



Management's Discussion and Analysis of Financial Results for the nine months ended October 31, 2006

The following is Management's Discussion and Analysis intended to help the reader to understand the history, business environment, strategy, risks and the financial condition of the Company. Management's Discussion and Analysis has been prepared as of December 21, 2006 and is issued in conjunction with the unaudited financial statements for the nine months ended October 31, 2006. The Management's Discussion and Analysis should be read in conjunction with the audited financial statements for the year ended January 31, 2006, and the related annual Management's Discussion and Analysis. These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the Canadian dollar as the reporting currency.

The reader is encouraged to review additional information relating to the Company on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com or from the office of the company.

Overview and Strategic Activities

URSA Major Minerals Incorporated (URSA Major) is a Canadian public company with a focus on exploration and development of nickel, copper and precious metal deposits. URSA Major has a range of projects ranging from development stage with defined mineral reserves at the feasibility level through to early stage exploration. URSA Major's strategy for growth is to build sustained shareholder value by advancing high quality exploration and development projects through strong technical management.

In 2002, URSA Major made a significant near-surface nickel, copper and platinum group metal discovery on the Shakespeare project, 70 km west of Sudbury, Ontario. Since this discovery, the company has defined a substantial near-surface mineral reserve and has completed a positive feasibility study on a 4,500 tonne/day open pit mining operation and on-site processing plant. The project has a diluted Probable Reserve of 11,266,000 tonnes grading 0.33% nickel, 0.35% copper, 0.02% cobalt, 0.33 g/t platinum, 0.37 g/t palladium and 0.19 g/t gold. URSA Major is in the process of permitting an open-pit mine and 4,500 tonne per day concentrator at Shakespeare. URSA Major is particularly encouraged by recent strong base metal prices which continue to improve the economic fundamentals for the project.

URSA Major's Porter Baldwin property is a large 19,440 acre property that covers a prospective 15 km strike length extending from the Shakespeare deposit towards the Sudbury intrusive complex. This property contains exploration targets for magmatic sulphide nickel-copper deposits similar to Shakespeare. Exploration in since 2004 has demonstrated the presence of Shakespeare-type mineralization on the property.

In 2005, URSA Major acquired an option to earn a 100% interest in the Shining Tree nickel-copper deposit located 110 km north of Sudbury. At Shining Tree URSA Major has defined an Indicated Resource of 1.02 million tonnes grading 0.71 % nickel, 0.36 % copper plus an Inferred Resource of 1.49 million tonnes grading 0.67 % nickel and 0.36 % copper. Based on a preliminary economic study that evaluated an open-pit mine at Shining Tree with truck haulage and processing at the proposed Shakespeare mill URSA Major has identified an in-pit diluted resource of approximately 398,000 tonnes at a grade of 0.68% nickel and 0.33% copper.

In 2002, the Company acquired the past-producing Agnew Lake Uranium Mine, located 40 km west of Sudbury. This mine operated between 1977 and 1983 and produced a total of 1.1 million lbs (0.5 million kg) of U₃O₈ from approximately 3.1 million tons (2.8 million tonnes) of ore.

In addition to exploration projects, URSA Major also has a significant interest in Patricia Mining Corp., an Ontario-based gold exploration company that has a 45% interest in the Island Gold project located near Wawa, Ontario. The Island Gold project is currently producing gold.

URSA Major has a strategic alliance with Korea Resources Corporation (KORES), a state owned Korean Corporation, to identify and acquire significant advanced base metal exploration projects for exploration and development.

Results of Exploration and Development Activities

Shakespeare project - URSA Major completed the Shakespeare project feasibility study in January 2006. Micon International Limited (Micon) evaluated the base case of an open pit mine and 4,500 tonne/day on-site concentrator. In Micon's opinion "Shakespeare project contains an economic mineral reserve and is worthy of continued development through detailed engineering and construction to produce 4,500 t/d of ore mining and subsequent concentrate for sale." The project produces an after tax internal rate of return (IRR) of 14.5% (20.0% pre-tax IRR) on an initial total capital cost of C\$118,473,000. Net revenue (NSR) is \$44.10/tonne and totals C\$495,088,000 for the project. Total operating cost is C\$22.55/tonne milled. The undiscounted total annual cash flow (NPV) is C\$84,192,000 and the NPV discounted at 10% is C\$16,218,000. Nickel, copper, precious metals and cobalt respectively contribute 58.7%, 18.5%, 15.3% and 7.5% of gross revenue. The project has a 6.8 year mine production life and is estimated to employ a total of 152 persons. The economic analysis makes the conservative assumption of a reversion of metal prices to their 10-year historical median Canadian dollar prices, expressed in 2005 terms. Current price levels are assumed to regress exponentially toward the median, with a 'decay' half-life of five years. The resulting average prices over the life of the project, expressed in 2005 dollars, are nickel US\$5.48/lb, copper US\$1.34/lb, cobalt US\$20.05/lb, platinum US\$805.30/ounce, palladium US\$225.20/ounce, gold US\$438.30/ounce. The base exchange rate for the economic analysis is taken from the average of over 11 months of 2005.

Assuming 2005 average metal prices for the Shakespeare project mine life, including nickel at US\$6.59/lb, copper at US\$1.65/lb and platinum at US\$897/oz, IRR after tax increases to 22.9% and NPV discounted at 10% increases to \$50.7 million after tax from the feasibility base case. Current metal prices are substantially higher, and although partially offset by a stronger Canadian dollar, there is considerable further upside to the economic potential of the project.

The feasibility study defined a diluted Probable Reserve of 11,266,000 tonnes grading 0.33% nickel, 0.35% copper, 0.02% cobalt, 0.33 g/t platinum, 0.37 g/t palladium and 0.19 g/t gold. The mineral reserve is to a maximum depth of 250 metres below surface and was determined by applying an C\$11.75/tonne NSR internal cut-off value which is the sum of the mill processing and G&A costs. The reserve is based on an Indicated Resource (undiluted) of 12,430,000 tonnes grading 0.35% nickel, 0.37% copper, 0.02% cobalt, 0.35 g/t platinum and 0.39 g/t palladium and 0.20 g/t gold. This Indicated Resource is contained within an optimized pit shell with an NSR cut off above C\$24.23. An additional Indicated Resource of 1,830,000 tonnes grading 0.37% nickel, 0.41% copper, 0.03 % cobalt, 0.36 g/t platinum, 0.39 g/t palladium and 0.22 g/t gold at an NSR cut off of CDN\$50/tonne is located outside of the pit shell. The majority of the Indicated Resource is down plunge to the east of the pit shell. Mr. T. Hennessey, P.Geol, of Micon is the qualified person for the resource estimate and Mr. Ian Ward, P.Eng. of Micon is the qualified person for the feasibility study.

In 2006, URSA Major engaged Micon to carry out further optimization studies at the Shakespeare project. These studies determined that the 4,500 tonne per day on site concentrator is the optimum size for the reserve. Opportunities for reducing the project capital cost which is estimated at C\$118,473,000 primarily arise from mining fleet leasing arrangements and used equipment purchases.

URSA Major engaged Golder Associates Ltd. in early 2006, to manage environmental baseline studies and permitting activities. During the second quarter of 2006 all of the required environmental baseline work for permitting at Shakespeare was completed. During the present quarter, the Company continued to carry out surface and groundwater sampling, weather monitoring, and stream flow monitoring as part of on-going site monitoring activities. A program of environmental test work on waste rock and tailings samples at SGS Lakefield Laboratories is also ongoing. Public consultation and First Nations consultation meetings were also held as part of the permitting process. As of December 22, 2006, the mine and mill permitting applications have all been submitted with the exception of the Mine and Mill Closure Plan to the Ministry of Northern Development and Mines. This will be submitted early in 2007.

During the past quarter, the company drilled 2 exploration diamond drill holes on the property for a total of approximately 900 meters. No significant mineralization was encountered. Subsequent to the end of the quarter, 6 vertical NQ diamond drill holes totalling 386 meters were drilled to increase the confidence level of the reserve in the area of a proposed bulk sample.

On August 18, 2006, URSA Major announced that it had received notice from North American Palladium Ltd. (NAP) that Lac des Iles Mines Ltd., a subsidiary of NAP, is terminating its option agreements on the company's Shakespeare and Porter Baldwin properties located west of Sudbury, Ontario. URSA Major is seeking payment of the \$500,000 break fee that was provided for in the option and joint venture agreement. With the termination of the agreement, NAP has no remaining ownership interest in the properties.

During the quarter, as a result of discussions with Xstrata Nickel, URSA Major announced a plan to extract and process an approximately 50,000 tonne bulk sample from the Shakespeare Project. The bulk sample will enable evaluation of metallurgical characteristics, metals recovery and concentrate

characteristics at a production scale. Subsequent to the quarter, URSA Major announced an agreement with Xstrata nickel providing for the milling of the approximately 50,000 tonne bulk sample at the Strathcona mill and the subsequent processing of concentrates. Xstrata Nickel and URSA Major will consider the custom milling of further ore from the Shakespeare deposit and additionally, once URSA Major has commissioned a mill to produce nickel and copper concentrates, the agreement provides terms for the smelting of URSA Major's concentrates for a period of seven years.

The bulk sample is subject to the Company receiving approvals on an amendment to the closure plan to increase the size of the sample to the planned 50,000 tonnes from the 10,000 tonnes that was previously permitted. To facilitate the bulk sample the company will also upgrade an existing access road into the Shakespeare deposit to an all weather gravel road that allows for trucking access and future mining operations. Subsequent to the quarter, the company received the necessary permits to proceed with the road upgrade. During the quarter, the company also received a permit from the Ontario Ministry of Natural Resources for the operation of a gravel pit located approximately 3 km north of the Shakespeare nickel-copper project, in the Sudbury area of Ontario. The 290 acre (120 ha) gravel pit will be used as an aggregate source for site improvements and construction at the Shakespeare project.

URSA Major currently has an 86% beneficial interest in the Shakespeare property. Exploration on the property is proceeding on the basis of a joint venture between URSA Major and Xstrata Nickel (previously Falconbridge Limited) with URSA Major as the project operator. URSA Major's interest in the property will increase to approximately 88% as a result of program expenditures during the quarter.

Porter Baldwin Property - URSA Major's 100%-owned Porter Baldwin property (formerly referred to as the Agnew Lake property) now comprises over 486 claim units (19,440 acres) that cover a 15 km strike length extending from the Shakespeare deposit towards the Sudbury intrusive complex. During 2004, URSA conducted geological mapping, geophysical surveys including a MEGATEM airborne electromagnetic (EM) survey and diamond drilling on the Porter Baldwin property. In early 2004, drilling by the Company demonstrated that rocks with similar characteristics and style of mineralization to the Shakespeare deposit are present on the 100%-owned Agnew Lake property. Drilling in early 2005 intersected minor sulphide mineralization on the property at the same stratigraphic position as the Shakespeare deposit. The results provide evidence of a magmatic sulphide target of regional extent. The company is continuing to map and prospect the property to develop new drill targets.

During the quarter, URSA Major carried out trenching and prospecting programs on the on the Porter-Baldwin property. This work has continued to identify the presence of geology with similar characteristics the host rocks of the Shakespeare deposit. Surface mapping and sampling is ongoing.

Shining Tree Nickel project – In 2005, URSA Major signed an option agreement to acquire a 100% interest in a nickel-copper deposit located near Shining Tree, Ontario. The Shining Tree property is located in Fawcett Township, 110 km north of Sudbury, Ontario and consists of 40 staked mining claims covering an area of approximately 1,600 acres. Previous operators had drilled 16 holes on the deposit and significant nickel mineralization had been intersected in 12 of these

holes. In late 2005, URSA Major drilled eight holes which all successfully intersected nickel-copper mineralization at Shining Tree.

In early 2006, URSA Major reported the results of a resource estimate on the Shining Tree deposit. Drilling to December 2005 has resulted in an Indicated Resource of 1.02 million tonnes grading 0.71 % nickel, 0.36 % copper plus an Inferred Resource of 1.49 million tonnes grading 0.67 % nickel and 0.36 % copper at a cut off value of 0.30% nickel equivalent. Mr. Rob Carter, P.Eng., of Wardrop Engineering Inc. supervised the resource estimate, and is the Qualified Person under National Instrument 43-101.

In 2006, URSA Major engaged Micon to provide a preliminary technical and economic analysis of mining at the Shining Tree nickel deposit and the results were released in August. Micon evaluated a 1,000 tonne/day open pit operation at Shining Tree with truck haulage to the proposed Shakespeare mill. Based on operating the Shining Tree project as a satellite to the Shakespeare project, and using metal price assumptions from the Shakespeare feasibility study, Micon identified an in-pit diluted resource of approximately 398,000 tonnes at a grade of 0.68% nickel and 0.33% copper. Preliminary metallurgical testwork on the Shining Tree mineralization by SGS Lakefield Research Limited has demonstrated that the mineralization is amenable to processing using the proposed Shakespeare mill floatation circuit. Using the Shakespeare feasibility study parameters, including a nickel price declining over time with a weighted average of US\$6.05/lb, the Shining Tree mineralization is indicated to have a net smelter return (NSR) value of CDN\$70.54/tonne and estimated operating costs (inclusive of trucking costs to Shakespeare) are CDN\$48.44/tonne. Net smelter return is the net proceeds that would be paid by a smelter for processing metal concentrates after typical deductions. Capital requirements for the contemplated Shining Tree operation, including permitting and closure, are initially estimated at CDN\$1,026,000.

In June 2006, URSA Major completed surface trenching at the Shining Tree deposit which exposed the mineralization at surface. The Company also flew a helicopter-borne AeroTEM II time domain electromagnetic (EM) survey at Shining Tree.

In November 2006, URSA Major completed a 7 hole, 980 meter, drill program on the Shining Tree project. Five drill holes successfully extended the resource and two holes tested new exploration targets on the property resulting from the airborne survey. In addition, the Company has completed channel sampling from surface mineralization which was exposed by trenching in June 2006. Assay results for base metals have been received from the first hole (U12-09) and from the trench samples. The drilling has continued to define significant widths of near-surface nickel-copper mineralization including higher-grade intersections in the footwall of the deposit. Drill hole U12-09 which tested the mineralized zone below the limits of the 2005 drilling, returned grades of 0.76% nickel and 0.43% copper over 19.8 meters from 206.6 to 226.4 meters. This intersection included 6.6 meters of 1.12% nickel and 0.60% copper. The channel sampling has confirmed significant mineralization in recently excavated trenches. In trench 1, the mineralized zone was exposed beneath 2 to 3 meters of overburden. In this trench, a 5.0 meter channel sample graded 1.05% nickel and 0.66% copper. Prior to trenching, the mineralization at the Shining Tree Project was not exposed.

URSA Major has engaged NAR Environmental Consultants Inc. of Sudbury to conduct environmental baseline studies and develop a closure plan to permit the extraction of a bulk sample from the deposit.

Worthington Offset Property – Subsequent to the quarter, URSA Major signed an option agreement to acquire a 100% interest in a nickel-copper exploration property on the Worthington Offset Dike, located in Lorne Township, 40 km west of Sudbury, Ontario. URSA Major's option covers 1.2 kilometers of strike length of the Worthington Offset Dike. This dike extends for approximately 12 kilometers from the Sudbury Igneous Complex and is the host to several nickel-copper mines and deposits. Most notably, the Totten Mine Extension, owned by Companhia Vale de Rio Doce (CVRD) (formerly Inco) is located approximately 6 kilometers northeast of URSA's property on the Worthington offset dike. The Totten Mine Extension contains approximately 10 million tonnes of 1.50% nickel, 2.0% copper and 4.8 grams per tonne of palladium and platinum.

The property is located in an area of excellent infrastructure and is accessible from paved roads. The Worthington Offset Dike property was previously known as the Mystery Offset Dike. The central portion of the dike is an inclusion-bearing quartz diorite that is similar to other mineralized offset dikes in the Sudbury district. Continuous zones of pyrrhotite, chalcopyrite and pentlandite mineralization are present on URSA Major's Worthington offset dike property. On the property, shallow drilling by previous operators returned several mineralized intersections including a 2.62 meter intersection grading 1.26% Nickel, 0.45% Copper and 13.43 g/t platinum group metals plus gold. URSA Major is planning an exploration program that will test the mineralization with drilling down dip and utilize down-hole geophysics to guide further drilling. The approximately 102 ha (250 acre) patented mining property is being optioned for payments totalling \$150,000 and 60,000 shares over a two year period, with a final payment of \$187,500. URSA Major is required to complete a \$500,000 exploration program within 2 years. The property is subject to a 2% NSR which is held by third parties.

Past-producing Agnew Lake Uranium Mine - During 2005, URSA Major completed a National Instrument 43-101 (NI 43-101) compliant report on the past-producing Agnew Lake Uranium Mine. The report was prepared under the direction of Watts, Griffis and McOuat Limited (WGM) with Vice-President, Al Workman, P.Geo., as the independent qualified person. This past-producing mine is located in Hyman Township, Sudbury Mining Division, 40 km west of Sudbury, Ontario. The Agnew Lake Uranium Mine was operated by Kerr Addison Mines Ltd. between 1977 and early 1983 and produced a total of 1.88 million lbs (855,000 kg) of U₃O₈ from approximately 3.1 million tons (2.8 million tonnes) of ore. The underground mine was developed to over 980 meters in depth. Uranium was produced from the in-situ leaching of broken ore in stopes, as well as from heap-leaching surface stockpiles.

URSA Major acquired a 100% interest in 34 claim units (1,360 acres) that cover the Agnew Lake Mine site by staking in 2002. The company recently staked an additional 35 claim units (1,400 acres) to extend the property position which now covers over 6 km of the favourable uranium-mineralized horizon. At Agnew Lake, the uranium mineralization is contained within a pyritic quartz-pebble conglomerate that unconformably overlies granitic rocks and is similar to mineralization in the Elliot Lake area to the west of the property.

The last reserve for the Agnew Lake Mine (Kerr Addison Mines Limited, Annual Report 1982) reports a “mineable proven and probable reserve with dilution in place, broken in stopes and on a surface leach pile estimated at 8,976,000 tons (8,143,000 t) containing approximately 7,161,000 lb U₃O₈” (0.8 lb U₃O₈/ton or 0.4 kg U₃O₈/t). Dilution was at zero grade and the resulting grade of diluted reserves was approximately half that of undiluted mineralization. WGM determined that the proven and probable reserves were estimated on a stope by stope basis and WGM is of the opinion that the proven and probable reserves were estimated by Kerr Addison Mines Limited in accordance with practices which would comply with current best practices standards. However, URSA Major and WGM were unable to confirm drill hole log data, assays and other technical information on the mine. WGM further reports that this reserve should be reduced by 2,221,000 tons (2,130,000 t) of broken in-situ ore and 1,449,000 tons (1,315,000 t) of surface stockpiled ore that was leached during 1982. These reserves are historic estimates that predate NI43-101, are not compliant with current definitions, have not been verified by the company and consequently should not be relied on by investors.

In late 2005, URSA Major drilled three holes at the Agnew Lake Mine to evaluate the geological controls on mineralization and grade and to obtain samples for metallurgical testing. Results were released during the 1st quarter. Two drill holes (U7-15 and U7-16) tested the No. 3 zone and the third hole (U7-17) tested the No. 5 zone. Highlights of the drilling include hole U7-15 which intersected 1.61 meters grading 0.070% U₃O₈ (1.54 lbs U₃O₈/tonne) and 0.97% total rare earth oxides (TReO). URSA Major is encouraged by the results and metallurgical tests will now be conducted to determine the amount of U₃O₈ and TReO which is soluble and amenable to leach extraction.

KORES Alliance - URSA Major has a strategic alliance with Korea Resources Corporation (KORES) to identify and acquire significant advanced base metal exploration projects for exploration and development. KORES is state owned South Korean public corporation which is dedicated to advancing Korean domestic mineral resource development efforts and at the same time securing required mineral resources from abroad. Since its establishment in 1967 the Corporation has been engaged in activities aimed at achievement of such operational objectives including provision of necessary information and extension of technical and financial assistance services in the interest of domestic private mineral industry sector. KORES has formed cooperative business connections at various project levels in several countries with a total investment of more than US\$100 Million. KORES has a head office in Seoul, Korea with overseas offices in Canada, and several other countries. KORES and URSA Major have investigated several base metal projects and continue to evaluate potential projects for acquisition. Mr. Chai Sung-keun of KORES was appointed a director of URSA Major in March 2006.

URSA MAJOR MINERALS INCORPORATED - RESERVES AND RESOURCES

Shakespeare Nickel Copper Deposit Reserve and Resource Estimates

Shakespeare Nickel Copper Deposit Reserves

Reserve category	Tonnes	%Ni	%Cu	%Co	g/t Au	g/t Pt	g/t Pd
Probable Reserve	11,226,000	0.33	0.35	0.02	0.19	0.33	0.37

Additional Shakespeare Nickel Copper Deposit Resources outside of pit shell

Resource category	Tonnes	% Ni	% Cu	% Co	g/t Au	g/t Pt	g/t Pd
Indicated							
East	1,763,000	0.37	0.41	0.03	0.219	0.363	0.388
West	69,000	0.35	0.43	0.02	0.176	0.327	0.361
Total	1,832,000	0.37	0.41	0.03	0.218	0.361	0.387
Inferred							
East	716,000	0.38	0.39	0.03	0.181	0.317	0.334
West	20,000	0.31	0.35	0.02	0.157	0.283	0.317
Total	736,000	0.37	0.39	0.03	0.180	0.316	0.333

The reserve is based on an Indicated Resource (undiluted) of 12,430,000 tonnes grading 0.35% nickel, 0.37% copper, 0.02% cobalt, 0.35 g/t platinum and 0.39 g/t palladium and 0.20 g/t gold contained within an optimized pit shell with an NSR cut off above C\$24.23. The Probable Reserve, which is diluted for mining, is to a maximum depth of 250 metres below surface and was determined by applying an C\$11.75/tonne NSR internal cut-off value which is the sum of the mill processing and G&A costs. The feasibility economic analysis which defines the reserve makes the conservative assumption of a reversion of metal prices to their 10-year historical median Canadian dollar prices, expressed in 2005 terms. Current price levels are assumed to regress exponentially toward the median, with a 'decay' half-life of five years. The resulting average prices over the life of the project, expressed in 2005 dollars, are nickel US\$5.48/lb, copper US\$1.34/lb, cobalt US\$20.05/lb, platinum US\$805.30/ounce, palladium US\$225.20/ounce, gold US\$438.30/ounce. The base exchange rate for the economic analysis is taken from the average of over 11 months of 2005, for a US\$/Cdn\$ rate of 0.8224. The NSR model uses estimates of current industry rates for smelting and refining costs in the Sudbury area. Mr. T. Hennessey, P. Geo, of Micon and Mr. E. Puritch of P&E Engineering are the qualified persons for the resource and reserve estimates and Mr. Ian Ward, P. Eng. of Micon is the qualified person under National Instrument 43-101 for the feasibility study.

Shining Tree Nickel-Copper Deposit, Mineral Resource Estimate

Resource Category	Tonnes	% Ni	% Cu	% Co
Indicated	1,020,000	0.71	0.36	0.02
Inferred	1,490,000	0.67	0.36	0.03

The resource estimate was performed by Wardrop Engineering Inc. (Wardrop) and is based on eight NQ holes (total length of 976m) that were drilled by URSA Major and 16 holes by previous operators. In estimating the mineral resource, a mineralization envelope of greater than 0.30% nickel equivalent (NIEQ, where $NIEQ = Ni\% + Cu\%/4$) was interpreted. Capping was required for 5 assays at a value of 2.50% for nickel and 1.56% copper and 4 assays of cobalt at 0.08%. The Indicated resource was classified based on ranges defined by variography using a minimum of two drill holes. The remaining mineralization was classified as Inferred. Mr. Rob Carter, P. Eng., of Wardrop supervised the resource estimate, is the Qualified Person under National Instrument 43-101.

Results of Operations

The Company reported no operating revenue for the nine month period ended October 31, 2006.

During the nine month period ended October 31, 2006, the Company incurred \$561,234 in administrative and general expenses compared to \$476,734 for the same period in the previous year. The increase in administrative costs is largely due to the recording of non-cash stock option based compensation of 287,000. This increase was partially offset by a gain on the sale of long-term investments of \$173,401 (2005; NIL).

Stock based compensation for the six month period, a non-cash item, totalled \$287,000 as a result of the issuance of stock options. This compares to Nil for the same period in the previous year. As a result of preparing the financial statements in accordance with Canadian generally accepted accounting principles, management is required to estimate the value of all stock option grants and report this amount as an expense. This estimate of value is based on the Black-Scholes valuation model. The Black-Scholes option pricing model was developed for use in estimating the value of traded options that have no vesting restrictions and are fully transferable. Because the Company's stock-based compensation options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the estimate, in management's opinion, amounts estimated using the Black-Scholes option pricing model may differ materially to the actual fair value of the Company's stock-based compensation options.

Business development and travel and promotion increased by approximately \$84,000 as compared to the same nine month period in the previous year. This increase is a result of increased marketing efforts including marketing and business development trips to Seoul, Shanghai, New York and London, England. The company also exhibited at several trade shows including the PDAC and investor conferences in Toronto. Professional fees and shareholder information have decreased by approximately \$95,000 as compared to the same period in the previous year. This was due to the additional expenses incurred in 2005 due to the special shareholder meeting and defence against the Northern Financial Corporation dissident proxy circular and threatened legal action. All other administrative expenses remained materially unchanged for the same period in the prior year.

For the nine month period ended October 31, 2006, \$1,358,036 was spent on exploration expenditures and exploration property acquisitions. This compares with \$3,111, 675 spent on exploration properties in the corresponding nine month period of the previous year.

The Company spent approximately \$861,000 on the Shakespeare Project compared to \$2,339,000 in the first nine months of the previous year. This reflects a lower level of activity since the feasibility was completed and the fact that the project is now in a permitting phase. Major expenditures included ongoing environmental studies and permitting of approximately \$548,878 and diamond drilling of \$243,336.

At the Company's Shining Tree project, approximately \$355,000 (2005; \$20,245) has been spent to during the first nine months including \$47,000 on diamond drilling \$87,000 on geology and geophysics \$17,000 on environmental studies and an option payment consisting of cash and shares valued at \$174,000

A total of approximately 141,000 was spent in the first nine months on the Company's other exploration properties (2005; \$361,000). Major expenditures included additional claims staking in the Porter Baldwin area costing approximately \$32,000 advance royalty payment of \$30,000 (2005; nil) on the Stumpy Bay Option and the final issuance of 30,000 common shares to complete the Porter Option. These shares were valued at \$22,500.

Liquidity and Capital Resources

As at October 31, 2006 the Company had cash and cash equivalents in the amount of \$1,490,400 and a further \$1,034,108 in long-term investments. This compares to \$1,696,209 in cash and \$1,157,820 in long-term investments for the year-end audited financial statements dated January 31, 2006. At October 31, 2006 the Company had working capital of \$1,368,748 compared to working capital of \$1,877,551 as at January 31, 2006. Working Capital has decreased as a result of incurring over \$1,195,000 in exploration expenditures and incurring net cash operating expenses of approximately \$220,000 offset by a flow-through share financing completed in July 2006 increasing working capital by approximately \$920,000

At this time, the Company has no operating revenues. The Company has raised funds in the past through equity financing and the exercise of options and warrants to finance its operations. During the period ended October 31, 2006, the Company raised net cash of \$784,289 in cash from financing activities. This compares with \$20,750 for the same period last year.

During the nine month period ended October 31, 2006 the Company completed a non-brokered private placement issuing a total of 1,250,000 flow-through common shares at \$0.80 for gross proceeds of \$1,000,000. Fees in the amount of \$80,310 and 75,000 common share purchase warrants valued at \$22,500 were paid and issued in connection with this placement.

The Company has sufficient cash to meet its short-term working capital and exploration requirements, but may seek new funding for future exploration and development. There are no assurances that additional equity and / or debt financing will be obtained to insure the long term operations of the Company.

The Company has a lease commitment for premises which expires February 29, 2008. Minimum rental commitments over the life of the lease approximate \$60,000.

Shares Issued and Outstanding

As of December 21, 2006, the issued and outstanding common shares of the Company totalled 25,668,929. In addition, 1,556,500 stock options and 75,000 share purchase warrants have been granted to purchase common shares of the Company.

Proposed Transactions

On December 18, 2006, URSA Major announced that it intends to complete a \$1,000,000 flow through private placement financing with the MineralFields Group for 1,052,632 flow-through shares at a price of \$0.95 per share. On closing Limited Market Dealer Group will obtain a cash finder's fee of 6 % and non-flow-through finder's fee options to purchase shares at \$0.95 for 12 months equal to 6 % of the number of shares subscribed for. The financing has received regulatory approval and closing is anticipated before the end of the year.

On December 20, 2006, URSA Major announced that it has entered into a memorandum of agreement with Xstrata Nickel for the milling of ore and subsequent purchase by Xstrata Nickel of nickel and copper concentrates expected to be produced from the Shakespeare nickel-copper project. The memorandum of agreement is subject to concluding a formal off-take agreement

While the Company continues to seek and evaluate mines, mineral deposits, exploration stage projects and financing opportunities to advance the Company, there are no further transactions currently pending.

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, marketable securities, amounts receivable and accounts payable and accrued liabilities on the balance sheets approximate fair value because of the limited term of these instruments.

Risks and Uncertainties

The price of Nickel has had an upward trend for several years. There are significant uncertainties regarding the continuation of this trend and a reversal of the trend could have an adverse impact on the Company's business.

The Canadian to U.S. dollar exchange rate has fluctuated significantly in the last few years. A higher exchange rate has a negative impact on the company as its costs are in Canadian dollars and future revenues will be denominated in U.S. dollars.

The development of the Shakespeare Project and other mineral exploration is potentially dependent on the availability of equity and project debt financing. A decline in the price of nickel would adversely affect the Company's ability to raise additional funds.

Other trends such as increased competition for skilled labour and technical experts could potentially impact on the Company's business. In addition, there is a trend of increasing regulatory requirements that increases both the cost and length of time required to advance the Company's projects.

Other risk factors that could affect the Company's outlook include, but are not limited to, problems related to geological, technical, environmental, mining, and processing issues; future results of exploration programs, land title issues, government regulations and environmental issues.

Outlook

The company's main focus is the development of the Shakespeare project, where the company is working on obtaining permits for an open pit mine and milling operation. In addition, the Company is obtaining an amendment to the advanced exploration closure plan that will allow for the extraction of an approximately 50,000 tonne bulk sample. Subject to obtaining approvals, URSA Major anticipates that the bulk sample will be extracted in the first half of 2007. URSA Major has signed a memorandum of agreement with Xstrata Nickel that provides for the milling of the bulk sample at the Strathcona mill and the subsequent processing of concentrates. In addition, Xstrata Nickel and URSA Major will consider the custom milling of further ore from the Shakespeare deposit.

Concurrent with bulk sample, URSA Major will seek financing for the mine and mill. Once URSA Major has commissioned a mill to produce nickel and copper concentrates, the agreement with Xstrata provides terms for the smelting of URSA Major's concentrates for a period of seven years.

At the Shining Tree project, the Company has completed preliminary economic studies to evaluate the development of an open pit mine. Results of the late 2006 drilling program are expected in early 2007 and the company anticipates that these drill results will enable the near surface resource to be expanded. Based on the results of preliminary economic studies, and recent drilling and trenching activities, URSA Major has initiated base line environmental and permitting activities to allow the extraction of a bulk sample from the Shining tree deposit. Production from Shining Tree is being evaluated as a satellite operation to the Shakespeare project.

URSA Major continues to carry out an active exploration program. In addition to ongoing exploration at Shakespeare, Porter Baldwin and Shining Tree, a new exploration program will be initiated on the Worthington offset property in 2007. At Worthington, URSA Major is planning to test mineralization with drilling and down-hole geophysics.

The Company continues to evaluate potential base metal acquisitions with KORES. In addition, URSA Major is evaluating opportunities to sell or joint venture the past producing Agnew Lake Uranium mine.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made to facilitate full and timely disclosure to the public.

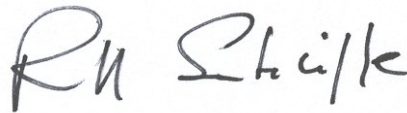
An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was conducted January 31, 2006, by and under the supervision of management, including the Chief Executive Officer and Chief Financial Officer. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time periods specified in those rules.

Special Note Regarding Forward-Looking Statements

This Report contains forward-looking statements that are based on beliefs of its management as well as assumptions made by and information currently available to management of the Company. When used in this Report, the words “estimate”, “believe”, “anticipate”, “intend”, “expect”, “plan”, “may”, “should”, “will”, and the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in those statements.

Such risk factors include those set forth under “Risks and Uncertainties” above. The statements contained in this Report speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

December 21, 2006



Richard H. Sutcliffe, Ph.D., P.Geo.
President and Chief Executive Officer



Christopher R. Chadder, CA
Chief Financial Officer