

URSA MAJOR MINERALS INCORPORATED
(A Development Stage Company)

QUARTERLY FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED APRIL 30, 2008
(Unaudited)

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NOTICE TO SHAREHOLDERS

**URSA MAJOR MINERALS INCORPORATED
(A Development Stage Company)**

QUARTERLY FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED APRIL 30, 2008

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, 2008 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 months ended April 30, 2008 and April 30, 2007.

(A Development Stage Company)

BALANCE SHEETS

	April 30, <u>2008</u> \$ (Unaudited)	January 31, <u>2008</u> \$ (Audited)
ASSETS		
CURRENT		
Cash and cash equivalents	313,161	514,171
Amounts receivable	317,076	343,045
Debenture receivable (Note 3)	500,000	-
Prepaid expenses	<u>32,863</u>	<u>40,257</u>
	1,163,100	897,473
RESTRICTED CASH EQUIVALENTS (Note 4)	701,979	601,979
DUE FROM RELATED COMPANY (Note 5)	54,619	44,619
EQUIPMENT (Note 6)	77,025	32,864
INVESTMENTS (Note 7)	2,661,427	3,449,713
EXPLORATION AND DEVELOPMENT PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Note 8)	<u>15,638,266</u>	<u>16,645,077</u>
	<u>20,296,416</u>	<u>21,671,725</u>

See accompanying notes to the unaudited financial statements.

(A Development Stage Company)

BALANCE SHEETS

	April 30, <u>2008</u> \$ (Unaudited)	January 31, <u>2008</u> \$ (Audited)
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	979,937	731,513
Debenture payable (Note 9)	<u>1,426,714</u>	<u>1,973,333</u>
	2,406,651	2,704,846
ASSET RETIREMENT OBLIGATION (Note 10)	334,717	328,960
FUTURE INCOME TAX LIABILITY	<u>871,300</u>	<u>941,300</u>
	<u>3,612,668</u>	<u>3,975,106</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 12(b))	18,207,212	18,201,574
SHARE PURCHASE WARRANTS (Note 13)	408,621	408,621
CONTRIBUTED SURPLUS (Note 14)	2,969,215	2,981,195
ACCUMULATED OTHER COMPREHENSIVE LOSS	(1,480,924)	(644,510)
DEFICIT	<u>(3,420,376)</u>	<u>(3,250,261)</u>
	<u>16,683,748</u>	<u>17,696,619</u>
	<u>20,296,416</u>	<u>21,671,725</u>

COMMITMENTS AND CONTINGENCIES (Notes 1, 4, 8, 10 and 17)

See accompanying notes to the unaudited financial statements.

(A Development Stage Company)

STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

FOR THE THREE MONTHS ENDED APRIL 30

	<u>2008</u> (Unaudited) \$	<u>2007</u> (Unaudited) \$
INTEREST INCOME	<u>9,437</u>	<u>20,941</u>
EXPENSES		
Management and directors' compensation	86,423	104,500
Office and general	32,923	28,283
Business development	27,292	90,459
Stock exchange and transfer agent fees	24,631	10,766
Travel and promotion	19,617	15,556
Professional fees	18,701	20,779
Salaries and benefits	16,497	14,383
Bank charges and interest	10,354	940
Rent	8,736	15,190
General exploration	750	2,694
Foreign exchange	95	3,160
Stock-based compensation	-	240,000
Amortization	<u>3,533</u>	<u>3,188</u>
	<u>249,552</u>	<u>549,898</u>
Loss before undernoted	(240,115)	(528,957)
Gain on sale of exploration property	<u>-</u>	<u>4,128,699</u>
(Loss) income before income taxes	(240,115)	3,599,742
Future Income tax recovery (expense)	<u>70,000</u>	<u>(1,364,322)</u>
NET (LOSS) INCOME FOR THE PERIOD	<u>(170,115)</u>	<u>2,235,420</u>
Net (loss) income per common share - basic and diluted	<u>(0.01)</u>	<u>0.08</u>
Weighted average number of shares outstanding - basic and diluted	<u>32,228,610</u>	<u>26,774,891</u>
COMPREHENSIVE (LOSS) INCOME		
Net (loss) income for the period	(170,115)	2,235,420
Unrealized (loss) gain on available-for-sale investments	<u>(836,414)</u>	<u>505,410</u>
Comprehensive (loss) income	<u>(1,006,529)</u>	<u>2,740,830</u>

See accompanying notes to the unaudited financial statements.

(A Development Stage Company)

STATEMENTS OF DEFICIT AND ACCUMULATED OTHER COMPREHENSIVE LOSS

FOR THE THREE MONTHS ENDED APRIL 30

	<u>2008</u> (Unaudited) \$	<u>2007</u> (Unaudited) \$
DEFICIT		
Deficit, beginning of period	(3,250,261)	(4,964,670)
Net (loss) income for the period	<u>(170,115)</u>	<u>2,235,420</u>
Deficit, end of period	<u><u>(3,420,376)</u></u>	<u><u>(2,729,250)</u></u>
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME		
Balance, beginning of period	(644,510)	570,018
Unrealized (loss) gain on available for sale investments	<u>(836,414)</u>	<u>505,410</u>
Balance, end of period	<u><u>(1,480,924)</u></u>	<u><u>1,075,428</u></u>

See accompanying notes to the unaudited financial statements.

(A Development Stage Company)

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED APRIL 30

	<u>2008</u>	<u>2007</u>
	\$	\$
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income for the period	(170,115)	2,235,420
Items not involving cash:		
Amortization	3,533	3,188
Stock-based compensation	-	240,000
Gain on sale of exploration property	-	(4,128,699)
Income tax (recovery) expense	<u>(70,000)</u>	<u>1,364,322</u>
	<u>(236,582)</u>	<u>(285,769)</u>
Changes in non-cash working capital balances:		
Decrease (increase) in amounts receivable	25,969	(50,229)
Decrease in prepaid expenses	7,394	26,766
(Increase) in amounts due from related parties	(10,000)	-
(Increase) in debenture receivable	(500,000)	-
Increase in accounts payable and accrued liabilities	<u>248,423</u>	<u>44,739</u>
	<u>(228,214)</u>	<u>21,276</u>
	<u>(464,796)</u>	<u>(264,493)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in exploration properties and deferred exploration costs	1,044,949	(1,343,345)
Increase in restricted cash	(100,000)	(18,590)
Purchase of equipment	(47,693)	(361)
Decrease in debentures payable	(579,000)	-
Increase in long-term investment	(48,128)	-
Proceeds on sale of exploration property	<u>-</u>	<u>2,500,000</u>
	<u>270,128</u>	<u>1,137,704</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Stock options exercised	17,500	56,000
Common shares repurchased	<u>(23,842)</u>	<u>-</u>
	<u>(6,342)</u>	<u>56,000</u>
(Decrease) increase in cash and cash equivalents	(201,010)	929,211
Cash and cash equivalents, beginning of period	<u>514,171</u>	<u>1,568,314</u>
Cash and cash equivalents, end of period	<u><u>313,161</u></u>	<u><u>2,497,525</u></u>
Supplemental Information:		
Cash, end of period	293,161	1,621,678
Cash equivalents, end of period	<u>20,000</u>	<u>875,847</u>
Cash and cash equivalents, end of period	<u><u>313,161</u></u>	<u><u>2,497,525</u></u>
Interest paid	34,520	-
Taxes paid	-	-

See accompanying notes to the unaudited financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Ursa Major Minerals Incorporated (the "Company") is a development stage enterprise, as defined by the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 11, in the process of exploring and developing its interests in resource properties. The exploration activities of the Company are directed towards the search, evaluation and development of mineral properties in Canada and the United States. The Shakespeare Project is at a 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, 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 and development of such properties, these procedures do not guarantee the Company's title. Property title may be subject to other licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal land claims and non-compliance with regulatory requirements.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

Because of limited working capital and continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing or to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation.

The accompanying financial statements do not include any adjustments relating to the carrying values and classification of assets or liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

APRIL 30, 2008

2. ACCOUNTING POLICIES

Management of the Company has 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, 2008 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 three months ended April 30, 2008 may not be indicative of the results that may be expected for the full year ending January 31, 2009.

These interim financial statements follow the same methods and policies used in the audited financial statements for the year ended January 31, 2008, except for the following.

CHANGE IN ACCOUNTING POLICY**(a) Capital Disclosures and Financial Instruments**

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments - Disclosures, and Handbook Section 3863, Financial Instruments - Presentation. These standards are effective for interim and annual financial statements for the Company's reporting period beginning on February 1, 2008.

Capital Disclosures

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new handbook section in note 11 to these interim unaudited financial statements.

Financial Instruments - Disclosures and Presentation

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how a company manages those risks. The Company has included disclosures recommended by the new handbook section in note 18 to these interim unaudited financial statements.

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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

APRIL 30, 2008

2. ACCOUNTING POLICIES (continued)**(b) International Financial Reporting Standards ("IFRS")**

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

3. DEBENTURE RECEIVABLE

On March 31, 2008, the Company purchased a \$500,000 convertible debenture from Patricia Mining Corp. ("Patricia"). The debenture bears interest at 9% per annum and is due March 31, 2009. At the option of the holder and, after six months, the debenture becomes convertible into common shares at \$0.52 per share. During the first six months, the company may redeem the debenture at 102% of the face value plus interest. The President of the Company is also a director of Patricia, and the companies also have a common officer. Included in accounts receivable at April 30, 2008 is \$3,750 of accrued interest on the debenture.

4. RESTRICTED CASH EQUIVALENTS

The Company has guaranteed by pledges of a guaranteed investment certificate's ("GIC") irrevocable standby letters of credit for \$701,979. The Ministry of Northern Development and Mines ("MNDN") has a financial assurance guarantee of \$601,979 in connection with the Closure Plan on the Shakespeare Project for stage one mining and the City of Sudbury \$100,000 for a road maintenance guarantee.

5. 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.

6. EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
	\$	\$	\$
Computer Equipment	10,019	3,854	6,165
Vehicles	47,929	22,297	25,632
Office furniture and equipment	1,723	121	1,602
Equipment	<u>65,281</u>	<u>21,655</u>	<u>43,626</u>
	<u>124,952</u>	<u>47,927</u>	<u>77,025</u>

Continued...

(A Development Stage Company)

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

APRIL 30, 2008

7. INVESTMENTS

The Company owns 5,817,315 common shares, representing approximately 13.3% of Patricia Mining Corp. ("Patricia"), a public company that trades on the TSX Venture Exchange. The Company also owns 1,702,517, warrants to purchase shares of Patricia. The warrants are exercisable at a weighted average price of \$0.73 until December 28, 2008. The fair value of the warrants at April 30, 2008 was calculated using the Black-Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 54%, risk-free interest rate 4.25% and an expected life of 0.67 years. The President of the Company is also a director of Patricia, and the companies also have a common officer. During the quarter, the Company purchased 104,000 Patricia common shares at a cost of \$48,128.

The Company owns 5,000,000 common shares, representing approximately 9.8% of Nyah Resources Corp. ("Nyah"), a public company that trades on the TSX Venture Exchange. The President of the Company is also a director of Nyah.

	Quoted market value at <u>Apr 30, 2008</u> \$	Quoted market value at <u>Jan 31, 2008</u> \$
Patricia - common shares	2,268,753	2,628,125
- warrants	17,674	71,588
Nyah - common shares	<u>375,000</u>	<u>750,000</u>
	<u>2,661,427</u>	<u>3,449,713</u>

8. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

<u>2008</u>	January 31, <u>Opening</u> \$	<u>Expenditures</u> \$	(Test Mining) <u>(Receipts)</u> \$	April 30, <u>Closing</u> \$
CANADA - Sudbury, Ontario				
Shakespeare Township (i)	12,946,348	3,111,372	(4,219,254)	11,838,466
Stumpy Bay Option	698,263	30,000	-	728,263
Porter Baldwin	1,146,617	15,270	-	1,161,887
Porter Option	203,392	-	-	203,392
Nickel Offsets Option	-	25,000	-	25,000
Shining Tree	1,148,160	6,801	-	1,154,961
Worthington Bell Option	<u>477,793</u>	<u>24,000</u>	-	<u>501,793</u>
	16,620,573	3,212,443	(4,219,254)	15,613,762
USA - Wyoming				
Carbon and Albany Counties	<u>24,504</u>	-	-	<u>24,504</u>
	<u>16,645,077</u>	<u>3,212,443</u>	<u>(4,219,254)</u>	<u>15,638,266</u>

(i) During the quarter, the Company received pre-production revenue of \$4.2 million for metals produced from the 50,000 tonnes of ore processed in October 2007. The Company anticipates further payments of approximately US\$700,000 for precious metals from that ore that are not included in these financial statements. Since the project is in a pre-production phase, this pre-production revenue has been applied against the investment in the property in accordance with generally accepted accounting standards.

Continued...

8. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)**Shakespeare Township**

The Company has earned a 100% interest in the Shakespeare Project pursuant to an option and joint venture agreement with Xstrata Nickel ("Xstrata") (formerly Falconbridge Limited). The Shakespeare property contains a nickel, copper, platinum group metal potential, economic ore reserve located in Shakespeare Township, 60 kilometres west of Sudbury, Ontario. The property consists of 61 leased and patented claims plus additional staked claims. Xstrata has retained a 1.5% Net Returns Royalty and certain mineral processing rights.

Stumpy Bay Option

The Company has earned a 100% interest in certain claims known as the Stumpy Bay Property, located in Shakespeare and Baldwin Townships. The optionor has retained a 2% Net Returns Royalty. Advance royalty payments of \$30,000 per year commenced March 21, 2006. The Company has the right to purchase one-half of the royalty for \$750,000. Xstrata has elected to include this property as part of the Shakespeare agreement and accordingly holds a 25% interest in the Company's interest in the Stumpy Bay Property.

Porter-Baldwin

The Company has staked approximately 832 claim units in the Agnew Lake area that are contiguous with the Shakespeare property noted above and are 100% owned by the Company.

Porter Option

The Company has earned a 100% interest in certain mineral claims known as the Porter Option, located in Shakespeare, Dunlop and Porter Townships. The optionor has retained a 2% Net Returns Royalty. Advance royalty payments of \$24,000 per year commenced January 15, 2007. The Company has the right to purchase one-half of the royalty for \$1,000,000.

Nickel Offsets Option

The Company entered into an option agreement to earn up to a 70% interest in certain claims known as the Nickel Offsets Mine property. Consideration for the option consist of cash payments of \$75,000 (\$25,000 paid) and an exploration expenditure commitment of \$1,250,000 over a period of three years from the date of the formal agreement.

Shining Tree

The Company has earned a 100% interest in certain mineral claims known as the Shining Tree claims, located in Fawcett Township. The optionor has retained a 1% Net Returns Royalty. The Company has the right to purchase one-half of the royalty for \$500,000.

(A Development Stage Company)

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

APRIL 30, 2008

8. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)**Worthington Bell Option**

The Company entered into an option agreement dated November 27, 2006 to acquire two parcels of land on the Worthington offset dike located in Lorney township west of Sudbury, Ontario. The consideration for this option is as follows:

\$50,000	Cash payment on signing (paid)
\$50,000	Cash payment on November 27th, 2007
\$50,000	Cash payment on November 27th, 2008
\$187,500	Cash payment on November 27th, 2009
20,000	Common shares on signing valued at \$15,600 (issued)
20,000	Common shares on November 27th, 2007
20,000	Common shares on November 27th, 2008

The November 27, 2007 cash payment and issuance of common shares was postponed until further work could be conducted by making a cash payment of \$31,666

Carbon and Albany Counties

The Company has a 100% interest certain claims in the Carbon and Albany Counties. This exploration property is a platinum group metal prospect.

9. DEBENTURE PAYABLE

On March 31, 2008, the Company completed a \$2,000,000 non-brokered private placement debenture financing with a private individual. The debenture was issued at 98% of face value, bears interest at 7.5% and is due on October 31, 2008. As at April 30, 2008 \$1,450,000 of the debenture has been drawn down by the Company. The Company is not permitted to grant other security or higher-ranking debt instruments without prior consent of the holder of the debenture. Included in accounts payable and accrued liabilities at April 30, 2008 is \$9,062 of accrued interest on the debenture. Accretion expense of \$5,714 has also been recorded.

10. ASSET RETIREMENT OBLIGATION

The Company has provided a letter of credit in the amount of \$601,979 to the Ministry of Northern Development and Mines ("MNDN") under the terms of Closure Plan on the Shakespeare Project for stage one mining (See note 4).

As at April 30, 2008 the net present value of the total asset retirement obligation related to the Shakespeare Project Closure Plan is estimated to be \$334,717 based on an estimated future liability of \$601,979 and an estimated credit adjusted risk-free rate of 7%. The settlement of the obligation is estimated to take place in 2017.

The following is an analysis of the asset retirement obligation:

	\$
Balance, beginning of period	328,960
Accretion incurred in the current period	<u>5,757</u>
Balance, end of period	<u><u>334,717</u></u>

Continued...

(A Development Stage Company)

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

APRIL 30, 2008

11. MANAGING CAPITAL

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order that it can provide future returns for shareholders and benefits for other stakeholders. Management intends to accomplish this objective with the least dilution to shareholders. Management believes that the use of debt to equity ratio or similar capital management tools would be inappropriate for the Company's current objectives, but rather relies on the expertise of the Company's management to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three months ended April 30, 2008.

12. CAPITAL STOCK**(a) Authorized:**

Unlimited number of common shares

(b) Common shares issued:

	<u>Shares</u>	<u>Amount</u>
	#	\$
Balance, beginning of period	32,205,280	18,201,574
Stock options exercised	35,000	30,800
Shares held for cancellation (i)	<u>(44,144)</u>	<u>(25,162)</u>
Balance, end of period	<u>32,196,136</u>	<u>18,207,212</u>

(i) During the period, the Company repurchased 44,144 common shares. Total consideration paid for these shares was \$23,842, allocated to common shares was \$25,162 and to contributed surplus \$1,320. Subsequent to April 30, 2008, these common shares were cancelled.

(c) Stock Options

The Company has granted options 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 the grant.

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

	<u>Stock</u>	<u>Weighted Average</u>
	<u>Options</u>	<u>Exercise Price</u>
	#	\$
Balance, beginning of period	1,699,000	0.87
Exercised	(35,000)	0.50
Cancelled/expired	<u>(195,000)</u>	0.87
Balance, end of period	<u>1,469,000</u>	0.88

Continued...

(A Development Stage Company)

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

APRIL 30, 2008

12. CAPITAL STOCK (continued)(c) **Stock Options** (continued)

As at April 30, 2008, the Company had incentive stock options issued to employees, directors, officers and consultants of the Company as follows:

<u>Stock Options</u> #	<u>Exercise Price</u> \$	<u>Expiry Date</u>
34,000	0.50	May 13, 2008
50,000	1.45	March 1, 2009
125,000	0.91	April 9, 2009
210,000	0.95	September 7, 2009
155,000	0.65	November 7, 2010
495,000	0.85	March 30, 2011
<u>400,000</u>	0.91	April 9, 2012
<u>1,469,000</u>		

13. SHARE PURCHASE WARRANTS

As at April 30, 2008 the following share purchase warrants are outstanding:

<u>Warrants</u> #	<u>Exercise Price</u> \$	<u>Estimated Fair Value</u> \$	<u>Expiry Date</u>
75,000	0.65	22,500	July 13, 2008
1,500,000	1.40	285,000	December 14, 2008
210,000 *	1.05	73,500	December 14, 2008
23,076	1.05	9,461	December 14, 2008
<u>85,716</u>	0.85	<u>18,160</u>	December 31, 2008
<u>1,893,792</u>		<u>408,621</u>	

* Exercisable into units. Each unit consist of one common share and one half of one share purchase warrant. Each whole warrant is exercisable into one common share on or before December 14, 2008 at a price of 1.40.

A summary of changes in share purchase warrants during the period ended April 30, 2008 is as follows:

	<u>Warrants</u> #	<u>Weighted Average</u> <u>Exercise Price</u> \$
Balance, beginning and end of period	<u>1,893,792</u>	1.30

14. CONTRIBUTED SURPLUS

A summary of changes in contributed surplus during the period ended April 30, 2008 is as follows:

	<u>Amount</u> \$
Balance, beginning of period	2,981,195
Stock options exercised	(13,300)
Shares repurchased (note 12(b)(i))	<u>1,320</u>
Balance, end of period	<u>2,969,215</u>

Continued...

(A Development Stage Company)

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

APRIL 30, 2008

15. RELATED PARTY TRANSACTIONS

The Company subleases its premises from a corporation that has a common officer and a common director (see Note 17(a)). During the period, the Company paid rent of \$8,736 (2007: \$15,190) to this corporation. Included in amounts receivable at April 30, 2008 is \$125,369 (2007: \$18,421) receivable from one of these companies.

During the period, a corporation associated with a director of the Company was paid fees of \$1,744 (2007: \$221).

During the period, a corporation controlled by an officer of the Company was paid legal fees of \$2,324 (2007: nil).

See Notes 3, 5 and 7

Related party transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with presentation adopted in the current year.

17. COMMITMENTS

(a) The company is committed to minimum rentals under a long-term lease for premises which expires February 28, 2013. Minimum rental commitments remaining under this lease approximate \$297,000 including \$60,000 due within one year. The Company shares its premises with a related corporation and is reimbursed for their share of the rentals. Minimum rental commitments for the successive fiscal years approximate:

	<u>Amount</u>
	\$
Fiscal 2009 (Remaining)	45,000
Fiscal 2010	61,000
Fiscal 2011	61,000
Fiscal 2012	62,000
Fiscal 2013	63,000
Fiscal 2014	<u>5,000</u>
	<u>297,000</u>

(b) The Company is committed to spending approximately \$1,100,000 on exploration costs by December 31, 2008 as part of the flow-through funding agreement that was completed during fiscal 2008.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTSAPRIL 30, 2008

18. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's credit risk is primarily attributable to cash equivalents, amounts receivable and restricted cash. Restricted cash consist of guaranteed investment certificate ("GIC") which have been invested with a reputable financial institution. The Company does not hold any non-bank asset backed commercial paper. Management believes the risk of loss is remote. Financial instruments included in amounts receivable consist of goods and services tax due from the Federal Government of Canada, and receivables from related and unrelated companies. The Company has a significant concentration of credit risk arising from test mining as all metal sales proceeds are receivable from one entity. The debenture receivable is from a related company, and is convertible. Management believes that the credit risk concentration with respect to these financial instruments is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at April 30, 2008, the Company did not have sufficient cash and cash equivalents to settle current liabilities of \$2,406,651. Management believes that proceeds to be received on the sale of metals from test mining will be sufficient to discharge these current liabilities.

Interest rate risk

The Company has cash balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Currently, the Company does not hedge against interest rate risk.

Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Test mining proceeds are received in US dollars and immediately converted to Canadian dollars to reduce exchange risk. Management believes the foreign exchange risk derived from currency conversions at this time are small and therefore, does not hedge its foreign exchange risk.

Price risk

The Company is exposed to price risk with respect to commodity prices, specifically nickel and copper. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future mining operations will be significantly affected by changes in the market price of nickel and copper. Nickel and copper prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand of these metals, the level of interest rates and the rate of inflation can all cause significant fluctuations in these metal prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTSAPRIL 30, 2008

18. FINANCIAL RISK FACTORS (continued)**Sensitivity analysis**

The Company has designated its cash and cash equivalents as held-for-trading, measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Restricted cash is classified as held-for-maturity and measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. Short and long term debt is classified as held-to-maturity and measured at amortized cost.

As at April 30, 2008, the carrying and fair value amounts of the Company's financial instruments are the same.

The Company carries short-term debt on which interest is payable on a fixed rate which is not sensitive to fluctuations in the prime rate

The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.