URSA Major Minerals Incorporated

(A Development Stage Company)

QUARTERLY FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED APRIL 30, 2010 and 2009
(Unaudited)

NOTICE TO SHAREHOLDERS

URSA MAJOR MINERALS INCORPORATED
(A Development Stage Company)

QUARTERLY FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED APRIL 30, 2009

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, 2010 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, 2010 and April 30, 2009.

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

	April 30, 2010 $ (Unaudited)	January 31, 2010 $ (Audited)
ASSETS		
CURRENT		
Cash and cash equivalents	513,304	31,741
Amounts receivable	71,993	12,095
Prepaid expenses	296,095	39,395
	881,392	83,231
RESTRICTED CASH EQUIVALENTS (Note 3)	601,979	601,979
DUE FROM RELATED COMPANY (Note 4)	233,501	159,150
EQUIPMENT (Note 5)	137,660	131,820
INVESTMENT (Note 6)	10,000	-
EXPLORATION AND DEVELOPMENT PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Note 7)	18,091,672	17,617,586
	19,956,204	18,593,766
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	1,294,555	760,549
ASSET RETIREMENT OBLIGATION (Note 8)	383,217	376,626
FUTURE INCOME TAX LIABILITY	837,200	969,200
	2,514,972	2,106,375
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 9)	20,543,825	19,617,517
SHARE PURCHASE WARRANTS (Note 10)	345,073	129,795
CONTRIBUTED SURPLUS (Note 11)	3,515,291	3,501,791
DEFICIT	(6,962,957)	(6,761,712)
	17,441,232	16,487,391
	19,956,204	18,593,766

Commitments and Contingencies (Notes 1, 3, 7, 8, and 14)

See accompanying notes to the unaudited financial statements.

URSA MAJOR MINERALS INCORPORATED
(A Development Stage Company)
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED APRIL 30, 2010

	2010 (Unaudited) $	2009 (Unaudited) $
INTEREST INCOME	10,510	3,436
EXPENSES		
Consulting fees	70,000	-
Management and directors' compensation	61,346	47,577
Credit facility fees	58,293	-
Office and general	42,354	41,684
Stock exchange and transfer agent fees	20,428	18,434
Professional fees	18,276	25,768
Salaries and benefits	17,441	19,790
Travel	13,815	7,501
Stock-based compensation	13,500	-
Business development	11,895	16,045
Bank charges and interest	6,445	13,919
Shareholder information	4,914	2,502
General exploration	-	7,128
Foreign exchange	(2,685)	(12,867)
Amortization	7,733	7,276
	343,755	194,757
Loss before undernoted	(333,245)	(191,321)
Gain on sale of available-for-sale investments	-	73,014
(Loss) before income taxes	(333,245)	(118,307)
Future Income tax recovery	132,000	15,100
NET (LOSS) FOR THE PERIOD	(201,245)	(103,207)
Net (loss) per common share - basic and diluted	0.00	0.00
Weighted average number of shares outstanding - basic and diluted	63,103,305	44,088,776
COMPREHENSIVE (LOSS)		
Net (loss) for the period	(201,245)	(103,207)
Unrealized (loss) on available-for-sale investments	-	(47,487)
Comprehensive (loss)	(201,245)	(150,694)

See accompanying notes to the unaudited financial statements.

URSA MAJOR MINERALS INCORPORATED

(A Development Stage Company)

STATEMENTS OF DEFICIT AND ACCUMULATED OTHER COMPREHENSIVE LOSS

FOR THE THREE MONTHS ENDED APRIL 30, 2010

	2010 (Unaudited) $	2009 (Unaudited) $
DEFICIT		
Deficit, beginning of period	(6,761,712)	(5,271,895)
Net (loss) for the period	(201,245)	(103,207)
Deficit, end of period	(6,962,957)	(5,375,102)
ACCUMULATED OTHER COMPREHENSIVE (LOSS)		
Balance, beginning of period	-	(944,631)
Realized gain included in net (loss)	-	(47,487)
Balance, end of period	-	(992,118)

See accompanying notes to the unaudited financial statements.

(A Development Stage Company)

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED APRIL 30, 2010

	2010 $ (Unaudited)	2009 $ (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) for the period	(201,245)	(103,207)
Items not involving cash:		
Amortization	7,733	7,276
Stock-based compensation	38,500	-
Stock-based compensation received	(10,000)	-
Write down of exploration properties and deferred exploration expenditure	-	(73,014)
Income tax (recovery) expense	(132,000)	(15,100)
	(297,012)	(184,045)
Changes in non-cash working capital balances:		
(Increase) decrease in amounts receivable	(59,898)	43,955
(Increase) decrease in prepaid expenses	(256,700)	11,057
(Increase) in amounts due from related company	(74,351)	(3,059)
Increase (decrease) in accounts payable and accrued liabilities	534,006	(1,365,556)
	143,057	(1,313,603)
	(153,955)	(1,497,648)
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in exploration properties and deferred exploration costs	(467,495)	109,327
Purchase of equipment	(13,573)	(524)
Proceeds on sale of investments	-	392,428
	(481,068)	501,231
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common shares	584,000	-
Issuance of flow-through common shares	489,640	-
Issuance of common share purchase warrants	146,000	-
Share issue costs	(103,054)	-
	1,116,586	-
(Decrease) in cash and cash equivalents	481,563	(996,417)
Cash and cash equivalents, beginning of period	31,741	1,382,887
Cash and cash equivalents, end of period	513,304	386,470
Supplemental Information:		
Cash, end of period	493,304	366,470
Cash equivalents, end of period	20,000	20,000
Cash and cash equivalents, end of period	513,304	386,470
Share purchase warrants issued for share issue costs	44,278	-
Interest paid	-	13,601

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 Township property is at a limited production mining stage with a completed feasibility study and as such an 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 or will be 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, 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. 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, 2010 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, 2010 may not be indicative of the results that may be expected for the full year ending January 31, 2011.

These interim financial statements follow the same methods and policies used in the audited financial statements for the year ended January 31, 2010, except for the following:

ACCOUNTING POLICY CHANGES

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 February 1, 2011.

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 February 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 certificate ("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 Stage On Mining Closure Plan on the Shakespeare Project (See Note 8).

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4. DUE FROM RELATED COMPANY

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

5. EQUIPMENT

	Cost	Accumulated Amortization	Net
	$	$	$
Computer equipment	11,131	7,325	3,806
Vehicles	47,929	34,601	13,328
Office furniture and equipment	2,247	860	1,387
Equipment	193,470	74,331	119,139
	254,777	117,117	137,660

6. INVESTMENT

The Company received as an interest payment on advances made to related company (Note 4) 125,000 common shares of Auriga Gold Corp. ("Auriga") valued at $10,000. Auriga is a public company that currently does not trade on a prescribed stock exchange. A director and officer of the Company is also a director and officer of Auriga.

7. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

2010	January 31, Opening	Expenditures	Pre-production Receipts	April 30, Closing
	$	$	$	$
Ontario Canada				
Shakespeare Township (i)	13,763,910	1,515,365	(1,101,512)	14,177,763
Stumpy Bay Option	730,866	30,000	-	760,866
Porter Baldwin	1,241,547	4,021	-	1,245,568
Porter Option	251,730	-	-	251,730
Nickel Offsets Option	415,889	26,212	-	442,101
Shining Tree	1,159,038	-	-	1,159,038
Seagull and Disraeli	54,606	-	-	54,606
	17,617,586	1,575,598	(1,101,512)	18,091,672

Shakespeare Township

The Company has earned a 100% interest in the Shakespeare Project after issuing 350,000 common shares and completing $1,200,000 in exploration expenditures under an option agreement with Xstrata Nickel, a business unit of Xstrata Canada Corporation ("Xstrata"). 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 28 leased and patented claims plus additional staked claims. Xstrata has retained a 1.5% Net Returns Royalty and certain mineral processing rights.

Continued...

7. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

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, 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.

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.

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 northwest of Sudbury, Ontario. Consideration for the option consist of cash payments of $75,000 (paid), the issuance of 100,000 common shares of the Company (issued subsequent to April 2010) and an exploration expenditure commitment of $1,250,000 over a period of three years from the date of the formal agreement, March 28, 2012.

Seagull and Disraeli

The Company has staked mining claims in the Thunder Bay Mining division approximately 50 km north of the city of thunder Bay Ontario. The properties know as the Seagull and Disraeli properties are 100% owned by the Company.

8. 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 the Stage One Mining Closure Plan on the Shakespeare Project (See Note 3).

As at April 30, 2010 the net present value of the total asset retirement obligation related to the Shakespeare Project Closure Plan is estimated to be $383,217 based on an estimated total future liability of $601,979 and an estimated 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	376,626
Accretion incurred in the current period	6,591
Balance, end of period	383,217

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9. CAPITAL STOCK

(a) **Authorized**:
Unlimited number of common shares

(b) **Common shares issued**:

		Shares	Amount
		#	$
Balance, beginning of period		53,215,416	19,617,517
Flow-through shares issued	(i)	4,363,668	489,640
Common shares issued	(i)	7,300,000	584,000
Share issue costs		-	(147,332)
Balance, end of period		64,879,084	20,543,825

(i) During the quarter ended April 30, 2010, the Company completed two private placements. The Company issued in total 4,363,668 flow-through common shares and 7,300,000 units for total gross proceeds of $1,219,640. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share for a period of 24 months at a price of $0.15 per share. The warrants were valued at 146,000 (Note 10). An additional 619,200 warrants exercisable into common shares at a price of $0.10 for a period of 24 months and 266,367 warrants exercisable into common shares at $0.12 for a period of 24 months were issued as compensation related to these private placements. These warrants were valued at $30,960 and $13,318 respectively (Note 10).

(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:

	Stock Options	Weighted Average Exercise Price
	#	$
Balance, beginning of period	1,850,000	0.29
Granted	150,000	0.12
Balance, end of period	2,000,000	0.27

As at April 30, 2010, 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	0.91		April 9, 2012
1,400,000	0.12		September 28, 2014
150,000	0.12	(i)	March 18, 2015
2,000,000			

Continued...

(c) **Stock Options** (continued):

(i) The estimated fair v alue of the 150,000 options granted during the period ended April 30, 2010 is $13,500. This was calculated using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield 0%, expected volatility 100%, risk-free interest rate 3.00% and an expected life of 5.00 years. Employees, directors and officers received none 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.

10. SHARE PURCHASE WARRANTS

As at April 30, 2010 the following share purchase warrants are outstanding:

Warrants		Exercise Price	Estimated Fair Value at date of Grant		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
3,650,000		0.15	146,000	(i)	February 9, 2012
619,200		0.10	30,960	(i)	February 9, 2012
500,000		0.12	25,000	(i)	July 2, 2011
266,367		0.12	13,318	(i)	March 31, 2011
8,295,389			345,073		

(i) The estimated grant date fair v alue of the warrants issued during the period ended April 30, 2010 was calculated using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield 0%, expected volatility 100%, risk free interest rate 3.00% and an expected average life of 22 months.

A summary of changes in share purchase warrants during the period ended April 30, 2010 is as follows:

	Warrants	Value	Weighted Average Exercise Price
	#	$	$
Balance, begriming of period	3,259,822	129,795	0.17
Issued	5,035,567	215,278	0.14
Balance, end of period	8,295,389	345,073	0.15

Continued...

11. CONTRIBUTED SURPLUS

A summary of changes in contributed surplus during the period ended April 30, 2010 is as follows:

	Amount $
Balance, beginning and end of period	3,501,791
Stock-based compensation	13,500
Balance, end of period	3,515,291

12. 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 period ended April 30, 2010.

13. 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.

14. COMMITMENTS AND CONTINGENCIES

(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 $474,000. Minimum rental commitments for future fiscal years approximate:

	Amount $
Fiscal 2011 (remaining)	92,000
Fiscal 2012	124,000
Fiscal 2013	126,000
Fiscal 2014	10,000
	352,000

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14 COMMITMENTS AND CONTINGENCIES (continued)

(b) The Company is committed to spending approximately $500,000 on exploration costs by December 31, 2010 and $490,000 by December 31, 2011 as part of the flow-through funding agreements that were completed during fiscal 2010 and 2011 .

(c) The Company arranged a credit facility with Auramet Trading LLC ("Auramet") to assist in financing the Company's metal inventory and receivables associated with ore produced from the Shakespeare mine. The total amount of the facility is US$2,500,000. The facility has an initial term of one year and is renewable annually. The credit facility is secured by in process metals and receivables. As part of the set up fee Auramet received 500,000 warrants which are exercisable at $0.12 on or before July 2, 2011. These warrants were valued at $25,000 (Note 10).

(d) The Company's mining and exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

15. FINANCIAL RISK FACTORS

There have been no changes to the risk, objectives policies and procedures from the previous period.

The Company's risk exposure 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 April 30, 2010, the Company did not have sufficient cash and cash equivalents to settle current liabilities of $1,294,555. The Company will require additional financing to fund working capital requirements and ongoing exploration and development activities.

Interest rate risk
The Company has cash and cash equivalent 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.

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15 FINANCIAL RISK FACTORS (continued)

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.

At April 30, 2010 the Company's financial instruments that are carried at fair value, consisting cash and cash equivalents and restricted cash equivalents have been classified as Level 1 within the fair value hierarchy.

The carrying value of the Investment approximates fair value as the investment has been adjusted to current market value.

The fair value of amounts due from the 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 April 30, 2010, if the fair value of the investments had decreased/increased by 25% with all other variables held constant, comprehensive loss for the quarter ended April 30, 2010 would have been approximately $2,500 higher/lower.

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