

NEVADA EXPLORATION INC.

**CONSOLIDATED FINANCIAL STATEMENTS
AS AT JULY 31, 2008**

NEVADA EXPLORATION INC.

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MANAGEMENT'S COMMENTS ON UNAUDITED FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements of NEVADA EXPLORATION INC. for the three-month period ended July 31, 2008 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These financial statements have not been reviewed by the Company's external auditors.

NEVADA EXPLORATION INC.

**CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME AND DEFICIT
FOR THE THREE-MONTH PERIODS ENDED JULY 31, 2008 AND 2007**

(In Canadian Dollars)
(Unaudited)

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	Period ended	
	July 31,	
	2008	2007
	\$	\$
INTEREST INCOME	<u>4,533</u>	<u>1,037</u>
GENERAL AND ADMINISTRATIVE		
Salaries	218,537	86,375
Rent	26,952	4,046
Travel	14,927	52,080
Professional fees, consulting and investor relations	55,644	97,935
Office expenses and other	107,055	35,818
Interest and bank charges	3,256	1,197
Stock-based compensation (Note 6)	225,990	205,251
Foreign exchange	(116,353)	4,840
Amortization	37,594	9,630
	<u>573,602</u>	<u>497,172</u>
NET LOSS AND COMPREHENSIVE INCOME	(569,069)	(496,135)
DEFICIT - BEGINNING OF PERIOD	(4,939,326)	(2,330,576)
DEFICIT - END OF PERIOD	(5,508,395)	(2,826,711)
Basic and diluted loss per share	<u>(0.01)</u>	<u>(0.01)</u>
Weighted average number of common shares outstanding	<u>58,737,106</u>	<u>52,526,809</u>

NEVADA EXPLORATION INC.

CONSOLIDATED BALANCE SHEETS

(In Canadian Dollars)

(Unaudited)

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	July 31, 2008	April 30, 2 0 0 8
	\$	\$ (Audited)
CURRENT ASSETS		
Cash and cash equivalents	245,778	1,908,450
Term deposits, bearing interest at rates of 3.58% and 3.47%	1,247,237	1,027,714
Accounts receivable	36,088	-
Loans receivable, bearing interest at a rate of 5%	221,971	214,656
Prepaid expenses and other	<u>15,006</u>	<u>62,106</u>
	1,766,080	3,212,926
TERM DEPOSIT , bearing interest at a rate of 3.47%, maturing in July 2009	504,705	500,379
EQUIPMENT (Note 2)	780,157	517,161
SOFTWARE (net of accumulated amortization of \$2,457)	11,058	11,058
MINERAL PROPERTIES (Note 3)	4,288,332	3,365,206
DEPOSITS AND BONDS	<u>363,037</u>	<u>307,420</u>
	<u>7,713,369</u>	<u>7,914,150</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	333,178	438,913
Current portion of long-term debt (Note 4)	<u>31,096</u>	<u>31,096</u>
	364,274	470,009
LONG-TERM DEBT (Note 4)	<u>89,105</u>	<u>94,397</u>
	<u>453,379</u>	<u>564,406</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 5)	9,674,536	9,159,364
Warrants (Note 6)	1,534,609	1,668,390
Options (Note 6)	1,455,756	1,357,832
Contributed surplus	103,484	103,484
Deficit	<u>(5,508,395)</u>	<u>(4,939,326)</u>
	<u>7,259,990</u>	<u>7,349,744</u>
	<u>7,713,369</u>	<u>7,914,150</u>

NEVADA EXPLORATION INC.

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

(In Canadian Dollars)
(Unaudited)

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	Period ended	
	July 31,	
	2008	2007
	\$	\$
OPERATING ACTIVITIES		
Net loss	(569,069)	(496,135)
Items not affecting cash:		
Amortization	37,594	9,630
Stock-based compensation	<u>225,990</u>	<u>205,271</u>
	(305,485)	(281,234)
Change in non-cash working capital items		
Prepaid expenses and other	47,100	
Accounts receivables	(36,088)	
Accounts payable and accrued liabilities	<u>(105,735)</u>	<u>69,371</u>
	<u>(400,208)</u>	<u>(211,863)</u>
FINANCING ACTIVITIES		
Issuance of capital stock and warrants	253,325	261,714
Repayment of long-term debt	<u>(5,292)</u>	<u>-</u>
	<u>248,033</u>	<u>261,714</u>
INVESTING ACTIVITIES		
Term deposits	(223,849)	-
Loans receivable	(7,315)	-
Acquisition of equipment	(300,590)	(11,702)
Mineral properties	(923,126)	(446,783)
Subscription receivable	-	205,729
Deposits and bonds	<u>(55,617)</u>	<u>(41,630)</u>
	<u>(1,510,497)</u>	<u>(294,086)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,662,672)	(244,235)
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	<u>1,908,450</u>	<u>3,559,095</u>
CASH AND CASH EQUIVALENTS – END OF PERIOD	<u>245,778</u>	<u>3,314,860</u>

NEVADA EXPLORATION INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED JULY 31, 2008**

(In Canadian Dollars)
(Unaudited)

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1. ACCOUNTING POLICIES

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

2. EQUIPMENT

	July 31, 2008			April 30, 2008		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
	\$	\$	\$	\$	\$	\$
Exploration equipment	566,758	110,292	456,466	326,545	92,200	234,345
Vehicles	299,539	53,798	245,741	239,155	40,330	198,825
Computer equipment	17,554	4,388	13,166	17,554	2,926	14,628
Office equipment	<u>89,615</u>	<u>24,831</u>	<u>64,784</u>	<u>89,615</u>	<u>20,252</u>	<u>69,363</u>
	<u>973,466</u>	<u>193,309</u>	<u>780,157</u>	<u>672,869</u>	<u>155,708</u>	<u>517,161</u>

NEVADA EXPLORATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED JULY 31, 2008

(In Canadian Dollars)
(Unaudited)

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3. MINERAL PROPERTIES

	July 31, 2008									
	AW	BC	DU	FJ	HP	SP	RP	WI	KC	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Acquisition costs										
Balance – beginning of period	100,384	36,536	34,399	198,806	11,723	86,871	70,252	23,813	138,994	
Additions	<u>14,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,322</u>	<u>16,258</u>	<u>3,100</u>	<u>37,475</u>	
Balance – end of period	<u>115,240</u>	<u>36,536</u>	<u>34,399</u>	<u>198,806</u>	<u>11,723</u>	<u>118,193</u>	<u>86,510</u>	<u>26,913</u>	<u>176,469</u>	
Exploration costs										
Balance – beginning of period	129,119	18,964	14,050	784,727	661,599	15,042	9,212	21,412	27,352	
Incurred during the period										
Drilling	913	47,023	-	137,204	20,320	-	-	-	-	
Geochemical	24,520	-	-	2,187	-	-	-	11,468	-	
Geophysics	24,460	-	-	-	-	22,430	-	19,193	-	
Geological	770	-	-	235	31	-	-	19	-	
Rent	-	-	-	-	-	-	-	-	-	
Salaries	-	-	-	-	-	-	-	-	-	
Travel	12,119	468	863	5,927	2,100	1,645	1,250	807	-	
Other	<u>5,422</u>	<u>3,318</u>	<u>60</u>	<u>10,166</u>	<u>1,568</u>	<u>3,869</u>	<u>1,223</u>	<u>2,416</u>	<u>2,617</u>	
	<u>68,204</u>	<u>50,817</u>	<u>923</u>	<u>155,719</u>	<u>24,019</u>	<u>27,944</u>	<u>2,473</u>	<u>33,903</u>	<u>2,617</u>	
Balance – end of period	<u>197,323</u>	<u>69,781</u>	<u>14,973</u>	<u>940,446</u>	<u>685,618</u>	<u>43,986</u>	<u>11,685</u>	<u>55,315</u>	<u>29,969</u>	
Total costs	<u>312,563</u>	<u>106,317</u>	<u>49,372</u>	<u>1,139,252</u>	<u>697,341</u>	<u>162,179</u>	<u>98,195</u>	<u>82,228</u>	<u>206,438</u>	
	WF	BU	JU	Other	Total					
	\$	\$	\$	\$	\$					
Acquisition costs										
Balance – beginning of period	34,387	223,882	-	-	960,047					
Additions	<u>57,011</u>	<u>3,272</u>	<u>16,532</u>	<u>-</u>	<u>179,826</u>					
Balance – end of period	<u>91,398</u>	<u>227,154</u>	<u>16,532</u>	<u>-</u>	<u>1,139,873</u>					
Exploration costs										
Balance – beginning of period	20,675	242,551	-	460,459	2,405,159					
Incurred during the period										
Drilling	-	317,951	371	-	523,791					
Geochemical	-	11	-	-	38,187					
Geophysics	-	-	-	-	66,083					
Geological	-	3,048	-	-	4,102					
Rent	-	-	-	-	-					
Salaries	-	-	-	-	-					
Travel	1,375	23,754	564	-	50,872					
Other	<u>4,078</u>	<u>24,308</u>	<u>1,220</u>	<u>-</u>	<u>60,266</u>					
	<u>5,453</u>	<u>369,073</u>	<u>2,155</u>	<u>-</u>	<u>743,301</u>					
Balance – end of period	<u>26,128</u>	<u>611,624</u>	<u>2,155</u>	<u>460,459</u>	<u>3,148,459</u>					
Total costs	<u>117,526</u>	<u>838,778</u>	<u>18,687</u>	<u>460,459</u>	<u>4,288,332</u>					

NEVADA EXPLORATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED JULY 31, 2008

(In Canadian Dollars)
(Unaudited)

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3. MINERAL PROPERTIES (Continued)

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

NEVADA EXPLORATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED JULY 31, 2008

(In Canadian Dollars)
(Unaudited)

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3. MINERAL PROPERTIES (Continued)

AW

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

BC

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

DU

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

FJ

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

HP

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

SP

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

RP

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

WI

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

KC

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

NEVADA EXPLORATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED JULY 31, 2008

(In Canadian Dollars)
(Unaudited)

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3. MINERAL PROPERTIES (Continued)

WF

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

BU

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

4. LONG-TERM DEBT

	<u>July 31, 2008</u>	<u>April 30, 2008</u>
	\$	\$
Loans bearing interest at rates ranging from 1.9% to 2.9%, repayable in monthly installments \$2,765 plus interest, maturing in 2013, secured by the vehicles	120,201	125,493
Current portion of long-term debt	<u>31,096</u>	<u>31,096</u>
	<u>89,105</u>	<u>94,397</u>

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

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

NEVADA EXPLORATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED JULY 31, 2008

(In Canadian Dollars)
(Unaudited)

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5. CAPITAL STOCK

Authorized, an unlimited number of common shares, voting and participating.

Issued and outstanding:

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

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

NEVADA EXPLORATION INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED JULY 31, 2008**

(In Canadian Dollars)
(Unaudited)

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6. STOCK OPTIONS AND WARRANTS

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

	Warrants			Stock Options	
	Number	Carrying value \$	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding, April 30, 2007	9,123,050	2,333,032	0.52	2,475,000	0.47
Exercised	(4,302,005)	(839,924)	0.44	(412,500)	0.20
Expired	(459,112)	(103,484)	0.54	(82,500)	0.20
Granted	<u>905,000</u>	<u>278,766</u>	1.50	<u>3,075,000</u>	0.92
Outstanding, April 30, 2008	<u>5,266,933</u>	<u>1,668,390</u>	0.76	<u>5,055,000</u>	0.77
Exercised	(337,933)	(133,781)	0.80	(250,000)	
Granted	<u>266,666</u>	<u>-</u>		<u>200,000</u>	
Outstanding, July 31, 2008	<u>5,195,666</u>	<u>1,534,609</u>	0.79	<u>5,055,000</u>	
Number currently exercisable	<u>5,195,666</u>			<u>1,426,667</u>	

NEVADA EXPLORATION INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED JULY 31, 2008**

(In Canadian Dollars)
(Unaudited)

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6. STOCK OPTIONS AND WARRANTS (Continued)

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

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

STOCK-BASED COMPENSATION

During the period, the Company granted 200,000 options (3,075,000 as at April 30, 2008). The fair value was estimated at \$0.42 per option using the Black-Scholes option pricing model. A stock-based compensation expense of \$225,990 (\$205,271 in 2007) for the vesting portion was recorded for the period ended July 31, 2008.

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

	<u>July 31, 2008</u>	<u>April 30, 2008</u>
Risk-free interest rate	3.00%	3.08% to 3.50%
Expected life of options	5 years	5 years
Annualized volatility	95%	95%
Dividend rate	0%	0%

NEVADA EXPLORATION INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED JULY 31, 2008**

(In Canadian Dollars)
(Unaudited)

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7. FINANCIAL INSTRUMENTS

RISK MANAGEMENT POLICIES

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

FAIR VALUE

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

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

The Company has implemented the following classifications:

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

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

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

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(In Canadian Dollars)
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7. FINANCIAL INSTRUMENTS (Continued)

CREDIT RISK AND INTEREST RATE RISK

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

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 8 ("Capital Disclosures »). It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the normal course of business.

As at July 31, 2008, the Company was holding cash and cash equivalents and term deposits of \$1,997,720. Given the Company's available liquid resources as compared to the timing of the payments of liabilities, management assesses the Company's liquidity risk to be low.

FOREIGN EXCHANGE

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

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

	<u>\$US</u>
Cash and cash equivalents	244,155
Loans receivable	219,122
Deposits and bonds	349,727
Accounts payable and accrued liabilities	289,605

NET EXPOSURE

Based on the above net exposures as at July 31, 2008, and assuming that all other variables remain constant, a 10% change in the value of the US dollar against the Canadian dollar would result in an increase/decrease of \$110,261 in the loss from operations.

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

9. RELATED PARTY TRANSACTIONS

- a) Legal fees of \$11,885 recorded in general and administrative and share issue expenses (48,412 in 2007) were paid to firms whose certain partners are directors of the Company. These related party transactions were carried out in the normal course of business and accounted for at exchange value.
- b) As at July 31, 2008, loans receivable include an amount of \$158,440 (\$307,811 in 2007) receivable from two officers of the Company.