

NEVADA EXPLORATION INC.
Period Ended October 31, 2008
Management Discussion and Analysis

Form 51-102F1

1. Date – December 30, 2008

The following discussion and analysis is a review of operations, current financial position and outlook for Nevada Exploration Inc. (the “Company” or “NGE”) and should be read in conjunction with the audited financial statements for the year-ended April 30, 2008, period ended April 30, 2007 and December 31, 2006. Results are presented for the three-month period ended October 31, 2008 and reflect three months of results plus comparative figures as at October 31, 2007. Amounts are reported in Canadian dollars based upon the financial statements prepared in accordance with Canadian generally accepted accounting principles.

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

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

2.1 Annual Information

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

	12 months	4 months
	April 30, 2008	April 30, 2007
Revenues	104,503	13,637
Loss from continuing operations	(2,608,750)	(691,899)
Net Loss	(2,608,750)	(691,899)
Total assets	7,914,150	5,361,518
Total long term liabilities	94,397	Nil
Cash dividends declared	Nil	Nil

Note: NGE was incorporated on April 6, 2006. Annualized financial information reflect the activities of the NGE subsidiaries prior to the incorporation of NGE.

2.2 *Management's Discussion and Analysis*

This management's discussion and analysis ("**MD&A**") provides analysis of NGE's financial results for the three-month period ended October 31, 2008 and the three-month period ended October 31, 2007. The following information should be read in conjunction with the audited consolidated financial statements of NGE for the fiscal period ended April 30, 2008 (and the notes thereto).

Overview

The primary business of NGE is gold exploration focused in the gravel-covered areas of Nevada. When groundwater flows near a concealed gold deposit it retains a unique kind of chemical 'memory' or 'fingerprint' of such an encounter and creates a unique kind of water chemical 'scent'. NGE uses an innovative proprietary groundwater technology to identify and follow the scent back up-stream to its gold-bearing bedrock source. NGE then applies conventional exploration techniques to further define and then drill the potential new bedrock source of gold to make a discovery. The use of groundwater chemistry allows the early identification of high quality exploration properties that can be joint ventured for a considerable increase in value over the cost of discovery.

Since May 31, 2006 to October 31, 2008 NGE has raised approximately \$10,900,000. NGE began trading on the TSX-V on March 5, 2007. Of the total money raised approximately 80% of the money raised has gone directly to exploration expenses including; Reno Office, Management and Staff Salaries, Equipment, Environmental Bonding, Groundwater Sampling, Land Acquisition and Maintenance, Soil Sampling, Geophysical Surveying, and RC Drilling while the balance was spent to cover the costs of going public and to cover Toronto head office overhead expenses including: Office, Board of Directors Fees, Audit, Legal and Accounting, Keyman Insurance, Directors and Officers Insurance, TSX Filing Fees, Investor Relations, Travel & Meals, Bank Charges, Interest, Exchange Rate Fees.

Throughout August, September and October, 2008, NGE continued to advance its innovative groundwater sampling program, to acquire highly prospective property positions, and to test the exploration concept using conventional soil sampling, gravity, air magnetics and RC drilling. During this reporting period NGE has used as many as three RC drilling rigs to complete initial RC drilling at Fletcher Junction and Bull Creek and to begin drilling at Hot Pot and Awakening. Seven properties remain to be drilled. Since October 31, 2008, complete drill results have been received for all 13 initial drill holes at Fletcher Junction. Data is currently being reduced for Hot Pot, Bull Creek and Awakening; initial drilling results will be released as they become available.

To continue prospect identification, land acquisition, target delineation and further concept drilling, NGE requires additional financing. NGE is actively looking at ways to advance its exploration program while balancing both shareholder risk and dilution in an environment of financial uncertainty. NGE is committed to the continued development of its leading-edge groundwater chemistry exploration program. To preserve capital, NGE has stopped all drilling, minimized field and office staff, and reduced management salaries. NGE has paid all major land holding payments until September 1, 2009; all accounts payable are current. NGE has begun discussions with interested joint venture and royalty partners, and is also considering a small equity financing.

Land Acquisition – The cost of land acquisition and yearly holding fees (due September 1st each year) requires careful risk management to insure that only land with the highest exploration potential continues to be held. When results from groundwater sampling, soil sampling, gravity, air magnetic surveys and RC drilling indicate that certain lands are no longer worth holding, claims are dropped. Conversely, when results indicate that certain other lands are worth acquiring, claims are added. These subtractions and additions resulted in a net decrease of 10% (300 claims) from 2007. Claims were dropped from the Fletcher Junction, Bull Creek, KC and JU projects. At the same time, land holdings were increased by 60% at Awakening and WM. NGE now controls approximately 217 sq-km (84 sq-mi) of mineral rights in Nevada on 11 separate properties, largely through wholly-owned unpatented mining claims staked on BLM land.

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

	Project Name	No. Claims / No. Private Hectares	Total Km²
1	Fletcher Junction	168 claims / 0 hectares	13.6
2	Hot Pot	6 claims / 880 hectares	9.3
3	Bull Creek	271 claims / 0 hectares	21.9
4	Awakening	426 claims / 0 hectares	34.5
5	SP	197 claims / 940 hectares	25.3
6	WM	90 claims / 0 hectares	7.3
7	KC	581 claims / 0 hectares	47.0
8	RP	169 claims / 80 hectares	14.5
9	DU	78 claims / 0 hectares	6.3
10	WF	273 claims / 0 hectares	22.1
11	JU	192 claims / 0 hectares	15.5
	Totals	2,451 claims / 1,900 hectares	217.3 km²

Fletcher Junction and Hot Pot both carry a 1.25% NSR to Royal Gold Inc. and Hot Pot carries an additional 3.0% NSR to a private land holder. Since October 31, 2008 the Company has entered into a mineral lease at Awakening on a small group of claims that carries a 3.00% NSR and multi-party leases on small parcels of private land on the SP and RP properties that carry 2.0% NSR's. All BLM land holding costs have been paid through August 31, 2009. A total of \$400,000 will be due on September 1, 2009 to hold all claims on BLM land and to maintain all lease agreements.

Risk Management Strategy - NGE manages exploration risk by focusing exploration resources in specific, planned stages on each property. If the results from one stage are positive, then exploration funds are expended on the next stage. Most importantly, if at any stage the results are negative, then the property is dropped from further consideration. NGE's staged exploration greatly increases the odds of success by managing risk and assuring that good results move aggressively through the exploration pipeline; exploration resources are continually focused in the best places. Results for each of the following stages must be positive for NGE to continue to maintain a property position in its exploration portfolio:

- Proprietary reconnaissance water sampling of existing springs and water wells is used to first identify areas of higher-than-normal gold and trace-element water chemistry.
- Follow-up water sampling is then designed to confirm and define the area of higher-than-normal or 'anomalous' water chemistry.

These first steps are extremely important: they assure that all subsequent exploration expenditures are efficiently focused in areas large enough to contain significant new gold mineralization. NGE is the only exploration company in Nevada to consistently apply water sampling to verify the presence of gold in concealed geologic environments before committing significant additional exploration funds to otherwise essentially 'blind' or 'covered' exploration settings. When NGE identifies and verifies gold and trace-element concentrations in groundwater greater than certain specific amounts ('anomalous'), in more than one sample and over a large area, the inference is that as any scent becomes stronger closer to its source, the bedrock source of the gold and trace-elements in the water is: (1) relatively nearby, (2) relatively shallow, (3) 'oxidized' or relatively easy to mine and concentrate, and (4) relatively large.

Once NGE has identified a prospective exploration target using initial groundwater sampling, NGE advances the target through the following exploration stages:

- NGE first uses direct-push drilling technology to further delineate the area of unusual water chemistry. Proprietary hydroprobe sampling techniques allow NGE to place sample holes in a regular manner between existing springs and water wells to develop the water chemistry

'fingerprint' of the target property. This stage requires permitting with the BLM and the filing of a reclamation bond to assure that any environmental disturbance will be properly reclaimed.

- NGE acquires the mineral rights covering the area of further exploration interest to assure that NGE will own the rights to any gold deposit that might be discovered. If the area of exploration interest is on BLM land, mineral claims are located, staked, filed and maintained with the county and federal authorities. If the area of interest lies on private land, NGE completes a title search to verify mineral title ownership, then negotiates a mineral agreement with the owner to provide NGE with sufficient ownership to justify the risk of continued exploration.
- NGE completes detailed soil sampling across the area of unusual water chemistry to detect the possible vertical migration of gold and trace-elements from the underlying bedrock into the soils above, which is used to further focus RC drilling.
- NGE uses detailed gravity geophysics to provide valuable information about the depth to bedrock across the property. Furthermore, gravity data can suggest areas of strong changes in the relief of the underlying bedrock, which can be indicative of underlying fault zones that often control the location of gold deposits.
- NGE uses detailed air magnetic geophysics to provide information on the types of rocks, fault zones and hydrothermal alteration that accompany potential large gold deposits.
- On properties that successfully pass through all the above exploration stages, NGE uses Reverse Circulation (RC) drilling to test for: (1) shallow bedrock (< 1,000ft beneath the surface), (2) bedrock that has been altered by hot water (hydrothermal fluids), (3) concentrations of gold and associated trace-elements in higher-than-normal (anomalous) amounts in bedrock, (4) over an area large enough to contain gold in bedrock in potentially economic concentrations.

During this reporting period NGE has completed exploration work on six properties. Results received to date confirm that NGE's water chemistry exploration program has identified new areas of potential gold mineralization that justify additional exploration expenditures.

Fletcher Junction – On December 18, 2008, NGE announced completion of phase I RC drill testing of its Fletcher Junction property and presented detailed results demonstrating how NGE used groundwater chemistry to discover a new, gold-bearing hydrothermal system in a covered bedrock setting. All nine wide-spaced drill holes completed to target depth encountered altered bedrock containing anomalous gold and gold-associated trace elements. NGE management believes the first phase drilling results at Fletcher Junction justify a larger, phase II drilling program specifically designed to test the vertical fault zones believed to contain ore-grade gold mineralization that source the anomalous gold in groundwater, alluvium, quartz-boulders and bedrock at Fletcher Junction. These results add value to NGE's ten other projects identified using the same groundwater chemistry exploration technology and establish NGE as a source of quality exploration projects for potential Joint Venture partners.

Bull Creek - On June 27, 2008, NGE announced commencement of phase I RC drilling at its Bull Creek project. Eighteen wide-spaced RC drill holes have been completed and submitted for analysis. Several holes intersected shallow, hydrothermally-altered bedrock containing anomalous gold and trace-element chemistry. Analytical results for all drill holes combined with surface sampling and geophysical results are currently being reduced and will be released as completed.

Hot Pot - On July 14, 2008, NGE announced commencement of phase II RC drilling at its Hot Pot property. Ten holes have been completed and samples submitted for analysis. Analytical results for all drill holes combined with surface sampling and geophysical results are currently being reduced and will be released as completed.

Awakening - On August 18, 2008, NGE announced commencement of phase I RC drilling at its Awakening property. Seven holes were drilled, but none were completed to target depth. Drilling has been suspended due to difficult ground conditions pending the availability of different drilling equipment. Analytical results for all drill holes, combined with surface sampling and geophysical results, are currently being reduced and will be released as completed.

Current Market Conditions – During 2007 and 2008, investment in exploration, development and mining activities in Nevada increased dramatically. This activity created an economic environment where increased demand for experienced drillers and drilling equipment resulted in substantially increased costs for drilling contracts. Drilling crews lacking experience with the variable ground conditions encountered during drilling, the spike in the cost of diesel fuel and increased labor costs due to long hours of overtime further added to unexpected and highly variable exploration costs. In addition, analytical laboratories had difficulty in dealing with the surge in exploration activity and analytical results were delayed throughout the industry. In spite of the challenging market environment, NGE has acquired mineral rights on eleven properties; completed water sampling, soil sampling, geophysical surveying, permitting and bonding on eight properties; completed initial concept drilling at two properties and started drilling at two more - all with encouraging results. To continue prospect identification, land acquisition, target delineation and further concept drilling, NGE requires additional financing.

Through the changing market conditions, management has remained committed to a thorough and careful review of all mineral ownership and geotechnical data. Very positive results from soil sampling, detailed gravity and air magnetic surveys over one project resulted in a decision to extend the same coverage to all properties and add value incrementally to each, rather than focus solely on drilling water chemistry anomalies alone. Positive visual results from early drill holes and the expectation that drilling problems were being solved led to a decision to increase permitting activity to be sure that permitting delays did not become yet another challenge. Additional holes were added at Bull Creek based upon encouraging visual results. Confirmation from initial analytical results at Fletcher Junction that water chemistry was indeed identifying new, untested gold-bearing geologic environments in covered bedrock settings encouraged management to acquire an eleventh property position. Finally, in an effort to solve recurring drilling problems and bring costs under control, management decided to purchase its own specialized RC drilling equipment. All of these decisions were made with the expectation that positive results justified an aggressive positioning of resources to take full advantage of a successful proof-of-concept with the expectation that additional funding at reasonable costs would be available based upon continuing positive results.

The exploration industry changed dramatically in September, 2008, when share prices for all Nevada-focused, exploration companies plummeted as fund managers liquidated share positions to preserve cash during unprecedented changes in the financial markets. NGE management was advised that further capital resources for exploration will be extremely scarce into the foreseeable future. In response, management did not hesitate to respond to the new challenge by preserving capital to assure survival of the exploration concept and acquired property positions. All drilling activity has stopped; all water sampling and drilling equipment has been serviced, re-supplied and stands ready for re-start as conditions improve; all BLM land payments have been made through September 1, 2009; all accounts payable have been paid; field and office staff have been minimized and management salaries reduced. The reduction in exploration activities has allowed the analytical results to catch up with drilling to ensure continuous improvement of drill hole targeting. In addition, internal systems including accounting, budgeting, data management and human resource are being reviewed to lower costs and further increase productivity. With additional funding, NGE is well positioned to continue its exploration program with improved efficiency and without delay.

Results to date have been encouraging and Management believes that NGE has created significant value with its water chemistry exploration program and eleven properties. However, given the prevailing market conditions, it is prudent for NGE to reevaluate its strategy of using NGE funds to complete drilling at its properties. NGE has begun discussions with interested royalty and joint venture partners, and is also considering a small equity financing.

To continue to advance its exploration strategy, NGE will need to access additional capital in a difficult funding environment. To be sure, uncertainties overhanging the recent changes in the political and financial environment all increase the risk to any continued investment in exploration. However, the demand for gold remains strong and NGE's results to date suggest that NGE and its water chemistry exploration program is perhaps better positioned than others to lead the way to the next series of discoveries in Nevada.

Summary of Quarterly results

The following table sets out selected unaudited financial information, presented in Canadian dollars and prepared in accordance with generally accepted accounting principles in Canada, for each of the last eight quarters ended October 31, 2008. The information contained herein is drawn from interim financial statements of the Company for each of the aforementioned eight quarters.

Year	2008	2008	2008	2008
Ending	October 31	July 31	April 30	Jan 31
Revenue	23,036	4,533	99,824	-
Working Capital	400,536	1,401,806	2,742,917	2,637,733
Expenses	855,707	573,602	1,069,462	579,798
Net Loss	(832,671)	(569,069)	(969,638)	(579,798)
Net Loss (per Share)	(0.01)	(0.01)	(0.01)	(0.01)

Year	2007	2007	2007	2007
Ending	October 31	July 31	April 30	Jan 31
Revenue	3,642	1,037	3,516	10,121
Working Capital	2,879,032	3,060,914	3,580,269	2,833,237
Expenses	566,821	497,122	490,501	215,035
Net Loss	(563,179)	(496,135)	(486,985)	(204,914)
Net Loss (per Share)	(0.01)	(0.01)	(0.02)	(0.00)

Results of Operations

Revenue

NGE has not generated any significant revenues in its past fiscal years with the exception of some interest income earned on investments placed with financial institutions for guaranteed certificates. The Company continues to expend its resources searching for properties that may contain results allowing the Company to setup mining operations and extract enough gold to be profitable. NGE will now reduce its spending on the properties it hold rights to and will increase its search for additional funding.

Operating Expenses

In the period ended October 31, 2008, NGE's general and administrative expenses increased by \$269,492 over October 31, 2007. Significant increases have incurred in salaries, office and amortization while

professional fees, consulting and investor relations, and travel have all decreased. One of the largest single costs was for stock grants to consultants, directors and employees in the period. The total stock-based expense was \$225,990, while in 2007 this amount was \$205,251. This increase was driven by grants to consultants, directors and employees during the year. Salaries have risen from \$84,184 in 2007 to \$251,391 in 2008. In the three month period ended October 31, 2007 the Company had just 7 employees in total. In 2008 the Company had total of 12 employees but during the three month period ended October 31, 2008 this number was being reduced as the Company acted swiftly to preserve its capital when the markets became unfavorable and cash preservation was a priority. The Company is now down to 3 employees as of October 31, 2008 with salaries for the remaining management employees being reduced by 50%. Rent costs increased in the 2008 period as the Company moved location in December 2007 to an office with over 8000 sq. ft of space as the Company was growing rapidly. However, the Company has recognized the need to preserve cash due to the problematic economy and to that end is actively looking to rent out part of its premises to help reduce its rental costs even further. Amortization costs have increased as NGE has increased its capital asset base by \$329,622 (\$353,397 – 2007 vs. \$683,019 – 2008). Office expense has risen due to the increased size of operations for the three month period ended October 31, 2008. Professional fees, consulting and investor relations costs decreased by \$16,243. Legal fees have decreased to \$26,893 in 2008 from \$47,585 in 2007. Accounting fees have increased by \$11,550 over the same period in 2007 and investor relations costs amounted to \$21,000 (\$25,479 – 2007). Insurance costs, including D&O insurance (Director's and Officers) have risen by \$16,199 over 2007. Total insurance costs including D&O, liability and property and equipment amounted to \$23,189 in the three month period ending October 31, 2008 (\$6,989 – 2007). The Company has gone line by line through its expenses and reduced or even cut entirely expenses that have been deemed unnecessary at this time. It's goal is to preserve as much cash as possible while looking to raise capital to further its exploration program.

Amortization

Amortization costs were \$39,322 for the period ended October 31, 2008, compared to \$8,777 for the three month period ended October 31, 2007. The increase in amortization results from an increased asset purchases during the prior year and the first quarter of 2009 which included the purchase of a RC drill rig.

Assets

Total assets have increased from \$5,285,908 as at October 31, 2007 to \$7,085,974 as at October 31, 2008. This increase in assets of \$1,800,066 is a result of the Company's policy of capitalizing costs associated with exploration of its property portfolio. NGE has increased its mineral properties from \$1,736,064 at October 31, 2007 to \$5,329,924 at October 31, 2008. This increase is solely due to the fact that the Company has been working on its Phase 1 drill program since November 2007 while in the prior year the Company was focused on target generation which was not as costly as the drilling program. NGE has 12 properties in its land portfolio and has now completed Phase 1 drilling on 2 of these while drilling continues on 2 others. Deposits for land reclamation have also increased as the Company in conjunction with its exploration work has had to post reclamation bonds with the State of Nevada to ensure that clean-up work on the properties will be carried out once NGE vacates the land.

Liquidity and Capital Resources

Liquidity

As at October 31, 2008 NGE had cash and term deposits amounting to \$414,296 and \$3,314,860 as at October 31, 2007. NGE now has completed one years worth of work of its Phase I RC drill program. As of October 31, 2008 the Company, recognizing the need to preserve cash in these uncertain times has shut

down its drill program and scaled back on expenses including a reduction in employees and salary reductions for the remaining management team. The Company is well situated now with enough money to pay off its remaining accounts payables that any new capital raised would go straight into drilling further targets and not just be used for operating expenses.

Management expects to finance future operations and growth through the use of (i) issuance of debt and equity securities; (ii) banking and other loan facilities; (iii) the sale of assets and (iv) possible joint venture partnerships.

The Company had working capital of \$400,536 at October 31, 2008 while at October 31, 2007 it had \$2,409,638 in working capital. The decrease in working capital is due to the Company having completed 12 months of its Phase 1 drill program with higher than expected costs for fuel for the drill rigs and longer than expected time frames for the completion of drill targets down to the required depths for good core samples.

Capital Expenditures

In the three month period ended October 31, 2008 NGE invested a total of \$57,816 in capital assets compared to \$16,423 for the three month period ended October 31, 2007. The increase in capital expenditures in 2008 is due to NGE now being fully focused on its drilling program and having to consistently purchase additional equipment as a result of this.

Long Term Debt and Other Long Term Commitments

The Company has long term debt at October 31, 2008 consisting of loans for vehicles amounting to \$135,075 of which \$31,096 relates to the current portion. Principal payments for the next five years are as follows: 2009 - \$31,096, 2010 - \$31,803, 2011 - \$27,815, 2012 - \$19,002 and 2013 - \$15,777. The Company entered into a ten year lease agreement with Julian Tomera Ranches, Inc., covering approximately 2,225 acres of land in Humboldt County, Nevada. The lease gives the Company mining rights to the property for the period. Pursuant to the terms of the lease the Company has paid a total of \$84,981 up to 2007. Starting in 2008, the Company will pay \$22,200 per year. The agreement also calls for the Company to pay Tomera a royalty of 3% Net Smelter Returns from production, if any, on the land covered by this lease. The Company is also obligated to pay Royal Gold Corporation (formerly Battle Mountain Gold Exploration Corp) a royalty of 1.25% of Net Smelter Returns from production of the "HP" and "FJ" properties.

Off Balance Sheet Arrangements

As at October 31, 2008, NGE had no off balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any instruments that could trigger financing, market or credit risk to NGE.

Transactions with Related Parties

1. Legal fees of \$26,893 (2007 - \$57,585), were paid to firms whose partners are directors of the Company.
2. As at October 31, 2008, loans receivable include an amount of \$186,378 receivable from two officers of the Company.

Disclosure of Outstanding Share Data

For information regarding outstanding share capital of NGE, please see Note 7 of the audited consolidated financial statements of NGE for the period ended April 30, 2008.

Critical Accounting Estimates

For information regarding critical accounting estimates used by NGE, please see Note 2 of the audited consolidated financial statements of NGE for the period ended April 30, 2008.

Future Accounting Policies

For information regarding future accounting policies used by NGE, please see Note 3 of the audited consolidated financial statements of NGE for the period ended April 30, 2008.

Financial Instruments and Other Instruments

NGE's financial instruments consist of cash and cash equivalents, term deposits, loans receivable, subscription receivables, deposits and accounts payables and accrued liabilities.

Management does not believe these financial instruments expose NGE to any significant interest, currency or credit risks arising from these financial instruments. The fair market values of these financial instruments approximate their carrying values.

Risks and Uncertainties

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

Disclosure Controls and Procedures

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

Nevada's Management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of October 31, 2008. Based on this evaluation, the CEO and CFO have concluded that our disclosure controls and procedures, as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim filings, are effective to ensure that information required to be disclosed in reports that we file or submit under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules and forms.