

NEVADA EXPLORATION INC.

CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)

AS AT JULY 31, 2009

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 July 31, 2009.

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

	July 31, 2009	April 30, 2009
CURRENT ASSETS		
Cash and cash equivalents	\$ 49,631	\$ 36,215
Loans receivable, bearing interest at a rate of 5% (Note 10)	165,777	244,370
Prepaid expenses and other	<u>16,260</u>	<u>17,459</u>
	231,668	298,044
EQUIPMENT (Note 3)	470,268	645,723
MINERAL PROPERTIES (Note 4)	5,412,357	5,321,150
DEPOSITS AND BONDS	<u>108,540</u>	<u>119,181</u>
	<u>\$ 6,222,833</u>	<u>\$ 6,384,098</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	254,220	184,510
Loan payable (Note 5)	110,223	-
Current portion of long-term debt (Note 6)	<u>14,638</u>	<u>37,670</u>
	379,081	222,180
LONG-TERM DEBT (Note 6)	<u>6,174</u>	<u>74,142</u>
	<u>385,255</u>	<u>296,322</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 7)	9,674,536	9,674,536
Warrants (Note 8)	278,743	278,743
Options (Note 8)	1,608,415	1,539,185
Contributed surplus (Note 9)	1,511,678	1,511,678
Deficit	<u>(7,235,794)</u>	<u>(6,916,366)</u>
	<u>5,837,578</u>	<u>6,087,776</u>
	<u>\$ 6,222,833</u>	<u>\$ 6,384,098</u>

BASIS OF PRESENTATION (NOTE 1)
NATURE AND CONTINUANCE OF OPERATIONS (NOTE 2)
SUBSEQUENT EVENT (NOTE 15)

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

NEVADA EXPLORATION INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
(Unaudited)
For the three months ended July 31
(In Canadian Dollars)

	<u>2009</u>	<u>2008</u>
INTEREST INCOME	\$ 2,470	\$ 4,533
EXPENSES		
Amortization	43,827	37,594
Foreign exchange (gain) loss	19,497	(116,353)
Interest (recovery) and bank charges	(7,634)	3,256
Office expenses and other	13,891	107,055
Professional fees, consulting and investor relations	28,975	55,644
Rent	35,790	26,952
Salaries	104,707	218,537
Stock-based compensation (Note 7)	69,230	225,990
Travel	700	14,927
	<u>(308,983)</u>	<u>(573,602)</u>
NET LOSS AND COMPREHENSIVE LOSS BEFORE OTHER ITEM	(306,513)	(569,069)
OTHER ITEM		
Loss on sale of vehicles	<u>(12,915)</u>	<u>-</u>
NET LOSS AND COMPREHENSIVE LOSS	(319,428)	(569,069)
DEFICIT – BEGINNING OF PERIOD	<u>(6,916,366)</u>	<u>(4,939,326)</u>
DEFICIT – END OF PERIOD	<u>\$ (7,235,794)</u>	<u>\$ (5,508,395)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding	<u>59,029,104</u>	<u>58,737,106</u>

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

NEVADA EXPLORATION INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
For the three months ended July 31
(In Canadian Dollars)

	<u>2009</u>	<u>2008</u>
OPERATING ACTIVITIES		
Net loss	\$ (319,428)	\$ (569,069)
Items not affecting cash:		
Amortization	43,827	37,594
Accrued interest	(9,815)	-
Loss on sale of vehicles	12,915	-
Foreign exchange	8,333	-
Stock-based compensation	<u>69,230</u>	<u>225,990</u>
	(194,938)	(305,485)
Change in non-cash working capital items		
Accounts receivable	-	(36,088)
Prepaid expenses and other	1,199	47,100
Accounts payable and accrued liabilities	<u>49,786</u>	<u>(105,735)</u>
	(143,953)	(400,208)
FINANCING ACTIVITIES		
Issuance of capital stock and warrants (net of shares issue costs)	-	253,325
Loan payable	108,649	-
Repayment of long-term debt	<u>(7,105)</u>	<u>(5,292)</u>
	101,544	248,033
INVESTING ACTIVITIES		
Loan receivable	58,670	(7,315)
Term deposits	-	(223,849)
Proceeds on sale of equipment	68,438	-
Acquisition of equipment	-	(300,590)
Mineral properties	(71,283)	(923,126)
Deposits and bonds	<u>-</u>	<u>(55,617)</u>
	55,825	(1,510,497)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,416	(1,662,672)
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	<u>36,215</u>	<u>1,908,450</u>
CASH AND CASH EQUIVALENTS – END OF PERIOD	<u>\$ 49,631</u>	<u>\$ 245,778</u>

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

NEVADA EXPLORATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
July 31, 2009
(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 Canadian 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
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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 deficiency as at July 31, 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 July 31, 2009 (Note 15) the Company completed a non-brokered private placement.

3. EQUIPMENT

	July 31, 2009			April 30, 2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Exploration equipment	\$ 422,412	\$ 101,392	\$ 321,020	\$ 472,909	\$ 86,400	\$ 386,509
Vehicles	154,602	60,854	93,748	288,319	90,834	197,486
Computer equipment	23,257	13,000	10,257	23,257	11,062	12,195
Office equipment	87,720	42,477	45,243	87,720	38,367	49,353
	<u>\$ 687,991</u>	<u>\$ 217,723</u>	<u>\$ 470,268</u>	<u>\$ 917,238</u>	<u>\$ 267,187</u>	<u>\$ 645,723</u>

NEVADA EXPLORATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(In Canadian Dollars)

4. MINERAL PROPERTIES

JULY 31, 2009

	AW	DU	FJ	HP	SP	RP	WI	KC	WF	BU	JU	Total
Acquisition costs												
Balance – beginning of period	\$ 273,615	\$ 45,306	\$ 223,171	\$ 33,519	\$146,786	\$ 110,683	\$ 47,353	\$ 260,161	\$ 131,478	\$ 274,460	\$ 86,502	\$ 1,633,034
Additions	-	-	-	-	35,094	18,179	-	-	-	19,924	-	73,197
Balance – end of period	273,615	45,306	223,171	33,519	181,880	128,862	47,353	260,161	131,478	294,684	86,502	1,706,231
Exploration costs												
Balance – beginning of period	522,276	38,923	1,043,403	799,405	83,148	51,691	78,644	55,330	42,104	921,262	51,930	3,706,126
Incurred during the period												
Drilling	4,006	-	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	306	-	-	-	-	-	-	-	-
Environmental	-	-	13,656	-	-	-	-	-	-	-	-	-
Other	-	-	-	42	-	-	-	-	-	-	-	-
Balance – end of period	526,282	38,923	1,057,059	799,753	83,148	51,691	78,644	55,330	42,104	921,626	51,930	3,706,126
Total costs	\$ 799,897	\$ 84,229	\$1,280,230	\$ 833,272	\$ 265,028	\$ 180,553	\$ 125,997	\$ 315,491	\$ 173,582	\$ 1,215,646	\$ 38,432	\$ 5,412,357

NEVADA EXPLORATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
July 31, 2009
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4. MINERAL PROPERTIES (Continued)

APRIL 30, 2009

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

NEVADA EXPLORATION INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

July 31, 2009

(In Canadian Dollars)

4. MINERAL PROPERTIES (Continued)

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 168 claims (approx. 13.6 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.

During the period, 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.

Bull Creek (BU)

The Bull Creek Project is located in Humboldt County, Nevada, approximately 60 km west-northwest of Winnemucca, Nevada. During the period, the Company added 96 new claims at Bull Creek for a cost of US\$19,924. In total, the Company now has a 100% interest in 367 claims (approx. 29.7 km²) at Bull Creek.

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 426 claims (approx. 34.5 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.

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.

4. MINERAL PROPERTIES (Continued)

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

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.

Jungo (JU)

The Jungo 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 km²) at Jungo.

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.

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.

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.

5. LOAN PAYABLE

Arms length loan payable of US\$100,000 bearing interest at 25% per annum. The loan was repaid subsequent to July 31, 2009.

NEVADA EXPLORATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
July 31, 2009
(In Canadian Dollars)

6. LONG-TERM DEBT

	July 31, 2009	April 30, 2009
Loans bearing interest at 2.9% per annum, repayable in monthly installments \$1,095 plus interest, maturing in 2011, secured by the vehicles	\$ 20,812	\$ 111,812
Current portion of long-term debt	<u>14,638</u>	<u>37,670</u>
	<u>\$ 6,174</u>	<u>\$ 74,142</u>

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

2010	\$ 14,638
2011	6,174

7. CAPITAL STOCK

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

	Number	Amount
Balance – April 30, 2008	58,441,171	\$ 9,159,364
Exercise of options	250,000	150,000
Exercise of warrants	337,933	103,325
Ascribed value of options and warrants exercised	<u>-</u>	<u>261,847</u>
Balance – April 30, 2009 and July 31, 2009	<u>59,029,104</u>	\$ <u>9,674,536</u>

8. 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.

NEVADA EXPLORATION INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
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(In Canadian Dollars)

8. STOCK OPTIONS AND WARRANTS (Continued)

	<u>Warrants</u>			<u>Stock Options</u>	
	<u>Number</u>	<u>Carrying value</u>	<u>Weighted average exercise price</u>	<u>Number</u>	<u>Weighted average exercise price</u>
Outstanding, April 30, 2008	5,266,933	\$ 1,668,390	\$ 0.76	5,055,000	\$ 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 and July 31, 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

The following incentive stock options and share purchase warrants were outstanding as at July 31, 2009:

	<u>Number of shares</u>	<u>Exercise price</u>	<u>Expiry date</u>
Stock options	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
Warrants	510,000	1.50	January 10, 2010
	395,000	1.50	March 12, 2010

STOCK-BASED COMPENSATION

During the period, the Company granted Nil options (2008 – 200,000). The fair value was estimated at Nil (2008 - \$0.42) per option using the Black-Scholes option pricing model. A stock-based compensation expense of \$69,230 (2008 - \$225,990) for the vesting portion was recorded for the period ended July 31, 2009.

NEVADA EXPLORATION INC.
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(In Canadian Dollars)

8. STOCK OPTIONS AND WARRANTS (Continued)

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

	<u>July 31, 2009</u>	<u>July 31, 2008</u>
Risk-free interest rate	-	3.00%
Expected life of options/warrants	-	5 years
Annualized volatility	-	95%
Dividend rate	-	0%

Options

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	1,539,185
Stock-based compensation	<u>69,230</u>
Balance – July 31, 2009	<u>\$ 1,608,415</u>

9. CONTRIBUTED SURPLUS

Balance – April 30, 2008	\$ 103,484
Expired options	152,328
Expired warrants	<u>1,255,866</u>
Balance – April 30, 2009 and July 31, 2009	<u>\$ 1,511,678</u>

10. RELATED PARTY TRANSACTIONS

- a) During the period ended July 31, 2009, the Company accrued \$68,171 (US\$60,000) in management fees, recorded as salaries, to officers and directors of the Company.
- b) As at July 31, 2009, loans receivable include an amount of \$157,286 (April 30, 2009 - \$234,927) receivable from two officers and directors of the Company. Included interest income is approximately \$30,000 representing interest on these loans.

These related party transactions were carried out in the normal course of business and accounted for at exchange value.

NEVADA EXPLORATION INC.
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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	\$ 42,150
2011	88,300
2012	90,900
2013	<u>54,000</u>
	\$ <u>275,350</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 July 31, 2009 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 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 July 31, 2009, the Company was holding cash of \$49,631 and current liabilities of \$379,081. 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.
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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 July 31, 2009, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	<u>\$US</u>
Cash and cash equivalents	42,500
Amounts receivable	380
Loans receivable	152,600
Deposits and bonds	99,900
Accounts payable and accrued liabilities	113,500
Loan payable	110,200
Long term debt	19,150

NET EXPOSURE

Based on the above net exposures as at July 31, 2009, and assuming that all other variables remain constant, a 10% change in the value of the US dollar against the Canadian dollar would result in an increase/decrease of \$5,000 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 period 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
(Unaudited)
July 31, 2009
(In Canadian Dollars)

14. SEGMENTED INFORMATION

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

	<u>July 31,</u> <u>2009</u>	April 30, <u>2009</u>
CAPITAL ASSETS		
United States		
Equipment	\$ 470,268	\$ 645,118
Mineral properties	<u>5,412,357</u>	<u>5,321,150</u>
	<u>\$ 5,882,625</u>	<u>\$ 5,966,268</u>

15. SUBSEQUENT EVENT

Subsequent to July 31, 2009 the Company 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 re-sale restrictions imposed by applicable securities regulatory authorities. NGE paid finders' fees, in connection with the private placement, of CAD\$8,752.50 in cash, and 161,000 Broker Warrants 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.