

NEVADA EXPLORATION INC.

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

FOR THE NINE MONTHS ENDED JANUARY 31, 2012

UNAUDITED CONDENSED 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 condensed consolidated financial statements for the period ended January 31, 2012.

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

	January 31, 2012	April 30, 2011 (Note 17)	May 1, 2010 (Note 17)
ASSETS			
Current assets			
Cash	\$ 87,319	\$ 151,145	\$ 55,253
Accounts receivable (Note 4)	109,075	2,461	66,027
Prepaid expenses and other (Note 5)	15,521	14,648	7,495
Loans receivable, bearing interest at a rate of 5% (Note 6)	<u>9,079</u>	<u>18,361</u>	<u>104,519</u>
Total current assets	<u>220,994</u>	<u>186,615</u>	<u>233,294</u>
Non-current assets			
Equipment (Note 7)	140,397	171,331	305,447
Exploration and evaluation assets (Note 8)	6,081,083	5,487,184	5,746,819
Deposits and bonds (Note 9)	<u>77,585</u>	<u>55,743</u>	<u>91,320</u>
Total non-current assets	<u>6,299,065</u>	<u>5,714,258</u>	<u>6,143,586</u>
Total assets	<u>\$ 6,520,059</u>	<u>\$ 5,900,873</u>	<u>\$ 6,376,880</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities (Note 10)	\$ 331,559	\$ 125,444	\$ 148,294
Current portion of long-term debt (Note 11)	<u>12,796</u>	<u>25,063</u>	<u>25,296</u>
Total current liabilities	<u>344,355</u>	<u>150,507</u>	<u>173,590</u>
Non-current liabilities			
Long-term debt (Note 11)	<u>1,290</u>	<u>6,882</u>	<u>34,287</u>
Total liabilities	<u>345,645</u>	<u>157,389</u>	<u>207,877</u>
Shareholders' equity			
Capital stock (Note 12)	14,202,161	13,165,319	12,324,963
Reserves (Note 12)	1,751,264	1,997,642	2,137,979
Deficit	<u>(9,779,011)</u>	<u>(9,419,477)</u>	<u>(8,293,939)</u>
Total shareholders' equity	<u>6,174,414</u>	<u>5,743,484</u>	<u>6,169,003</u>
Total liabilities and shareholders' equity	<u>\$ 6,520,059</u>	<u>\$ 5,900,873</u>	<u>\$ 6,376,880</u>

Nature and continuance of operations (Note 1)
Basis of presentation (Note 2)
Reconciliation of Canadian GAAP to IFRS (Note 17)
Subsequent event (Note 18)

Approved and authorized for use by the Board on March 16, 2012:

<u>“Wade Hodges”</u> Wade Hodges	Director	<u>“Cyrus Driver”</u> Cyrus Driver	Director
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The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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

	Three months ended January 31, 2012	Three months ended January 31, 2011 <small>(Note 17)</small>	Nine months ended January 31, 2012	Nine months ended January 31, 2011 <small>(Note 17)</small>
INCOME				
Project management and consulting	\$ 84,980	\$ 29,527	\$ 296,278	\$ 84,497
Interest	<u>111</u>	<u>1,284</u>	<u>325</u>	<u>3,950</u>
Total income	<u>85,091</u>	<u>30,811</u>	<u>296,603</u>	<u>88,447</u>
EXPENSES				
Amortization	16,856	24,575	51,037	75,229
Interest and bank charges	(142)	2,370	1,750	(1,085)
Office expenses and other	24,936	16,738	65,160	46,306
Professional fees, consulting and investor relations	66,813	51,362	202,194	170,884
Rent	22,940	20,268	72,192	50,188
Salaries	109,979	105,923	334,848	314,483
Stock-based compensation (Note 12)	6,940	283,077	192,022	345,461
Travel	<u>2,128</u>	<u>1,923</u>	<u>14,082</u>	<u>3,880</u>
	<u>(250,450)</u>	<u>(506,236)</u>	<u>(933,285)</u>	<u>(1,005,346)</u>
Loss before other items	(165,359)	(475,425)	(636,682)	(916,899)
OTHER ITEMS				
Write-off of mineral properties	-	-	-	(178,934)
Gain on sale of equipment	<u>(13)</u>	<u>-</u>	<u>3,149</u>	<u>14,304</u>
	<u>(13)</u>	<u>-</u>	<u>3,149</u>	<u>(164,630)</u>
Net comprehensive loss for the period	<u>\$ (165,372)</u>	<u>\$ (475,425)</u>	<u>\$ (633,533)</u>	<u>\$ (1,081,529)</u>
Basic and diluted loss per common share	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding	<u>107,532,851</u>	<u>97,171,630</u>	<u>104,067,783</u>	<u>90,074,503</u>

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

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

	Nine months ended January 31, 2012	Nine months ended January 31, 2011 (Note 17)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (633,533)	\$ (1,081,529)
Items not affecting cash:		
Amortization	51,037	75,229
Accrued interest	(325)	(3,959)
Gain on sale of equipment	(3,149)	-
Loan receivable paid through salary (Note 6)	9,607	-
Recovery of accounts payable	-	(14,304)
Stock-based compensation	192,022	345,461
Write-off of mineral properties	-	178,934
Changes in non-cash working capital items:		
(Increase) decrease in accounts receivables	(106,614)	16,930
Increase in prepaid expenses and other	(873)	(8,264)
Increase in accounts payable and accrued liabilities	<u>206,115</u>	<u>87,735</u>
Net cash provided by (used in) operating activities	<u>(285,713)</u>	<u>(403,767)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(13,678)	-
Deposits and bonds	(21,842)	-
Proceeds from mineral property option	83,129	88,931
Proceeds from sale of equipment	5,980	-
Mineral property expenditures	<u>(351,242)</u>	<u>(331,114)</u>
Net cash provided by (used in) investing activities	<u>(297,653)</u>	<u>(242,183)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock and warrants (net of share issue costs)	531,430	719,430
Repayment of long-term debt	<u>(17,859)</u>	<u>(21,100)</u>
Net cash provided by (used in) financing activities	<u>513,571</u>	<u>698,330</u>
Effect of foreign exchange rate on cash balances	<u>5,969</u>	<u>(17,650)</u>
Change in cash for the period	(63,826)	34,7300
Cash, beginning of period	<u>151,145</u>	<u>55,253</u>
Cash, end of period	<u>\$ 87,319</u>	<u>\$ 89,983</u>
Cash and cash equivalents consist of:		
Cash on hand	\$ 87,319	\$ 89,983
Term deposits	<u>-</u>	<u>-</u>
	<u>\$ 87,319</u>	<u>\$ 89,983</u>

Supplemental disclosure with respect to cash flows (Note 13)

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

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

	Capital Stock		Reserves				Total Shareholders' Equity	
	Shares	Amount	Options	Warrants	Foreign Currency Translation	Total reserves		Deficit
Balance, May 1, 2010	82,866,777	\$ 10,686,870	\$ 1,687,179	\$ 450,800	\$ -	\$ 2,137,979	\$ (6,655,846)	\$ 6,169,003
Foreign currency translation	-	-	-	-	(104,009)	(104,009)	-	(104,009)
Private placements	13,859,074	744,975	-	-	-	-	-	744,975
Share issue cost – cash	-	(25,545)	-	-	-	-	-	(25,545)
Share issue cost – warrants	-	(109,863)	-	109,863	-	109,863	-	-
Share issue cost – agent warrant	-	(1,374)	-	1,374	-	1,374	-	-
Shares for property	532,000	26,600	-	-	-	-	-	26,600
Shares for property	50,000	4,000	-	-	-	-	-	4,000
Stock-based compensation	-	-	345,461	-	-	345,461	-	345,461
Loss and comprehensive loss	-	-	-	-	-	-	(1,081,529)	(1,081,529)
Balance, January 31, 2011	97,307,851	\$ 11,325,663	\$ 2,032,640	\$ 562,037	\$ (104,009)	\$ 2,490,668	\$ (7,737,375)	\$ 6,078,956
Balance, May 1, 2011	100,532,851	\$ 13,165,319	\$ 1,838,008	\$ 599,596	\$ (439,962)	\$ 1,997,642	\$ (9,419,477)	\$ 5,743,484
Foreign currency translation	-	-	-	-	341,011	341,011	-	341,011
Private placements	7,000,000	560,000	-	-	-	-	-	560,000
Share issue costs – cash	-	(28,570)	-	-	-	-	-	(28,570)
Share issue costs - warrants	-	(51,907)	-	51,907	-	51,907	-	-
Share issue costs – agent warrants	-	(4,718)	-	4,718	-	4,718	-	-
Stock-based compensation	-	-	192,022	-	-	192,022	-	192,022
Options expired	-	-	(273,999)	-	-	(273,999)	273,999	-
Warrants expired	-	562,037	-	(562,037)	-	(562,037)	-	-
Loss and comprehensive loss	-	-	-	-	-	-	(633,533)	(633,533)
Balance, January 31, 2012	107,532,851	\$ 14,202,161	\$ 1,756,031	\$ 94,184	\$ (98,951)	\$ 1,751,264	\$ (9,779,011)	\$ 6,174,414

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

NEVADA EXPLORATION INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

(Expressed in Canadian Dollars)

JANUARY 31, 2012

1. 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. On July 14, 2010, the Company amalgamated with its subsidiary 2107189 Ontario Inc. The Company 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.

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

These condensed consolidated interim financial statements are authorized for use by the Board of Directors on March 16, 2012.

Going concern of operations

These condensed consolidated interim financial statements are 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. As at January 31, 2012 the Company has had significant losses. In addition, the Company has not generated significant revenues from operations. The Company has financed its operations primarily through the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity and/or debt. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

In order to continue as a going concern and to meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*.

The condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the parent company and subsidiaries.

These are the Company's second IFRS condensed consolidated interim financial statements for the nine month period ending January 31, 2012 covered by the first IFRS consolidated annual financial statements to be presented in accordance with IFRS for the year ended April 30, 2012. Previously the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

2. BASIS OF PREPARATION (cont'd...)

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss or available for sale, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are expected to be adopted for the year ending April 30, 2012 and have been applied consistently to all periods presented in these condensed interim consolidated financial statements and in preparing the opening IFRS balance sheet at May 1, 2010. For purposes of the transition to IFRS, unless otherwise indicated.

Basis of consolidation

These condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Pediment Gold LLC. All significant inter-company balances and transactions, income and expenses have been eliminated upon consolidation.

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

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

Use of judgments and estimates

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates.

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

- i) the recoverability of receivables;
- ii) the carrying value and the recoverability of exploration and evaluation assets;
- iii) the estimated useful lives of fixed assets and the related amortization;
- iv) the inputs used in accounting for stock-based compensation expense; and
- v) the deferred income tax asset allowance.

Receivables

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Equipment

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

Exploration equipment	5 to 7 years
Vehicles	5 years
Office equipment	5 years
Computer equipment	3 years

The Company's equipment is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the asset's recoverable amount is estimated. Impairment losses are recognized in profit or loss. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

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

Mineral properties – exploration and evaluation assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractor and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction." Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Mineral properties – exploration and evaluation assets (cont'd...)

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

Reclamation deposits

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits. Reclamation deposits are classified as loans and receivables.

Impairment of tangible and intangible assets

At the end of each reporting date, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in statement of comprehensive loss for the period. For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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

Revenue recognition

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

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Income taxes (cont'd...)

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

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

Share issue costs

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

Provision for environmental rehabilitation

The Company recognizes the fair value of a liability for the provision for environmental rehabilitation in the year in which it is incurred when a reliable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of comprehensive loss. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. As at January 31, 2012, there was no provision for environmental rehabilitation.

Valuation of equity instruments in private placements

The Company has adopted a relative fair value method with respect to the measurement of shares and warrants issued as private placement units. Warrants attached to units are valued based on the relative fair value of the Black-Scholes value of the warrants and the share price at the time of the finance.

Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the year.

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the current and prior period this calculation proved to be anti-dilutive.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

Stock-based compensation

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

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share-based compensation is transferred to accumulated losses (deficit). The Company estimates a forfeiture rate and adjusts the corresponding expense each period based on an updated forfeiture estimate.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Foreign currencies

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The presentation and functional currency for Nevada Explorations is the Canadian Dollar, functional currency for the subsidiaries is the US dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate of the transaction. Monetary assets and liabilities of the Company that are denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the end of each reporting period. Non-monetary assets and liabilities are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined. Exchange gains and losses arising on translation are recognized directly into equity and transferred to the foreign currency transactions reserve.

Financial instruments

Financial assets

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

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

Loans and receivables ("LAR") - Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Financial assets (cont'd...)

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

Available-for-sale (“AFS”) - Non-derivative financial assets not included the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment and at disposal, the amount of the loss is removed from equity and recognized in the statement of comprehensive loss.

Financial liabilities

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

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

Other financial liabilities (“OFL”) - This category includes amounts due to related parties and accounts payable and accrued liabilities, all of which are recognized at amortized cost.

<u>Financial Instrument</u>	<u>Classification</u>
Cash	FVTPL
Amounts receivable	LAR
Loans receivable	LAR
Deposits and bonds	LAR
Accounts payable and accrued liabilities	OFL
Long-term debt	OFL

Impairment

All financial assets except for those at FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

NEVADA EXPLORATION INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

(Expressed in Canadian Dollars)

JANUARY 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**New standards not yet adopted**

IFRS 9, *Financial Instruments*, which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective for the Company on May 1, 2013. Early adoption is permitted and the standard is required to be applied retrospectively. There will be no significant impact on the Company upon implementation of the issued standard.

IFRS 12, *Disclosure of Interests in Other Entities*, effective for the Company's annual reporting period beginning May 1, 2013. This new standard provides the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and consolidated structured entities.

IFRS 13, *Fair Value Measurement*, effective for the Company's annual reporting period beginning May 1, 2013. This standard defines fair value and sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The standard does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). The Company is currently assessing the impact that these standards will have on the Company's financial statements.

4. ACCOUNTS RECEIVABLE

The Company's receivables arise from two main sources: Harmonized Sales Tax ("HST") receivable due from Canadian government taxation authorities and accounts receivable. These are broken down as follows:

	January 31, 2012	April 30, 2011	May 1, 2010
HST receivable	\$ 12,422	\$ -	\$ -
Accounts receivable	<u>96,653</u>	<u>2,461</u>	<u>66,027</u>
Total	<u>\$ 109,075</u>	<u>\$ 2,461</u>	<u>\$ 66,027</u>

5. PREPAID EXPENSES

The prepaid expenses for the Company are as follows:

	January 31, 2012	April 30, 2011	May 1, 2010
Security deposits	\$ 15,521	\$ 14,648	\$ 7,495

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6. RELATED PARTY TRANSACTIONS

Amounts paid or accrued to related parties are as follows:

Paid to:	Nature of transactions	January 31, 2012	January 31, 2011
the Chief Executive Officer	Management	\$ 89,686	\$ 92,331
the Chief Operating Officer	Management	89,686	92,331
the VP of Corporate Development	Management	89,416	78,482
a firm of which the Chief Financial Officer is a partner	Accounting	67,200	41,667
management and directors	Stock-based compensation (1)	<u>121,424</u>	<u>325,072</u>
		\$ 457,412	\$ 629,883

(i) Stock-based compensation is the fair value of options granted and vested to key management personnel.

The transactions with related parties 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 parties.

The amounts due from (to) related parties are as follows:

	Notes	January 31, 2012	April 30, 2011	May 1, 2010
Loans receivable from the Chief Executive Officer	(1)	\$ -	\$ 10,101	\$ 82,927
Loans receivable from the Chief Operating Officer	(1)	-	-	13,150
A firm of which the Chief Financial Officer is a partner	*	(32,100)	(15,000)	(28,860)
Due to the Chief Executive Officer	*	(10,028)	-	-
Due to the Chief Operating Officer	*	(34,216)	(37,794)	-
Due to the VP of Corporate Development	*	<u>(31,141)</u>	<u>(49,770)</u>	<u>(20,261)</u>
		\$ (107,485)	\$ (92,463)	\$ 49,956

(1) Loan receivable is guaranteed by Nil (April 30, 2011 – 1,350,000; May 1, 2011 – 2,100,000) common shares of the Company. Since issuance of the loans receivable, the Company has accrued interest of approximately \$30,300 (April 30, 2011 - \$30,300; May 1, 2011 - \$25,500), \$Nil of which was accrued during the period ended January 31, 2012.

* Included in accounts payable

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7. EQUIPMENT

	Exploration equipment	Vehicles	Computer equipment	Office equipment	Total
Cost					
Balance, May 1, 2010	\$ 301,860	\$ 137,754	\$ 22,274	\$ 98,276	\$ 560,164
Impairment	(41,706)	(16,216)	-	-	(57,922)
Disposal	(7,033)	(40,294)	-	-	(47,327)
Effect of translation	<u>(19,219)</u>	<u>(7,784)</u>	<u>(1,522)</u>	<u>(6,715)</u>	<u>(35,240)</u>
Balance, April 30, 2011	233,902	73,460	20,752	91,561	419,675
Additions	-	-	13,678	-	13,678
Disposal	(5,681)	(5,644)	-	-	(11,325)
Effect of translation	<u>13,905</u>	<u>4,344</u>	<u>1,237</u>	<u>5,457</u>	<u>24,943</u>
Balance, January 31, 2012	\$ 242,126	\$ 72,160	\$ 35,667	\$ 97,018	\$ 446,971
Accumulated depreciation					
Balance, May 1, 2010	\$ 102,684	\$ 68,923	\$ 17,011	\$ 66,099	\$ 254,717
Impairment	(24,515)	3,476	-	-	(21,039)
Disposal	(6,329)	(36,265)	-	-	(42,594)
Amortization for the year	43,517	15,889	4,522	14,835	78,763
Effect of translation	<u>(9,404)</u>	<u>(4,961)</u>	<u>(1,504)</u>	<u>(5,634)</u>	<u>(21,503)</u>
Balance, April 30, 2011	105,953	47,062	20,029	75,300	248,344
Disposal	(4,261)	(4,233)	-	-	(8,494)
Amortization for the period	30,843	10,902	678	8,614	51,037
Effect of translation	<u>6,853</u>	<u>2,984</u>	<u>1,206</u>	<u>4,644</u>	<u>15,687</u>
Balance, January 31, 2012	\$ 139,388	\$ 56,715	\$ 21,913	\$ 88,558	\$ 306,574
Carrying amounts					
As at May 1, 2010	\$ 199,176	\$ 68,831	\$ 5,263	\$ 32,177	\$ 305,447
As at April 30, 2011	\$ 127,949	\$ 26,398	\$ 723	\$ 16,261	\$ 171,331
As at January 31, 2012	\$ 102,738	\$ 15,445	\$ 13,754	\$ 8,460	\$ 140,397

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8. EXPLORATION AND EVALUATION ASSETS

As at January 31, 2012:

	AW	BU	FJ	HP	JU	KC	RP	SP	WF	TOTAL
Acquisition costs										
Balance – beginning of period	\$ 238,492	\$ 344,641	\$ 238,965	\$ 33,461	\$ 126,760	\$ 483,426	\$ 160,954	\$ 237,356	\$ 174,499	\$2,038,554
Additions - cash	2,254	39,605	17,554	20,838	23,456	135,760	23,682	52,541	18,454	334,144
Option payments received	(83,129)	-	-	-	-	-	-	-	-	(83,129)
Effect of translation	<u>8,922</u>	<u>21,751</u>	<u>14,521</u>	<u>3,074</u>	<u>8,503</u>	<u>35,050</u>	<u>10,452</u>	<u>16,410</u>	<u>10,922</u>	<u>129,605</u>
Balance – end of period	<u>166,539</u>	<u>405,997</u>	<u>271,040</u>	<u>57,373</u>	<u>158,719</u>	<u>654,236</u>	<u>195,088</u>	<u>306,307</u>	<u>203,875</u>	<u>2,419,174</u>
Exploration costs										
Balance – beginning of period	587,098	835,727	972,551	722,804	57,078	49,910	60,980	81,706	80,776	3,448,630
Drilling	12,726	-	-	-	-	2,193	-	-	-	14,919
Geological	-	-	-	90	664	-	664	664	-	2,082
Travel	-	-	-	97	-	-	-	-	-	97
Effect of translation	<u>33,954</u>	<u>47,307</u>	<u>55,053</u>	<u>40,925</u>	<u>3,269</u>	<u>2,949</u>	<u>3,489</u>	<u>4,663</u>	<u>4,572</u>	<u>196,181</u>
Balance – end of period	<u>633,778</u>	<u>883,034</u>	<u>1,027,604</u>	<u>763,916</u>	<u>61,011</u>	<u>55,052</u>	<u>65,133</u>	<u>87,033</u>	<u>85,348</u>	<u>3,661,909</u>
Total costs	\$ 800,317	\$1,289,031	\$1,298,644	\$ 821,289	\$ 219,730	\$ 709,288	\$ 260,221	\$ 393,340	\$ 289,223	\$6,081,083

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8. EXPLORATION AND EVALUATION ASSETS

As at April 30, 2011:

	AW	BU	DU	FJ	HP	JU	KC	RP	SP	WF	WM	TOTAL
Acquisition costs												
Balance – beginning of year	\$ 335,379	\$ 332,429	\$ 55,750	\$ 238,817	\$ 35,777	\$ 113,232	\$ 389,467	\$ 149,377	\$ 203,875	\$ 169,035	\$ 59,587	\$ 2,082,725
Additions - cash	1,955	36,063	-	16,686	-	22,301	123,415	22,716	49,907	17,540	-	290,583
Additions - shares	-	-	-	-	-	-	4,000	-	-	-	-	4,000
Option payments received	(82,337)	-	-	-	-	-	-	-	-	-	-	(82,337)
Write-offs	-	-	(56,968)	-	-	-	-	-	-	-	(60,888)	(117,856)
Effect of translation	(16,505)	(23,851)	1,218	(16,538)	(2,316)	(8,773)	(33,456)	(11,139)	(16,426)	(12,076)	1,301	(138,561)
Balance – end of year	238,492	344,641	-	238,965	33,461	126,760	483,426	160,954	237,356	174,499	-	2,038,554
Exploration costs												
Balance – beginning of year	504,126	893,564	37,468	1,039,857	772,826	58,050	53,364	65,200	83,248	80,688	75,703	3,664,094
Dirt work	1,839	-	-	-	-	-	-	-	-	-	-	1,839
Drilling	107,870	-	-	-	-	-	-	-	-	-	-	107,870
Geophysics	-	-	-	-	-	-	-	-	-	5,678	-	5,678
Geological	777	-	-	-	-	2,978	-	-	4,112	-	-	7,867
Travel	13,117	-	-	-	-	-	-	-	-	-	-	13,117
Write-offs	-	-	(38,286)	-	-	-	-	-	-	-	(77,357)	(115,643)
Effect of translation	(40,631)	(57,837)	818	(67,306)	(50,022)	(3,950)	(3,454)	(4,220)	(5,654)	(5,590)	1,654	(236,192)
Balance – end of year	587,098	835,727	-	972,551	722,804	57,078	49,910	60,980	81,706	80,776	-	3,448,630
Total costs	\$ 825,590	\$ 1,180,368	\$ -	\$ 1,211,516	\$ 752,264	\$ 183,838	\$ 533,336	\$ 221,934	\$ 319,062	\$ 255,275	\$ -	\$ 5,487,184

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8. EXPLORATION AND EVALUATION ASSETS (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 (2010 – 420) 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 US\$60,000 annually commencing on the fourth anniversary.

On June 4, 2010, the Company entered into an Exploration and Option to Joint Venture Agreement with Northgate Minerals Corp. (“Northgate”), whereby Northgate could earn a joint venture interest in the Awakening Gold Project. In October, 2011, Northgate was acquired by AuRico Gold Inc. (“AuRico”), and during the period ended January 31, 2012, AuRico elected to terminate the Agreement and retains no interest in the project.

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 (2010 – 297) 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 had 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 \$95,254 during the year ended April 30, 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 (2010 – 127) 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 US\$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.

On September 16, 2009, the Company entered into an Exploration Agreement with International Enexco Ltd. (“Enexco”) whereby Enexco could 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. During the period ended January 31, 2011, Enexco elected to terminate the agreement and retains no interest in the project.

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8. EXPLORATION AND EVALUATION ASSETS (cont'd....)

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 (2010 – 192) 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 (50,000 shares issued in 2011, 50,000 shares issued in 2010) and US\$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 US\$750,000.

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

1 st anniversary	\$	5,000	(paid)
2 nd anniversary		10,000	(paid)
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 (2010 – 169) 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. On November 9, 2010, an amendment to the agreement was made reducing the Company’s annual payments from US\$10,000 to US\$5,000 effective May 22, 2010. The amendment also waived the exclusivity of the Company’s option to purchase the property for US\$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 US\$6,000, and the Company has the option to purchase this property for US\$30,000. During the fiscal 2011 the Company did not make the annual payment of US\$6,000 as the Company is trying to re-negotiate this agreement. The Company has not received a notice of default.

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 (2010 – 197) 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 US\$31,000 each anniversary.

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8. EXPLORATION AND EVALUATION ASSETS (cont'd....)**Winnemucca Mountain (WM)**

The Winnemucca Mountain Project is located in Humboldt County, Nevada, approximately 5 km west of Winnemucca, Nevada. The Company had 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 \$138,245 during the year ended April 30, 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.

9. DEPOSITS AND BONDS

	January 31, 2012	April 30, 2011	May 1, 2010
Security deposits	\$ 11,500	\$ -	\$ -
Reclamation bond deposits (1)	<u>66,085</u>	<u>55,743</u>	<u>91,320</u>
	<u>\$ 77,585</u>	<u>\$ 55,743</u>	<u>\$ 91,320</u>

(1) Reclamation deposits are required by the U.S. Bureau of Land Management ("BLM") and the U.S. Forest Service ("USFS") to ensure that reclamation and clean-up work on the Company's properties will be completed to the satisfaction of the BLM and the USFS.

10. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

Payables and accrued liabilities for the Company are as follows:

	January 31, 2012	April 30, 2011	May 1, 2010
Customer prepayments	\$ 77,176	\$ -	\$ -
Trade payables (credit)	139,047	(8,045)	88,033
Accrued liabilities	34,500	40,000	40,000
Salaries payable	<u>80,836</u>	<u>93,489</u>	<u>20,261</u>
Total	<u>\$ 331,559</u>	<u>\$ 125,444</u>	<u>\$ 148,294</u>

11. LONG TERM DEBT

The Company has entered into various agreements to lease vehicles and exploration equipment which terminate in years between 2012 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 finance lease obligation is payable as follows:

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11. LONG TERM DEBT (cont'd...)

	January 31, 2012	April 30, 2011	May 1, 2010
Lease obligations	\$ 14,238	\$ 32,903	\$ 63,173
Deduct: amount representing interest	<u>(152)</u>	<u>(958)</u>	<u>(3,590)</u>
Present value of minimum lease payments due	14,086	31,945	59,583
Less: current portion	<u>(12,796)</u>	<u>(25,063)</u>	<u>(25,296)</u>
	<u>\$ 1,290</u>	<u>\$ 6,882</u>	<u>\$ 34,287</u>

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

2012	\$ 6,794
2013	<u>7,292</u>
	<u>\$ 14,086</u>

12. CAPITAL STOCK AND RESERVES

a) Authorized share capital:

As at January 31, 2012, the authorized share capital of the Company was:
Unlimited number of common shares without par value;
Unlimited number of preferred shares without par value;
All issued shares are fully paid.

b) Issued share capital:

During the period ended January 31, 2012 the Company completed a non-brokered private placement by issuing 7,000,000 Units at a price of \$0.08 per Unit for total gross proceeds of \$560,000. Each unit consists of one common share and one-half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.12 for a period of one year. Fair value allocated in connection to these warrants was \$51,907. In connection with the private placement, the Company:

- a) paid cash share issuance costs of \$28,570; and
- b) issued 288,200 agent warrants with a fair value of \$4,718.

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 per Unit 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 one year. Fair value allocated in connection to these warrants was \$80,795. 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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12. CAPITAL STOCK AND RESERVES (cont'd...)

b) Issued share capital: (cont'd...)

- ii) issued 50,000 common shares in connection with a Lease and Option to Purchase Agreement with Genesis Gold Corporation on their HP claims, which form a portion of the Company's KC project in Humboldt Country, Nevada (Note 8).
- 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 per share 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.

c) Options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price, minimum price or a discounted price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years, and generally vest over a 3 year period.

During the period ended January 31, 2012, the Company:

- i) granted 2,250,000 stock options resulting in stock-based compensation of \$160,925.
- ii) granted 250,000 stock options to Ubika Corporation for investor relations services resulting in stock-based compensation of \$17,363. \$15,135 was recorded during the period ended January 31, 2012; the remainder will be recorded in future periods to match the vesting terms.
- iii) re-priced the exercise price of 2,450,000 options resulting in an incremental fair value of \$14,141. The original exercise prices were \$0.15 to \$0.17.
- iv) recorded stock-based compensation expense of \$1,821 for options vested.

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

- i) granted 3,100,000 stock options resulting in stock-based compensation of \$257,011.
- ii) recorded stock-based compensation expense of \$88,450 for options vested.

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12. CAPITAL STOCK AND RESERVES (cont'd...)c) Options (cont'd....)

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:

	Granted 2012	Granted 2011
Risk-free interest rate	1.37%	2.41%
Expected life of options	3.58 years	5 years
Annualized volatility	130.91%	156.91%
Dividend rate	0.00%	0.00%

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, May 1, 2010	4,650,000	\$ 0.31
Granted	3,100,000	0.10
Expired	(400,000)	(0.80)
Outstanding, April 30, 2011	7,350,000	0.20
Granted	2,500,000	0.10
Cancelled	(550,000)	(0.15)
Outstanding, January 31, 2012	9,300,000	\$ 0.16
Options exercisable at January 31, 2012	9,050,000	\$ 0.16
Weighted average fair value of options granted during the period		\$ 0.04

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12. CAPITAL STOCK AND RESERVES (cont'd...)

c) Options (cont'd....)

As at January 31, 2012, the following incentive stock options are outstanding:

	Number of Options	Exercise Price	Expiry Date
*	400,000	\$ 0.10	March 9, 2012
	500,000	0.60	April 23, 2012
	150,000	0.95	June 8, 2012
	150,000	1.00	June 11, 2012
	550,000	0.10	March 4, 2013
	200,000	0.15	June 10, 2013
	250,000	0.16	September 30, 2014
	900,000	0.10	September 30, 2014
	600,000	0.10	November 17, 2014
	3,100,000	0.10	December 31, 2015
	<u>2,500,000</u>	0.10	August 9, 2016
	9,300,000		

* expired subsequent to the period ended January 31, 2012.

d) Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, May 1, 2010	12,329,037	\$ 0.12
Granted	<u>8,817,537</u>	0.10
Outstanding, April 30, 2011	21,146,574	0.12
Granted	3,788,200	0.12
Expired	<u>(19,322,074)</u>	(0.11)
Outstanding, January 31, 2012	5,612,700	\$ 0.12
Warrants exercisable at January 31, 2012	5,612,700	\$ 0.12

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12. CAPITAL STOCK AND RESERVES (cont'd...)d) Warrants

As at January 31, 2012, the following warrants are outstanding:

Number of Warrants		Exercise Price	Expiry Date
1,824,500	(i)	0.12	March 22, 2012
2,516,000	(ii)	0.12	July 30, 2012
<u>1,272,200</u>	(iii)	0.12	August 4, 2012
<u>5,612,700</u>			

(i) includes 212,000 agent warrants; 1,163,000 warrants and 20,000 broker warrants were exercised for proceeds of \$141,960 subsequent to the period ended January 31, 2011 (Note 18).

(ii) includes 191,000 agent warrants

(iii) Includes 97,200 agent warrants

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The Company had the following significant non-cash transactions:

The Company did not have significant non-cash transactions during the period ended January 31, 2011.

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

i) issued 50,000 shares with a fair value of \$4,000 for mineral properties.

ii) issued 532,000 shares with a fair value of \$26,600 for debt.

14. COMMITMENTS

The Company has the following 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:

	CDN	US
2012	\$ 23,000	\$ 23,000
2013	<u>54,000</u>	<u>54,000</u>
	<u>\$ 77,000</u>	<u>\$ 77,000</u>

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14. COMMITMENTS (cont'd...)

b) The Company has various commitments relating to its mineral properties as disclosed in Note 11.

15. SEGMENTED INFORMATION

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

	January 31, 2012	April 30, 2011	May 1, 2010
Capital assets:			
United States			
Equipment	\$ 140,397	\$ 171,331	\$ 305,447
Mineral properties	<u>6,081,083</u>	<u>5,487,184</u>	<u>5,746,819</u>
	<u>\$ 6,221,480</u>	<u>\$ 5,658,515</u>	<u>\$ 6,052,266</u>

16. CAPITAL AND FINANCIAL RISK MANAGEMENT**Capital management**

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

Fair value

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

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

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

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

The carrying value of cash, amounts receivable and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

16. CAPITAL AND FINANCIAL RISK MANAGEMENT (cont'd...)

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

Assets	January 31, 2011		
	Level 1	Level 2	Level 3
Cash	\$ 87,319	\$ -	\$ -

Financial risk factors

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

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in above ("Capital Management"). 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 had a cash balance of \$87,319 (April 30, 2011 - \$151,145; May 1, 2010 - \$55,253) to settle current liabilities of \$344,355 (April 30, 2011 - \$150,507; May 1, 2010 - \$173,590) as a result of the limited cash the Company is exposed to liquidity risk and is reliant on the Company's ability to complete an equity financing.

Foreign country risk

Country risk is the risk associated with changes in the business environment that could affect the profits or the value of the assets in a specific country. The Company's exploration activities are located in the United States, and while it does not foresee country risk as being problematic, the country risk is out of the control of the Company.

Market risk

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

16. CAPITAL AND FINANCIAL RISK MANAGEMENT

Financial risk factors (cont'd....)

Market risk (cont'd...)

(a) Interest rate risk

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

(b) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of oil, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

(c) Foreign currency risk

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

At January 31, 2012, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	CDN	US
Cash	\$ 70,636	\$ 70,440
Accounts receivable	96,653	96,383
Loans receivable	9,079	9,054
Prepaid expenses and other	15,521	15,478
Deposits and bonds	66,085	65,900
Equipment	140,397	140,004
Exploration and evaluation assets	6,081,083	6,064,104
Accounts payable and accrued liabilities	(258,421)	(257,700)
Long term debt	(14,086)	(14,047)
	\$ 6,206,947	\$ 6,189,616

Net exposure

Based on the above net exposures as at January 31, 2012, and assuming all other variables remain constant, a 1% change in the value of the US dollar against the Canadian dollar would result in an increase/decrease of \$62,069 in the loss from operations.

17. FIRST TIME ADOPTION OF IFRS

As stated in Note 2, these are the Company's third condensed consolidated interim financial statements for the nine month period ended January 31, 2011 covered by the first annual condensed consolidated interim financial statements prepared in accordance with IFRS.

The accounting policies in Note 3 have been applied as follows:

- in preparing the condensed consolidated interim financial statements for the six months ended January 31, 2012;
- the comparative information for the six months ended January 31, 2011;
- the statement of financial position as at April 30, 2011; and
- the preparation of an opening IFRS statement of financial position on the Transition Date, May 1, 2010.

In preparing the opening IFRS statement of financial position, comparative information for the period ended January 31, 2011 and the financial statements for the year ended April 30, 2011, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP ("Canadian GAAP").

An exploration of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

The guidance for the first time adoption of IFRS are set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for the first time adopters of IFRS. The Company has elected to take the following IFRS 1 optional exemptions:

i) Business combinations

IFRS 1 provides the option to apply IFRS 3, Business Combinations, retrospectively or prospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its Transition Date and such business combinations have not been restated.

ii) Share-based payments

IFRS 2, Share-based Payments, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected to take the exemption available under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by the Transition Date.

iii) Cumulative translation differences

IFRS 1 allows a first-time adopter to not comply with the requirement of IAS 21 *The effects of Changes in Foreign Exchange Rates* for cumulative translation differences that existed at the date of transition to IFRS. The Company has chosen to apply this election and has eliminated the cumulative translation differences and adjusted deficit by the same amount at the date of transition to IFRS. If, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on.

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17. FIRST TIME ADOPTION OF IFRS

iv) Reclassification of options and warrants reserve

The Company reclassified from equity reserves lapse of warrants that were not exercised of \$1,638,093 for May 1, 2010, January 31, 2011 and April 30, 2011 to share capital and lapse of stock options that were not exercised of \$508,487 for May 1, 2010 and January 31, 2011, and \$714,544 for April 30, 2011 to deficit.

Additionally, in accordance with IFRS 1, an entity's estimates under IFRS at the date of IFRS must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of May 1, 2011 are consistent with its Canadian GAAP estimates for the same date.

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17. FIRST TIME ADOPTION OF IFRS (cont'd....)

Reconciliation between Canadian GAAP and IFRS statements of financial position:

	As at May 1, 2010			As at January 31, 2011			As at April 30, 2011		
	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS									
Current									
Cash	\$ 55,253	\$ -	\$ 55,253	\$ 89,983	\$ -	\$ 89,983	\$ 151,145	\$ -	\$ 151,145
Amounts receivable	66,027	-	66,027	49,374	-	49,374	2,461	-	2,461
Loans receivable	104,519	-	104,519	106,912	-	106,912	18,361	-	18,361
Prepaid expenses	7,495	-	7,495	15,501	-	15,501	14,648	-	14,648
Total current assets	233,294	-	233,294	261,770	-	261,770	186,615	-	186,615
Non-current assets									
Equipment	17(iii) 335,493	(30,046)	305,447	255,936	(28,228)	227,708	201,134	(29,803)	171,331
Exploration and evaluation assets	17(iii) 5,970,055	(223,236)	5,746,819	6,016,061	(245,696)	5,770,365	6,105,202	(618,018)	5,487,184
Deposits and bonds	91,320	-	91,320	57,987	-	57,987	55,743	-	55,743
Total non-current assets	6,396,868	(253,282)	6,143,586	6,329,984	(273,924)	6,056,060	6,362,079	(647,821)	5,714,258
TOTAL ASSETS	\$ 6,630,162	\$ (253,282)	\$ 6,376,880	\$ 6,591,754	\$ (273,924)	\$ 6,317,830	\$ 6,548,694	\$ (647,821)	\$ 5,900,873
LIABILITIES AND SHAREHOLDER'S EQUITY									
Current liabilities									
Accounts payable and accrued liabilities	\$ 148,294	\$ -	\$ 148,294	\$ 198,691	\$ -	\$ 198,691	\$ 125,444	\$ -	\$ 125,444
Current portion of long-term debt	25,296	-	25,296	26,115	-	26,115	25,063	-	25,063
Total current liabilities	173,590	-	173,590	224,806	-	224,806	150,507	-	150,507
Non-current liabilities									
Long-term debt	34,287	-	34,287	14,068	-	14,068	6,882	-	6,882
Total liabilities	207,877	-	207,877	238,874	-	238,874	157,389	-	157,389
Shareholders' equity									
Capital stock	10,686,870	1,638,093	12,324,963	11,325,663	1,638,093	12,963,756	11,527,226	1,638,093	13,165,319
Shares subscribed	-	-	-	-	-	-	-	-	-
Warrants	450,800	(450,800)	-	562,037	(562,037)	-	599,596	(599,596)	-
Reserves	17(ii), 17(iii) 3,875,772	(1,737,793)	2,137,979	4,169,491	(1,678,823)	2,490,668	4,206,199	(2,208,557)	1,997,642
Deficit	(8,591,157)	297,218	(8,293,939)	(9,704,311)	328,843	(9,375,468)	(9,941,716)	522,239	(9,419,477)
Total shareholders' equity	6,422,285	(253,282)	6,169,003	6,352,880	(273,924)	6,078,956	6,391,305	(647,821)	5,743,484
Total liabilities and shareholders' equity	\$ 6,630,162	\$ (253,282)	\$ 6,376,880	\$ 6,591,754	\$ (273,924)	\$ 6,317,830	\$ 6,548,694	\$ (647,821)	\$ 5,900,873

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17. FIRST TIME ADOPTION OF IFRS (cont'd....)

Reconciliation between Canadian GAAP and IFRS statements of Comprehensive Loss:

	Three months ended January 31, 2011			Nine months ended January 31, 2011			Year ended April 30, 2011		
	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
INCOME									
Project management & consulting	\$ 29,527	\$ -	\$ 29,527	\$ 84,497	\$ -	\$ 84,497	\$ 83,516	\$ -	\$ 83,516
Interest	<u>1,284</u>	-	<u>1,284</u>	<u>3,950</u>	-	<u>3,950</u>	<u>14,369</u>	-	<u>14,369</u>
	<u>30,811</u>	-	<u>30,811</u>	<u>88,447</u>	-	<u>88,447</u>	<u>97,885</u>	-	<u>97,885</u>
EXPENSES									
Amortization	17(iii) 26,519	(1,944)	24,575	79,557	(4,328)	75,229	83,445	(4,682)	78,763
Foreign exchange (gain) loss	17(iii) 7,037	(7,037)	-	20,588	(20,588)	-	29,077	(29,077)	-
Interest and bank charges	2,370	-	2,370	(1,085)	-	(1,085)	(156)	-	(156)
Office expenses and other	16,738	-	16,738	46,306	-	46,306	50,611	-	50,611
Professional fees, consulting, and investor relations	51,362	-	51,362	170,884	-	170,884	201,812	-	201,812
Rent	20,268	-	20,268	50,188	-	50,188	67,203	-	67,203
Salaries	105,923	-	105,923	314,483	-	314,483	414,611	-	414,611
Stock-based compensation	17(ii) 257,011	26,066	283,077	293,719	51,742	345,461	330,427	26,459	356,886
Travel	<u>1,923</u>	-	<u>1,923</u>	<u>3,880</u>	-	<u>3,880</u>	<u>8,217</u>	-	<u>8,217</u>
	<u>(489,151)</u>	<u>(17,085)</u>	<u>(506,236)</u>	<u>(978,520)</u>	<u>(26,826)</u>	<u>(1,005,346)</u>	<u>(1,185,247)</u>	<u>7,300</u>	<u>(1,177,947)</u>
Net loss before other items	<u>(458,340)</u>	<u>(17,085)</u>	<u>(475,425)</u>	<u>(890,073)</u>	<u>(26,826)</u>	<u>(916,899)</u>	<u>(1,087,362)</u>	<u>7,300</u>	<u>(1,080,062)</u>
OTHER ITEMS									
Gain on sale of equipment	-	-	-	14,304	-	14,304	19,603	(754)	18,849
Impairment of equipment	-	-	-	-	-	-	(45,415)	8,532	(36,883)
Write-off of mineral properties	17(iii) -	-	-	(237,385)	58,451	(178,934)	(237,385)	3,886	(233,499)
Total other items	-	-	-	<u>(223,081)</u>	<u>58,451</u>	<u>(164,630)</u>	<u>(263,197)</u>	<u>11,664</u>	<u>(251,533)</u>
Loss and comprehensive loss for the period	\$ (458,340)	\$ (17,085)	\$ (475,425)	\$ (1,113,154)	\$ 31,625	\$ (1,081,529)	\$ (1,350,559)	\$ 18,964	\$ (1,331,595)

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17. FIRST TIME ADOPTION OF IFRS (cont'd....)

Reconciliation between Canadian GAAP and IFRS statements of cash flows:

	Nine months ended January 31, 2011			Year ended April 30, 2011		
	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
OPERATING ACTIVITIES						
Loss for the year	\$(1,113,154)	\$ 31,625	\$(1,081,529)	\$ (1,350,559)	\$ 18,964	\$ (1,331,595)
Items not affecting cash:						
Amortization	17(iii) 79,557	(4,328)	75,229	83,445	(4,682)	78,763
Accrued interest	(3,959)	-	(3,959)	(5,212)	-	(5,212)
Foreign exchange	17(iii) 2,938	(2,938)	-	5,819	(5,819)	-
Recovery of accounts payable	(14,304)	-	(14,304)	(14,304)	-	(14,304)
Impairment of equipment	17(iii) -	-	-	45,415	(8,532)	36,883
Gain on sale of equipment	17(iii) -	-	-	(19,603)	754	(18,849)
Loans receivable paid through salaries	-	-	-	86,375	-	86,375
Stock-based compensation	17(ii) 293,719	51,742	345,461	330,427	26,459	356,886
Write-off of mineral properties	237,385	(58,451)	178,934	237,385	(3,886)	233,499
	(517,818)	17,650	(500,168)	(600,812)	23,258	(577,554)
Changes in non-cash working capital items:						
Accounts receivable	16,930	-	16,930	62,438	-	62,438
Prepaid expenses and other	(8,264)	-	(8,264)	(8,264)	-	(8,264)
Accounts payable and accrued liabilities	87,735	-	87,735	18,054	-	18,054
Net cash used in operating activities	(421,417)	17,650	(403,767)	(528,584)	23,258	(505,326)
INVESTING ACTIVITIES						
Proceeds on sale of equipment	-	-	-	25,102	-	25,102
Proceeds from mineral property option	88,931	-	88,931	88,931	-	88,931
Deposits and bonds	-	-	-	32,696	-	32,696
Mineral properties	(331,114)	-	(331,114)	(457,463)	-	(457,463)
Net cash used in investing activities	(242,183)	-	(242,183)	(310,734)	-	(310,734)
FINANCING ACTIVITIES						
Issuance of common shares, net of share issue costs	719,430	-	719,430	958,552	-	958,552
Repayment of long-term debt	(21,100)	-	(21,100)	(23,342)	-	(23,342)
Net cash provided by financing activities	698,330	-	698,330	935,210	-	935,210
Effect of foreign exchange	17(iii) -	(17,650)	(17,650)	-	(23,258)	(23,258)
Change in cash for the period	34,730	-	34,730	95,892	-	95,892
Cash, beginning of period	55,253	-	55,253	55,253	-	55,253
Cash, end of period	\$ 89,983	\$ -	\$ 89,983	\$ 151,145	\$ -	\$ 151,145

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18. SUBSEQUENT EVENT

Subsequent to the period ended January 31, 2012, 1,183,000 of the Company's outstanding warrants were exercised for proceeds of \$141,960.