

NOTICE TO SHAREHOLDERS

URSA MAJOR MINERALS INCORPORATED (A Development Stage Company) QUARTERLY FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JULY 31, 2005

Responsibility for Financial Statements

The accompanying financial statements for Ursa Major Minerals Incorporated have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the January 31, 2005 audited financial statements. Only changes in accounting information have been disclosed in these financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

Auditor involvement

The auditor of Ursa Major Minerals Incorporated has not performed a review of the unaudited financial statements for the three and six months ended July 31, 2005 and July 31, 2004.

URSA MAJOR MINERALS INCORPORATED
(A Development Stage Company)

BALANCE SHEETS
AS AT

	July 31, 2005 (Unaudited) \$	January 31, 2005 (Audited) \$
ASSETS		
CURRENT		
Cash and cash equivalents	1,250,758	3,674,049
Marketable securities, at cost	-	8,940
Amounts receivable	167,184	97,791
Prepaid expenses	<u>22,909</u>	<u>9,711</u>
	1,440,851	3,790,491
Due from related company (Note 3)	35,901	35,901
Equipment - net	27,366	28,850
Long-term investment (Note 4)	1,159,230	402,294
Exploration properties and deferred exploration expenditures (Note 5)	<u>6,170,595</u>	<u>4,652,700</u>
	<u><u>8,833,943</u></u>	<u><u>8,910,236</u></u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	277,576	161,981
Future income tax liability	<u>156,000</u>	<u>156,000</u>
	<u>433,576</u>	<u>317,981</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 6(b))	9,977,754	10,409,234
Share purchase warrants (Note 6(d))	40,164	1,864,716
Contributed surplus (Note 7)	2,399,872	591,090
Deficit	<u>(4,017,423)</u>	<u>(4,272,785)</u>
	<u><u>8,400,367</u></u>	<u><u>8,592,255</u></u>
	<u><u>8,833,943</u></u>	<u><u>8,910,236</u></u>

URSA MAJOR MINERALS INCORPORATED
(A Development Stage Company)

STATEMENTS OF OPERATIONS AND DEFICIT

(UNAUDITED)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2005 \$	2004 \$	2005 \$	2004 \$
INTEREST INCOME	<u>17,986</u>	<u>-</u>	<u>28,453</u>	<u>-</u>
EXPENSES				
Office and general	42,298	37,619	67,367	87,668
Management fees	29,500	12,000	55,000	19,000
Business Development	14,334	29,293	34,158	99,540
Professional fees	24,380	21,197	31,626	38,384
Salaries and benefits	13,608	-	29,074	-
Travel and promotion	9,320	38,662	17,444	46,761
Shareholder information	12,745	11,892	14,695	18,372
Stock exchange and transfer agent fees	7,499	11,613	9,996	14,431
Foreign exchange	6,168	3,839	6,168	(2,191)
Stock option compensation	-	-	-	163,500
Write down of marketable securities	-	3,273	-	3,273
Gain on sale of marketable securities	-	-	(1,080)	-
Amortization	<u>1,854</u>	<u>1,161</u>	<u>3,643</u>	<u>2,911</u>
	<u>161,706</u>	<u>170,549</u>	<u>268,091</u>	<u>491,649</u>
Loss before undernoted	(143,720)	(170,549)	(239,638)	(491,649)
Future income tax recovery	-	-	495,000	-
NET INCOME (LOSS) FOR THE PERIOD	(143,720)	(170,549)	255,362	(491,649)
DEFICIT, beginning of period	(3,873,703)	(3,491,974)	(4,272,785)	(3,040,174)
Change in accounting policy	<u>-</u>	<u>-</u>	<u>-</u>	<u>(130,700)</u>
DEFICIT, end of period	<u>(4,017,423)</u>	<u>(3,662,523)</u>	<u>(4,017,423)</u>	<u>(3,662,523)</u>
Net Income (loss) per common share basic and diluted	<u>(0.01)</u>	<u>(0.01)</u>	<u>0.01</u>	<u>(0.03)</u>
Weighted average number of shares outstanding	<u>21,206,619</u>	<u>19,617,275</u>	<u>21,194,619</u>	<u>19,409,538</u>

URSA MAJOR MINERALS INCORPORATED
(A Development Stage Company)

STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2005 \$	2004 \$	2005 \$	2004 \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss) for the period	(143,720)	(170,549)	255,362	(491,649)
Items not involving cash:				
Amortization	1,854	1,161	3,643	2,911
Write down of marketable securities	-	3,273	-	3,273
Gain on sale of marketable securities	-	-	(1,080)	-
Future income tax recovery	-	-	(495,000)	-
Stock option compensation	-	-	-	163,500
	<u>(141,866)</u>	<u>(166,115)</u>	<u>(237,075)</u>	<u>(321,965)</u>
Changes in non-cash working capital balances:				
Amounts receivable	(30,759)	(25,877)	(69,393)	(50,470)
Prepaid expenses	(12,315)	-	(13,198)	1,557
Accounts payable and accrued liabilities	180,654	193,699	115,595	203,051
	<u>137,580</u>	<u>167,822</u>	<u>33,004</u>	<u>154,138</u>
	<u>(4,286)</u>	<u>1,707</u>	<u>(204,071)</u>	<u>(167,827)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in exploration properties and deferred exploration costs.	(866,468)	(508,970)	(1,490,895)	(1,207,960)
Due from related company	-	2,985	-	2,985
Proceeds on sale of marketable securities	-	-	10,020	-
Increase in long-term investment	-	-	(756,936)	-
Purchase of equipment	-	(7,507)	(2,159)	(9,663)
	<u>(866,468)</u>	<u>(513,492)</u>	<u>(2,239,970)</u>	<u>(1,214,638)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of common shares for cash	-	1,259,749	-	1,471,889
Stock options exercised	20,750	-	20,750	-
Common shares to be issued	-	(24,990)	-	5,833
	<u>20,750</u>	<u>1,234,759</u>	<u>20,750</u>	<u>1,477,722</u>
(Decrease) Increase in cash and cash equivalents	(850,004)	722,974	(2,423,291)	95,257
Cash and cash equivalents, beginning of period	<u>2,100,762</u>	<u>3,950,104</u>	<u>3,674,049</u>	<u>4,577,821</u>
Cash and cash equivalents, end of period	<u>1,250,758</u>	<u>4,673,078</u>	<u>1,250,758</u>	<u>4,673,078</u>
Supplemental Information				
Common shares issued for interests in exploration properties	12,000	16,600	27,000	97,600

URSA MAJOR MINERALS INCORPORATED

NOTES TO FINANCIAL STATEMENTS (A Development Stage Company)

JULY 31, 2005

(UNAUDITED)

1. NATURE OF OPERATIONS

The exploration activities of Ursa Major Minerals Incorporated (the "Company") are directed towards the search, evaluation and development of mineral properties in Canada and the United States. The Shakespeare Township property is at a preliminary feasibility study level and as such a potential economic ore reserve has been defined. There has been no determination whether the Company's interests in its other exploration properties contain ore reserves which are economically recoverable. The Company's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In order for the Company to carry out its exploration and mining activities, the Company is required to hold certain permits. There is no assurance that the Company's existing permits will be renewed or that new permits that have been applied for will be granted. Major expenditures are required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. The recoverability of valuations assigned to mineral properties is dependent upon discovery of economically recoverable reserves, the ability to obtain necessary financing to complete development and future profitable production or proceeds from disposition. Management reviews the carrying value of the Company's interest in each property and where necessary, exploration properties are written down to their estimated recoverable amount. Although management has made its best estimate of these factors, it is reasonably possible that certain events could adversely affect management's estimates of recoverable amounts and the need for, as well as the amount of, any provision for impairment in the carrying value of exploration properties and related assets.

Although the Company has taken steps to verify title to exploration properties 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 government licensing requirements or regulations, unregistered prior agreements or transfers or native land claims, and title may be affected by undetected defects.

2. ACCOUNTING POLICIES

Management of Ursa Major Minerals Incorporated (the "Company") have prepared these interim financial statements in accordance with generally accepted accounting principles in Canada. These statements should be read in conjunction with the January 31, 2005 audited financial statements.

The disclosure in these interim financial statements may not conform in all respects to Canadian generally accepted accounting principles for annual financial statements.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Operating results for the six months ended July 31, 2005 may not be indicative of the results that may be expected for the full year ending January 31, 2006.

These interim financial statements follow the same methods and policies used in the audited financial statements for the year ended January 31, 2005, except for the following:

3. DUE FROM RELATED COMPANY

The amount due from related company is unsecured, non-interest bearing with no fixed terms of repayment. Two directors of the Company are also directors of the related company.

URSA MAJOR MINERALS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

(A Development Stage Company)

JULY 31, 2005

(UNAUDITED)

4. LONG-TERM INVESTMENT

The Company owns approximately 9.3% of Patricia Mining Corp. ("Patricia") a public company that trades on the TSX Venture Exchange ("TSXV"). The president and a director of the company are also directors of Patricia.

5. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

	January 31, 2005 \$	Expenditures \$	July 31, 2005 \$
Canada - Sudbury Ontario			
Shakespeare Township	2,721,256	1,159,057	3,880,313
D & H Option	101,287	37,375	138,662
Stumpy Bay	545,267	91,005	636,272
Agnew Lake	837,060	206,376	1,043,436
Porter Option	98,500	3,525	102,025
Shinning Tree (i)	-	20,245	20,245
U.S.A - Wyoming			
Carbon and Albany Counties	349,330	312	349,642
	<u>4,652,700</u>	<u>1,517,895</u>	<u>6,170,595</u>

(i) Subsequent to the period end the Company signed an option agreement to acquire a 100% interest in 40 claims located near Shinning Tree, Ontario. The Company can earn the 100% interest by making total cash payments of \$180,000 (\$10,000 paid), and issuing 660,000 common shares on or before August 11, 2007.

All other property descriptions can be found in the January 31, 2005 audited financial statements.

6. CAPITAL STOCK

(a) Authorized

Unlimited number of Common shares

(b) Common Shares issued

	Number of Shares #	Amount \$
Balance, beginning of period	21,152,619	10,409,234
Shares issued for exploration properties	50,000	27,000
Stock options exercised	41,500	36,520
Tax effects of issuing flow-through common shares		(495,000)
	<u>21,244,119</u>	<u>9,977,754</u>

URSA MAJOR MINERALS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

(A Development Stage Company)

JULY 31, 2005

(UNAUDITED)

6. CAPITAL STOCK (Continued)

(c) Stock Options

The Company has options outstanding for the purchase of common shares to its directors, officers, employees and certain consultants. The purpose of the plan is to attract, retain and motivate these parties by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and to benefit from its growth. These options are valid for a maximum of 5 years from the date of issue. Vesting terms and conditions are determined by the board of Directors at the time of grant.

A summary of changes in stock options during the period are as follows:

	Stock Options #	Weighted Average Exercise Price \$
Balance, beginning of period	1,047,000	0.79
Exercised	(41,500)	0.50
Expired	(280,000)	1.14
Balance, end of period	725,500	0.67

As at July 31, 2005, the Company had incentive stock options issued to directors, officers and consultants of the Company as follows:

Stock Options #	Exercise Price \$	Expiry Date
124,000	0.28	January 17, 2006
212,500	0.55	November 19, 2007
129,000	0.50	May 13 2008
50,000	1.45	March 1, 2009
210,000	0.95	September 7, 2009
725,500		

URSA MAJOR MINERALS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

(A Development Stage Company)

JULY 31, 2005

(UNAUDITED)

6. CAPITAL STOCK (Continued)

(d) Share Purchase Warrants

A summary of changes in share purchase warrants during the period are as follows:

	Warrants #	Weighted Average Exercise Price \$
Balance, beginning of period	5,038,307	1.08
Expired	(4,946,407)	1.08
Balance, end of period	91,900	1.02

As at July 31, 2005, the following share purchase warrants are outstanding:

Warrants #	Exercise Price \$	Estimated Fair Value \$	Expiry Date
29,400	0.85	13,289	December 14, 2005
50,000	1.10	21,500	July 30, 2005
12,500	0.95	5,375	August 31, 2006
91,900		40,164	

URSA MAJOR MINERALS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

(A Development Stage Company)

JULY 31, 2005

(UNAUDITED)

7. CONTRIBUTED SURPLUS

A summary of changes in contributed surplus during the period ended July 31, 2005 is as follows:

	\$
Balance, beginning of period	591,090
Stock options exercised	(15,770)
Share purchase warrants expired	<u>1,824,552</u>
Balance, end of period	<u>2,399,872</u>

8. RELATED PARTY TRANSACTION

During the period a Corporation associated with a director of the Company was paid a fee of \$8,927. The amount was in the normal course of operations and was measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. SUBSEQUENT EVENTS

Pursuant to an agreement dated July 20, 2005 and ratified by shareholders on September 29, 2005, the Company granted an option to Lac Des Iles Mines Ltd (LDI), a wholly-owned subsidiary of North American Palladium to acquire an undivided 60% interest in the the Company's interest in the Shakespeare Property. Consideration for the option is cash payments totaling \$1,500,000. Should LDI elect to exercise their option they are responsible to arrange all project financing to bring the project into commercial production. On arranging project financing LDI will become the operator of the project.