

## **NOTICE TO SHAREHOLDERS**

# **URSA MAJOR MINERALS INCORPORATED (A Development Stage Company) QUARTERLY FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JULY 31, 2006**

### 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, 2006 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, 2006 and July 31, 2005.

URSA MAJOR MINERALS INCORPORATED  
(A Development Stage Company)

**BALANCE SHEETS**  
AS AT

	July 31, 2006 (Unaudited) \$	January 31, 2006 (Audited) \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	2,098,432	1,696,209
Amounts receivable	39,133	332,192
Prepaid expenses	<u>20,270</u>	<u>26,502</u>
	2,157,835	2,054,903
RESTRICTED CASH (Note 3)	167,100	167,100
DUE FROM RELATED COMPANY (Note 4)	35,901	35,901
EQUIPMENT - net	26,452	29,504
LONG-TERM INVESTMENT (Note 5)	1,034,108	1,157,820
EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Note 6)	<u>7,680,131</u>	<u>6,936,055</u>
	<u>11,101,527</u>	<u>10,381,283</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	162,008	177,352
ASSET RETIREMENT OBLIGATION	<u>79,388</u>	<u>76,791</u>
	<u>241,396</u>	<u>254,143</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 7(b))	13,039,533	12,189,543
Share purchase warrants (Note 7(d))	22,500	-
Contributed surplus (Note 8)	2,729,645	2,476,754
Deficit	<u>(4,931,547)</u>	<u>(4,539,157)</u>
	<u>10,860,131</u>	<u>10,127,140</u>
	<u>11,101,527</u>	<u>10,381,283</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,	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>INTEREST INCOME</b>	<u>18,027</u>	<u>17,986</u>	<u>31,219</u>	<u>28,453</u>
<b>EXPENSES</b>				
Stock based compensation (Note 7)	-	-	287,000	-
Business Development	26,054	14,334	69,693	34,158
Office and general	35,529	42,298	68,319	67,367
Management fees	28,500	29,500	55,000	55,000
Travel and promotion	16,102	9,320	34,274	17,444
Professional fees	24,869	24,380	30,345	31,626
Salaries and benefits	8,905	13,608	18,627	29,074
Stock exchange and transfer agent fees	7,095	7,499	14,035	9,996
Shareholder information	11,531	12,745	11,531	14,695
Foreign exchange	-	6,168	-	6,168
General Exploration	490	-	3,303	-
Gain on sale of marketable securities	-	-	-	(1,080)
Gain on sale of long term investment	(167,238)	-	(173,401)	-
Amortization	<u>2,441</u>	<u>1,854</u>	<u>4,883</u>	<u>3,643</u>
	<u>(5,722)</u>	<u>161,706</u>	<u>423,609</u>	<u>268,091</u>
Income (Loss) before undernoted	23,749	(143,720)	(392,390)	(239,638)
Future income tax recovery	-	-	-	495,000
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	23,749	(143,720)	(392,390)	255,362
DEFICIT, beginning of period	<u>(4,955,296)</u>	<u>(3,873,703)</u>	<u>(4,539,157)</u>	<u>(4,272,785)</u>
DEFICIT, end of period	<u>(4,931,547)</u>	<u>(4,017,423)</u>	<u>(4,931,547)</u>	<u>(4,017,423)</u>
Net Income (loss) per common share basic and diluted	<u>0.00</u>	<u>(0.01)</u>	<u>(0.02)</u>	<u>0.01</u>
Weighted average number of shares outstanding	<u>24,306,429</u>	<u>21,206,619</u>	<u>24,354,762</u>	<u>21,194,619</u>

URSA MAJOR MINERALS INCORPORATED  
(A Development Stage Company)

STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2006 \$	2005 \$	2006 \$	2005 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income (loss) for the period	23,749	(143,720)	(392,390)	255,362
Items not involving cash:				
Amortization	2,441	1,854	4,883	3,643
Gain on sale of long-term investment	(167,238)	-	(173,401)	-
Gain on sale of marketable securities	-	-	-	(1,080)
Future income tax recovery	-	-	-	(495,000)
Stock-based compensation (Note 7)	-	-	287,000	-
	<u>(141,048)</u>	<u>(141,866)</u>	<u>(273,908)</u>	<u>(237,075)</u>
Changes in non-cash working capital balances:				
Amounts receivable	323,837	(30,759)	293,058	(69,393)
Prepaid expenses	(1,276)	(12,315)	6,232	(13,198)
Accounts payable and accrued liabilities	121,701	180,654	(15,344)	115,595
	<u>444,262</u>	<u>137,580</u>	<u>283,946</u>	<u>33,004</u>
	<u>303,214</u>	<u>(4,286)</u>	<u>10,038</u>	<u>(204,071)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Increase in exploration properties and deferred exploration costs.	(398,289)	(866,468)	(718,979)	(1,490,895)
Proceeds on sale of long-term investment	285,545	-	297,113	-
Proceeds on sale of marketable securities	-	-	-	10,020
Increase in long-term investment	-	-	-	(756,936)
Purchase of equipment	-	-	(1,830)	(2,159)
	<u>(112,744)</u>	<u>(866,468)</u>	<u>(423,696)</u>	<u>(2,239,970)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issuance of flow-through common shares	1,000,000	-	1,000,000	-
Stock options exercised	-	20,750	26,000	20,750
Share issue costs	(80,310)	-	(80,310)	-
Common shares repurchased	(120,507)	-	(129,809)	-
	<u>799,183</u>	<u>20,750</u>	<u>815,881</u>	<u>20,750</u>
Increase (decrease) in cash and cash equivalents	989,653	(850,004)	402,223	(2,423,291)
Cash and cash equivalents, beginning of period	<u>1,108,779</u>	<u>2,100,762</u>	<u>1,696,209</u>	<u>3,674,049</u>
Cash and cash equivalents, end of period	<u>2,098,432</u>	<u>1,250,758</u>	<u>2,098,432</u>	<u>1,250,758</u>
Supplemental Information				
Common shares issued for interests in exploration properties	-	12,000	22,500	27,000

# URSA MAJOR MINERALS INCORPORATED

## NOTES TO FINANCIAL STATEMENTS (A Development Stage Company)

JULY 31, 2006

(UNAUDITED)

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### 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, 2006 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, 2006 may not be indicative of the results that may be expected for the full year ending January 31, 2007.

These interim financial statements follow the same methods and policies used in the audited financial statements for the year ended January 31, 2006, except for the following:

### 3. RESTRICTED CASH

The Company has issued an irrevocable standby letter of credit for \$167,100 to the Ministry of Northern Development and Mines ('MNDN') as a guarantee in connection with the Advanced Exploration Closure Plan on the Shakespeare Project.

# URSA MAJOR MINERALS INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

(A Development Stage Company)

JULY 31, 2006

(UNAUDITED)

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### 4. 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.

### 5. LONG-TERM INVESTMENT

The Company owns approximately 7.0% of Patricia Mining Corp. ("Patricia") a public company that trades on the TSX Venture Exchange ("TSXV"). The president of the Company is also a director of Patricia, and the companies have a common officer.

### 6. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

	January 31, 2006 \$	Expenditures \$	July 31, 2006 \$
Canada - Sudbury Ontario			
Shakespeare Township	4,424,022	507,851	4,931,873
D & H Option	138,662	-	138,662
Stumpy Bay	638,170	30,093	668,263
Porter - Baldwin	1,019,413	73,791	1,093,204
Porter Option	132,025	23,367	155,392
Agnew Lake Uranium	119,848	23,367	121,301
Shining Tree	363,915	107,301	471,216
U.S.A - Wyoming			
Carbon and Albany Counties	100,000	220	100,220
	<u>6,936,055</u>	<u>765,990</u>	<u>7,680,131</u>

All other property descriptions can be found in the January 31, 2006 audited financial statements.

# URSA MAJOR MINERALS INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

(A Development Stage Company)

JULY 31, 2006

(UNAUDITED)

### 7. CAPITAL STOCK

(a) **Authorized**

Unlimited number of Common shares

(b) **Common Shares issued**

	Number of Shares #	Amount \$
Balance, beginning of period	24,407,429	12,189,543
Shares issued for exploration properties	30,000	22,500
Stock options exercised	40,000	38,800
Flow-through common shares issued	1,250,000	1,000,000
Shares repurchased and canceled	(217,000)	(108,500)
Share Issue costs		(102,810)
<b>Balance, end of period</b>	<b>25,510,429</b>	<b>13,039,533</b>

- (i) During the period ended July 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 the amount \$80,310 and 75,000 common share purchase warrants valued at \$22,500 were paid and issued in connection with this placement.

(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	936,500	0.71
Exercised	(40,000)	0.65
Granted	700,000	0.85
<b>Balance, end of period</b>	<b>1,596,500</b>	<b>0.77</b>



# URSA MAJOR MINERALS INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

(A Development Stage Company)

JULY 31, 2006

(UNAUDITED)

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### 7. CAPITAL STOCK (Continued)

#### (c) Stock Options

As at July 31, 2006, the Company had incentive stock options issued to directors, officers and consultants of the Company as follows:

Stock Options #	Exercise Price \$	Expiry Date
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
100,000	0.56	March 2, 2007
195,000	0.65	November 7, 2010
700,000	0.85	(i) March 31, 2011
<hr/>		
1,596,500		

- (i) The estimated fair value of the options granted during the period ended July 31, 2006 is \$287,000. This was calculated using the Black Scholes valuation model with the following weighted average assumptions: expected dividend yield 0%, expected volatility 58%, risk free interest rate 3.25% and an expected life of 5 years. Employees, directors and officers received 620,000 of the options granted during the period valued at \$254,200. 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.

# URSA MAJOR MINERALS INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

(A Development Stage Company)

JULY 31, 2006

(UNAUDITED)

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### 7. 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	-	-
Granted	75,000	0.65
Balance, end of period	75,000	1.02

As at July 31, 2006 the following share purchase warrants are outstanding:

Warrants #	Exercise Price \$	Estimated Fair Value \$	Expiry Date
75,000	0.65	22,500	July 13, 2008

### 8. CONTRIBUTED SURPLUS

A summary of changes in contributed surplus during the period ended July 31, 2006 is as follows:

	\$
Balance, beginning of period	2,476,754
Shares repurchased	(21,309)
Stock based compensation	287,000
Stock options exercised	(12,800)
Balance, end of period	2,729,645