

NEVADA EXPLORATION INC.

CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

JANUARY 31, 2011

NEVADA EXPLORATION INC.

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended January 31, 2011.

NEVADA EXPLORATION INC.
CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Dollars)

	January 31, 2011 (unaudited)	April 30, 2010 (audited)
CURRENT ASSETS		
Cash and cash equivalents	\$ 89,983	\$ 55,253
Amounts receivable	49,374	66,027
Loans receivable, bearing interest at a rate of 5% (Note 8)	106,912	104,519
Prepaid expenses and other	<u>15,501</u>	<u>7,495</u>
	261,770	233,294
EQUIPMENT (Note 3)	255,936	335,493
MINERAL PROPERTIES (Note 4)	6,016,061	5,970,055
DEPOSITS AND BONDS	<u>57,987</u>	<u>91,320</u>
	<u>\$ 6,591,754</u>	<u>\$ 6,630,162</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 198,691	\$ 148,294
Current portion of long-term debt (Note 5)	<u>26,115</u>	<u>25,296</u>
	224,806	173,590
LONG-TERM DEBT (Note 5)	<u>14,068</u>	<u>34,287</u>
	<u>238,874</u>	<u>207,877</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 6)	11,325,663	10,686,870
Warrants (Note 6)	562,037	450,800
Contributed surplus (Note 6)	4,169,491	3,875,772
Deficit	<u>(9,704,311)</u>	<u>(8,591,157)</u>
	<u>6,352,880</u>	<u>6,422,285</u>
	<u>\$ 6,591,754</u>	<u>\$ 6,630,162</u>

NATURE AND CONTINUANCE OF OPERATIONS (NOTE 1)
SUBSEQUENT EVENT (NOTE 13)

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

NEVADA EXPLORATION INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
(Unaudited)
(Expressed in Canadian Dollars)

	Three months ended January 31, 2011	Three months ended January 31, 2010	Nine months ended January 31, 2011	Nine Months ended January 31, 2010
INCOME				
Consulting	\$ 29,527	\$ -	\$ 84,497	\$ -
Interest	<u>1,284</u>	<u>121</u>	<u>3,950</u>	<u>7,719</u>
	<u>30,811</u>	<u>121</u>	<u>88,447</u>	<u>7,719</u>
EXPENSES				
Amortization	26,519	15,498	79,557	85,130
Foreign exchange (gain) loss	7,037	(12,083)	20,588	(11,567)
Interest and bank charges	2,370	37,392	(1,085)	48,174
Office expenses and other	16,738	28,873	46,306	64,702
Professional fees, consulting and investor relations	51,362	42,658	170,884	157,818
Rent	20,268	8,124	50,188	75,914
Salaries	105,923	107,865	314,483	372,297
Stock-based compensation (Note 7)	257,011	200,356	293,719	454,037
Travel	<u>1,923</u>	<u>12,248</u>	<u>3,880</u>	<u>13,399</u>
	<u>(489,151)</u>	<u>(440,931)</u>	<u>(978,520)</u>	<u>(1,259,904)</u>
NET LOSS BEFORE OTHER ITEMS	<u>(458,340)</u>	<u>(440,810)</u>	<u>(890,073)</u>	<u>(1,252,185)</u>
OTHER ITEMS				
Gain on write-off of accounts payable	-	-	14,304	-
Loss on sale of equipment	-	-	-	(12,231)
Write-off of mineral properties	<u>-</u>	<u>-</u>	<u>(237,385)</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>(223,081)</u>	<u>(12,231)</u>
NET AND COMPREHENSIVE LOSS	(458,340)	(440,810)	(1,113,154)	(1,264,416)
DEFICIT – BEGINNING OF PERIOD	<u>(9,245,971)</u>	<u>(7,739,972)</u>	<u>(8,591,157)</u>	<u>(6,916,366)</u>
DEFICIT – END OF PERIOD	<u>\$ (9,704,311)</u>	<u>\$ (8,180,782)</u>	<u>\$ (9,704,311)</u>	<u>\$ (8,180,782)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
Weighted average number of shares outstanding	<u>97,171,630</u>	<u>73,011,673</u>	<u>90,074,503</u>	<u>71,636,257</u>

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

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

	Three months ended January 31, 2011	Three months ended January 31, 2010	Nine months ended January 31, 2011	Nine months ended January 31, 2010
OPERATING ACTIVITIES				
Net loss	\$ (458,340)	\$ (440,810)	\$ (1,113,154)	\$ (1,264,416)
Items not affecting cash:				
Amortization	26,519	15,498	79,557	85,130
Accrued interest	(1,293)	(121)	(3,959)	(7,445)
Foreign exchange	3,690	12,083	2,938	11,567
Gain on write-off of accounts payable	-	-	(14,304)	-
Loss on disposal of equipment	-	-	-	12,231
Stock-based compensation	257,011	200,356	293,719	454,037
Write-off of mineral properties	-	-	237,385	-
	<u>(172,413)</u>	<u>(212,994)</u>	<u>(517,818)</u>	<u>(708,896)</u>
Change in non-cash working capital items				
Accounts receivable	(22,119)	-	16,930	-
Prepaid expenses and other	2,400	(7,901)	(8,264)	9,558
Accounts payable and accrued liabilities	42,467	(58,140)	87,735	(43,063)
	<u>(149,665)</u>	<u>(279,035)</u>	<u>(421,417)</u>	<u>(742,401)</u>
INVESTING ACTIVITIES				
Proceeds on sale of equipment	-	-	-	229,964
Proceeds from mineral property option	-	-	88,931	-
Deposits and bonds	-	10,884	-	10,884
Mineral properties	(52,554)	(86,134)	(331,114)	(737,703)
	<u>(52,554)</u>	<u>(75,250)</u>	<u>(242,183)</u>	<u>(496,855)</u>
FINANCING ACTIVITIES				
Issuance of capital stock and warrants (net of shares issue costs)	95,177	388,304	719,430	1,453,884
Repayment of long-term debt	(6,893)	(6,427)	(21,100)	(42,580)
	<u>88,284</u>	<u>381,877</u>	<u>698,330</u>	<u>1,411,304</u>
INCREASE IN CASH AND CASH EQUIVALENTS	(113,935)	27,592	34,730	172,048
CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD	<u>203,918</u>	<u>180,671</u>	<u>55,253</u>	<u>36,215</u>
CASH AND CASH EQUIVALENTS END OF PERIOD	<u>\$ 89,983</u>	<u>\$ 208,263</u>	<u>\$ 89,983</u>	<u>\$ 208,263</u>

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

NEVADA EXPLORATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
JANUARY 31, 2011

1. BASIS OF PRESENTATION

The consolidated interim period financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements, except as noted below. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These consolidated interim period statements should be read together with the audited financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudited consolidated interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned United States subsidiary Pediment Gold LLC. Significant inter-company balances and transactions have been eliminated upon consolidation.

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.

NEVADA EXPLORATION INC.
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1. BASIS OF PRESENTATION (cont'd...)

Recent accounting pronouncements (cont'd...)

International financial reporting standards ("IFRS")

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 May 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.

2. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated on April 6, 2006 under the Canada Business Corporations Act and is in the business of acquiring and exploring mineral properties and has not yet determined whether its properties contain reserves that are economically recoverable. The amounts shown for mineral properties and related deferred exploration costs represent costs incurred to date and do not reflect present or future values. The recoverability of these capitalized costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves, and future profitable production.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis that presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future. Under the current difficult economic environment, access to the capital markets to obtain equity financing is very uncertain, and indeed may be unavailable to the Company on a timely basis. Subsequent to January 31, 2011, the Company announced a non-brokered private placement (Note 13).

3. EQUIPMENT

	January 31, 2011			April 30, 2010		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Exploration equipment	\$ 341,715	\$ 159,900	\$ 181,815	\$ 341,715	\$ 114,297	\$ 227,418
Vehicles	139,666	89,088	50,578	139,666	69,892	69,774
Computer equipment	23,257	21,381	1,876	23,257	17,761	5,496
Office equipment	80,868	59,201	21,667	80,868	48,063	32,805
	\$ 585,506	\$ 329,570	\$ 255,936	\$ 585,506	\$ 250,013	\$ 335,493

NEVADA EXPLORATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
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4. MINERAL PROPERTIES

	January 31, 2011											
	AW	BU	DU	FJ	HP	JU	KC	RP	SP	WF	WM	Total
Acquisition costs												
Balance – beginning of period	\$ 348,407	\$ 345,342	\$ 57,916	\$ 248,094	\$ 37,167	\$ 117,630	\$ 404,595	\$ 155,180	\$ 211,795	\$ 175,601	\$ 61,902	\$2,163,629
Additions - cash	1,076	39,040	-	18,077	16	24,160	134,002	24,592	54,068	19,002	-	314,033
Additions - shares	-	-	-	-	-	-	4,000	-	-	-	-	4,000
Option payments received	(88,931)	-	-	-	-	-	-	-	-	-	-	(88,931)
Write-offs	-	-	(57,916)	-	-	-	-	-	-	-	(61,902)	(119,818)
Balance – end of period	260,552	384,382	-	266,171	37,183	141,790	542,597	179,772	265,863	194,603	-	2,272,913
Exploration costs												
Balance – beginning of period	523,709	928,275	38,923	1,080,250	802,846	60,305	55,437	67,733	86,482	83,822	78,644	3,806,426
Incurred during the period												
Dirt work	495	-	-	-	-	-	-	-	-	-	-	495
Drilling	30,705	-	-	-	-	-	-	-	-	-	-	30,705
Geochemical	5,543	-	-	-	-	-	-	-	-	-	-	5,543
Geological	788	-	-	-	-	-	-	-	4,455	-	-	5,243
Travel	12,303	-	-	-	-	-	-	-	-	-	-	12,303
Write-offs	-	-	(38,923)	-	-	-	-	-	-	-	(78,644)	(117,567)
Balance – end of period	573,543	928,275	-	1,080,250	802,846	60,305	55,437	67,733	90,937	83,822	-	3,743,148
Total costs	834,095	1,312,657	-	1,346,421	840,029	202,095	598,034	247,505	356,800	278,425	-	6,016,061

NEVADA EXPLORATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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4. MINERAL PROPERTIES (cont'd...)

April 30, 2010

	AW	BU	DU	FJ	HP	JU	KC	RP	SP	WF	WM	Total
Acquisition costs												
Balance – beginning of year	\$ 273,615	\$ 274,460	\$ 45,306	\$ 223,171	\$ 33,519	\$ 86,502	\$ 260,161	\$ 110,683	\$ 146,786	\$ 131,478	\$ 47,353	\$ 1,633,034
Additions - cash	74,792	70,882	12,610	24,923	3,648	31,128	135,184	44,497	65,009	44,123	14,549	521,345
Additions - shares	-	-	-	-	-	-	9,250	-	-	-	-	9,250
Balance – end of year	348,407	345,342	57,916	248,094	37,167	117,630	404,595	155,180	211,795	175,601	61,902	2,163,629
Exploration costs												
Balance – beginning of year	522,276	921,262	38,923	1,043,403	799,405	51,930	55,330	51,691	83,148	42,104	78,644	3,688,116
Incurred during the year												
Drilling	(10,277)	(10,277)	-	(10,276)	-	-	-	-	-	-	-	(30,830)
Geochemical	-	1,071	-	-	150	-	-	-	-	-	-	1,221
Geophysics	-	-	-	-	-	-	-	12,080	-	41,718	-	53,798
Geological	11,710	17,124	-	9,891	1,877	8,375	-	3,962	3,334	-	-	56,273
Permitting	-	-	-	37,232	-	-	-	-	-	-	-	37,323
Travel	-	(905)	-	-	1,414	-	107	-	-	-	-	616
Balance – end of year	523,709	928,275	38,923	1,080,250	802,846	60,305	55,437	67,733	86,482	83,822	78,644	3,806,426
Total costs	\$ 872,116	\$ 1,273,617	\$ 96,839	\$ 1,328,344	\$ 840,013	\$ 177,935	\$ 460,032	\$ 222,913	\$ 298,277	\$ 259,423	\$ 140,546	\$ 5,970,055

4. MINERAL PROPERTIES (cont'd...)

Awakening (AW)

The Awakening Project is located in Humboldt County, Nevada, approximately 50 km north-northwest of Winnemucca, Nevada. The Company has a 100% interest in 432 claims (approx. 35.9 km²) at Awakening.

On July 1, 2008, the Company entered into a Mining Lease agreement with DIR Exploration Inc. ("DIR") on 15 claims (approx. 120 hectares), subject to a 3% NSR to DIR. Under the terms of the agreement, the Company is required to pay a minimum advance royalty of USD\$60,000 annually commencing on the fourth anniversary.

On June 4, 2010, the Company announced that it had entered into a Joint Venture Agreement with Northgate Minerals Corp. ("Northgate"), whereby Northgate may earn a joint venture interest in the Awakening Gold Project. Under the terms of the joint venture agreement, Northgate will have the option to earn a 51% interest in the Property by funding USD\$4,100,000 in qualifying expenditures over 5 years and making USD\$436,000 in cash payments by the third anniversary of the agreement, and if Northgate completes the initial 51% earn-in, Northgate may earn an additional 14%, for a total of 65%, by completing a feasibility report following 120 days after initial earn in. The Company received USD\$87,000 upon the signing of the joint venture agreement.

Bull Creek (BU)

The Bull Creek Project is located in Humboldt County, Nevada, approximately 60 km west-northwest of Winnemucca, Nevada. The Company has a 100% interest in 264 claims (approx. 21.9 km²) at Bull Creek.

Dunphy (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. 6.3 km²) at Dunphy. The Company has abandoned its investment in the Dunphy Project, resulting in a charge to operations of \$96,839 during the period ended January 31, 2011.

Fletcher Junction (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 117 claims (approx. 9.6 km²) at the Fletcher Junction Project, subject to a 1.25% net smelter return royalty ("NSR").

Hot Pot (HP)

On September 16, 2005, the Company entered into a Mining Lease Agreement at the Hot Pot Project located in Humboldt County, Nevada, approximately 30 km northwest of Battle Mountain, Nevada. Under the terms of the agreement, the Company is required to make annual payments of USD\$20,000 on each anniversary, and the agreement is subject to a 3% NSR to the property owner. The Company also controls 6 claims (approx. 50 hectares) at Hot Pot. All of the Company's mineral interests at Hot Pot are subject to a 1.25% NSR.

NEVADA EXPLORATION INC.
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4. MINERAL PROPERTIES (cont'd...)

Hot Pot (HP) (cont'd...)

On September 16, 2009, the Company entered into an Exploration Agreement with International Enexco Ltd. ("Enexco") whereby Enexco 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. Enexco shall pay to the property owner all payments required to be made by the Company.

Jungo (JU)

The Jungo Property is located in both Humboldt and Pershing Counties, Nevada, approximately 60 km west of Winnemucca, Nevada. The Company has a 100% interest in 156 claims (approx. 13.0 km²) at Jungo.

Kelly Creek (KC)

The Kelly Creek Project is located in Humboldt County, Nevada, approximately 40 km north-northwest of Battle Mountain, Nevada. The Company has a 100% interest in 581 claims (approx. 48.5 km²) at Kelly Creek.

On October 1, 2009, the Company entered into a Mining Lease and Option to Purchase Agreement with Genesis Gold Corporation ("Genesis"). Genesis has 100% interest in 254 claims (approx. 20.2 km²) at Kelly Creek under the Agreement, the Company is the Operator and has the option to purchase 100% of the Genesis claims for 100,000 common shares (issued) and USD\$1,500,000, subject to a 1.5% Net Smelter Return Royalty ("Royalty"). The Company also has the option to purchase one half of the royalty (0.75%) for USD\$750,000.

The Company shall pay to Genesis advance royalty payments as follows:

1 st anniversary	\$ 5,000
2 nd , 3 rd and 4 th anniversary	10,000
5 th and each subsequent anniversaries	50,000

Rye Patch (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 126 claims (approx. 10.0 km²) at Rye Patch. On May 22, 2008, the Company entered into a four year Mining Lease Agreement on an additional 65 hectares, subject to a 2.0% NSR. Under the terms of this agreement, the Company is required to make annual payments of USD\$10,000, and the Company has the option to purchase the property for USD\$325,000. On July 21, 2008, the Company entered into a four year Mining Lease Agreement on an additional 16 hectares, subject to a 2% NSR. Under the terms of this agreement the Company, is required to make annual payments of USD\$6,000, and the Company has the option to purchase this property for USD\$30,000.

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4. MINERAL PROPERTIES (cont'd...)

Sand Pass (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 145 claims (approx. 12.0 km²) at Sand Pass, and on July 10, 2008, the Company entered into a Mining Lease agreement for another 9.4 km² with multiple parties, subject to a 2% NSR. Under the terms of the agreement, the Company is required to make minimum lease payments of USD\$31,000 each anniversary.

Winnemucca Mountain (WM)

The Winnemucca Mountain Project is located in Humboldt County, Nevada, approximately 5 km west of Winnemucca, Nevada. The Company has a 100% interest in 90 claims (approx. 7.3 km²) at Winnemucca Mountain. The Company has abandoned its investment in the Winnemucca Mountain project, resulting in a charge to operations of \$140,546 during the period ended January 31, 2011.

Whiskey Flats (WF)

The Whiskey Flats Project is located in Mineral County, Nevada, approximately 20 km south of Hawthorne, Nevada. The Company has a 100% interest in 123 claims (9.4 km²) at Whiskey Flats.

5. LONG-TERM DEBT

The Company has entered into various agreements to lease vehicles and exploration equipment which terminate in years between 2010 and 2013, with blended monthly payments of principle and interest ranging from US\$667 and US\$1,618, bearing interest rates from 1.93% to 7.99% per annum. The Capital lease obligation is payable as follows:

	January 31, 2011	April 30, 2010
	<u> </u>	<u> </u>
Lease obligations	\$ 41,684	\$ 63,173
Deduct: amount representing interest	<u>(1,501)</u>	<u>(3,590)</u>
Present value of minimum lease payments due	\$ 40,183	\$ 59,583
Less: current portion	<u>(26,115)</u>	<u>(25,296)</u>
	<u>\$ 14,068</u>	<u>\$ 34,287</u>

Remaining fiscal principal payments of long-term debt are as follows:

2011	\$ 6379
2012	26,521
2013	<u>7,283</u>
	<u>\$ 40,183</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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6. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Share Amount	Contributed Surplus	Warrants
Authorized				
Unlimited number of voting common shares without par value				
Unlimited number of preferred shares with no par value				
Balance as at April 30, 2009	59,029,104	\$ 9,674,536	\$ 3,050,863	\$ 278,743
Private placements	23,737,673	1,568,413	-	-
Share issue costs - cash	-	(114,529)	-	-
Share issue costs – warrants	-	(418,300)	-	418,300
Agent units	50,000	6,200	-	-
Share issue costs – agent units	-	(6,200)	-	-
Share issue costs - agent warrants	-	(32,500)	-	32,500
Shares for property	50,000	9,250	-	-
Expired warrants	-	-	278,743	(278,743)
Stock-based compensation	-	-	546,166	-
Balance as at April 30, 2010	82,866,777	10,686,870	3,875,772	450,800
Private placements	13,859,074	744,975	-	-
Share issue costs – cash	-	(25,545)	-	-
Share issue costs – warrants	-	(109,863)	-	109,863
Share issue costs – agent warrants	-	(1,374)	-	1,374
Shares for debt	532,000	26,600	-	-
Shares for property	50,000	4,000	-	-
Stock-based compensation	-	-	293,719	-
Balance as at January 31, 2011	97,307,851	\$ 11,325,663	\$ 4,169,491	\$ 562,037

During the period ended January 31, 2011 the Company:

- i) completed a non-brokered private placement by issuing 11,258,000 Units at a price of \$0.05 for total gross proceeds of \$562,900. 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 a price of \$0.10 for a period of 12 months. Fair value allocated in connection to these warrants was \$80,775. In connection with the private placement, the Company:
 - a) paid cash share issuance costs of \$21,647; and
 - b) issued 56,000 agent warrants with a fair value of \$1,089.

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6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

- ii) issued 50,000 common shares in connection with a Lease and Option to Purchase Agreement with Genesis Gold Corporation on the HP claims in Humboldt Country, Nevada (Note 4).
- iii) completed a non-brokered private placement by issuing 2,601,074 Units at a price of \$0.07 for total gross proceeds of \$182,075. 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 a price of \$0.10 for a period of 12 months. Fair value allocated in connection to these warrants was \$29,068. In connection with the private placement, the Company:
 - a) paid cash share issuance costs of \$3,898; and
 - b) issued 7,500 agent warrants with a fair value of \$285.
- iv) Issued 532,000 common shares at \$0.05 to reimburse a firm in which an officer and director of the Company is a partner for \$26,600 accounting services rendered in the ordinary course of business.

7. STOCK OPTIONS AND WARRANTS

Stock 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 five years, and generally vest over a 3 year period.

During the period ended January 31, 2011, the Company:

- i) granted 3,100,000 stock options resulting in stock-based compensation of \$257,011 using the Black-Scholes Option Pricing model. The weighted average fair value of the options granted during the period was \$0.08 per option.
- ii) recorded a stock-based compensation expense of \$55,692 for options vested.

Option pricing models require the use of estimates and assumptions including the expected volatility. Changes in underlying assumptions can materially affect the fair value estimates. The following weighted average assumptions were used for the Black-Scholes valuation of options granted during the period:

	Nine Months ended January 31, 2011
Risk-free interest rate	2.41%
Expected life of options	5 years
Annualized volatility	156.91%
Dividend rate	0.00%

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7. STOCK OPTIONS AND WARRANTS (cont'd...)

Stock options (cont'd...)

A summary of the Company's outstanding stock options is presented below.

	Number of Options	Weighted Average Exercise Price
Balance, April 30, 2009	3,050,000	\$ 0.83
Granted	1,900,000	0.16
Forfeited	(300,000)	0.98
Re-priced	(1,550,000)	0.86
Re-priced	<u>1,550,000</u>	0.15
Balance, April 30, 2010	4,650,000	0.31
Granted	<u>3,100,000</u>	0.10
Balance, January 31, 2011	<u>7,750,000</u>	0.23
Number of options currently exercisable	<u>7,366,667</u>	<u>\$ 0.22</u>

Warrants

During the period ended January 31, 2011 using the Black-Scholes Option Pricing model, the Company:

- i) granted 63,500 agent warrants in connection with the financings with a fair value of \$1,374; and
- ii) granted 6,929,537 warrants as part of the unit financings with a fair value of \$109,863.

These amounts were recorded as warrants on the balance sheet.

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

	Nine Months ended January 31, 2011
Risk-free interest rate	1.30%
Expected life of options	1 year
Annualized volatility	117.13%
Dividend rate	0.00%

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7. STOCK OPTIONS AND WARRANTS (cont'd...)

A summary of the Company's outstanding warrants is presented below.

	Number of Warrants	Weighted Average Exercise Price
Balance, April 30, 2009	905,000	\$ 1.50
Granted	12,329,037	0.12
Expired	<u>(905,000)</u>	1.50
Balance, April 30, 2010	12,329,037	0.12
Granted	<u>6,993,037</u>	0.10
Balance, January 31, 2011	19,332,074	\$ 0.11
<hr/>		
Number of warrants currently exercisable	19,322,074	\$ 0.11

The following incentive stock options and share purchase warrants were outstanding as at January 31, 2011:

	Number of shares	Exercise price	Expiry date
Stock options	200,000	\$ 0.60	March 9, 2012
	400,000	0.15	March 9, 2012
	500,000	0.60	April 23, 2011
	150,000	0.95	June 8, 2012
	200,000	0.15	June 8, 2012
	150,000	1.00	June 11, 2012
	200,000	1.00	March 4, 2013
	750,000	0.15	March 4, 2013
	200,000	0.15	June 13, 2013
	1,300,000	0.16	September 30, 2014
	600,000	0.17	November 17, 2014
	3,100,000	0.10	December 31, 2015
Warrants	4,019,481	0.10	August 20, 2011
	6,639,356 (i)	0.10	September 2, 2011
	1,670,200 (ii)	0.22	May 19, 2011
	4,154,000	0.10	August 26, 2011
	1,531,000 (iii)	0.10	September 23, 2011
	1,308,037 (iv)	0.10	November 5, 2011

(i) includes 161,000 agent warrants

(ii) includes 299,200 agent warrants, 25,000 agent warrants included in this total related to 50,000 broker units (which are currently unexercised)

(iii) includes 56,000 agent warrants

(iii) includes 7,500 agent warrants

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8. RELATED PARTY TRANSACTIONS

During the period ended January 31, 2011, the Company:

- i) paid or accrued \$262,989 (USD\$256,500) (2010 - \$279,602 (USD\$256,600)) in management fees, recorded as salaries, to officers and directors of the Company.
- ii) paid or accrued \$41,667 (2010 - \$49,409) in professional fees to a firm in which an officer and director of the Company is a partner.

As at January 31, 2011:

- i) loans receivable include an amount of \$100,111 (April 30, 2010 - \$96,077) receivable from two officers and directors of the Company. The loans receivable are guaranteed by 2,100,000 common shares of the Company that are currently being held in trust. To date loans receivable includes interest of approximately \$29,136, \$3,636 of which was accrued during the period ended January 31, 2011.
- ii) accounts payable and accrued liabilities included:
 - a) an amount of \$27,603 due to a firm in which an officer and director of the company is a partner.
 - b) An amount of \$133,360 (USD\$133,160) due to officers and directors of the company for salary payable.

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

9. COMMITMENTS

- a) The Company has entered into a lease agreement for premises expiring on November 30, 2012. The future minimum lease payments, by fiscal year are as follows:

	<u>USD\$</u>	<u>CAD\$</u>
2011	\$ 23,000	\$ 24,000
2012	90,000	92,000
2013	<u>54,000</u>	<u>55,000</u>
	<u>\$ 167,000</u>	<u>\$ 171,000</u>

- b) The Company has various commitments relating to its mineral properties as disclosed in note 4.
- c) The Company has various agreements to lease vehicles and exploration equipment disclosed in note 5.

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10. 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 January 31, 2011, 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.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

	Level 1	Level 2	Level 3
Assets			
Cash and cash equivalents	\$ 89,983	\$ -	\$ -

CREDIT RISK AND INTEREST RATE RISK

It is management's opinion that the Company is not exposed to significant interest or credit risk arising from its 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 11 ("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 January 31, 2011, the Company was holding cash of \$89,983 and current liabilities of \$224,806 as a result of the limited cash the Company is exposed to liquidity risk and is reliant on the Company's ability to complete and equity financing.

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10. FINANCIAL INSTRUMENTS (cont'd...)

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 January 31, 2011, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	<u>\$US</u>
Cash and cash equivalents	62,250
Accounts receivable	49,300
Loans receivable	106,752
Prepaid expenses and other	15,478
Deposits and bonds	57,900
Accounts payable and accrued liabilities	(142,779)
Long term debt	(40,123)

NET EXPOSURE

Based on the above net exposures as at January 31, 2011, 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 \$11,153 in the loss from operations.

11. 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 is reliant on completing an equity financing 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 January 31, 2011.

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12. SEGMENTED INFORMATION

The company has one operating segment, being the exploration of mineral properties. Geographic information is as follows:

	January 31, <u>2011</u>	April 30, <u>2010</u>
CAPITAL ASSETS		
United States		
Equipment	\$ 255,936	\$ 335,493
Mineral properties	<u>6,016,061</u>	<u>5,970,055</u>
	<u>\$ 6,271,997</u>	<u>\$ 6,305,548</u>

13. SUBSEQUENT EVENT

Subsequent to the period ended January 31, 2011, the Company announced a non-brokered private placement offering of up to 15,000,000 units at a price of \$0.08 per unit, for gross proceeds of up to \$1,200,000. Each unit will consist of one common share and one-half of one non-transferable common share purchase warrant. Each whole warrant will entitle the holder to purchase one common share at an exercise price of \$0.12 for a period of one year. The Company may pay eligible arms length finders a finder's fee of up to 8% of the gross proceeds raised, in addition to a number of compensation warrants equal to 8% of the units subscribed. The compensation warrants shall be issued on the same terms as the warrants issued in the offering.