



# URSA Major Minerals Incorporated

## Metals & Mining

March 2007

TSX.V: UMJ C\$0.76

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Recommendation: SPECULATIVE BUY

12-Month Target: C\$3.35

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### The Next Sudbury Basin Nickel Producer

#### Event:

- Initiating Coverage

#### Highlights:

- Positive feasibility study for the development of the Shakespeare Project located near the Sudbury basin. Expectations for higher metal prices, especially nickel, improve economics substantially with an estimated NPV of C\$258 million.
- Agreement in place with Xstrata for the off-take of concentrates from production for seven years and potential for custom milling. This provides a market for metal sales and allows for revenue generation with bulk sampling and potentially prior to completion of mill construction with continued ore shipments.
- Strategic alliance with KORES provides substantial backing to URSA Major for project development and acquisitions, strength not held by many Canadian Juniors.
- Additional resources on Shining Tree project are at higher grade and could increase metal production from a combined operation. A preliminary economic assessment shows a satellite operation could be profitable.

#### Investment Recommendation:

- We are recommending the shares URSA Major Minerals as a **SPECULATIVE BUY** based on our analysis that the development of the Shakespeare and Shining Tree projects will add substantial value to the Company.

52-week High-Low	C\$1.10-C\$0.455
Shares outstanding	27,007,058
Market capitalization	C\$16,009,784
Fiscal year end	January 31
Major shareholders	KORES Canada Corporation: 13.78% MineralFields 8.13%



Source: TSX

#### Company Description

URSA Major Minerals Incorporated is a Canadian based junior exploration and development company. Their projects are located in the Sudbury district. The Shakespeare project is their most advanced. URSA is looking to make the transition from exploration to production with the development of this project.

*Nickel prices are near record levels*

## Summary

URSA Major is a Canadian junior exploration and development company with projects in the Sudbury mining camp of north central Ontario. The most advanced project is Shakespeare where a positive feasibility study is complete on an open pit mining operation covering a 12 million tonne nickel-copper-cobalt-PGE deposit. This operation is advancing through permitting and additional testing. We expect the Company to look for financing and make a construction decision later in 2007 with first production from the new mill in 2010.

The Company also holds other projects in the Sudbury region that could from the planned Shakespeare Mill add to the production profile and exploration success.

A positive feasibility study completed for the Shakespeare project shows the potential to put this deposit into production and create value for the Company, but the results were not exceptional. However the metal prices used for the study are well below current and our outlook for the market. Using a new life of mine pricing profile we see a project that is very attractive for development. The off-take and processing deal with Xstrata ensures that the metals have a buyer.

The Company currently holds over \$3.5 million in its accounts. We see the company generating additional cash flow in the range of \$4.8 million in 2007 from bulk sample NSR. These funds will help the Company advance its projects and increase the share price. To build the Shakespeare and Shining Tree mines and the processing plant the Company needs to raise approximately C\$130 million. This is a big number for a junior and we look to see financial or operational partners involved.

Our analysis yields a mean discounted NPV for the developed projects of C\$258 million based on the feasibility operating costs and our estimates for pricing, capital and exchange rate and a modified production schedule to include Shining Tree. There is additional value in the Company associated with their interest in Patricia Mining. Our 12 month target price is \$3.35 based on a fully financed share total of 77.6 million.

URSA Major provides leverage to the current record nickel prices through exploration success and project development.

## The Company

URSA Major Minerals Incorporated (URSA Major) is a Canadian public company with a focus on exploration and development of nickel, copper and precious metal deposits. Its shares trade on the TSX Venture Exchange under the symbol UMJ. URSA Major's strategy for growth is by advancing high quality exploration projects through to production

In 2002, URSA Major made a significant near-surface nickel, copper and platinum group metal discovery on the Shakespeare project, 70 km west of Sudbury, Ontario. Since this discovery, the company defined a substantial near-surface mineral reserve and completed a positive feasibility study on a 4,500 tonne/day open pit mining operation and on-site processing plant. It continues to advance this project to a production decision.

In 2005, URSA Major acquired an option to earn a 100% interest in the Shining Tree nickel-copper deposit located 110 km north of Sudbury. The company is currently evaluating the technical and economic potential of developing an open pit mine at Shining Tree and processing the mineralization at the proposed Shakespeare plant. The project remains a good exploration target with the deposit not fully defined and several anomalies yet to be tested.

In 2002, the Company acquired the past-producing Agnew Lake Uranium Mine, located

*URSA Major is well positioned to profit from the current strong commodity cycle and its location near the Sudbury basin and its infrastructure*

40 km west of Sudbury. The project lies at the eastern end of its large land holdings along Agnew Lake. This project was recently sold. In addition to exploration projects, URSA Major also holds a significant interest in Patricia Mining Corp., an Ontario-based gold exploration company that is developing the Island Gold project near Wawa, Ontario. The mine recently started production and should reach commercial levels in the short term.

URSA Major holds a strategic alliance with Korea Resources Corporation (KORES), a state owned Korean Corporation, to identify and acquire significant advanced base metal exploration projects for exploration and development. This alliance could bring URSA closer to developing a significant new Canadian Mining company.

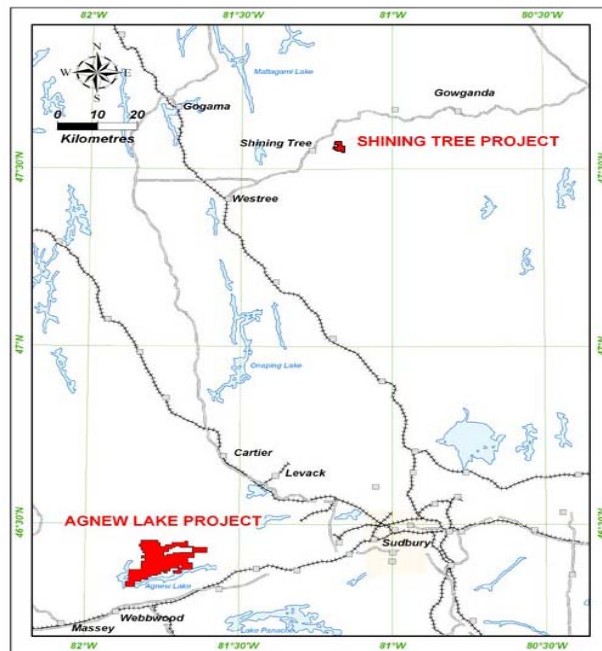
## Projects

The Company is focusing most of its efforts on the Shakespeare property just west of Sudbury Ontario where a positive feasibility study exists for a 4,500 tonne per day open pit mining operation. The Company is making efforts to advance this project to a production decision in the near-term.

### Shakespeare Project

This project is located about 70 km west of the Sudbury Basin in Ontario. The location is highly strategic in that the Sudbury Igneous Complex is host to Canada's largest mining and metallurgical complex, producing nearly 20% of the world's supply of nickel. This project is about a 30 minute drive to the city of Sudbury. The Company's total land position consists of 255 claims (10,200 acres). Of this, approximately 40 claims make up the Shakespeare option on which URSA Major can earn a 100% interest from Xstrata. The Company holds an additional 116 claims, owned 100%, surrounding the option block that URSA acquired by staking.

**Figure 1: Shakespeare Project Regional Location Map**



*Nickel, Copper Cobalt and PGE deposit located close to the Sudbury mining district.*

*Source: Company reports*

The Shakespeare project hosts a significant deposit containing nickel, copper, cobalt, platinum, palladium and gold. The deposit is made of two zones, East and West, with the both parts located on the option block.

### **Feasibility Study Results**

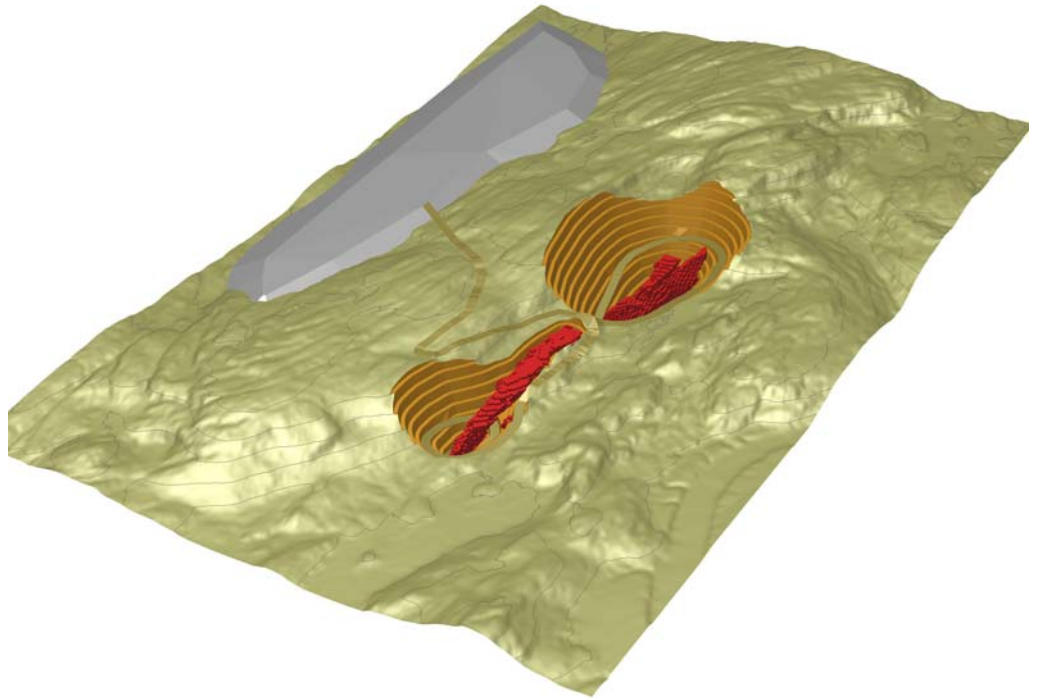
*Positive Feasibility Study for open pit mining operation*

URSA Major successfully completed the Shakespeare project feasibility study in January 2006. Micon evaluated the base case of an open pit mine and 4,500 tonnes per day on-site concentrator. In Micon's opinion "Shakespeare project contains an economic mineral reserve and is worthy of continued development through detailed engineering and construction to produce 4,500 t/d of ore mining and subsequent concentrate for sale." The economic analysis makes the conservative assumption of a reversion of metal prices to their 10-year historical median Canadian dollar prices, expressed in 2005 terms. Current price levels are assumed to regress exponentially toward the median, with a 'decay' half-life of five years. The resulting average prices over the life of the project, expressed in 2005 dollars, are nickel US\$5.48/lb, copper US\$1.34/lb, cobalt US\$20.05/lb, platinum US\$805.30/ounce, palladium US\$225.20/ounce, and gold US\$438.30/ounce. The base exchange rate for the economic analysis is taken from the average of over 11 months of 2005. The project produces an after tax internal rate of return (IRR) of 14.5% (20.0% pre-tax IRR) on an initial total capital cost of C\$118,473,000. Net revenue (NSR) is \$44.10/tonne and totals C\$495,088,000 for the project. Total operating cost is C\$22.55/tonne milled. The undiscounted total annual cash flow (NPV) is C\$84,192,000 and the NPV discounted at 10% is C\$16,218,000. Nickel, copper, precious metals and cobalt respectively contribute 58.7%, 18.5%, 15.3% and 7.5% of gross revenue. The project has a 6.8 year mine production life and is estimated to employ a total of 152 persons.

*Metal prices used to define the positive feasibility study are significantly lower than current prices and our estimates during the life of the mine*

The feasibility study defined a diluted Probable Reserve of 11,266,000 tonnes grading 0.33% nickel, 0.35% copper, 0.02% cobalt, 0.33 g/t platinum, 0.37 g/t palladium and 0.19 g/t gold. The mineral reserve is to a maximum depth of 250 metres below surface and was determined by applying a C\$11.75/tonne NSR internal cut-off value which is the sum of the mill processing and G&A costs. The reserve is based on an Indicated Resource (undiluted) of 12,430,000 tonnes grading 0.35% nickel, 0.37% copper, 0.02% cobalt, 0.35 g/t platinum and 0.39 g/t palladium and 0.20 g/t gold. This Indicated Resource is contained within an optimized pit shell with an NSR cut off above C\$24.23. An additional Indicated Resource of 1,830,000 tonnes grading 0.37% nickel, 0.41% copper, 0.03 % cobalt, 0.36 g/t platinum, 0.39 g/t palladium and 0.22 g/t gold at an NSR cut off of CDN\$50/tonne is located outside of the pit shell. The majority of the Indicated Resource is down plunge to the east of the pit shell. This resource could be recovered by underground mining from the base of the pit if economics are positive at that time. We believe these resources will extend the mine life.

**Figure 2: Proposed Project Layout**



*Source: Company reports*

*Seven year deal with Xstrata for processing and off take of concentrates*

During the past year, the Company also completed programs of geotechnical drilling and drilling of water monitoring wells for environmental baseline studies. The Company also conducted extensive environmental studies including surface water sampling, terrestrial and aquatic surveys. An intensive program of environmental test work on waste rock and tailings samples was initiated at SGS Lakefield Laboratories and is ongoing. URSA Major engaged Golder Associates Ltd. to carry out the permitting process for the Shakespeare project.

In 2007 the Company concluded an agreement with Xstrata for the processing of a 50,000 tonne bulk sample and subsequent shipment of ore to the Xstrata mill. As well this agreement included a 7 year deal on custom processing and refining of concentrates from the project. This deal allows for a rapid advancement of the project to production with off take agreements in place and the potential to continue shipments of ore following the bulk sample.

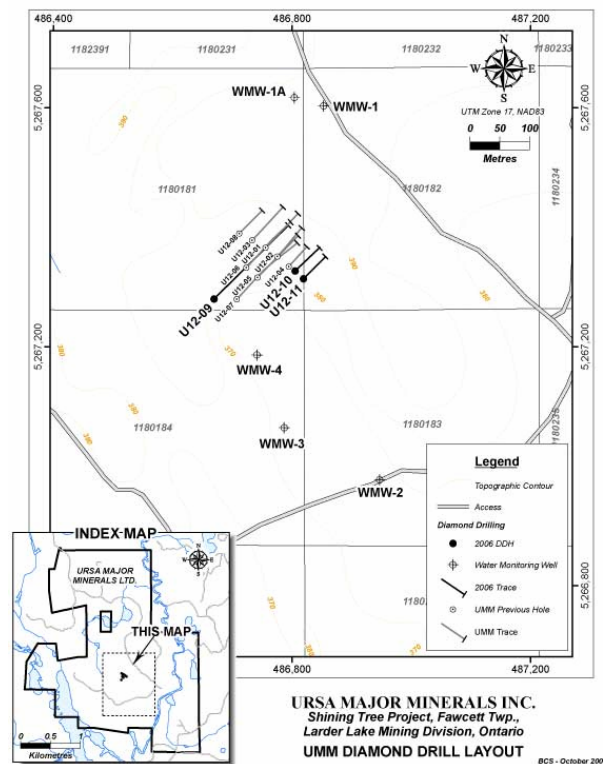
### **Shining Tree**

*Shining Tree Project is also in Sudbury District*

In 2005, URSA Major signed an option agreement to acquire a 100% interest in a nickel-copper deposit located near Shining Tree, Ontario. The Shining Tree property is located in Fawcett Township, 110 km north of Sudbury, Ontario and consists of 40 staked mining claims covering an area of approximately 1,600 acres. Previous operators had drilled 16 holes on the deposit and significant nickel mineralization has been intersected in 12 of these holes. Three holes drilled by previous operators were re-sampled and analyzed by URSA Major as part of the due diligence program prior to signing the option agreement. These holes returned significant intervals of mineralization. Highlights include holes 87104 and 87105 that were drilled 25 meters apart and returned 18.77 meters grading 1.37% nickel and 0.60% copper and 16.46 meters grading 0.98% nickel and 0.36% copper respectively.

In late 2005, URSA Major drilled eight holes which all successfully intersected nickel-copper mineralization at Shining Tree. Highlights from the program include hole U12-05, which returned grades of 0.98% nickel and 0.48% copper over 39.44m, and hole U12-04, which returned grades of 1.04% nickel and 0.52% copper over 20.35m. Several higher-grade intersections (over 1.5% nickel) are present including drill hole U12-06 which returned 2.19% nickel and 0.88% copper over 2.45 meters. The eight NQ holes (total length of 976m) were drilled to confirm the grade distribution and geometry of the near-surface portion of the deposit to a depth of 110 meters below surface over a strike length of 100 meters. The location of the drilling on the claims is given on Figure 3, showing the limited area of the claims that is explored so far.

**Figure 3: Drilling location on Shining Tree project**



Still lots of room and targets to explore.

Source: Company reports

The host rock for the base metal mineralization is a sulphide-rich gabbroic breccia contained within anorthositic gabbro. All of the holes intersected the mineralized breccia and all of the breccia was sampled and assayed.

**Table 1: Shining Tree Resources**

Resource Category	Tonnes	% Ni	% Cu	% Co
Indicated	1,020,000	0.71	0.36	0.02
Inferred	1,490,000	0.71	0.36	0.03

Source: Company reports

The Shining Tree project could provide a substantial and higher grade satellite resource to the Shakespeare project along

The results of this preliminary economic assessment by Micon identified an in-pit diluted resource of approximately 398,000 tonnes at a grade of 0.68% nickel and 0.33% copper and metallurgy testing shows the material could be processed using the proposed Shakespeare mill flotation circuit. Using an average life of mine nickel price of US\$6.05/lb the mineralization is indicated to have a net smelter return value of C\$70.54

*with exploration potential  
Expect exploration  
success*

per tonne and an estimated operating cost, including trucking to the Shakespeare project, of C\$48.44 per tonne. Capital costs for starting up a small open pit at the Shining Tree project; including permitting and closure were estimated at C\$1,026,000. This work suggests a small but profitable operation could be run from Shining Tree. We expect the Company to use the new drilling to define a larger in-pit resource before starting a scoping study on mining this mineralization. Recent drilling intercepted higher grade rock on surface and below the current resources. Several more targets remain to be tested on the project. We see more resources defined on this project to URSA's account.

### **Baldwin-Porter Property**

URSA Major's 100%-owned Porter Baldwin property (formerly referred to as the Agnew Lake property) now comprises over 486 claim units (19,440 acres) that cover a 15 km strike length extending from the Shakespeare deposit towards the Sudbury intrusive complex. During 2004, URSA conducted geological mapping, geophysical surveys including a MEGATEM airborne electromagnetic (EM) survey and diamond drilling on the Porter Baldwin property. In early 2004, drilling by the Company demonstrated that rocks with similar characteristics and style of mineralization to the Shakespeare deposit are present on the 100%-owned Agnew Lake property. Drilling in early 2005 continued to intersect minor sulphide mineralization on the property at the same stratigraphic position as the Shakespeare deposit. The results provide evidence of a magmatic sulphide target of regional extent. The company is continuing to map and prospect the property to develop new drill targets.

### **Worthington Offset Dike Property**

The Company acquired 100% option on a property that covers a 1.2km long stretch of the Worthington Offset dike in Lorne Township about 40km west of Sudbury. This dike extends for approximately 12 kilometers from the Sudbury Igneous Complex and is the host to several nickel-copper mines and deposits. Most notably, the Totten Mine Extension, owned by Companhia Vale de Rio Doce (CVRD) (formerly Inco) is located approximately 6 kilometers northeast of URSA's property on the Worthington offset dike. The Totten Mine Extension contains approximately 10 million tonnes of 1.50% nickel, 2.0% copper and 4.8 grams per tonne of palladium and platinum.

*The Worthington  
property provides an  
excellent target for  
URSA Major to generate  
excellent exploration  
results with high grade  
mineralization.*

The Worthington Offset Dike property was previously known as the Mystery Offset Dike project. The central portion of the dike is an inclusion-bearing quartz diorite that is similar to other mineralized offset dikes in the Sudbury district. Continuous zones of pyrrhotite, chalcopyrite and pentlandite mineralization are present on URSA Major's Worthington offset dike property. On the property, shallow drilling by previous operators returned several mineralized intersections including a 2.62 meter intersection grading 1.26% Nickel, 0.45% Copper and 13.43 g/t platinum group metals plus gold. This mineralization's *in situ* value is over US\$950 per tonne at current prices. URSA Major is planning an exploration program that will test the mineralization with drilling down dip and utilize down-hole geophysics to guide further drilling.

### **Agnew Lake Uranium Property**

URSA Major recently sold its interest in the Agnew Lake Uranium Property located at the eastern end of the Porter-Baldwin property. The sale provided \$2.5 million in cash that can be used for operations and development along with 5 million shares of a start-up uranium exploration company Nyah Resources that could generate substantial value in this hot uranium market. A 1.5% NSR is also included in the sale price.

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## **KORES Alliance**

*The KORES alliance brings significant advantages to URSA Major for the acquisition and development of mineral projects not found in many other junior exploration companies.*

URSA Major has a strategic alliance with Korea Resources Corporation (KORES) to identify and acquire significant advanced base metal exploration projects for exploration and development. KORES is state owned South Korean public corporation that is dedicated to advancing Korean domestic mineral resource development efforts and at the same time securing required mineral resources from abroad. Since its establishment in 1967 the Corporation engaged in activities aimed at achievement of such operational objectives including provision of necessary information and extension of technical and financial assistance services in the interest of domestic private mineral industry sector. KORES formed cooperative business connections at various project levels with 5 countries to participate in 9 projects with a total investment of more than U\$60M. KORES head office is located in Seoul, Korea with overseas offices currently in Canada, Australia, China, and Kazakhstan, and South Africa and Peru in the near future

## **Directors and Management**

### **Richard H. Sutcliffe** - *President, CEO, and Director*

Richard H. Sutcliffe, Ph.D., is a geologist with more than 25 years of experience in mineral exploration and mining. In addition to being President and CEO of URSA Major Minerals Inc., Dr. Sutcliffe is currently the Chairman of Patricia Mining Corp. and a director of Patricia Mining Corp. since 1998. He was a Director of North American Palladium Ltd. from 1999 to 2005.

### **Chris Chadder** – *CFO*

Mr. Chadder is a Chartered Accountant with over 10 years of experience as an auditor and business advisor to resource companies. Mr. Chadder works with management on business development, financial compliance and financial reporting.

### **C. Nigel Lees** – *Director*

C. Nigel Lees is President, CEO and a director of Sage Gold Inc. He is a founder and past director TVX Gold Inc., a significant gold producer in North and South America that merged with Kinross Gold Corporation.

### **Robin E. Goad** – *Director*

Robin E. Goad, M.Sc., is President and Director of Fortune Minerals Limited and Formosa Environmental Aggregates Ltd. Mr. Goad is a geologist with more than 20 years of experience in the mining and mineral exploration industry.

### **Donald Ross** – *Director*

Donald Ross is the President of Jones Gable & Company Limited, and is a member of the TSX. Mr. Ross is on the board of several small public companies.

### **Chai Sung-keun** – *Director*

Mr. Chai is the Chief Operating Officer of KORES Canada, a subsidiary of Korea Resources Corporation (KORES).

*Management team contains technical, financial and industry experience needed to advance its projects and grow the company's value.*

The team now includes Mr. Veikko Koskela as the company's operations manager for the Shakespeare nickel-copper project. Mr. Koskela has 30 years of professional mining experience including 20 years with the Outokumpu group where he was Vice President of Mining Operations for Outokumpu Mines Inc., based in Toronto. Since leaving Outokumpu in 2002, Mr. Koskela has acted as a project manager for a number of mining feasibility and technical studies and has recently worked with Micon International Limited.

The management team also includes Bruce Mackie who is responsible for finding new projects to build URSA Majors portfolio as part of the growth strategy.

## **Financial Position**

There are close to 25.5 million shares outstanding at this time with 28.7 million fully diluted. The cash position currently stands at approximately \$1.0 million with another C\$2.5 million expected from the sale of the Agnew Lake Uranium project.

The Company is looking to put the Shakespeare and Shining Tree projects into production. The 2006 feasibility study on the Shakespeare project estimates a capital cost of close to C\$120 million. The Company will look to finance this development with a combination of debt and equity and potentially other options. This is a significant amount of capital to be raised by a junior Canadian company; we believe the current strong metal markets, especially nickel, will attract financing opportunities to these projects.

*Bulk samples from the Shakespeare and Shining Tree could provide funds for the advancement of its projects to full production*

The Company plans to extract and process a bulk sample from the Shakespeare project. This 50,000 tonne bulk sample will provide information on the mining characteristics of the ore and recovery information. It will also provide some income with current metal prices. We estimate that this bulk sample could generate close to \$3.5 million in cash flow after construction, mining, and processing costs. This is sufficient funds to cover fees for a C\$50 million dollar equity financing associated with the development of the Shakespeare project. URSA is also looking at extracting a bulk sample from the Shining Tree project. We estimate a 10,000 tonne bulk sample could provide around \$1.3 million in cash flow after costs, sufficient for the development of this open pit resource based on the preliminary economic assessment.

URSA Major is also supported by significant share ownership by KORES that hold a 14% interest in the company at this time. As well, Mineralfields Group holds approximately 8% of the shares of the Company in its funds.

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## Valuation

*Feasibility Study Results gave an economic but not overly robust project*

Our valuation of the Company is based on production and cost parameters set out in the feasibility study for the Shakespeare project and the preliminary economic assessment for the Shining Tree project. However we use our own estimates for metal prices, exchange rates and tested the economics while varying capital costs. The published results for the feasibility were given above with an NPV of just C\$16,218,000 at 10% and an IRR of 14.5% after tax. These numbers would not encourage many to invest close to \$120 million for its development. The feasibility study used metal prices well below current and our estimates for the life of the mine as we believe the current metals market to remain strong for several years and provide some very good prices at the start of the project. Nickel prices are currently near US\$20 per pound, record levels, and supply conditions are not expected to dampen the markets any time soon.

**Table 2: Variation in Life of Mine Metal Prices and Costs**

	Feasibility Study	FCS Estimates
Capital Costs [C\$M]	\$118,473,000	\$130,000,000
Nickel [US\$/lb]	\$5.48	\$8.88
Copper [US\$/lb]	\$1.34	\$1.70
Cobalt [US\$/lb]	\$20.05	\$17.40
Platinum [US\$/oz]	\$805.30	\$903.75
Palladium [US\$/oz]	\$225.20	\$290.45
Gold [US\$/oz]	\$438.30	\$604.30
Exchange Rate [US\$/C\$]	\$0.8224	\$0.8420

*Source: Company reports and FCS estimates*

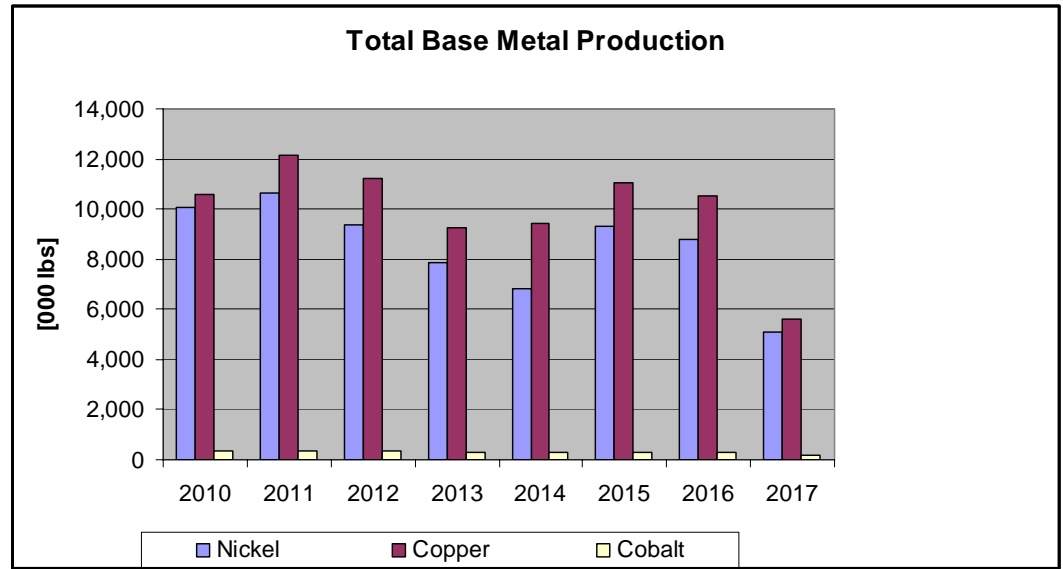
*Better Nickel prices, longer life and Shining Tree could make this a very profitable mine*

Our valuation of the Company also includes additions to the feasibility. We also include an extra year of production from the Shakespeare project from an underground operation to access the resources that remain there. As well we include the Shining Tree project in the production schedule from our anticipated start date of 2010 for the projects. At a rate of 500 tonnes per day this production displaces some 1.332 million tonnes from the Shakespeare mine and could provide for another additional year of production at the project from the open pit. Potential free cash flow from this amount is not included in our valuation at this time.

The operation is expect to run for eight years with significant production of base and precious metals as illustrated on figures 4 and 5 below. These figures reflect our inclusion of ore from Shining Tree

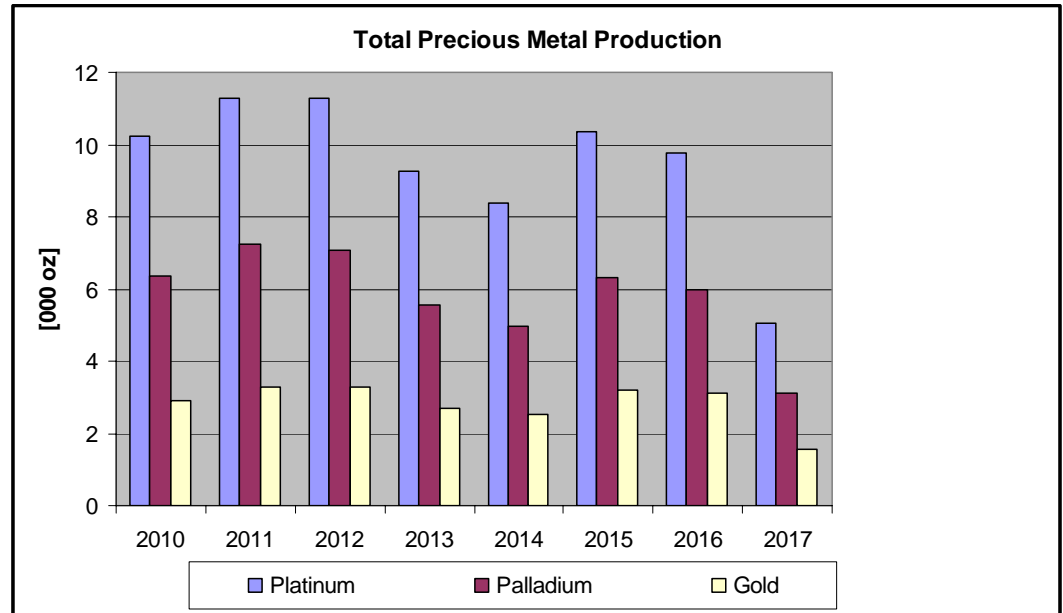
Substantial production of six metals provides diversification and stability in the operation's cash flow

Figure 4: Combined Base Metal Production



Source: Company Reports and FCS estimates

Figure 5: Combined Precious Metal Production



Source: Company Reports and FCS estimates

In our valuation we also looked at three different financing scenarios based on the debt to equity ratio. Debt levels for these three scenarios ranges from a high of C\$91 million to a low of C\$65 million. Corresponding equity financing levels range from C\$39 million to C\$65 million; we used a \$1 per share price for the equity in our analysis. These scenarios at different discount rates yielded a substantial variation in the value of this project. These are presented below on Table 3. We also included the standard deviation for these

valuations as our model uses a Monte Carlo simulation method that allows use to in put pricing, costs and exchange rate distributions over the life of the mine model and conduct numerous analyses to determine the mean valuation.

**Table 3: Summary Valuation table**

*Potential debt/equity scenarios for financing*

<b>Summary Valuation Table</b>			
<b><u>Debt/Equity Ratio</u></b>		<b><u>Shares Fully Diluted</u></b>	
<b>70-30</b>		<b>64.67 [ M ]</b>	
<b>Rate</b>	<b>NPV</b>	<b>NPV/Share</b>	<b>Std Dev.</b>
%	[C\$ M]	[C\$]	[C\$]
0	367.4	\$5.68	\$0.88
5	280.2	\$4.33	\$0.71
7.5	246.9	\$3.82	\$0.64
10	218.9	\$3.38	\$0.58
15	174.5	\$2.70	\$0.48
<b><u>Debt/Equity Ratio</u></b>		<b><u>Shares Fully Diluted</u></b>	
<b>60-40</b>		<b>77.60 [ M ]</b>	
<b>Rate</b>	<b>NPV</b>	<b>NPV/Share</b>	<b>Std Dev.</b>
%	[C\$ M]	[C\$]	[C\$]
0	382.9	\$4.93	\$0.74
5	292.4	\$3.77	\$0.59
7.5	257.9	\$3.32	\$0.54
10	228.6	\$2.94	\$0.49
15	182.3	\$2.35	\$0.40
<b><u>Debt/Equity Ratio</u></b>		<b><u>Shares Fully Diluted</u></b>	
<b>50-50</b>		<b>90.6 [ M ]</b>	
<b>Rate</b>	<b>NPV</b>	<b>NPV/Share</b>	<b>Std Dev.</b>
%	[C\$ M]	[C\$]	[C\$]
0	397.5	\$4.38	\$0.63
5	303.5	\$3.35	\$0.51
7.5	267.8	\$2.96	\$0.46
10	237.5	\$2.62	\$0.41
15	189.5	\$2.09	\$0.36

*Source: FCS estimates*

From our experience we believe the most likely scenario involves a 60/40 debt to equity ratio with a discount rate of 7.5% reflecting the strong and competitive financing markets at this time. This yields a NPV for the production projects of some C\$258 million and a NPV per share, fully financed, of \$3.32 on 77.6 million shares. This value shows a very robust project and significant upside from current share levels. We are not adding any value to this for other projects in the Company's portfolio at this time or for any existing cash resources as they will be used for exploration, bulk sampling, permitting and other corporate and operational needs.

*Exposure to a new uranium company*

The Company also owns a significant position in Patricia Mining and the private company Nyah Resources. USRA's 9.4% position in Patricia is current worth C\$2.22 million, this equates to fewer than 3 cents per share on a fully financed basis. Since Nyah is not public yet we do not have a value for the 5 million shares, nor can they be easily exchanged to add value to the Company at this time. We expect this to change once the Nyah shares are listed. With the current hot uranium market and Nyah's strong management team we could see this holding turn into a significant investment for URSA Major that could reduce future capital needs.

*Exploration, Financing,  
Construction then  
Production Risk*

## RISK FACTORS

URSA Major Minerals is a junior exploration and development company and it is subject to several risks associated with this business and the market within it operates. Their projects are advancing to the production stage and contain reserves and resources. This reserve when recovered could show variation in grade and tonnage. Mining costs and the time to production could vary from our estimates. A longer time to production would reduce the projects current value. As well, metallurgical recovery work is still not complete and published results are for a high grade concentrate. We expect recoveries to be improved from these values however they could still be different than our estimates. The valuation is based on commodity prices that could be different at the time of production than those used at this time for the valuation.

As URSA Major is looking to put the Shakespeare project into production they will be looking to finance its capital requirements. There is a risk that the Company will not be able to secure financing on the terms and schedule anticipated by our estimates. The Company looks to transform itself from an explorer to a producer and changing its risk profile from that of a company looking to find a deposit to one that is looking to extract it profitably and create value for its shareholders discovering a mineral resource and realizing its value in production takes significant capital and time and is subject to many risks during this process.

## CONCLUSION

URSA Majors' Shakespeare and Shining Tree deposits contain significant resources that should generate increased value for the Company. The current strong metal markets and our outlook for the sector lead us to believe that the projects should be advanced to production in the near-term. However the current strong markets are expected to put pressure on capital and operating costs. The processing and off take agreement with Xstrata provides a secure market for the metals thus reducing the risk associated with the development of this project by a junior. We also believe the strategic alliance with KORES provides the Company with a senior partner for the development of this and other projects, an asset not held by many Canadian juniors.

*Look for a construction  
decision in late 2007*

We expect the Company to complete its bulk sampling programs in 2007 with additional information on the ore bodies and encouragement to make a production decision later in the year. We look for the Company to seek financing for this project late in 2007 or early 2008 so that construction can begin at that time to meet a 2010 production start up as we estimate in our analysis.

Our valuation work includes additional production from Shining Tree that is not included in the feasibility study. The published feasibility study values were not encouraging for the development of the Shakespeare project in our opinion. We are looking to current stronger metal prices, in most cases, especially nickel, to make this project interesting and highly profitable. With our analysis showing the project to be very profitable at improved metal prices we are recommending the shares of URSA Major as a **Speculative Buy** with a 12-month target price of \$3.35. We look to upgrade this recommendation with a financing commitment. This valuation shows there is room for URSA Major to seek a partner and still hold substantial value and upside from this development.

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### Investment Opinion Definition

**STRONG BUY:** The share price is expected to appreciate 30% or more over the next 12 months.

**BUY:** The share price is expected to appreciate 10% to 30% over the next 12 months.

**HOLD:** The share price is expected to appreciate substantially over the next 12 months, but with a high level of inherent risk

**SELL:** The share price is expected to have a negative rate of return over the next 12 months.

**SPECULATIVE BUY:** The share price is expected to appreciate substantially over the next 12 months, but with a high level of inherent risk

*Note: Percentages are approximate and ratings are at the analyst's discretion.*

### Analyst Certification

All of the views expressed in this report accurately reflect the personal views of the responsible analyst about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst in this report. The analyst does not directly or indirectly own any shares of URSA Major Minerals Inc.

### Dissemination of Research

FCS endeavors to make all reasonable efforts to provide research simultaneously to all eligible clients via email. Additional distribution may be done by sales personnel via email, fax or regular mail.

### Material Disclosures

The analyst responsible for preparing this research report received compensation that is based upon various factors, including financing revenues of Limited Market Dealer Inc.

Within the past 12 months, FCS received compensation associated with financing URSA Major Minerals Incorporated

FCS and its affiliates collectively beneficially own 8% or more of the equity securities of URSA Major Minerals Incorporated

**Notes:**



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