



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED

OCTOBER 31, 2011 AND 2010

(Unaudited)

(Expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of URSA Major Minerals Incorporated (the "Company" or "URSA Major") are the responsibility of the management and Board of Directors of the Company.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within the acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements as at and for the three and nine months ended October 31, 2011 have not been reviewed by the Company's auditors.

URSA MAJOR MINERALS INCORPORATED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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(UNAUDITED)
 (Expressed in Canadian Dollars)

	October 31, 2011	January 31, 2011 (Note 23)	February 1, 2010 (Note 23)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (Notes 3 and 6)	\$ 362,949	\$ 2,186,454	\$ 31,741
Amounts receivable (Notes 7 and 15)	1,626,948	2,588,487	12,095
Prepaid expenses	90,670	100,960	39,395
Inventory (Note 8)	<u>68,658</u>	<u>125,873</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>2,149,225</u>	<u>5,001,774</u>	<u>83,231</u>
NON-CURRENT ASSETS			
Restricted cash equivalents (Note 9)	646,273	646,273	601,979
Due from related company (Note 10)	66,278	17,872	159,150
Equipment (Note 11)	177,076	202,856	131,820
Investments (Note 12)	43,750	42,500	-
Mineral properties and deferred exploration expenditures (Note 13)	<u>20,135,724</u>	<u>18,547,405</u>	<u>17,645,280</u>
TOTAL ASSETS	<u>\$ 23,218,326</u>	<u>\$ 24,458,680</u>	<u>\$ 18,621,460</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities (Note 14)	\$ 3,268,731	\$ 2,648,993	\$ 760,549
NON-CURRENT LIABILITIES			
Provision for closure and reclamation (Note 16)	521,368	506,623	487,231
Deferred tax liability	<u>514,500</u>	<u>1,153,500</u>	<u>969,200</u>
TOTAL LIABILITIES	<u>4,304,599</u>	<u>4,309,116</u>	<u>2,216,980</u>
EQUITY			
Share capital (Note 17(b))	24,030,649	23,907,326	21,170,116
Share based payment reserves	4,594,664	4,054,581	3,631,586
Accumulated other comprehensive income	33,750	32,500	-
Deficit	<u>(9,745,336)</u>	<u>(7,844,843)</u>	<u>(8,397,222)</u>
TOTAL EQUITY	<u>18,913,727</u>	<u>20,149,564</u>	<u>16,404,480</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 23,218,326</u>	<u>\$ 24,458,680</u>	<u>\$ 18,621,460</u>

GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Notes 1, 9, 13, 16 and 22)
SUBSEQUENT EVENT (Note 24)

APPROVED ON BEHALF OF THE BOARD:

Signed "Richard H. Sutcliffe", Director
Signed "Amar Bhalla", Director

URSA MAJOR MINERALS INCORPORATED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE
(LOSS) INCOME
(UNAUDITED)
(Expressed in Canadian Dollars)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2011	2010 (Note 23)	2011	2010 (Note 23)
REVENUES				
Gross sales revenue	\$ <u>3,679,820</u>	\$ <u>7,271,623</u>	\$ <u>9,520,832</u>	\$ <u>8,874,311</u>
OPERATING EXPENSES				
Operating costs excluding depletion	3,826,117	6,003,797	9,403,261	7,508,211
Depletion	<u>71,862</u>	<u>92,662</u>	<u>163,471</u>	<u>137,036</u>
Total operating expenses	<u>3,897,979</u>	<u>6,096,459</u>	<u>9,566,732</u>	<u>7,645,247</u>
MINE OPERATING EARNINGS (LOSS)	<u>(218,159)</u>	<u>1,175,164</u>	<u>(45,900)</u>	<u>1,229,064</u>
EXPENSES				
Management and directors' compensation (Note 20)	107,000	48	590,075	129,356
Professional and consulting fees	79,847	35,045	681,273	156,141
Stock based compensation (Note 18(a))	10,913	-	578,414	13,500
General and administrative (Note 19)	56,792	288,990	526,536	624,881
Other losses	-	-	21,721	-
Amortization	<u>11,383</u>	<u>9,844</u>	<u>29,401</u>	<u>29,696</u>
OPERATING (LOSS) PROFIT	<u>(484,094)</u>	<u>841,237</u>	<u>(2,473,320)</u>	<u>275,490</u>
FINANCE INCOME AND EXPENSES				
Finance income	798	44,430	4,015	54,983
Finance cost	<u>(35,248)</u>	<u>(45,722)</u>	<u>(70,188)</u>	<u>(59,601)</u>
(LOSS) INCOME BEFORE INCOME TAX	<u>(518,544)</u>	<u>839,945</u>	<u>(2,539,493)</u>	<u>270,872</u>
Future income tax recovery (expense)	<u>165,000</u>	<u>(290,000)</u>	<u>639,000</u>	<u>(60,000)</u>
NET (LOSS) INCOME FOR THE PERIOD	<u>\$ (353,544)</u>	<u>\$ 549,945</u>	<u>\$ (1,900,493)</u>	<u>\$ 210,872</u>
Net (loss) earnings per common share				
- basic	\$ (0.01)	\$ 0.01	\$ (0.02)	\$ 0.00
- diluted	\$ (0.01)	\$ 0.01	\$ (0.02)	\$ 0.00
Weighted average number of shares outstanding				
- basic	79,672,901	65,379,084	79,516,740	64,052,969
- diluted	79,672,901	65,379,084	79,516,740	64,052,969
COMPREHENSIVE (LOSS) INCOME				
Net (loss) income for the period	\$ (353,544)	\$ 549,945	\$ (1,900,493)	\$ 210,872
Other comprehensive income (loss)	<u>(10,000)</u>	<u>-</u>	<u>1,250</u>	<u>-</u>
COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	<u>\$ (363,544)</u>	<u>\$ 549,945</u>	<u>\$ (1,899,243)</u>	<u>\$ 210,872</u>

URSA MAJOR MINERALS INCORPORATED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

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(UNAUDITED)
(Expressed in Canadian Dollars)

	Nine Months Ended	
	October 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income for the period	\$ (1,900,493)	\$ 210,872
Items not involving cash:		
Depletion and amortization	192,872	166,732
Other losses	21,721	-
Accretion of asset retirement obligation	14,745	14,544
Future income tax (recovery) expense	(639,000)	60,000
Stock-based compensation received	578,414	(10,000)
Stock-based compensation	-	38,500
	<u>(1,731,741)</u>	<u>480,648</u>
Changes in non-cash working capital balances:		
Decrease (increase) in amounts receivable	961,539	(2,330,848)
Decrease (increase) in prepaid expenses	10,290	(114,255)
(Increase) decrease in due from related company	(48,406)	87,006
Decrease (increase) in inventory	57,215	(89,204)
Increase in accounts payable and accrued liabilities	619,738	2,026,830
	<u>1,600,376</u>	<u>(420,471)</u>
	<u>(131,365)</u>	<u>60,177</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) in mineral properties and deferred exploration expenditures	(1,751,790)	(522,947)
(Increase) in restricted cash	-	(44,294)
Purchase of equipment	(25,342)	(106,202)
	<u>(1,777,132)</u>	<u>(673,443)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Warrants exercised	84,992	35,000
Proceeds from private placement	-	584,000
Issuance of flow-through common shares	-	489,640
Issuance of warrants	-	146,000
Share issue costs	-	(115,313)
	<u>84,992</u>	<u>1,139,327</u>
(Decrease) increase in cash and cash equivalents	(1,823,505)	526,061
Cash and cash equivalents, beginning of period	2,186,454	31,741
Cash and cash equivalents, end of period	<u>\$ 362,949</u>	<u>\$ 557,802</u>
Supplemental Information:		
Interest paid	\$ 55,443	\$ 45,057
Shares issued for property acquisition costs	\$ -	\$ 10,000
Share purchase warrants issued for financing fee	\$ -	\$ 44,278

See Accompanying Notes to the Condensed Interim Consolidated Financial Statements

URSA MAJOR MINERALS INCORPORATED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EQUITY

(UNAUDITED)
(Expressed in Canadian Dollars)

	<u>Share Capital</u>		<u>Share Based Payment Reserves</u>		<u>Accumulated other comprehensive income</u>	<u>Deficit</u>	<u>Total</u>
	<u>Number</u>	<u>Amount</u>	<u>Contributed surplus</u>	<u>Warrant reserve</u>			
Balance, February 1, 2010	53,215,419	\$ 21,170,116	\$ 3,501,791	\$ 129,795	\$ -	\$ (8,397,222)	\$ 16,404,480
Flow through common shares issued	4,363,668	489,640	-	-	-	-	489,640
Common shares issued	7,300,000	584,000	-	146,000	-	-	730,000
Premium liability for flow-through shares	-	(87,273)	-	-	-	-	(87,273)
Share issue costs	-	(159,591)	-	44,278	-	-	(115,313)
Share based compensation	-	-	13,500	-	-	-	13,500
Warrants issued to Auramet LLC	-	-	-	25,000	-	-	25,000
Shares issued for exploration properties	100,000	10,000	-	-	-	-	10,000
Warrants exercised	400,000	50,500	-	(15,500)	-	-	35,000
Warrants expired	-	-	295	(295)	-	-	-
Loss for the period	-	-	-	-	-	210,872	210,872
Balance, October 31, 2010	<u>65,379,087</u>	<u>\$ 22,057,392</u>	<u>\$ 3,515,586</u>	<u>\$ 329,278</u>	<u>\$ -</u>	<u>\$ (8,186,350)</u>	<u>\$ 17,715,906</u>
Balance, February 1, 2011	78,964,637	\$ 23,907,326	\$ 3,629,586	\$ 424,995	\$ 32,500	\$ (7,844,843)	\$ 20,149,564
Share based compensation	-	-	578,414	-	-	-	578,414
Warrants exercised	708,267	123,323	-	(38,331)	-	-	84,992
Other comprehensive income	-	-	-	-	1,250	-	1,250
Loss for the period	-	-	-	-	-	(1,900,493)	(1,900,493)
Balance, October 31, 2011	<u>79,672,904</u>	<u>\$ 24,030,649</u>	<u>\$ 4,208,000</u>	<u>\$ 386,664</u>	<u>\$ 33,750</u>	<u>\$ (9,745,336)</u>	<u>\$ 18,913,727</u>
Balance as at February 1, 2010	53,215,419	\$ 21,170,116	\$ 3,501,791	\$ 129,795	\$ -	\$ (8,397,222)	\$ 16,404,480
Flow through common shares issued	11,863,668	1,989,640	-	-	-	-	1,989,640
Common shares issued	12,699,000	1,389,820	-	312,000	-	-	1,701,820
Share issue costs	-	(327,955)	-	107,657	-	-	(220,298)
Share based compensation	-	-	13,500	-	-	-	13,500
Premium liability for flow-through shares	-	(462,273)	-	-	-	-	(462,273)
Shares issued for exploration properties	100,000	10,000	-	-	-	-	10,000
Warrants exercised	1,086,550	137,978	-	(40,162)	-	-	97,816
Warrants issued to Auramet LLC	-	-	-	30,000	-	-	30,000
Warrants expired	-	-	114,295	(114,295)	-	-	-
Other comprehensive income	-	-	-	-	32,500	-	32,500
Income for the year	-	-	-	-	-	552,379	552,379
Balance as at January 31, 2011	<u>78,964,637</u>	<u>\$ 23,907,326</u>	<u>\$ 3,629,586</u>	<u>\$ 424,995</u>	<u>\$ 32,500</u>	<u>\$ (7,844,843)</u>	<u>\$ 20,149,564</u>

See Accompanying Notes to the Condensed Interim Consolidated Financial Statements

1. NATURE OF OPERATIONS

URSA Major Minerals Incorporated ("URSA Major" or the "Company") was incorporated under the Business Corporations Act (Ontario) on June 1, 1992. Pursuant to its articles of incorporation, the Company is authorized to issue an unlimited number of common shares ("Common Shares"). On June 13, 2000, the articles of the Company were amended to remove (i) the Common Share transfer restrictions, and (ii) the limitations on the maximum number of permitted shareholders and to consolidate the issued and outstanding Common Shares on a 100,000 for 1 (100,000:1) basis. The registered office of the Company is located at Suite 1300, 8 King Street East, Toronto, Ontario, M5C 1B5. On April 19, 2011 the Company incorporated 2282249 Ontario Inc. as a subsidiary. The subsidiary is currently inactive with no assets.

URSA Major is in the process of mining, exploring and developing its interests in resource properties. The Company is currently in commercial production at its Shakespeare Mine. The exploration activities of the Company are directed towards the search, evaluation and development of mineral properties in Canada. 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 mining and 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 are 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 and development 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 and development 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.

The unaudited condensed consolidated interim financial statements were approved by the Board of Directors on December 9, 2011.

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

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.

2. BASIS OF PREPARATION

Statement of Compliance and Conversion to International Financial Reporting Standards ("IFRS")

These unaudited condensed interim consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Previously, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The disclosures required by the provisions of IFRS 1, "First-time adoption of International Financial Reporting Standards", explaining how the transition to IFRS has affected the reported financial performance, cash flows and financial position of the Company, are presented in note 23.

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies set out below have been applied consistently to all periods presented in these unaudited condensed interim consolidated financial statements. The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as at December 9, 2011, the date the Board of Directors approved these condensed interim consolidated financial statements for issue. Any subsequent changes to IFRS that are issued and effective as at January 31, 2012 could result in a restatement of these condensed interim consolidated financial statements, including the transition adjustments recognized on conversion to IFRS. They also have been applied in preparing an opening IFRS balance sheet at February 1, 2010 (note 23) for the purposes of the transition to IFRS, as required by IFRS 1.

Basis of Presentation

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis. In addition, these unaudited condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Basis of Consolidation

The unaudited condensed interim consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiary, 2282249 Ontario Inc. All intercompany transactions and balances are eliminated upon consolidation.

Significant Accounting Judgments and Estimates

The preparation of these unaudited condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These unaudited condensed interim consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. BASIS OF PREPARATION (Continued)

Significant Accounting Judgments and Estimates (continued)

Critical Accounting Estimates

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of development and exploration costs incurred on the Shakespeare mine and the commencement of commercial production;
- the estimated life of the ore body based and the estimated recoverable tons mined from proven and probable reserves of development and exploration costs which are included in the unaudited condensed interim consolidated financial statements of financial position and the related depletion included in profit or loss;
- the estimated useful lives and residual value of equipment which are included in the unaudited condensed interim consolidated financial statements of financial position and the related amortization included in profit or loss;
- the inputs used in accounting for share based compensation transactions in profit or loss;
- management assumption of the amount of material restoration, rehabilitation and environmental, based on the facts and circumstances that existed during the period;
- the recognition of deferred taxes;
- contingencies; and
- acquisitions.

Critical Accounting Judgments

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Asset carrying values and impairment charges;
- Estimation of close down and restoration costs and the timing of expenditures;
- Estimation of environmental cleanup and the timing of expenditure and related accretion;
- Contingencies;
- Inventory valuation;
- Tax credits receivable;
- Share-based payments; and
- Depletion, depreciation and amortization.

3. ACCOUNTING POLICIES

Financial Instruments

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives.

3. ACCOUNTING POLICIES (Continued)

Financial Instruments (continued)

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash and cash equivalent	Loans and receivables
Amounts receivable	Loans and receivables
Restricted cash equivalent	Loans and receivables
Due to related company	Loans and receivables
Investments	Available-for-sale investment

Financial liabilities:	Classification:
Accounts payable and other liabilities	Other financial liabilities

Fair Value Through Profit or Loss (FVTPL):

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets that are not part of an effective and designated hedging relationship. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the consolidated statement of operation.

Loans and Receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-For-Sale Investments:

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income/(loss). Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months. Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of comprehensive loss as part of interest income. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive loss as part of other gains and losses when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of comprehensive loss and are included in other gains and losses.

Other Financial Liabilities:

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

3. ACCOUNTING POLICIES (Continued)

Financial Assets (continued)

Impairment of Financial Assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Derecognition:

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial Instruments Recorded at Fair Value:

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Investment is considered as level 1.

As of October 31, 2011, January 31, 2011 and February 1, 2010, the fair value of all the Company's financial instruments approximates the carrying value, due to their short-term nature.

Cash and Cash Equivalents:

The Company defines cash and cash equivalents as cash and short-term investments with maturity dates of less than ninety days. The Company invests cash in term deposits maintained in high credit quality institutions.

3. ACCOUNTING POLICIES (Continued)

Inventory

Stockpiled ore are physically measured or estimated and valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling final product.

Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depletion, incurred in converting materials into finished goods.

Equipment:

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized based on the cost of an item of property, plant and equipment, less its estimated residual value, over its estimated useful life at the following rates:

Detail	Percentage	Method
Computer equipment	30%	Declining balance
Vehicles	30%	Declining balance
Office furniture	20%	Declining balance
Equipment	20%	Declining balance

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

Mineral Properties and Deferred Exploration Expenditures:

Exploration and Evaluation Properties

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities, net of government assistance received, are capitalized to exploration and evaluation. Exploration and evaluation expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress within mineral properties and deferred exploration expenditures.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

3. ACCOUNTING POLICIES (Continued)

Mineral Properties and Deferred Exploration Expenditures: (continued)

Development Properties

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures related to construction are capitalized as construction-in-progress and classified as a component of mineral properties and deferred exploration expenditures. Costs associated with the commissioning of new assets, in the period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues.

Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

Production Properties

When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable reserve development.

Depletion

Accumulated mine development costs are depleted on a unit-of-production basis over the estimated economically recoverable reserves of the mine concerned.

Impairment of Non-Financial Assets

The carrying values of mineral properties and deferred exploration expenditures, and property, plant and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's of assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other Company's of assets. This generally results in the Company evaluating its non-financial assets on a geographical basis.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the consolidated statement of operations so as to reduce the carrying amount to its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of operations.

3. ACCOUNTING POLICIES (Continued)

Provisions

General

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Rehabilitation Provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the consolidated statement of operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. When applicable for closed sites, changes to estimated costs are recognised immediately in the consolidated statement of operations.

Flow-Through Shares:

Flow-through shares are a unique Canadian tax incentive. They are the subject of specific guidance under US GAAP, but there is no equivalent IFRS guidance. Therefore the Company has adopted a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors and is then derecognized in the period of renunciation. The recognition of deferred income tax liability upon renunciation of the flow through expenditure is recorded as income tax expense in the period of renunciation. Any difference between the amount of the liability component derecognized and deferred income tax liability recognized is recorded in the statement of loss and comprehensive loss.

Foreign Currency Translation:

The Canadian dollar is the functional currency of the Company's operations and subsidiary. The unaudited condensed interim consolidated financial statements, the results and financial position are expressed in Canadian Dollars. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

3. ACCOUNTING POLICIES (Continued)

Revenue Recognition

Metal Sales

Revenue from the sale of metals is recognized when all of the following conditions are satisfied:

- the specific risks and rewards of ownership have been transferred to the purchaser;
- the Company does not retain continuing managerial involvement to the degree usually associated with ownership or effective control over the metals sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

The final revenue figure at the end of any given period is subject to adjustment at the date of ultimate settlement as a result of final assay agreement and metal prices changes.

Interest Revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Share-Based Compensation:

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Stock option expense incorporates an expected forfeiture rate for those options that do not vest immediately.

Earnings (Loss) Per Share:

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The treasury stock method is used to arrive at the diluted earnings (loss) per share which is determined by adjusting the earnings (loss) attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. The Company's diluted loss per share for all periods presented does not include the effect of stock options and warrants as they are anti-dilutive.

3. ACCOUNTING POLICIES (Continued)

Income Taxes:

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are presented as non-current.

Tax on income in interim periods accrued using the tax rate that would be applicable to expected total annual earnings.

Future Accounting Changes:

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after January 31, 2011 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 Financial Instruments

IFRS 9 Financial instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

IFRS 9 is required to be applied for annual periods beginning on or after January 1, 2013. IASB has proposed to move the effective date of IFRS 9 to January 1, 2015.

3. ACCOUNTING POLICIES (Continued)

Future Accounting Changes (continued):

IFRS 10 Consolidated Financial Statements

For annual periods beginning on January 1, 2013, IFRS 10, Consolidated Financial Statements will replace portions of IAS 27 Consolidated and Separate Financial Statements and interpretation SIC-12 Consolidation - Special Purpose Entities. The new standard requires consolidated financial statements to include all controlled entities under a single control model. The Company will be considered to control an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee. As required by this standard, control is reassessed as facts and circumstances change. Additional guidance is given on how to evaluate whether certain relationships give the Company the current ability to affect its returns, including how to consider options and convertible instruments, holding less than a majority of voting rights, how to consider protective rights, and principal-agency relationships (including removal rights), all which may differ from current practice.

IFRS 10 is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 11 Joint Arrangements

IFRS 11, Joint Arrangements, applies to accounting for interests in joint arrangements where there is joint control. The standard requires the joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement would no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. In addition, the option to account for joint ventures (previously called jointly controlled entities) using proportionate consolidation will be removed and replaced by equity accounting. Due to the adoption of this new section, Ventures will transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item.

IFRS 11 is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12, Disclosure of Involvement with Other Entities, includes disclosure requirements about subsidiaries, joint ventures, and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. Due to this new section, the Company will be required to disclose the following: judgments and assumptions made when deciding how to classify involvement with another entity, interests that non-controlling interests have in consolidated entities, and nature of the risks associated with interests in other entities.

IFRS 12 is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

3. ACCOUNTING POLICIES (Continued)

Future Accounting Changes (continued):

IFRS 13 Fair Value Measurement

IFRS 13, Fair Value Measurement will converge the IFRS and US GAAP requirements for how to measure fair value and the related disclosures. IFRS 13 establishes a single source of guidance for fair value measurements, when fair value is required or permitted by IFRS. Upon adoption, the Company will provide a single framework for measuring fair value while requiring enhanced disclosures when fair value is applied. In addition, fair value will be defined as the 'exit price' and concepts of 'highest and best use' and 'valuation premise' would be relevant only for non-financial assets and liabilities.

IFRS 13 is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IAS 1 - Presentation of Financial Statements ("IAS 1")

IAS 1 was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

4. MANAGING CAPITAL

The Company manages its capital with the following objectives:

- to ensure sufficient flexibility to achieve the ongoing business objectives including funding of future resource based exploration and investment initiatives; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and the industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of its mineral properties for the mining of base metals. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be total shareholders' equity (managed capital) which at October 31, 2011 totaled \$18,913,727 (January 31, 2011 - \$20,149,564 and February 1, 2010 - \$16,404,480).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, as well as other investing and financing activities. The forecast is regularly updated based on activities related to the acquisition, exploration and development of its mineral properties. The Board of Directors regularly reviews the Company's capital management approach.

The Company's capital management objectives, policies and processes have remained unchanged during the three and nine months ended October 31, 2011. The Company and its subsidiary are not subject to external capital requirements.

Continued...

5. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement, and the basis for recognition of income and expenses) for each class of financial asset, financial liability and are disclosed in Note 3.

Categories of financial instruments

	As at October 31, 2011	As at January 31, 2011	As At February 1, 2010
Financial Assets			
<i>Loans and Receivables</i>			
Cash and cash equivalents	\$ 362,949	\$ 2,186,454	\$ 31,741
Restricted cash equivalent	646,273	646,273	601,979
Amounts receivable	1,626,948	2,588,487	12,095
Due from related company	66,278	17,872	159,150
<i>Available-For-Sale Investments</i>			
Investments	43,750	42,500	-
Financial Liabilities			
<i>Other Financial Liabilities</i>			
Accounts payable and accrued liabilities	\$ 3,268,731	\$ 2,648,993	\$ 760,549

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the nine months ended October 31, 2011 and 2010.

Credit risk

The Company's credit risk is primarily attributable to cash equivalents, amounts receivable, due from related company and restricted cash equivalents. Restricted cash equivalents consists of a 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 sale 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 mining program as 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. The Company expects to fund its working capital requirements and ongoing exploration and development activities through its current mining operations.

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.

5. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Gross sales revenue is received in US dollars and 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.

Sensitivity analysis

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

(i) The Company's investments are subject to fair value fluctuations. As at October 31, 2011, if the fair value of the investments had decreased/increased by 25% with all other variables held constant, comprehensive loss for the nine months ended October 31, 2011 would have been approximately \$11,000 lower/higher.

(ii) The Company is exposed to foreign exchange risk on fluctuations related to cash, accounts receivable and accounts payable and accrued liabilities that are dominated in US dollars. Sensitivity to a plus or minus 1% change in the foreign exchange rate would effect the net loss and comprehensive loss by approximately \$15,000 with all other variables being constant.

6. CASH AND CASH EQUIVALENT

	October 31, 2011	January 31, 2011	February 1, 2010
Cash	\$ 342,949	\$ 2,166,454	\$ 11,741
Cash equivalents	20,000	20,000	20,000
Total	\$ 362,949	\$ 2,186,454	\$ 31,741

URSA MAJOR MINERALS INCORPORATED
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(UNAUDITED)
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7. AMOUNTS RECEIVABLE

	October 31, 2011	January 31, 2011	February 1, 2010
Accounts receivable	\$ 2,765,326	\$ 4,197,228	\$ -
Due to Auramet LLC (Note 15)	(1,138,378)	(1,657,396)	-
Sales tax receivable	-	48,655	12,095
Total	\$ 1,626,948	\$ 2,588,487	\$ 12,095

8. INVENTORY

	October 31, 2011	January 31, 2011	February 1, 2010
Work in process (crushed ore)	\$ 68,658	\$ 125,873	\$ -

All inventory is carried at the lower of cost and net realizable value. Work in process (crushed ore) is recorded at cost as at October 31, 2011 and January 31, 2011.

9. RESTRICTED CASH EQUIVALENTS

The Company has guaranteed by pledge of a guaranteed investment certificate ("GIC") an irrevocable standby letter of credit for \$646,273 (January 31, 2011 - \$646,273 and February 1, 2010 - \$601,979) to the Ministry of Northern Development and Mines ("MNDM") as a financial assurance guarantee in connection with the Stage One Mining Closure Plan on the Shakespeare Project. (See Note 16).

10. 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 Auriga Gold Corp. ("Auriga"). The Company currently shares its premises and other related overhead costs with Auriga.

URSA MAJOR MINERALS INCORPORATED
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11. EQUIPMENT

At Cost

	Computer Equipment	Vehicles	Office Furniture	Equipment
Balance, February 1, 2010	\$ 11,131	\$ 47,929	\$ 2,247	\$ 179,897
Additions	-	13,212	520	98,442
Disposals	(2,955)	-	-	-
Balance, January 31, 2011	8,176	61,141	2,767	278,339
Additions	-	11,843	-	13,499
Disposals	(1,166)	-	-	(23,870)
Balance, October 31, 2011	\$ 7,010	\$ 72,984	\$ 2,767	\$ 267,968

Accumulated Depreciation

	Computer Equipment	Vehicles	Office Furniture	Equipment
Balance, February 1, 2010	\$ 7,015	\$ 33,521	\$ 787	\$ 68,061
Expense for the year	1,235	6,304	344	32,212
Disposals	(1,912)	-	-	-
Balance, January 31, 2011	6,338	39,825	1,131	100,273
Expense for the period	360	6,128	246	22,667
Disposals	(928)	-	-	(2,387)
Balance, October 31, 2011	\$ 5,770	\$ 45,953	\$ 1,377	\$ 120,553

Carrying Amount

	Computer Equipment	Vehicles	Office Furniture	Equipment
Balance, February 1, 2010	\$ 4,116	\$ 14,408	\$ 1,460	\$ 111,836
Balance, January 31, 2011	\$ 1,838	\$ 21,316	\$ 1,636	\$ 178,066
Balance, October 31, 2011	\$ 1,240	\$ 27,031	\$ 1,390	\$ 147,415

During the three and nine months ended October 31, 2011, the Company expensed \$11,383 and \$29,401, respectively in depreciation to the statement of operations (three and six months ended October 31, 2010 - \$9,844 and \$29,696 respectively).

Continued...

URSA MAJOR MINERALS INCORPORATED
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12. INVESTMENTS

As at October 31, 2011, the Company owned 125,000 common shares of Auriga Gold Corp. ("Auriga") valued at \$43,750. A director and officer of the Company is also a director and officer of Auriga.

Quoted market value

	October 31, 2011	January 31, 2011	February 1, 2010
Auriga - common shares	\$ 43,750	\$ 42,500	\$ -

The Company has recognized an unrealized gain/(loss) on their investments of \$(10,000) and \$1,250 for the three and nine months ended October 31, 2011, respectively (October 31, 2010 - \$nil).

13. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

As at October 31, 2011

	February 1, 2011	Expenditures	(Receipts)	(Depletion and Write-downs)	October 31, 2011
<i>Exploration and Evaluation Properties</i>					
Stumpy Bay Option	\$ 760,866	\$ 30,012	\$ -	\$ -	\$ 790,878
Porter Baldwin	1,248,620	28	-	-	1,248,648
Porter Option	275,730	-	-	-	275,730
Nickel Offsets Option	869,295	35,644	-	-	904,939
Shining Tree	1,159,038	-	-	-	1,159,038
Fox Mountain	128,247	157,541	-	-	285,788
<i>Production Property</i>					
Shakespeare Township	14,105,609	1,528,565	-	(163,471)	15,470,703
	\$ 18,547,405	\$ 1,751,790	\$ -	\$ (163,471)	\$ 20,135,724

As at January 31, 2011

	February 1, 2010	Expenditures	(Receipts)	(Depletion and Write-downs)	January 31, 2011
<i>Exploration and Evaluation Properties</i>					
Stumpy Bay Option	\$ 730,866	\$ 30,000	\$ -	\$ -	\$ 760,866
Porter Baldwin	1,241,547	7,073	-	-	1,248,620
Porter Option	251,730	24,000	-	-	275,730
Nickel Offsets Option	415,889	453,406	-	-	869,295
Shining Tree	1,159,038	-	-	-	1,159,038
Fox Mountain	54,606	98,928	-	(25,287)	128,247
<i>Production Property</i>					
Shakespeare Township	13,791,604	2,113,886	(1,598,036)	(201,845)	14,105,609
	\$ 17,645,280	\$ 2,727,293	\$ (1,598,036)	\$ (227,132)	\$ 18,547,405

Continued...

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2011	January 31, 2011	February 1, 2010
Trade payables	\$ 2,307,901	\$ 1,769,891	\$ 631,967
Accrued and payroll liabilities	154,954	197,952	109,358
Deferred revenue	-	-	19,224
Royalties payable	332,205	218,877	-
Sales tax payable	11,398	-	-
Flow-through shares liability	462,273	462,273	-
Total	\$ 3,268,731	\$ 2,648,993	\$ 760,549

15. WORKING CAPITAL FACILITY

On February 28, 2011, the Company renewed the credit facility agreement with Auramet Trading LLC ("Auramet") to maintain a US\$2,500,000 In Process Working Capital Facility (the "Facility") for the nickel and copper concentrate produced by the Company from the Shakespeare Mine. Per the Facility, these nickel and copper quantities are forward sold at the prevailing spot prices and settled on delivery. The facility carries an interest of Libor +5%.

As at October 31, 2011, the outstanding balance drawn down from the facility was \$1,138,378 (January 31, 2011 - \$1,657,396 and February 1, 2010 - \$nil), and this amount has been netted against amounts receivable.

16. PROVISION FOR CLOSURE AND RECLAMATION

The Company has provided a letter of credit in the amount of \$646,273 (January 31, 2011 - \$646,273 and February 1, 2010 - \$601,979) to the MNM under the terms of Closure Plan on the Shakespeare Mine for stage one mining (see Note 9).

The Company's provision for closure and reclamation costs are based on management's estimates of costs to abandon and reclaim mineral properties and facilities as well as an estimate of the future timing of the costs to be incurred. The Company has estimated its total provision for closure and reclamation to be \$521,368 at October 31, 2011 based on a total future liability of approximately \$748,000 and at an inflation rate of 2% and a discount ranging between 3.98%. Reclamation is expected to occur between 8 and 10 years.

The following is an analysis of the provision for closure and reclamation:

Balance, February 1, 2010	\$ 487,231
Unwinding of discount and effect of changes in the discount rate	19,392
Balance, January 31, 2011	506,623
Unwinding of discount and effect of changes in the discount rate	14,745
Balance, October 31, 2011	\$ 521,368

During the three and nine months ended October 31, 2011, the Company expensed \$5,040 and \$14,745, respectively in accretion to the statement of operations (three and six months ended October 31, 2010 - \$4,848 and \$14,544 respectively).

17. SHARE CAPITAL

(a) Authorized

Unlimited number of Common shares without par value

(b) Common Shares Issued

	Number of Shares	Amount
Balance, February 1, 2010	53,215,419	\$ 21,170,116
Flow through common shares issued	11,863,668	1,989,640
Common shares issued	12,699,000	1,389,820
Share issue costs	-	(327,955)
Premium liability on flow-through shares issued	-	(462,273)
Shares issued for exploration properties	100,000	10,000
Warrants exercised	1,086,550	137,978
Balance, January 31, 2011	78,964,637	23,907,326
Warrants exercised	708,267	123,323
Balance, October 31, 2011	79,672,904	\$ 24,030,649

18. SHARE BASED PAYMENT RESERVES

(a) 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. The maximum number of options to be issued under the plan shall not exceed 7,625,000 and was approved on June 23, 2011.

The following table shows the continuity of stock based compensation for the period ended October 31, 2011:

	Number of Stock Options	Weighted Average Exercise Price
Balance, February 1, 2010	1,850,000	\$ 0.29
Granted	150,000	0.12
Expired	(145,000)	0.65
Expired	(470,000)	0.24
Balance, January 31, 2011	1,385,000	0.25
Granted (i)(ii)(iii)(iv)	4,450,000	0.13
Expired	(160,000)	0.85
Forfeited	(800,000)	0.11
Balance, October 31, 2011	4,875,000	\$ 0.14

Continued...

18. SHARE BASED PAYMENT RESERVE (Continued)

(a) Stock Options (continued)

The weighted average grant date fair value is \$0.13 per option and the weighted average remaining contractual life is 3.95 years (January 31, 2011 - 3.17 years).

(i) On August 31, 2010, the Company granted 1,900,000 stock options to directors, officers, consultants and an employee of the Company, exercisable for one common share each at a price of \$0.10 per share, for a five-year period. These stock options have now been approved by the shareholders under the current stock option plan and these stock options vested immediately. The grant date fair value of \$275,310 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 136%, risk-free rate of return of 1.93% and an expected maturity of 4.2 years. Employees, directors and officers received 1,700,000 of the 1,900,000 options granted valued at \$246,500.

(ii) On October 13, 2010, the Company granted 500,000 stock options to a director of the Company, exercisable for one common share each at a price of \$0.105 per share, for a five-year period. These stock options have now been approved by the shareholders under the current stock option plan and these stock options vested immediately. The grant date fair value of \$34,420 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 112%, risk-free rate of return of 1.2% and an expected maturity of 3 months.

(iii) On June 28, 2011, the Company granted 1,950,000 stock options to directors, officers, consultants and employees of the Company exercisable for one common share each at a price of \$0.16 per share for a five-year period. The options vested immediately. The grant date fair value of \$257,770 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 128%, risk-free rate of return of 2.15% and an expected maturity of 5 years. Employees, directors and officers received 1,850,000 of the 1,950,000 options granted valued at \$244,200.

(iv) On August 29, 2011, the Company granted stock options to a director of the Company to purchase in the aggregate up to 100,000 common shares in the capital of the Company at an exercise price of \$0.16 per common share. The options vested immediately. The grant date fair value of \$10,913 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 128%, risk-free rate of return of 1.65% and an expected maturity of 5 years.

The following are the stock options outstanding as at October 31, 2011:

Number of Options Issued and Outstanding	Number of Options Exercisable	Exercise Price	Weighted Average Remaining Contractual Life (years)	Expiry Date
75,000	75,000	\$ 0.91	0.44	April 9, 2012
900,000	900,000	0.12	2.91	September 28, 2014
150,000	150,000	0.12	3.38	March 18, 2015
1,700,000	1,700,000	0.10	3.84	August 31, 2015 (i)
1,950,000	1,950,000	0.16	4.66	June 28, 2016 (iii)
100,000	100,000	0.16	4.83	August 29, 2016 (iv)
4,875,000	4,875,000		3.95	

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18. SHARE BASED PAYMENT RESERVE (Continued)

(b) Share Purchase Warrants

The following table shows the continuity of share purchase warrants for the period ended October 31, 2011:

	Warrants	Estimated Grant Date Fair Value	Weighted Average Exercise Price
Balance, February 1, 2010	3,259,822	\$ 129,795	\$ 0.17
Issued	8,637,997	449,657	0.18
Exercised	(1,086,550)	(40,162)	0.09
Expired	(2,789,822)	(114,295)	0.17
Balance, January 31, 2011	8,021,447	424,995	0.18
Exercised	(708,267)	(38,331)	0.12
Balance, October 31, 2011	7,313,180	\$ 386,664	\$ 0.19

The following are the share purchase warrants outstanding as at October 31, 2011:

Warrants	Exercise Price	Estimated Grant Date Fair Value	Expiry Date
3,650,000	\$ 0.15	146,000	February 9, 2012
60,750	0.10	2,430	February 9, 2012
2,699,500	0.24	166,000	January 31, 2012 (i)
902,930	0.19	72,234	January 31, 2013
7,313,180		\$ 386,664	

(i) On January 31, 2011, the Company issued 2,699,500 warrants at a price of \$0.24 per share for the first year and \$0.30 per share for the second year.

19. GENERAL AND ADMINISTRATIVE EXPENSES

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2011	2010	2011	2010
Shareholder information	\$ -	\$ 495	\$ 276,192	\$ 19,883
Salaries and benefits	32,882	20,766	138,551	69,777
Office and general	41,759	54,071	114,371	148,245
Travel	24,524	9,785	89,253	29,039
Stock exchange and transfer agent fees	2,928	6,663	47,298	32,658
Bank charges	594	502	9,820	9,328
Credit facility fee	-	138,633	-	221,896
Business development	-	15,202	-	35,185
Foreign exchange	(45,895)	42,873	(148,949)	58,870
General and administrative	\$ 56,792	\$ 288,990	\$ 526,536	\$ 624,881

Continued...

20. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

(a) The Company entered into the following transactions with related parties:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2011	2010	2011	2010
Sutcliffe Geological Consultants Inc. ⁽¹⁾	\$ 48,000	\$ 45,000	\$ 306,000	\$ 126,500
Capit Investment Corporation ⁽²⁾	25,000	-	76,200	-

(1) The Chief Executive Officer ("CEO") of the Company controls Sutcliffe Geological Consultants Inc. Fees relate to CEO, project supervision and geological consulting services provided by Sutcliffe Geological Consultants Inc. As at October 31, 2011, the Company owed \$56,500 (January 31, 2011 - \$nil) and is included in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing with no fixed terms of repayment.

(2) The corporation is controlled by the Chairperson of the Board. The fees relate to the role as Chairperson of the Board of Directors and special committee. As at October 31, 2011, the Company owed \$11,300 (January 31, 2011 - \$nil) and is included in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing with no fixed terms of repayment.

(b) Remuneration of Directors and key management personnel of the Company was as follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2011	2010	2011	2010
Directors fees	\$ 64,250	\$ (42,500)	\$ 233,700	\$ (22,500)
Salaries and benefits	42,750	42,548	356,375	151,856
Stock options	-	-	724,900	-

Director fees - The board of directors do not have employment or service contracts with the Company. Directors are entitled to director fees and stock options for their services. As at October 31, 2011, the Company owed \$89,000 (January 31, 2011 - \$26,000) and is included in accounts payable and accrued liabilities.

Salaries and benefits - officers are entitled to stock options, consulting fees or salaries and benefits where employment or service contracts are in place with the Company for their services.

21. COMPARATIVE FIGURES

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

22. 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 \$167,000. Minimum rental commitments for the successive fiscal years approximate:

	<u>Amount</u>
Fiscal 2012	\$ 31,000
Fiscal 2013	126,000
Fiscal 2014	<u>10,000</u>
	<u>\$ 167,000</u>

(b) The Company is committed to spending approximately \$583,000 on exploration costs by December 31, 2012 as part of the flow-through funding agreements that were completed during fiscal 2010 and 2011. The Company indemnifies the subscribers of flow-through shares from any tax consequences arising from the failure of the Company to meet its commitments under the flow-through subscription agreements.

(c) The Company arranged a credit facility with Auramet (Note 15) 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.

(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.

(e) Under the Impacts and Benefits Agreement ("IBA") dated August 12, 2009, the Company is committed to make annual payments to Sagamok Anishnawbek First Nation. The terms of the agreement are confidential. The agreement provides for job training, employment, scholarships, business relations and financial participation in community development projects.

23. CONVERSION TO IFRS

Basis of Presentation

As stated in note 2, these are the Company's first unaudited condensed interim consolidated financial statements prepared in accordance with IAS 34, using accounting policies consistent with IFRS.

The Company's consolidated financial statements for the year ended January 31, 2012, will be the first annual financial statements that comply with IFRS and these condensed interim consolidated financial statements were prepared as described in note 2.

23. CONVERSION TO IFRS (Continued)

First Time Adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has elected to apply the following optional exemptions in its preparation of an opening IFRS statement of financial position as at February 1, 2010, (the Company's "Transition Date").

- To apply IFRS 2 Share based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- To apply IFRS 3 Business Combinations prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date.
- IFRIC 1 Changes in existing decommissioning, restoration and similar liabilities. The Company did not apply the recognition and measurement principles of IFRIC 1 prior to February 1, 2010; and instead measured the Company's environmental rehabilitation obligations at fair value on February 1, 2010, estimating the amounts that would have been included in the cost of the related mining properties when the obligations first arose using the applicable historical country-specific risk free rates and recalculating the accumulated depletion for such assets at February 1, 2010.
- IAS 27 - Consolidated and separate financial statements as the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.
- IAS 32 - Compound financial instruments. In accordance with IFRS 1, the Company has elected not to revalue compound financial instruments where the liability component does not exist as of the transition date.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

The Company's Transition Date IFRS unaudited statement of financial position is included as comparative information in the unaudited statements of financial position in these financial statements.

Changes to Accounting Policies

The Company has changed certain accounting policies to be consistent with IFRS as is expected to be effective or available on January 31, 2012, the Company's first annual IFRS reporting date. IFRS requires an entity to reconcile equity, operations and comprehensive loss and cashflows for prior periods. The changes made to the consolidated statements of financial position and consolidated statements of operations and comprehensive loss did not have a significant impact on the consolidated statements of cashflow. As such, a reconciliation of cashflows has not been provided.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

23. CONVERSION TO IFRS (Continued)

Changes to Accounting Policies (continued)

Decommissioning Liabilities (Asset Retirement Obligations)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions. For discount rates, Canadian GAAP incorporated discount rates based on the entity's credit-adjusted risk-free rate and IFRS requires using the current rates as discount rates.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences.

As a result in the change in the discount rates being applied, the Company recorded an adjustment to the value of the rehabilitation provision recorded in its accounts on January 31, 2011 totalling \$103,633 (February 1, 2010 - \$110,605 and October 31, 2010 - \$105,376). The change impacted the carrying value of mineral properties and deferred exploration expenditures by \$21,103 on January 31, 2011 (February 1, 2010 - \$27,694 and October 31, 2010 - \$21,103). The accretion (or unwinding of the discount) of the provision for rehabilitation is presented as finance cost. Accretion expense decreased by \$381 during the year ended January 31, 2011 as a result of these changes (February 1, 2010 - \$82,911 increase and October 31, 2010 - \$1,362 increase).

Flow-Through Shares

Flow-through shares are a unique Canadian tax incentive. They are the subject of specific guidance under US GAAP, but there is no equivalent IFRS guidance. Therefore the Company has adopted a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors and is then derecognized in the period of renunciation. The recognition of deferred income tax liability upon renunciation of the flow through expenditure is recorded as income tax expense in the period of renunciation. Any difference between the amount of the liability component derecognized and deferred income tax liability recognized is recorded in the statement of loss and comprehensive loss.

Previously, the Company's Canadian GAAP policy was to adopt the recommendations of EIC 146 with respect to the accounting for flow-through shares. This resulted in the Company reducing the net proceeds of the flow-through share issuance by the future tax liability of the Company resulting from the renunciation of the exploration and development expenditures in favour of the flow-through share subscribers. As at the Transition Date to the Statement of Financial Position at February 1, 2010, \$1,552,599 was credited to share capital and debited to deficit. As at January 31, 2011, \$346,273 was debited to share capital, \$116,000 was debited to deficit and \$462,273 was recorded as a liability. As at October 31, 2010, \$87,273 was recorded as a liability and debited to share capital.

Presentation

Certain amounts on the unaudited condensed interim statement of financial position, statement of loss, statement of comprehensive loss and statement of cash flows have been reclassified to conform to the presentation adopted under IFRS.

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23. CONVERSION TO IFRS (Continued)

Reconciliation Between IFRS and Canadian GAAP

The February 1, 2010 Canadian GAAP balance sheet has been reconciled to IFRS as follows:

FEBRUARY 1, 2010	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 31,741	\$ -	\$ 31,741
Amounts receivable	12,095	-	12,095
Prepaid expenses	<u>39,395</u>	-	<u>39,395</u>
TOTAL CURRENT ASSETS	83,231	-	83,231
NON-CURRENT ASSETS			
Restricted cash equivalents	601,979	-	601,979
Due from related company	159,150	-	159,150
Equipment	131,820	-	131,820
Mineral properties and deferred exploration expenditures	<u>17,617,586</u>	<u>27,694</u>	<u>17,645,280</u>
TOTAL ASSETS	\$ <u>18,593,766</u>	\$ <u>27,694</u>	\$ <u>18,621,460</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 760,549	\$ -	\$ 760,549
NON-CURRENT LIABILITIES			
Asset retirement obligation	376,626	110,605	487,231
Future income tax liability	<u>969,200</u>	-	<u>969,200</u>
TOTAL LIABILITIES	<u>2,106,375</u>	<u>110,605</u>	<u>2,216,980</u>
EQUITY			
Share capital	19,617,517	1,552,599	21,170,116
Share based payment reserves	3,631,586	-	3,631,586
Deficit	<u>(6,761,712)</u>	<u>(1,635,510)</u>	<u>(8,397,222)</u>
TOTAL EQUITY	<u>16,487,391</u>	<u>(82,911)</u>	<u>16,404,480</u>
TOTAL LIABILITIES AND EQUITY	\$ <u>18,593,766</u>	\$ <u>27,694</u>	\$ <u>18,621,460</u>

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23. CONVERSION TO IFRS (Continued)

Reconciliation Between IFRS and Canadian GAAP (continued)

The October 31, 2010 Canadian GAAP balance sheet has been reconciled to IFRS as follows:

OCTOBER 31, 2010	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 557,802	\$ -	\$ 557,802
Amounts receivable	2,342,943	-	2,342,943
Prepaid expenses	153,650	-	153,650
Inventory	89,204	-	89,204
TOTAL CURRENT ASSETS	3,143,599	-	3,143,599
NON-CURRENT ASSETS			
Restricted cash equivalents	646,273	-	646,273
Due from related company	72,144	-	72,144
Equipment	208,326	-	208,326
Investments	10,000	-	10,000
Mineral properties and deferred exploration expenditures	18,020,088	21,103	18,041,191
TOTAL ASSETS	\$ 22,100,430	\$ 21,103	\$ 22,121,533
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 2,787,379	\$ 87,273	\$ 2,874,652
NON-CURRENT LIABILITIES			
Asset retirement obligation	396,399	105,376	501,775
Future income tax liability	1,029,200	-	1,029,200
TOTAL LIABILITIES	4,212,978	192,649	4,405,627
EQUITY			
Share capital	20,592,066	1,465,326	22,057,392
Share based payment reserves	3,844,864	-	3,844,864
Deficit	(6,549,478)	(1,636,872)	(8,186,350)
TOTAL EQUITY	17,887,452	(171,546)	17,715,906
TOTAL LIABILITIES AND EQUITY	\$ 22,100,430	\$ 21,103	\$ 22,121,533

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23. CONVERSION TO IFRS (Continued)

Reconciliation Between IFRS and Canadian GAAP (continued)

The Canadian GAAP interim statement of operations and comprehensive income for the nine months period ended October 31, 2010 has been reconciled to IFRS as follows:

NINE MONTHS ENDED OCTOBER 31, 2010	Canadian GAAP	Effect of transition to IFRS	IFRS
REVENUES			
Gross sales revenue	\$ 8,874,311	\$ -	\$ 8,874,311
OPERATING EXPENSES			
Operating costs excluding depletion	7,508,211	-	7,508,211
Depletion	137,036	-	137,036
Total operating expenses	7,645,247	-	7,645,247
MINE OPERATING EARNINGS	1,229,064	-	1,229,064
EXPENSES			
Management and directors' compensation	129,356	-	129,356
Professional and consulting fees	156,141	-	156,141
Stock based compensation	13,500	-	13,500
General and administrative	624,881	-	624,881
Amortization	29,696	-	29,696
OPERATING PROFIT	275,490	-	275,490
FINANCE INCOME AND EXPENSES			
Finance income	54,983	-	54,983
Finance cost	(58,239)	(1,362)	(59,601)
INCOME BEFORE INCOME TAX	272,234	(1,362)	270,872
Future income tax (expense)	(60,000)	-	(60,000)
NET INCOME FOR THE PERIOD	\$ 212,234	\$ (1,362)	\$ 210,872
Net earnings per common share			
- basic	\$ 0.00		\$ 0.00
- diluted	\$ 0.00		\$ 0.00
Weighted average number of shares outstanding			
- basic	64,052,969		64,052,969
- diluted	64,052,969		64,052,969
COMPREHENSIVE INCOME			
Net income for the period	\$ 212,234	\$ (1,362)	\$ 210,872
Other comprehensive income	-	-	-
COMPREHENSIVE INCOME FOR THE PERIOD	\$ 212,234	\$ (1,362)	\$ 210,872

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23. CONVERSION TO IFRS (Continued)

Reconciliation Between IFRS and Canadian GAAP (continued)

The Canadian GAAP interim statement of operations and comprehensive income for the three months period ended October 31, 2010 has been reconciled to IFRS as follows:

THREE MONTHS ENDED OCTOBER 31, 2010	Canadian GAAP	Effect of transition to IFRS	IFRS
REVENUES			
Gross sales revenue	\$ 7,271,623	\$ -	\$ 7,271,623
OPERATING EXPENSES			
Operating costs excluding depletion	6,003,797	-	6,003,797
Depletion	92,662	-	92,662
Total operating expenses	6,096,459	-	6,096,459
MINE OPERATING EARNINGS	1,175,164	-	1,175,164
EXPENSES			
Management and directors' compensation	48	-	48
Professional and consulting fees	35,045	-	35,045
General and administrative	288,990	-	288,990
Amortization	9,844	-	9,844
OPERATING PROFIT	841,237	-	841,237
FINANCE INCOME AND EXPENSES			
Finance income	44,430	-	44,430
Finance cost	(47,465)	1,743	(45,722)
INCOME BEFORE INCOME TAX	838,202	1,743	839,945
Future income tax (expense)	(290,000)	-	(290,000)
NET INCOME FOR THE PERIOD	\$ 548,202	\$ 1,743	\$ 549,945
Net earnings per common share			
- basic	\$ 0.01		\$ 0.01
- diluted	\$ 0.01		\$ 0.01
Weighted average number of shares outstanding			
- basic	65,379,084		65,379,084
- diluted	65,379,084		65,379,084
COMPREHENSIVE INCOME			
Net income for the period	\$ 548,202	\$ 1,743	\$ 549,945
Other comprehensive income	-	-	-
COMPREHENSIVE INCOME FOR THE PERIOD	\$ 548,202	\$ 1,743	\$ 549,945

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23. CONVERSION TO IFRS (Continued)

Reconciliation Between IFRS and Canadian GAAP (continued)

The January 31, 2011 Canadian GAAP balance sheet has been reconciled to IFRS as follows:

JANUARY 31, 2011	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,186,454	\$ -	\$ 2,186,454
Amounts receivable	2,588,487	-	2,588,487
Prepaid expenses	100,960	-	100,960
Inventory	<u>125,873</u>	-	<u>125,873</u>
TOTAL CURRENT ASSETS	<u>5,001,774</u>	-	<u>5,001,774</u>
NON-CURRENT ASSETS			
Restricted cash equivalents	646,273	-	646,273
Due from related company	17,872	-	17,872
Equipment	202,856	-	202,856
Investments	42,500	-	42,500
Mineral properties and deferred exploration expenditures	<u>18,526,302</u>	<u>21,103</u>	<u>18,547,405</u>
TOTAL ASSETS	<u>\$ 24,437,577</u>	<u>\$ 21,103</u>	<u>\$ 24,458,680</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 2,186,720	\$ 462,273	\$ 2,648,993
NON-CURRENT LIABILITIES			
Asset retirement obligation	402,990	103,633	506,623
Future income tax liability	<u>1,153,500</u>	-	<u>1,153,500</u>
TOTAL LIABILITIES	<u>3,743,210</u>	<u>565,906</u>	<u>4,309,116</u>
EQUITY			
Share capital	22,701,000	1,206,326	23,907,326
Share based payment reserves	4,054,581	-	4,054,581
Accumulated other comprehensive income	32,500	-	32,500
Deficit	<u>(6,093,714)</u>	<u>(1,751,129)</u>	<u>(7,844,843)</u>
TOTAL EQUITY	<u>20,694,367</u>	<u>(544,803)</u>	<u>20,149,564</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 24,437,577</u>	<u>\$ 21,103</u>	<u>\$ 24,458,680</u>

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23. CONVERSION TO IFRS (Continued)

Reconciliation Between IFRS and Canadian GAAP (continued)

The Canadian GAAP interim statement of operations and comprehensive income for the year ended January 31, 2011 has been reconciled to IFRS as follows:

YEAR ENDED JANUARY 31, 2011	Canadian GAAP	Effect of transition to IFRS	IFRS
REVENUES			
Gross sales revenue	\$ <u>14,866,306</u>	\$ <u>-</u>	\$ <u>14,866,306</u>
OPERATING EXPENSES			
Operating costs excluding depletion	12,275,723	(19,772)	12,255,951
Depletion	<u>201,845</u>	<u>-</u>	<u>201,845</u>
Total operating expenses	<u>12,477,568</u>	<u>(19,772)</u>	<u>12,457,796</u>
MINE OPERATING EARNINGS	<u>2,388,738</u>	<u>19,772</u>	<u>2,408,510</u>
EXPENSES			
Management and directors' compensation	187,894	-	187,894
Professional and consulting fees	290,538	-	290,538
Stock based compensation	13,500	-	13,500
General and administrative	906,177	-	906,177
Impairment	25,287	-	25,287
Amortization	<u>40,094</u>	<u>-</u>	<u>40,094</u>
OPERATING PROFIT	<u>925,248</u>	<u>19,772</u>	<u>945,020</u>
FINANCE INCOME AND EXPENSES			
Finance income	56,546	-	56,546
Finance cost	<u>(98,196)</u>	<u>(19,391)</u>	<u>(117,587)</u>
INCOME BEFORE INCOME TAX	<u>883,598</u>	<u>381</u>	<u>883,979</u>
Future income tax (expense)	<u>(215,600)</u>	<u>(116,000)</u>	<u>(331,600)</u>
NET INCOME FOR THE YEAR	<u>\$ 667,998</u>	<u>\$ (115,619)</u>	<u>\$ 552,379</u>
Net earnings per common share			
- basic	\$ 0.01		\$ 0.01
- diluted	\$ 0.01		\$ 0.01
Weighted average number of shares outstanding			
- basic	64,467,923		64,467,923
- diluted	64,680,264		64,680,264
COMPREHENSIVE INCOME			
Net income for the year	\$ 667,998	\$ (115,619)	\$ 552,379
Other comprehensive income	<u>32,500</u>	<u>-</u>	<u>32,500</u>
COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 700,498</u>	<u>\$ (115,619)</u>	<u>\$ 584,879</u>

Continued...

24. SUBSEQUENT EVENT

(i) Subsequent to October 31, 2011, the Company issued a US\$655,000 promissory note in installments as follows: one (1) payment of US\$55,000 payable on the date of execution hereof, by deduction from the proceeds hereof and four (4) installments of US\$163,750 each on the 15th day of March, April, May and June 2012, with all amounts due hereunder and not otherwise paid, payable on the 15th day of June 2012.