

**NEVADA EXPLORATION INC.**  
**Management Discussion and Analysis – Form 51-102F1**  
**For the Six Months Ended October 31, 2016**

The following Management Discussion and Analysis (“MD&A”) prepared as of December 22, 2016 should be read in conjunction with the condensed consolidated interim financial statements for the period ended October 31, 2016, and the related notes thereto. Those condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted.

The reader should also refer to the annual audited financial statements and the MD&A for the year ended April 30, 2016. Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to Nevada Exploration Inc. (the “Company” or “NGE”) is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

**DESCRIPTION OF THE BUSINESS**

Nevada Exploration Inc. is a publicly traded junior mineral exploration company whose shares are traded on the TSX Venture Exchange (“TSX-V”) and on the OTCQX marketplace (“OTCQX”). The Company is engaged in gold exploration in Nevada, USA. The Company and its wholly owned subsidiary Pediment Gold LLC are referred to herein collectively as “the Company”, “NGE”, “our”, or “we”.

NGE is applying the latest in covered deposit exploration technology to identify, acquire, and advance new exploration properties in Nevada’s highly prospective, yet underexplored covered basins. Specifically, the Company has developed proprietary hydrogeochemistry (groundwater chemistry) exploration technology to explore for gold in Nevada’s covered basins where traditional exploration techniques are challenged. NGE’s business model is to create shareholder value by leveraging its properties and technology through generative exploration, joint ventures, and other exploration partnerships.

**CORPORATE UPDATE**

Since May 1, 2016:

On May 2, 2016, and June 6, the Company announced that it had staked additional claims at the Company’s Kelly Creek Project, based on an updated geologic model for the Project. With the addition of these new claims, NGE now controls more than 38.22 km<sup>2</sup> (14.76 mi<sup>2</sup>) or 3,822 hectares (9,445 acres) within the Kelly Creek Basin.

On July 12, 2016, the Company announced that it had closed a private placement financing, issuing 5,000,000 Units at a price of \$0.35 per Unit, for total proceeds of \$1,750,000. Each Unit consisted of one common share and one half of one non-transferable common share purchase warrant entitling the holder to purchase one common share at an exercise price of \$0.60 for a period of eighteen months. In connection with the private placement, the Company paid \$38,366 as share issuance costs and issued 147,600 finder’s units on the same terms as the units described above.

The Company issued 6,132,000 common shares as a result of warrants exercised for gross proceeds of \$614,000.

On August 10, 2016, the Company announced that it had closed a private placement financing, issuing 2,000,000 Units at a price of \$0.3525 per Unit, for total proceeds of \$705,000. Each Unit consisted of one common share and one half of one transferable common share purchase warrant entitling the holder to purchase one common share at an exercise price of \$0.60 for a period of eighteen months.

On September 26, 2016, the Company announced that it had added 233 new claims covering 18.9 km<sup>2</sup> (7.3 mi<sup>2</sup>) at its Grass Valley Project in north-central Nevada, more than doubling the size of the Project to 34.4 km<sup>2</sup> (13.3 mi<sup>2</sup>).

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**LAND ACQUISITION AND MAINTENANCE**

On an ongoing basis, the Company evaluates the holding costs and results to date at each of its properties and periodically adjusts its land holdings to ensure that the Company focuses its resources on land with the highest exploration potential.

As of December 22, 2016, NGE directly holds 875 unpatented mining claims and other mineral interests in the following properties through its wholly owned US subsidiary Pediment Gold LLC:

<b>Project</b>	<b>NGE Claims</b>		<b>OTHER*</b>	<b>Total</b>
	<b>Claims</b>	<b>Area (km<sup>2</sup>)</b>	<b>Area (km<sup>2</sup>)</b>	<b>Area (km<sup>2</sup>)</b>
Grass Valley (GV)	425	34.4	-	34.4
South Grass Valley (SGVA)	264	22.1	-	22.1
Kelly Creek (KC)	180	21.6	25.4	47.0
Awakening (AW)	6	0.5	-	0.5
<b>TOTAL</b>	<b>875</b>	<b>78.6</b>	<b>25.4</b>	<b>104.0</b>

\*Leased private lands and interest in claims on BLM land held by third parties.

**EXPLORATION RISK MANAGEMENT STRATEGY**

NGE manages exploration risk by focusing exploration resources in specific, planned stages on each property. If the results from one stage are positive, then NGE allocates funds to the next stage. If at any stage, results are negative, NGE drops the property from further consideration. NGE's staged exploration strategy assures that properties showing positive results move aggressively through the exploration pipeline.

NGE's exploration stages include:

- Regional reconnaissance using the most recent understanding of gold deposit formation and our collective exploration experience to project range-front geology into adjacent, shallowly covered areas.
- Hydrogeochemistry: NGE then uses its proprietary hydroprobe sampling technology to collect systematic hydrogeochemistry samples across areas already shown to be prospective based on samples collected from existing springs and wells. NGE uses the data to develop a computerized hydrogeochemistry model of each target.
- Acquisition: NGE acquires the mineral rights covering prospective targets showing large areas of highly anomalous hydrogeochemistry. If a target of exploration interest is on BLM land that is open to location (available), NGE locates mineral claims. If a target lies on private land, NGE completes a title review to determine mineral title ownership, and then endeavours to negotiate an agreement with the owner.
- Surface Geochemistry: NGE may complete detailed soil, vegetation, and/or soil gas sampling across areas demonstrating prospective hydrogeochemistry to detect the possible vertical migration of gold and trace-elements from the underlying bedrock into the soils above. The use of surface geochemistry allows NGE to confirm the presences of anomalous levels of gold and other trace elements in a secondary medium in addition to in the groundwater.
- Gravity Geophysics: NGE uses detailed gravity geophysics to provide valuable information about the depth to bedrock across a property. Gravity data can suggest areas of strong changes in the relief or composition of the underlying bedrock, which can be indicative of underlying fault zones and alteration that often control the location of gold mineralization.
- Air Magnetics: NGE uses detailed air magnetic geophysics to provide information on the locations and types of rocks, fault zones, and hydrothermal alteration that generally accompany large gold deposits.

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- Seismic Geophysics: NGE uses seismic geophysics, where appropriate, to identify deep-seated, steeply-dipping fault zones that can be projected into the near surface environment. Major, high-angle structures are important since they provide a potential conduit or ‘plumbing’ system for potential gold-bearing, hydrothermal fluids to access near-surface areas and deposit gold.

Drilling: where properties successfully pass through the above exploration stages, NGE uses drilling to test for: (1) shallow bedrock (< 1,000ft beneath the surface); (2) structures or faults in bedrock that may source potential mineralization; (3) bedrock that has been altered by hydrothermal fluids; (4) anomalous concentrations of gold and associated trace-elements in bedrock; and (5) sufficiently sized target to reasonably contain an economic resource. NGE evaluates drilling results based on these criteria to determine whether or not to continue to maintain each property and commit further exploration expenditures towards them.

**MINERAL EXPLORATION PROPERTIES**

***Grass Valley (GV)***

The Grass Valley Project is located 90 km (55 miles) southwest of Carlin in Lander County, Nevada, along the western side of Grass Valley, approximately 16 kilometres (10 mi) south of Barrick Gold Corp.’s Cortez Pipeline property, one of the world’s largest and lowest cost gold mines. The Company has a 100% interest in 425 claims (34.4 km<sup>2</sup>) at Grass Valley.

The Grass Valley project was identified and acquired in 2012 as a result of a hydrogeochemistry sampling program completed as part of a generative Exploration Agreement with McEwen Mining Inc. For the first two years of the project McEwen Mining Inc. controlled the project and advanced it by: collecting rock, soil, and vegetation geochemistry samples; mapping the exposed range front geology in the context of the regionally important structural controls; completing a detailed gravity geophysics survey; acquiring and reprocessing historic seismic geophysical data; and drilling one stratigraphic test drill hole.

The combined exploration dataset has confirmed that this Project represents a compelling new gold exploration target with significant upside in a region of Nevada known for large, world class gold deposits.

In 2014, McEwen Mining Inc. elected to withdraw from the Exploration Agreement, and NGE now holds a 100% interest in the Project.

***South Grass Valley (SGV)***

The South Grass Valley Project is located in Lander County, north-central Nevada, approximately 50 kilometres (32 miles) south southwest of Barrick Gold Corp.’s Cortez Pipeline property. The Company has a 100% interest in 264 claims (22.1 km<sup>2</sup>) at South Grass Valley.

***Kelly Creek (KC)***

The Kelly Creek Project is located in Humboldt County, Nevada, in the prolific Kelly Creek Basin, between multi-million-ounce gold deposits on the north (Twin Creeks, Getchell, Turquoise Ridge and Pinson) and south (Lone Tree, Marigold, Converse, Trenton Canyon and Copper Canyon).

The Company’s has combined its former Hot Pot Project into its Kelly Creek Project, the combination of which is now together referred to as the Kelly Creek Project, which includes: 180 (April 30, 2016 – 76) unpatented mining claims held directly by the company, covering approximately 21.6 km<sup>2</sup> (April 30, 2016 – 5.3 km<sup>2</sup>); 209 (April 30, 2016 – 209) unpatented mining claims leased by the Company from Genesis Gold Corporation through a Mining Lease and Option to Purchase Agreement (the “Genesis Agreement”), covering approximately 16.6 km<sup>2</sup> (April 30, 2016 – 16.6 km<sup>2</sup>); and approximately 8.8 km<sup>2</sup> (April 30, 2016 - 8.8 km<sup>2</sup>) of private land leased by the Company under a Mining Lease Agreement (the “Hot Pot Lease”).

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The Kelly Creek Basin is located along the Battle Mountain – Eureka Gold Trend, and is bounded by multi-million-ounce gold deposits to the north (Twin Creeks, Getchell, Turquoise Ridge, and Pinson) and south (Lone Tree, Marigold, Trenton Canyon, Converse, Buffalo Valley, Copper Basin, and Phoenix) - together representing more than 70 million ounces of gold along the periphery of the Basin. Despite its close proximity to world-class mineralization, the interior of the Kelly Creek Basin has seen limited systematic exploration activity to date because its bedrock is largely covered by syn- to post-mineral volcanic units and post-mineral alluvium.

Recognizing the potential to find significant gold mineralization within the Kelly Creek Basin, dozens of major and junior explorers have spent tens of millions of dollars to follow the prospective geology seen in and proximal to the exposed bedrock in the surrounding mountain ranges beneath the sands and gravels covering the Basin. Within the areas controlled by NGE, this activity has included: Santa Fe Pacific completing wide-spaced bedrock mapping drilling in the 1990s; BHP completing an extensive soil auger geochemistry program through the late 1990s; and Placer Dome completing a reconnaissance-scale reverse circulation program in the early 2000s. Other companies that either now hold or have held claims in the immediate area include Newmont, Barrick, AngloGold, Hemlo, Homestake, and Kennecott. The efforts of each company have added valuable information about the geology of the Basin; however, without a cost effective tool to conduct basin-scale exploration beneath the valley cover, the exploration programs to date in the Kelly Creek Basin have predominantly consisted of unsystematic and uncoordinated efforts focused on relatively small areas.

NGE has developed its groundwater chemistry exploration technology specifically to complete large-scale exploration for gold in Nevada's covered basins. NGE is now using this technology to map the elevated concentrations of gold in groundwater along the major structural corridor beneath the Kelly Creek Basin that connects the multi-million-ounce gold deposits to the north and to the south.

Since establishing its initial holdings in the Kelly Creek Basin, NGE and its exploration partners have completed major work programs, building a comprehensive exploration dataset to understand the geology beneath the Basin. This exploration dataset now includes:

- 1,000 km<sup>2</sup> (390 mi<sup>2</sup>) regional magnetic geophysical survey data;
- 670 km<sup>2</sup> (260 mi<sup>2</sup>) detailed air magnetic geophysical survey data;
- 1,000 km<sup>2</sup> (390 mi<sup>2</sup>) regional gravity geophysical survey data;
- 100 km<sup>2</sup> (40 mi<sup>2</sup>) detailed gravity geophysical survey data;
- 33 line-km (21 line-mi) of CSAMT geophysical survey data;
- 49 line-km (30 line-mi) 3D reflection seismic survey lines; and
- A drilling database containing 31 drill holes from NGE and its exploration partners, plus 114 historic drill holes, representing more than 29,000 metres (95,000 feet) of drilling, including assay results for more than 5,000 drill intervals representing more than 10,000 metres (32,000 feet) of drill assay data.

With this unparalleled exploration dataset for the Kelly Creek Basin, NGE is applying the latest in 3D modelling software to build a comprehensive geologic model focused on the central portion of the Basin where NGE has demonstrated the presence of high levels of gold in the groundwater associated with the structural trend connecting the major gold mineralization to the north and south.

***Awakening (AW)***

The Awakening Project is located in Humboldt County, Nevada, approximately 50km north-northwest of Winnemucca, Nevada, and directly north of the Sleeper Gold Mine. The Company has a 100% interest in 6 claims (0.5 km<sup>2</sup>) at Awakening.

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NGE's management believes that the results of NGE's integrated exploration program at Awakening have delineated a focused pediment target along a structural zone extending north from Paramount Gold & Silver Corp.'s Sleeper Gold Project.

The Awakening Project is largely covered by syn- to post-mineral volcanic units and post-mineral alluvium and as a result, has seen little historic exploration activity. Projections of favourable lithology, structure, and alteration at regional, district and property scales suggest that potentially important gold-silver mineralization may be located within economic depths beneath the cover at Awakening.

In 2007 and 2008, NGE completed a detailed hydrogeochemistry program at Awakening. The groundwater samples contained high levels of gold and other trace elements in concentrations similar to those found at the adjacent Sleeper mine. During April and June, 2008, the Company's field crews completed soil sampling programs across the property and successfully confirmed the presence of anomalous gold and gold-related trace elements.

Also in 2008, NGE acquired approximately 85km<sup>2</sup> (33mi<sup>2</sup>) of high quality gravity geophysics data and approximately 173 km<sup>2</sup> (67 m<sup>2</sup>) of air magnetic data. The gravity geophysical survey was collected to delineate depth to metasedimentary and granitic bedrock, potential thickness of preserved rhyolitic volcanic rocks, and the location and orientation of prominent lithologic offsets that might be indicative of major fault zones. The detailed air magnetic survey was completed to be used in conjunction with the gravity data to define magnetically anomalous volcanic lithologies and zones of hydrothermal and/or structural magnetite destruction that might be indicative of major fault zones and possible hydrothermal alteration.

The results of the geochemistry and geophysical programs combined to improve NGE's exploration model and demonstrated that Awakening is a compelling target. In 2008, NGE commenced a Phase I RC drilling program at the Awakening property but drilling was suspended due to drilling difficulties.

On June 4, 2010, Northgate Minerals Corp. ("Northgate") (TSX: NGX, NYSE Amex: NXG) and NGE announced the completion and execution of an Exploration and Option to Enter Joint Venture Agreement ("Awakening Agreement") on NGE's Awakening Gold Project ("Awakening Property"), in Humboldt County, Nevada. The Awakening Agreement granted Northgate the option to earn an initial 51% interest in the Awakening Property by spending USD\$4,100,000 in exploration and making additional cash payments totaling USD\$436,000 over five years. If Northgate completed the initial 51% earn-in, it had the option to earn an additional 14%, for a total of 65%, by completing a feasibility report on the Awakening Property.

During 2011, Northgate completed a seven hole core drilling program totalling 2,194 metres (7,198 feet). In January, 2011, Northgate was acquired by AuRico Gold Inc. ("AuRico"). AuRico indicated to NGE that Northgate's drilling results at Awakening were not encouraging enough to warrant AuRico's continuation of the Awakening Agreement, and during the year ended April 30, 2012, AuRico elected to terminate the Awakening Agreement. AuRico retains no interest in the project.

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**Summary of expenditures by property:**

Resource properties expenditures for the period ended October 31,

	2016	2015
<b>Grass Valley</b>	140,679	60,340
<b>South Grass Valley</b>	209,549	6,972
<b>Kelly Creek</b>	161,759	107,005
<b>Awakening</b>	7,497	1,312
<b>Hot Pot</b>	-	26,309
	<b>\$ 519,484</b>	<b>\$ 201,938</b>

**RESULTS OF OPERATIONS**

***During the three-month period ended October 31, 2016:***

During the three-month period ended October 31, 2016, the Company's net losses were \$1,161,593 compared to net loss of \$312,769 for the three-month period ended October 31, 2015. The increase in net losses was primarily due to exploration and evaluation expenditures, investor relations expenses, share-based payments, and salaries.

Exploration and evaluation expenditures during the three-month period ended October 31, 2016 were \$458,610, compared to \$200,921 during the three-month period ended October 31, 2015. This is due to increased exploration activities.

Investor relations expenses during the three-month period ended October 31, 2016 were \$192,886, compared to \$40,876 during the three-month period ended October 31, 2015. This increase is a result of the Company's plan to increase its market awareness.

Salaries during the three-month period ended October 31, 2016 were \$81,898, compared to \$11,288 during the three-month period ended October 31, 2015. This is due to increased exploration activities during the period.

Share-based payments during the three-month period ended October 31, 2016 were \$295,884, compared to \$107,970 during the three-month period ended October 31, 2015. This is a result of a higher black-scholes valuation of the options granted and vesting during the current period.

***During the six-month period ended October 31, 2016:***

During the six-month period ended October 31, 2016, the Company's net losses were \$1,472,449 compared to net loss of \$400,111 for the six-month period ended October 31, 2015. The increase in net losses was primarily due to exploration and evaluation expenditures, investor relations expenses, share-based payments, and salaries.

Exploration and evaluation expenditures during the six-month period ended October 31, 2016 were \$519,484, compared to \$201,938 during the six-month period ended October 31, 2015. This is due to increased exploration activities.

Investor relations expenses during the six-month period ended October 31, 2016 were \$322,724, compared to \$41,776 during the six-month period ended October 31, 2015. This increase is a result of the Company's plan to increase its market awareness.

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Salaries during the six-month period ended October 31, 2016 were \$124,298, compared to \$37,547 during the six-month period ended October 31, 2015. This is due to increased exploration activities during the period.

Share-based payments during the six-month period ended October 31, 2016 were \$316,341, compared to \$107,970 during the six-month period ended October 31, 2015. This is a result of a higher black-scholes valuation of the options granted and vesting during the current period.

***Selected Annual Information***

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the financial statements.

	Year Ended April 30, 2016		Year Ended April 30, 2015		Year Ended April 30, 2014
Net loss	\$ (1,200,812)	\$	(419,859)	\$	(1,085,978)
Basic and diluted loss per share	(0.05)		(0.03)		(0.08)
Total assets	202,897		214,910		278,051
Total long-term liabilities	18,631		28,855		35,870

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*Summary of Quarterly Results*

	Three Month Period Ended October 31, 2016	Three Month Period Ended July 31, 2016	Three Month Period Ended April 30, 2016	Three Month Period Ended January 31, 2016
Total assets	\$ 2,078,220	\$ 2,167,689	\$ 202,897	\$ 244,055
Working capital (deficiency)	1,433,932	1,677,698	(32,400)	37,566
Equity	1,906,217	1,972,889	40,442	96,678
Net income (loss)	(1,161,593)	(310,856)	(301,842)	(498,859)
Income (loss) per share	(0.03)	(0.01)	(0.01)	(0.02)

	Three Month Period Ended October 31, 2015	Three Month Period Ended July 31, 2015	Three Month Period Ended April 30, 2015	Three Month Period Ended January 31, 2015
Total assets	\$ 349,601	\$ 213,467	\$ 214,910	\$ 202,344
Working capital (deficiency)	41,476	(537,389)	(32,400)	(361,788)
Equity	187,174	(398,903)	(303,153)	(221,695)
Net income (loss)	(312,769)	(87,342)	(83,048)	3,702
Loss per share	(0.01)	(0.01)	(0.00)	(0.00)

**ASSETS & LIABILITIES**

Deposits for land reclamation also add to the Company's asset base. Those deposits as at October 31, 2016 are \$42,250 (April 30, 2016 - \$45,281). These deposits (bonds) are required by the U.S Bureau of Land Management (BLM) and US Forest Service (USFS) to ensure that reclamation and clean-up work on the Company's properties will be completed to the satisfaction of the BLM and the USFS.

**LIQUIDITY AND CAPITAL RESOURCES**

*Liquidity*

The Company has financed its operations primarily through the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity and/or debt.

Net cash used in operating activities for the period ended October 31, 2016 was \$1,295,645 compared to cash used of \$520,670 during the period ended October 31, 2015 and consists primarily of the operating loss, changes in non-cash working capital items, and payment of prepaid investor relation fees.

Net cash used by investing activities for the period ended October 31, 2016 was \$396,880 compared to \$nil used during the year ended October 31, 2015, and consists primarily of the acquisition of exploration equipment in the current period.

Net cash provided by financing activities for the period ended October 31, 2016 was \$3,003,532 compared to \$636,614 provided during the period ended October 31, 2015. The difference is primarily attributable to proceeds from two private placements received of \$2,455,000 and \$614,000 of warrants exercised during the period ended October 31, 2016.



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***Capital Resources***

As of October 31, 2016, the Company has a finance lease obligation for a leased vehicle of \$26,848 (US - \$20,027), with blended monthly payments of principal and interest, bearing interest at a rate of 2.90% per annum. The total of principal repayments of the finance lease obligations that are due within the next one year is \$12,341, and the remaining portion for \$13,681 is due between fiscal year 2018 to 2019.

***Commitment***

The Company has the following commitments:

- Office lease expiring December 31, 2016. As at October 31, 2016, the Company is committed to \$4,587 (US \$3,420) in lease payments.
- Various commitments relating to its resource properties.

***Off Balance Sheet Arrangements***

As at October 31, 2016, NGE had no off balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any instruments that could trigger financing, market or credit risk to NGE.

**RELATED PARTY TRANSACTIONS**

During the period ended October 31, 2016, the Company:

- i) paid or accrued \$22,000 in professional fees to a firm in which the Chief Financial Officer of the Company is a partner.

During the period ended October 31, 2015, the Company:

- i) paid or accrued \$24,520 in professional fees to a firm in which the Chief Financial Officer of the Company is a partner.
- ii) Issued 2,500,000 common shares at a price of \$0.05 and paid \$49,976 in cash to settle a total of \$246,339 in accrued salaries with directors of the Company resulting in a gain of \$71,363.

The amounts included in accounts payable and accrued liabilities which are due to related parties are as follows:

	October 31, 2016	April 30, 2016
Due to a firm of which the Chief Financial Officer is a partner	\$ 26,435	\$ 26,225
Due to management of the Company (Note 15)	-	2,000
	<u>\$ 26,435</u>	<u>\$ 28,225</u>

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**KEY MANAGEMENT COMPENSATION**

Remuneration of key management of the Company is as follows:

	Six months Ended October 31, 2016	Six months Ended October 31, 2015
Salaries	\$ 124,298	\$ 37,547
Share-based compensation	<u>116,752</u>	<u>-</u>
	<b>\$ 241,050</b>	<b>\$ 37,547</b>

The amount included in accounts payable and accrued liabilities which is due to key management personnel is as follows:

	October 31, 2016	April 30, 2016
Due to key management personnel	\$ -	\$ 2,000

**DISCLOSURE OF OUTSTANDING SHARE DATA**

As at December 22, 2016, the Company has 47,366,351 common shares issued and outstanding and has the following stock options and warrants outstanding:

	Number of Options	Exercise Price	Expiry Date
<b>Stock options</b>			
	10,000	1.10	September 25, 2017
	50,000	1.20	December 4, 2017
	280,000	1.00	March 2, 2019
	1,625,000	0.19	October 19, 2020
	125,000	0.32	December 31, 2020
	100,000	0.37	April 20, 2021
	<u>2,220,000</u>	0.47	August 2, 2026
	4,410,000		
<b>Warrants</b>			
	283,010	0.50	August 19, 2017
	5,420,000	0.10	August 28, 2018
	939,150	0.10	August 28, 2018
	700,000	0.10	September 23, 2018
	661,500	0.50	December 29, 2017
	2,573,799	0.60	January 12, 2018
	<u>1,000,000</u>	0.60	February 10, 2018
	11,579,459		

**Fully diluted: 63,355,809**

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**FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS**

***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***

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Short term investments are measured at level 1 of the fair value hierarchy. The fair value of short term investments is measured at the market price of the common shares held at the measurement date. The carrying value of cash, deposits and bonds, finance lease obligations and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

***Financial Risk Factors***

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

***Credit risk***

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Management believes that the credit risk concentration with respect to cash is remote as it maintains accounts with highly-rated financial institutions.

***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. 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 October 31, 2016, the Company had a cash balance of \$1,400,391 (April 30, 2016 - \$74,820) to settle current liabilities of \$158,322 (April 30, 2016 - \$143,824). The Company believes that there is no liquidity risk as at October 31, 2016.

***Market risk***

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

**(a) Interest rate risk**

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to floating rate of interest. The interest rate risks on cash, deposits, and bonds, and on the Company's finance lease obligations are not considered significant.

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(b) Foreign currency risk

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. Net assets denominated in foreign currency and the Canadian dollar equivalents as at October 31, 2016 are as follows:

	USD	CDN
Current assets	\$ 107,639	\$ 144,355
Non-current assets	353,789	474,466
Current liabilities	(45,818)	(61,447)
Non-current liabilities	<u>(10,201)</u>	<u>(14,681)</u>
	<u>\$ 405,409</u>	<u>\$ 542,693</u>

Based on the above net exposures as at October 31, 2016, and assuming all other variables remain constant, a 1% change in the value of the US dollar against the Canadian dollar would result in an increase/decrease of \$4,054 in comprehensive loss.

**CAPITAL MANAGEMENT**

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 composed of common shares and incentive stock options. In the management of capital, the Company includes the components of 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 any excess 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 equity financings to fund further exploration. The Company is not subject to any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the period ended October 31, 2016.

**RISKS AND UNCERTAINTIES**

In conducting its business of mineral exploration, NGE is subject to a wide variety of known and unknown risks, uncertainties and other factors which may affect the results, performance or achievement of the Company. Such risks and factors include, among others: risks related to the actual results of current and future exploration activities; future prices for gold, silver, and other commodities; environmental risks and hazards; the Company's lack of substantial revenue; the Company's ongoing need to raise money through equity financings; increases to operating, labour, and supply costs; and changes to government regulation, taxes, and fees. Although the Company attempts to identify and plan for these important factors that could affect results materially, the Company cautions the reader that the above list of risk factors is not exhaustive, and that there may be other factors that cause results to differ from anticipated, estimated, or intended results. Ultimately, there can be no guarantee that the Company will be successful in making an economic mineral discovery.

**NEVADA EXPLORATION INC.**  
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**For the Six Months Ended October 31, 2016**

**LIST OF DIRECTORS AND OFFICERS**

Wade A. Hodges, CEO and Director  
Dennis Higgs, Chairman and Director  
Cyrus Driver, CFO  
Kenneth Tullar, COO  
James Buskard, President  
Dr John E. Larson, Director  
Benjamin Leboe, Director

**CONTINUANCE OF OPERATIONS**

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically and recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims and noncompliance with regulatory and environmental requirements.

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**CHANGES IN ACCOUNTING POLICIES**

There were no new and amended standards that became effective for the Company's October 31, 2016 reporting period.

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 for the Company's October 31, 2016 reporting period:

- New standard IFRS 9, *Financial Instruments*, was issued in November 2009 as the first step in its project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets. This standard is effective for years beginning on or after January 1, 2018. The impact of this amendment is to be determined.
- New standard IFRS 16, *Leases*, specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019. The impact of this amendment is to be determined.
- New standard IFRS 15, *Revenue from contracts with customers*, provides guidance on how and when revenue from contracts with customers to be recognized, along with new disclosure requirements in order to provide financial statement users with more information and relevant information. This standard is effective for reporting periods on or after January 1, 2018. The impact of this standard is to be determined.

The Company plans to adopt these standards as soon as they become effective for the Company's reporting period.

During the year ended April 30, 2016, the Company retroactively changed its accounting policy for exploration and evaluation expenditures. Previously, the Company capitalized acquisition costs and deferred exploration and evaluation expenditures of mineral properties to the specific mineral properties, net of recoveries received.

Under the new policy, exploration and evaluation expenditures incurred prior to the establishment of technical feasibility and commercial viability of extracting mineral resources and prior to a decision to proceed with mine development are charged to operations as incurred. As required by IAS8 – Accounting Policies, Changes in Accounting Estimates and Errors, the Company included the restated statement of financial position as of May 1, 2014 in the April 30, 2016 consolidated financial statements

Management considers this accounting policy to provide more reliable and relevant information and more clearly represents the Company's activities.

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The consolidated financial statement impact as at April 30, 2015 is as follows:

	As previously reported	Adjustment	Restated
Exploration and evaluation assets	\$ 3,442,023	\$ (3,442,023)	\$ -
Total assets	3,656,933	(3,442,023)	214,910
Reserves	(1,163,289)	638,333	(524,956)
Deficit	14,393,150	2,803,690	17,196,840
Total shareholder's equity	3,138,870	(3,442,023)	(303,153)
Total liabilities and shareholder's equity	3,656,933	(3,442,023)	214,910

Exploration and evaluation costs that were capitalized and previously disclosed during the period ended October 31, 2015 have now been expensed in the statement of loss and comprehensive loss in accordance with the change in accounting policy. Impairment charges on the exploration and evaluation assets during the six months ended October 31, 2015 were re-classed to deficit as they would have been expensed in prior year in accordance with the change in accounting policy. As all exploration and evaluation assets were held in the US subsidiary, the cumulative translation reserve has been adjusted as the change in accounting policy resulted in the restatement of foreign exchange translation on exploration and evaluation assets. Exploration and evaluation costs that were recorded as an investing activity in the statement of cash flows for the period ended October 31, 2015 are now recorded as cash flows used in operating activities.

**DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS**

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed consolidated interim financial statements and this accompanying interim MD&A (together the "Interim Filings"). In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

**NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Statements herein that are not historical facts are forward-looking statements that are subject to risks and uncertainties. Words such as "expects", "intends", "may", "could", "should", "anticipates", "likely", "believes" and words of similar import also identify forward-looking statements.

Forward-looking statements are based on current facts and analyses and other information that are based on forecasts of future results, estimates of amounts not yet determined and assumptions of management, including, but not limited to, assumptions regarding the Company's ability to raise additional debt and/or equity financing to fund operations and working capital requirements and assumptions regarding the Company's mineral properties.

Actual results may differ materially from those currently anticipated due to a number of factors including, but not limited to, general economic conditions, the geology of mineral properties, exploration results, commodity market conditions, the Company's ability to generate sufficient cash flows from operations and financing to support general operating activities and capital expansion plans, and laws and regulations and changes thereto that may affect operations, and other factors beyond the reasonable control of the Company.

*Additional information on factors that may affect the business and financial results of the Company can be found in filings of the Company with the British Columbia Securities Commissions on [www.sedar.com](http://www.sedar.com)*