



## **Management's Discussion and Analysis of Financial Results for the six months ended July 31, 2007**

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 September 10, 2007 and is issued in conjunction with the unaudited financial statements for the six months ended July 31, 2007. The Management's Discussion and Analysis should be read in conjunction with the audited financial statements for the year ended January 31, 2007, 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](http://www.sedar.com) or from the office of the company.

Effective Friday, August 24, 2007 the Company's common shares commenced trading on the Toronto Stock Exchange ("TSX") under the symbol UMJ. Upon listing on the TSX, the common shares of the Company were delisted from the TSX Venture Exchange.

### **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 variety 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 projects through strong technical management.

URSA Major's main property is the Shakespeare nickel project located 70 km west of Sudbury, Ontario. At the Shakespeare project the company is currently in the process of mining and hauling a 50,000 tonne bulk ore sample for processing at Xstrata's Strathcona mill. The bulk sample will provide an evaluation of metallurgical characteristics, metals recovery and concentrate characteristics at a production scale from the Shakespeare deposit.

Since making a significant near-surface nickel, copper and precious metals discovery at the Shakespeare property in 2002, 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 11,226,000 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.

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.

URSA Major has a large 37,000 acre exploration property known as the Porter Baldwin 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 since 2004 has demonstrated the presence of Shakespeare-type mineralization on the property. In 2006, URSA Major optioned the Worthington-Bell property located 40 km west of the Sudbury on the prospective Worthington offset dyke. The Company currently has an active exploration program for nickel-copper mineralization on the property.

In addition to exploration projects, URSA Major has a 6.1% interest in Patricia Mining Corp. (TSX-V: PAT), 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 also has 5,000,000 shares of Nyah Resources Ltd. resulting from the sale of the Agnew Lake Uranium property.

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 Nickel Project** – The Shakespeare nickel project is located 70 km west of Sudbury, Ontario. URSA Major is currently mining, crushing and hauling a 50,000 tonne bulk ore sample from the Shakespeare project to Xstrata Nickel's Strathcona mill. Drilling of ore in the bulk sample ramp and pit with two track drills was initiated on June 28, 2007, the initial blast in ore took place on July 10, 2007 and haulage commenced on July 19, 2007. As of September 10, 2007 approximately 75% of the bulk ore sample has been delivered to the Strathcona site. William Day Construction Limited (Day Construction) has been contracted to carry out the excavation, crushing and haulage of the bulk ore sample.

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."

At very conservative metal prices including nickel at an average of US\$5.48/lb, 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 11,226,000 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.

URSA Major engaged Golder Associates Ltd. in early 2006, to manage environmental baseline studies and permitting activities. As of the end of May, 2007, all of the major mine and mill permitting applications for the Shakespeare project have all been submitted. The Company continues to carry out surface and groundwater sampling, weather monitoring, and stream flow monitoring as part of on-going site monitoring activities. The Company also has 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.

In late 2006, URSA Major announced an agreement with Xstrata nickel providing for the milling of the approximately 50,000 tonne bulk sample from the Shakespeare deposit at the Strathcona mill and the subsequent processing of concentrates. The bulk sample will enable evaluation of metallurgical characteristics, metals recovery and concentrate characteristics at a production scale. 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. In April 2007, the Company received all approvals necessary to proceed with the 50,000 tonne bulk sample. In the first half of the year, the Company completed significant upgrades of the access road into the Shakespeare deposit to an all weather gravel road that allows for trucking access and future mining operations. This road will facilitate the bulk sample and further development of the property. The Company has also completed a number of site improvements including building a crusher pad and truck loading area, building an access road to the Shakespeare West pit area, and road building, stripping and grubbing in preparation for construction of a sedimentation pond for mine water management.

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. As a result of current expenditures during the bulk sample program, URSA Major's interest in the property will increase to over 90% at which time URSA Major will own 100% of the property and Xstrata's interest will revert to a 1.5% NSR.

**Porter Baldwin Property** (including the Porter Option) - URSA Major's 100%-owned Porter Baldwin property (formerly referred to as the Agnew Lake property) now comprises over 947 claim units (37,880 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. This exploration demonstrated that rocks with similar characteristics and style of mineralization to the Shakespeare deposit are present on the 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.

**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. 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 2006, URSA Major completed surface trenching at the Shining Tree deposit which exposed the mineralization at surface, flew a helicopter-borne AeroTEM II time domain electromagnetic (EM) survey, and 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. 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 Golder Associates Ltd. to conduct environmental baseline studies and develop a closure plan to permit development of the deposit. During the first quarter of 2007 the Company continued environmental baseline studies at Shining Tree.

**Worthington Bell Property** – In late 2006, 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 Worthington Bell 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 Worthington Bell property is located in an area of excellent infrastructure and is accessible from paved roads. The Worthington Bell 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.

In the first half of the current year, URSA Major contracted Logan Drilling Limited to carry out a 2,000 meter diamond drilling program that commenced in June 2007. Geological mapping and a down-hole Pulse-EM geophysical survey was completed in advance of the proposed drill program. Two holes have been completed and both intersected the favourable rock fragment bearing quartz diorite phase of the offset dike. Down hole EM surveys have been completed to identify further drill targets. The company is currently waiting for assay results and interpretation of the down hole EM surveys.

**Agnew Lake Uranium Property** - In 2002, the Company staked 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 U<sub>3</sub>O<sub>8</sub> from approximately 3.1 million tons (2.8 million tonnes) of ore. In January 2007, URSA Major announced, and on March 5, 2007 closed an agreement to vend its 100% interest in this property to Nyah Resources Inc. (Nyah) for cash consideration of \$2,500,000 (received) and 5,000,000 shares (received) of Nyah. URSA Major has the right to participate in future financings for a period of 24 months and retained a 1.5% net smelter return royalty (NSR). At any time Nyah has the option to purchase 50% of the NSR from URSA Major by making a further cash payment of \$2,000,000 to URSA Major.

**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 a 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.

## 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 three and six month period ended July 31, 2007.

During the three month period ended July 31, 2007, the Company incurred \$194,002 in net administrative and general expenses compared to a recovery of \$23,749 for the same period in the previous year. The major difference is the inclusion of a gain on sale of a long term investments of \$167,238 in the comparative period. Excluding this gain, net general and administrative expenses for the comparative period were \$143,489. On a comparative basis excluding the gain on sale of long term investment, general and administrative expenses were \$50,513 higher than in the comparative period.

Professional fees increased by \$15,966 as a result of increased legal work related to agreements a and permitting at the Shakespeare project, and professional fees incurred in connection with the TSX listing application. Salaries and wages increased by \$24,167 mostly as a result of hiring an additional

staff member in the head office. Office and general increased by \$12,775 as a result of increased activity at head office as the Company prepared for and started the bulk sample program at the Shakespeare Project.

All other administrative expenses remained materially unchanged for the same period in the prior year.

For the three month period ended July 31, 2007, \$2,314,990 was spent on exploration expenditures and exploration property acquisitions. This compares with \$421,722 spent on exploration properties in the comparative period of the previous year.

During the quarter the Company spent \$2,011,699 on the Shakespeare Project compared to \$243,290 in the comparative period of the previous year. Major expenditures included \$1,544,298 (2006; \$4,000) spent on site preparation and infrastructure which included building site access roads, crusher pad and truck loading area, pit access road, bridge construction and sedimentation pond construction. Additional expenditures included ongoing environmental monitoring and permitting of \$139,283 (2006:\$113,778) and an increase to the asset retirement obligation of \$170,382 (2006; \$1,298).

At the Worthington Bell property the Company spent \$286,570 during the quarter. The major expenditure incurred was diamond drilling of \$272,355 (2006: nil).

A total of \$16,721 was spent in the quarter on the Company's other exploration properties (2006; \$178,432).

### **Liquidity and Capital Resources**

As at July 31, 2007 the Company had cash and cash equivalents in the amount of \$4,018,808 and a further \$2,784,108 in long-term investments. This compares to \$1,568,314 in cash and \$1,034,108 in long-term investments as at January 31, 2007. At July 31, 2007 the Company had working capital of \$3,476,238 compared to working capital of \$1,753,864 as at January 31, 2007. The increase in working capital was a result of the cash proceeds on the sale of the Agnew Lake Uranium property of \$2,500,000 and the completion of two private placements with net cash proceeds of approximately \$3,900,000. This increase of approximately \$6,400,000 was offset by cash exploration and development expenditures of \$3,487,952 an increase in restricted cash of \$335,084, net cash operating expenses of \$476,450 and a reduction of future income tax assets of \$552,900.

At this time, the Company has no operating revenues. The Company has raised funds in the past through equity financings and the exercise of options and warrants to finance its operations.

On June 14, 2007 the Company closed a private placement of 3,000,000 units at a price of \$1.05 per unit, and 500,000 flow-through common shares at a price of \$1.30 per share, for aggregate gross proceeds of \$3,800,000. Coremark Securities Inc. acted as the sole agent in this private placement. Each Unit was comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share for a period of eighteen months following the closing at a price of \$1.40 per share.

On June 15, 2007 the Company closed a private placement of \$500,000 through the sale of 384,615 flow-through common shares to the MineralFields Group. Limited Market Dealer Inc. acted as sole agent in this private placement.

During the three month period ended July 31, 2007, \$67,125 in cash was realized from financing activities as a result of stock options being exercised. This compares with nil for the same period last year.

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.

The Company has a lease commitment for premises which expires February 29, 2008. Minimum rental commitments over the life of the lease approximate \$26,000.

### **Shares Issued and Outstanding**

As of September 10, 2007, the issued and outstanding common shares of the Company totalled 30,853,674. In addition, 1,869,000 stock options and 1,871,233 warrants have been granted to purchase a total of 3,740,233 common shares of the Company.

### **Proposed Transactions**

While the Company continues to seek and evaluate mines, mineral deposits, exploration stage projects and financing opportunities to advance the Company, there are no 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**

#### **Mining Industry**

The exploration for, development and mining of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are

ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Corporation will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices which are highly cyclical and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Mining operations generally involve a high degree of risk. The Shakespeare Project is subject to most of the hazards and risks normally encountered in the exploration, development and production of ore, including unusual and unexpected geology formations, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability.

The Company's activities are directed towards the search, evaluation, development and mining of mineral deposits. Several of the mineral properties in which the Company has an interest contain no known body of commercial ore and any exploration programs thereon are exploratory searches for ore, other properties in which the Company has an interest are subject to preliminary stages of exploration and development programs only, while other properties in which the Company holds an interest are in the pre-production stage. There is no certainty that the expenditures to be made by the Company as described herein will result in discoveries of commercial quantities of ore.

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company will compete with other interests, many of which have greater financial resources than it will have for the opportunity to participate in promising projects. Significant capital investment is required to achieve commercial production from successful exploration efforts.

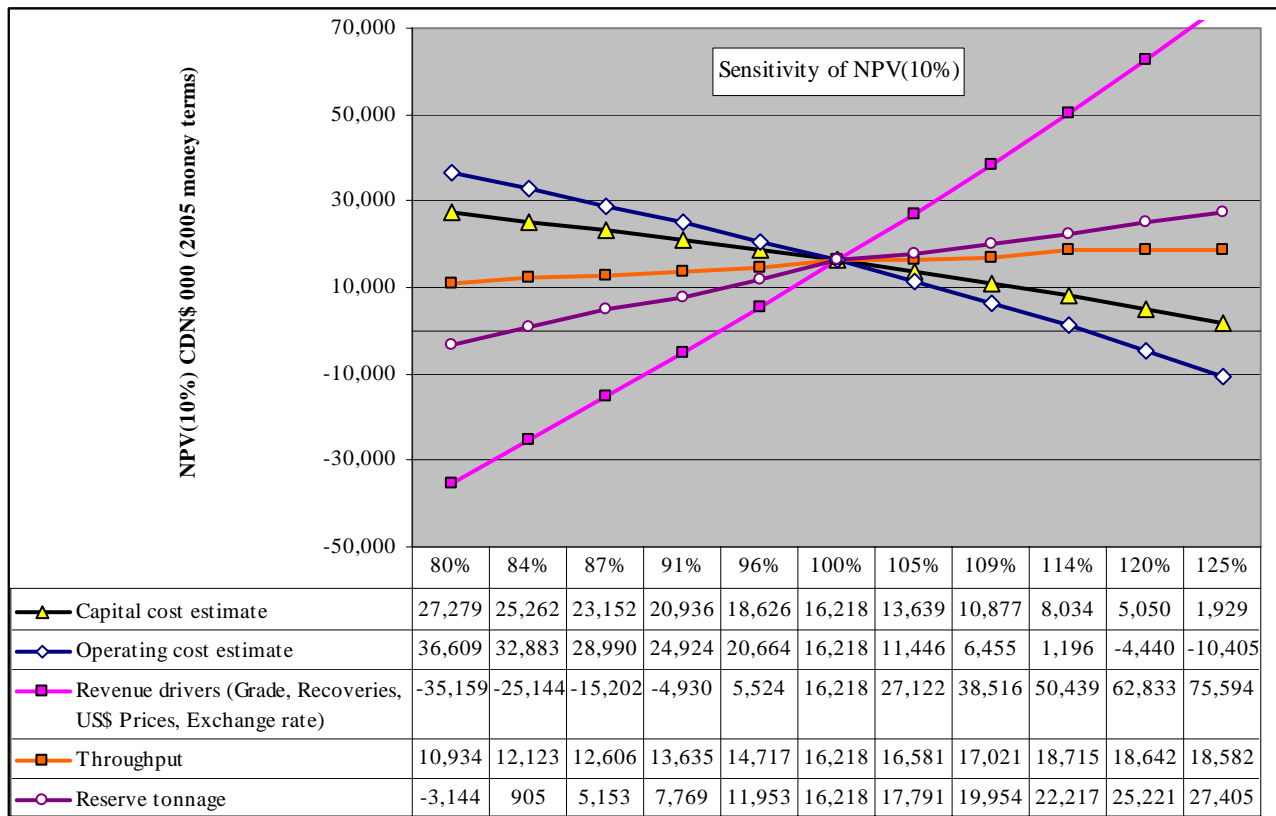
### **Uncertainty of Reserve and Resource Estimates**

URSA Major is a development stage enterprise in the process of exploring and developing its interests in resource properties. The figures for reserves and resources presented herein are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the expected level of recovery will be realized. Such figures have been determined based upon assumed metal prices and operating costs. Future production could differ dramatically from reserve estimates for, among other reasons:

- mineralization or formations could be different from those predicted by drilling, sampling and similar examinations;
- increases in operating mining costs and processing costs could adversely affect resources and reserves;
- the grade of the resources and reserves may vary significantly from time to time and there is no assurance that any particular level of metals may be recovered from the ore; and
- declines in the market price of the metals may render the mining of some or all of the reserves uneconomic.

Any of these factors may require the Company to reduce its resource or reserves estimates or increase its costs. Short-term factors, such as the need for the additional development of a deposit or the processing of new different grades, may impair the Company's profitability. Should the market price of the metals fall, the Company could be required to materially write down its investment in mining properties or delay or discontinue production or development of new projects.

The Net Present Value (NPV) of the Shakespeare project as determined in the 2006 feasibility study by Micon is most sensitive to improvements in revenue drivers (metal prices, recovery, grades, NSR terms), moderately sensitive to operating costs and reserve tonnage, less sensitive to capital and throughput. The graph and table below provide the sensitivity analysis from the feasibility study for a NPV discounted at 10%.



The Shakespeare feasibility study was based on average metal prices as follows: 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 exchange rate for the economic analysis is a US\$/Cdn\$ rate of 0.8224.

### Government Regulation

The exploration and development activities of the Company are subject to various federal, provincial and local laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substance and other matters. Exploration and development activities are also subject to various federal, provincial and local laws and regulations relating to the protection of the environment. These laws mandate, among other things, the maintenance of air and water quality standards, and land reclamation. These laws also set forth limitations on the

generation, transportation, storage and disposal of solid and hazardous waste. Although the Company's exploration and development activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration and development, mining and milling or more stringent implementation thereof could have a substantial adverse impact on the Company.

Government approvals and permits are currently, and may in the future be, required in connection with Company's operations. To the extent such approvals are required and not obtained; the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

### **Permits and Licenses**

Mineral exploration and mining activities may only be conducted by entities that have obtained or renewed exploration or mining permits and licenses in accordance with the relevant mining laws and regulations. No guarantee can be given that the necessary exploration and mining permits and licenses will be issued to the Company or, if they are issued, that they will be renewed, or that the Company will be in a position to comply with all conditions that are imposed. Nearly all mining projects require government approval. There can be no certainty that these approvals will be granted to the Company in a timely manner, or at all.

### **Environmental Risks and Hazards**

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present which have been caused by previous or existing owners or operators of the properties. The Company may become liable for such environmental hazards caused by previous owners and operators of the properties even where it has attempted to contractually limit its liability. Production at mineral properties may involve the use of dangerous and hazardous substances. While all steps will be taken to prevent discharges of pollutants into the ground water and the environment, the Company may become subject to liability for hazards that cannot be insured against.

### **Commodity Prices**

The future profitability of the Company will be directly related to the market price of nickel, copper and other metals. Metal prices fluctuate considerably and are affected by numerous factors beyond the Company's control, such as industrial demand, inflation and expectations with respect to the rate of inflation, the strength of the U.S. dollar and of other currencies, interest rates, forward sales by producers, production and cost levels and changes in investment trends. Nickel and copper prices are sometimes subject to rapid short-term changes because of speculative activities. If these prices were to decline significantly or for an extended period of time, the Company might be unable to continue its operations, develop its properties or fulfill its obligations under its agreements with its partners or under its permits and licenses. As a result, the Company might lose its interest in, or be forced to sell, some of its properties. In the event of a sustained, significant drop in Nickel and Copper prices, the Company may be required to re-evaluate its assets, resulting in reduced estimates of reserves and resources and in material write-downs of the Company's investment in mining properties and increased amortization, reclamation and closure charges. Furthermore, since nickel and copper prices are established in US dollars, a significant increase in the value of the Canadian dollar relative to the US dollar coupled with stable or declining nickel and copper prices could adversely affect the Company's results with respect to development of and eventual sale of these metals.

### **Uninsured Risks**

The Company carries insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include environmental pollution or other hazards against which the Company cannot insure or against which it elects not to insure.

### **Conflicts of Interest**

Certain of the directors of the Company also serve as directors and/or significant shareholders of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors to be in a position of conflict. In the event that a director or executive officer has a material interest in any transaction being considered by the Company, any such conflict will be subject to and governed by procedures prescribed by the Business Corporations Act (Ontario) (the "OBCA") which require a director or officer of a corporation experiencing such a conflict to disclose his interest and refrain from voting on any such matter unless otherwise permitted by the OBCA. In addition, Section 134 of the OBCA provides that every director must act honestly and in good faith with a view to the best interests of the Company. Section 134 is a formalization of the fundamental fiduciary duty that a director has to the corporation and encompasses, among other obligations, a duty of loyalty and a duty of confidentiality. As a fiduciary, a director may not interfere with, or take advantage of, any opportunities that rightfully belong to the Company. That a director may represent a specific shareholder of the Company does not relieve the director from fulfilling his fiduciary duty to the Company. If such director was to take any action which preferred the interests of a third party to the interests of the Company, such director would be liable to the company for a breach of his fiduciary duty, regardless of any legal duties which such director may have to the third party.

### **Land Title**

Although title to the Company's mineral properties has been reviewed by or on behalf of the Company and title opinions were delivered to the Company, no assurances can be given that there are no title defects affecting the properties. Title insurance generally is not available for mining claims in Canada, and the Company's ability to ensure that it has obtained secure claim to individual

mineral properties or mining concessions may be severely constrained. The Company has not conducted surveys of all the claims in which it holds direct or indirect interests; therefore, the precise area and location of such claims may be in doubt. Accordingly, the properties may be subject to prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate the properties as permitted or to enforce its rights with respect to its properties.

### **Requirement of Additional Financing**

The continuing development of the Company's properties will depend upon the Company's ability to obtain financing through debt financing, equity financing or the joint venturing of projects or other means. No assurance can be given that the Company will be successful in obtaining the required financing on acceptable terms, if at all.

### **Dependence on Personnel**

The Company's ability to manage growth effectively will require the Company to continue to implement and improve the Company's management systems and to recruit and train new employees. Although the Company has done so in the past, the Company cannot assure that it will be successful in attracting and retraining skilled and experienced personnel.

### **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 proceeding with the mining and haulage of an approximately 50,000 tonne bulk sample which will be completed in the 3<sup>rd</sup> quarter. 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 after the completion of the bulk sample.

Concurrent with obtaining results from 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. 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 was initiated on the Worthington Bell offset property. At Worthington, URSA Major has initiated a diamond drilling program to be followed up with down-hole geophysics.

The Company continues to evaluate potential base metal acquisitions with KORES.

## **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, 2007, 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.

September 10, 2007



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



Christopher R. Chadder, CA  
Chief Financial Officer