

**NEVADA EXPLORATION INC.**

**Period Ended April 30, 2009**

**Management Discussion and Analysis**

**Form 51-102F1**

**1 Date – August 28, 2009**

The following discussion and analysis is a review of operations, current financial position and outlook for Nevada Exploration Inc. (the “Company” or “NGE”) for the year ended April 30, 2009, and should be read in conjunction with the audited financial statements for the year ended April 30, 2009, the year ended April 30, 2008, and the year ended April 30, 2007 (4 months). Results are presented for the year ended April 30, 2009, with comparative figures as at April 30, 2008. Amounts are reported in Canadian Dollars based upon the financial statements prepared in accordance with Canadian generally accepted accounting principles.

All statements in this management's discussion and analysis ("MD&A"), other than statements of historical fact, that address future acquisitions and events or developments that Nevada expects to occur, are forward-looking statements. Although Nevada believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include industry-related risks; regulatory approvals; continued availability of capital and financing; and general economic, market, and business conditions.

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

**2.1 Annual Information**

NGE's fiscal year end is April 30. The following table summarizes NGE's annual financial results for the years ended April 30, 2009, April 30, 2008, and April 30, 2007.

	<b>12 months</b>	<b>12 months</b>	<b>4 months</b>
	<b>April 30, 2009</b>	<b>April 30, 2008</b>	<b>April 30, 2007</b>
Revenues	42,824	104,503	13,637
Loss from continuing operations	(1,977,040)	(2,608,750)	(691,899)
Net Loss	(1,977,040)	(2,608,750)	(691,899)
Total assets	6,384,098	7,914,150	5,361,518
Total long term liabilities	74,142	94,397	Nil
Cash dividends declared	Nil	Nil	Nil

## 2.2 Management's Discussion and Analysis

### Overview

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

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

Throughout the year ending April 30, 2009, NGE continued to advance its innovative groundwater sampling program by collecting, analyzing, and reducing geochemical and geophysical data on its properties by using reverse circulation ("RC") drilling, airborne magnetics, gravity geophysics, soil geochemistry, and groundwater chemistry.

On December 18, 2008, NGE reported the results of the Phase I drilling program at the Fletcher Junction project (see News Release, "Nevada Exploration Demonstrates Value of Groundwater Chemistry with Discovery of Gold-Bearing Hydrothermal System at Fletcher Junction").

On February 27, 2009, NGE held its Annual General Meeting of shareholders where shareholders approved management's recommendations (see News Release, "Nevada Exploration Shareholders Approve Change of Board of Directors").

On February 23, 2009, NGE reported the results of the Phase I drilling program at the Bull Creek project (see News Release, "Nevada Exploration Inc. Uses Water Chemistry at Bull Creek to Discover Another Previously Unknown Hydrothermal System").

On April 2, 2009, NGE reported the results of the latest drilling at the Hot Pot project (see News Release, "Nevada Exploration Inc. Reports Results of Hot Pot Drilling").

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

### *Land Acquisition and Maintenance*

The cost of land acquisition and yearly holding fees requires careful evaluation to insure that NGE only continues to maintain land with the highest exploration potential. When NGE decides that the results from groundwater sampling, soil geochemistry sampling, seismic surveys, gravity surveys, air magnetics surveys, and RC drilling indicate that certain lands are no longer worth holding, NGE drops these lands. Conversely, when results indicate that certain other lands are worth acquiring, NGE acquires these lands.

As of April 30, 2009, NGE had 2,541 active claims compared to the year ended April 30, 2008, when NGE held 2,751 claims. NGE dropped claims from Fletcher Junction, Bull Creek, and Kelly Creek, and added claims at Awakening and Winnemucca Mountain, for a net difference of 300 less claims. NGE now

controls approximately 225km<sup>2</sup> of mineral rights in Nevada on 11 separate properties, largely through wholly-owned unpatented mining claims located on BLM land.

The Company has a 100% interest in the following properties:

Project	BLM		Private	Total
	Claims	Area (km <sup>2</sup> )	Area (km <sup>2</sup> )	Area (km <sup>2</sup> )
Fletcher Junction (FJ)	168	13.6	0.0	13.6
Hot Pot (HP)	6	0.5	8.8	9.3
Bull Creek (BU)	367	29.7	0.0	29.7
Awakening (AW)	420	34.0	0.0	34.0
Sand Pass (SP)	197	15.9	9.4	25.3
Winnemucca Mountain (WM)	90	7.3	0.0	7.3
Rye Patch (RP)	169	13.7	0.8	14.5
Jungo (JU)	192	15.5	0.0	15.5
Dunphy (DU)	78	6.3	0.0	6.3
Kelly Creek (KC)	581	47.0	0.0	47.0
Whiskey Flats (WF)	273	22.1	0.0	22.1
<b>TOTAL</b>	<b>2,541</b>	<b>205.6</b>	<b>19.0</b>	<b>224.6</b>

Land acquisition and holding costs for the year ended April 30, 2009 were \$709,523 as compared to \$708,930 for the year ended April 30, 2008. The difference is due to NGE holding fewer claims. On June 29, 2009 the BLM announced a 12% increase in claim holding costs. Approximately \$400,000 will be due during September and October, 2009, to maintain NGE's claims.

#### *Risk Management Strategy*

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

NGE's exploration stages:

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

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

#### *Fletcher Junction (FJ)*

The Fletcher Junction Project is located in Mineral County, Nevada, approximately 30km southwest of Hawthorne, Nevada. The Company has a 100% interest in 168 claims (approx. 13.6km<sup>2</sup>) at the Fletcher Junction Project, subject to a 1.25% net smelter return royalty (“NSR”) to Royal Gold, Inc.

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

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

### *Hot Pot (HP)*

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

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

In 2005, nine reverse circulation drill holes were completed at Hot Pot to depths ranging from 92m (300ft) to 190m (620ft) for a total of 1,195m (3,900ft). The widely-spaced, shallow holes confirmed bedrock to range in depth from 33m (100ft) to 112m (370ft). The bedrock was hydrothermally altered and contained anomalous gold and trace elements similar to that associated with the Lone Tree gold mine. The area of anomalous groundwater chemistry was also confirmed and enlarged.

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

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

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

Also in 2008, an energy company, with business interests separate from NGE, started a deep test drill hole on the Hot Pot property. In exchange for NGE seismic data, NGE was granted access to drill cuttings from the 1,372m (4,500ft) drill hole. Significantly, the deep drill hole encountered hydrothermally-altered, calcareous siltstone underlying the Hot Pot Project. The thickest continuous interval of strongly calcareous siltstone is 189m (620ft) and started at the relatively shallow depth of 350m (1,150ft). Calcareous siltstone can be a very favorable, potential host rock where it is cut by high-angle faults. Hydrothermal alteration includes local bleaching, clay, de-calcification and secondary pyrite.

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

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

#### *Bull Creek (BU)*

The Bull Creek Project is located in Humboldt County, Nevada, approximately 60km west-northwest of Winnemucca, Nevada. The Company has a 100% interest in 367 claims (approx. 29.7km<sup>2</sup>) at Bull Creek.

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

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

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

The initial identification of anomalous groundwater chemistry at Bull Creek has resulted in a successful Concept Test: the discovery of a large area of hydrothermally-altered, shallow bedrock containing geochemically anomalous gold and gold-associated trace elements. These features of exploration significance are similar to those found at the nearby Sleeper Mine, which produced 1,700,000 ozs of gold and 1,900,000 ozs of silver from 1986 to 1996. NGE believes that additional drilling is warranted based upon the increase in alteration intensity and geochemically anomalous trace-elements seen in drill holes moving from west to east across the eastern half of the property. These results further demonstrate how NGE is using groundwater chemistry to efficiently and effectively reduce large, sand and gravel covered valley basins to discrete, highly prospective exploration targets deserving more focused and intense exploration expenditures.

#### *Awakening (AW)*

The Awakening Project is located in Humboldt County, Nevada, approximately 50km north-northwest of Winnemucca, Nevada. The Company has a 100% interest in 426 claims (approx. 34.5km<sup>2</sup>) at Awakening.

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

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

#### *Sand Pass (SP)*

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

#### *Winnemucca Mountain (WM)*

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

#### *Rye Patch (RP)*

The Rye Patch Project is located in Pershing County, Nevada, approximately 30km northeast of Lovelock, Nevada. The Company has a 100% interest in 169 claims (approx. 1.37km<sup>2</sup>) at RP. On May 22, 2008, the Company entered into a Mining Lease Agreement on another 65 hectares with a private party, subject to a 2.0% NSR; and on July 21, 2008, the Company entered into a Mining Lease Agreement on an additional 16 hectares from another private party, also subject to a 2.0% NSR payable to a private landholder.

#### *Jungo (JU)*

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

#### *Dunphy (DU)*

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

#### *Kelly Creek (KC)*

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

#### *Whiskey Flats (WF)*

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

#### *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.

*Summary of Project Work Completed to Date*

As of the year ending April 30, 2009, NGE has completed: detailed groundwater chemistry sampling on all eleven (11) properties; detailed soil chemistry on seven (7) properties; detailed air magnetic geophysics on six (6) properties; detailed gravity geophysics on six (6) properties; and Phase I drilling on three (3) properties. The results at each of the properties are encouraging and justify additional exploration expenditures. The table below summarizes the completion dates for the referenced work.

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

*Current Market Conditions*

During 2007 and 2008 investment increased dramatically in Nevada for all exploration, development, and mining activities. Increased activity created a high demand for experienced drillers and drilling equipment that substantially increased costs for drilling contracts. Similarly, with increased activity, analytical laboratories had difficulty dealing with the surge in exploration activity, creating a sample backlog at the labs, which delayed analytical results throughout the industry.

The exploration industry changed dramatically in September 2008, when share prices for junior exploration companies plummeted. NGE management projected that further capital resources for exploration would be difficult to find, and in response, management chose to stop all drilling to preserve capital, and to assure the survival of the exploration concept and NGE's property portfolio of eleven projects.

In general, equity financing are presently difficult and costly. As such, NGE must reevaluate its past strategy of drilling its own properties exclusively. To balance shareholder risk and dilution in the current financial environment, NGE is working to find exploration partners to share both the cost and risk of future drilling.



### Summary of Quarterly results

The following table sets out selected unaudited financial information, presented in Canadian dollars and prepared in accordance with generally accepted accounting principles in Canada, for each of the last eight quarters ended April 30, 2009. The information contained herein is drawn from interim financial statements of the Company for each of the aforementioned eight quarters.

	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
<b>Quarter Ending</b>	<b>April 30</b>	<b>January 31</b>	<b>October 31</b>	<b>July 31</b>
Revenue	15,255	-	23,036	4,533
Working Capital	75,864	307,729	400,536	1,401,806
Expenses	125,060	465,495	855,707	573,602
Net Loss	(109,805)	(465,495)	(832,671)	(569,069)
Net Loss (per Share)	(0.03)	(0.008)	(0.01)	(0.01)

	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
<b>Quarter Ending</b>	<b>April 30</b>	<b>January 31</b>	<b>October 31</b>	<b>July 31</b>
Revenue	99,824	-	3,642	1,037
Working Capital	2,742,917	2,637,733	2,409,638	3,060,914
Expenses	1,069,462	579,798	566,821	497,172
Net Loss	(969,638)	(579,798)	(563,179)	(496,135)
Net Loss (per Share)	(0.01)	(0.01)	(0.01)	(0.01)

### Results of Operations

#### *Revenue*

NGE has not generated any significant revenues in its past fiscal years with the exception of some interest income earned on investments placed with financial institutions for guaranteed certificates. The Company continues to expend its resources searching for properties that may contain economic resources that would allow the Company to setup mining operations and extract enough gold to be profitable.

#### *Operating Expenses*

During the year ended April 30, 2009, NGE's expenses were \$2,019,864, compared to \$2,713,253 for the year ended April 30, 2008; stopping drilling resulted in much of the difference. One of the largest single costs was for stock grants to consultants, directors and employees in the period.

Insurance costs, including D&O insurance (Directors and Officers), during the year ended April 30, 2009, were \$104,448, compared to \$50,270 for the year ended April 30, 2008.

Salaries during the year ended April 30, 2009, were \$508,079 (455k), compared to \$449,842 for the year ended April 30, 2008. This increase is due to the fact that in the year ended April 30, 2008, a larger proportion of salaries were allocated to specific properties.

Rent costs for the year ended April 30, 2009, were \$92,773, compared to \$68,853 for the year ended April 30, 2008. The increase is due to the Company relocating to larger office space in December 2007.

Travel costs for the year ended April 30, 2009, were \$37,034 compared to \$114,049 for the year ended April 30, 2008. The decrease is due to the decrease in operations.

Professional fees, consulting and investor relations costs during the year ended April 30, 2009, were \$415,207, compared to \$542,377 for the year ended April 30, 2008. The decrease is due to the decrease in operations.

Legal fees during the year ended April 30, 2009, were \$75,388.69, compared to \$317,586 for the year ended April 30, 2008. The decrease is due to less activity.

Investor relations costs during the year ended April 30, 2009, were \$8,163, compared to \$33,497 for the year ended April 30, 2008. The Company has scaled back its investor relation costs in response to the downturn in the economy.

Office expenses during the year ended April 30, 2009, were virtually unchanged at \$327,625, compared to \$292,037 for the year ended April 30, 2008.

Interest and bank charges for the year ended April 30, 2009, were \$2,572, compared to \$16,510 for the year ended April 30, 2008. The decrease is due to a reduction in cash.

The total stock-based expense for the year ended April 30, 2009, was \$461,747, compared to \$1,037,325 for the year ended April 30, 2008. This decrease was due to stock grants to consultants, directors and employees that expired during the year.

#### *Amortization*

Amortization costs during the year ended April 30, 2009, were \$126,198, compared to \$125,900 for the year ended April 30, 2008. The change in amortization costs results from an increased asset base that was acquired in previous years plus new purchases during the 2009 year.

#### Assets

Total assets during the year ended April 30, 2009, were \$6,384,098, compared to \$7,914,150 for the year ended April 30, 2008. Cash and term deposits during the year ended April 30, 2009, were \$36,215, compared to \$1,908,450 for the year ended April 30, 2008. The decrease in cash is a result of operations.

NGE's mineral property holdings for the year ended April 30, 2009, are \$5,321,150, compared to \$3,365,206 for the year ended April 30, 2008. This increase is due to the Company's ongoing work at its mineral properties.

Equipment net book value for the year ended April 30, 2009, is \$645,723, compared to \$517,161 for the year ended April 30, 2008. The Company purchased a reverse circulation drill rig valued at \$250,000 US, as well as other equipment.

Deposits for land reclamation also add to the Company's asset base. Deposits for the year ended April 30, 2009, are \$89,475, compared to \$75,588 for the year ended April 30, 2008. These deposits (bonds) are required by the U.S Bureau of Land Management (BLM) and US Forest Service (USFS) to ensure that reclamation and clean-up work on NGE's properties will be completed to the satisfaction of the BLM and

the USFS. NGE has completed all required BLM reclamation work to date, including dirt-work and seeding, and has to wait for vegetation to regrow before 100% of the bonds will be released. Several roads remain un-reclaimed on USFS lands at NGE's Fletcher Junction property, while all other reclamation has been completed.

#### Liquidity and Capital Resources

NGE had cash and cash equivalents for the year ended April 30, 2009, of \$36,215, compared to \$1,908,450 for the year ended April 30, 2008. The reduction of cash is due to 12 months of operations.

The Company had working capital during the year ended April 30, 2009, of \$75,864, compared to \$2,742,917 for the year ended April 30, 2008. The decrease in working capital is due to 12 months of operations.

Management expects to finance future operations and growth through the use of equity financings.

#### Capital Expenditures

In the year ended April 30, 2009, NGE invested a total of \$327,041 in capital assets, compared to \$290,782 for the year ended April 30, 2008. The decrease in capital expenditures during the year ended April 30, 2009, is due to NGE having already acquired the necessary equipment to complete its projects and the necessity of preserving the remaining capital.

#### *Long Term Debt and Other Long Term Commitments*

The Company's long term debt for the year ended April 30, 2009, is \$74,142 compared to the year ended April 30, 2008, of \$94,397. The long term debt consists of loans for four (4) vehicles. To decrease overhead, NGE has sold two (2) of the vehicles effective June 22, 2009 and one (1) vehicle effective July 3, 2009.

#### Off Balance Sheet Arrangements

As at April 30, 2009, NGE had no off balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any instruments that could trigger financing, market or credit risk to NGE.

#### Transactions with Related Parties

Legal fees paid to firms whose partners are directors of the Company for the year ended April 30, 2009, are \$82,000, compared to \$109,200 for the year ended April 30, 2008. The director to whom legal fees were paid has resigned effective February 27, 2009.

Loans receivable from two officers of the Company for the year ended April 30, 2009, are \$235,000, which includes a reduction of unpaid salaries owed to the officers that have accrued since October 2008. The loan receivable amount for the year ended April 30, 2008, of \$158,500 reflected bonuses to the two officers that were not realized, and subsequently recaptured in the April 30, 2009, loans receivable amount.

#### Disclosure of Outstanding Share Data

Authorized, an unlimited number and without par value:

Common shares, voting and participating.

Issued and outstanding:

	<b>Number</b>	<b>Amount (\$)</b>
<b>Balance – April 30, 2007</b>	<b>51,916,666</b>	<b>4,749,709</b>
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	-	922,379
<b>Balance – April 30, 2008</b>	<b>58,441,171</b>	<b>9,159,364</b>
Exercise of options	250,000	150,000
Exercise of warrants	337,933	103,325
Ascribed value of options and warrants exercised	-	261,847
<b>Balance – April 30, 2009</b>	<b>59,029,104</b>	<b>9,674,536</b>

#### Critical Accounting Estimates

##### *Equipment*

Equipment is recorded at cost, less accumulated amortization. Amortization is recorded on a straight-line basis at the following terms:

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

##### *Mineral properties*

All direct costs related to the acquisition and exploration of mineral properties are capitalized as incurred. Discretionary option payments arising from the acquisition of mineral properties are only recognized when paid. Amounts received from other parties to earn an interest in the Company's mineral properties are applied as a reduction of mineral properties. On a periodic basis, management reviews the carrying values of mineral properties to assess whether there has been any impairment in value. In the event that management determines the carrying values of any mineral property to be permanently impaired, the carrying value will be written down or written off, as appropriate. If a property is brought into production, the carrying value will be amortized against the income generated by the property.

#### *Stock-based compensation*

The Company uses the fair value method whereby the Company recognizes compensation costs for the granting of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to capital stock.

#### *Foreign Currency Translation*

The Company's subsidiary, Pediment Gold LLC, is an integrated foreign operation and is translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Income and expense items are translated at rates approximating those in effect at the time of the transaction. Translation gains and losses are reflected in loss for the period.

#### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by the Company include economic useful life of depreciable assets for purposes of calculating amortization and valuation allowance for future income taxes.

#### *Stock-based Compensation*

The Company uses the fair value method whereby the Company recognizes compensation costs for the granting of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to capital stock.

#### *Future Accounting Policies*

International Financial Reporting Standards (IFRS) - The Accounting Standards Board (AcSB) announced that accounting standards in Canada are to converge with IFRS. The changeover date from current Canadian GAAP to IFRS has been established as January 1, 2011. While IFRS use a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed. The Company is currently assessing the future impact of these new standards on its financial statements.

#### Financial Instruments and Other Instruments

##### *Risk Management Policies*

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

##### *Fair Value*

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

As at the year ending April 30, 2009 and the year ending 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

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 13 (“Capital Disclosures”). It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company’s operating and capital budgets, as well as any material transactions out of the normal course of business.

As at the year ending April 30, 2009, the Company was holding cash and cash equivalents and term deposits of \$36,215. 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 high.

#### *Foreign Exchange*

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

At the year ending April 30, 2009, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	<b>\$US</b>
Cash and cash equivalents	25,800
Amounts Receivable	24,000
Loans receivable	181,200
Deposits and bonds	99,900
Accounts payable and accrued liabilities	55,560
Long Term Debt	94,000

### *Net Exposure*

Based on the above net exposures as at the year ending April 30, 2009, and assuming that all other variables remain constant, a 10% change in the value of the US dollar against the Canadian dollar would result in an increase of \$18,000 in the loss from operations.

### Capital Disclosures

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

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

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

### Risks and Uncertainties

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

### Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure.

Nevada's Management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of April 30, 2009. Based on this evaluation, the CEO and CFO have concluded that our disclosure controls and procedures, as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim filings, are effective to ensure that information required to be disclosed in reports that we file or submit under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules and forms.

Additional information regarding the Company can be found on [www.sedar.com](http://www.sedar.com).

**NEVADA EXPLORATION INC.**

**CONSOLIDATED FINANCIAL STATEMENTS  
AS AT APRIL 30, 2009**



**NEVADA EXPLORATION INC.**

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## AUDITORS' REPORT

To the Shareholders of  
NEVADA EXPLORATION INC.

We have audited the consolidated balance sheet of NEVADA EXPLORATION INC. as at April 30, 2009 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at April 30, 2008 and for the year then ended were audited by another firm of Chartered Accountants who expressed an opinion without reservation in their report dated August 1, 2008.

*Collins Barrow Toronto LLP*

Chartered Accountants  
Toronto, Ontario  
August 21, 2009

**NEVADA EXPLORATION INC.****CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT**

For the Years Ended April 30

(In Canadian Dollars)

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	<u>2009</u>	<u>2008</u>
	\$	\$
<b>INTEREST INCOME</b>	<b><u>42,824</u></b>	<b><u>104,503</u></b>
<b>EXPENSES</b>		
Salaries	508,079	449,842
Rent	92,773	68,853
Travel	37,034	114,049
Professional fees, consulting and investor relations	415,207	542,377
Office expenses and other	327,675	292,037
Interest and bank charges	2,572	16,510
Stock-based compensation (Note 7)	461,747	1,037,325
Foreign exchange (gain) loss	(116,816)	66,360
Impairment of property (Note 4)	165,395	-
Amortization	<u>126,198</u>	<u>125,900</u>
	<b><u>2,019,864</u></b>	<b><u>2,713,253</u></b>
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>(1,977,040)</b>	<b>(2,608,750)</b>
<b>DEFICIT – BEGINNING OF YEAR</b>	<b><u>(4,939,326)</u></b>	<b><u>(2,330,576)</u></b>
<b>DEFICIT – END OF YEAR</b>	<b><u>(6,916,366)</u></b>	<b><u>(4,939,326)</u></b>
Basic and diluted loss per share	<b><u>\$(0.03)</u></b>	<b><u>\$(0.05)</u></b>
Weighted average number of shares outstanding	<b><u>58,960,133</u></b>	<b><u>54,114,682</u></b>

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

**NEVADA EXPLORATION INC.**

**CONSOLIDATED BALANCE SHEETS**

As At April 30  
(In Canadian Dollars)

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	<b>2009</b>	2008
	\$	\$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	<b>36,215</b>	1,908,450
Term deposits, bearing interest at rates of 3.58% and 3.47%	-	1,027,714
Loans receivable, bearing interest at a rate of 5% (Note 9)	<b>244,370</b>	231,553
Prepaid expenses and other	<b><u>17,459</u></b>	<u>45,209</u>
	<b>298,044</b>	3,212,926
<b>TERM DEPOSIT</b> , bearing interest at a rate of 3.47%	-	500,379
<b>EQUIPMENT</b> (Note 3)	<b>645,723</b>	517,161
<b>SOFTWARE</b> , net of accumulated amortization of \$22,115 (2008 - \$11,057)	-	11,058
<b>MINERAL PROPERTIES</b> (Note 4)	<b>5,321,150</b>	3,365,206
<b>DEPOSITS AND BONDS</b>	<b><u>119,181</u></b>	<u>307,420</u>
	<b><u>6,384,098</u></b>	<u>7,914,150</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	<b>184,510</b>	438,913
Current portion of long-term debt (Note 5)	<b><u>37,670</u></b>	<u>31,096</u>
	<b>222,180</b>	470,009
<b>LONG-TERM DEBT</b> (Note 5)	<b><u>74,142</u></b>	<u>94,397</u>
	<b><u>296,332</u></b>	<u>564,406</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 6)	<b>9,674,536</b>	9,159,364
Warrants (Note 7)	<b>278,743</b>	1,668,390
Options (Note 7)	<b>1,539,185</b>	1,357,832
Contributed surplus (Note 8)	<b>1,511,678</b>	103,484
Deficit	<b><u>(6,916,366)</u></b>	<u>(4,939,326)</u>
	<b><u>6,087,776</u></b>	<u>7,349,744</u>
	<b><u>6,384,098</u></b>	<u>7,914,150</u>

**NATURE AND CONTINUANCE OF OPERATIONS (NOTE 1)**

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

**NEVADA EXPLORATION INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the year ended April 30

(In Canadian Dollars)

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	<u>2009</u>	<u>2008</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss	(1,977,040)	(2,608,750)
Items not affecting cash:		
Amortization	126,198	125,900
Impairment on property	165,395	-
Gain on disposal of equipment	(7,075)	-
Accrued interest	(15,255)	-
Write-off of loan receivable	61,535	-
Stock-based compensation	<u>461,747</u>	<u>1,037,325</u>
	(1,184,235)	(1,445,525)
Change in non-cash working capital items		
Subscriptions receivable	-	205,729
Prepaid expenses and other	44,314	(40,270)
Accounts payable and accrued liabilities	<u>(313,500)</u>	<u>232,522</u>
	<u>(1,470,245)</u>	<u>(1,047,544)</u>
<b>FINANCING ACTIVITIES</b>		
Issuance of capital stock and warrants (net of shares issue costs)	253,325	3,766,042
Proceeds of long-term debt	-	132,056
Repayment of long-term debt	<u>(13,681)</u>	<u>(6,563)</u>
	<u>239,644</u>	<u>3,891,535</u>
<b>INVESTING ACTIVITIES</b>		
Loan receivable	-	155,109
Term deposits	1,528,093	(1,528,093)
Proceeds on sale of equipment	90,414	-
Acquisition of equipment	(327,041)	(290,782)
Mineral properties	(2,121,339)	(2,597,061)
Land deposits	<u>188,239</u>	<u>(233,809)</u>
	<u>(641,634)</u>	<u>(4,494,636)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,872,235)	(1,650,645)
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD</b>	<u>1,908,450</u>	<u>3,559,095</u>
<b>CASH AND CASH EQUIVALENTS – END OF PERIOD</b>	<u>36,215</u>	<u>1,908,450</u>

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

## NEVADA EXPLORATION INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2009 and 2008

(In Canadian Dollars)

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#### 1. NATURE AND CONTINUANCE OF OPERATIONS

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

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis that presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has a working capital deficiency as at April 30, 2009 and does not currently have the financial resources to sustain operations. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future. Under the current difficult economic environment, access to the capital markets to obtain equity financing is very uncertain, and indeed may be unavailable to the Company on a timely basis. Subsequent to the year end (Note 16) the Company completed a non-brokered private placement.

## NEVADA EXPLORATION INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2009 and 2008

(In Canadian Dollars)

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## 2. ACCOUNTING POLICIES

### **BASIS OF PRESENTATION**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

### **PRINCIPLES OF CONSOLIDATION**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 2107189 Ontario Inc. and Pediment Gold LLC.

### **EQUIPMENT**

Equipment is recorded at cost, less accumulated amortization. Amortization is recorded 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 monitors the recoverability of its equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company reviews factors such as current market value, future asset utilization and business climate and, when such indicators exist, compares the carrying value of the assets to the future undiscounted cash flows expected to result from the use of the related asset. If such cash flows are less than the carrying value, the impairment charge to be recognized equals the amount by which the carrying amount of the asset exceeds the fair value of the asset. Fair value is generally measured equal to the estimated future discounted net cash flows from the assets.

### **SOFTWARE**

Software is recorded at cost, less accumulated amortization. Amortization is recorded on straight-line basis over a period of three years.

### **MINERAL PROPERTIES**

All direct costs related to the acquisition and exploration of mineral properties are capitalized as incurred. Discretionary option payments arising from the acquisition of mineral properties are only recognized when paid. Amounts received from other parties to earn an interest in the Company's mineral properties are applied as a reduction of mineral properties.

On a periodic basis, management reviews the carrying values of mineral properties to assess whether there has been any impairment in value. In the event that management determines the carrying values of any mineral property to be permanently impaired, the carrying value will be written down or written off, as appropriate. If a property is brought into production, the carrying value will be amortized against the income generated by the property.

### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include bank balances and highly liquid temporary money market instruments with initial maturities of three months or less.

## NEVADA EXPLORATION INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2009 and 2008

(In Canadian Dollars)

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## 2. ACCOUNTING POLICIES (Continued)

### **FUTURE INCOME TAXES**

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

### **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.

### **ASSET RETIREMENT OBLIGATION**

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable 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, and subsequently allocated to expense using a systematic and rational method over its useful life. As at April 30, 2009, there is not an asset retirement obligation.

### **STOCK-BASED COMPENSATION**

The Company uses the fair value method whereby the Company recognizes compensation costs for the granting of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to capital stock. If and when the stock options are exercised, the applicable amounts of option equity are transferred to share capital.

### **LOSS PER SHARE**

Basic loss per share is calculated based on the weighted average number of shares outstanding. The treasury stock method is used to compute the dilutive effect of options, warrants and similar instruments.

### **FOREIGN CURRENCY TRANSLATION**

The Company's subsidiary is an integrated foreign operation and its accounts are translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Income and expense items are translated at rates approximating those in effect at the time of the transaction. Translation gains and losses are reflected in loss for the period.

### **USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by the Company include economic useful life of depreciable assets for purposes of calculating amortization, impairment and valuation on mineral properties and valuation allowance for future income taxes.



## NEVADA EXPLORATION INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2009 and 2008

(In Canadian Dollars)

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## 2. ACCOUNTING POLICIES (Continued)

### FINANCIAL INSTRUMENTS

The Company follows the recommendations of CICA Handbook Section 3855, Financial Instruments - Recognition and measurement. Section 3855 provides that all financial instruments are to be recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instrument: held-to-maturity, loans and receivables, held for trading, available-for-sale or other liability.

#### Financial assets

Held for trading assets are subsequently measured at fair value with the change in the fair value recognized in net income during the period.

Held-to-maturity assets are subsequently measured at amortized cost using the effective interest rate method.

Loans and receivables are subsequently measured at amortized cost using the effective interest rate method.

Available-for-sale assets are subsequently measured at fair value with the changes in fair value recorded in other comprehensive income.

#### Financial liabilities

Held for trading liabilities are subsequently measured at fair value with the change in the fair value recognized in net income during the period.

Other liabilities are subsequently measured at amortized cost using the effective interest rate method.

The Company has classified its financial instruments as follows:

Financial Instrument	Classification
Cash	Held for trading
Term deposits	Held for trading
Loans receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities

Effective May 1, 2008, the Company adopted the recommendations of CICA Handbook Section 3862, Financial Instruments - Disclosures ("Section 3862") which replaced Section 3861. Section 3862 provides standards for disclosures about financial instruments, including disclosures about fair value and the credit, liquidity and market risks associated with the financial instruments. Disclosure requirements pertaining to Section 3862 are contained in Note 12.

Effective May 1, 2008, the Company adopted the recommendations of CICA Handbook Section 3863, Financial Instruments - Presentation ("Section 3863") which replaced Section 3861. Section 3863 provides standards for presentation of financial instruments and non-financial derivatives. Adoption of this standard had no impact on the Company's financial instruments related presentation disclosures.

## NEVADA EXPLORATION INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2009 and 2008

(In Canadian Dollars)

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## 2. ACCOUNTING POLICIES (Continued)

### COMPREHENSIVE INCOME

The Company follows the recommendations of CICA Handbook Section 1530, Comprehensive Income. Other comprehensive income consists of changes to unrealized gains and losses on available-for-sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Comprehensive income measures net earnings for the period plus other comprehensive income. Amounts reported as other comprehensive income are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Income. To date there has not been any other comprehensive income and accordingly, a statement of other comprehensive income has not been presented.

### EQUITY

Section 3251 establishes standards for the presentation of equity and the changes in equity during the period.

### CAPITAL DISCLOSURES

Effective May 1, 2008, the Company adopted the recommendations of The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 1535, Capital Disclosures ("Section 1535"). The new standard requires an entity to disclose information to enable users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. Disclosure requirements pertaining to Section 1535 are contained in Note 13.

### Recent Accounting Pronouncements Issued and Not Yet Applied

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable entities will be required to adopt International Financial Reporting Standards ("IFRS"). The Company must prepare its interim and annual financial statements in accordance with IFRS for periods beginning on January 1, 2011. Management is still assessing the impact this will have on the financial position of the Company.

## 3. EQUIPMENT

	April 30, 2009			April 30, 2008		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	\$	\$	\$	\$	\$	\$
Exploration equipment	472,909	86,400	<b>386,509</b>	326,545	92,200	234,345
Vehicles	288,319	90,834	<b>197,486</b>	239,155	40,330	198,825
Computer equipment	23,257	11,062	<b>12,195</b>	17,554	2,926	14,628
Office equipment	<u>87,720</u>	<u>38,367</u>	<u><b>49,533</b></u>	<u>89,615</u>	<u>20,252</u>	<u>69,363</u>
	<u>917,238</u>	<u>267,187</u>	<u><b>645,723</b></u>	<u>672,869</u>	<u>155,708</u>	<u>517,161</u>

NEVADA EXPLORATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2009 and 2008

(In Canadian Dollars)

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4. MINERAL PROPERTIES

	APRIL 30, 2009									
	AW	BC	DU	FJ	HP	SP	RP	WI	KC	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Acquisition costs</b>										
Balance – beginning of period	100,384	36,536	34,399	198,806	11,723	86,871	70,252	23,813	138,994	
Additions	173,231	-	10,907	24,365	21,796	59,915	40,431	23,540	121,167	
Impairment of property	-	(36,536)	-	-	-	-	-	-	-	
Balance – end of period	<u>273,615</u>	<u>-</u>	<u>45,306</u>	<u>223,171</u>	<u>33,519</u>	<u>146,786</u>	<u>110,683</u>	<u>47,353</u>	<u>260,161</u>	
<b>Exploration costs</b>										
Balance – beginning of period	160,739	22,540	31,040	909,034	770,728	28,110	18,521	41,446	53,295	
Incurred during the period										
Drilling	222,082	102,823	-	103,148	21,452	-	-	-	-	
Geochemical	56,595	-	6,168	2,481	2,971	26,723	9,252	13,262	(760)	
Geophysics	25,354	-	-	-	-	23,250	20,380	21,311	-	
Geological	2,552	-	-	521	68	-	-	42	-	
Travel	36,490	1,164	1,289	21,182	3,041	2,457	1,868	1,205	-	
Other	18,464	2,332	426	7,037	1,445	2,608	1,670	1,378	2,795	
Impairment of property	-	(128,859)	-	-	-	-	-	-	-	
	<u>361,537</u>	<u>(22,540)</u>	<u>7,883</u>	<u>134,369</u>	<u>28,677</u>	<u>55,038</u>	<u>33,170</u>	<u>37,198</u>	<u>2,035</u>	
Balance – end of period	<u>522,276</u>	<u>-</u>	<u>38,923</u>	<u>1,043,403</u>	<u>799,405</u>	<u>83,148</u>	<u>51,691</u>	<u>78,644</u>	<u>55,330</u>	
<b>Total costs</b>	<u>795,891</u>	<u>-</u>	<u>84,229</u>	<u>1,266,574</u>	<u>832,924</u>	<u>229,934</u>	<u>162,374</u>	<u>125,997</u>	<u>315,491</u>	
	WF	BU	JU	Total						
	\$	\$	\$	\$						
<b>Acquisition costs</b>										
Balance – beginning of period	34,387	223,882	-	960,047						
Additions	97,091	50,578	86,502	709,523						
Impairment of property	-	-	-	(36,536)						
Balance – end of period	<u>131,478</u>	<u>274,460</u>	<u>86,502</u>	<u>1,633,034</u>						
<b>Exploration costs</b>										
Balance – beginning of period	37,749	331,958	-	2,405,159						
Incurred during the period										
Drilling	-	489,389	392	939,286						
Geochemical	-	4,924	-	121,617						
Geophysics	-	12,758	47,555	150,607						
Geological	-	7,507	-	10,691						
Travel	2,054	57,310	842	128,901						
Other	2,302	17,416	3,141	60,714						
Impairment of property	-	-	-	(128,859)						
	<u>4,355</u>	<u>589,304</u>	<u>51,930</u>	<u>1,282,957</u>						
Balance – end of period	<u>42,104</u>	<u>921,262</u>	<u>51,930</u>	<u>3,688,116</u>						
<b>Total costs</b>	<u>173,582</u>	<u>1,195,722</u>	<u>138,432</u>	<u>5,321,150</u>						

**NEVADA EXPLORATION INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**4. MINERAL PROPERTIES (Continued)**

	April 30, 2008								
	AW	BC	DU	FJ	HP	SP	RP	WI	KC
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Acquisition costs</b>									
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>
<b>Exploration costs</b>									
Balance – beginning of period	-	-	-	176,435	319,913	-	-	-	-
Incurred during the period									
Drilling	-	-	-	545,482	151,167	-	-	-	-
Geochemical	31,568	2,065	10,734	11,145	59,421	9,487	70	12,639	19,544
Geophysics	94,243	15,195	-	-	117,231	-	-	-	-
Geological	-	-	4,638	9,744	2,961	-	-	-	-
Rent	-	-	-	-	15,335	-	-	-	-
Salaries	27,926	3,621	10,750	122,233	33,745	16,878	9,806	18,903	19,867
Travel	7,002	1,659	4,918	34,445	70,954	1,745	8,645	9,904	13,884
Other	-	-	-	9,550	-	-	-	-	-
	<u>160,739</u>	<u>22,540</u>	<u>31,040</u>	<u>732,599</u>	<u>450,814</u>	<u>28,110</u>	<u>18,521</u>	<u>41,446</u>	<u>53,295</u>
Balance – end of period	<u>160,739</u>	<u>22,540</u>	<u>31,040</u>	<u>909,034</u>	<u>770,727</u>	<u>28,110</u>	<u>18,521</u>	<u>41,446</u>	<u>53,295</u>
<b>Total costs</b>	<u>261,123</u>	<u>59,076</u>	<u>65,439</u>	<u>1,107,840</u>	<u>782,450</u>	<u>114,981</u>	<u>88,773</u>	<u>65,259</u>	<u>192,289</u>
	WF	BU	Total						
	\$	\$	\$						
<b>Acquisition costs</b>									
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>						
<b>Exploration costs</b>									
Balance – beginning of period	-	20,680	517,028						
Incurred during the period									
Drilling	-	-	696,649						
Geochemical	-	76,904	233,577						
Geophysics	-	137,963	364,632						
Geological	-	11,783	29,126						
Rent	-	-	15,335						
Salaries	37,749	60,376	361,854						
Travel	-	24,252	177,408						
Other	-	-	9,550						
	<u>37,749</u>	<u>311,278</u>	<u>1,888,131</u>						
Balance – end of period	<u>37,749</u>	<u>331,958</u>	<u>2,405,159</u>						
<b>Total costs</b>	<u>72,136</u>	<u>555,840</u>	<u>3,365,206</u>						

## NEVADA EXPLORATION INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 4. MINERAL PROPERTIES (Continued)

##### **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 420 claims (approx. 34.5 km<sup>2</sup>) at Awakening. On July 1, 2008, the Company entered into a twelve year Mining Lease agreement for 15 claims (approx. 120 hectares) that are subject to a 3% Net Smelter Royalty (“NSR”). In addition, the Company is required to pay a minimum advance royalty of USD \$60,000 annually commencing on the fourth anniversary date.

##### **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 fiscal year to expense as it did not acquire any ownership interest in the property as at year-end.

##### **DU**

The Dunphy Project is located in Eureka County, Nevada, approximately 40 km east of Battle Mountain, Nevada. The Company has a 100% interest in 78 claims (approx. 6.3 km<sup>2</sup>) 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. 13.6 km<sup>2</sup>) at the Fletcher Junction Project, subject to a 1.25% net smelter return royalty (“NSR”).

##### **HP**

On September 16, 2004, the Company entered into a ten year Mining Lease Agreement on 8.8 km<sup>2</sup> at the Hot Pot Project located in Humboldt County, Nevada, approximately 30 km northwest of Battle Mountain, Nevada. Under the terms of this agreement the Company is required to make annual payments of \$20,000 on each anniversary of the agreement and the property is subject to a 3% NSR. The Company also controls 6 claims (approx. 50 hectares) that are also subject to a 1.25% NSR.

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

##### **SP**

The SP Project is located in Humboldt County, Nevada, approximately 10 km north of Winnemucca, Nevada. The Company has a 100% interest in 197 claims (approx. 15.9 km<sup>2</sup>) at SP, and on July 10, 2008, the Company entered into a ten year Mining Lease agreement for another 9.4 km<sup>2</sup> with multiple parties. Under the terms of this agreement the Company is required to make minimum lease payments of USD \$31,100 each anniversary and the property is subject to a 2% NSR.

## NEVADA EXPLORATION INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 4. MINERAL PROPERTIES (Continued)

##### **RP**

The RP Project is located in Pershing County, Nevada, approximately 30 km northeast of Lovelock, Nevada. The Company has a 100% interest in 169 claims (approx. 1.37 km<sup>2</sup>) at RP. On May 22, 2008, the Company entered into a four year Mining Lease Agreement on another 65 hectares. Under the terms of this agreement the Company is required to make payments of USD \$10,000 annually and the subject to a 2.0% NSR. In addition the Company has the option to purchase the property for USD \$325,000 at any time. On July 21, 2008, the Company entered into a four year Mining Lease Agreement on an additional 16 hectare. Under the terms of this agreement the Company is required to make annual payments of USD \$6,000 and is subject to a 2.0% NSR. The Company has the option to purchase this property for USD \$30,000.

##### **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. 7.3 km<sup>2</sup>) at Winnemucca Mountain.

##### **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. 47 km<sup>2</sup>) at Kelly Creek.

##### **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 (22.1 km<sup>2</sup>) 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).

##### **JU**

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

**NEVADA EXPLORATION INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2009 and 2008

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**5. LONG-TERM DEBT**

	<b>April 30, <u>2009</u></b>	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	<b>111,812</b>	125,493
Current portion of long-term debt	<u><b>37,670</b></u>	<u>31,096</u>
	<u><b>74,142</b></u>	<u>94,397</u>

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

2010	\$ 37,670
2011	34,320
2012	22,500
2013	17,322
2014	-

## NEVADA EXPLORATION INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2009 and 2008

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#### 6. CAPITAL STOCK

Authorized, an unlimited number and without par value:

Common shares, voting and participating.

Issued and outstanding:

	Number	Amount
<b>Balance – April 30, 2007</b>	<b>51,916,666</b>	<b>\$ 4,749,709</b>
Private placements <sup>(i)</sup>	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>
<b>Balance – April 30, 2008</b>	<b><u>58,441,171</u></b>	<b><u>9,159,364</u></b>
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>
<b>Balance – April 30, 2009</b>	<b><u>59,029,104</u></b>	<b><u>\$9,674,536</u></b>

<sup>(i)</sup> 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

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**7. 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 generally 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/forfeited	(4,024,000)	(1,255,866)	0.64	(1,955,000)	0.70
Exercised	(337,933)	(133,781)	0.80	(250,000)	0.60
Granted	<u>-</u>	<u>-</u>		<u>200,000</u>	0.78
Outstanding, April 30, 2009	<u>905,000</u>	<u>278,743</u>	1.50	<u>3,050,000</u>	0.83
Number currently Exercisable	<u>905,000</u>			<u>1,483,333</u>	0.75

**NEVADA EXPLORATION INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**7. STOCK OPTIONS AND WARRANTS (Continued)**

The following incentive stock options and share purchase warrants were outstanding as at April 30, 2009:

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

**STOCK-BASED COMPENSATION**

During the year, the Company granted 200,000 options (2008 - 3,075,000). The fair value was estimated at \$0.42 (2008 - \$0.58) per option using the Black-Scholes option pricing model. A stock-based compensation expense of \$461,747 (2008 - \$1,037,325) for the vesting portion was recorded for the year ended April 30, 2009.

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

	<u>April 30,</u> <u>2 0 0 9</u>	April 30, <u>2 0 0 7</u>
Risk-free interest rate	<b>3.6%</b>	3.08% to 3.5%
Expected life of options/warrants	<b>5 years</b>	1 to 5 years
Annualized volatility	<b>95%</b>	95%
Dividend rate	<b>0%</b>	0%

**Options**

Balance – April 30, 2007	\$ 402,962
Exercised options	(82,455)
Stock-based compensation	<u>1,037,325</u>
Balance – April 30, 2008	1,357,832
Exercised options	(128,066)
Expired options	(152,328)
Stock-based compensation	<u>461,747</u>
Balance – April 30, 2009	\$ <u>1,539,185</u>

## NEVADA EXPLORATION INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 8. CONTRIBUTED SURPLUS

Balance – April 30, 2007	\$ -
Expired warrants	<u>103,484</u>
Balance – April 30, 2008	103,484
Expired options	152,328
Expired warrants	<u>1,255,866</u>
Balance – April 30, 2009	\$ <u>1,511,678</u>

#### 9. RELATED PARTY TRANSACTIONS

- a) Legal fees of approximately \$82,000 were recorded in professional fees, consulting and investor relations (2008 - \$109,200) and were paid to a firm whose partner was a director of the Company until February 27, 2009. These related party transactions were carried out in the normal course of business and accounted for at exchange value.
- b) As at April 30, 2009, loans receivable include an amount of \$235,000 (\$158,500 in 2008) receivable from two officers and directors of the Company. Included interest income is approximately \$15,000 representing interest on these loans.

#### 10. INCOME TAXES

##### INCOME TAX EXPENSE

The following table reconciles income taxes at statutory rates with the reported taxes in the financial statements:

	<b>April 30, <u>2 0 0 9</u></b>	April 30, <u>2 0 0 8</u>
Loss before income taxes	\$ (1,977,040)	\$ (2,608,750)
Statutory average rates	<u>33.5%</u>	<u>34.5%</u>
Expected income tax recovery	(662,310)	(900,018)
Stock-based compensation and other non-deductible expenses	115,500	357,877
Change in statutory tax rates	113,312	-
Change in valuation allowance	<u>433,448</u>	<u>542,141</u>
Income tax expense	\$ <u>      -</u>	\$ <u>      -</u>

## NEVADA EXPLORATION INC.

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#### 10. INCOME TAXES (Continued)

##### FUTURE INCOME TAXES

The temporary differences that give rise to future income tax assets and future income tax liabilities are presented below:

	<b>April 30, <u>2009</u></b>	April 30, <u>2008</u>
Non-capital losses	\$ <b>1,370,200</b>	\$ 882,368
Share issue costs and other	<b><u>215,200</u></b>	<u>269,584</u>
Net future tax asset	<b>1,585,400</b>	1,151,952
Valuation allowance	<b><u>(1,585,400)</u></b>	<u>(1,151,952)</u>
	\$ <u>          -</u>	\$ <u>          -</u>

As at April 30, 2008, the Company has non-capital losses of \$4,282,000 expiring as follows:

2026	\$ 281,000
2027	544,000
2028	1,765,000
2029	<u>1,692,000</u>
	\$ <u>4,282,000</u>

The potential tax benefits relating to the non-capital losses carry forwards has not been reflected in these financial statements.

#### 11. COMMITMENTS

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

2010	84,300
2011	88,300
2012	90,900
2013	<u>54,000</u>
	\$ <u>317,500</u>

## 12. 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 April 30, 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.

### *CREDIT RISK AND INTEREST RATE RISK*

It is management's opinion that the Company is not exposed to significant interest or credit risk arising from its financial instruments.

### *LIQUIDITY RISK*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 13 ("Capital Disclosures"). It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the normal course of business.

As at April 30, 2009, the Company was holding cash of \$36,215 and current liabilities of \$222,180. As a result of the Company's working capital deficiency the Company is exposed to liquidity risk and is reliant on the Company's ability to complete and equity financing. Subsequent to the year end management completed their first tranche of financings that will enable the Company to keep its mineral properties in good standing.

## NEVADA EXPLORATION INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 12. FINANCIAL INSTRUMENTS (Continued)

### *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 April 30, 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	25,800
Amounts receivable	24,000
Loans receivable	181,200
Deposits and bonds	99,900
Accounts payable and accrued liabilities	55,560
Long term debt	94,000

### *NET EXPOSURE*

Based on the above net exposures as at April 30, 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 \$18,000 in the loss from operations.

## 13. CAPITAL DISCLOSURES

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

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

The Company prepares annual estimates of exploration expenditures and monitors actual expenditures compared to the estimates to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company's investment policy is to invest its cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated after thirty days without interest penalty. The Company currently has insufficient capital to fund its exploration programs and is reliant on completing an equity financing to fund further exploration. Subsequent to the year end management completed their first tranche of financings that will enable the Company to keep its mineral properties in good standing. The Company is not subject to any externally imposed capital requirements.

## NEVADA EXPLORATION INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 14. 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;

	<u>April 30,</u> <u>2 0 0 9</u>	<u>April 30,</u> <u>2 0 0 8</u>
Canada		
Other assets	<u>6,030</u>	<u>3,361,068</u>
United States		
Equipment	645,118	517,161
Mineral properties	5,321,150	3,365,206
Other assets	<u>411,800</u>	<u>670,715</u>
	<u>6,378,068</u>	<u>4,553,082</u>
Total assets	<u>6,384,098</u>	<u>7,914,150</u>

#### 15. COMPARATIVE FIGURES

Certain figures have been reclassified to conform to the current year's financial presentation.

#### 16. SUBSEQUENT EVENTS

On August 21, 2009 the Company issued 8,038,961 units for gross proceeds of \$422,045 by way of a non-brokered private placement. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one common share at an exercise price of \$0.10 for a period of two years. In the event that the Company's volume weighted average share price averages at or above \$0.20 per share for 20 consecutive trading days on the TSX Venture Exchange, then the Company shall have the right to accelerate the warrant exercise period to the 30th day after the date on which the Company gives notice of acceleration. All shares issued are subject to a four month hold period expiring December 21, 2009, as well as to any other re-sale restrictions imposed by applicable securities regulatory authorities.