

# NEVADA EXPLORATION INC.

## Management Discussion and Analysis – Form 51-102F1

### Period Ended July 31, 2009

#### 1 Date – September 25, 2009

The following discussion and analysis is a review of operations, current financial position and outlook for Nevada Exploration Inc. (the “Company” or “NGE”) for the three month period ended July 31, 2009, and should be read in conjunction with the unaudited financial statements for the three month period ended July 31, 2009, and the audited annual financial statements for the year ended April 30, 2009 and the related notes thereto. Amounts are reported in Canadian Dollars based upon the financial statements prepared in accordance with Canadian generally accepted accounting principles. Additional information regarding the Company can be found on [www.sedar.com](http://www.sedar.com).

#### Forward looking statements

Certain statements contained in this document constitute forward-looking information. These statements relate to future events or future performance. The use of any of the words “could”, “intend”, “expect”, “believe”, “will”, “projected”, “estimated” and similar expressions and statements relating to matters that are not historical facts are intended to identify forward-looking information and are based on the Company's current belief or assumptions as to the outcome and timing of such future events. Actual future results may differ materially. In particular, this document contains forward-looking information relating to: the terms and conditions of the Acquisition, including securities of the Company to be issued and transferred pursuant thereto and the completion of all matters contemplated by the Definitive Agreement, the board and management composition of the Company following the Acquisition; matters related to the Offering and transfer of common shares within escrow. Various assumptions or factors are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking information. Those assumptions and factors are based on information currently available to the Company. The material factors and assumptions include: the parties to the Acquisition being able to obtain the necessary director, shareholder and regulatory approvals; regulatory policies not changing; completion of satisfactory due diligence and the structure of the Acquisition being the most tax efficient way of completing the Acquisition. Risk Factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking information include, among other things: conditions imposed by regulatory bodies, the failure to obtain the required directors’ and shareholders’ approval to the Acquisition; changes in tax laws, general economic and business conditions; the inability to complete the Offering and changes in the regulations. The Company cautions the reader that the above list of risk factors is not exhaustive. The forward-looking information contained in this document is made as of the date hereof and the Company is not obligated to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. Because of the risks, uncertainties and assumptions contained herein, investors should not place undue reliance on forward-looking information. The foregoing statements expressly qualify any forward-looking information contained herein.

#### 2 Selected Consolidated Financial Information and Management's Discussion and Analysis

##### 2.1 Management's Discussion and Analysis

#### Overview

The primary business of NGE is gold exploration focused in the gravel-covered pediment areas of Nevada.

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When groundwater flows near a concealed gold deposit it retains a chemical ‘memory’ or ‘fingerprint’ of such an encounter and creates a unique kind of water chemical ‘scent’. NGE uses innovative proprietary groundwater technology to identify and follow the water chemical ‘scent’ back up-stream to search for its potentially gold-bearing bedrock source. The use of groundwater chemistry allows the Company to identify high quality exploration properties for a relatively small investment when compared to other traditional exploration techniques.

The Company’s results to date have been encouraging and Management believes that NGE has created significant value with its water chemistry exploration program and eleven properties. To continue to identify new prospects, acquire more land, delineate additional targets, and advance its properties, NGE requires additional financing and/or exploration partners. NGE is actively looking at ways to advance its exploration program while balancing both shareholder risk and dilution in an environment of financial uncertainty. NGE is committed to the continued development of its groundwater chemistry exploration program. To preserve capital, NGE has stopped all drilling, and has minimized field and office staff. NGE has begun and continues to be in discussion with interested joint venture and royalty partners to advance NGE’s current portfolio of high quality gold exploration projects.

Significant events for the three month period ended July 31, 2009, and through the date of this report are:

- 1 On June 8, 2009, NGE announced an Exploration and Option to Joint Venture Agreement (“Agreement”) with International Enexco Ltd. (“Enexco”) (TSX-V:IEC) on the Hot Pot Gold Property. The Agreement calls for Enexco to complete a work program that includes 6,000 meters (19,600ft) of drilling over three years to earn a 51% interest in the Property, with the option to earn an additional 19%, for 70% total, by drilling another 3,000 meters (9,800ft) during the fourth year. Enexco’s minimum annual work commitment during the first three years is 1,500 meters (4,900ft) of drilling. On July 2, 2009, Enexco began drilling at Hot Pot, and drilling continues.
- 2 On June 15, 2009, NGE announced the addition of 96 new claims (800 hectares) at the Bull Creek Gold Property. The 2008 Phase I drilling results at Bull Creek show that both the alteration intensity and the geochemically anomalous trace-element geochemistry increase from west to east across the property, which suggests that they were sourced from the east. This interpretation is consistent with the detailed air magnetic and gravity geophysics at Bull Creek, which also suggest a fractured, north-south structural zone to the east of the Phase I drill holes. Together, the geochemical, geophysical, and geologic evidence suggested that the source of the anomalous geochemistry in the shallow, hydrothermally altered volcanic bedrock at Bull Creek was located beyond the eastern boundary of NGE’s original claim block. Based on this data, NGE increased its land position to fully cover the developing Bull Creek target.
- 3 On September 3, 2009, NGE announced the completion of \$1.1M non-brokered private placement (“Offering”). Pursuant to the Offering, NGE issued 20,995,673 Units at a price of CAD\$0.0525 - each Unit consisted 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 CAD \$0.10 for a period of two years, subject to an accelerated expiry provision.

#### *Land Acquisition and Maintenance*

The cost of land acquisition and yearly holding fees requires careful evaluation to insure that NGE only holds land with the highest exploration potential. When NGE decides that the results from groundwater

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sampling, soil geochemistry sampling, seismic surveys, gravity surveys, air magnetics surveys, and reverse circulation (“RC”) drilling indicate that certain lands are no longer worth holding, NGE drops these lands. Conversely, when results indicate that certain other lands are worth acquiring, NGE acquires these lands.

As of September 28, 2009, NGE directly holds 2,434 unpatented mining claims and other mineral interests in the following properties:

<b>Project</b>	<b>NGE Claims</b>		<b>OTHER</b>	<b>Total</b>
	<b>Claims</b>	<b>Area (km<sup>2</sup>)</b>	<b>Area (km<sup>2</sup>)</b>	<b>Area (km<sup>2</sup>)</b>
Fletcher Junction (FJ)	127	10.3	0.0	10.3
Hot Pot (HP)	6	0.5	8.8	9.3
Bull Creek (BU)	301	24.4	0.0	24.4
Awakening (AW)	420	34.0	0.0	34.0
Sand Pass (SP)	197	15.9	9.4	25.3
Winnemucca Mountain (WM)	90	7.3	0.0	7.3
Rye Patch (RP)	169	13.7	0.8	14.5
Jungo (JU)	192	15.5	0.0	15.5
Dunphy (DU)	78	6.3	0.0	6.3
Kelly Creek (KC)	581	47.0	0.0	47.0
Whiskey Flats (WF)	273	22.1	0.0	22.1
<b>TOTAL</b>	<b>2,434</b>	<b>197.0</b>	<b>19.0</b>	<b>216.0</b>

*Risk Management Strategy*

NGE manages exploration risk by focusing exploration resources in specific, planned stages on each property. If the results from one stage are positive, then exploration funds are expended on the next stage. If at any stage, results are negative, the property is dropped from further consideration. NGE’s staged exploration manages risk and assures that properties showing positive results move aggressively through the exploration pipeline – exploration resources are continually focused on the most prospective targets.

NGE’s exploration stages:

- Groundwater Chemistry – NGE first uses its proprietary hydroprobe sampling technology to collect regularized groundwater samples across areas shown to be prospective based on previous samples collected from existing springs and water wells. NGE uses the regularized groundwater chemistry samples to develop a computerized groundwater chemistry model of each target.
- Acquisition – NGE acquires the mineral rights covering prospective targets. If a target of exploration interest is on BLM land, NGE locates mineral claims. If a target lies on private land,

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NGE completes a title search to determine mineral title ownership, and then negotiates a mineral agreement with the owner to provide NGE with sufficient mineral title to proceed with exploration expenditures.

- Soil Geochemistry – NGE completes detailed soil sampling across areas demonstrating prospective groundwater chemistry to detect the possible vertical migration of gold and trace-elements from the underlying bedrock into the soils above.
- Gravity Geophysics – NGE uses detailed gravity geophysics to provide valuable information about the depth to bedrock across the property. Gravity data can suggest areas of strong changes in the relief of the underlying bedrock, which can be indicative of underlying fault zones that often control the location of gold deposits.
- Air Magnetics – NGE uses detailed air magnetic geophysics to provide information on the types of rocks, fault zones, and hydrothermal alteration that accompany potential large gold deposits.
- Seismic Geophysics - NGE uses seismic geophysics, where appropriate, to identify deep-seated, steeply-dipping fault zones that can be projected into the near surface environment. Major, high-angle structures are important since they provide a potential conduit or ‘plumbing’ system for potential gold-bearing, hydrothermal fluids rising from depth to access near-surface areas where gold may be finally deposited from solution to form a gold ore body.
- RC Drilling - where properties successfully pass through the above exploration stages, NGE uses RC drilling to test for: (1) shallow bedrock (< 1,000ft beneath the surface), (2) structures or faults in bedrock that may source potential mineralization, (3) bedrock that has been altered by hot water (hydrothermal fluids), (4) concentrations of gold and associated trace-elements in higher-than-normal (anomalous) concentrations in bedrock, and (5) sufficient prospective area to reasonably contain an economic resource. NGE evaluates all drilling results based on these criteria to determine whether or not to commit further exploration expenditures to each property.

#### *Fletcher Junction (FJ)*

The Fletcher Junction Project is located in Mineral County, Nevada, approximately 30km southwest of Hawthorne, Nevada. The Company has a 100% interest in 127 claims (10.3km<sup>2</sup>) at the Fletcher Junction Project, subject to a 1.25% net smelter return royalty (“NSR”) to Royal Gold, Inc.

On December 18, 2008, NGE announced the completion of Phase I RC drilling at Fletcher Junction, and presented detailed results demonstrating how NGE has used groundwater chemistry to discover a new, gold-bearing hydrothermal system in a covered bedrock setting. All nine wide-spaced drill holes that were completed to target depth encountered altered bedrock containing geochemically anomalous gold and gold-associated trace elements, as well as anomalous gold and trace-element groundwater chemistry. The bedrock, the alteration, and the suite of gold-associated trace elements are similar to those found at the nearby Aurora mining district, noted for historic, high grade underground production. NGE believes the first phase drilling results at Fletcher Junction justify a much larger, Phase II drilling program specifically designed to test the vertical fault zones believed to contain ore-grade gold mineralization that source the anomalous gold in groundwater, alluvium, quartz-boulders and bedrock at Fletcher Junction.

In preparation for Phase II drilling, NGE is working with the US Forest Service for a new Plan of Operations. During the summer of 2009, NGE’s biological consultants completed the two required biological surveys, and have submitted these reports to the US Forest Service. NGE’s archeological consultant is scheduled to complete the required cultural resource evaluation during October, 2009.

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While significant intervals of potentially ore grade mineralization were not encountered in Phase I drilling, management believes that the results at Fletcher Junction are substantive in that they demonstrate how NGE has used its unique and proprietary groundwater exploration technique to discover a new gold-bearing, hydrothermal system in a covered bedrock setting. These results to date at Fletcher Junction add value to NGE's other projects that were all identified using the same groundwater chemistry exploration technology, and they establish NGE as a source of quality exploration projects for potential Joint Venture partners.

#### *Hot Pot (HP)*

In 2004, regional reconnaissance groundwater sampling by NGE principals discovered another area of similarly anomalous groundwater chemistry near Hot Pot. In addition, regional gravity data suggested that the Hot Pot area was underlain by a bedrock high that was covered by a thin layer of sand & gravel.

On September 16, 2004, the Company entered into a 10 year Mining Lease Agreement on 8.8km<sup>2</sup> at the Hot Pot Project located in Humboldt County, Nevada, approximately 30km northwest of Battle Mountain, Nevada. The Mining Lease Agreement is subject to a 3% NSR to the land owner. The Company also controls 6 claims at Hot Pot (50 hectares). The lands within the Mining Lease Agreement and the 6 claims are subject to a 1.25% NSR to Royal Gold, Inc.

In 2005, nine RC drill holes were completed at Hot Pot to depths ranging from 92m (300ft) to 190m (620ft) for a total of 1,195m (3,900ft). The widely-spaced, shallow holes confirmed bedrock to range in depth from 33m (110ft) to 112m (370ft). The bedrock was hydrothermally altered and contained anomalous gold and trace elements similar to that associated with the Lone Tree gold mine. The area of anomalous groundwater chemistry was also confirmed and enlarged.

In 2007, NGE used its hydroprobe equipment to complete a detailed groundwater chemistry survey at Hot Pot on a 400m (1/4 mi) grid. The resulting groundwater chemistry model showed highly anomalous gold and trace elements chemistry and further expanded the area of exploration interest. Additionally, in 2007, NGE completed two seismic geophysical lines, which identified several deep, north-trending, steeply-dipping fault zones.

In 2008, NGE completed a detailed gravity geophysical survey, which successfully mapped the relative depth to the underlying bedrock by measuring the density contrast between 200m sampling points. The gravity survey delineated sharp changes in the slope of the bedrock that coincided with the fault zones identified by seismic geophysics.

In 2008, NGE completed 10 vertical, RC drill holes to test small segments of the steeply-dipping fault zones identified by the 2007 seismic and gravity geophysics. Three vertical holes were spaced 100m (330ft) apart on each of three lines. The holes ranged in depth from 50m (165ft) to 175m (575ft) for a total of 1,085m (3,565ft). The shallow drill holes encountered hydrothermally altered bedrock containing anomalous gold and trace elements. Deeper, angle drill holes designed to cross cut the areas where the steeply-dipping fault zones had been projected were planned, but the drilling contractor was unable to complete the program.

Also in 2008, an energy company, with business interests separate from NGE, started a deep test drill hole on the Hot Pot property. In exchange for NGE seismic data, NGE was granted access to drill cuttings from the 1,372m (4,500ft) drill hole. Significantly, the deep drill hole encountered hydrothermally-altered, Paleozoic Rocks underlying the Hot Pot Project. Hydrothermal alteration includes carbon re-mobilization, local bleaching, clay, de-calcification and secondary pyrite.

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Although potentially economic quantities of gold mineralization have not yet been encountered at Hot Pot, drilling to date has been wide-spaced and could have easily missed the type of high-angle fault zones that control significant known gold mineralization elsewhere in the region. The widely-distributed, highly anomalous gold in groundwater together with the large area of hydrothermally-altered and geochemically anomalous bedrock strongly suggests that higher values for gold in bedrock than have been discovered to date may still be located nearby. The next step is more closely-spaced, shallow, vertical drill holes and/or deeper, angle holes targeted to intersect steeply-dipping, potentially ore-bearing fault zones and favorable bedrock units.

On June 4, 2009, the Company entered into an Exploration Agreement with International Enxco Ltd. (“Enxco”) whereby Enxco can earn a 51% interest in the Hot Pot Property by drilling 6,000 meters (19,600ft) over three years, with the option to earn an additional 19%, for 70% total, by drilling another 3,000 meters (9,800ft) during the fourth year. Enxco is currently drilling at Hot Pot.

#### *Bull Creek (BU)*

The Bull Creek Project is located in Humboldt County, Nevada, approximately 60km west-northwest of Winnemucca, Nevada. The Company has a 100% interest in 301 claims (24.4km<sup>2</sup>) at Bull Creek.

In 2008, NGE completed a detailed groundwater survey at Bull Creek to delineate the project’s anomalous groundwater chemistry, and then completed a detailed soil sampling program to both verify and model the surface geochemistry above the prospective groundwater chemistry target. Later in 2008, to further develop the project’s exploration model, NGE completed both detailed gravity and airborne magnetic geophysical surveys to better understand the different rock types and possible fault zones concealed beneath the large expanse of sand and gravel covering the target. As a final input to the Bull Creek exploration model, NGE completed seismic geophysics to test for deep-seated fault zones. NGE combined these data sets to develop the conceptual targets for Phase I drill testing.

Phase I drilling at Bull Creek was specifically designed to test the concept that an undiscovered, potentially gold-bearing hydrothermal system is responsible for the anomalous gold and trace-elements discovered in the groundwater. During the 2008 Phase I program, NGE completed 18 RC drill holes at Bull Creek. The holes ranged from 0.4km (0.25mi) to over 1.6km (1.0mi) apart, and were scattered across the 41km<sup>2</sup> property, and the holes ranged in depth from 100m (300ft) to 300m (1,000ft). The drilling defined shallow bedrock along the eastern margin of the property, which ranged in depth from 15m (50ft) to 100m (300ft).

On February 23, 2009, NGE announced completion of data reduction for its Phase I drill program at Bull Creek. The drilling encountered several >200m (>650ft) intervals of hydrothermally altered and geochemically anomalous volcanic rock, but the drilling did not encounter any potentially ore-grade gold intervals at the locations tested. The increase in alteration intensity and geochemically anomalous trace-elements seen in wide-spaced drill holes moving from west to east across the eastern half of the property suggests NGE has discovered the edge of a significant new hydrothermal system of exploration significance. NGE believes additional drilling is warranted farther to the east, and this conclusion is also supported by detailed gravity and air magnetic data. In 2009, NGE increased its claim position towards the east to cover the developing target.

The initial identification of anomalous groundwater chemistry at Bull Creek has resulted in a successful Concept Test: the discovery of a large area of hydrothermally-altered, shallow bedrock containing geochemically anomalous gold and gold-associated trace elements. These features of exploration significance are similar to those found at the nearby Sleeper Mine, which produced 1,700,000 ozs of gold and 1,900,000 ozs of silver from 1986 to 1996. NGE believes that additional drilling is warranted based

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upon the increase in alteration intensity and geochemically anomalous trace-elements seen in drill holes moving from west to east across the eastern half of the property. These results further demonstrate how NGE is using groundwater chemistry to efficiently and effectively reduce large, sand and gravel covered valley basins to discrete, highly prospective exploration targets deserving more focused and intense exploration expenditures.

#### *Awakening (AW)*

The Awakening Project is located in Humboldt County, Nevada, approximately 50km north-northwest of Winnemucca, Nevada. The Company has a 100% interest in 420 claims (34.0km<sup>2</sup>) at Awakening. On July 1, 2008, the Company entered into a Mining Lease agreement with DIR Exploration Inc. on 15 claims (approx. 120 hectares) that are subject to a 3% NSR.

On August 18, 2008, NGE announced commencement of Phase I RC drilling at its Awakening property. Five holes were drilled, but none were completed to target depth due to challenging drilling conditions. Drilling has been suspended awaiting the availability of different drilling equipment.

#### *Sand Pass (SP)*

The Sand Pass Project is located in Humboldt County, Nevada, approximately 10km north of Winnemucca, Nevada. The Company has a 100% interest in 197 claims (15.9km<sup>2</sup>) at SP, and on July 10, 2008, the Company entered into a Mining Lease agreement for another 9.4km<sup>2</sup> with multiple parties, subject to a 2% NSR payable to private landholders.

#### *Winnemucca Mountain (WM)*

The Winnemucca Mtn. Project is located in Humboldt County, Nevada, approximately 5km west of Winnemucca, Nevada. The Company has a 100% interest in 90 claims (7.3km<sup>2</sup>) at WM.

#### *Rye Patch (RP)*

The Rye Patch Project is located in Pershing County, Nevada, approximately 30km northeast of Lovelock, Nevada. The Company has a 100% interest in 169 claims (13.7km<sup>2</sup>) at RP. On May 22, 2008, the Company entered into a Mining Lease Agreement on another 65 hectares with a private party, subject to a 2.0% NSR; and on July 21, 2008, the Company entered into a Mining Lease Agreement on an additional 16 hectares from another private party, also subject to a 2.0% NSR payable to a private landholder.

#### *Jungo (JU)*

The Jungo Project is located both Humboldt and Pershing Counties, Nevada, approximately 60km west of Winnemucca, Nevada. The Company has a 100% interest in 192 claims (15.5km<sup>2</sup>) at JU.

#### *Dunphy (DU)*

The Dunphy Project is located in Eureka County, Nevada, approximately 40km east of Battle Mountain, Nevada. The Company has a 100% interest in 78 claims (6.3km<sup>2</sup>) at DU.

#### *Kelly Creek (KC)*

The Kelly Creek Project is located in Humboldt County, Nevada, approximately 40km north-northwest of Battle Mountain, Nevada. The Company has a 100% interest in all 581 claims (47.0km<sup>2</sup>) at KC.

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*Whiskey Flats (WF)*

The Whiskey Flats Project is located in Mineral County, Nevada, approximately 20km south of Hawthorne, Nevada. The Company has a 100% interest in 273 claims (22.1km<sup>2</sup>) at WF.

*Summary of Project Work Completed to Date*

To date, NGE has completed: detailed groundwater chemistry sampling on all eleven (11) properties; detailed soil chemistry on seven (7) properties; detailed air magnetic geophysics on six (6) properties; detailed gravity geophysics on six (6) properties; and Phase I drilling on three (3) properties. The results at each of the properties are encouraging and justify additional exploration expenditures. The table below summarizes the completion dates for the referenced work.

<b>PROPERTY</b>	<b>Water Chemistry</b>	<b>Soil Chemistry</b>	<b>Air Magnetics</b>	<b>Gravity</b>	<b>Phase I Drilling</b>
Fletcher Junction (FJ)	2005				2008
Hot Pot (HP)	2007	2007		2008	2008
Bull Creek (BU)	2008	2008	2008	2008	2008
Awakening (AW)	2008	2008	2008	2008	
Sand Pass (SP)	2007	2008	2008	2008	
Winnemucca Mtn. (WM)	2007	2008	2008	2008	
Rye Patch (RP)	2007	2008	2008		
Jungo (JU)	2008		2008	2008	
Dunphy (DU)	2007	2008			
Kelly Creek (KC)	2007				
Whiskey Flats (WF)	2008				
<b>TOTAL</b>	<b>11</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>3</b>

Summary of Quarterly Results

The following table sets out selected unaudited financial information, presented in Canadian dollars and prepared in accordance with generally accepted accounting principles in Canada, for each of the last eight quarters. The information contained herein is drawn from interim financial statements of the Company for each of the aforementioned eight quarters.



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	<b>2009</b>	<b>2009</b>	<b>2009</b>	<b>2008</b>
<b>Quarter Ending</b>	<b>July 31</b>	<b>April 30</b>	<b>January 31</b>	<b>October 31</b>
Revenue	2,470	15,255	-	23,036
Working Capital (Deficiency)	(147,413)	75,864	307,729	400,536
Expenses	308,983	125,060	465,495	855,707
Net Loss	(319,428)	(109,805)	(465,495)	(832,671)
Net Loss (per Share)	(0.01)	(0.03)	(0.008)	(0.01)

  

	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2007</b>
<b>Quarter Ending</b>	<b>July 31</b>	<b>April 30</b>	<b>January 31</b>	<b>October 31</b>
Revenue	4,533	99,824	-	3,642
Working Capital	1,401,806	2,742,917	2,637,733	2,409,638
Expenses	573,602	1,069,462	579,798	566,821
Net Loss	(569,069)	(969,638)	(579,798)	(563,179)
Net Loss (per Share)	(0.01)	(0.01)	(0.01)	(0.01)

Results of Operations

*Revenue*

NGE did not generate any significant revenue in the three month period ending July 31, 2009. The Company continues to expend its resources searching for and advancing properties that may contain economic resources that would allow the Company either to sell its interests or to setup mining operations and extract enough gold to be profitable.

*Operating Expenses*

During the three month period ended July 31, 2009, NGE's expenses were \$308,983, compared to \$573,602 for the three month period ended July 31, 2008. The decrease was due to a decrease in activity and a reduction of staff.

Office expenses during the three month period ended July 31, 2009, were \$13,891, compared to \$107,055 for the three month period ended July 31, 2008. The decrease was due to a decrease in activity and a reduction of staff.

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Professional fees, consulting, and investor relations costs during the three month period ended July 31, 2009, were \$28,975, compared to \$55,644 for the three month period ended July 31, 2008. The decrease was due to a decrease in activity and a decrease in the use of professionals, consultants, and investor relations.

Rent costs for the three month period ended July 31, 2009, were \$35,790, compared to \$26,952 for the three month period ended July 31, 2008. During the year ended April 30, 2009, the Company was receiving a discount on their rent.

Salaries during the three month period ended July 31, 2009, were \$104,707, compared to \$218,537 for the three month period ended July 31, 2008. The decrease was due to a reduction of staff.

The total stock-based expense for the three month period ended July 31, 2009, was \$69,230, compared to \$225,990 for the three month period ended July 31, 2008. Stock-based compensation expense during the period ended July 31, 2009 relates to the fair value of options, granted in prior periods, that vested during the period ended July 31, 2009.

Travel costs for the three month period ended July 31, 2009, were \$700 compared to \$14,927 for the three month period ended July 31, 2008. The decrease was due to a decrease in activity.

#### Assets & Liabilities

The Company's long term debt for the three month period ended July 31, 2009, is \$20,812 compared to the three month period ended July 31, 2008, of \$111,812. The long term debt consists of loans for one vehicle and one backhoe. During the three month period ended July 31, 2009, NGE sold three vehicles.

Deposits for land reclamation also add to the Company's asset base. Deposits for the three month period ended July 31, 2009, are \$108,540. These deposits (bonds) are required by the U.S Bureau of Land Management (BLM) and US Forest Service (USFS) to ensure that reclamation and clean-up work on NGE's properties will be completed to the satisfaction of the BLM and the USFS. NGE has completed all required BLM reclamation work to date, including dirt-work and seeding, and has to wait for vegetation to regrow before 100% of the bonds will be released. Several roads remain un-reclaimed on USFS lands at NGE's Fletcher Junction property, while all other reclamation has been completed.

#### Liquidity and Capital Resources

The Company has financed its operations primarily through the issuance of common shares, loans proceeds and advances from related parties. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

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	July 31, 2009	April 30, 2009
Working (deficiency) capital	\$ (147,413)	\$ 75,864
Deficit	(7,235,794)	(6,916,366)

Net cash used in operating activities for the period ended July 31, 2009 was \$143,953 compared to net cash used of \$400,208 during the period ended July 31, 2008 and consists primarily of the operating loss and changes in non-cash working capital items.

Net cash provided by investing activities for the period ended July 31, 2009 was \$55,825 compared to net cash used of \$1,510,497 during the period ended July 31, 2008. NGE has slowed down its exploration activities and sold some equipment, leading to cash provided in 2009 compared to cash used in 2008.

Net cash provided by financing activities for the period ended July 31, 2009, was \$101,544 compared to net cash provided of \$248,033 for the period ended July 31, 2008.

Capital Resources

During the three month period ended July 31, 2009, the Company received a loan of USD\$100,000. The loan has no specific repayment terms and had interest attached of 25% per annum. On September 16, 2009, the Company settled the loan in full.

Subsequent to July 31, 2009, the Company issued 20,995,673 units for gross proceeds of \$1,102,273 by way of a non-brokered private placement. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one common share at an exercise price of \$0.10 for a period of two years. In the event that the Company's volume weighted average share price averages at or above \$0.20 per share for 20 consecutive trading days on the TSX Venture Exchange, then the Company shall have the right to accelerate the warrant exercise period to the 30th day after the date on which the Company gives notice of acceleration. All shares issued are subject to a four month hold period expiring December 21, 2009, as well as to any other re-sale restrictions imposed by applicable securities regulatory authorities.

Off Balance Sheet Arrangements

As at July 31, 2009, NGE had no off balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any instruments that could trigger financing, market or credit risk to NGE.

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Transactions with Related Parties

During the period ended July 31, 2009, the Company accrued US\$60,000 (2008 – US\$30,000) in management fees, recorded as salaries, to officers and directors of the Company

As at July 31, 2009, loans receivable includes an amount of \$157,286 (April 30, 2009 - \$234,927) receivable from two officers and directors of the Company. Included in the loan receivable is approximately \$30,000 of accrued interest receivable.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Disclosure of Outstanding Share Data

As at September 25, 2009, the Company has 80,024,777 common shares issued and outstanding and has the following stock options and warrants outstanding:

	Number of Shares	Exercise Price	Expiry Date
<b>Stock options</b>	600,000	\$ 0.60	March 9, 2012
	500,000	0.60	April 23, 2011
	500,000	0.95	June 8, 2012
	150,000	1.00	June 11, 2012
	1,100,000	1.00	March 4, 2013
	200,000	0.78	June 13, 2013
<b>Warrants</b>	510,000	1.50	January 10, 2010
	395,000	1.50	March 12, 2010
	10,658,836	0.10	July 29, 2011

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#### Financial Instruments and Other 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 July 31, 2009, 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.

##### *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 13 ("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.

##### *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 the year ending July 31, 2009, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

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	USD
Cash and cash equivalents	\$ 42,500
Amounts Receivable	360
Loans receivable	152,600
Deposits and bonds	99,900
Accounts payable and accrued liabilities	113,500
Loan payable	110,200
Long Term Debt	19,150

*Net Exposure*

Based on the above net exposures as at the year ending July 31, 2009, 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 of \$5,000 in the loss from operations.

Capital Disclosures

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

Risks and Uncertainties

In conducting its business, NGE is subject to a wide variety of risks and uncertainties which are more fully described in section 1 of the MD&A.

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#### Recent accounting pronouncements

##### *Business Combinations*

In January 2009, the CICA issued Handbook Section 1582, Business Combinations, which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Estimated obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

##### *Consolidated Financial Statements*

In January 2009, the CICA issued Handbook Section 1601, consolidated financial statements, which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for interim and annual consolidated financial statements beginning on or after January 1, 2011. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

##### *Goodwill and Intangible Assets*

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008 and is not expected to have an impact on the Company's financial results.

##### *International financial reporting standards (“IFRS”)*

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

#### Change in Management

Subsequent to July 31, 2009, on September 24, 2009, the Company announced the resignation of Randy Koroll as Chief Financial Officer. NGE's Board of Directors is in the process of searching for new candidates for the position of Chief Financial Officer.