

**NEVADA EXPLORATION INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

**FOR THE SIX MONTHS ENDED OCTOBER 31, 2016 AND 2015**

**NEVADA EXPLORATION INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited - Expressed in Canadian Dollars)  
AS AT

	October 31, 2016	April 30, 2016 (Audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1,400,391	\$ 74,820
Accounts receivable (Note 4)	29,011	16,506
Prepaid expenses (Note 5)	156,049	11,595
Short term investments (Note 6)	<u>6,803</u>	<u>8,503</u>
<b>Total current assets</b>	<u>1,592,254</u>	<u>111,424</u>
<b>Non-current assets</b>		
Equipment (Note 8)	432,216	46,192
Deposits and bonds (Note 10)	<u>53,750</u>	<u>45,281</u>
<b>Total non-current assets</b>	<u>485,966</u>	<u>91,473</u>
<b>Total assets</b>	<u>\$ 2,078,220</u>	<u>\$ 202,897</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Notes 7 and 11)	\$ 145,981	\$ 132,443
Current portion of finance lease obligations (Note 12)	<u>12,341</u>	<u>11,381</u>
<b>Total current liabilities</b>	<u>158,322</u>	<u>143,824</u>
<b>Non-current liabilities</b>		
Finance lease obligations (Note 12)	<u>13,681</u>	<u>18,631</u>
<b>Total liabilities</b>	<u>172,003</u>	<u>162,455</u>
<b>Equity</b>		
Capital stock (Note 14)	19,813,380	17,364,355
Reserves (Note 14)	1,741,366	866,472
Deficit	<u>(19,648,529)</u>	<u>(18,190,385)</u>
<b>Total equity</b>	<u>1,906,217</u>	<u>40,442</u>
<b>Total liabilities and equity</b>	<u>\$ 2,078,220</u>	<u>\$ 202,897</u>

Nature of operations and continuance of operations (Note 1)

Change in accounting policy (Note 3)

Approved and authorized on behalf of the Board on: December 22, 2016

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“Wade Hodges” Director “Dennis Higgs” Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**NEVADA EXPLORATION INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Unaudited)  
(Expressed in Canadian Dollars)

	<b>Three months Ended October 31, 2016</b>	<b>Three months Ended October 31, 2015 <small>(Restated - Note 3)</small></b>	<b>Six months Ended October 31, 2016</b>	<b>Six months Ended October 31, 2015 <small>(Restated - Note 3)</small></b>
<b>EXPENSES</b>				
Amortization (Note 8)	(1,401)	5,672	7,934	11,037
Exploration and evaluation expenditures (Note 9)	458,610	200,921	519,484	201,938
General exploration costs	5,472	1,017	18,421	199
Interest and bank charges	2,627	1,750	4,061	2,416
Investor relations	192,886	40,876	322,724	41,776
Office expenses and other	32,796	9,628	32,975	21,021
Professional fees and consulting (Note 7)	70,961	33,667	103,190	67,305
Rent	15,117	6,971	22,921	13,671
Salaries (Note 16)	81,898	11,288	124,298	37,547
Share-based payments (Notes 14)	295,884	107,970	316,341	107,970
Travel	<u>9,056</u>	<u>1,331</u>	<u>12,732</u>	<u>3,096</u>
<b>Total operating expenses</b>	<u>(1,163,906)</u>	<u>(421,091)</u>	<u>(1,485,081)</u>	<u>(507,976)</u>
<b>OTHER ITEMS</b>				
Unrealized gain (loss) on marketable securities (Note 6)	1,700	-	(1,700)	(1,701)
Gain on salary settlement (Note 7)	-	71,363	-	71,363
Net project management consulting revenue	<u>613</u>	<u>36,959</u>	<u>14,332</u>	<u>38,203</u>
<b>Total other items</b>	<u>2,313</u>	<u>108,322</u>	<u>12,632</u>	<u>107,865</u>
<b>Net loss for the period</b>	(1,161,593)	(312,769)	(1,472,449)	(400,111)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Currency translation adjustment	<u>14,073</u>	<u>(23,725)</u>	<u>12,285</u>	<u>(15,317)</u>
<b>Comprehensive loss for the period</b>	<u>\$ (1,147,520)</u>	<u>\$ (336,494)</u>	<u>\$ (1,460,163)</u>	<u>\$ (415,428)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>
<b>Weighted average number of common shares outstanding</b>	46,629,009	26,006,592	43,194,400	19,059,701

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**NEVADA EXPLORATION INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited)  
(Expressed in Canadian Dollars)

	Capital Stock		Reserves					Total Equity
	Shares (Note 14)	Amount (Note 14)	Options (Note 14)	Warrants (Note 14)	Currency Translation (Restated- Note 3)	Total Reserves (Restated- Note 3)	Deficit (Restated- Note 3)	
Balance, April 30, 2015	13,374,600	\$ 16,368,731	\$ 500,342	\$ 47,685	\$ (23,071)	\$ 524,956	\$ (17,196,840)	\$ (303,153)
Private placement	14,100,000	705,000	-	-	-	-	-	705,000
Relative fair value of unit warrants issued	-	(287,597)	-	287,597	-	287,597	-	-
Share issuance costs	-	(44,226)	-	(30,052)	-	(30,052)	-	(74,278)
Shares for debt – bridge financing	939,150	46,958	-	-	-	-	-	46,958
Relative fair value of unit warrants issued	-	(18,932)	-	18,932	-	18,932	-	-
Share issuance costs	-	(4,896)	-	-	-	-	-	(4,896)
Shares for debt – management settlement	2,500,000	125,000	-	-	-	-	-	125,000
Share-based payments	-	-	107,970	-	-	107,970	-	107,970
Currency translation adjustment	-	-	-	-	(15,317)	(15,317)	-	(15,317)
Net loss for the period	-	-	-	-	-	-	(400,111)	(400,111)
<b>Balance, October 31, 2015</b>	<b>30,913,750</b>	<b>\$ 16,890,038</b>	<b>\$ 608,312</b>	<b>\$ 324,162</b>	<b>\$ (38,388)</b>	<b>\$ 894,086</b>	<b>\$ (17,596,951)</b>	<b>\$ (187,173)</b>
Balance, April 30, 2016	34,086,750	\$ 17,364,355	\$ 507,647	\$ 393,376	\$ (34,551)	\$ 866,472	\$ (18,190,385)	\$ 40,442
Private placement	7,000,000	2,455,000	-	-	-	-	-	2,445,000
Relative fair value of unit warrants issued	-	(650,270)	-	650,270	-	650,270	-	-
Finder's unit shares	147,600	51,660	-	-	-	-	-	51,660
Finder's unit warrants	-	(23,890)	-	23,890	-	23,890	-	-
Share issuance costs	-	(111,062)	-	-	-	-	-	(111,062)
Share-based payments	-	-	316,341	-	-	316,341	-	316,341
Warrants exercised	6,132,000	727,587	-	(113,587)	-	(113,587)	-	614,000
Options expired	-	-	(14,305)	-	-	(14,305)	14,305	-
Currency translation adjustment	-	-	-	-	12,285	12,285	-	12,285
Net loss for the period	-	-	-	-	-	-	(1,472,449)	(1,472,449)
<b>Balance, October 31, 2016</b>	<b>47,336,350</b>	<b>\$ 19,813,380</b>	<b>\$ 809,683</b>	<b>\$ 953,949</b>	<b>\$ (22,266)</b>	<b>\$ 1,741,366</b>	<b>\$ (19,648,529)</b>	<b>\$ 1,906,217</b>

On August 28, 2015, the Company's common shares were consolidated on the basis of one post-consolidated common share for every ten pre-consolidated common shares. The numbers of the shares, options and warrants presented in these condensed consolidated interim financial statements have all been adjusted retrospectively to reflect the impact of this share consolidation.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**NEVADA EXPLORATION INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(Expressed in Canadian Dollars)

	Six months Ended October 31, 2016	Six months Ended October 31, 2015 <small>(Restated - Note 3)</small>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (1,472,449)	\$ (400,111)
Items not affecting cash:		
Amortization	7,934	11,037
Share-based payments	316,341	107,970
Unrealized loss on marketable securities	1,700	1,701
Changes in non-cash working capital items:		
Accounts receivable	(12,505)	(5,084)
Prepaid expenses	(144,454)	15
Redemption (payments) of deposits	(5,750)	5,750
Redemption (purchase) of bonds	-	(14,125)
Accounts payable and accrued liabilities	<u>13,538</u>	<u>(227,823)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>(1,295,645)</u>	<u>(520,670)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of equipment	<u>(396,880)</u>	<u>-</u>
<b>Net cash provided by (used in) investing activities</b>	<u>(396,880)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from private placement	2,455,000	705,000
Share issuance cost	(59,402)	(79,173)
Short-term loan received	-	16,958
Warrants exercised	614,000	-
Repayment of finance lease obligations	<u>(6,066)</u>	<u>(6,171)</u>
<b>Net cash provided by financing activities</b>	<u>3,003,532</u>	<u>636,614</u>
<b>Effect of foreign exchange</b>	<u>14,564</u>	<u>5,945</u>
<b>Change in cash for the period</b>	1,325,571	121,889
<b>Cash, beginning of period</b>	<u>74,820</u>	<u>29,674</u>
<b>Cash, end of period</b>	<u>\$ 1,400,391</u>	<u>\$ 151,563</u>

The accompanying notes are an integral part of these condensed consolidated interim financial statements

## **1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS**

Nevada Exploration Inc. (the “Company” or “NGE”) was incorporated on April 6, 2006 under the Canada Business Corporations Act and is in the business of acquiring and exploring mineral properties.

The Company is listed on the TSX Venture Exchange (“TSX-V”) under the trading symbol “NGE” and on the OTCQX marketplace under the trading symbol “NVDEF”. The Company’s head office is located at Suite 1500 - 885 West Georgia Street, Vancouver, BC V6C 3E8. The Company’s registered and records office is located at 25th Floor, 700 W. Georgia St., Vancouver, BC V7Y 1B3.

These condensed consolidated interim financial statements are authorized for issue on behalf of the Board of Directors on December 22, 2016.

### Continuance of operations

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company’s continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically and recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements, unregistered claims and noncompliance with regulatory and environmental requirements.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of presentation**

On August 28, 2015, the Company’s common shares were consolidated on the basis of one post-consolidated common share for every ten pre-consolidated common shares. The numbers of the shares, options and warrants presented in these condensed consolidated interim financial statements have all been adjusted retrospectively to reflect the impact of this share consolidation.

### **Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee (IFRICs). Accordingly, they do not include all of the information required for full annual financial statements by International Financial Reporting Standards (“IFRS”) for complete financial statements for year-end reporting purposes. These condensed consolidated interim financial statements should be read in conjunction with the Company’s financial statements for the year ended April 30, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its most recent annual audited consolidated financial statements as at and for the year ended April 30, 2016 as filed on SEDAR at [www.sedar.com](http://www.sedar.com).

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Change in accounting policy**

During the year ended April 30, 2016, the Company retrospectively changed its accounting policy for exploration and evaluation assets. See Note 3.

**Basis of consolidation**

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary Pediment Gold LLC. The financial statements of the Company's subsidiary have been consolidated from the date that control commenced. All inter-company balances and transactions, and income and expenses have been eliminated upon consolidation.

The condensed consolidated interim financial statements include the financial statements of Nevada Exploration Inc. and its subsidiary listed in the following table:

Name of Subsidiary	Country of Incorporation	Functional Currency	Ownership Interest	Principal Activity
Pediment Gold LLC	USA	US dollar	100%	Exploration company

**Use of judgments and estimates**

The preparation of these condensed consolidated interim 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 the reported revenues and expenses during the year.

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

- i) the estimated useful lives of equipment and the related amortization;
- ii) impairment of equipment;
- iii) valuation of share-based payments and warrants;
- iv) estimated amounts for environmental rehabilitation provisions

**Functional and presentation currency**

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency of the Company's wholly-owned subsidiary Pediment Gold LLC is the US dollar.

**Share issuance costs**

Professional fees, consulting fees and other costs that are directly attributable to financing transactions are charged to capital stock when the related shares are issued. If the financing is not completed share issue costs are charged to profit or loss.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Equipment**

Equipment is recorded at historical cost less accumulated amortization and impairment charges. Equipment is amortized on a straight-line basis over their estimated useful lives as follows:

Exploration equipment	5 to 7 years
Vehicles	5 years
Computer equipment	3 years
Database	10 years

The cost of replacing a piece of equipment is recognized in the carrying amount of the equipment if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of the equipment are recognized in profit or loss as incurred.

**Resource properties – exploration and evaluation expenditures**

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition cost of mineral properties, properly option payments and evaluation activities. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

**Impairment**

At the end of each reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Impairment is determined for an individual asset unless the asset does not generate cash inflows that are independent of those generated from other assets or group of assets, in which case, the individual assets are grouped together into cash generating units ("CGU's") for impairment purposes. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit and loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**Income taxes**

Income tax expense 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. Current tax expense is the expected tax payable on 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.



**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Income taxes (cont'd...)**

Deferred taxes are recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that do not affect either accounting or taxable loss, or differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize that excess.

**Provision for environmental rehabilitation**

The Company recognizes the fair value of a liability for the provision for environmental rehabilitation in the year in which it is incurred when a reliable estimate of fair value can be made.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the consolidated statement of comprehensive loss. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability. As at July 31, 2016, the Company recorded \$13,056 (April 30, 2016 - \$nil) for an environmental rehabilitation provision. During the quarter ended October 31, 2016, this provision was completed. Accordingly, as at October 31, 2016, the Company has not recorded any provision for environmental rehabilitation.

**Warrants**

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value. The relative fair value of the share component is credited to capital stock and the relative fair value of the warrant component is credited to warrants reserve. Upon exercise of warrants, consideration paid by the warrant holder together with the amount previously recognized in warrants reserve is recorded as an increase to capital stock. Upon expiration of warrants, the amount applicable to warrants expired is recorded as an increase to capital stock.

**Basic and diluted loss per common share**

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of common shares outstanding during the year.

Diluted loss per share is determined by adjusting the loss attributable to common shareholders by the weighted average number of common shares outstanding for the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. As at October 31, 2016 and April 30, 2016, warrants and options outstanding are anti-dilutive.

**Share-based payments**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Share-based payments (cont'd...)**

The fair value of employee stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be reliably measured, they are measured at the fair value of the share-based payment consideration. Consideration paid for the shares on the exercise of stock options together with the fair value of the stock options previously recognized is credited to capital stock. When vested options are not exercised by the expiry date, the amount previously recognized in share-based payment is transferred to deficit. The Company estimates a forfeiture rate and adjusts the corresponding expense each period based on an updated forfeiture estimate.

**Receivables**

Receivables are recorded at face value less any provisions for uncollectible amounts considered necessary.

**Revenue recognition**

Project management and consulting revenue is recognized at the time the service is provided and collection is reasonably assured.

**Foreign currencies**

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate, and non-monetary assets and liabilities, at the historical rates. Exchange differences arising on the settlement of monetary items or on translating monetary items at different rates from those at which they are translated on initial recognition during the period or in previous consolidated financial statements are recognized in profit or loss.

For the purpose of presenting consolidated financial statements, the assets and liabilities of Pediment Gold LLC are expressed in Canadian dollars using the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case exchange rates at the dates of the transactions are used. Exchange differences are recognized in other comprehensive income and reported as currency translation reserve in equity.

Foreign exchange gains and losses arising from a monetary item receivable or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form a part of the net investment in the foreign operation, are recognized in foreign currency translation in the currency translation reserve.

**Financial instruments**

Financial assets

Financial assets are classified as into one of the following categories based on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss ("FVTPL")* – This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments (cont'd...)**

*Loans and receivables ("LAR")* - 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.

*Held-to-maturity ("HTM")* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of HTM financial assets, including impairment losses, are recognized in profit or loss.

*Available-for-sale ("AFS")* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment and at disposal, the amount of the cumulative loss is removed from equity and recognized in profit or loss.

Financial liabilities

Financial liabilities are classified into one of two categories, based on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss ("FVTPL")* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in profit or loss.

*Other financial liabilities ("OFL")* - This category includes accounts payable and accrued liabilities, finance lease obligations, and short term demand loan all of which are recognized at amortized cost.

<u>Financial Instrument</u>	<u>Classification</u>
Cash	LAR
Short term investments	FVTPL
Deposits and bonds	LAR
Accounts payable and accrued liabilities	OFL
Finance lease obligations	OFL

Carrying values of financial assets and financial liabilities approximate fair value.

Impairment

All financial assets except for those at FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that the estimated cash flows of a financial asset or group of financial assets are negatively impacted. The carrying amount of the financial asset is directly reduced by any impairment loss. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments by the borrower; or
- it becomes probable that the borrower will enter into bankruptcy or financial reorganization.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

**Leases**

Leases that transfer substantially all of the benefits and risks of ownership of the assets to the Company are accounted for as finance lease obligations. At the time the finance lease obligation is entered into, an asset is recorded together with the related obligation. Assets under finance lease obligations are depreciated over their estimated useful lives.

**New Accounting Standards and Amendments to Existing Standards**

New or revised standards and amendments to existing standards not yet effective

The Company has not applied the following new or revised standards and amendments that have been issued but are not yet effective:

- New standard IFRS 9, *Financial Instruments*, was issued in final form in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets. This standard is effective for years beginning on or after January 1, 2018. The impact of this amendment is to be determined.
- New standard IFRS 16, *Leases*, specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019. The impact of this amendment is to be determined.
- New standard IFRS 15, *Revenue from contracts with customers*, provides guidance on how and when revenue from contracts with customers to be recognized, along with new disclosure requirements in order to provide financial statement users with more information and relevant information. This standard is effective for reporting periods on or after January 1, 2018. The impact of this standard is to be determined

The Company plans to adopt these standards as soon as they become effective for the Company's reporting period.

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**3. CHANGE IN ACCOUNTING POLICY**

During the year ended April 30, 2016, the Company retroactively changed its accounting policy for exploration and evaluation expenditures. Previously, the Company capitalized acquisition costs and deferred exploration and evaluation expenditures of mineral properties to the specific mineral properties, net of recoveries received.

Under the new policy, exploration and evaluation expenditures incurred prior to the establishment of technical feasibility and commercial viability of extracting mineral resources and prior to a decision to proceed with mine development are charged to operations as incurred. As required by IAS8 – Accounting Policies, Changes in Accounting Estimates and Errors, the Company included the restated statement of financial position as of May 1, 2014 in the April 30, 2016 consolidated financial statements.

Management considers this accounting policy to provide more reliable and relevant information and more clearly represents the Company’s activities.

The consolidated financial statement impact as at April 30, 2015 is as follows:

	As previously reported	Adjustment	Restated
Exploration and evaluation assets	\$ 3,442,023	\$ (3,442,023)	\$ -
Total assets	3,656,933	(3,442,023)	214,910
Reserves	(1,163,289)	638,333	(524,956)
Deficit	14,393,150	2,803,690	17,196,840
Total shareholder’s equity	3,138,870	(3,442,023)	(303,153)
Total liabilities and shareholder’s equity	3,656,933	(3,442,023)	214,910

Exploration and evaluation costs that were capitalized and previously disclosed during the period ended October 31, 2015 have now been expensed in the statement of loss and comprehensive loss in accordance with the change in accounting policy. Impairment charges on the exploration and evaluation assets during the period ended October 31, 2015 were re-classified to deficit as they would have been expensed in the prior year in accordance with the change in accounting policy. As all exploration and evaluation assets were held in the US subsidiary, the cumulative translation reserve has been adjusted as the change in accounting policy resulted in the restatement of foreign exchange translation on exploration and evaluation assets. Exploration and evaluation costs that were recorded as an investing activity in the statement of cash flows for the period ended October 31, 2015 are now recorded as cash flows used in operating activities.

**4. ACCOUNTS RECEIVABLE**

The accounts receivable are as follows:

	October 31, 2016	April 30, 2016
GST receivable	\$ 27,455	\$ 16,506
Other receivable	<u>1,556</u>	<u>-</u>
Total	\$ 29,011	\$ 16,506

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**5. PREPAID EXPENSES**

The prepaid expenses for the Company are as follows:

	October 31, 2016	April 30, 2016
Security deposit for rental of premises	\$ 7,887	\$ 7,635
Other	<u>148,162</u>	<u>3,960</u>
	<u>\$ 156,049</u>	<u>\$ 11,595</u>

**6. SHORT TERM INVESTMENTS**

	October 31, 2016	April 30, 2016
	<b>Number</b>	<b>Cost</b>
	<b>Carrying Value</b>	<b>Carrying Value</b>
Spruce Ridge Resources Ltd. - Shares	170,068	\$ 25,000
	\$ 6,803	\$ 8,503

During the six period ended October 31, 2016, the Company revalued the shares based on the market price at October 31, 2016 resulting in an unrealized loss of \$1,700 (2015 – \$1,701).

**7. RELATED PARTY TRANSACTIONS**

During the period ended October 31, 2016, the Company:

- i) paid or accrued \$22,000 in professional fees to a firm in which the Chief Financial Officer of the Company is a partner.

During the period ended October 31, 2015, the Company:

- i) paid or accrued \$24,520 in professional fees to a firm in which the Chief Financial Officer of the Company is a partner.
- ii) Issued 2,500,000 common shares at a price of \$0.05 and paid \$49,976 in cash to settle a total of \$246,339 in accrued salaries with directors of the Company resulting in a gain of \$71,363.

The amounts included in accounts payable and accrued liabilities which are due to related parties are as follows:

	October 31, 2016	April 30, 2016
Due to a firm of which the Chief Financial Officer is a partner	\$ 26,435	\$ 26,225
Due to management of the Company (Note 16)	<u>-</u>	<u>2,000</u>
	<u>\$ 26,435</u>	<u>\$ 28,225</u>

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**8. EQUIPMENT**

	Vehicles	Exploration equipment	Computer Equipment	Database	Total
<b>Cost</b>					
Balance – April 30, 2015	\$ 93,234	\$ 179,887	\$ 140,113	\$ -	\$ 413,234
Acquisition	-	-	18,671	-	18,671
Disposal	(37,036)	-	-	-	(37,036)
Effect of translation	6,896	7,217	4,575	-	18,688
Balance – April 30, 2016	\$ 63,094	\$ 187,104	\$ 163,359	\$ -	\$ 413,557
Acquisition	-	306,802 <sup>i)</sup>	3,459	86,619 <sup>ii)</sup>	396,880
Disposal	-	-	(157,320)	-	(157,320)
Effect of translation	4,339	23,207	5,712	-	33,258
Balance – October 31, 2016	\$ 67,433	\$ 517,113	\$ 15,210	\$ 86,619	\$ 686,375
<b>Accumulated amortization</b>					
Balance – April 30, 2015	34,416	175,333	43,842	-	274,591
Disposal	(37,036)	-	-	-	(37,036)
Amortization	11,778	2,480	8,760	-	23,018
Effect of translation	4,838	6,923	(7,493)	-	4,268
Balance – April 30, 2016	\$ 34,996	\$ 184,736	\$ 147,633	\$ -	\$ 367,365
Amortization	5,834	1,230	870	-	7,934
Disposal	-	-	(157,320)	-	(157,320)
Effect of translation	2,579	12,740	20,861	-	36,180
Balance – October 31, 2016	\$ 43,409	\$ 198,706	\$ 12,044	\$ -	\$ 254,159
<b>Impairment</b>					
Balance – April 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -
Impairment loss	-	-	102,524	-	102,524
Effect of translation	-	-	(8,803)	-	(8,803)
Balance – April 30, 2016	\$ -	\$ -	\$ 93,721	\$ -	\$ 93,721
Disposal	-	-	(93,721)	-	(93,721)
Balance – October 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Carrying amounts</b>					
As at April 30, 2016	\$ 28,098	\$ 2,368	\$ 15,726	\$ -	\$ 46,192
As at October 31, 2016	\$ 24,024	\$ 318,407	\$ 3,166	\$ 86,619	\$ 432,216

- i) During the period ended October 31, 2016, the Company started construction of a drilling rig and purchased an air compressor for a total of \$306,802. As the drilling rig is still under test runs, no amortization has been taken as it is not yet available for use in the manner intended by management.
- ii) During the period ended October 31, 2016, the Company began to capitalize the cost of building a database which is expected to be put to work in the third quarter. As the database is not yet available for use in the manner intended by management, no amortization has been taken.

**9. RESOURCE PROPERTIES**

Resource properties expenditures for the six-month period ended October 31,

	<b>2016</b>	<b>2015</b>
<b>Grass Valley</b>	140,679	60,340
<b>South Grass Valley</b>	209,549	6,972
<b>Kelly Creek</b>	161,759	107,005
<b>Awakening</b>	7,497	1,312
<b>Hot Pot</b>	-	26,309
	<b>\$ 519,484</b>	<b>\$ 201,938</b>

**Grass Valley Project (GV)**

As at October 31, 2016, the Company's Grass Valley Project consists of 192 (April 30, 2016 - 192) unpatented mining claims held directly by the Company covering approximately 15.5 km<sup>2</sup> (April 30, 2016 – 15.5 km<sup>2</sup>).

**South Grass Valley (SGV)**

As at October 31, 2016, the Company's South Grass Valley Project consists of 264 (April 30, 2016 - 32) unpatented mining claims held directly by the Company covering approximately 22.1 km<sup>2</sup> (April 30, 2016 – 2.6 km<sup>2</sup>).

**Kelly Creek (KC)**

The Company's has combined its former Hot Pot Project into its Kelly Creek Project, the combination of which is now together referred to as the Kelly Creek Project.

As at October 31, 2016, the Company's Kelly Creek Project consists of:

- 180 (April 30, 2016 – 76) unpatented mining claims held directly by the company, covering approximately 21.6 km<sup>2</sup> (April 30, 2016 – 5.3 km<sup>2</sup>);
- 209 (April 30, 2016 – 209) unpatented mining claims leased by the Company from Genesis Gold Corporation through a Mining Lease and Option to Purchase Agreement (the "Genesis Agreement"), covering approximately 16.6 km<sup>2</sup> (April 30, 2016 – 16.6 km<sup>2</sup>); and
- approximately 8.8 km<sup>2</sup> (April 30, 2016 - 8.8 km<sup>2</sup>) of private land leased by the Company under a Mining Lease Agreement (the "Hot Pot Lease").

The Company entered into the Genesis Agreement on October 1, 2009 and as amended on August 25, 2015, to acquire a 100% interest in the Genesis's Hot Pot claims. Under the Genesis Agreement, the Company is the Operator and has the option to purchase 100% of the Genesis claims for 100,000 common shares (50,000 shares issued in 2011, 50,000 shares issued in 2010) and USD\$1,500,000, subject to a 1.5% Net Smelter Return Royalty ("Royalty"), and the following advance royalty payments:



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**9. RESOURCE PROPERTIES (cont'd...)**

**Kelly Creek (KC) (cont'd...)**

1 <sup>st</sup> anniversary (October 1, 2010)	\$	5,000 USD	(paid)
2 <sup>nd</sup> anniversary (October 1, 2011)		10,000 USD	(paid)
3 <sup>rd</sup> anniversary (October 1, 2012)		10,000 USD	(paid)
4 <sup>th</sup> anniversary (October 1, 2013)		10,000 USD	(paid)
5 <sup>th</sup> and each subsequent anniversaries		10,000 USD	i) & ii)

- i) During the year ended April 30, 2015, the Company issued 80,000 Common shares, plus agreed to pay \$10,000 USD to satisfy the October 1, 2014 payment (paid).
- ii) On August 25, 2015, the Company and Genesis Gold Corporation agreed to amend the terms of the Genesis Agreement to reduce the annual payments due on October 1, 2015 (paid); October 1, 2016 (paid); and October 1, 2017, from \$50,000 USD to \$10,000 USD, subject to each party's rights under the Genesis Agreement.

The Company entered into the Hot Pot Lease on September 16, 2004, for an initial term of 10 years, as amended on September 2, 2011, and February 25, 2016. Any mineral production on the Project is subject to a 3% Net Smelter Return Royalty (the "Royalty") to the property owner, subject to the Company's right to reduce the Royalty by 1% to 2% for \$2,000,000 USD. Under the February 25, 2016, amendment, the term of the Hot Pot Lease was extended to 20 years, until September 16, 2024, subject to the following payments:

Amendment Date (February 25, 2016)	\$	5,000 USD	(paid)
September 16, 2016	\$	10,000 USD	(paid)
September 16, 2017	\$	15,000 USD	
Subsequent Anniversaries	\$	20,000 USD	

All of the Company's mineral interests at Hot Pot are subject to a 1.25% NSR to Royal Gold, Inc.

**Awakening (AW)**

As at October 31, 2016, the Company's Awakening Project consists of 6 (April 30, 2016 - 6) unpatented mining claims held directly by the Company covering approximately 0.5 km<sup>2</sup> (April 30, 2016 – 0.5 km<sup>2</sup>).

**10. DEPOSITS AND BONDS**

	October 31, 2016	April 30, 2016
Security deposits <sup>(1)</sup>	\$ 11,500	\$ 5,750
Reclamation bond deposits <sup>(2)</sup>	<u>42,250</u>	<u>39,531</u>
	<u>\$ 53,750</u>	<u>\$ 45,281</u>

- <sup>(1)</sup> Security deposits consisted of \$11,500 guaranteed investment certificate ("GIC") and bearing interest at prime less 2%. The GIC was used to secure the credit limit on a credit card.
- <sup>(2)</sup> Reclamation bond deposits are required by the U.S. Bureau of Land Management ("BLM") and the U.S. Forest Service ("USFS") to ensure that any reclamation and clean-up work required on the Company's properties will be completed to the satisfaction of the BLM and the USFS.

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**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities for the Company are as follows:

	October 31, 2016	April 30, 2016
Trade payables	\$ 113,546	\$ 65,243
Due to related parties (Note 7)	26,435	26,225
Due to key management personnel	-	2,000
Accrued liabilities	<u>6,000</u>	<u>38,975</u>
<b>Total</b>	<b>\$ 145,981</b>	<b>\$ 132,443</b>

**12. FINANCE LEASE OBLIGATIONS**

The Company has a finance lease obligation for a leased vehicle of \$26,848 (US- \$20,027), with blended monthly payments of principal and interest, bearing interest at a rate of 2.90% per annum.

	October 31, 2016	April 30, 2016
Finance lease obligations	\$ 26,848	\$ 31,184
Deduct: amount representing interest	<u>(826)</u>	<u>(1,172)</u>
Present value of minimum lease payments due	26,022	30,012
Less: current portion	<u>(12,341)</u>	<u>(11,381)</u>
<b>Non-current portion</b>	<b>\$ 13,681</b>	<b>\$ 18,631</b>

The total of principal repayments of the finance lease obligations that are due within the next one year is \$12,341 and the remaining portion for \$13,681 is due between fiscal years 2018 to 2019.

**13. SHORT-TERM DEMAND LOAN**

	October 31, 2016	April 30, 2016
Loan payable	<u>\$ -</u>	<u>\$ -</u>
	<b>\$ -</b>	<b>\$ -</b>

During the year ended April 30, 2015, the Company entered into an unsecured non-interest bearing loan, payable on demand, with a shareholder of the Company. During the year ended April 30, 2016, the Company received \$16,958 of additional unsecured non-interest bearing loans from shareholders of the Company. The loans of \$46,958 were settled through the issuance of 939,150 units.

#### 14. CAPITAL STOCK

a) Authorized share capital:

As at October 31, 2016, the authorized share capital of the Company was:  
Unlimited number of common shares without par value;  
Unlimited number of preferred shares without par value; and  
All issued shares are fully paid

b) Issued share capital:

On August 28, 2015, the Company's common shares were consolidated on the basis of one post-consolidated common share for every ten pre-consolidated common shares. The numbers of the shares presented in these condensed consolidated interim financial statements have all been adjusted to reflect the impact of this share consolidation.

During the period ended October 31, 2016, the Company:

- Completed a non-brokered private placement by issuing 2,000,000 units at a price of \$0.3525 per unit, for gross proceeds of \$705,000. Each unit consists of one common share and one-half of one transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of \$0.60 for a period of 18 months. Fair value allocated in connection to these warrants was \$187,330. In connection with the private placement, the Company paid \$21,036 as share issuance costs;
- Completed a non-brokered private placement by issuing 5,000,000 units at a price of \$0.35 per unit, for gross proceeds of \$1,750,000. Each unit consists of one common share and one-half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of \$0.60 for a period of 18 months. Fair value allocated in connection to these warrants was \$462,940. In connection with the private placement, the Company paid \$38,366 as share issuance costs and issued 147,600 finder's units on the same terms as the units described above. The finder's shares granted were estimated to have a fair value of \$51,660. The finder's warrants granted were estimated to have a fair value of \$23,890 and were accounted for as share issuance cost; and
- Issued 6,132,000 common shares as a result of warrants exercised for gross proceeds of \$614,000.

During the period ended October 31, 2015, the Company:

- Completed its non-brokered private placement by issuing 14,100,000 units at a price of \$0.05 per unit, for gross proceeds of \$705,000. Each unit consists of one common share and one non-transferable common share purchase warrant, with each full warrant entitling the holder to purchase a common share for a period of three years at an exercise price of \$0.10. Fair value allocated in connection to these warrants was \$287,597. In connection with the private placement, the Company paid \$44,226 in share issuance costs;
- Completed bridge financing whereby the Company issued 939,150 units at a price of \$0.05 per unit to settle \$46,958 of unsecured demand loans provided to the Company by shareholders. Each unit consists of one common share and one non-transferable common share purchase warrant, with each full warrant entitling the holder to purchase a common share for a period of three years at an exercise price of \$0.10. Fair value allocated in connection to these warrants was \$18,932. In connection with the bridge financing, the Company paid \$4,896 in share issuance costs; and
- Completed a shares for debt settlement whereby the Company issued 2,500,000 common shares to the Company's management team at a price of \$0.05 per common share to settle \$125,000 of accrued salaries (Note 7).

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**14. CAPITAL STOCK (cont'd...)**

c) Options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price, minimum price or a discounted price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of ten years.

During the period ended October 31, 2016, the Company granted 2,220,000 options to officers and directors of the Company expiring August 3, 2026 at an exercise price of \$0.47.

During the period ended October 31, 2015, the Company granted 1,625,000 options to officers and directors of the Company expiring October 19, 2020 at an exercise price of \$0.185.

A continuity of share purchase options for the period ended October 31, 2016 is as follows:

Expiry date	Exercise price	April 30, 2016	Granted	Expired	Cancelled	October 31, 2016	Exercisable
August 9, 2016	\$ 1.00	20,000	-	(20,000)	-	-	-
September 25, 2017	1.10	10,000	-	-	-	10,000	10,000
December 4, 2017	1.20	50,000	-	-	-	50,000	50,000
March 2, 2019	1.00	280,000	-	-	-	280,000	280,000
October 19, 2020	0.185	1,625,000	-	-	-	1,625,000	1,083,333
December 31, 2020	0.315	125,000	-	-	-	125,000	41,667
April 20, 2021	0.37	100,000	-	-	-	100,000	50,000
August 3, 2026	0.47	-	2,220,000	-	-	2,220,000	-
<b>Total</b>		2,210,000	2,220,000	(20,000)	-	4,410,000	1,515,000
<b>Weighted average exercise price</b>		\$ 0.34	\$ 0.47	\$ 1.00	\$ -	\$ 0.40	\$ 0.38
<b>Weighted average remaining life of options outstanding</b>						6.76 years	

A continuity of share purchase options for the year ended April 30, 2016 is as follows:

Expiry date	Exercise price	April 30, 2015	Granted	Expired	Cancelled	April 30, 2016	Exercisable
December 31, 2015	\$ 1.00	250,000	-	(250,000)	-	-	-
August 9, 2016	1.00	20,000	-	-	-	20,000	20,000
September 25, 2017	1.10	10,000	-	-	-	10,000	10,000
December 4, 2017	1.20	50,000	-	-	-	50,000	50,000
March 2, 2019	1.00	280,000	-	-	-	280,000	280,000
October 19, 2020	0.185	-	1,625,000	-	-	1,625,000	541,667
December 31, 2020	0.315	-	125,000	-	-	125,000	41,667
April 20, 2021	0.37	-	100,000	-	-	100,000	-
<b>Total</b>		610,000	1,850,000	(250,000)	-	2,210,000	943,334
<b>Weighted average exercise price</b>		\$ 1.02	\$ 0.20	\$ 1.00	\$ -	\$ 0.34	\$ 0.51
<b>Weighted average remaining life of options outstanding</b>						4.18 years	

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**14. CAPITAL STOCK (cont'd...)**

c) Options (cont'd...)

The following weighted average assumptions were used for the Black-Scholes valuation of the options granted during the period ended October 31, 2016 and for the year ended April 30, 2016.

	October 31, 2016	April 30, 2016
Share price	\$0.47	\$0.20
Risk-free interest rate	1.10%	0.93%
Expected life of warrants	8.8 years	3.97 years
Annualized volatility based on historical volatility	132.3%	153.11%
Dividend rate	0.00%	0.00%
Fair value per option	\$0.45	\$0.20

d) Warrants

During the period ended October 31, 2016, the Company:

- Granted 3,573,799 common share purchase warrants in connection to private placements; and
- Had a total of 6,132,000 warrants exercised.

During the period ended October 31, 2015, the Company:

- Granted 14,100,000 common share purchase warrants in connection to a private placement; and
- Granted 939,150 common share purchase warrants in connection to bridge financing.

A continuity of share purchase warrants for the period ended October 31, 2016 is as follows:

Expiry date	Exercise price	April 30, 2016	Granted	Exercised	Expired	October 31, 2016	Exercisable
August 19, 2017	\$ 0.50	283,010	-	-	-	283,010	283,010
August 19, 2017	0.50	4,000	-	(2,000)	-	2,000	2,000
August 28, 2018	0.10	939,150	-	-	-	939,150	939,150
August 28, 2018	0.10	11,550,000	-	(6,130,000)	-	5,420,000	5,420,000
September 23, 2018	0.10	700,000	-	-	-	700,000	700,000
December 29, 2017	0.50	661,500 <sup>a</sup>	-	-	-	661,500	661,500
January 12, 2018	0.60	-	2,499,999	-	-	2,499,999	2,499,999
January 12, 2018	0.60	-	73,800	-	-	73,800	73,800
February 10, 2018	0.60	-	1,000,000	-	-	1,000,000	1,000,000
<b>Total</b>		<b>14,137,660</b>	<b>3,573,799</b>	<b>6,132,000</b>	<b>-</b>	<b>11,579,459</b>	<b>11,579,459</b>
<b>Weighted average exercise price</b>	<b>\$ 0.13</b>	<b>\$ 0.60</b>	<b>\$ 0.10<sup>b</sup></b>	<b>\$ -</b>	<b>\$ 0.29</b>	<b>\$ 0.29</b>	

a) Warrants entitles the holder to purchase one common share at an exercise price of \$0.50 for a period of two years, subject to an accelerated expiry provision of 30 days if on any 20 consecutive trading days after issuance, the closing price of the common shares of the Company is greater than \$0.75 per share.

b) The weighted average share price on the date of exercise was \$0.55.

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**14. CAPITAL STOCK (cont'd...)**

c) Warrants (cont'd...)

A continuity of share purchase warrants for the year ended April 30, 2015 is as follows:

Expiry date	Exercise price	April 30, 2015	Granted	Exercised	Expired	April 30, 2016	Exercisable					
August 19, 2017	\$ 0.50	283,010	-	-	-	283,010	283,010					
August 19, 2017	0.50	4,000	-	-	-	4,000	4,000					
August 28, 2018	0.10	-	939,150	-	-	939,150	939,150					
August 28, 2018	0.10	-	13,200,000	(1,650,000)	-	11,550,000	11,550,000					
September 23, 2018	0.10	-	900,000	(200,000)	-	700,000	700,000					
December 29, 2017	0.50	-	661,500 <sup>a</sup>	-	-	661,500	661,500					
<b>Total</b>		<b>287,010</b>	<b>15,700,650</b>	<b>(1,850,000)</b>	<b>-</b>	<b>14,137,660</b>	<b>14,137,660</b>					
<b>Weighted average exercise price</b>	<b>\$</b>	<b>0.50</b>	<b>\$</b>	<b>0.12</b>	<b>\$</b>	<b>0.10<sup>b)</sup></b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>0.13</b>	<b>\$</b>	<b>0.13</b>

a) Warrants entitles the holder to purchase one common share at an exercise price of \$0.50 for a period of two years, subject to an accelerated expiry provision of 30 days if on any 20 consecutive trading days after issuance, the closing price of the common shares of the Company is greater than \$0.75 per share.

b) The weighted average share price on the date of exercise was \$0.32.

The following weighted average assumptions were used for the Black-Scholes valuation of the warrants granted during the year.

	October 31, 2016	April 30, 2016
Share price	\$0.47	\$0.07
Risk-free interest rate	0.50%	0.46%
Expected life of warrants	1.5 years	2.96 years
Annualized volatility based on historical volatility	186.74%	140.06%
Dividend rate	0.00%	0.00%
Fair value per warrant	\$0.35	\$0.05

**NEVADA EXPLORATION INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

October 31, 2016

**15. SEGMENTED INFORMATION**

The Company operates in one industry segment, being the acquisition, exploration, and development of resource properties. Geographic information is as follows:

	October 31, 2016	April 30, 2016
Non-current assets:		
United States		
Equipment	\$ 432,216	\$ 46,192
Deposits and bonds	<u>42,250</u>	<u>39,531</u>
	<u>\$ 474,466</u>	<u>\$ 85,723</u>
	Six months Ended October 31, 2016	Six months Ended October 31, 2015
Income:		
United States		
Project management and consulting	\$ 14,322	\$ 38,203

**16. KEY MANAGEMENT COMPENSATION**

Remuneration of key management of the Company is as follows:

	Six months Ended October 31, 2016	Six months Ended October 31, 2015
Salaries	\$ 124,298	\$ 37,547
Share-based compensation	<u>116,752</u>	<u>-</u>
	<u>\$ 241,050</u>	<u>\$ 37,547</u>

The amount included in accounts payable and accrued liabilities which is due to key management personnel is as follows:

	October 31, 2016	April 30, 2016
Due to key management personnel	\$ -	\$ 2,000

## **17. COMMITMENTS**

The Company has the following commitments:

- Office lease expiring December 31, 2016. As at October 31, 2016, the Company is committed to \$4,587 (US \$3,420) in lease payments.
- Various commitments relating to its resource properties as disclosed in Note 9.

## **18. FINANCIAL RISK MANAGEMENT**

### **Fair value**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Short term investments are measured at level 1 of the fair value hierarchy. The fair value of short term investments is measured at the market price of the common shares held at the measurement date. The carrying value of cash, deposits and bonds, finance lease obligations, accounts payable and accrued liabilities and approximated their fair value because of the short-term nature of these instruments.

### **Financial risk factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### *Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and deposits and bonds. Management believes that the credit risk concentration with respect to cash, deposits and bonds and short-term investments is remote as it maintains accounts with highly-rated financial institutions.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the normal course of business.

As at October 31, 2016, the Company had a cash balance of \$1,400,391 (April 30, 2016 - \$74,820) to settle current liabilities of \$158,322 (April 30, 2016 - \$143,824). The Company believes that there is no liquidity risk as at October 31, 2016.



**18. FINANCIAL RISK MANAGEMENT (cont'd...)**

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and equity prices.

(a) Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to floating rate of interest. The interest rate risks on cash, deposits and bonds and on the Company's finance lease obligations are not considered significant.

(b) Foreign currency risk

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. A significant portion of the Company's expenses is denominated in US dollars. Consequently, certain assets, liabilities and operating expenses are exposed to currency fluctuations. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. Net assets denominated in foreign currency and the Canadian dollar equivalents as at October 31, 2016 are as follows:

	USD	CDN
Current assets	\$ 107,639	\$ 144,355
Non-current assets	353,789	474,466
Current liabilities	(45,818)	(61,447)
Non-current liabilities	(10,201)	(14,681)
	\$ 405,409	\$ 542,693

Based on the above net exposures as at October 31, 2016, and assuming all other variables remain constant, a 1% change in the value of the US dollar against the Canadian dollar would result in an increase/decrease of \$4,054 in comprehensive loss.

**19. CAPITAL MANAGEMENT**

In order to maintain its capital structure, the Company, is dependent on equity funding and when necessary, raises capital through the issuance of equity instruments, primarily comprised of common shares and incentive stock options. In the management of capital, the Company includes the components of equity as well as cash.

The Company prepares annual estimates of exploration expenditures and monitors actual expenditures compared to the estimates to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company's investment policy is to invest any excess cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated after thirty days without interest penalty. The Company currently has insufficient capital to fund its exploration programs and is reliant on completing equity financings to fund further exploration. The Company is not subject to any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the period ended October 31, 2016.