

NEVADA EXPLORATION INC.

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED JANUARY 31, 2009
(UNAUDITED)**

NEVADA EXPLORATION INC.

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INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Toronto, Ontario
March 29, 2009

NEVADA EXPLORATION INC.

**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME AND DEFICIT
FOR THE THREES AND NINE-MONTH PERIODS ENDED JANUARY 31, 2009 AND 2008**

(In Canadian Dollars)
(Unaudited)

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	Three months ended		Nine months ended	
	January 31,		January 31,	
	2009	2008	2009	2008
	\$	\$	\$	\$
INTEREST INCOME	=	=	<u>27,569</u>	=
EXPENSES				
Salaries	(25,165)	93,539	444,763	264,098
Rent	17,087	2,739	62,244	50,899
Travel	1,125	43,061	19,751	111,032
Professional fees, consulting and investor relations	30,734	109,095	195,561	326,199
Office expenses and other	29,590	142,651	274,110	249,955
Interest and bank charges	(1,320)	702	2,295	4,007
Stock-based compensation (Note 6)	225,990	205,251	677,970	615,753
Foreign exchange	(14,225)	(49,978)	(58,757)	(33,978)
Impairment of property (Note 3)	165,395	-	165,395	-
Amortization	36,284	32,738	111,472	51,144
	<u>465,495</u>	<u>579,798</u>	<u>1,894,804</u>	<u>1,639,109</u>
NET LOSS AND COMPREHENSIVE INCOME	(465,495)	(579,798)	(1,867,235)	(1,639,109)
DEFICIT – BEGINNING OF PERIOD	<u>(6,341,066)</u>	<u>(3,389,890)</u>	<u>(4,939,326)</u>	<u>(2,330,579)</u>
DEFICIT – END OF PERIOD	<u>(6,806,561)</u>	<u>(3,969,688)</u>	<u>(6,806,561)</u>	<u>(3,969,688)</u>
Basic and diluted loss per share	<u>\$(0.008)</u>	<u>\$(0.010)</u>	<u>\$(0.031)</u>	<u>\$(0.020)</u>
Weighted average number of shares outstanding	<u>58,029,105</u>	<u>53,036,965</u>	<u>58,931,772</u>	<u>52,780,335</u>

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

NEVADA EXPLORATION INC.

INTERIM CONSOLIDATED BALANCE SHEETS

(In Canadian Dollars)

(Unaudited)

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	January 31, 2 0 0 9	April 30, 2 0 0 8
	\$	\$ (Audited)
CURRENT ASSETS		
Cash and cash equivalents	81,266	1,908,450
Term deposits, bearing interest at rates of 3.58% and 3.47%	-	1,027,714
Accounts receivable	43,187	-
Loans receivable, bearing interest at a rate of 5%	271,671	214,656
Prepaid expenses and other	<u>10,806</u>	<u>62,106</u>
	406,930	3,212,926
TERM DEPOSIT , bearing interest at a rate of 3.47%	-	500,379
EQUIPMENT (Note 2)	650,051	517,161
SOFTWARE (net of accumulated amortization of \$11,057)	11,058	11,058
MINERAL PROPERTIES (Note 3)	5,419,155	3,365,206
DEPOSITS AND BONDS	<u>116,984</u>	<u>307,420</u>
	<u>6,604,178</u>	<u>7,914,150</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	68,105	438,913
Current portion of long-term debt (Note 4)	<u>31,096</u>	<u>31,096</u>
	99,201	470,009
LONG-TERM DEBT (Note 4)	<u>91,173</u>	<u>94,397</u>
	<u>190,374</u>	<u>564,406</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 5)	10,615,479	9,159,364
Warrants (Note 6)	593,666	1,668,390
Options (Note 6)	1,907,736	1,357,832
Contributed surplus	103,484	103,484
Deficit	<u>(6,806,561)</u>	<u>(4,939,326)</u>
	<u>6,413,804</u>	<u>7,349,744</u>
	<u>6,604,178</u>	<u>7,914,150</u>

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

NEVADA EXPLORATION INC.

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE-MONTH PERIODS ENDED JANUARY 31, 2009 AND 2008**

(In Canadian Dollars)
(Unaudited)

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	Three months ended		Nine months ended	
	January 31,		January 31,	
	2009	2008	2009	2008
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(465,495)	(579,798)	(1,867,235)	(1,639,109)
Items not affecting cash:				
Amortization	36,284	32,738	111,472	51,144
Stock-based compensation	<u>225,990</u>	<u>205,251</u>	<u>677,970</u>	<u>615,753</u>
	(203,221)	(341,809)	(1,077,793)	(972,211)
Change in non-cash working capital items				
Prepaid expenses and other	(55)	-	51,300	-
Accounts receivables	(790)	-	(43,187)	-
Accounts payable and accrued liabilities	<u>(230,285)</u>	<u>(67,925)</u>	<u>(370,808)</u>	<u>(37,998)</u>
	<u>(434,351)</u>	<u>(409,734)</u>	<u>(1,440,488)</u>	<u>(1,010,209)</u>
FINANCING ACTIVITIES				
Issuance of capital stock and warrants (net of shares issue and RTO expenses)	-	1,081,172	253,325	1,626,068
Long-term debt	<u>(11,996)</u>	<u>69,962</u>	<u>(3,224)</u>	<u>69,962</u>
	<u>(11,996)</u>	<u>1,151,134</u>	<u>250,101</u>	<u>1,696,030</u>
INVESTING ACTIVITIES				
Loan receivable	(9,093)	-	(57,015)	-
Term deposits	-	-	1,528,093	-
Subscriptions receivable	-	-	-	205,729
Acquisition of equipment	(3,326)	(162,446)	(244,362)	(192,194)
Mineral properties	(89,231)	(442,587)	(2,053,949)	(1,410,506)
Land deposits	<u>214,967</u>	<u>31,224</u>	<u>190,436</u>	<u>(57,854)</u>
	<u>113,317</u>	<u>(573,809)</u>	<u>(636,797)</u>	<u>(1,454,825)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(333,030)	167,591	(1,827,184)	(769,004)
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	<u>414,296</u>	<u>2,622,499</u>	<u>1,908,450</u>	<u>3,559,095</u>
CASH AND CASH EQUIVALENTS – END OF PERIOD	<u>81,266</u>	<u>2,790,091</u>	<u>81,266</u>	<u>2,790,091</u>

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

NEVADA EXPLORATION INC.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED JANUARY 31, 2009**

(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

	January 31, 2009			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	504,827	145,166	359,661	326,545	92,200	234,345
Vehicles	299,539	80,732	218,807	239,155	40,330	198,825
Computer equipment	23,257	7,314	15,943	17,554	2,926	14,628
Office equipment	<u>89,615</u>	<u>33,975</u>	<u>55,640</u>	<u>89,615</u>	<u>20,252</u>	<u>69,363</u>
	<u>917,238</u>	<u>267,187</u>	<u>650,051</u>	<u>672,869</u>	<u>155,708</u>	<u>517,161</u>

NEVADA EXPLORATION INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED JANUARY 31, 2009

(In Canadian Dollars)
(Unaudited)

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3. MINERAL PROPERTIES

	JANUARY 31, 2009									
	AW	BC	DU	FJ	HP	SP	RP	WI	KC	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Acquisition costs										
Balance – beginning of period	273,563	36,536	45,337	222,712	33,581	145,812	110,204	47,307	259,135	
Impairment of property	-	(36,536)	-	-	-	-	-	-	-	
Balance – end of period	<u>273,563</u>	-	<u>45,337</u>	<u>222,712</u>	<u>33,581</u>	<u>145,812</u>	<u>110,204</u>	<u>47,307</u>	<u>259,135</u>	
Exploration costs										
Balance – beginning of period	314,814	121,160	21,479	943,935	686,766	66,844	43,277	57,878	34,310	
Incurred during the period										
Drilling	247,959	-	-	-	-	-	-	-	-	
Geochemical	17,055	1,097	2,195	23,044	14,266	4,389	3,292	2,195	6,584	
Geophysics	-	-	-	-	-	-	-	-	-	
Geological	3,934	3,683	544	6,527	3,536	1,089	-	-	395	
Salaries	24,550	1,637	3,273	39,280	21,277	6,547	6,100	2,083	9,820	
Travel	18,060	993	1,987	23,844	12,916	3,975	2,980	3,140	5,961	
Other	40,466	289	580	32,790	3,765	1,158	869	1,448	1,738	
Impairment of property	-	(128,859)	-	-	-	-	-	-	-	
	<u>352,024</u>	-	<u>8,579</u>	<u>125,485</u>	<u>55,760</u>	<u>17,158</u>	<u>13,241</u>	<u>8,866</u>	<u>24,498</u>	
Balance – end of period	<u>666,838</u>	-	<u>30,058</u>	<u>1,069,420</u>	<u>742,526</u>	<u>84,002</u>	<u>56,518</u>	<u>66,744</u>	<u>58,808</u>	
Total costs	<u>940,401</u>	-	<u>75,395</u>	<u>1,292,132</u>	<u>776,107</u>	<u>229,814</u>	<u>166,722</u>	<u>114,051</u>	<u>317,943</u>	
	WF	BU	JU	Total						
	\$	\$	\$	\$						
Acquisition costs										
Balance – beginning of period	129,670	273,956	84,133	1,661,946						
Additions	-	-	-	-						
Balance – end of period	<u>129,670</u>	<u>273,956</u>	<u>84,133</u>	<u>1,661,946</u>						
Exploration costs										
Balance – beginning of period	28,138	804,882	55,757	3,179,240						
Incurred during the period										
Drilling	-	-	-	247,959						
Geochemical	3,292	29,629	3,292	110,330						
Geophysics	-	928	-	928						
Geological	-	5,983	1,360	27,051						
Salaries	4,910	36,007	8,183	163,667						
Travel	2,990	21,857	3,803	102,506						
Other	-	6,371	1,448	90,923						
Impairment of property	-	-	-	<u>(165,395)</u>						
	<u>11,192</u>	<u>100,775</u>	<u>18,086</u>	<u>577,969</u>						
Balance – end of period	<u>39,330</u>	<u>905,657</u>	<u>73,843</u>	<u>3,757,209</u>						
Total costs	<u>169,000</u>	<u>1,179,613</u>	<u>157,976</u>	<u>5,419,155</u>						

NEVADA EXPLORATION INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED JANUARY 31, 2009

(In Canadian Dollars)
(Unaudited)

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3. MINERAL PROPERTIES (Continued)

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

NEVADA EXPLORATION INC.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED JANUARY 31, 2009**

(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 411 claims (approx. 3,300 hectares). On July 1, 2008 the Company entered into a Mining Lease agreement with DIR Exploration Inc. ("DIR") on 15 claims (approx. 120 hectares) that are subject to a 3% net smelter return royalty ("NSR").

BC

The Company has no ownership interest at BC. The work to date has been to determine whether to acquire an ownership interest at BC. The Company has written the costs incurred on this property off in this period to expense as it did not acquire any ownership interest in the property.

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. 630 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 168 claims (approx. 1,360 hectares) at the Fletcher Junction Project, subject to a 1.25% ("NSR") to Royal Gold, Inc.

HP

On September 16, 2005, the Company entered into a Mining Lease Agreement on 930 hectares at the Hot Pot Project located in Humboldt County, Nevada, approximately 30 km northwest of Battle Mountain, Nevada. The lease is subject to a 3% NSR to the property owner and a 1.25% NSR to Royal Gold, Inc. The Company also controls 6 claims (approx. 50 hectares) that are also subject to 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. 1600 hectares) at Sand Pass and on July 10, 2008 has entered into a Mining Lease agreement for another 940 hectares with multiple parties, subject to a 2.0% NSR.

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. 1,370 hectares) at Rye Patch, on May 22, 2008 the Company entered into a Mining Lease Agreement on another 65 hectares with a private party, subject to a 2.0% NSR, and on July 21, 2008 the Company entered into a Mining Lease Agreement on an additional 16 hectares from another private party, also subject to a 2.0% NSR.

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 90 claims (approx. 730 hectares) at Winnemucca Mountain.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED JANUARY 31, 2009**

(In Canadian Dollars)

NEVADA EXPLORATION INC.

(Unaudited)

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3. MINERAL PROPERTIES (Continued)

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 all 581 claims (approx. 4,700 hectares).

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 (2,210 hectares) at Whiskey Flats.

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 271 claims (approx. 2,190 hectares).

4. LONG-TERM DEBT

	January 31, <u>2009</u>	April 30, <u>2008</u>
	\$	\$
Loans bearing interest at rates ranging from 1.9% to 2.9%, repayable in monthly installments \$2,765 plus interest, maturing in 2013, secured by the vehicles	122,269	125,493
Current portion of long-term debt	<u>31,096</u>	<u>31,096</u>
	<u>91,173</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	12,553

NEVADA EXPLORATION INC.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED JANUARY 31, 2009**

(In Canadian Dollars)
(Unaudited)

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5. CAPITAL STOCK

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

	Number	Amount
Balance – April 30, 2007	51,916,666	\$ 4,749,709
Private placements ⁽ⁱ⁾	1,810,000	1,531,234
Exercise of options	412,500	82,500
Exercise of warrants	4,302,005	1,873,542
Ascribed value of options and warrants exercised	<u>-</u>	<u>922,379</u>
Balance – April 30, 2008	<u>58,441,171</u>	<u>9,159,364</u>
Exercise of options	250,000	150,000
Exercise of warrants	337,933	103,325
Ascribed value of options and warrants expired	-	940,943
Ascribed value of options and warrants exercised	<u>-</u>	<u>261,847</u>
Balance – January 31, 2009	<u>59,029,104</u>	<u>\$10,615,479</u>

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

NEVADA EXPLORATION INC.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED JANUARY 31, 2009**

(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 over a 3 year period.

	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
Expired	(3,290,666)	(940,943)	0.60		
Exercised	(337,933)	(133,781)	0.80	(250,000)	
Granted	<u>266,666</u>	<u>-</u>		<u>200,000</u>	
Outstanding, January 31, 2009	<u>1,905,000</u>	<u>593,666</u>	0.71	<u>5,005,000</u>	
Number currently Exercisable	<u>1,905,000</u>			<u>3,013,334</u>	

NEVADA EXPLORATION INC.

(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 January 31, 2009:

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

(i) the stock price was \$0.90 at the date of grant. These warrants have a fair value of \$177,933.

(ii) the stock price was \$0.75 at the date of grant. These warrants have a fair value of \$100,833.

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 \$677,970 (\$615,753 in 2008) for the vesting portion was recorded for the period ended January 31, 2009.

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

	January 31, 2009	April 30, 2007
Risk-free interest rate	3.15% to 4.18%	3.15% to 4.18%
Expected life of options/warrants	1 to 5 years	1 to 5 years
Annualized volatility	112%	112%
Dividend rate	0%	0%

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED JANUARY 31, 2009**

(In Canadian Dollars)
(Unaudited)

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NEVADA EXPLORATION INC.

7. RELATED PARTY TRANSACTIONS

- a) Legal fees of \$13,945 recorded in general and administrative (2008 - \$47,486) was paid to a firm whose certain partner was a director of the Company at January 31, 2009. These related party transactions were carried out in the normal course of business and accounted for at exchange value.
- b) As at January 31, 2009, loans receivable include an amount of \$192,907 (\$281,811 in 2008) receivable from two officers and directors of the Company.

8. FINANCIAL INSTRUMENTS

RISK MANAGEMENT POLICIES

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

FAIR VALUE

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

As at January 31, 2009 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.

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.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED JANUARY 31, 2009

(In Canadian Dollars)
(Unaudited)

NEVADA EXPLORATION INC.

8. FINANCIAL INSTRUMENTS (Continued)

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 January 31, 2009, the Company was holding cash and cash equivalents and term deposits of \$81,266. 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 January 31, 2009, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	<u>\$US</u>
Cash and cash equivalents	74,546
Loans receivable	192,906
Deposits and bonds	107,157
Accounts payable and accrued liabilities	20,597

NET EXPOSURE

Based on the above net exposures as at January 31, 2009, and assuming that all other variables remain constant, a 10% change in the value of the US dollar against the Canadian dollar would result in an increase/decrease of \$39,520 in the loss from operations.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED JANUARY 31, 2009

(In Canadian Dollars)
(Unaudited)

9. CAPITAL DISCLOSURES

NEVADA EXPLORATION INC.

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

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

The Company prepares annual estimates of exploration expenditures and monitors actual expenditures compared to the estimates to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company's investment policy is to invest its cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated after thirty days without interest penalty. The Company currently has insufficient capital to fund its exploration programs and to cover its administrative costs for the next twelve months. The Company is not subject to any externally imposed capital requirements.

10. SEGMENTED INFORMATION

The company has one operating segment, being the exploration of mineral properties. The Company's assets are located in Canada and the United States as follows;

	January 31, <u>2 0 0 9</u>	April 30, <u>2 0 0 8</u>
Canada		
Other assets	<u>49,907</u>	<u>3,361,068</u>
United States		
Equipment	650,051	517,161
Mineral properties	5,419,155	3,365,206
Other assets	<u>485,065</u>	<u>670,715</u>
	<u>6,554,271</u>	<u>4,553,082</u>
Total assets	<u>6,604,178</u>	<u>7,914,150</u>