URSA Major Minerals Incorporated

(A Development Stage Company)

QUARTERLY FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JULY 31, 2009

(Unaudited)

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, 2009 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 six months ended July 31, 2009 and July 31, 2008.

URSA MAJOR MINERALS INCORPORATED
(A Development Stage Company)
BALANCE SHEETS

	July 31, 2009 $ (Unaudited)	January 31, 2009 $ (Audited)
ASSETS		
CURRENT		
Cash and cash equivalents	108,614	1,382,887
Amounts receivable	9,976	43,955
Prepaid expenses	16,805	50,267
	135,395	1,477,109
RESTRICTED CASH EQUIVALENTS (Note 3)	601,979	601,979
DUE FROM RELATED COMPANY (Note 4)	164,978	143,184
EQUIPMENT (Note 5)	150,966	144,469
INVESTMENTS (Note 6)	138,435	528,408
EXPLORATION AND DEVELOPMENT PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Note 7)	16,988,988	16,951,445
	18,180,741	19,846,594
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	868,055	2,111,447
ASSET RETIREMENT OBLIGATION (Note 9)	364,307	351,987
FUTURE INCOME TAX LIABILITY	1,091,400	1,189,400
	2,323,762	3,652,834
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 11(b))	18,994,199	18,994,200
SHARE PURCHASE WARRANTS (Note 12)	12,295	12,295
CONTRIBUTED SURPLUS (Note 13)	3,403,791	3,403,791
ACCUMULATED OTHER COMPREHENSIVE LOSS	(1,015,190)	(944,631)
DEFICIT	(5,538,116)	(5,271,895)
	15,856,979	16,193,760
	18,180,741	19,846,594

COMMITMENTS AND CONTINGENCIES (Notes 1, 3, 7, 9 and 16)

URSA MAJOR MINERALS INCORPORATED
(A Development Stage Company)

STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited)

	Three Months Ended July 31		Six Months Ended July 31	
	2009 $	2008 $	2009 $	2008 $
INTEREST INCOME	734	12,308	4,170	21,745
EXPENSES				
Management fees and directors compensation	61,346	28,923	108,923	115,346
Office and general	52,457	28,850	94,141	70,509
Professional fees	34,647	55,108	60,415	73,809
Business development	12,388	31,780	28,433	59,072
Salaries and benefits	18,929	16,882	38,719	33,379
Bank charges and interest	13,819	10,829	27,738	21,183
Shareholder information	20,518	23,097	23,020	23,097
Stock exchange and transfer agent fees	4,146	3,384	22,580	28,015
Travel	13,622	15,229	21,123	34,846
General exploration	7,500	-	14,628	750
Write down of exploration property	-	24,671	-	24,671
Foreign exchange	-	(485)	(12,867)	(390)
Amortization	7,276	4,336	14,552	7,869
	246,648	242,604	441,405	492,156
Loss before undernoted	(245,914)	(230,296)	(437,235)	(470,411)
Gain (loss) on sale of investments	-	(15,996)	73,014	(15,996)
(Loss) before income taxes	(245,914)	(246,292)	(364,221)	(486,407)
Future income tax recovery	82,900	65,000	98,000	135,000
NET (LOSS) FOR THE PERIOD	(163,014)	(181,292)	(266,221)	(351,407)
Net (loss) per common share basic and diluted	(0.004)	(0.01)	(0.01)	(0.01)
Weighted average number of shares outstanding - basic and diluted	44,088,776	32,210,915	44,088,776	32,212,372
COMPREHENSIVE LOSS				
Net (loss) for the period	(163,014)	(181,292)	(266,221)	(351,407)
Realized gain on available-for-sale investments included in net (loss)	-	25,245	(47,487)	25,245
Unrealized (loss) on available-for-sale investments	(23,072)	(585,001)	(23,072)	(1,421,415)
Comprehensive (loss) for the period	(186,086)	(741,048)	(336,780)	(1,747,577)

See accompanying notes to the unaudited financial statements

STATEMENTS OF DEFICIT AND ACCUMULATED OTHER COMPREHENSIVE LOSS

(Unaudited)

	Three Months Ended July 31 2009 $	Three Months Ended July 31 2008 $	Six Months Ended July 31 2009 $	Six Months Ended July 31 2008 $
DEFICIT				
Deficit, beginning of period	(5,375,102)	(3,420,376)	(5,271,895)	(3,250,261)
Net (loss) for the period	(163,014)	(181,292)	(266,221)	(351,407)
Deficit, end of period	(5,538,116)	(3,601,668)	(5,538,116)	(3,601,668)
ACCUMULATED OTHER COMPREHENSIVE LOSS				
Balance, beginning of period	(992,118)	(1,480,924)	(944,631)	(644,510)
Change in unrealized (loss) on available-for-sale investments	(23,072)	(559,756)	(70,559)	(1,396,170)
Balance, end of period	(1,015,190)	(2,040,680)	(1,015,190)	(2,040,680)

STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended July 31 2009 $	Three Months Ended July 31 2008 $	Six Months Ended July 31 2009 $	Six Months Ended July 31 2008 $
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (loss) for the period	(163,014)	(181,292)	(266,221)	(351,407)
Items not involving cash:				
Amortization	7,276	4,336	14,552	7,869
(Gain) loss on sale of investments	-	15,996	(73,014)	15,996
Write down of exploration property	-	24,671	-	24,671
Income tax (recovery)	(82,900)	(65,000)	(98,000)	(135,000)
	(238,638)	(225,960)	(422,683)	(462,542)
Changes in non-cash working capital balances:				
Amounts receivable	(9,976)	(23,080)	33,979	2,889
Prepaid expenses	22,405	13,655	33,462	21,049
Amounts due from related company	(18,735)	(2,000)	(21,794)	(12,000)
Debenture receivable	-	-	-	(500,000)
Accounts payable and accrued liabilities	122,164	447,618	(1,243,392)	696,041
	115,858	436,193	(1,197,745)	207,979
	(122,780)	210,233	(1,620,428)	(254,563)
CASH FLOWS FROM INVESTING ACTIVITIES				
(Increase) decrease in exploration properties and deferred exploration costs	(134,550)	(396,459)	(25,223)	648,490
(Increase) in investments	-	(26,152)	-	(74,280)
Proceeds on sale of investments	-	-	392,428	-
(Increase) in restricted cash	-	-	-	(100,000)
Increase (decrease) in debenture payable	-	196,000	-	(383,000)
Purchase of equipment	(20,526)	(15,488)	(21,050)	(63,181)
	(155,076)	(242,099)	346,155	28,029
CASH FLOWS FROM FINANCING ACTIVITIES				
Stock options exercised	-	-	-	17,500
Common shares repurchased	-	(53,959)	-	(77,801)
	-	(53,959)	-	(60,301)
Decrease in cash and cash equivalents	(277,856)	(85,825)	(1,274,273)	(286,835)
Cash and cash equivalents, beginning of period	386,470	313,161	1,382,887	514,171
Cash and cash equivalents, end of period	108,614	227,336	108,614	227,336
Supplemental Information;				
Cash, end of period	88,614	207,336	88,614	207,336
Cash equivalents, end of period	20,000	20,000	20,000	20,000
Interest paid	-	-	13,601	34,520

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. 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. 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. Such adjustments could be material.

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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, 2009 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, 2009 may not be indicative of the results that may be expected for the full year ending January 31, 2010.

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:

ACCOUNTING POLICY CHANGES

Goodwill and Intangible Assets

The CICA issued Handbook Section 3064 "Goodwill and Intangible Assets", which will replace the existing Goodwill and Intangible Asset standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The Company adopted this standard on February 1, 2009.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company is continually evaluating its counterparties and their credit risks.

Mining Exploration Costs

On March 27, 2009 the EIC issued EIC-174. In this EIC the Committee reached a consensus that an enterprise that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company has adopted EIC-174.

FUTURE ACCOUNTING CHANGES

Business Combinations

CICA Handbook Section 1582 "Business Combinations", replaces Section 1581 - "Business Combinations" and provides the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3 - Business Combinations. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. The Company will adopt this standard on January 1, 2011.

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2. ACCOUNTING POLICIES (continued)

Consolidations and Non-Controlling Interests
CICA Handbook Sections 1601 "Consolidations" and Section 1602 "Non-Controlling Interests" replace Section 1600 "Consolidated Financial Statements". Section 1602 provides the Canadian equivalent to International Accounting Standard 27 - "Consolidated and Separate Financial Statements", for non-controlling interests. The Company will adopt this standard on January 1, 2011.

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. RESTRICTED CASH EQUIVALENTS

The Company has guaranteed by pledge of a guaranteed investment certificates ("GIC") an irrevocable standby letter of credit for $601,979. to the Ministry of Northern Development and Mines ("MNDN") as a financial assurance guarantee in connection with the Shakespeare Project closure plan for stage one mining.

4. DUE FROM RELATED COMPANY

The amount due from related company is unsecured, non-interest bearing with no fixed terms of repayment. A director of the Company is also a director of the related company.

5. EQUIPMENT

	Cost	Accumulated Amortization	Net
	$	$	$
Computer Equipment	11,132	5,937	5,195
Vehicles	47,929	29,643	18,286
Office furniture and equipment	2,247	627	1,620
Equipment	179,897	54,032	125,865
	241,205	90,239	150,966

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6. INVESTMENTS

During the six months ended July 31, 2009 the Company sold 118,355 common shares of Richmont Mines Inc ("Richmont") a TSX listed company for gross proceeds of $392,428.

The Company owns 4,614,500 common shares 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 July 31, 2009 $	Quoted market value at Jan. 31, 2009 $
Richmont -common shares	-	366,900
Nyah -common shares	138,435	161,508
	138,435	528,408

7. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

2009	January 31, Opening $	Expenditures (Write Downs) $	(Test Mining) (Receipts) $	July 31, Closing $
CANADA - Ontario				
Shakespeare Township (i)	13,545,103	647,155	(712,491)	13,479,767
Stumpy Bay Option	730,866	-	-	730,866
Porter Baldwin	1,218,402	20,253	-	1,238,655
Porter Option	227,730	-	-	227,730
Nickel Offsets Option	52,656	45,303	-	97,959
Shining Tree	1,157,338	1,700	-	1,159,038
Seagull and Disraeli	19,350	35,623	-	54,973
	16,951,445	750,034	(712,491)	16,988,988

(i) During the six month period, the Company received pre-production cash proceeds of $712,491 for metals produced from pre-production mining in the fall of 2008 and further ore shipments in spring and early summer of 2009. 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.

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, Ontario. 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.

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7. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

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, Ontario. 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 located in Foy township north west of Sudbury, Ontario. Consideration for the option consists 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 agreement, March 4, 2008.

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

Seagull and Disraeli
The Company has staked approximately 367 claim units located in the Thunder Bay Mining Division of Ontario. The claims are 100% owned by the Company.

8. ACCOUNTS PAYABLE

Per discussions with certain suppliers, the Company has negotiated the option to settle certain outstanding payables aggregating $440,073 in cash or common shares of the Company. These amounts are due on or before December 15, 2009.

9. 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 3).

As at July 31, 2009 the net present value of the total asset retirement obligation related to the Shakespeare Project Closure Plan is estimated to be $364,307 based on an estimated future liability of $601,979 and a 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:

	Amount $
Balance, beginning of period	351,987
Accretion incurred in the current period	12,320
Balance, end of period	364,307

10. 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

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10 MANAGING CAPITAL (continued)

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.

The capital structure of the company consists of equity comprised of capital stock, warrants and contributed surplus.

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 six months ended July 31, 2009.

11. CAPITAL STOCK

(a) Authorized

Unlimited number of Common shares

(b) Common Shares issued

	Shares	Amount
	#	$
Balance, beginning and end of period	32,205,280	18,994,200

(c) Stock - Based Compensation

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. The maximum number of options to be issued under the plan shall not exceed 10% of the total number of common shares issued and outstanding.

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

	Stock Options	Weighted Average Exercise Price
	#	$
Balance, beginning of period	1,310,000	0.88
Expired	(640,000)	0.93
Balance, end of period	670,000	0.84

As at July 31, 2009, the Company had incentive stock options issued to employees, directors, officers and consultants of the Company as follows:

Stock Options	Exercise Price	Expiry Date
#	$	
105,000	0.95	September 7, 2009
145,000	0.65	November 7, 2010
245,000	0.85	March 30, 2011
175,000	0.91	April 9, 2012
670,000		

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12. SHARE PURCHASE WARRANTS

As at July 31, 2009 the following share purchase warrants are outstanding:

Warrants	Exercise Price	Estimated Fair Value	Expiry Date
#	$	$	
409,822	0.07	12,295	June 30, 2010

A summary of changes in share purchase warrants during the period ended July 31, 2009 is as follows:

	Warrants	Weighted Average Exercise Price
	#	$
Balance, begriming and end of period	409,822	0.07

13. CONTRIBUTED SURPLUS

A summary of changes in contributed surplus during the period ended July 31, 2009 is as follows:

	Amount
	$
Balance, beginning and end of period	3,403,791

14. RELATED PARTY TRANSACTIONS

See Notes 4, and 6.

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.

15. COMPARATIVE FIGURES

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

16. 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 $444,000. Minimum rental commitments for the successive fiscal years approximate:

	Amount
	$
Fiscal 2010 (Remaining)	61,000
Fiscal 2011	123,000
Fiscal 2012	124,000
Fiscal 2013	126,000
Fiscal 2014	10,000
	444,000

(b) The Company is committed to spending approximately $315,000 on exploration costs by December 31, 2009 as part of the flow-through funding agreement that was completed during 2008.

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17. 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, due from related party and restricted cash. Restricted cash consists of a guaranteed investment certificate ("GIC") which have been invested with a reputable Canadian 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 unrelated companies. The Company has a significant concentration of credit risk arising from its test mining program as all metal sales proceeds are receivable from one entity. Management believes that the risk of a material loss 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 July 31, 2009, the Company did not have sufficient cash and cash equivalents to settle current liabilities of $868,055. The Company will require additional financing to fund working capital requirements and ongoing exploration and development activities.

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.

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17. FINANCIAL RISK FACTORS (continued)

Financial Instruments

The Company has designated its cash and cash equivalents as held-for-trading, measured at fair value. Amounts receivable and due from related company are classified as loans and receivables, which are measured at amortized cost. Investments are designated as available-for-sale, measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The carrying value of cash equivalents, amounts receivable, restricted cash equivalents and accounts payable and accrued liabilities reflected in the balance sheet approximate fair value because of the limited term of these instruments.

The carrying values of Investments approximate their fair values as the investments have been adjusted to current market value.

The fair value of amounts due from a related company cannot be determined as no comparable market information exists.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve-month period:

(i) The Company's investments are subject to fair value fluctuations. As at July 31, 2009, if the fair value of the investments had decreased/increased by 25% with all other variables held constant, comprehensive loss for the quarter ended July 31, 2009 would have been approximately $35,000 higher/lower.

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