

NEVADA EXPLORATION INC.

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED OCTOBER 31, 2008
(UNAUDITED)**

NEVADA EXPLORATION INC.

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INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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The accompanying unaudited interim financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these financial statements.

Toronto, Ontario
December 30, 2008

NEVADA EXPLORATION INC.

**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME AND DEFICIT
FOR THE THREES AND SIX-MONTH PERIODS ENDED OCTOBER 31, 2008 AND 2007**

(In Canadian Dollars)
(Unaudited)

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	Three months ended		Six months ended	
	October 31,		October 31,	
	2008	2007	2008	2007
	\$	\$	\$	\$
INTEREST INCOME	<u>23,036</u>	<u>3,642</u>	<u>27,569</u>	<u>4,679</u>
EXPENSES				
Salaries	251,391	84,184	469,928	170,559
Rent	18,205	19,454	45,158	23,500
Travel	9,466	61,290	24,393	113,370
Professional fees, consulting and investor relations	109,183	127,566	164,828	221,784
Office expenses and other	137,111	45,404	244,343	84,939
Interest and bank charges	359	2,110	3,615	3,305
Stock-based compensation (Note 6)	225,990	205,251	451,980	410,502
Foreign exchange	64,680	12,785	(51,852)	17,624
Amortization	39,322	8,777	76,916	18,407
	<u>855,707</u>	<u>566,821</u>	<u>1,429,309</u>	<u>1,063,990</u>
NET LOSS AND COMPREHENSIVE INCOME	(832,671)	(563,179)	(1,401,740)	(1,059,311)
DEFICIT – BEGINNING OF PERIOD	<u>(5,508,395)</u>	<u>(2,826,711)</u>	<u>(4,939,326)</u>	<u>(2,330,579)</u>
DEFICIT – END OF PERIOD	<u>(6,341,066)</u>	<u>(3,389,890)</u>	<u>(6,341,066)</u>	<u>(3,389,890)</u>
Basic and diluted loss per share	<u>\$(0.014)</u>	<u>\$(0.010)</u>	<u>\$(0.023)</u>	<u>\$(0.020)</u>
Weighted average number of shares outstanding	<u>58,737,106</u>	<u>53,036,965</u>	<u>58,883,105</u>	<u>52,780,335</u>

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

NEVADA EXPLORATION INC.

INTERIM CONSOLIDATED BALANCE SHEETS

(In Canadian Dollars)

(Unaudited)

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	October 31, 2 0 0 8	April 30, 2 0 0 8
	\$	\$ (Audited)
CURRENT ASSETS		
Cash and cash equivalents	414,296	1,908,450
Term deposits, bearing interest at rates of 3.58% and 3.47%	-	1,027,714
Accounts receivable	42,397	-
Loans receivable, bearing interest at a rate of 5%	262,578	214,656
Prepaid expenses and other	<u>10,751</u>	<u>62,106</u>
	730,022	3,212,926
TERM DEPOSIT , bearing interest at a rate of 3.47%, maturing in July 2009	-	500,379
EQUIPMENT (Note 2)	683,019	517,161
SOFTWARE (net of accumulated amortization of \$11,057)	11,058	11,058
MINERAL PROPERTIES (Note 3)	5,329,924	3,365,206
DEPOSITS AND BONDS	<u>331,951</u>	<u>307,420</u>
	<u>7,085,974</u>	<u>7,914,150</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	298,390	438,913
Current portion of long-term debt (Note 4)	<u>31,096</u>	<u>31,096</u>
	329,486	470,009
LONG-TERM DEBT (Note 4)	<u>103,169</u>	94,397
	<u>432,655</u>	<u>564,406</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 5)	9,674,536	9,159,364
Warrants (Note 6)	1,534,609	1,668,390
Options (Note 6)	1,681,756	1,357,832
Contributed surplus	103,484	103,484
Deficit	<u>(6,341,066)</u>	<u>(4,939,326)</u>
	<u>6,653,319</u>	<u>7,349,744</u>
	<u>7,085,974</u>	<u>7,914,150</u>

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

NEVADA EXPLORATION INC.

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND SIX-MONTH PERIODS ENDED OCTOBER 31, 2008 AND 2007**

(In Canadian Dollars)
(Unaudited)

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	Three months ended October 31,		Six months ended October 31,	
	2008	2007	2008	2007
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(832,671)	(563,179)	(1,401,740)	(1,059,311)
Items not affecting cash:				
Amortization	39,322	8,777	76,916	18,407
Stock-based compensation	<u>225,990</u>	<u>205,251</u>	<u>451,980</u>	<u>410,502</u>
	(567,359)	(349,151)	(872,844)	(630,402)
Change in non-cash working capital items				
Prepaid expenses and other	4,255	-	51,355	-
Accounts receivables	(6,309)	-	(42,397)	-
Accounts payable and accrued liabilities	<u>(34,788)</u>	<u>(41,086)</u>	<u>(140,523)</u>	<u>28,303</u>
	<u>(604,201)</u>	<u>(390,237)</u>	<u>(1,004,409)</u>	<u>(602,099)</u>
FINANCING ACTIVITIES				
Issuance of capital stock and warrants (net of shares issue and RTO expenses)	-	283,183	253,335	544,896
Long-term debt	<u>14,064</u>	-	<u>8,772</u>	-
	<u>14,064</u>	<u>283,183</u>	<u>262,107</u>	<u>544,896</u>
INVESTING ACTIVITIES				
Term deposits	1,867,584	-	1,528,093	-
Loans receivable	(40,607)	-	(47,922)	-
Subscriptions receivable	-	-	-	205,729
Acquisition of equipment	(57,816)	(16,423)	(242,774)	(28,125)
Mineral properties	(1,041,592)	(521,437)	(1,964,718)	(967,919)
Land deposits	<u>31,086</u>	<u>(47,447)</u>	<u>(24,531)</u>	<u>(89,078)</u>
	<u>758,655</u>	<u>(585,307)</u>	<u>(751,852)</u>	<u>(879,393)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	168,518	(692,361)	(1,494,154)	(936,596)
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	<u>245,778</u>	<u>3,314,860</u>	<u>1,908,450</u>	<u>3,559,095</u>
CASH AND CASH EQUIVALENTS – END OF PERIOD	<u>414,296</u>	<u>2,622,499</u>	<u>414,296</u>	<u>2,622,499</u>

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

NEVADA EXPLORATION INC.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED OCTOBER 31, 2008**

(In Canadian Dollars)
(Unaudited)

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1. ACCOUNTING POLICIES

The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and applied in the same manner as the most recently audited financial statements. During the quarter, the Company adopted Section 1535, Capital Disclosures, Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments - Presentation. The adoption of this section has no impact on the consolidated financial statements. The unaudited consolidated financial statements do not include all the information and notes required according to generally accepted accounting principles for annual financial statements, and should therefore be read in conjunction with the audited consolidated financial statements and the notes included in the Company's annual report for the year ended April 30, 2008.

2. EQUIPMENT

	October 31, 2008			April 30, 2008		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	\$	\$	\$	\$	\$	\$
Exploration equipment	507,214	128,384	378,830	326,545	92,200	234,345
Vehicles	299,539	67,265	232,274	239,155	40,330	198,825
Computer equipment	17,554	5,851	11,703	17,554	2,926	14,628
Office equipment	<u>89,615</u>	<u>29,403</u>	<u>60,212</u>	<u>89,615</u>	<u>20,252</u>	<u>69,363</u>
	<u>913,922</u>	<u>230,903</u>	<u>683,019</u>	<u>672,869</u>	<u>155,708</u>	<u>517,161</u>

NEVADA EXPLORATION INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED OCTOBER 31, 2008

(In Canadian Dollars)
(Unaudited)

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3. MINERAL PROPERTIES

	October 31, 2008									
	AW	BC	DU	FJ	HP	SP	RP	WI	KC	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Acquisition costs										
Balance – beginning of period	115,240	36,536	34,399	198,806	11,723	118,193	86,510	26,913	176,469	
Additions	<u>158,323</u>	<u>-</u>	<u>10,938</u>	<u>23,906</u>	<u>21,858</u>	<u>27,619</u>	<u>23,694</u>	<u>20,394</u>	<u>82,666</u>	
Balance – end of period	<u>273,563</u>	<u>36,536</u>	<u>45,337</u>	<u>222,712</u>	<u>33,581</u>	<u>145,812</u>	<u>110,204</u>	<u>47,307</u>	<u>259,135</u>	
Exploration costs										
Balance – beginning of period	197,323	69,781	14,973	940,446	685,618	43,986	11,685	55,315	29,969	
Incurred during the period										
Drilling	66,929	48,760	-	2,122	-	-	-	-	-	
Geochemical	24,499	-	5,636	-	-	20,340	8,454	-	-	
Geophysics	-	-	-	-	-	-	20,380	1,418	-	
Geological	394	-	-	-	-	-	-	-	-	
Rent	-	-	-	-	-	-	-	-	-	
Salaries	-	-	-	-	-	-	-	-	-	
Travel	11,909	56	-	-	-	-	-	-	-	
Other	<u>13,760</u>	<u>2,563</u>	<u>870</u>	<u>1,367</u>	<u>1,148</u>	<u>2,518</u>	<u>2,758</u>	<u>1,145</u>	<u>4,341</u>	
	<u>117,491</u>	<u>51,379</u>	<u>6,506</u>	<u>3,489</u>	<u>1,148</u>	<u>22,858</u>	<u>31,592</u>	<u>2,563</u>	<u>4,341</u>	
Balance – end of period	<u>314,814</u>	<u>121,160</u>	<u>21,479</u>	<u>943,935</u>	<u>686,766</u>	<u>66,844</u>	<u>43,277</u>	<u>57,878</u>	<u>34,310</u>	
Total costs	<u>588,377</u>	<u>157,696</u>	<u>66,816</u>	<u>1,166,647</u>	<u>720,347</u>	<u>212,656</u>	<u>153,481</u>	<u>105,185</u>	<u>293,445</u>	
	WF	BU	JU	Other	Total					
	\$	\$	\$	\$	\$					
Acquisition costs										
Balance – beginning of period	91,398	227,154	16,532	-	1,139,873					
Additions	<u>38,272</u>	<u>46,802</u>	<u>67,602</u>	<u>-</u>	<u>522,073</u>					
Balance – end of period	<u>129,670</u>	<u>273,956</u>	<u>84,134</u>	<u>-</u>	<u>1,661,946</u>					
Exploration costs										
Balance – beginning of period	26,128	611,624	2,155	460,456	3,148,459					
Incurred during the period										
Drilling	-	157,341	-	-	275,152					
Geochemical	-	3,719	-	-	62,647					
Geophysics	-	12,758	47,555	-	82,111					
Geological	-	247	-	-	640					
Rent	-	-	-	-	-					
Salaries	-	-	-	-	-					
Travel	-	7,218	-	-	19,183					
Other	<u>2,010</u>	<u>11,976</u>	<u>6,047</u>	<u>29,281</u>	<u>79,786</u>					
	<u>2,010</u>	<u>193,258</u>	<u>53,602</u>	<u>29,281</u>	<u>519,519</u>					
Balance – end of period	<u>28,138</u>	<u>804,882</u>	<u>55,757</u>	<u>488,737</u>	<u>3,667,978</u>					
Total costs	<u>157,808</u>	<u>1,078,838</u>	<u>139,891</u>	<u>488,737</u>	<u>5,329,924</u>					

NEVADA EXPLORATION INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED OCTOBER 31, 2008

(In Canadian Dollars)
(Unaudited)

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3. MINERAL PROPERTIES (Continued)

	April 30, 2008									
	AW	BC	DU	FJ	HP	SP	RP	WI	KC	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Acquisition costs										
Balance – beginning of period	13,020	-	7,359	151,581	-	18,587	15,945	5,095	-	
Additions	<u>87,364</u>	<u>36,536</u>	<u>27,040</u>	<u>47,225</u>	<u>11,723</u>	<u>68,284</u>	<u>54,307</u>	<u>18,718</u>	<u>138,994</u>	
Balance – end of period	<u>100,384</u>	<u>36,536</u>	<u>34,399</u>	<u>198,806</u>	<u>11,723</u>	<u>86,871</u>	<u>70,252</u>	<u>23,813</u>	<u>138,994</u>	
Exploration costs										
Balance – beginning of period	-	-	-	167,617	303,924	-	-	-	-	
Incurred during the period										
Drilling	-	-	-	519,584	143,706	-	-	-	-	
Geochemical	16,737	1,095	5,691	5,909	31,505	5,030	37	6,701	10,362	
Geophysics	94,003	15,156	-	-	117,231	-	-	-	-	
Geological	-	-	307	645	196	-	-	-	-	
Rent	-	-	-	-	15,335	-	-	-	-	
Salaries	15,295	1,983	5,888	66,947	18,482	9,244	5,371	10,353	10,881	
Travel	3,081	730	2,164	15,156	31,220	768	3,804	4,358	6,109	
Other	-	-	-	8,869	-	-	-	-	-	
	<u>129,116</u>	<u>18,964</u>	<u>14,050</u>	<u>617,110</u>	<u>357,675</u>	<u>15,042</u>	<u>9,212</u>	<u>21,412</u>	<u>27,352</u>	
Balance – end of period	<u>129,116</u>	<u>18,964</u>	<u>14,050</u>	<u>784,727</u>	<u>661,599</u>	<u>15,042</u>	<u>9,212</u>	<u>21,412</u>	<u>27,352</u>	
Total costs	<u>229,500</u>	<u>55,500</u>	<u>48,449</u>	<u>983,533</u>	<u>673,322</u>	<u>101,913</u>	<u>79,464</u>	<u>45,225</u>	<u>166,346</u>	
	WF	BU	Other	Total						
	\$	\$	\$	\$						
Acquisition costs										
Balance – beginning of period	-	39,530	-	251,117						
Additions	<u>34,387</u>	<u>184,352</u>	-	<u>708,930</u>						
Balance – end of period	<u>34,387</u>	<u>223,882</u>	-	<u>960,047</u>						
Exploration costs										
Balance – beginning of period	-	19,646	25,841	517,028						
Incurred during the period										
Drilling	-	-	33,061	696,351						
Geochemical	-	40,774	109,735	233,576						
Geophysics	-	137,612	928	364,930						
Geological	-	780	27,197	29,125						
Rent	-	-	-	15,335						
Salaries	20,675	33,068	163,667	361,854						
Travel	-	10,671	99,349	177,410						
Other	-	-	681	9,550						
	<u>20,675</u>	<u>222,905</u>	<u>434,618</u>	<u>1,888,131</u>						
Balance – end of period	<u>20,675</u>	<u>242,551</u>	<u>460,459</u>	<u>2,405,159</u>						
Total costs	<u>55,062</u>	<u>466,433</u>	<u>460,459</u>	<u>3,365,206</u>						

NEVADA EXPLORATION INC.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED OCTOBER 31, 2008**

(In Canadian Dollars)
(Unaudited)

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3. MINERAL PROPERTIES (Continued)

AW

The Awakening Project is located in Humboldt County, Nevada, approximately 50 km north-northwest of Winnemucca, Nevada. During 2008, the Company staked 166 additional claims at the Awakening Project, for a new total of 267 claims (approx. 2,200 hectares) – the Company has a 100% interest in all 267 claims.

BC

The Company has no ownership interest at BC; work to date has been to determine whether to acquire an ownership interest at BC.

DU

The Dunphy Project is located in Eureka County, Nevada, approximately 40 km east of Battle Mountain, Nevada. The Company has a 100% interest in 78 claims (approx. 650 hectares) at Dunphy.

FJ

The Fletcher Junction Project is located in Mineral County, Nevada, approximately 30 km southwest of Hawthorne, Nevada. The Company has a 100% interest in 346 claims (approx. 2,800 hectares) at the Fletcher Junction Project, subject to a 1.25% net smelter return royalty (“NSR”) to Royal Gold, Inc.

HP

On September 16, 2005, the Company entered into a 10 years Mining Lease Agreement on 900 hectares at the Hot Pot Project located in Humboldt County, Nevada, approximately 30 km northwest of Battle Mountain, Nevada. The Hot Pot Project is subject to a 3% NSR to the property owner and a 1.25% NSR to Royal Gold, Inc.

SP

The Sand Pass Project is located in Humboldt County, Nevada, approximately 10 km north of Winnemucca, Nevada. The Company has a 100% interest in 197 claims (approx. 1,600 hectares) at Sand Pass.

RP

The Rye Patch Project is located in Pershing County, Nevada, approximately 30 km northeast of Lovelock, Nevada. The Company has a 100% interest in 169 claims (approx. 1,400 hectares) at Rye Patch.

WI

The Winnemucca Mountain Project is located in Humboldt County, Nevada, approximately 5 km west of Winnemucca, Nevada. The Company has a 100% interest in 54 claims (approx. 450 hectares) at Winnemucca Mountain.

KC

The Kelly Creek Project is located in Humboldt County, Nevada, approximately 40 km north-northwest of Battle Mountain, Nevada. During 2008, the Company staked 648 claims (approx. 5,300 hectares) at Kelly Creek – the Company has a 100% interest in all 648 claims.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED OCTOBER 31, 2008**

(In Canadian Dollars)

NEVADA EXPLORATION INC.

(Unaudited)

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3. MINERAL PROPERTIES (Continued)

WF

The Whiskey Flat Project is located in Mineral County, Nevada, approximately 20 km south of Hawthorne, Nevada. The Company has a 100% interest in 273 claims (2,275 hectares) at Whiskey Flats.

BU

The Bull Creek Project is located in Humboldt County, Nevada, approximately 60 km west-northwest of Winnemucca, Nevada. During 2008, the Company staked 245 additional claims at the Bull Creek Project, for a new total of 513 claims (approx. 4,200 hectares) – the Company has a 100% interest in all 513 claims.

4. LONG-TERM DEBT

	October 31, <u>2008</u>	April 30, <u>2008</u>
	\$	\$
Loans bearing interest at rates ranging from 1.9% to 2.9%, repayable in monthly installments \$2,765 plus interest, maturing in 2013, secured by the vehicles	134,265	125,493
Current portion of long-term debt	<u>31,096</u>	<u>31,096</u>
	<u>103,169</u>	<u>94,397</u>

Principal payments of long-term debt for the next five years are as follows:

2009	\$ 31,096
2010	31,803
2011	27,815
2012	19,002
2013	15,777

NEVADA EXPLORATION INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED OCTOBER 31, 2008

(In Canadian Dollars)
(Unaudited)

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7. CAPITAL STOCK

Authorized, an unlimited number and without par value:
Common shares, voting and participating.
Issued and outstanding:

	Number	Amount
Balance – April 30, 2007	51,916,666	\$ 4,749,709
Private placements ⁽ⁱ⁾	1,810,000	1,531,234
Exercise of options	412,500	82,500
Exercise of warrants	4,302,005	1,873,542
Ascribed value of options and warrants exercised	<u>-</u>	<u>922,379</u>
Balance – April 30, 2008	<u>58,441,171</u>	<u>9,159,364</u>
Exercise of options	250,000	150,000
Exercise of warrants	337,933	103,325
Ascribed value of options and warrants exercised	<u>-</u>	<u>261,847</u>
Balance – October 31, 2008	<u>59,029,104</u>	<u>\$ 9,674,536</u>

⁽ⁱ⁾ On January 23, 2008 and March 11, 2008, the Company completed non-brokered private placements, issuing 1,810,000 units at \$1.00 per unit. Each unit is comprised of one common share and one-half common share purchase warrant, exercisable for a period of 24 months at \$1.50 per share. The warrants were valued at \$278,766 using the following assumptions: expected volatility of 95%; expected dividend yield of 0%; risk-free interest rate of 2.66% and 3.30% and expected life of 2 years.

NEVADA EXPLORATION INC.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED OCTOBER 31, 2008**

(In Canadian Dollars)
(Unaudited)

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6. STOCK OPTIONS AND WARRANTS

The Company has a stock options 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 five years, and vest at the discretion of the board.

	Warrants			Stock Options	
	Number	Carrying value \$	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding, April 30, 2007	9,123,050	2,333,032	0.52	2,475,000	0.47
Exercised	(4,302,005)	(839,924)	0.44	(412,500)	0.20
Expired	(459,112)	(103,484)	0.54	(82,500)	0.20
Granted	<u>905,000</u>	<u>278,766</u>	1.50	<u>3,075,000</u>	0.92
Outstanding, April 30, 2008	<u>5,266,933</u>	<u>1,668,390</u>	0.76	<u>5,055,000</u>	0.77
Exercised	(337,933)	(133,781)	0.80	(250,000)	
Granted	<u>266,666</u>	<u>-</u>		<u>200,000</u>	
Outstanding, October 31, 2008	<u>5,195,666</u>	<u>1,534,609</u>	0.79	<u>5,005,000</u>	
Number currently exercisable	<u>5,195,666</u>			<u>3,013,334</u>	

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED OCTOBER 31, 2008**

(In Canadian Dollars)

NEVADA EXPLORATION INC.

(Unaudited)

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6. STOCK OPTIONS AND WARRANTS (Continued)

The following incentive stock options and share purchase warrants were outstanding as at October 31, 2008:

	Number of shares	Exercise price	Expiry date
		\$	
Stock options	330,000	0.20	October 3, 2011
	1,000,000	0.60	March 9, 2012
	500,000	0.60	April 23, 2011
	150,000	0.60	April 30, 2012
	250,000	0.60	May 15, 2012
	700,000	0.95	June 8, 2012
	150,000	1.00	June 11, 2012
	1,725,000	1.00	March 4, 2013
	200,000	0.78	June 13, 2013
Warrants	4,500	0.20	September 29, 2008
	3,019,500	0.60	October 31, 2008
	1,000,000	0.75	April 23, 2009
	266,666	0.60	October 31, 2008
	510,000	1.50	January 10, 2010
	395,000	1.50	March 12, 2010

STOCK-BASED COMPENSATION

During the period, the Company granted 200,000 options (3,075,000 as at April 30, 2008). The fair value was estimated at \$0.42 per option using the Black-Scholes option pricing model. A stock-based compensation expense of \$451,980 (\$410,502 in 2007) for the vesting portion was recorded for the period ended October 31, 2008.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options and warrants issued:

	October 31, 2008	April 30, 2007
Risk-free interest rate	3.15% to 4.18%	3.15% to 4.18%
Expected life of options/warrants	1 to 5 years	1 to 5 years
Annualized volatility	112%	112%
Dividend rate	0%	0%

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED OCTOBER 31, 2008**

(In Canadian Dollars)

(Unaudited)

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NEVADA EXPLORATION INC.

7. FINANCIAL INSTRUMENTS

RISK MANAGEMENT POLICIES

The Company is exposed to risk due to the nature of its financial instruments. Risk management is the responsibility of management and the Company did not use derivative instruments.

FAIR VALUE

The Company estimates the fair value of its financial instruments based on current interest rates, market value and pricing of financial instruments with comparable terms. Unless otherwise indicated, the carrying value of these financial instruments approximates their fair market value because of the near maturity of those instruments.

As at October 31, 2008 and April 30, 2008, the carrying amount of current financial assets and liabilities approximated the fair value because of the near maturity of those instruments and the carrying value of term deposits and the long-term debt is considered to approximate fair value since it bears interest at current rates for similar types of borrowing arrangements or investments.

The Company has implemented the following classifications:

Cash and cash equivalents and deposits are classified as held-for-trading and any period change in fair value is recorded through net income.

Term deposits, accounts receivable and loans receivable are classified as loans and receivables and are measured at amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities and long-term debt are classified as other than held-for-trading liabilities and are measured at amortized cost using the effective interest rate method.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED OCTOBER 31, 2008**

(In Canadian Dollars)
(Unaudited)

NEVADA EXPLORATION INC.

7. FINANCIAL INSTRUMENTS (Continued)

CREDIT RISK AND INTEREST RATE RISK

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risk arising from these financial instruments.

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, as outlined in Note 8 ("Capital Disclosures »). 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, 2008, the Company was holding cash and cash equivalents and term deposits of \$414,296. Given the Company's available liquid resources as compared to the timing of the payments of liabilities, management assesses the Company's liquidity risk to be low.

FOREIGN EXCHANGE

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.

At October 31, 2008, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	<u>\$US</u>
Cash and cash equivalents	260,766
Loans receivable	221,622
Deposits and bonds	326,738
Accounts payable and accrued liabilities	202,111

NET EXPOSURE

Based on the above net exposures as at October 31, 2008, and assuming that all other variables remain constant, a 10% change in the value of the US dollar against the Canadian dollar would result in an increase/decrease of \$101,123 in the loss from operations.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED OCTOBER 31, 2008

(In Canadian Dollars)
(Unaudited)

8. CAPITAL DISCLOSURES

NEVADA EXPLORATION INC.

The Company's objectives when managing capital are: to safeguard its ability to continue as a going concern; and, to have sufficient capital to be able to fund the exploration and development of its mineral properties and acquisition of other mineral resources, for the benefit of its shareholders.

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 shareholders' 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 its 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 sufficient capital to fund its exploration programs and to cover its administrative costs for the next three months. The Company is not subject to any externally imposed capital requirements.

9. RELATED PARTY TRANSACTIONS

- a) Legal fees of \$26,893 recorded in general and administrative and share issue expenses (47,585 in 2007) were paid to firms whose certain partners are directors of the Company. These related party transactions were carried out in the normal course of business and accounted for at exchange value.
- b) As at October 31, 2008, loans receivable include an amount of \$186,378 (\$307,811 in 2007) receivable from two officers of the Company.