

**NEVADA EXPLORATION INC.**

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

**FOR THE THREE MONTHS ENDED JULY 31, 2012**

## **UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the period ended July 31, 2012

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

	July 31, 2012	April 30, 2012
		(Audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 453,042	\$ 777,826
Accounts receivable (Note 3)	83,385	15,190
Prepaid expenses (Note 4)	15,523	16,279
Loans receivable (Note 16)	<u>9,305</u>	<u>9,052</u>
<b>Total current assets</b>	<u>561,255</u>	<u>818,347</u>
<b>Non-current assets</b>		
Equipment (Note 6)	156,989	162,440
Exploration and evaluation assets (Note 7)	6,178,755	6,002,903
Deposits and bonds (Note 8)	<u>94,340</u>	<u>93,101</u>
<b>Total non-current assets</b>	<u>6,430,084</u>	<u>6,258,444</u>
<b>Total assets</b>	<u>\$ 6,991,339</u>	<u>\$ 7,076,791</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 230,082	\$ 233,663
Current portion of finance lease obligations (Note 10)	<u>5,317</u>	<u>7,184</u>
<b>Total current liabilities</b>	<u>235,399</u>	<u>240,847</u>
<b>Equity</b>		
Capital stock (Note 11)	15,133,699	15,072,716
Reserves (Note 12)	1,152,950	1,323,621
Deficit	<u>(9,530,709)</u>	<u>(9,560,393)</u>
<b>Total equity</b>	<u>6,755,940</u>	<u>6,835,944</u>
<b>Total liabilities and equity</b>	<u>\$ 6,991,339</u>	<u>\$ 7,076,791</u>

**Nature of operations and going concern** (Note 1)

**Approved and authorized on behalf of the Board on September 21, 2012:**

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

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

	Three months ended July 31, 2012	Three months ended July 31, 2011
<b>INCOME</b>		
Project management and consulting	\$ 62,442	\$ 219,824
Interest	<u>117</u>	<u>105</u>
<b>Total income</b>	<u>62,559</u>	<u>219,929</u>
<b>EXPENSES</b>		
Amortization	17,380	17,043
General exploration costs	11,170	-
Interest and bank charges	464	788
Office expenses and other	18,744	17,612
Professional fees, consulting and investor relations (Note 5)	41,172	47,624
Project management and consulting	24,700	41,119
Rent	23,946	26,525
Salaries (Note 17)	106,993	108,298
Share-based payment (Note 12)	2,634	1,821
Travel	<u>1,085</u>	<u>3,775</u>
	<u>248,288</u>	<u>264,605</u>
<b>Loss from operations</b>	(185,729)	(44,676)
<b>OTHER COMPREHENSIVE INCOME</b>		
Currency translation adjustment	<u>83,515</u>	<u>54,766</u>
<b>Comprehensive income (loss) for the period</b>	<u>\$ (102,214)</u>	<u>\$ 10,090</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
<b>Weighted average number of common shares outstanding</b>	<u>118,000,634</u>	<u>100,633,938</u>

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

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

	Capital Stock			Reserves					Total Equity
	Shares	Amount	Subscriptions Received	Options	Warrants	Currency Translation	Total Reserves	Deficit	
Balance, May 1, 2011	100,532,851	\$ 13,165,319	\$ -	\$ 1,838,008	\$ 599,596	\$ (439,962)	\$ 1,997,642	\$ (9,419,477)	\$ 5,743,484
Private placements	4,650,000	372,000	-	-	-	-	-	-	372,000
Share issuance costs – cash	-	(15,280)	-	-	-	-	-	-	(15,280)
Share issuance costs – warrants	-	(37,937)	-	-	37,937	-	37,937	-	-
Share issuance costs – agent warrants	-	(3,470)	-	-	3,470	-	3,470	-	-
Subscriptions received	-	-	40,000	-	-	-	-	-	40,000
Stock-based payment	-	-	-	1,821	-	-	1,821	-	1,821
Options expired	-	-	-	(272,178)	-	-	(272,178)	272,178	-
Warrants expired	-	149,100	-	-	(149,100)	-	(149,100)	-	-
Other comprehensive income	-	-	-	-	-	54,766	54,766	-	54,766
Loss from operations	-	-	-	-	-	-	-	(44,676)	(44,676)
<b>Balance, July 31, 2011</b>	<b>105,182,851</b>	<b>\$ 13,629,732</b>	<b>\$ 40,000</b>	<b>\$ 1,567,651</b>	<b>\$ 491,903</b>	<b>\$ (385,196)</b>	<b>\$ 1,674,358</b>	<b>\$ (9,191,975)</b>	<b>\$ 6,152,115</b>
Balance, May 1, 2012	117,815,851	\$ 15,072,716	\$ -	\$ 1,320,749	\$ 199,166	\$ (196,294)	\$ 1,323,621	\$ (9,560,393)	\$ 6,835,944
Shares for debt	200,000	20,000	-	-	-	-	-	-	20,000
Share issuance costs – cash	-	(424)	-	-	-	-	-	-	(424)
Stock-based payment	-	-	-	2,634	-	-	2,634	-	2,634
Options expired	-	-	-	(215,413)	-	-	(215,413)	215,413	-
Warrants expired	-	41,407	-	-	(41,407)	-	(41,407)	-	-
Other comprehensive income	-	-	-	-	-	83,515	83,515	-	83,515
Loss from operations	-	-	-	-	-	-	-	(185,729)	(185,729)
<b>Balance, July 31, 2012</b>	<b>118,015,851</b>	<b>\$ 15,133,699</b>	<b>\$ -</b>	<b>\$ 1,107,970</b>	<b>\$ 157,759</b>	<b>\$ (112,779)</b>	<b>\$ 1,152,950</b>	<b>\$ (9,530,709)</b>	<b>\$ 6,755,940</b>

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

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

	Three months ended July 31, 2012	Three months ended July 31, 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss from operations	\$ (185,729)	\$ (44,676)
Items not affecting cash:		
Amortization	17,380	17,043
Accrued interest	(117)	(109)
Loan receivable paid through salary	-	10,203
Stock-based payment	2,634	1,821
Changes in non-cash working capital items:		
Accounts receivables	(68,195)	(43,207)
Prepaid expenses	756	-
Accounts payable and accrued liabilities	(533)	118,714
<b>Net cash provided by (used in) operating activities</b>	<u>(233,804)</u>	<u>59,789</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Deposits and bonds	-	8,600
Proceeds from mineral property option	-	83,129
Exploration and evaluation expenditures	(68,316)	(17,504)
<b>Net cash provided by (used in) investing activities</b>	<u>(68,316)</u>	<u>74,225</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of capital stock and warrants (net of share issuance costs)	(424)	356,720
Subscriptions received	-	40,000
Repayment of finance lease obligations	(1,867)	(7,294)
<b>Net cash provided by (used in) financing activities</b>	<u>(2,291)</u>	<u>389,426</u>
<b>Effect of foreign exchange rate on cash balances</b>	<u>(20,373)</u>	<u>1,523</u>
<b>Change in cash for the period</b>	(324,784)	524,963
<b>Cash, beginning of period</b>	<u>777,826</u>	<u>151,145</u>
<b>Cash, end of period</b>	<u>\$ 453,042</u>	<u>\$ 676,108</u>

**Supplemental disclosure with respect to cash flows (Note 13)**

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

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

The Company was incorporated on April 6, 2006 under the Canada Business Corporations Act and is in the business of acquiring and exploring mineral properties. On July 14, 2010, the Company amalgamated with its subsidiary 2107189 Ontario Inc. The Company has not yet determined whether its properties contain reserves that are economically recoverable. The amounts shown for mineral properties and related deferred exploration costs represent costs incurred to date and do not reflect present or future values. The recoverability of these capitalized costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves, and future profitable production.

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

These condensed consolidated interim financial statements are authorized for issue on behalf of the Board of Directors on September 21, 2012.

### Going concern

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis that presumes the realization of assets and discharge of liabilities in the normal course of business. There are material uncertainties related to adverse conditions and events that cast significant doubt on the Company's ability to continue as a going concern.

During the period ended July 31, 2012, the Company incurred a comprehensive loss of \$102,214 and as at that date, the Company had accumulated deficit of \$9,530,709, a working capital surplus of \$325,826 and negative cash flows from operations of \$233,804. These factors create material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

As is common with junior mining companies, the Company continues to seek capital through various means including the issuance of equity and/or debt to finance its on-going and planned exploration activities and to cover administrative costs.

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

Recovery of the carrying value of the mining claims and related deferred exploration expenditures are dependent upon the discovery of economically recoverable resources, the ability of the Company to develop necessary financing to continue exploration and development, the ability of the Company to secure and maintain title and beneficial interest in the properties, entering into agreements with others to explore and develop the properties and upon future profitable production or proceeds from disposition of such properties.

These condensed consolidated interim 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. Such adjustments would be material.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Statement of Compliance**

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee (IFRICs). Accordingly, they do not include all of the information required for full annual financial statements by International Financial Reporting Standards (“IFRS”) for complete financial statements for year end reporting purposes. Results for the period ended July 31, 2012, are not necessarily indicative of future results.

The accounting policies applied by the Company in these condensed consolidated interim financial statements other than as noted in Note 2 (b) are the same as those applied by the Company in its most recent annual consolidated financial statements as at and for the year ended April 30, 2012 as filed on SEDAR at [www.sedar.com](http://www.sedar.com).

### **(b) New Accounting Standards and Amendments to Existing Standards**

#### New and amended standards adopted by the Company

Effective May 1, 2012, the Company adopted amendments to IFRS 7, *Financial Instruments: Disclosures* that were issued by the IASB. The application of these amendments has not had any material impact on current and prior year disclosures but may affect disclosures for future transactions or arrangements.

#### New or revised standards and amendments to existing standards not yet effective

The Company has not applied the following new or revised standards and amendments that have been issued but are not yet effective at July 31, 2012:

- (i) Effective for annual periods beginning on or after July 1, 2012
  - Amendments to IAS 1, *Presentation of Financial Statements*
- (ii) Effective for annual periods beginning on or after January 1, 2013
  - New standard IFRS 10, *Consolidated Financial Statements*
  - New standard IFRS 11, *Joint Arrangements*
  - New standard IFRS 12, *Disclosure of Interests in Other Entities*
  - New standard IFRS 13, *Fair Value Measurement*
  - Reissued IAS 27, *Separate Financial Statements*
  - Reissued IAS 28, *Investments in Associates and Joint Ventures*
- (iii) Effective for annual periods beginning on or after January 1, 2015
  - New standard IFRS 9, *Financial Instruments, Classification and Measurement*

The Company is currently assessing the impact that these standards will have on the Company’s consolidated financial statements.

## **3. ACCOUNTS RECEIVABLE**

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



**NEVADA EXPLORATION INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)  
(Expressed in Canadian Dollars)  
**JULY 31, 2012**

**3. ACCOUNTS RECEIVABLE (cont'd...)**

	July 31, 2012	April 30, 2012
HST receivable	\$ 21,813	\$ 15,190
Accounts receivable	<u>61,572</u>	<u>-</u>
<b>Total</b>	<b>\$ 83,385</b>	<b>\$ 15,190</b>

**4. PREPAID EXPENSES**

The prepaid expenses for the Company are as follows:

	July 31, 2012	April 30, 2012
<u>Security deposit for rental of premises</u>	<u>\$ 15,523</u>	<u>\$ 16,279</u>

**5. RELATED PARTY TRANSACTIONS**

During the period ended July 31, 2012, the Company paid or accrued \$18,650 (2011 - \$25,000) in professional fees to a firm in which the Chief Financial Officer of the Company is a partner.

During the period ended July 31, 2012, the Company entered into an Exploration and Option to Joint Venture Agreement with Spruce Ridge Resources Ltd. ("Spruce Ridge") on the Company's Fletcher Junction Project. A Director of the Company is also an Officer and Director of Spruce Ridge.

The amounts due to related parties are as follows:

	July 31, 2012	April 30, 2012
<u>Firm of which the Chief Financial Officer is a partner</u>	<u>\$ 35,888</u>	<u>\$ 32,136</u>

**NEVADA EXPLORATION INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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JULY 31, 2012

**6. EQUIPMENT**

	Exploration equipment	Vehicles	Computer equipment	Office equipment	Total
<b>Cost</b>					
Balance, April 30, 2012	\$ 238,528	\$ 71,087	\$ 75,997	\$ 76,619	\$ 462,231
Effect of translation	<u>13,085</u>	<u>1,080</u>	<u>1,154</u>	<u>1,693</u>	<u>17,012</u>
Balance, July 31, 2012	\$ 251,613	\$ 72,167	\$ 77,151	\$ 78,312	\$ 479,243
<b>Accumulated amortization</b>					
Balance, April 30, 2012	147,537	59,427	21,662	71,165	299,791
Amortization	10,849	3,608	-	2,923	17,380
Effect of translation	<u>2,241</u>	<u>903</u>	<u>329</u>	<u>1,610</u>	<u>5,083</u>
Balance, July 31, 2012	\$ 160,627	\$ 63,938	\$ 21,991	\$ 75,698	\$ 322,254
<b>Carrying amounts</b>					
As at April 30, 2012	\$ 90,991	\$ 11,660	\$ 54,335	\$ 5,454	\$ 162,440
As at July 31, 2012	\$ 90,986	\$ 8,229	\$ 55,160	\$ 2,614	\$ 156,989

Included in equipment at July 31, 2012 are:

- i) assets under finance lease with a cost of \$118,203 (April 30, 2012 - \$116,435) and accumulated amortization of \$82,398 (April 30, 2012 - \$75,344). The Company recorded amortization of \$5,910 (2011 - \$5,631) on leased assets.
- ii) database not yet available for use with a cost of \$55,160 (April 30, 2012 - \$54,538). No amortization has been taken on this computer equipment in the current period.

**NEVADA EXPLORATION INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)  
(Expressed in Canadian Dollars)  
JULY 31, 2012

**7. EXPLORATION AND EVALUATION ASSETS**

As at July 31, 2012:

	<b>AW</b>	<b>BU</b>	<b>FJ</b>	<b>HP</b>	<b>JU</b>	<b>KC</b>	<b>RP</b>	<b>SP</b>	<b>WF</b>	<b>TOTAL</b>
<b>Acquisition costs</b>										
Balance – beginning of period	\$ 164,063	\$ 399,961	\$ 267,010	\$ 56,520	\$ 156,360	\$ 644,510	\$ 192,187	\$ 301,753	\$ 200,844	\$2,383,208
Additions - cash	-	-	-	-	-	-	5,015	30,978	-	35,993
Effect of translation	<u>2,456</u>	<u>5,988</u>	<u>3,998</u>	<u>846</u>	<u>2,341</u>	<u>9,650</u>	<u>2,953</u>	<u>4,982</u>	<u>3,007</u>	<u>36,221</u>
Balance – end of period	<u>166,519</u>	<u>405,949</u>	<u>271,008</u>	<u>57,366</u>	<u>158,701</u>	<u>654,160</u>	<u>200,155</u>	<u>337,713</u>	<u>203,851</u>	<u>2,455,422</u>
<b>Exploration costs</b>										
Balance – beginning of period	624,356	869,907	1,012,327	764,783	60,104	54,234	64,165	85,739	84,080	3,619,695
Drilling	5,446	9,975	-	-	-	6,076	-	-	-	21,497
Geophysics	-	-	-	-	-	11,361	-	-	-	11,361
Geological	1,755	3,753	-	849	-	6,938	-	-	-	13,295
Travel	493	1,699	161	-	-	207	-	-	-	2,560
Effect of translation	<u>9,463</u>	<u>13,256</u>	<u>15,159</u>	<u>11,463</u>	<u>900</u>	<u>1,180</u>	<u>961</u>	<u>1,284</u>	<u>1,259</u>	<u>54,925</u>
Balance – end of period	<u>641,513</u>	<u>898,590</u>	<u>1,027,647</u>	<u>777,095</u>	<u>61,004</u>	<u>79,996</u>	<u>65,126</u>	<u>87,023</u>	<u>85,339</u>	<u>3,723,333</u>
<b>Total costs</b>	<b>\$ 808,032</b>	<b>\$1,304,539</b>	<b>\$1,298,655</b>	<b>\$ 834,461</b>	<b>\$ 219,705</b>	<b>\$ 734,156</b>	<b>\$ 265,281</b>	<b>\$ 424,736</b>	<b>\$ 289,190</b>	<b>\$6,178,755</b>

**NEVADA EXPLORATION INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)  
(Expressed in Canadian Dollars)  
JULY 31, 2012

**7. EXPLORATION AND EVALUATION ASSETS**

As at April 30, 2012:

	<b>AW</b>	<b>BU</b>	<b>FJ</b>	<b>HP</b>	<b>JU</b>	<b>KC</b>	<b>RP</b>	<b>SP</b>	<b>WF</b>	<b>TOTAL</b>
<b>Acquisition costs</b>										
Balance – beginning of year	\$ 238,492	\$ 344,641	\$ 238,965	\$ 33,461	\$ 126,760	\$ 483,426	\$ 160,954	\$ 237,356	\$ 174,499	\$2,038,554
Additions - cash	2,254	39,605	17,554	20,838	23,456	135,760	23,682	52,541	18,454	334,144
Option payments received	(83,129)	-	-	-	-	-	-	-	-	(83,129)
Effect of translation	<u>6,446</u>	<u>15,715</u>	<u>10,491</u>	<u>2,221</u>	<u>6,144</u>	<u>25,324</u>	<u>7,551</u>	<u>11,856</u>	<u>7,891</u>	<u>93,639</u>
Balance – end of year	<u>164,063</u>	<u>399,961</u>	<u>267,010</u>	<u>56,520</u>	<u>156,360</u>	<u>644,510</u>	<u>192,187</u>	<u>301,753</u>	<u>200,844</u>	<u>2,383,208</u>
<b>Exploration costs</b>										
Balance – beginning of year	587,098	835,727	972,551	722,804	57,078	49,910	60,980	81,706	80,776	3,448,630
Drilling	12,726	-	-	-	-	2,193	-	-	-	14,919
Geological	-	-	-	11,549	664	-	664	664	-	13,541
Travel	-	-	-	382	-	-	-	-	-	382
Effect of translation	<u>24,332</u>	<u>34,180</u>	<u>39,776</u>	<u>30,048</u>	<u>2,362</u>	<u>2,131</u>	<u>2,521</u>	<u>3,369</u>	<u>3,304</u>	<u>142,223</u>
Balance – end of year	<u>624,356</u>	<u>869,907</u>	<u>1,012,327</u>	<u>764,783</u>	<u>60,104</u>	<u>54,234</u>	<u>64,165</u>	<u>85,739</u>	<u>84,080</u>	<u>3,619,695</u>
<b>Total costs</b>	<b>\$ 788,419</b>	<b>\$1,269,868</b>	<b>\$1,279,337</b>	<b>\$ 821,303</b>	<b>\$ 216,464</b>	<b>\$ 698,744</b>	<b>\$ 256,352</b>	<b>\$ 387,492</b>	<b>\$ 284,924</b>	<b>\$6,002,903</b>

**7. EXPLORATION AND EVALUATION ASSETS (cont'd....)**

**Awakening (AW)**

The Awakening Project is located in Humboldt County, Nevada, approximately 50 km north-northwest of Winnemucca, Nevada. The Company has a 100% interest in 432 claims (approx. 35.9 km<sup>2</sup>) 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). Based on the results of the Company's work to date at the Awakening Project, the Company has focused its exploration on areas within the claims controlled directly by NGE; accordingly, NGE terminated the Mining Lease during the period ended July 31, 2012.

On June 4, 2010, the Company entered into an Exploration and Option to Joint Venture Agreement with Northgate Minerals Corp. ("Northgate"), whereby Northgate could earn a joint venture interest in the Awakening Gold Project.

In October, 2011, Northgate was acquired by AuRico Gold Inc. ("AuRico"), and during the year ended April 30, 2012, AuRico elected to terminate the Agreement and retains no interest in the project.

**Bull Creek (BU)**

The Bull Creek Project is located in Humboldt County, Nevada, approximately 60 km west-northwest of Winnemucca, Nevada. The Company has a 100% interest in 264 claims (approx. 21.9 km<sup>2</sup>) at Bull Creek.

**Fletcher Junction (FJ)**

The Fletcher Junction Project is located in Mineral County, Nevada, approximately 30 km southwest of Hawthorne, Nevada. The Company has a 100% interest in 117 claims (approx. 9.6 km<sup>2</sup>) at the Fletcher Junction Project, subject to a 1.25% net smelter return royalty ("NSR").

During the period ended July 31, 2012, the Company entered into an Exploration and Option to Joint Venture Agreement with Spruce Ridge Resources Ltd. ("Spruce Ridge"), whereby Spruce Ridge may earn a 70% joint venture interest in the property by funding \$2,600,000 in qualifying expenditures and making \$300,000 in payments over 4 years. Subject to TSX approval, Spruce Ridge may elect to pay up to 50% of the payments by issuing Spruce common shares. If Spruce Ridge completes earn-in, Spruce Ridge may earn an additional 15% for a total of 85%, by completing a feasibility report.

**Hot Pot (HP)**

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

On September 16, 2009, the Company entered into an Exploration Agreement with International Enexco Ltd. ("Enexco") whereby Enexco could earn a 51% interest in the Hot Pot Property by drilling 6,000 meters (19,600ft) over three years, with the option to earn an additional 19%, for 70% total, by drilling another 3,000 meters (9,800ft) during the fourth year. During the year ended April 30, 2012, Enexco elected to terminate the agreement and retains no interest in the project.

**7. EXPLORATION AND EVALUATION ASSETS (cont'd....)**

**Jungo (JU)**

The Jungo Property is located in both Humboldt and Pershing Counties, Nevada, approximately 60 km west of Winnemucca, Nevada. The Company has a 100% interest in 156 claims (approx. 13.0 km<sup>2</sup>) at Jungo.

**Kelly Creek (KC)**

The Kelly Creek Project is located in Humboldt County, Nevada, approximately 40 km north-northwest of Battle Mountain, Nevada. The Company has a 100% interest in 581 claims (approx. 48.5 km<sup>2</sup>) at Kelly Creek.

On October 1, 2009, the Company entered into a Mining Lease and Option to Purchase Agreement with Genesis Gold Corporation ("Genesis"). Genesis has 100% interest in 254 claims (approx. 20.2 km<sup>2</sup>) at Kelly Creek under the Agreement, the Company is the Operator and has the option to purchase 100% of the Genesis claims for 100,000 common shares (50,000 shares issued in 2011, 50,000 shares issued in 2010) and US\$1,500,000, subject to a 1.5% Net Smelter Return Royalty ("Royalty"). The Company also has the option to purchase one half of the royalty (0.75%) for US\$750,000. The share issuance transaction is measured at fair value of the shares issued as the fair value of the option payment could not be reliably measured.

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

1 <sup>st</sup> anniversary	\$	5,000	(paid)
2 <sup>nd</sup> anniversary		10,000	(paid)
3 <sup>rd</sup> and 4 <sup>th</sup> anniversary		10,000	
5 <sup>th</sup> and each subsequent anniversaries		50,000	

**Rye Patch (RP)**

The Rye Patch Project is located in Pershing County, Nevada, approximately 30 km northeast of Lovelock, Nevada. The Company has a 100% interest in 126 claims (approx. 10.0 km<sup>2</sup>) at Rye Patch.

On May 22, 2008, the Company entered into a four year Mining Lease Agreement on an additional 65 hectares, subject to a 2.0% NSR. On November 9, 2010, an amendment to the agreement was made reducing the Company's annual payments from US\$10,000 to US\$5,000 effective May 22, 2010. The amendment also waived the exclusivity of the Company's option to purchase the property for US\$325,000.

On July 21, 2008, the Company entered into a four year Mining Lease Agreement on an additional 16 hectares, subject to a 2% NSR. Under the terms of this agreement the Company is required to make annual payments of US\$6,000, and the Company has the option to purchase this property for US\$30,000. During fiscal 2011 and 2012 the Company did not make the annual payment of US\$6,000 as the Company is trying to re-negotiate this agreement. The Company has attempted to contact the owner and has not received a notice of default.

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**7. EXPLORATION AND EVALUATION ASSETS (cont'd....)**

**Sand Pass (SP)**

The Sand Pass Project is located in Humboldt County, Nevada, approximately 10 km north of Winnemucca, Nevada. The Company has a 100% interest in 145 claims (approx. 12.0 km<sup>2</sup>) at Sand Pass, and on July 10, 2008, the Company entered into a Mining Lease agreement for another 9.4 km<sup>2</sup> with multiple parties, subject to a 2% NSR. Under the terms of the agreement, the Company is required to make minimum lease payments of US\$31,000 each anniversary, which is being fulfilled every year.

**Whiskey Flats (WF)**

The Whiskey Flats Project is located in Mineral County, Nevada, approximately 20 km south of Hawthorne, Nevada. The Company has a 100% interest in 123 claims (9.4 km<sup>2</sup>) at Whiskey Flats.

**8. DEPOSITS AND BONDS**

	July 31, 2012	April 30, 2012
Security deposits <sup>(1)</sup>	\$ 11,500	\$ 11,500
Reclamation bond deposits <sup>(2)</sup>	<u>82,840</u>	<u>81,601</u>
	<u>\$ 94,340</u>	<u>\$ 93,101</u>

(1) Security deposits consists of a \$11,500 guaranteed investment certificate ("GIC") maturing on August 3, 2013 and bearing interest at prime. The GIC is used to secure the credit limit on a credit card.

(2) Reclamation deposits are required by the U.S. Bureau of Land Management ("BLM") and the U.S. Forest Service ("USFS") to ensure that any reclamation and clean-up work required on the Company's properties will be completed to the satisfaction of the BLM and the USFS. The Company does not have any asset retirement obligations as of July 31, 2012.

**9. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES**

Payables and accrued liabilities for the Company are as follows:

	July 31, 2012	April 30, 2012
Customer prepayments	\$ 88,216	\$ 67,138
Trade payables	74,966	62,000
Due to related parties (Note 5)	35,888	32,136
Accrued liabilities	28,922	51,102
Salaries payable	<u>2,090</u>	<u>21,287</u>
Total	<u>\$ 230,082</u>	<u>\$ 233,663</u>

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**10. FINANCE LEASE OBLIGATIONS**

The Company has a finance lease obligation for a leased vehicle, with blended monthly payments of principal and interest of US\$677 and bearing interest at a rate of 1.93% per annum.

	July 31, 2012	April 30, 2012
Lease obligations	\$ 5,348	\$ 7,253
Deduct: amount representing interest	<u>(31)</u>	<u>(69)</u>
Present value of minimum lease payments due	5,317	7,184
Less: current portion	<u>(5,317)</u>	<u>(7,184)</u>
	<u>\$ -</u>	<u>\$ -</u>

Remaining fiscal principal repayments of the finance lease obligation is \$5,317.

**11. CAPITAL STOCK**

a) Authorized share capital:

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

b) Issued share capital:

During the period ended July 31, 2012, the Company settled outstanding indebtedness to a vendor of \$20,000 through the issuance of 200,000 common shares of the Company at a deemed price of \$0.10 per common share.

During the period ended July 31, 2011, the Company completed a non-brokered private placement by issuing 4,650,000 Units at a price of \$0.08 per Unit for total gross proceeds of \$372,000. Each unit consists of one common share and one-half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.12 for a period of one year (expired during the period – Note 12 (b)). Fair value allocated in connection to these warrants was \$37,937. In connection with the private placement, the Company:

- a) paid cash share issuance costs of \$15,280; and
- b) issued 191,000 agent warrants with a fair value of \$3,470, where each agent warrant entitles the holder to purchase one common share at a price of \$0.12 for a period of one year (expired during the period – Note 12 (b)). In the absence of a reliable measurement of the services received, the services have been measured at the fair value of the agent warrants issued.



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**12. RESERVES**

a) Options

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

During the period ended July 31, 2012, the Company recorded share-based payment expense of \$2,634 for unvested options at fiscal year 2012 which vested during the period.

During the period ended July 31, 2011, the Company recorded share-based payment expense of \$1,821 for unvested options at fiscal year 2011 which vested during the comparative period.

A continuity of share purchase options for the period ended July 31, 2012 is as follows:

Expiry date	Exercise price	April 30, 2012	Granted	Expired	July 31, 2012	Exercisable
June 8, 2012	\$ 0.95	150,000	-	(150,000)	-	-
June 11, 2012	1.00	150,000	-	(150,000)	-	-
March 4, 2013	0.10	550,000	-	-	550,000	550,000
June 10, 2013	0.15	200,000	-	-	200,000	200,000
September 30, 2014	0.16	250,000	-	-	250,000	250,000
September 30, 2014	0.10	900,000	-	-	900,000	900,000
November 17, 2014	0.10	600,000	-	-	600,000	600,000
December 31, 2015	0.10	3,100,000	-	-	3,100,000	3,100,000
August 9, 2016	0.10	2,500,000	-	-	2,500,000	2,437,500
<b>Total</b>		<b>8,400,000</b>	<b>-</b>	<b>(300,000)</b>	<b>8,100,000</b>	<b>8,037,500</b>
<b>Weighted average exercise price</b>		<b>0.13</b>		<b>0.98</b>	<b>0.10</b>	<b>0.10</b>
<b>Weighted average remaining life of options outstanding</b>					<b>3.09 years</b>	

b) Warrants

A continuity of warrants for the period ended July 31, 2012 is as follows:

Expiry date		Exercise price	April 30, 2012	Granted	Expired	July 31, 2012	Exercisable
July 30, 2012	(i), (iv)	\$ 0.12	2,516,000	-	(2,516,000)	-	-
August 4, 2012	(ii), (iv), (v)	0.12	1,272,200	-	-	1,272,200	1,272,200
April 16, 2014	(iii), (iv)	0.14	5,278,000	-	-	5,278,000	-
<b>Total</b>			<b>9,066,200</b>	<b>-</b>	<b>(2,516,000)</b>	<b>6,550,200</b>	<b>1,272,200</b>
<b>Weighted average exercise price</b>			<b>0.13</b>		<b>0.12</b>	<b>0.14</b>	<b>0.12</b>

- (i) includes 191,000 agent warrants  
(ii) includes 97,200 agent warrants  
(iii) includes 728,000 agent warrants

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**12. RESERVES (cont'd...)**

b) Warrants (cont'd...)

- (iv) if on any 20 consecutive trading days after the issuance of the units, the closing price of the common shares of the Company quoted on the TSX-V exceeds \$0.22, the Company may accelerate the expiry date of the warrants to 30 days after the date on which the Company gives notice to the warrant holder. The Company has not given notice to the warrant holders since the date of issuance.
- (v) expired unexercised subsequent to period ended July 31, 2012.

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

	Granted three months ended July 31, 2012	Granted three months ended July 31, 2011
Share price	-	\$0.08
Risk-free interest rate	-	1.57%
Expected life of warrants	-	1 year
Annualized volatility based on historical volatility	-	89.72%
Dividend rate	-	0.00%
Fair value per warrant	-	\$0.02

**13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

The Company had the following significant non-cash transactions:

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

- i) incurred exploration and evaluation expenditures of \$28,589 included in accounts payable and accrued liabilities.
- ii) incurred equipment costs of \$21,422 included in accounts payable and accrued liabilities.

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

**14. COMMITMENTS**

The Company has the following commitments:

- a) The Company has entered into a lease agreement for premises expiring on November 30, 2012. The future minimum non-cancellable lease payments under the operating lease are \$31,000 (US\$31,000).
- b) The Company has various commitments relating to its mineral properties as disclosed in Note 7.

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**15. SEGMENTED INFORMATION**

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

	July 31, 2012	April 30, 2012
Non-current assets:		
United States		
Equipment	\$ 156,989	\$ 162,440
Exploration and evaluation assets	<u>6,178,755</u>	<u>6,002,903</u>
	<u>\$ 6,335,744</u>	<u>\$ 6,165,343</u>
Project management and consulting revenue:		
United States	\$ 62,442	\$ 543,535

**16. LOANS RECEIVABLE**

Loans receivable at July 31, 2012 consists of \$9,305 (April 30, 2012 - \$9,052) receivable from a former employee of the Company. The unsecured loan is due on demand and bears interest at 5% per annum.

**17. KEY MANAGEMENT COMPENSATION**

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling activities of the Company, directly or indirectly including any director (whether executive or otherwise) of the Company. The Company's key management personnel include the following: Chief Executive Officer, Chief Operating Officer, and Vice President of Corporate Development.

Remuneration of key management of the Company was as follows:

	2012	2011
Salaries and benefits	\$ 86,524	\$ 82,715
Share-based payment *	<u>-</u>	<u>-</u>
	<u>\$ 86,524</u>	<u>\$ 82,715</u>

\* Share-based payment is the fair value of options granted and vested to key management personnel.

**18. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the presentation of the current condensed consolidated interim financial statements, with no effect on loss and comprehensive loss for the comparative period.