

NEVADA EXPLORATION INC.

**CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)**

JANUARY 31, 2010

NEVADA EXPLORATION INC.

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended January 31, 2010.

NEVADA EXPLORATION INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In Canadian Dollars)

	January 31, 2010	April 30, 2009
CURRENT ASSETS		
Cash and cash equivalents	\$ 208,263	\$ 36,215
Loans receivable, bearing interest at a rate of 5% (Note 8)	226,600	244,370
Prepaid expenses and other	<u>7,901</u>	<u>17,459</u>
	442,764	298,044
EQUIPMENT (Note 3)	458,202	645,723
MINERAL PROPERTIES (Note 4)	5,953,970	5,321,150
DEPOSITS AND BONDS	<u>96,274</u>	<u>119,181</u>
	\$ 6,951,210	\$ 6,384,098
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 141,447	\$ 184,510
Current portion of long-term debt (Note 5)	<u>26,264</u>	<u>37,670</u>
	167,711	222,180
LONG-TERM DEBT (Note 5)	<u>42,968</u>	<u>74,142</u>
	210,679	296,322
SHAREHOLDERS' EQUITY		
Capital stock (Note 6)	11,107,470	9,674,536
Warrants (Note 6)	131,004	278,743
Contributed surplus (Note 6)	3,682,839	3,050,863
Deficit	<u>(8,180,782)</u>	<u>(6,916,366)</u>
	6,740,531	6,087,776
	\$ 6,951,210	\$ 6,384,098

BASIS OF PRESENTATION (NOTE 1)
NATURE AND CONTINUANCE OF OPERATIONS (NOTE 2)

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

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

	Three Months Ended January 31, 2010	Three Months Ended January 31, 2009	Nine Months Ended January 31, 2010	Nine Months Ended January 31, 2009
INTEREST INCOME	<u>\$ 121</u>	<u>\$ -</u>	<u>\$ 7,719</u>	<u>\$ 27,569</u>
EXPENSES				
Amortization	15,498	36,284	85,130	111,472
Foreign exchange gain	(12,083)	(14,225)	(11,567)	(58,757)
Impairment of property	-	165,395	-	165,395
Interest (recovery), penalties and bank charges	37,392	(1,320)	48,174	2,295
Office expenses and other	28,873	29,590	64,702	274,110
Professional fees, consulting and investor relations	42,658	30,734	157,818	195,561
Rent	8,124	17,087	75,914	62,244
Salaries	107,865	(25,165)	372,297	444,763
Stock-based compensation (Note 7)	200,356	225,990	454,037	677,970
Travel	12,248	1,125	13,399	19,751
	<u>(440,931)</u>	<u>(465,495)</u>	<u>(1,259,904)</u>	<u>(1,894,804)</u>
NET LOSS AND COMPREHENSIVE LOSS BEFORE OTHER ITEM	(440,810)	(465,495)	(1,252,185)	(1,867,235)
OTHER ITEM				
Loss on sale of equipment	<u>-</u>	<u>-</u>	<u>(12,231)</u>	<u>-</u>
NET LOSS AND COMPREHENSIVE LOSS	(440,810)	(465,495)	(1,264,416)	(1,867,235)
DEFICIT – BEGINNING OF PERIOD	<u>(7,739,972)</u>	<u>(6,341,066)</u>	<u>(6,916,366)</u>	<u>(4,939,326)</u>
DEFICIT – END OF PERIOD	<u>\$ (8,180,782)</u>	<u>\$ 6,806,561</u>	<u>\$ (8,180,782)</u>	<u>\$ (6,806,561)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>
Weighted average number of shares outstanding	<u>73,011,673</u>	<u>58,029,105</u>	<u>71,636,257</u>	<u>58,931,772</u>

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

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

	Three Months Ended January 31, 2010	Three Months Ended January 31, 2009	Nine Months Ended January 31, 2010	Nine Months Ended January 31, 2009
OPERATING ACTIVITIES				
Net loss	\$ (440,810)	\$ (465,495)	\$ (1,264,416)	\$ (1,867,235)
Items not affecting cash:				
Amortization	15,498	36,284	85,130	111,472
Loss on sale of equipment	-	-	12,231	-
Foreign exchange	12,083	-	11,567	-
Accrued interest	(121)	-	(7,445)	-
Stock-based compensation	<u>200,356</u>	<u>225,990</u>	<u>454,037</u>	<u>677,970</u>
	(212,994)	(203,221)	(708,896)	(1,077,793)
Change in non-cash working capital items				
Accounts receivable	-	(790)	-	(43,187)
Prepaid expenses and other	(7,901)	(55)	9,558	51,300
Accounts payable and accrued liabilities	<u>(58,140)</u>	<u>(230,285)</u>	<u>(43,063)</u>	<u>(370,808)</u>
	(279,035)	(434,351)	(742,401)	(1,440,488)
FINANCING ACTIVITIES				
Issuance of capital stock and warrants (net of shares issue costs)	388,304	-	1,453,884	253,325
(Repayment of) long-term debt	<u>(6,427)</u>	<u>(11,996)</u>	<u>(42,580)</u>	<u>(3,224)</u>
	381,877	(11,996)	1,411,304	250,101
INVESTING ACTIVITIES				
Loan receivable	-	(9,093)	-	(57,015)
Term deposits	-	-	-	1,528,093
Proceeds on sale of equipment	-	-	229,964	-
Acquisition of equipment	-	(3,326)	-	(244,362)
Mineral properties	(86,134)	(89,231)	(737,703)	(2,053,949)
Deposits and bonds	<u>10,884</u>	<u>214,967</u>	<u>10,884</u>	<u>190,436</u>
	(75,250)	113,317	(496,855)	(636,797)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27,592	(333,030)	172,048	(1,827,184)
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	180,671	414,296	36,215	1,908,450
CASH AND CASH EQUIVALENTS – END OF PERIOD	\$ 208,263	\$ 81,266	\$ 208,263	\$ 81,266

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

NEVADA EXPLORATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
January 31, 2010
(In Canadian Dollars)

1. BASIS OF PRESENTATION

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

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 2107189 Ontario Inc. and its wholly owned United States subsidiary Pediment Gold LLC. Significant inter-company balances and transactions have been eliminated upon consolidation.

Recent accounting pronouncements

Business combinations

In January 2009, the CICA issued Handbook Section 1582, Business Combinations, which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Estimated obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

Consolidated financial statements

In January 2009, the CICA issued Handbook Section 1601, consolidated financial statements, which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for interim and annual consolidated financial statements beginning on or after January 1, 2011. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

NEVADA EXPLORATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
January 31, 2010
(In Canadian Dollars)

1. BASIS OF PRESENTATION (Continued)

International financial reporting standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of May 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

2. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated on April 6, 2006 under the Canada Business Corporations Act and is in the 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 of \$275,053 as at January 31, 2010. 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. Access to the capital markets to obtain equity financing is very uncertain, and may be unavailable to the Company on a timely basis.

3. EQUIPMENT

	January 31, 2010			April 30, 2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Exploration equipment	\$ 452,457	\$ 121,986	\$ 330,471	\$ 472,909	\$ 86,400	\$ 386,509
Vehicles	142,773	61,820	80,953	288,319	90,834	197,486
Computer equipment	23,257	14,919	8,338	23,257	11,062	12,195
Office equipment	80,868	42,428	38,440	87,720	38,367	49,533
	<u>\$ 699,355</u>	<u>\$ 241,153</u>	<u>\$ 458,202</u>	<u>\$ 917,238</u>	<u>\$ 267,187</u>	<u>\$ 645,723</u>

NEVADA EXPLORATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
January 31, 2010
(In Canadian Dollars)

4. MINERAL PROPERTIES

JANUARY 31, 2010

	AW	BU	DU	FJ	HP	JU	KC	RP	SP	WF	WM	Total
Acquisition costs												
Balance – beginning of period	\$ 273,615	\$ 274,460	\$ 45,306	\$ 223,171	\$ 33,519	\$ 86,502	\$ 260,161	\$ 110,683	\$ 146,786	\$ 131,478	\$ 47,353	\$ 1,633,034
Additions - cash	71,266	71,848	12,782	63,002	4,685	31,552	137,151	45,103	65,895	44,725	14,747	562,756
Additions - shares	-	-	-	-	-	-	9,250	-	-	-	-	9,250
Balance – end of period	344,881	346,308	58,088	286,173	38,204	118,054	406,562	155,786	212,681	176,203	62,100	2,205,040
Exploration costs												
Balance – beginning of period	522,276	921,262	38,923	1,043,403	799,405	51,930	55,330	51,691	83,148	42,104	78,644	3,688,116
Incurred during the period												
Drilling	-	-	-	(31,250)	-	-	-	-	-	-	-	(31,250)
Geochemical	-	1,085	-	242	152	-	-	-	-	-	-	1,479
Geophysics	-	-	-	-	-	-	-	-	-	42,286	-	42,286
Geological	6,267	13,535	-	10,551	118	5,365	-	-	-	-	-	35,836
Travel	-	(917)	-	5,918	1,434	-	109	-	-	-	5,919	12,463
Balance – end of period	528,543	934,965	38,923	1,028,864	801,109	57,295	55,439	51,691	83,148	84,390	84,563	3,748,930
Total costs	\$ 873,424	\$ 1,281,273	\$ 97,011	\$ 1,315,037	\$ 839,313	\$ 175,349	\$ 462,001	\$ 207,477	\$ 295,829	\$ 260,593	\$ 146,663	\$ 5,953,970

NEVADA EXPLORATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
January 31, 2010
(In Canadian Dollars)

4. MINERAL PROPERTIES (Continued)

APRIL 30, 2009

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

4. MINERAL PROPERTIES (Continued)

Awakening (AW)

The Awakening Project is located in Humboldt County, Nevada, approximately 50 km north-northwest of Winnemucca, Nevada. The Company has a 100% interest in 420 claims (approx. 34.0 km²) at Awakening. On July 1, 2008, the Company entered into a Mining Lease agreement with DIR Exploration Inc. ("DIR") on 15 claims (approx. 120 hectares), subject to a 3% NSR to DIR. Under the terms of the agreement, the Company is required to pay a minimum advanced royalty of USD\$60,000 annually commencing on the fourth anniversary.

Bull Creek (BU)

The Bull Creek Project is located in Humboldt County, Nevada, approximately 60 km west-northwest of Winnemucca, Nevada. The Company has a 100% interest in 301 claims (approx. 24.4 km²) at Bull Creek.

Dunphy (DU)

The Dunphy Project is located in Eureka County, Nevada, approximately 40 km east of Battle Mountain, Nevada. The Company has a 100% interest in 78 claims (approx. 6.3 km²) at Dunphy.

Fletcher Junction (FJ)

The Fletcher Junction Project is located in Mineral County, Nevada, approximately 30 km southwest of Hawthorne, Nevada. The Company has a 100% interest in 127 claims (approx. 10.3 km²) at the Fletcher Junction Project, subject to a 1.25% net smelter return royalty ("NSR") to Royal Gold, Inc.

Hot Pot (HP)

On September 16, 2005, the Company entered into a Mining Lease Agreement on 8.8 km² at the Hot Pot Project located in Humboldt County, Nevada, approximately 30 km northwest of Battle Mountain, Nevada. Under the terms of the agreement, the Company is required to make annual payments of USD\$20,000 on each anniversary, and the agreement is subject to a 3%NSR to the property owner. The Company also controls 6 claims (approx. 50 hectares) at Hot Pot. All of the Company's mineral interests at Hot Pot are subject to a 1.25% NSR to Royal Gold, Inc.

On 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.

Jungo (JU)

The Jungo Property is located in both Humboldt and Pershing Counties, Nevada, approximately 60 km west of Winnemucca, Nevada. The Company has a 100% interest in 192 claims (approx. 15.5 km²) at Jungo.

4. MINERAL PROPERTIES (Continued)

Kelly Creek (KC)

The Kelly Creek Project is located in Humboldt County, Nevada, approximately 40 km north-northwest of Battle Mountain, Nevada. The Company has a 100% interest in all 581 claims (approx. 47.0 km²) at Kelly Creek.

During the period ended October 1, 2009, the Company entered into a Mining Lease and Option to Purchase Agreement with Genesis Gold Corporation (“Genesis”). Under the Agreement, the Company is the Operator and has the option to purchase 100% of the Genesis claims for 50,000 common shares (issued) and USD\$1,500,000, subject to a 1.5% Net Smelter Return Royalty (“Royalty”). The Company also has the option to purchase one half of the royalty (0.75%) for USD\$750,000.

Rye Patch (RP)

The Rye Patch Project is located in Pershing County, Nevada, approximately 30 km northeast of Lovelock, Nevada. The Company has a 100% interest in 169 claims (approx. 13.7 km²) at Rye Patch. On May 22, 2008, the Company entered into a four year Mining Lease Agreement on an additional 65 hectares, subject to a 2.0% NSR. Under the terms of this agreement, the Company is required to make annual payments of USD\$10,000, and the Company has the option to purchase the property for USD\$325,000 at any time. On July 21, 2008, the Company entered into a four year Mining Lease Agreement on an additional 16 hectares, subject to a 2% NSR. Under the terms of this agreement the Company, is required to make annual payments of USD\$6,000, and the Company has the option to purchase this property for USD\$30,000.

Sand Pass (SP)

The Sand Pass Project is located in Humboldt County, Nevada, approximately 10 km north of Winnemucca, Nevada. The Company has a 100% interest in 197 claims (approx. 15.9 km²) at Sand Pass, and on July 10, 2008, the Company entered into a Mining Lease agreement for another 9.4 km² with multiple parties, subject to a 2% NSR. Under the terms of the agreement, the Company is required to make minimum lease payments of USD\$31,000 each anniversary.

Winnemucca Mountain (WM)

The Winnemucca Mountain Project is located in Humboldt County, Nevada, approximately 5 km west of Winnemucca, Nevada. The Company has a 100% interest in 90 claims (approx. 7.3 km²) at Winnemucca Mountain.

Whiskey Flats (WF)

The Whiskey Flats Project is located in Mineral County, Nevada, approximately 20 km south of Hawthorne, Nevada. The Company has a 100% interest in 273 claims (22.1 km²) at Whiskey Flats.

NEVADA EXPLORATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
January 31, 2010
(In Canadian Dollars)

5. LONG-TERM DEBT

	January 31, 2010	April 30, 2009
Loans bearing interest at 1.93% and 7.99% per annum, repayable in monthly instalments of US\$667 and US\$1,618 including interest, maturing in 2013, secured by the vehicles and equipment.	\$ 42,968	\$ 111,812
Current portion of long-term debt	<u>26,264</u>	<u>37,670</u>
	<u>\$ 69,232</u>	<u>\$ 74,142</u>

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

2010	\$ 6,417
2011	26,668
2012	28,360
2013	<u>7,787</u>
	<u>\$ 69,232</u>

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Share Amount	Contributed Surplus	Warrants
Authorized				
Unlimited number of voting common shares without par value				
Unlimited number of preferred shares with no par value				
Balance as at April 30, 2008	58,441,171	\$ 9,159,364	\$ 1,461,316	\$ 1,668,390
Exercise of options	-	150,000	-	-
Ascribed value of options exercised	250,000	128,066	(128,066)	-
Stock-based compensation	-	-	461,747	-
Expired/forfeited warrants	-	-	1,255,866	(1,255,866)
Exercise of warrants	337,933	103,325	-	-
Ascribed portion of warrants exercised	<u>-</u>	<u>133,781</u>	<u>-</u>	<u>(133,781)</u>
Balance as at April 30, 2009	59,029,104	9,674,536	3,050,863	278,743
Private placements	23,737,673	1,568,413	-	-
Share issue costs - cash	-	(114,529)	-	-
Agent units	50,000	9,500	-	-
Share issue costs - agent units	-	(9,500)	-	-
Share issue costs - agent warrants	-	(30,200)	-	30,200
Shares for property	50,000	9,250	-	-
Expired warrants	-	-	177,939	(177,939)
Stock-based compensation	<u>-</u>	<u>-</u>	<u>454,037</u>	<u>-</u>
Balance as at January 31, 2010	<u>82,866,777</u>	<u>\$ 11,107,470</u>	<u>\$ 3,682,839</u>	<u>\$ 131,004</u>

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

During the period ended January 31, 2010 the Company:

- i) issued 20,995,673 units for gross proceeds of \$1,102,272 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 resale restrictions imposed by applicable securities regulatory authorities. The Company paid share issue costs, in connection with the private placement, of CAD\$36,693 in cash, and 161,000 Broker Warrants with a fair value of \$9,300 exercisable under the same terms as those warrants issued as part of the Units in the Offering. All Broker Warrants are subject to a four month hold period expiring January 3, 2010.
- ii) completed a \$466,140 brokered private placement for 2,742,000 units at a price of \$0.17 per unit. Each unit consists of one common share and one-half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.22 for a period of 18 months. In connection with the private placement the Company:
 - i) paid cash share issuance costs of \$37,291.
 - ii) issued 274,200 agent warrants with a fair value of \$20,900
 - iii) issued 50,000 units to the agent with a fair value of \$0.17 per unit, or \$9,500.

7. STOCK OPTIONS AND WARRANTS

Stock options

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.

During the period ended January 31, 2010, the Company:

- 1) granted 1,900,000 stock options resulting in stock-based compensation of \$282,500 using the Black-Scholes Option Pricing model. These amounts were recorded as contributed surplus on the balance sheet. The weighted average fair value of the options granted was \$0.15 per option. The Company also recorded stock based-compensation of \$125,574 as a result of vesting provisions tied to options granted in previous fiscal years.
- 2) re-priced the exercise price of 1,550,000 options to \$0.15 resulting in an incremental fair value of \$49,200 using the Black-Scholes Option Pricing model. The original exercise prices were \$0.60-\$1.00. \$45,963 was recorded as contributed surplus on the balance sheet, the remainder will be recorded in future periods to match the vesting periods. The weighted average fair value of the options re-priced was \$0.03 per option.

Option pricing models require the use of estimates and assumptions including the expected volatility. Changes in underlying assumptions can materially affect the fair value estimates.

NEVADA EXPLORATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
January 31, 2010
(In Canadian Dollars)

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

The following weighted average assumptions were used for the Black-Scholes valuation of options granted and re-priced during the nine month period ended January 31, 2010:

	Granted	Re-priced
Risk-free interest rate	2.57%	1.54%
Expected life of options	5 years	2.81 years
Annualized volatility	149.38%	146.55%
Dividend rate	0.00%	0.00%

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

	Number of Options	Weighted Average Exercise Price
Balance, April 30, 2008	5,055,000	\$ 0.77
Expired/forfeited	(1,955,000)	0.70
Exercised	(250,000)	0.70
Granted/vesting	<u>200,000</u>	0.78
Balance, April 30, 2009	3,050,000	0.83
Granted/vesting	1,900,000	0.16
Forfeited	(300,000)	0.98
Re-priced	(1,550,000)	0.86
Re-priced	<u>1,550,000</u>	0.15
Balance, January 31, 2010	4,650,000	\$ 0.31
Number of options currently exercisable	3,650,000	\$ 0.30

Warrants

During the period ended January 31, 2010, the Company granted 435,200 agents' warrants resulting in a fair value of \$30,200 using the Black-Scholes Option Pricing model. These amounts were recorded as warrants on the balance sheet. The weighted average fair value of the warrants granted was \$0.07 per warrant.

NEVADA EXPLORATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
January 31, 2010
(In Canadian Dollars)

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

Warrants (cont'd...)

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

	Nine Month Period Ended January 31, 2010
Risk-free interest rate	1.17%
Expected life of options	1.67 years
Annualized volatility	152.87%
Dividend rate	0.00%

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

	Number of Warrants	Weighted Average Exercise Price
Balance, April 30, 2008	5,266,933	\$ 0.76
Expired/forfeited	(4,024,000)	0.64
Exercised	<u>(337,933)</u>	0.80
Balance, April 30, 2009	905,000	1.50
Granted	12,329,037	0.12
Expired	<u>(510,000)</u>	1.50
Balance, January 31, 2010	12,724,037	\$ 0.16
Number of warrants currently exercisable	12,724,037	\$ 0.16

NEVADA EXPLORATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
January 31, 2010
(In Canadian Dollars)

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

Warrants (cont'd...)

The following incentive stock options and share purchase warrants were outstanding as at January 31, 2010:

	Number of shares	Exercise price	Expiry date
Stock options	200,000	\$ 0.60	March 9, 2012
	400,000	0.15	March 9, 2012
	500,000	0.60	April 23, 2011
	150,000	0.95	June 8, 2012
	200,000	0.15	June 8, 2012
	150,000	1.00	June 11, 2012
	200,000	1.00	March 4, 2013
	750,000	0.15	March 4, 2013
	200,000	0.15	June 13, 2013
	1,300,000	0.16	September 30, 2014
	600,000	1.17	November 17, 2014
Warrants	395,000	1.50	March 12, 2010
	4,019,481	0.10	August 20, 2011
	6,639,356	0.10	September 2, 2011
	1,670,200	0.22	May 19, 2011

8. RELATED PARTY TRANSACTIONS

During the period ended January 31, 2010, the Company:

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

As at January 31, 2010:

- i) loans receivable include an amount of \$221,697 (April 30, 2009 - \$234,927) receivable from two officers and directors of the Company. The loans receivable are guaranteed by 2,100,000 common shares of the Company that are currently being held in trust. To date loans receivable includes interest of approximately \$33,061, \$7,445 of which was accrued during the nine month period ended January 31, 2010.
- ii) accounts payable and accrued liabilities included:
 - a. an amount of \$15,000 due to a firm in which an officer and director of the Company is a partner.
 - b. an amount of \$80,243 (US\$74,930) due to officers and directors of the Company for salary payable.

NEVADA EXPLORATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
January 31, 2010
(In Canadian Dollars)

8. RELATED PARTY TRANSACTIONS (cont'd...)

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

9. COMMITMENTS

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

2010	\$ 24,326
2011	98,396
2012	101,042
2013	<u>59,856</u>
	<u>\$ 283,619</u>

10. FINANCIAL INSTRUMENTS

RISK MANAGEMENT POLICIES

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

FAIR VALUE

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

As at January 31, 2010 and April 30, 2009, 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 11 ("Capital Disclosures"). It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the normal course of business.

NEVADA EXPLORATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
January 31, 2010
(In Canadian Dollars)

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

LIQUIDITY RISK (cont'd...)

As at January 31, 2010, the Company was holding cash of \$208,263 and current liabilities of \$167,711. As a result of the limited cash the Company is exposed to liquidity risk and is reliant on the Company's ability to complete and equity financing.

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, 2010, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	<u>\$US</u>
Cash and cash equivalents	22,219
Loans receivable	211,598
Deposits and bonds	89,900
Accounts payable and accrued liabilities	(103,383)
Long term debt	(64,649)

NET EXPOSURE

Based on the above net exposures as at January 31, 2010, 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 \$15,600 in the loss from operations.

11. CAPITAL DISCLOSURES

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

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

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

NEVADA EXPLORATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
January 31, 2010
(In Canadian Dollars)

12. SEGMENTED INFORMATION

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

	January 31, <u>2010</u>	April 30, <u>2009</u>
CAPITAL ASSETS		
United States		
Equipment	\$ 458,202	\$ 645,723
Mineral properties	<u>5,953,970</u>	<u>5,321,150</u>
	<u>\$ 6,412,172</u>	<u>\$ 5,966,873</u>