URSA Major
Minerals Incorporated
(A Development Stage Company)

QUARTERLY FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED OCTOBER 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 nine months ended October 31, 2009 and October 31, 2008.

BALANCE SHEETS

	October 31, 2009 $ (Unaudited)	January 31, 2009 $ (Audited)
ASSETS		
CURRENT		
Cash and cash equivalents	237,766	1,382,887
Amounts receivable	13,618	43,955
Prepaid expenses	11,599	50,267
	262,983	1,477,109
RESTRICTED CASH EQUIVALENTS (Note 3)	601,979	601,979
DUE FROM RELATED COMPANY (Note 4)	165,184	143,184
EQUIPMENT (Note 5)	140,757	144,469
INVESTMENTS (Note 6)	204,225	528,408
EXPLORATION AND DEVELOPMENT PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Note 7)	17,217,373	16,951,445
	18,592,501	19,846,594
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	913,338	2,111,447
ASSET RETIREMENT OBLIGATION (Note 9)	370,466	351,987
FUTURE INCOME TAX LIABILITY	985,900	1,189,400
	2,269,704	3,652,834
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 11(b))	19,342,625	18,994,200
SHARE PURCHASE WARRANTS (Note 12)	129,795	12,295
CONTRIBUTED SURPLUS (Note 13)	3,501,791	3,403,791
ACCUMULATED OTHER COMPREHENSIVE LOSS	(816,900)	(944,631)
DEFICIT	(5,834,514)	(5,271,895)
	16,322,797	16,193,760
	18,592,501	19,846,594

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

STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended October 31		Nine Months Ended October 31	
	2009 $	2008 $	2009 $	2008 $
INTEREST INCOME	13	11,860	4,183	33,605
EXPENSES				
Management fees and directors compensation	66,154	35,077	175,077	150,423
Office and general	47,177	25,153	141,318	95,662
Stock based compensation	98,000	-	98,000	-
Professional fees	33,279	9,646	93,694	83,455
Salaries and benefits	17,580	15,061	56,299	48,440
Business development	8,000	18,463	36,433	77,535
Shareholder information	12,529	783	35,549	23,880
Bank charges and interest	503	6,868	28,241	28,051
Travel	6,314	9,984	27,437	44,830
Stock exchange and transfer agent fees	752	8,158	23,332	36,173
General exploration	-	232	14,628	982
Write down of exploration property	-	710,911	-	735,582
Foreign exchange	-	37,161	(12,867)	36,771
Amortization	10,208	8,332	24,760	16,201
	300,496	885,829	741,901	1,377,985
Loss before undernoted	(300,483)	(873,969)	(737,718)	(1,344,380)
Gain (loss) on sale of investments	(101,415)	(38,553)	(28,401)	(54,549)
(Loss) before income taxes	(401,898)	(912,522)	(766,119)	(1,398,929)
Future income tax recovery	105,500	45,000	203,500	180,000
NET (LOSS) FOR THE PERIOD	(296,398)	(867,522)	(562,619)	(1,218,929)
Net (loss) per common share basic and diluted	(0.01)	(0.03)	(0.01)	(0.04)
Weighted average number of shares outstanding - basic and diluted	45,088,776	34,150,787	44,422,109	32,869,844
COMPREHENSIVE LOSS				
Net (loss) for the period	(296,398)	(867,522)	(562,619)	(1,218,929)
Realized gain on available-for-sale investments included in net (loss)	116,600	54,510	69,114	29,265
Unrealized gain (loss) on available-for-sale investments	81,690	(713,623)	58,617	(2,084,548)
Comprehensive (loss) for the period	(98,108)	(1,526,635)	(434,888)	(3,274,212)

(A Development Stage Company)

STATEMENTS OF DEFICIT AND ACCUMULATED OTHER COMPREHENSIVE LOSS

(Unaudited)

	Three Months Ended October 31		Six Months Ended October 31	
	2009	2008	2009	2008
	$	$	$	$
DEFICIT				
Deficit, beginning of period	(5,538,116)	(3,601,668)	(5,271,895)	(3,250,261)
Net (loss) for the period	(296,398)	(867,522)	(562,619)	(1,218,929)
Deficit, end of period	(5,834,514)	(4,469,190)	(5,834,514)	(4,469,190)
ACCUMULATED OTHER COMPREHENSIVE LOSS				
Balance, beginning of period	(992,118)	(2,040,680)	(944,631)	(644,510)
Change in unrealized (loss) on available-for-sale investments	198,290	(559,756)	127,731	(2,055,283)
Balance, end of period	(793,828)	(2,600,436)	(816,900)	(2,699,793)

URSA MAJOR MINERALS INCORPORATED
(A Development Stage Company)

STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended October 31 2009 $	Three Months Ended October 31 2008 $	Six Months Ended October 31 2009 $	Six Months Ended October 31 2008 $
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (loss) for the period	(296,398)	(867,522)	(562,619)	(1,218,929)
Items not involving cash:				
Amortization	10,208	8,332	24,760	16,201
Loss on sale of investments	101,415	38,553	28,401	54,549
Write down of exploration property	-	710,911	-	735,582
Income tax (recovery)	(105,500)	(50,717)	(203,500)	(185,717)
Stock-based compensation	98,000	-	98,000	-
	(192,275)	(160,443)	(614,958)	(598,314)
Changes in non-cash working capital balances:				
Amounts receivable	(3,642)	26,390	30,337	29,279
Prepaid expenses	5,206	(4,540)	38,668	16,509
Amounts due from related company	(206)	(86,565)	(22,000)	(98,565)
Debenture receivable	-	-	-	(500,000)
Accounts payable and accrued liabilities	45,283	1,256,636	(1,198,109)	1,952,677
	46,641	1,191,921	(1,151,104)	1,399,900
	(145,634)	1,031,478	(1,766,062)	801,586
CASH FLOWS FROM INVESTING ACTIVITIES				
(Increase) decrease in exploration properties and deferred exploration costs	(222,226)	(1,275,921)	(247,449)	(652,102)
(Increase) in investments	-	(5,681)	-	(79,961)
Proceeds on sale of investments	31,087	-	423,515	-
(Increase) in restricted cash	-	-	-	(100,000)
Increase (decrease) in debenture payable	-	163,000	-	(220,000)
Purchase of equipment	-	(87,948)	(21,050)	(151,129)
	(191,139)	(1,206,550)	155,016	(1,203,192)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of flow-through common shares	400,000	-	400,000	-
Issuance of warrants	100,000	-	100,000	-
Stock options exercised	-	17,000	-	34,500
Share issue costs	(34,075)	-	(34,075)	-
Common shares repurchased	-	(22,755)	-	(100,556)
	465,925	(5,755)	465,925	(66,056)
Decrease in cash and cash equivalents	129,152	(180,827)	(1,145,121)	(467,662)
Cash and cash equivalents, beginning of period	108,614	227,336	1,382,887	514,171
Cash and cash equivalents, end of period	237,766	46,509	237,766	46,509
Supplemental Information;				
Cash, end of period	217,766	26,509	217,766	26,509
Cash equivalents, end of period	20,000	20,000	20,000	20,000
Interest paid	-	65,000	-	99,520

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. 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 nine months ended October 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	6,576	4,556
Vehicles	47,929	31,977	15,952
Office furniture and equipment	2,247	696	1,551
Equipment	179,897	61,199	118,698
	241,205	100,448	140,757

6. INVESTMENTS

During the nine months ended October 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 4,084,500 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 October 31, 2009	Quoted market value at Jan. 31, 2009
	$	$
Richmont -common shares	-	366,900
Nyah -common shares	204,225	161,508
	204,225	528,408

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7. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

2009	January 31, Opening	Expenditures (Write Downs)	(Test Mining) (Receipts)	October 31, Closing
	$	$	$	$
CANADA - Ontario				
Shakespeare Township (i)	13,545,103	818,892	(744,598)	13,619,397
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	134,426	-	187,082
Shining Tree	1,157,338	1,699	-	1,159,037
Seagull and Disraeli	19,350	35,256	-	54,606
	16,951,445	1,010,526	(744,598)	17,217,373

(i) During the first seven months of the fiscal year, the Company received pre-production cash proceeds of $744,598 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.

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.

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7. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

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 October 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	18,479
Balance, end of period	370,466

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 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 nine months ended October 31, 2009.

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11. CAPITAL STOCK

(a) **Authorized**

Unlimited number of Common shares

(b) **Common Shares issued**

	Shares	Amount
	#	$
Balance, beginning of period	32,205,280	18,994,200
Flow through common shares issued	5,000,000	400,000
Share issue costs	-	(51,575)
Balance, end of period	37,205,280	19,342,625

(i) During the period the Company completed two private placement issuing a total of 5,000,000 units at a price of $0.10 per unit, for aggregate gross proceeds of $500,000. Each Unit is comprised of one flow through common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share up to 12 months after closing at a price of $0.20 per share. The warrants were valued at $100,000. An additional 350,000 warrants were issued as compensation related to these private placements. These warrants were valued at $17,500 (Note12) .

(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
Granted	1,400,000	0.12
Expired	(860,000)	0.93
Balance, end of period	1,850,000	0.29

Continued...

11. CAPITAL STOCK (continued)

(c) Stock - Based Compensation (continued)

As at October 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
#	$	
145,000	0.65	November 7, 2010
180,000	0.85	March 30, 2011
125,000	0.85	April 9, 2012
1,400,000	0.12	September 28, 2014
1,850,000		

(i) The estimated fair v alue of the 1,400,000 options granted during the period ended October 31, 2009 is $98,000. This was calculated using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield 0%, expected volatility 98%, risk-free interest rate 2.00% and an expected life of 5.00 years. Employees, directors and officers receiv ed 1,250,000 of the options granted. The Black-Scholes option pricing model was developed for use in estimating the value of traded options that have no vesting restrictions and are fully transferable. Because the Company's stock-based compensation options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the estimate, in management's opinion, amounts estimated using the Black-Scholes option pricing model may differ materially to the actual fair value of the Company's stock-based compensation options.

12. SHARE PURCHASE WARRANTS

As at October 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
210,000	0.10	10,500	September 28, 2010
1,500,000	0.20	60,000	September 28, 2010
140,000	0.10	7,000	October 30, 2010
1,000,000	0.20	40,000	October 30, 2010
3,259,822		129,795	

(i) The estimated fair v alue of the warrants issued during the quarter ended October 31, 2009 was calculated using the Black-Scholes valuation model with the following assumptions: expected dividend yield 0%, expected average volatility 166%, average risk free interest rate 3.0% and an expected average life of twelve months.

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

	Warrants	Weighted Average Exercise Price
	#	$
Balance, begriming of period	409,822	0.07
Warrants issued	2,850,000	0.19
Balance, end of period	3,259,822	0.17

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13. CONTRIBUTED SURPLUS

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

	Amount $
Balance, beginning of period	3,403,791
Stock-based compensation	98,000
Balance, end of period	3,501,791

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 $414,000. Minimum rental commitments for the successive fiscal years approximate:

	Amount $
Fiscal 2010 (Remaining)	31,000
Fiscal 2011	123,000
Fiscal 2012	124,000
Fiscal 2013	126,000
Fiscal 2014	10,000
	414,000

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.

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17. FINANCIAL RISK FACTORS (continued)

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 October 31, 2009, the Company did not have sufficient cash and cash equivalents to settle current liabilities of $913,337. 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.

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.

Continued...

17. FINANCIAL RISK FACTORS (continued)

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 October 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 October 31, 2009 would have been approximately $51,000 higher/lower.

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