the opening of the Mouse Lake camp and the mobilization of a depth-capable diamond drill and drill crew. The Coppermine Property is 100% owned by HBME and consists of 16 claims and 39 leases covering 117,933 acres (47,725 hectares). The Coppermine Property is located in the northern region of the Early Proterozoic Wopmay Orogen, where the units of the orogen are overlain by Middle Proterozoic sedimentary rocks of the deeper, eastern lobe of the Hornby Bay Basin.

The 2010/11 exploration program is focused on the drilling of several existing deep unconformity targets defined by earlier exploration on the Coppermine Property. The first hole (HB-10-11#one), which targeted the CM 53 conductor, was stopped short at 344 meters due to difficult drilling conditions. The Company has postponed further drilling until the seismic portion of the exploration program is complete and high efficiency water line heaters have been delivered to the site to deal with permafrost issues. The diamond drill remained on site and will resume testing of the key unconformity targets when the seismic data processing and interpretation is complete. Currently, the Company is evaluating proposals from several seismic data acquisition contractors for the seismic portion of the exploration program on the Coppermine Property, which is expected to be conducted in the spring of 2011.

3. Exploration Expenses

During the three months ended December 31, 2010 the Company spent \$153,250 on exploration compared to \$40,805 during the three months ended December 31, 2009. During the nine months ended December 31, 2010 the Company spent \$881,778 on exploration compared to \$139,791 during the nine months ended December 31, 2009. The change over the prior year is due to the Company maintaining its properties on a care and maintenance basis in 2009.

	Three months ended December 31,		Nine months ended December 31,	
	2010	2009	2010	2009
Exploration Expenses				
Assaying	\$ -	\$ -	\$ 2,039	\$ -
Camp and support	4,297	(210)	397,345	15,596
Drilling	117,583	-	217,583	-
Ground geophysics	15,113	-	43,095	-
Helicopter	-	-	168,741	-
Lease rental overpayment	-	-	(21,246)	-
Program planning and reports	15,000	41,015	71,200	122,954
Recording fees and taxes	1,257	-	3,021	1,241
	\$ 153,250	\$ 40,805	\$ 881,778	\$ 139,791

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4. 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.

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.

At December 31, 2010, the Company had working capital deficiency of \$165,488 compared to a working capital deficiency of \$244,066 at March 31, 2010. Cash balances were \$284,255 at December 31, 2010 compared with \$5,470 at March 31, 2010.

The Company has a need for equity capital and because of limited working capital and continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing. It is not possible to predict whether financing efforts will be successful.

Selected Annual Information

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	\$	\$	\$
Total revenues	18,747	83,837	168,105
Net loss	541,629	4,442,836	7,221,095
Basic net loss per share	0.01	0.03	0.06
Diluted net loss per share	0.01	0.03	0.06
Total assets	14,577	283,820	4,501,212

5. Results of Operations

During the three and nine months ended December 31, 2010, the Company recorded losses from operations of \$288,585 and \$1,525,288, respectively, compared to \$86,048 and \$357,917 for the three and nine month comparative periods in 2009. The Company was in care and maintenance mode in the prior year, resulting in lower expenditures incurred during those periods. See item 3 for details of exploration expenditures. The following schedule provides the details of general and administration expenses.

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General and Administration Expenses

	Three months ended		Nine months ended	
	December 31,		December 31,	
	2010	2009	2010	2009
Depreciation	\$ -	\$ 21,981	\$ -	\$ 43,981
Insurance	-	-	19,500	22,912
Interest and bank charges	2,638	153	3,503	365
Office and general	2,211	23,550	22,163	41,182
Professional fees	67,655	11,824	168,373	25,320
Salaries and benefits	-	4,160	4,452	29,405
Shareholders information	28,258	1,679	55,060	26,737
Stock option compensation	33,450	-	363,450	44,000
Tax interest on flow-through funds	-	-	-	2,155
Travel and promotion	1,123	643	7,022	816
	\$ 135,335	\$ 63,990	\$ 643,523	\$ 236,873

Summary of Quarterly Results

	Fiscal 2011			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
	\$	\$	\$	\$
Total Revenues		13	13	-
Net loss (income)		288,585	1,167,764	98,939
Net loss (income) per share		0.01	0.02	0.00
Shares issued		56,785,405	56,785,405	48,438,585

	Fiscal 2010			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
	\$	\$	\$	\$
Total Revenues	-	18,747	-	-
Net loss (income)	155,114	86,048	124,807	147,062
Net loss (income) per share	0.00	0.00	0.00	0.00
Shares issued	145,315,756	145,315,756	145,315,756	145,315,756

	Fiscal 2009			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
	\$	\$	\$	\$
Total Revenues	1,253	2,629	22,001	32,953
Net loss (income)	148,236	479,344	2,649,145	1,166,111
Net loss (income) per share	0.00	0.00	0.02	0.01
Shares issued	141,582,045	141,388,929	139,782,405	139,782,405

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6. Outstanding Share Data

The following is the outstanding share data and outstanding securities that are convertible into common shares of the Company as of February 1, 2011:

	# outstanding	Weighted average exercise price
Common shares	56,785,405	N/A
Derivatives:		
Warrants	710,500	\$0.16
Stock options	3,688,333	\$0.27

7. Commitments

Pursuant to the issuance of 8,346,820 flow-through shares on September 9, 2010 the Company intends to renounce \$1,335,491 of qualified exploration expenditures with an effective date of December 31, 2010. The Company is required to expend these flow-through funds by December 31, 2011.

The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not having met its expenditure commitments.

8. Future Accounting Pronouncements

International Financial Reporting Standards (“IFRS”)

In February 2008, the Accounting Standards Board (“AcSB”) confirmed that IFRS, as issued by the International Accounting Standards Board (“IASB”), will replace Canadian generally accepted accounting principles (“GAAP”) for publicly accountable enterprises and must be adopted for fiscal years beginning on or after January 1, 2011. Changing from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company’s reported financial position and results of operations.

The Company launched its conversion project in 2010 drawing on internal and external resources and personnel. The Company is following the key events timeline proposed by the AcSB to obtain training and thorough knowledge of IFRS, finalize assessment of accounting policies with reference to IFRS and plan for convergence to be ready for the 2011 changeover.

The conversion project consists of four primary phases:

- Preliminary impact assessment phase was completed in October 2010 and served as the basis for the planning of future phases.
- Design, planning and solution development phase — the design and planning portion of this phase was completed in November 2010 and involved the development of the detailed plan for convergence and implementation. The solution development portion of this phase has been completed and involved the analyses of policy alternatives allowed under IFRS, the specification of changes required to existing accounting policies, and the development of solutions for information systems and business processes. In addition, the Company continues to monitor

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IFRS developments and adapt its convergence plan accordingly. Continuing changes to IFRS will result in certain policies and policy choices being revised or not finalized until later in the Company's convergence timeline.

- The implementation phase is currently in progress, and includes the completion and formal authorization of recommended changes to accounting policies, the execution of changes to information systems and business processes, delivery of training programs across the Company, and the preparation of the opening balance sheet and draft financial statements with disclosures that are compliant with IFRS. In addition, the impact of IFRS on certain agreements, such as property option agreements and compensation agreements, will be addressed.
- Post-implementation phase — this phase will involve a compliance review and project assurance activities, to ensure the adequacy of controls over the IFRS conversion project itself.

The Company has engaged and will continue to engage in dialogue with the Company's independent auditors in all phases of the conversion project.

Management has engaged an independent consultant to assist in the compilation of IFRS compliant financial data for the opening balance sheet at April 1, 2010, fiscal 2010 and thereafter. Implementation of changes to the reporting and system processes to support preparation of the IFRS opening balance sheet at April 1, 2010 is projected to be completed by the end of Q4 2010. The Implementation Phase also includes ongoing training for key personnel, identification and documentation of impact and required changes to, and ensuring the effectiveness of, the Company's internal control environment and disclosure controls and procedures. This stage of phase 3 will be conducted into early 2011. The post implementation phase will include sustainable IFRS compliant financial data and processes for fiscal 2011 and beyond.

The Company quantified the impacts expected on its consolidated financial statements and has completed preparation of its opening balance sheet at April 1, 2010, which is currently undergoing review by the Company's independent auditors. The following is a discussion of some of the specific issues facing the Company related to the accounting standards identified as most likely to have a material financial statement impact.

IFRS 6, IAS 8 – Exploration and Evaluation:

The Company's policy under CGAAP is to expense all exploration and evaluation costs as they are incurred until a project is determined to be potentially economically viable. Under IFRS, the Company will continue to expense all exploration and evaluation costs until probable economic recovery is determined. The Company does not expect to record an adjustment to the opening IFRS balance sheet at April 1, 2010 for exploration and evaluation.

IFRS 2 – Share Based Payments

The Company's policy under CGAAP is to use the straight-line method to account for options that vest over time. Under IFRS, for graded-vesting features, IFRS requires each instalment to be treated as a separate share option grant, because each instalment has a different vesting period, and hence the fair value of each instalment will differ. As a result, the Company will adjust its expense for share-based awards to reflect this difference in recognition.

In addition, CGAAP permits companies to either estimate the forfeitures at the grant date or record the entire expense as if all share-based payments vest and then record forfeitures as they

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occur. IFRS requires that forfeitures be estimated at the time of grant to eliminate distortion of remuneration expense recognized during the vesting period. The estimate should be revised if subsequent information indicates that actual forfeitures are likely to differ from previous estimates. The Company estimated 0% forfeiture rate and, as a result, no adjustments were recognized.

The Company does not expect to record an adjustment to the opening IFRS balance sheet at April 1, 2010 for exploration and evaluation.

IAS 12 – Income Taxes:

While the overall methodology for recording deferred taxes is consistent between CGAAP and IFRS, there are several other key differences that may have a significant impact on the Company's financial statements. The IFRS impact on tax processes and policies is extensive as the impact will not only result from changes to tax accounting standards but may also arise from changes to other standards.

In particular, IFRS does not provide guidance for the treatment of flow-through shares, which is covered by CGAAP under CICA Handbook Section 3465 and EIC 46. In the absence of such guidance, IFRS 8.10 allows an entity to develop an acceptable accounting policy, through use of judgement, which results in information that is relevant and reliable to financial statement users. IFRS further allows management to consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework. The Corporation has considered US Securities Exchange Commission published guidance on accounting for flow-through shares under FAS 109 whereby the proceeds from the offering would be allocated between the flow-through shares issued in a given transaction and the sale of the tax benefits of those shares.

The Company expects to record a deferred tax liability to the opening IFRS balance sheet at April 1, 2010 related to the renunciation of flow-through dollars spent and the tax benefits that flow to shareholders who participated in the flow-through share program prior to transition. The Company's auditors are independently assessing the potential deferred tax adjustment as part of their audit procedures around IAS 12. Updated information will be disclosed in the MD&A in future quarters as it becomes available.

IFRS 1 – First-Time Adoption of IFRS:

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of April 1, 2010, the date of the first comparative balance sheet presented under IFRS. However, IFRS 1 provides entities adopting IFRS for the first time a number of optional exemptions and mandatory exemptions, in certain areas, to the general requirement for full retrospective application of IFRS on the date of transition. The following are the optional exemptions which the Company is considering:

- Fair value or revaluation as deemed cost election – The Company may elect on transition to record certain items of property, plant and equipment at fair value. Use of this election can avoid the requirement to reverse any impairment losses recognized prior to transition.
- Share-based payments election – This election enables the Company to adopt IFRS 2, Share-based payments, from the date of transition to IFRS.
- Assets and liabilities of subsidiaries, associates and joint ventures currently reporting under IFRS – The Company is considering including the consolidated financial statements of its

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subsidiaries based on the adopted policies of the Company, requiring retrospective adjustment where policies differ and IFRS 1 elections are not available.

The remaining optional exemptions are not expected to be significant to the Company's adoption of IFRS.

9. 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 cash and cash equivalents, refundable deposits, GST receivable and accounts payable and accruals on the balance sheet approximate fair value because of the limited term of the instruments.

10. Litigation

The Company has received a statement of claim from Bellmin Inc. ("Bellmin"), a corporation controlled by Cheryl Bell, the wife of George Bell, the former President and Chief Executive Officer of the Company, claiming:

- (a) payment in the amount of \$30,000 for default on a promissory note;
- (b) payment in the amount of \$173,093 for damages of breach of contract; and
- (c) pre- and post-judgment interest and cost related to the action.

The Company has filed a statement of defense with respect to the action and a counter-claim alleging breach of contract by Bellmin. The Company has included a contingency of \$30,000 in its financial statements for the fiscal year ended March 31, 2010. Management of the Company believes that the claim for damages is without merit and the Company will continue to defend itself against the action. A subsequent statement of claim has been filed by the company against George Bell and Cheryl Bell for breach of fiduciary duty and conversion in the amount of \$72,168. A statement of defense has been filed in connection with this claim. The outcome of these proceedings cannot be reasonably determined at this time.

11. Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

12. Related Party Transactions

During the year ended March 31, 2010 a former officer of the Company loaned the Company \$30,000 in the form of an unsecured promissory note bearing interest at 12% per annum. The

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promissory note is due on demand. As at December 31, 2010, no principal or interest had been repaid relating to this promissory note. See note 10.

Included in accounts payable is an amount owing to a shareholder of \$891,587. This amount is due on demand, unsecured, non-interest bearing with no fixed terms of repayment.

13. Directors and Officers Compensation

During the three and nine months ended December 31, 2010 the Company paid \$35,000 to officers of the Company as remuneration for services provided.

14. 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.

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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, Health and Safety

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.

15. Forward Looking Statements

Certain statements contained in the section "Description of the Business" of this MD&A constitutes forward-looking statements. These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Information concerning the interpretation of drill results, mineral resource and reserve estimates and capital cost estimates may also be deemed as forward-looking statements as such information constitutes a prediction of what mineralization might be found to be present and how much capital will be required if and when a project is actually developed. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking

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statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the supply and demand for, deliveries of, and the level and volatility of prices of base metals, and uranium, among others;
- the availability of financing for the Company's exploration and development projects on reasonable terms;
- the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- the ability to attract and retain skilled staff;
- market competition;
- the accuracy of the Company's resource estimate (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which it is based;
- tax benefits and tax rates.

These forward-looking statements involve risks and uncertainties relating to, among other things, changes in commodity and, particularly, gold prices, uranium and copper prices, access to skilled mining development and mill production personnel, results of exploration and development activities, the Company's limited experience with production and development stage mining operations, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals, actual performance of facilities, equipment and processes relative to specifications and expectations and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors incorporated by reference herein. See "**Risks and Uncertainties**". The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The Company also cautions readers not to place undue reliance on these forward-looking statements. Moreover, these forward-looking statements may not be suitable for establishing strategic priorities and objectives, future strategies or actions, financial objectives and projections other than those mentioned above.