

**NEVADA EXPLORATION INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**

**FOR THE YEARS ENDED APRIL 30, 2012 and 2011**

## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of

#### Nevada Exploration Inc.

We have audited the accompanying consolidated financial statements of Nevada Exploration Inc. and its subsidiary, which comprise the consolidated statements of financial position as at April 30, 2012, April 30, 2011 and May 1, 2010 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended April 30, 2012 and April 30, 2011 and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Nevada Exploration Inc. and its subsidiary as at April 30, 2012, April 30, 2011 and May 1, 2010 and its financial performance and its cash flows for the years ended April 30, 2012 and April 30, 2011 in accordance with International Financial Reporting Standards.

#### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describe material uncertainties that cast significant doubt about Nevada Exploration Inc.'s ability to continue as a going concern.

*Collins Barrow Toronto LLP*

Licensed Public Accountants  
Chartered Accountants  
July 13, 2012  
Toronto, Ontario

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

	April 30, 2012	April 30, 2011 (Note 20)	May 1, 2010 (Note 20)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$ 777,826	\$ 151,145	\$ 55,253
Accounts receivable (Note 4)	15,190	2,461	66,027
Prepaid expenses (Note 5)	16,279	14,648	7,495
Loans receivable (Note 17)	<u>9,052</u>	<u>18,361</u>	<u>104,519</u>
<b>Total current assets</b>	<u>818,347</u>	<u>186,615</u>	<u>233,294</u>
<b>Non-current assets</b>			
Equipment (Note 7)	162,440	171,331	305,447
Exploration and evaluation assets (Note 8)	6,002,903	5,487,184	5,746,819
Deposits and bonds (Note 9)	<u>93,101</u>	<u>55,743</u>	<u>91,320</u>
<b>Total non-current assets</b>	<u>6,258,444</u>	<u>5,714,258</u>	<u>6,143,586</u>
<b>Total assets</b>	<u>\$ 7,076,791</u>	<u>\$ 5,900,873</u>	<u>\$ 6,376,880</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities (Note 10)	\$ 233,663	\$ 125,444	\$ 148,294
Current portion of finance lease obligations (Note 11)	<u>7,184</u>	<u>25,063</u>	<u>25,296</u>
<b>Total current liabilities</b>	<u>240,847</u>	<u>150,507</u>	<u>173,590</u>
<b>Non-current liabilities</b>			
Finance lease obligations (Note 11)	<u>-</u>	<u>6,882</u>	<u>34,287</u>
<b>Total liabilities</b>	<u>240,847</u>	<u>157,389</u>	<u>207,877</u>
<b>Shareholders' equity</b>			
Capital stock (Note 12)	15,072,716	13,165,319	12,324,963
Reserves (Note 12)	1,323,621	1,997,642	2,137,979
Deficit	<u>(9,560,393)</u>	<u>(9,419,477)</u>	<u>(8,293,939)</u>
<b>Total shareholders' equity</b>	<u>6,835,944</u>	<u>5,743,484</u>	<u>6,169,003</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 7,076,791</u>	<u>\$ 5,900,873</u>	<u>\$ 6,376,880</u>

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

**Basis of presentation** (Note 2)

**Reconciliation of Canadian GAAP to IFRS** (Note 20)

**Subsequent events** (Note 22)

**Approved and authorized on behalf of the Board on July 13, 2012:**

<u>"Wade Hodges"</u>	Director	<u>"Cyrus Driver"</u>	Director
Wade Hodges		Cyrus Driver	

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

**NEVADA EXPLORATION INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)  
**FOR THE YEAR ENDED APRIL 30**

	2012	2011 (Note 20)
<b>INCOME</b>		
Project management and consulting	\$ 543,535	\$ 111,300
Interest	<u>436</u>	<u>14,369</u>
<b>Total income</b>	<u>543,971</u>	<u>125,669</u>
<b>EXPENSES</b>		
Amortization	67,766	78,763
Interest and bank charges	2,191	(156)
Office expenses and other	112,686	50,611
Professional fees, consulting and investor relations	264,892	201,812
Project management and consulting	242,337	27,784
Rent	96,554	67,203
Salaries	402,283	414,611
Stock-based compensation (Note 12)	196,729	356,886
Travel	<u>16,586</u>	<u>8,217</u>
	<u>(1,402,024)</u>	<u>(1,205,731)</u>
<b>Loss from operations</b>	(858,053)	(1,080,062)
<b>OTHER GAIN (LOSS)</b>		
Gain on sale of equipment	3,149	18,849
Impairment of equipment	-	(36,883)
Write-off of mineral properties	<u>-</u>	<u>(233,499)</u>
	<u>3,149</u>	<u>(251,533)</u>
<b>Net loss for the year</b>	(854,904)	(1,331,595)
<b>OTHER COMPREHENSIVE LOSS</b>		
Currency translation adjustment	<u>243,668</u>	<u>(439,962)</u>
<b>Comprehensive loss for the year</b>	<u>\$ (611,236)</u>	<u>\$ (1,771,557)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
<b>Weighted average number of common shares outstanding</b>	<u>106,255,884</u>	<u>92,191,676</u>

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

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

	Capital Stock		Reserves					Total Shareholders' Equity
	Shares	Amount	Options	Warrants	Currency Translation	Total reserves	Deficit	
Balance, May 1, 2010 (Note 20)	82,866,777	\$ 12,324,963	\$ 1,687,179	\$ 450,800	\$ -	\$ 2,137,979	\$ (8,293,939)	\$ 6,169,003
Foreign currency translation	-	-	-	-	(439,962)	(439,962)	-	(439,962)
Private placements	17,084,074	1,002,975	-	-	-	-	-	1,002,975
Share issuance costs – cash	-	(44,423)	-	-	-	-	-	(44,423)
Share issuance costs – warrants	-	(141,994)	-	141,994	-	141,994	-	-
Share issuance costs – agent warrants	-	(6,802)	-	6,802	-	6,802	-	-
Shares for debt	532,000	26,600	-	-	-	-	-	26,600
Shares for property	50,000	4,000	-	-	-	-	-	4,000
Stock-based compensation	-	-	356,886	-	-	356,886	-	356,886
Options expired	-	-	(206,057)	-	-	(206,057)	206,057	-
Net loss	-	-	-	-	-	-	(1,331,595)	(1,331,595)
<b>Balance, April 30, 2011 (Note 20)</b>	<b>100,532,851</b>	<b>\$ 13,165,319</b>	<b>\$ 1,838,008</b>	<b>\$ 599,596</b>	<b>\$ (439,962)</b>	<b>\$ 1,997,642</b>	<b>\$ (9,419,477)</b>	<b>\$ 5,743,484</b>
Balance, May 1, 2011	100,532,851	\$ 13,165,319	\$ 1,838,008	\$ 599,596	\$ (439,962)	\$ 1,997,642	\$ (9,419,477)	\$ 5,743,484
Foreign currency translation	-	-	-	-	243,668	243,668	-	243,668
Private placements	16,100,000	1,470,000	-	-	-	-	-	1,470,000
Warrants exercised	1,183,000	141,960	-	-	-	-	-	141,960
Ascribed value of warrants exercised	-	23,686	-	(23,686)	-	(23,686)	-	-
Share issuance costs – cash	-	(104,993)	-	-	-	-	-	(104,993)
Share issuance costs – warrants	-	(184,642)	-	184,642	-	184,642	-	-
Share issuance costs – agent warrants	-	(14,524)	-	14,524	-	14,524	-	-
Stock-based compensation	-	-	196,729	-	-	196,729	-	196,729
Options expired	-	-	(713,988)	-	-	(713,988)	713,988	-
Warrants expired	-	575,910	-	(575,910)	-	(575,910)	-	-
Net loss	-	-	-	-	-	-	(854,904)	(854,904)
<b>Balance, April 30, 2012</b>	<b>117,815,851</b>	<b>\$ 15,072,716</b>	<b>\$ 1,320,749</b>	<b>\$ 199,166</b>	<b>\$ (196,294)</b>	<b>\$ 1,323,621</b>	<b>\$ (9,560,393)</b>	<b>\$ 6,835,944</b>

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

**NEVADA EXPLORATION INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)  
**FOR THE YEAR ENDED APRIL 30**

	2012	2011
		(Note 20)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (854,904)	\$ (1,331,595)
Items not affecting cash:		
Amortization	67,766	78,763
Accrued interest	(436)	(5,212)
Gain on sale of equipment	(3,149)	(18,849)
Loan receivable paid through salary	9,745	86,375
Recovery of accounts payable	-	(14,304)
Impairment of equipment	-	36,883
Stock-based compensation	196,729	356,886
Write-off of mineral properties	-	233,499
Changes in non-cash working capital items:		
Accounts receivables	(12,729)	62,438
Prepaid expenses	(1,631)	(8,264)
Accounts payable and accrued liabilities	<u>55,160</u>	<u>18,054</u>
<b>Net cash used in operating activities</b>	<u>(543,449)</u>	<u>(505,326)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of equipment	(13,678)	-
Deposits and bonds	(37,358)	32,696
Proceeds from mineral property option	83,129	88,931
Proceeds from sale of equipment	5,980	25,102
Exploration and evaluation expenditures	<u>(350,787)</u>	<u>(457,463)</u>
<b>Net cash used in investing activities</b>	<u>(312,714)</u>	<u>(310,734)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of capital stock and warrants (net of share issuance costs)	1,506,967	958,552
Repayment of finance lease obligations	<u>(24,761)</u>	<u>(23,342)</u>
<b>Net cash provided by financing activities</b>	<u>1,482,206</u>	<u>935,210</u>
<b>Effect of foreign exchange rate on cash balances</b>	<u>638</u>	<u>(23,258)</u>
<b>Change in cash for the year</b>	626,681	95,892
<b>Cash, beginning of year</b>	<u>151,145</u>	<u>55,253</u>
<b>Cash, end of year</b>	<u>\$ 777,826</u>	<u>\$ 151,145</u>

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

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

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

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

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

These consolidated financial statements are authorized for issue on behalf of the Board of Directors on July 13, 2012.

Going concern

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

During the year ended April 30, 2012, the Company incurred a loss of \$854,904 (2011 - \$1,331,595) and as at that date, the Company had accumulated deficit of \$9,560,393 (April 30, 2011 - \$9,419,477; May 1, 2010 - \$8,293,939), a working capital surplus of \$577,500 (April 30, 2010 - \$36,108; May 1, 2010 - deficiency of \$59,704) and negative cash flows from operations of \$543,449 (2011 - \$505,326). These factors create material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

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

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

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

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments would be material.

**2. BASIS OF PRESENTATION**

The Company previously prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”) as set in the Handbook of the Canadian Institute of Chartered Accountant (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate IFRS and requires publicly accountable enterprises to apply such standards effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these consolidated financial statements.

The year ended April 30, 2012 represent the Company’s first annual IFRS consolidated financial statements. Previously the Company prepared its consolidated annual and interim financial statements in accordance with Canadian GAAP. These annual consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as at April 30, 2012.

These consolidated financial statements are prepared on the historical cost basis except for financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

The disclosure in Note 20 provides IFRS information as at May 1, 2010 and for the year ended April 30, 2011 that is material to the understanding of these consolidated financial statements.

The accompanying consolidated financial statements include all adjustments that are, in the opinion of management, necessary for a fair presentation.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statements of financial position as at May 1, 2010 for the purpose of transitioning to IFRS unless otherwise indicated.

**Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Pediment Gold LLC. The financial statements of the Company’s subsidiary have been consolidated from the date that control commenced. All inter-company balances and transactions, and income and expenses have been eliminated upon consolidation.

The financial statements include the financial statements of Nevada Exploration Inc. and its subsidiary listed in the following table:

Name of Subsidiary	Country of Incorporation	Functional Currency	Ownership Interest	Principal Activity
Pediment Gold LLC	USA	US dollar	100%	Exploration company

During the year ended April 30, 2011 the Company amalgamated with its wholly owned subsidiary 2107189 Ontario Inc.

During the year ended April 30, 2012, a wholly owned subsidiary of Pediment Gold LLC, Nevada Greenfields LLC, amalgamated with Pediment Gold LLC.



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Use of judgments and estimates**

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year.

Significant assumptions about the future and other sources of estimated uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that the actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) the recoverability of receivables;
- ii) the carrying value and the recoverability of exploration and evaluation assets;
- iii) the estimated useful lives of equipment and the related amortization;
- iv) impairment of equipment;
- v) valuation of stock-based compensation expense; and
- vi) recognition of deferred income taxes.

**Functional and presentation currency**

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency of the Company's wholly-owned subsidiary Pediment Gold LLC is the US Dollar.

**Receivables**

Receivables are recorded at face value less any provisions for uncollectible amounts considered necessary.

**Equipment**

Equipment is recorded at historical cost less accumulated amortization and impairment charges. Equipment is amortized on a straight-line basis over their estimated useful lives as follows:

Exploration equipment	5 to 7 years
Vehicles	5 years
Office equipment	5 years
Computer equipment	3 years

The cost of replacing piece of equipment is recognized in the carrying amount of the equipment if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of the equipment are recognized in profit or loss as incurred.

**Mineral properties – exploration and evaluation assets**

*Pre-exploration costs*

Pre-exploration costs are expensed in the period in which they are incurred unless it is considered probable that they will generate future economic benefits. The Company expenses all costs incurred prior to obtaining legal rights to a mineral property.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Mineral properties – exploration and evaluation assets (cont'd...)**

*Exploration and evaluation expenditures*

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as license and property acquisition costs, materials used, surveying costs, exploratory drilling costs, payments made to contractors and amortization on equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they are incurred. Exploration and evaluation assets are recognized if the rights to the project are current and either (1) the expenditures are expected to be recovered through successful development and exploitation of the project, or alternatively by its sale, and (2) active and significant operations in, or in relation to, the projects are continuing.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction.” Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

**Impairment**

At the end of each reporting date, the carrying amounts of the Company’s long-lived assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. In addition, capitalized exploration and evaluation assets are tested for impairment when technical feasibility and commercial viability of the related project is established.

Impairment is determined for an individual asset unless the asset does not generate cash inflows that are independent of those generated from other assets or group of assets, in which case, the individual assets are grouped together into cash generating units (“CGU’s”) for impairment purposes. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit and loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Revenue recognition**

Project management and consulting revenue is recognized at the time the service is provided and collection is reasonably assured.

**Income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred taxes are recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that do not affect either accounting or taxable loss, or differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize that excess.

**Share issuance costs**

Professional fees, consulting fees and other costs that are directly attributable to financing transactions are charged to capital stock when the related shares are issued. If the financing is not completed share issue costs are charged to profit or loss.

**Provision for environmental rehabilitation**

The Company recognizes the fair value of a liability for the provision for environmental rehabilitation in the year in which it is incurred when a reliable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the consolidated statement of comprehensive loss. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. As at April 30, 2012, April 30, 2011 and May 1, 2010, the Company has not recorded any provision for environmental rehabilitation.

**Warrants**

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value. The fair value of the share component is credited to capital stock and the value of the warrant component is credited to warrants reserve. Upon exercise of warrants, consideration paid by the warrant holder together with the amount previously recognized in warrants reserve is recorded as an increase to capital stock. Upon expiration of warrants, the amount applicable to warrants expired is recorded as an increase to capital stock.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Basic and diluted loss per common share**

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of common shares outstanding during the year.

Diluted loss per share is determined by adjusting the loss attributable to common shareholders by the weighted average number of common shares outstanding for the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. As at April 30, 2012, April 30, 2011 and May 1, 2010, warrants and options outstanding are anti-dilutive.

**Stock-based compensation**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of employee stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be reliably measured, they are measured at the fair value of the share-based payment consideration. Consideration paid for the shares on the exercise of stock options together with the fair value of the stock options previously recognized is credited to capital stock. When vested options are not exercised by the expiry date, the amount previously recognized in stock-based compensation is transferred to deficit. The Company estimates a forfeiture rate and adjusts the corresponding expense each period based on an updated forfeiture estimate.

**Foreign currencies**

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate, and non-monetary assets and liabilities, at the historical rates. Exchange differences arising on the settlement of monetary items or on translating monetary items at different rates from those at which they are translated on initial recognition during the period or in previous consolidated financial statements are recognized in profit or loss.

For the purpose of presenting consolidated financial statements, the assets and liabilities of Pediment Gold LLC are expressed in Canadian dollars using the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case exchange rates at the dates of the transactions are used. Exchange differences are recognized in other comprehensive loss and reported as currency translation reserve in shareholder's equity.

Foreign exchange gains and losses arising from a monetary item receivable or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form a part of the net investment in the foreign operation, are recognized in foreign currency translation in the currency translation reserve.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments**

Financial assets

Financial assets are classified as into one of the following categories based on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss ("FVTPL")* – This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

*Loans and receivables ("LAR")* - Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans, and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

*Held-to-maturity ("HTM")* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of HTM financial assets, including impairment losses, are recognized in profit or loss.

*Available-for-sale ("AFS")* - Non-derivative financial assets not included the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment and at disposal, the amount of the cumulative loss is removed from equity and recognized in profit or loss.

Financial liabilities

Financial liabilities are classified into one of two categories, based on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss ("FVTPL")* – This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in profit or loss.

*Other financial liabilities ("OFL")* - This category includes amounts due to related parties and accounts payable and accrued liabilities, all of which are recognized at amortized cost.

<u>Financial Instrument</u>	<u>Classification</u>
Cash	LAR
Accounts receivable (excluding HST receivable)	LAR
Loans receivable	LAR
Deposits and bonds	LAR
Accounts payable and accrued liabilities	OFL
Finance lease obligations	OFL

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

Impairment

All financial assets except for those at FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that the estimated cash flows of a financial asset or group of financial assets is negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principle payments by the borrower; or
- it becomes probable that the borrower will enter into bankruptcy or financial reorganization.

The carrying amount of the financial asset is directly reduced by any impairment loss.

**Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

**Leases**

Leases that transfer substantially all of the benefits and risks of ownership of the assets to the Company are accounted for as finance lease obligations. At the time the finance lease obligation is entered into, an asset is recorded together with the related obligation. Assets under finance lease obligations are depreciated over their estimated useful lives.

**New standards not yet adopted**

IFRS 7, *Financial Instruments Disclosures*, IFRS 7 was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011.

Effective for accounting periods beginning on or after January 1, 2013 unless specified:

IFRS 9, *Financial Instruments*, which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. This standard is effective for accounting periods beginning on or after January 1, 2015.

IFRS 10, *Consolidated Financial Statements*, replaces the guidance on control and consolidation in IAS 27, *Consolidated and Separate Financial statements*, and SIC-12, *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control under IFRS so that the same criteria are applied to all entities to determine control.

IFRS 11, *Joint arrangements*, divides joint arrangements into two types, joint operations and joint ventures, each with their own accounting model. All joint arrangements are required to be reassessed upon transition to IFRS 11 to determine their type to apply the appropriate accounting.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**New standards not yet adopted (cont'd...)**

IFRS 12, *Disclosure of Interests in Other Entities*, effective for the Company's annual reporting period beginning May 1, 2013. This new standard provides the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and consolidated structured entities.

IFRS 13, *Fair Value Measurement*, effective for the Company's annual reporting period beginning May 1, 2013. This standard defines fair value and sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The standard does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions).

IAS 1, *Presentation of Financial Statements*, requires an entity to group items presented in statement of other comprehensive income on the basis of whether they may be reclassified to profit or loss subsequent to initial recognition. For items presented before tax, the amendments also require that the tax related to the two separate groups to be presented separately. This standard is effective for accounting periods beginning on or after July 1, 2012.

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

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**4. ACCOUNTS RECEIVABLE**

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

	April 30, 2012	April 30, 2011	May 1, 2010
HST receivable	\$ 15,190	\$ -	\$ -
Accounts receivable	<u>-</u>	<u>2,461</u>	<u>66,027</u>
<b>Total</b>	<b>\$ 15,190</b>	<b>\$ 2,461</b>	<b>\$ 66,027</b>

**5. PREPAID EXPENSES**

The prepaid expenses for the Company are as follows:

	April 30, 2012	April 30, 2011	May 1, 2010
Security deposit for rental of premises	\$ 16,279	\$ 14,648	\$ 7,495

**6. RELATED PARTY TRANSACTIONS**

During the year ended April 30, 2012, the Company paid or accrued \$84,502 (2011 - \$54,129) in professional fees to a firm in which the Chief Financial Officer of the company is a partner

The amounts due from (to) related parties are as follows:

	Notes	April 30, 2012	April 30, 2011	May 1, 2010
Loans receivable from the Chief Executive Officer	*	\$ -	\$ 10,101	\$ 82,927
Loans receivable from the Chief Operating Officer	*	-	-	13,150
Firm of which the Chief Financial Officer is a partner	**	(32,136)	(15,000)	(28,860)
Due to the Chief Operating Officer	**	-	(37,794)	-
Due to the VP of Corporate Development	**	<u>-</u>	<u>(49,770)</u>	<u>(20,261)</u>
		<b>\$ (32,136)</b>	<b>\$ (92,463)</b>	<b>\$ 49,956</b>

\* Loan receivable is guaranteed by Nil (April 30, 2011 – 1,350,000; May 1, 2011 – 2,100,000) common shares of the Company. Since issuance of the loans receivable, the Company has accrued interest of approximately \$30,300 (April 30, 2011 - \$30,300; May 1, 2011 - \$25,500), \$Nil of which was accrued during the year ended April 30, 2012.

\*\* Included in accounts payable



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**7. EQUIPMENT**

	Exploration equipment	Vehicles	Computer equipment	Office equipment	Total
<b>Cost</b>					
Balance, May 1, 2010 (note 20)	\$ 301,860	\$ 137,754	\$ 22,274	\$ 79,319	\$ 541,207
Impairment	(41,706)	(16,216)	-	-	(57,922)
Disposal	(7,033)	(40,294)	-	-	(47,327)
Effect of translation	(19,219)	(7,784)	(1,522)	(6,715)	(35,240)
Balance, April 30, 2011 (note 20)	233,902	73,460	20,752	72,604	400,718
Additions	-	-	54,538	-	54,538
Disposal	(5,681)	(5,644)	-	-	(11,325)
Effect of translation	10,307	3,271	707	4,015	18,300
Balance, April 30, 2012	\$ 238,528	\$ 71,087	\$ 75,997	\$ 76,619	\$ 462,231
<b>Accumulated amortization</b>					
Balance, May 1, 2010 (note 20)	\$ 102,684	\$ 68,923	\$ 17,011	\$ 47,172	\$ 235,760
Impairment	(24,515)	3,476	-	-	(21,039)
Disposal	(6,329)	(36,265)	-	-	(42,594)
Amortization for the year	43,517	15,889	4,522	14,835	78,763
Effect of translation	(9,404)	(4,961)	(1,504)	(5,634)	(21,503)
Balance, April 30, 2011 (note 20)	105,953	47,062	20,029	56,343	229,387
Disposal	(4,261)	(4,233)	-	-	(8,494)
Amortization for the period	41,063	14,456	753	11,494	67,766
Effect of translation	4,782	2,142	880	3,328	11,132
Balance, April 30, 2012	\$ 147,537	\$ 59,427	\$ 21,662	\$ 71,165	\$ 299,791
<b>Carrying amounts</b>					
As at May 1, 2010	\$ 199,176	\$ 68,831	\$ 5,263	\$ 32,177	\$ 305,447
As at April 30, 2011	\$ 127,949	\$ 26,398	\$ 723	\$ 16,261	\$ 171,331
As at April 30, 2012	\$ 90,991	\$ 11,660	\$ 54,335	\$ 5,454	\$ 162,440

Included in equipment at April 30, 2012:

- i) are assets under finance lease with a cost of \$116,435 (April 30, 2011 - \$111,544; May 1, 2010 - \$119,723) and accumulated amortization of \$75,344 (April 30, 2011 - \$49,871; May 1, 2010 - \$29,583). The Company recorded amortization of \$23,473 (2011 - \$20,288) on leased assets.
- ii) are computer equipment not available for use with a cost of \$54,538 (April 30, 2011 - \$Nil; May 1, 2010 - \$Nil). No amortization has been taken on this computer equipment in the current year.

During the year ended April 30, 2011, the Company identified \$36,883 of exploration equipment and vehicles that were impaired. The impairment consisted of maintenance and consumables capitalized in prior years for assets that are no longer used by the Company.

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**8. EXPLORATION AND EVALUATION ASSETS**

As at April 30, 2012:

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

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**8. EXPLORATION AND EVALUATION ASSETS**

As at April 30, 2011 (note 20):

	AW	BU	DU	FJ	HP	JU	KC	RP	SP	WF	WM	TOTAL
<b>Acquisition costs</b>												
Balance – beginning of year	\$ 335,379	\$ 332,429	\$ 55,750	\$ 238,817	\$ 35,777	\$ 113,232	\$ 389,467	\$ 149,377	\$ 203,875	\$ 169,035	\$ 59,587	\$ 2,082,725
Additions - cash	1,955	36,063	-	16,686	-	22,301	123,415	22,716	49,907	17,540	-	290,583
Additions - shares	-	-	-	-	-	-	4,000	-	-	-	-	4,000
Option payments received	(82,337)	-	-	-	-	-	-	-	-	-	-	(82,337)
Write-offs	-	-	(56,968)	-	-	-	-	-	-	-	(60,888)	(117,856)
Effect of translation	(16,505)	(23,851)	1,218	(16,538)	(2,316)	(8,773)	(33,456)	(11,139)	(16,426)	(12,076)	1,301	(138,561)
Balance – end of year	238,492	344,641	-	238,965	33,461	126,760	483,426	160,954	237,356	174,499	-	2,038,554
<b>Exploration costs</b>												
Balance – beginning of year	504,126	893,564	37,468	1,039,857	772,826	58,050	53,364	65,200	83,248	80,688	75,703	3,664,094
Dirt work	1,839	-	-	-	-	-	-	-	-	-	-	1,839
Drilling	107,870	-	-	-	-	-	-	-	-	-	-	107,870
Geophysics	-	-	-	-	-	-	-	-	-	5,678	-	5,678
Geological	777	-	-	-	-	2,978	-	-	4,112	-	-	7,867
Travel	13,117	-	-	-	-	-	-	-	-	-	-	13,117
Write-offs	-	-	(38,286)	-	-	-	-	-	-	-	(77,357)	(115,643)
Effect of translation	(40,631)	(57,837)	818	(67,306)	(50,022)	(3,950)	(3,454)	(4,220)	(5,654)	(5,590)	1,654	(236,192)
Balance – end of year	587,098	835,727	-	972,551	722,804	57,078	49,910	60,980	81,706	80,776	-	3,448,630
<b>Total costs</b>	<b>\$ 825,590</b>	<b>\$ 1,180,368</b>	<b>\$ -</b>	<b>\$ 1,211,516</b>	<b>\$ 756,264</b>	<b>\$ 183,838</b>	<b>\$ 533,336</b>	<b>\$ 221,934</b>	<b>\$ 319,062</b>	<b>\$ 255,275</b>	<b>\$ -</b>	<b>\$ 5,487,184</b>

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

**Awakening (AW)**

The Awakening Project is located in Humboldt County, Nevada, approximately 50 km north-northwest of Winnemucca, Nevada. The Company has a 100% interest in 432 (2011 – 432) claims (approx. 35.9 km<sup>2</sup>) at Awakening.

On July 1, 2008, the Company entered into a Mining Lease agreement with DIR Exploration Inc. (“DIR”) on 15 (2011 – 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 advance royalty of US\$60,000 annually commencing on the fourth anniversary.

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

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

**Bull Creek (BU)**

The Bull Creek Project is located in Humboldt County, Nevada, approximately 60 km west-northwest of Winnemucca, Nevada. The Company has a 100% interest in 264 (2011 – 264) claims (approx. 21.9 km<sup>2</sup>) at Bull Creek.

**Dunphy (DU)**

The Dunphy Project is located in Eureka County, Nevada, approximately 40 km east of Battle Mountain, Nevada. The Company had a 100% interest in 78 (2011 – 78) claims (approx. 6.3 km<sup>2</sup>) at Dunphy. The Company abandoned its investment in the Dunphy Project during the year ended April 30, 2011, resulting in a charge of \$95,254 to the consolidated statement of comprehensive loss during the year ended April 30, 2011.

**Fletcher Junction (FJ)**

The Fletcher Junction Project is located in Mineral County, Nevada, approximately 30 km southwest of Hawthorne, Nevada. The Company has a 100% interest in 117 (2011 – 117) claims (approx. 9.6 km<sup>2</sup>) at the Fletcher Junction Project, subject to a 1.25% net smelter return royalty (“NSR”).

**Hot Pot (HP)**

On September 16, 2005, the Company entered into a Mining Lease Agreement at the Hot Pot Project located in Humboldt County, Nevada, approximately 30 km northwest of Battle Mountain, Nevada. Under the terms of the agreement, the Company is required to make annual payments of US\$20,000 on each anniversary, and the agreement is subject to a 3% NSR to the property owner. The Company also controls 6 (2011 – 6) claims (approx. 50 hectares) at Hot Pot. All of the Company’s mineral interests at Hot Pot are subject to a 1.25% NSR.

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

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

**Jungo (JU)**

The Jungo Property is located in both Humboldt and Pershing Counties, Nevada, approximately 60 km west of Winnemucca, Nevada. The Company has a 100% interest in 156 (2011 – 156) claims (approx. 13.0 km<sup>2</sup>) at Jungo.

**Kelly Creek (KC)**

The Kelly Creek Project is located in Humboldt County, Nevada, approximately 40 km north-northwest of Battle Mountain, Nevada. The Company has a 100% interest in 581 (2011 – 581) claims (approx. 48.5 km<sup>2</sup>) at Kelly Creek.

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

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

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

**Rye Patch (RP)**

The Rye Patch Project is located in Pershing County, Nevada, approximately 30 km northeast of Lovelock, Nevada. The Company has a 100% interest in 126 (2011 – 126) claims (approx. 10.0 km<sup>2</sup>) at Rye Patch. On May 22, 2008, the Company entered into a four year Mining Lease Agreement on an additional 65 hectares, subject to a 2.0% NSR. On November 9, 2010, an amendment to the agreement was made reducing the Company’s annual payments from US\$10,000 to US\$5,000 effective May 22, 2010. The amendment also waived the exclusivity of the Company’s option to purchase the property for US\$325,000. On July 21, 2008, the Company entered into a four year Mining Lease Agreement on an additional 16 hectares, subject to a 2% NSR. Under the terms of this agreement the Company is required to make annual payments of US\$6,000, and the Company has the option to purchase this property for US\$30,000. During fiscal 2011 and 2012 the Company did not make the annual payment of US\$6,000 as the Company is trying to re-negotiate this agreement. The Company has not received a notice of default.

**Sand Pass (SP)**

The Sand Pass Project is located in Humboldt County, Nevada, approximately 10 km north of Winnemucca, Nevada. The Company has a 100% interest in 145 (2011 – 145) claims (approx. 12.0 km<sup>2</sup>) at Sand Pass, and on July 10, 2008, the Company entered into a Mining Lease agreement for another 9.4 km<sup>2</sup> with multiple parties, subject to a 2% NSR. Under the terms of the agreement, the Company is required to make minimum lease payments of US\$31,000 each anniversary, which is being fulfilled every year.

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

**Whiskey Flats (WF)**

The Whiskey Flats Project is located in Mineral County, Nevada, approximately 20 km south of Hawthorne, Nevada. The Company has a 100% interest in 123 (2011 – 123) claims (9.4 km<sup>2</sup>) at Whiskey Flats.

**Winnemucca Mountain (WM)**

The Winnemucca Mountain Project is located in Humboldt County, Nevada, approximately 5 km west of Winnemucca, Nevada. The Company had a 100% interest in 90 (2011 – 90) claims (approx. 7.3 km<sup>2</sup>) at Winnemucca Mountain. The Company abandoned its investment in the Winnemucca Mountain project during the year ended April 30, 2011 resulting in a charge of \$138,245 to the consolidated statement of comprehensive loss during the year ended 2011.

**9. DEPOSITS AND BONDS**

	April 30, 2012	April 30, 2011	May 1, 2010
Security deposits (1)	\$ 11,500	\$ -	\$ -
Reclamation bond deposits (2)	<u>81,601</u>	<u>55,743</u>	<u>91,320</u>
	<u>\$ 93,101</u>	<u>\$ 55,743</u>	<u>\$ 91,320</u>

- (1) Security deposits consists of a \$11,500 guaranteed investment certificate (“GIC”) maturing on August 3, 2012 and bearing interest at prime. The GIC is used to secure the credit limit on a credit card.
- (2) Reclamation deposits are required by the U.S. Bureau of Land Management (“BLM”) and the U.S. Forest Service (“USFS”) to ensure that any reclamation and clean-up work required on the Company’s properties will be completed to the satisfaction of the BLM and the USFS.

**10. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES**

Payables and accrued liabilities for the Company are as follows:

	April 30, 2012	April 30, 2011	May 1, 2010
Customer prepayments	\$ 67,138	\$ -	\$ -
Trade payables (debit)	79,136	(2,120)	88,033
Accrued liabilities	66,102	40,000	40,000
Salaries payable	<u>21,287</u>	<u>87,564</u>	<u>20,261</u>
Total	<u>\$ 233,663</u>	<u>\$ 125,444</u>	<u>\$ 148,294</u>

**11. FINANCE LEASE OBLIGATIONS**

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

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**11. FINANCE LEASE OBLIGATIONS (cont'd...)**

	April 30, 2012	April 30, 2011	May 1, 2010
Lease obligations	\$ 7,253	\$ 32,903	\$ 63,173
Deduct: amount representing interest	<u>(69)</u>	<u>(958)</u>	<u>(3,590)</u>
Present value of minimum lease payments due	7,184	31,945	59,583
Less: current portion	<u>(7,184)</u>	<u>(25,063)</u>	<u>(25,296)</u>
	<u>\$ -</u>	<u>\$ 6,882</u>	<u>\$ 34,287</u>

Remaining fiscal principal repayments of the finance lease obligation are as follows:  
2013 \$ 7,184

**12. CAPITAL STOCK AND RESERVES**

a) Authorized share capital:

As at April 30, 2012, the authorized share capital of the Company was:

- Unlimited number of common shares without par value;
- Unlimited number of preferred shares without par value;
- All issued shares are fully paid.

b) Issued share capital:

During the year ended April 30, 2012 the Company:

- i) completed a non-brokered private placement by issuing 7,000,000 Units at a price of \$0.08 per Unit for total gross proceeds of \$560,000. Each unit consists of one common share and one-half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.12 for a period of one year. Fair value allocated in connection to these warrants was \$51,907. In connection with the private placement, the Company:
  - a) paid cash share issuance costs of \$28,570; and
  - b) issued 288,200 agent warrants with a fair value of \$4,718, where each agent warrant entitles the holder to purchase one common share at a price of \$0.12 for a period of one year. In the absence of a reliable measurement of the services received, the services have been measured at the fair value of the agent warrants issued.
- ii) completed a non-brokered private placement by issuing 9,100,000 Units at a price of \$0.10 per Unit for total gross proceeds of \$910,000. Each unit consists of one common share and one-half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.14 for a period of 24 months. Fair value allocated in connection to these warrants was \$132,735. In connection with the private placement the Company:
  - a) Paid cash share issue costs of \$76,423; and
  - b) Issued 728,000 agent warrants with a fair value of \$9,806, where each agent warrant entitles the holder to purchase one common share at a price of \$0.14 for a period of two years. In the absence of a reliable measurement of the services received, the services have been measured at the fair value of the agent warrants issued

**12. CAPITAL STOCK AND RESERVES (cont'd...)**

b) Issued share capital: (cont'd...)

iii) issued 1,183,000 common shares due to the exercise of warrants for gross proceeds of \$141,960.

During the year ended April 30, 2011 the Company:

i) completed a non-brokered private placement by issuing 11,258,000 Units at a price of \$0.05 per Unit for total gross proceeds of \$562,900. Each unit consists of one common share and one-half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.10 for a period of one year. Fair value allocated in connection to these warrants was \$80,795. In connection with the private placement, the Company:

- a) paid cash share issuance costs of \$21,647; and
- b) issued 56,000 agent warrants with a fair value of \$1,089, where each agent warrant entitles the holder to purchase one common share at a price of \$0.10 for a period of one year. In the absence of a reliable measurement of the services received, the services have been measured at the fair value of the agent warrants issued.

ii) issued 50,000 common shares in connection with a Lease and Option to Purchase Agreement with Genesis Gold Corporation on their HP claims, which form a portion of the Company's KC project in Humboldt County, Nevada (Note 8). The share issuance transaction is measured at the fair value of the shares issued as the fair value of the option payment could not be reliability measured.

iii) completed a non-brokered private placement by issuing 2,601,074 Units at a price of \$0.07 per unit for total gross proceeds of \$182,075. Each unit consists of one common share and one-half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.10 for a period of one year. Fair value allocated in connection to these warrants was \$29,068. In connection with the private placement, the Company:

- a) paid cash share issuance costs of \$3,898; and
- b) issued 7,500 agent warrants with a fair value of \$285, where each agent warrant entitles the holder to purchase one common share at a price of \$0.10 for a period of one year. In the absence of a reliable measurement of the services received, the services have been measured at the fair value of the agent warrants issued.

iv) issued 532,000 common shares at \$0.05 per share to reimburse a firm in which an officer and director of the Company is a partner for \$26,600 accounting services rendered in the ordinary course of business.

v) completed a non-brokered private placement by issuing 3,225,000 Units at a price of \$0.08 per unit for total gross proceeds of \$258,000. Each unit consists of one common share and one-half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.12 for a period of one year. Fair value allocated in connection to these warrants was \$32,131. In connection with the private placement, the Company:

- a) paid cash share issuance costs of \$18,878; and
- b) issued 212,000 agent warrants with a fair value of \$5,428, where each agent warrant entitles the holder to purchase one common share at a price of \$0.12 for a period of one year. In the absence of a reliable measurement of the services received, the services have been measured at the fair value of the agent warrants issued.



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**12. CAPITAL STOCK AND RESERVES (cont'd...)**

b) Options

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

During the year ended April 30, 2012, the Company:

- i) granted 2,250,000 stock options to certain officers, directors and consultants of the Company resulting in stock-based compensation of \$160,925. In the absence of a reliable measurement of the services received, the transaction has been measured at the fair value of the stock options issued.
- ii) granted 250,000 stock options to Ubika Corporation for investor relations services resulting in stock-based compensation of \$21,543. \$19,841 was recorded during the year ended April 30, 2012; the remainder will be recorded in future periods to match the vesting terms. In the absence of a reliable measurement of the services received, the transaction has been measured at the fair value of the stock options issued.
- iii) re-priced the exercise price of 2,450,000 options resulting in an incremental fair value of \$14,141. The original exercise prices were \$0.15 to \$0.17.
- iv) recorded stock-based compensation expense of \$1,822 for unvested options at fiscal 2011 year end which vested during the current year.

During the year ended April 30, 2011, the Company:

- i) granted 3,100,000 stock options resulting in stock-based compensation of \$257,011.
- ii) recorded stock-based compensation expense of \$99,875 for options vested.

Option pricing models require the use of estimates and assumptions including the expected volatility. Changes in underlying assumptions can materially affect the fair value estimates. The following weighted average assumptions were used for the Black-Scholes valuation of options granted during the year:

	Granted 2012	Re-priced 2012	Granted 2011
Share price	\$0.08	\$0.08	\$0.09
Risk-free interest rate	1.50%	1.24%	2.41%
Expected life of options	4.94 years	2.19 years	5 years
Annualized volatility based on historical volatility	147.95%	113.67%	156.91%
Dividend rate	0.00%	0.00%	0.00%
Forfeiture rate	0.00%	0.00%	0.00%
Fair value per option	\$0.07	\$0.01	\$0.08

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**12. CAPITAL STOCK AND RESERVES (cont'd...)**

c) Options (cont'd....)

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, May 1, 2010	4,650,000	\$ 0.31
Granted	3,100,000	0.10
Expired	<u>(400,000)</u>	<u>(0.80)</u>
Outstanding, April 30, 2011	7,350,000	0.20
Granted	2,500,000	0.10
Cancelled	(550,000)	(0.15)
Expired	<u>(900,000)</u>	<u>(0.38)</u>
Outstanding, April 30, 2012	8,400,000	\$ 0.13
Options exercisable at April 30, 2012	8,400,000	\$ 0.13
Weighted average remaining life of options outstanding		3.23 years

As at April 30, 2012, the following incentive stock options are outstanding:

Number of Options	Exercise Price	Expiry Date
150,000	\$ 0.95	June 8, 2012
150,000	1.00	June 11, 2012
550,000	0.10	March 4, 2013
200,000	0.15	June 10, 2013
250,000	0.16	September 30, 2014
900,000	0.10	September 30, 2014
600,000	0.10	November 17, 2014
3,100,000	0.10	December 31, 2015
<u>2,500,000</u>	0.10	August 9, 2016
8,400,000		

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**12. CAPITAL STOCK AND RESERVES (cont'd...)**

d) Warrants

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Outstanding, May 1, 2010	12,329,037	\$	0.12
Granted	<u>8,817,537</u>		0.10
Outstanding, April 30, 2011	21,146,574		0.12
Granted	9,066,200		0.13
Exercised	(1,183,000)		0.12
Expired	<u>(19,963,574)</u>		(0.11)
Outstanding, April 30, 2012	9,066,200	\$	0.13
Warrants exercisable at April 30, 2012	3,788,200	\$	0.12

The weighted average share price at the date of exercise was \$0.14 (2011 - \$Nil)

As at April 30, 2012, the following warrants are outstanding:

Number of Warrants		Exercise Price	Expiry Date
2,516,000	(i), (iv)	0.12	July 30, 2012
1,272,200	(ii), (iv)	0.12	August 4, 2012
<u>5,278,000</u>	(iii), (iv)	0.14	April 16, 2014
9,066,200			

(i) includes 191,000 agent warrants

(ii) includes 97,200 agent warrants

(iii) includes 728,000 agent warrants

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

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**12. CAPITAL STOCK AND RESERVES (cont'd...)**

d) Warrants (cont'd...)

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

	Granted 2012	Granted 2011
Share price	\$0.10	\$0.07
Risk-free interest rate	1.29%	1.38%
Expected life of warrants	1.5 years	1 years
Annualized volatility based on historical volatility	78.96%	112.68%
Dividend rate	0.00%	0.00%
Fair value per warrant	\$0.02	\$0.02

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

The Company had the following significant non-cash transactions:

During the period year ended April 30, 2012, the Company:

- i) Incurred exploration and evaluation expenditures of \$12,199 included in accounts payable and accrued liabilities.
- ii) Incurred equipment costs of \$40,860 included in accounts payable and accrued liabilities.

During the year ended April 30, 2011, the Company:

- i) issued 50,000 shares with a fair value of \$4,000 for mineral properties.
- ii) issued 532,000 shares with a fair value of \$26,600 for debt.

**14. COMMITMENTS**

The Company has the following commitments:

- a) The Company has entered into a lease agreement for premises expiring on November 30, 2012. The future minimum non-cancellable lease payments under the operating lease are \$52,000 (US\$52,000).
- b) The Company has various commitments relating to its mineral properties as disclosed in Note 8.

**15. SEGMENTED INFORMATION**

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

	April 30, 2012	April 30, 2011	May 1, 2010
<b>Non-current assets:</b>			
United States			
Equipment	\$ 162,440	\$ 171,331	\$ 305,447
Exploration and evaluation assets	<u>6,002,903</u>	<u>5,487,184</u>	<u>5,746,819</u>
	<u>\$ 6,165,343</u>	<u>\$ 5,658,515</u>	<u>\$ 6,052,266</u>
<b>Project management and consulting revenue:</b>			
United States			
	\$ 543,535	\$ 111,300	\$ -

**16. CAPITAL AND FINANCIAL RISK MANAGEMENT**

**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 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 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 year ended April 30, 2012.

**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.

The carrying value of cash, accounts receivable (excluding HST receivable), loans receivable, deposits and bonds, obligations under finance lease and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

**16. CAPITAL AND FINANCIAL RISK MANAGEMENT (cont'd...)**

**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 and deposits and bonds. 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, as outlined in the discussion on capital management. 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 April 30, 2012, the Company had a cash balance of \$777,826 (2011 - \$151,145; May 1, 2010 - \$55,253) to settle current liabilities of \$240,847 (2011 - \$150,507; May 1, 2010 - \$173,590). As a result, at April 30, 2012 the Company is not exposed to liquidity risk.

*Foreign country risk*

Country risk is the risk associated with changes in the business environment that could affect the profits or the value of the assets in a specific country. The Company's exploration activities are located in the United States, and while it does not foresee country risk as being problematic, the country risk is out of the control of the Company.

*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 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 obligations are not considered significant.

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**16. CAPITAL AND FINANCIAL RISK MANAGEMENT (cont'd...)**

**Financial risk factors (cont'd...)**

*Market risk (cont'd...)*

(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.

	CDN	US
Current assets	\$ 95,213	\$ 96,379
Non-current assets	6,246,944	6,323,458
Current liabilities	<u>(140,062)</u>	<u>(141,777)</u>
	<u>\$ 6,202,095</u>	<u>\$ 6,278,060</u>

*Net exposure*

Based on the above net exposures as at April 30, 2012, 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 \$62,021 in profit or loss.

**17. LOANS RECEIVABLE**

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

Loans receivable at April 30, 2011 of \$18,361 (May 1, 2010 - \$104,519) consisted of a loan to an employee and certain officers of the Company, as disclosed in the related party transactions note. The loans receivable bore interest at 5% per annum and were due on demand and secured by 1,350,000 common shares of the Company (May 1, 2010 - 2,100,000 common shares).

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**18. INCOME TAXES**

	2012	2011
Loss before income taxes	\$ (854,904)	\$ (1,331,595)
Expected income tax recovery at average statutory rate of 26% for 2012 (2011 – 27.8%)	\$ (222,275)	\$ (370,183)
Stock-based compensation and other non-deductible expenses	51,150	92,163
Share issuance costs	(26,248)	(11,106)
Change in statutory rates and other	(28,727)	(46,602)
Tax benefits not recognized	<u>226,100</u>	<u>335,728</u>
	\$ -	\$ -
	2012	2011
Deferred tax assets:		
Non-capital loss carry-forwards	\$ 2,624,500	\$ 2,380,700
Share issue costs and other	40,800	58,500
Deferred tax assets not recognized	<u>(2,665,300)</u>	<u>(2,439,200)</u>
Net deferred tax assets	\$ -	\$ -

The Company has available for deduction against future taxable income non-capital losses of approximately \$3,313,000 and US net operating losses of approximately \$5,290,000 (expressed in Canadian dollars) expiring as follows:

	CDN	US
2025	\$ 33,000	\$ -
2026	266,000	-
2027	858,000	183,000
2028	569,000	680,000
2029	549,000	2,544,000
2030	81,000	826,000
2031	366,000	816,000
2032	<u>591,000</u>	<u>241,000</u>
	\$ 3,313,000	\$ 5,290,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable income will be available against which the Company can utilize the benefits.



**19. KEY MANAGEMENT COMPENSATION**

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

Remuneration of key management of the Company was as follows:

	2012	2011
Salaries and benefits	\$ 341,074	\$ 346,461
Share-based payments *	<u>121,424</u>	<u>332,815</u>
	<u>\$ 462,498</u>	<u>\$ 679,276</u>

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

**20. FIRST TIME ADOPTION OF IFRS**

As stated in Note 2, these consolidated financial statements are for the first year covered by the first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in Note 3 have been applied as follows:

- in preparing the consolidated financial statements for the year ended April 30, 2012;
- the comparative information for the year ended April 30, 2011;
- the consolidated statement of financial position as at April 30, 2011; and
- the preparation of an opening IFRS statement of consolidated financial position on the transition date of May 1, 2010.

An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables:

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**20. FIRST TIME ADOPTION OF IFRS (cont'd....)**

Reconciliation between Canadian GAAP and IFRS statements of financial position:

	As at May 1, 2010			As at April 30, 2011		
	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>ASSETS</b>						
<b>Current</b>						
Cash	\$ 55,253	\$ -	\$ 55,253	\$ 151,145	\$ -	\$ 151,145
Amounts receivable	66,027	-	66,027	2,461	-	2,461
Loans receivable	104,519	-	104,519	18,361	-	18,361
Prepaid expenses	7,495	-	7,495	14,648	-	14,648
<b>Total current assets</b>	<b>233,294</b>	<b>-</b>	<b>233,294</b>	<b>186,615</b>	<b>-</b>	<b>186,615</b>
<b>Non-current assets</b>						
Equipment	20(iii) 335,493	(30,046)	305,447	201,134	(29,803)	171,331
Exploration and evaluation assets	20(iii) 5,970,055	(223,236)	5,746,819	6,105,202	(618,018)	5,487,184
Deposits and bonds	91,320	-	91,320	55,743	-	55,743
<b>Total non-current assets</b>	<b>6,396,868</b>	<b>(253,282)</b>	<b>6,143,586</b>	<b>6,362,079</b>	<b>(647,821)</b>	<b>5,714,258</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,630,162</b>	<b>\$ (253,282)</b>	<b>\$ 6,376,880</b>	<b>\$ 6,548,694</b>	<b>\$ (647,821)</b>	<b>\$ 5,900,873</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>						
<b>Current liabilities</b>						
Accounts payable and accrued liabilities	\$ 148,294	\$ -	\$ 148,294	\$ 125,444	\$ -	\$ 125,444
Current portion of finance lease obligations	25,296	-	25,296	25,063	-	25,063
<b>Total current liabilities</b>	<b>173,590</b>	<b>-</b>	<b>173,590</b>	<b>150,507</b>	<b>-</b>	<b>150,507</b>
<b>Non-current liabilities</b>						
Finance lease obligations	34,287	-	34,287	6,882	-	6,882
<b>Total liabilities</b>	<b>207,877</b>	<b>-</b>	<b>207,877</b>	<b>157,389</b>	<b>-</b>	<b>157,389</b>
<b>Shareholders' equity</b>						
Capital stock	20(iv) 10,686,870	1,638,093	12,324,963	11,527,226	1,638,093	13,165,319
Warrants	20(iv) 450,800	(450,800)	-	599,596	(599,596)	-
Reserves	20(ii, iii, iv) 3,875,772	(1,737,793)	2,137,979	4,206,199	(2,208,557)	1,997,642
Deficit	20(ii, iii, iv) (8,591,157)	297,218	(8,293,939)	(9,941,716)	522,239	(9,419,477)
<b>Total shareholders' equity</b>	<b>6,422,285</b>	<b>(253,282)</b>	<b>6,169,003</b>	<b>6,391,305</b>	<b>(647,821)</b>	<b>5,743,484</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 6,630,162</b>	<b>\$ (253,282)</b>	<b>\$ 6,376,880</b>	<b>\$ 6,548,694</b>	<b>\$ (647,821)</b>	<b>\$ 5,900,873</b>

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**20. FIRST TIME ADOPTION OF IFRS (cont'd....)**

Reconciliation between Canadian GAAP and IFRS statements of comprehensive loss:

		Year ended April 30, 2011		
		Canadian GAAP	Effect of transition to IFRS	IFRS
<b>INCOME</b>				
	Project management and consulting	\$ 111,300	\$ -	\$ 111,300
	Interest	<u>14,369</u>	<u>-</u>	<u>14,369</u>
		<u>125,669</u>	<u>-</u>	<u>125,669</u>
<b>EXPENSES</b>				
	Amortization	20(iii) 83,445	(4,682)	78,763
	Foreign exchange (gain) loss	20(ii) 29,077	(29,077)	-
	Interest and bank charges	(156)	-	(156)
	Office expenses and other	50,611	-	50,611
	Professional fees, consulting, and investor relations	229,596	-	229,596
	Rent	67,203	-	67,203
	Salaries	414,611	-	414,611
	Stock-based compensation	20(ii) 330,427	26,459	356,886
	Travel	<u>8,217</u>	<u>-</u>	<u>8,217</u>
		<u>(1,213,031)</u>	<u>7,300</u>	<u>(1,205,731)</u>
	Net loss before other items	<u>(1,087,362)</u>	<u>7,300</u>	<u>(1,080,062)</u>
<b>OTHER ITEMS</b>				
	Gain on sale of equipment	20(iii) 19,603	(754)	18,849
	Impairment of equipment	20(iii) (45,415)	8,532	(36,883)
	Write-off of mineral properties	20(iii) <u>(237,385)</u>	<u>3,886</u>	<u>(233,499)</u>
	Total other items	<u>(263,197)</u>	<u>11,664</u>	<u>(251,533)</u>
	<b>Net loss for the year</b>	(1,350,559)	18,964	(1,331,595)
<b>OTHER COMPREHENSIVE LOSS</b>				
	Currency translation adjustment	20(iii) -	(439,962)	(439,962)
	<b>Comprehensive loss for the year</b>	\$ (1,350,559)	(420,998)	(1,771,557)
<b>Basic and diluted loss per common share</b>		\$ (0.01)		\$ (0.01)

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**20. FIRST TIME ADOPTION OF IFRS (cont'd....)**

Reconciliation between Canadian GAAP and IFRS statements of cash flows:

		Year ended April 30, 2011		
		Canadian GAAP	Effect of transition to IFRS	IFRS
<b>OPERATING ACTIVITIES</b>				
Loss for the year		\$ (1,350,559)	\$ 18,964	\$ (1,331,595)
Items not affecting cash:				
Amortization	20(iii)	83,445	(4,682)	78,763
Accrued interest		(5,212)	-	(5,212)
Foreign exchange	20(iii)	5,819	(5,819)	-
Recovery of accounts payable		(14,304)	-	(14,304)
Impairment of equipment	20(iii)	45,415	(8,532)	36,883
Gain on sale of equipment	20(iii)	(19,603)	754	(18,849)
Loans receivable paid through salary		86,375	-	86,375
Stock-based compensation	20(ii)	330,427	26,459	356,886
Write-off of mineral properties	20(iii)	<u>237,385</u>	<u>(3,886)</u>	<u>233,499</u>
		(600,812)	23,258	(577,554)
Changes in non-cash working capital items:				
Accounts receivable		62,438	-	62,438
Prepaid expenses		(8,264)	-	(8,264)
Accounts payable and accrued liabilities		<u>18,054</u>	<u>-</u>	<u>18,054</u>
Net cash used in operating activities		<u>(528,584)</u>	<u>23,258</u>	<u>(505,326)</u>
<b>INVESTING ACTIVITIES</b>				
Proceeds from sale of equipment		25,102	-	25,102
Proceeds from mineral property option		88,931	-	88,931
Deposits and bonds		32,696	-	32,696
Exploration and evaluation expenditures		<u>(457,463)</u>	<u>-</u>	<u>(457,463)</u>
Net cash used in investing activities		<u>(310,734)</u>	<u>-</u>	<u>(310,734)</u>
<b>FINANCING ACTIVITIES</b>				
Issuance of capital stock and warrants, net of share issue costs		958,552	-	958,552
Repayment of finance lease obligations		<u>(23,342)</u>	<u>-</u>	<u>(23,342)</u>
Net cash provided by financing activities		<u>935,210</u>	<u>-</u>	<u>935,210</u>
Effect of foreign exchange	20(iii)	<u>-</u>	<u>(23,258)</u>	<u>(23,258)</u>
Change in cash for the year		95,892	-	95,892
Cash, beginning of year		<u>55,253</u>	<u>-</u>	<u>55,253</u>
<b>Cash, end of year</b>		<u>\$ 151,145</u>	<u>\$ -</u>	<u>\$ 151,145</u>

**20. FIRST TIME ADOPTION OF IFRS (cont'd....)**

The guidance for the first time adoption of IFRS are set out in IFRS 1, First-time adoption of International Financial Reporting Standards. IFRS 1 provides for certain mandatory exceptions and optional exemptions for the first time adopters of IFRS. The Company has elected to take the following IFRS 1 optional exemptions:

i) Business combinations

IFRS 1 provides the option to apply IFRS 3, Business Combinations, retrospectively or prospectively from the transition date. The retrospective basis would require restatement of all business combinations that occurred prior to the transition date. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its transition date and such business combinations have not been restated.

ii) Share-based payments

IFRS 2, Share-based Payment, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the transition date. The Company elected to take the exemption available under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by the transition date.

As a result, the Company decreased options reserves by \$42,013 and deficit as at May 1, 2010 and April 30, 2011 and increased stock based compensation expense by \$26,459 for the year ended April 30, 2011 and increased deficit by the same amount.

iii) Cumulative translation differences

IFRS 1 allows a first-time adopter to not comply with the requirements of IAS 21, The effects of Changes in Foreign Exchange Rates, for cumulative translation differences that existed at the date of transition to IFRS. The Company has chosen to apply this election and has eliminated the cumulative translation differences and adjusted deficit by the same amount at the date of transition to IFRS. If, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on disposal.

As a result, the Company eliminated cumulative translation differences ("CTA") of \$253,282 and increased deficit by the same amount as at May 1, 2010 and April 30, 2011. The translation differences include equipment of \$30,046 and, exploration and evaluation assets of \$223,236.

For the year ended April 30, 2011, translation differences include equipment of \$29,803, exploration and evaluation assets of \$618,018 and foreign exchange of \$45,423 for a total of \$693,244 adjustment to CTA

The CTA balance of \$693,244 as at April 30, 2011 less the CTA balance of \$253,282 as at May 1, 2010, which was transferred to deficit, equates to the currency translation adjustment of \$439,962 as at April 30, 2011 and for the year ended April 30, 2011.

iv) Reclassification of options and warrants reserve

The Company reclassified from equity reserves lapse of warrants that were not exercised of \$1,638,093 as at May 1, 2010 and April 30, 2011 to share capital and lapse of stock options that were not exercised of \$508,487, which decreased deficit as at May 1, 2010, and \$714,544, which decreased deficit as at April 30, 2011.

**20. FIRST TIME ADOPTION OF IFRS (cont'd....)**

v) Borrowing costs

The Company elected to apply IAS 23, Borrowing costs, prospectively from the date of transition to IFRS. Based on this election, The Company expensed the borrowing costs capitalized before May 1, 2010 under Canadian GAAP and will capitalize borrowing costs incurred on qualifying assets for which the commencement date for capitalization is subsequent to May 1, 2010.

Additionally, in accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of May 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

**21. COMPARATIVE FIGURES**

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

**22. SUBSEQUENT EVENTS**

Subsequent to the year ended April 30, 2012, the Company:

- i) issued 200,000 shares with a fair value of \$20,000 in settlement of debt owing of \$20,000 USD.
- ii) entered into a Letter of Intent ("LOI") with Spruce Ridge Resources Ltd. ("Spruce Ridge") whereby Spruce Ridge may earn a 70% interest in the Company's Fletcher Junction Gold Project in Mineral County, Nevada, by funding \$2,600,000 in qualifying expenditures and making \$300,000 in payments over 4 years. After Spruce Ridge completes the earn-in, they may earn an additional 15% for a total of 85% by completing a feasibility report.

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The following management discussion and analysis prepared as of July 13, 2012 should be read in conjunction with the audited consolidated financial statements for the year ended April 30, 2012, and the related notes thereto. Those audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These are the Company’s first annual IFRS financial statements. In the prior year, the Company reported in accordance with Canadian Generally Accepted Accounting Principles as issued by the Accounting Standards Board of the Canadian Institute of Chartered Accountants. All comparative figures in those audited consolidated financial statements have been restated to be in accordance with 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 Management Discussion and Analysis for the year ended April 30, 2011. 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”). The Company is engaged in gold exploration in Nevada, USA. The Company was incorporated under the Canada Business Corporations Act on April 6, 2006. On July 14, 2010, the Company amalgamated with its subsidiary 2107189 Ontario Inc. 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 “blind 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.

**LAND ACQUISITION AND MAINTENANCE**

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

As of July 13, 2012, NGE directly and indirectly holds 1,950 unpatented mining claims and other mineral interests in the following properties through its wholly owned US subsidiary Pediment Gold LLC:

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<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>
Fletcher Junction (FJ)	117	9.6	-	9.6
Hot Pot (HP)	6	0.4	8.8	9.2
Bull Creek (BU)	264	21.9	-	21.9
Awakening (AW)	432	35.9	-	35.9
Sand Pass (SP)	145	12.0	9.4	21.4
Rye Patch (RP)	126	10.0	0.8	10.8
Jungo (JU)	156	13.0	-	13.0
Kelly Creek (KC)	581	48.5	20.2	68.7
Whiskey Flats (WF)	123	9.4	-	9.4
<b>TOTAL</b>	<b>1,950</b>	<b>160.7</b>	<b>39.2</b>	<b>199.9</b>

\*Leased private lands and claims on BLM land leased from 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:

- Hydrogeochemistry: NGE first uses its proprietary hydroprobe sampling technology to collect regularized 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.
- Soil Geochemistry: NGE completes detailed soil 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 soil geochemistry allows NGE to confirm the presences of anomalous levels of gold and other trace elements in an additional medium.



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- 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.
- 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**

***Fletcher Junction (FJ)***

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

On December 18, 2008, NGE announced the completion of a Phase I RC drill program at Fletcher Junction, and presented the detailed results that demonstrate how NGE used its hydrogeochemistry exploration technology to discover a new, gold-bearing hydrothermal system in an otherwise blind, covered bedrock setting. Nine wide-spaced drill holes were completed to target depth, and all nine encountered altered bedrock that contained geochemically anomalous gold and gold-associated trace elements, as well as anomalous gold and trace-element hydrogeochemistry. The bedrock, alteration, and the suite of gold-associated trace elements found at Fletcher Junction are similar to those found at the nearby Aurora mining district, noted for historic, high grade underground production.

While significant intervals of potentially ore grade mineralization were not encountered in the Phase I drilling, management believes that the results at Fletcher Junction are substantive in that they demonstrate how NGE has used its unique and proprietary hydrogeochemistry exploration technique to discover a new gold-bearing, hydrothermal system in a covered bedrock setting. The results to date at Fletcher Junction add value to NGE’s other projects that were all identified using the same hydrogeochemistry exploration technology, and they establish NGE as a source of quality exploration projects for potential Joint Venture partners.

NGE believes the first phase drill results at Fletcher Junction justify a much larger, Phase II drill 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. In preparation for Phase II drilling, NGE is working with the US Forest Service on a new Plan of Operations. During 2009 and early 2010, NGE’s biological and archaeological consultants completed the required surveys and have submitted their reports to the US Forest Service. NGE has received verbal confirmation that the Plan of Operations has been approved.

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On June 19, 2012, NGE announced that it has entered into a Letter of Intent (“LOI”) with Spruce Ridge Resources Ltd. (“Spruce Ridge”) whereby Spruce Ridge may earn a 70% interest in Fletcher Junction by funding \$2,600,000 in qualifying expenditures and making \$300,000 in payments over 4 years. NGE and Spruce Ridge have not yet executed a definitive agreement

***Hot Pot (HP)***

In 2004, NGE’s regional reconnaissance hydrogeochemistry program identified a prospective exploration target near Hot Pot in Humboldt County, Nevada, approximately 30km northwest of Battle Mountain, Nevada. Regional gravity data suggested that the Hot Pot area is underlain by a bedrock high covered by a thin layer of sand & gravel.

On September 16, 2005, the Company entered into a 10 year Mining Lease Agreement on 8.8km<sup>2</sup> at Hot Pot Project, subject to a 3% NSR to the land owner. The Company also controls 6 claims at Hot Pot (50 hectares). The lands within the Mining Lease Agreement and the 6 claims are subject to a 1.25% NSR to Royal Gold, Inc.

In 2005, nine RC drill holes were completed at Hot Pot to depths ranging from 92m (300ft) to 190m (620ft) for a total of 1,195m (3,900ft). The widely-spaced, shallow holes confirmed bedrock to range in depth from 33m (110ft) to 112m (370ft). The bedrock was hydrothermally altered and contained anomalous gold and trace elements similar to that associated with the Lone Tree gold mine. The drilling also confirmed and enlarged the area of anomalous hydrogeochemistry.

In 2007, NGE used its hydroprobe equipment to complete a detailed hydrogeochemistry survey at Hot Pot on a 400m (1/4 mi) grid. The resulting dataset showed highly anomalous gold and trace elements chemistry and further expanded the area of exploration interest. Additionally, in 2007, NGE completed two seismic geophysical lines, which identified several deep, north-trending, steeply-dipping fault zones.

In 2008, NGE completed a detailed gravity geophysical survey, which successfully mapped the relative depth to the underlying bedrock by measuring the density contrast between 200m sampling points. The gravity survey delineated sharp changes in the slope of the bedrock that coincided with the fault zones identified by seismic geophysics.

In 2008, NGE completed 10 vertical, RC drill holes to test small segments of the steeply-dipping fault zones identified by the 2007 seismic and gravity geophysics. Three vertical holes were spaced 100m (330ft) apart on each of three lines. The holes ranged in depth from 50m (165ft) to 175m (575ft) for a total of 1,085m (3,565ft). The shallow drill holes encountered hydrothermally altered bedrock containing anomalous gold and trace elements. Deeper, angle drill holes designed to cross cut the areas where the steeply-dipping fault zones had been projected were planned, but the drilling contractor was unable to complete the program.

Also in 2008, an energy company, with business interests separate from NGE, started a deep test drill hole on the Hot Pot property. In exchange for NGE’s seismic data, NGE was granted access to drill cuttings from the 1,372m (4,500ft) drill hole. Significantly, the deep drill hole encountered hydrothermally-altered, Paleozoic Rocks underlying the Hot Pot Project. Hydrothermal alteration includes carbon re-mobilization, local bleaching, clay, de-calcification and secondary pyrite.

Although potentially economic quantities of gold mineralization have not yet been encountered at Hot Pot, drilling to date has been wide-spaced and could have easily missed the type of high-angle fault zones that control significant known gold mineralization elsewhere in the region. The widely-distributed, highly anomalous gold in groundwater together with the large area of hydrothermally-altered and geochemically anomalous bedrock strongly suggests that higher values for gold in bedrock than have been discovered to

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date may still be located nearby. The next step is more closely-spaced, shallow, vertical drill holes and/or deeper, angle holes targeted to intersect steeply-dipping, potentially ore-bearing fault zones and favourable bedrock units.

On September 16, 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. On July 2, 2009, NGE announced that Enxco had begun drilling at Hot Pot.

In 2009 and early 2010, Enxco completed an 11 hole, 3,462 metre (11,360 ft) core drilling program at Hot Pot to collect stratigraphic information and test for mineralized structures beneath the alluvial cover. Enxco’s drilling successfully encountered weak, but widespread anomalous gold values in all 11 holes. Importantly, the results showed that the anomalous gold values at Hot Pot are associated with increased copper values, an association that is related to ore-grade gold mineralization within the Marigold mine complex 9 km (6 miles) to the south-southwest. In addition, the results included anomalous silver concentrations, including one 4.57 metre (15 ft) interval averaging 15.5 gpt silver, as well as several other trace element distribution patterns indicative of a large hydrothermal system. Enxco engaged Doug McGibbon, an economic geologist with over 25 years of exploration experience in the Battle Mountain area and responsible for major discoveries at the Marigold and Pinson mines, to review the drilling results and the exploration data, and to put the Hot Pot property into regional context (taken from January 25, 2010, Enxco news release):

“Mr. McGibbon's study has confirmed that the hydrothermally altered and mineralized lithologies at Hot Pot are similar if not stratigraphically equivalent to those hosting orebodies at the Marigold mine. Although gold values only ranged up to 66 parts per billion, the mineralized zones encountered were up to 149 metres in length beneath overburden cover that was between 40 to 152 metres in all but two of the holes, with the spacing between holes still leaving sufficient room to host a significant gold deposit. Drilling also identified zones of oxidation to depths of 300 metres, significant intervals of brecciated material indicative of several major fault zones and an apparent horst block with similarities to the geologic setting at the Lone Tree mine. Structural analysis is currently under way, and additional geochemical and geophysical work are being considered to focus further drilling.”

On August 16, 2011, NGE reported that Enxco has withdrawn from the Exploration Agreement at Hot Pot, and that as a result, Enxco retains no interest in the project.

***Bull Creek (BU)***

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

In 2008, NGE completed a detailed groundwater survey at Bull Creek to delineate the project’s anomalous hydrogeochemistry, and then completed a detailed soil sampling program to both verify and model the surface geochemistry above the target. Later in 2008, to further develop the project’s exploration model, NGE completed detailed gravity and airborne magnetic geophysical surveys to better understand the different rock types and possible fault zones concealed beneath the large expanse of sand and gravel covering the target. Also in 2008, as a final input to the Bull Creek exploration model, NGE completed seismic geophysics to test for deep-seated fault zones. NGE combined these data sets to develop the conceptual targets for Phase I drill testing.

In 2008, NGE completed a Phase I drilling program at Bull Creek specifically to test the concept that an undiscovered, potentially gold-bearing hydrothermal system is responsible for the anomalous gold and trace-elements discovered in the groundwater. NGE completed 18 RC drill holes at Bull Creek. The holes were spaced 0.4km (0.25mi) to 1.6km (1.0mi) apart across the 41km<sup>2</sup> property, and the holes ranged in

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depth from 100m (300ft) to 300m (1,000ft). The drilling defined shallow bedrock along the eastern margin of the property, ranging in depth from 15m (50ft) to 100m (300ft).

On February 23, 2009, NGE announced completion of data reduction for its Phase I drill program at Bull Creek. The results showed several >200m (>650ft) intervals of hydrothermally altered and geochemically anomalous volcanic rock. The increase in alteration intensity and trace-elements geochemistry seen in the wide-spaced drill holes moving from west to east across the eastern half of the property suggests NGE has discovered the edge of a significant new hydrothermal system of exploration significance. NGE believes additional drilling is warranted farther to the east, and this conclusion is also supported by the structural interpretation of the gravity and air magnetic geophysics. In 2009, NGE increased its claim position towards the east to cover the developing target.

The initial identification of anomalous hydrogeochemistry at Bull Creek has resulted in a successful concept test: the discovery of a large area of hydrothermally-altered, shallow bedrock containing geochemically anomalous gold and gold-associated trace elements. These features of exploration significance are similar to those found at the nearby Sleeper Mine, which produced 1.7M ozs of gold and 1.9M ozs of silver from 1986 to 1996. These results further demonstrate how hydrogeochemistry can efficiently and effectively reduce large, sand and gravel covered valley basins to discrete, highly prospective exploration targets deserving of more focused and intense exploration expenditures.

On June 30, 2010 NGE completed a 438 page technical report summarizing all work completed on the property. NGE believes that additional drilling is warranted at Bull Creek and has is seeking a JV partner to advance the project.

***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 432 claims (35.9km<sup>2</sup>) at Awakening.

On July 1, 2008, the Company entered into a Mining Lease agreement with DIR Exploration Inc. on 15 claims (1.2km<sup>2</sup>) that are subject to a 3% NSR. NGE has notified DIR that it has elected to terminate the Mining Lease.

The Awakening gold property 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.

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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.

During 2009, NGE completed detailed geologic mapping at a scale of 1:10,000 in the northern-most Slumbering Hills along the eastern edge of Awakening.

In March, 2010, the Company completed a 258 page technical report summarizing all work completed on the property and began discussions with potential JV partners.

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 ("Agreement") on NGE's Awakening Gold Project ("Property"), in Humboldt County, Nevada. The Agreement granted Northgate the option to earn an initial 51% interest in the 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 Property.

In early 2011, NGE completed a 10 hole, 1,573 metre (5,160 feet), Phase I drilling program on the Shine Claims within the Awakening Project, north of the Sleeper Gold Mine in Humboldt County, Nevada. NGE has a mining lease and option to purchase agreement on the 15 Shine Claims from DIR Exploration, Inc. The Shine Claims lie within NGE's larger Awakening Project.

During 2011, Northgate completed a seven hole core drilling program totalling 2,194 metres (7,198 feet). In October, 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 Agreement, and during the year ended April 30, 2012, AuRico elected to terminate the Agreement. AuRico retains no interest in the project.

NGE has received all results from the Company's drilling on the Shine claims and Northgate's drilling and is presently updating the project's exploration model with the new drilling data.

***Sand Pass (SP)***

The Sand Pass Project is located in Humboldt County, Nevada, approximately 10km north of Winnemucca, Nevada. The Company has a 100% interest in 145 claims (12.0km<sup>2</sup>) at Sand Pass, and on July 10, 2008, the Company entered into a Mining Lease agreement for another 9.4km<sup>2</sup> with multiple parties, subject to a 2% NSR payable to the private landholders.

Similar to NGE's other properties, Sand Pass is covered by post-mineral alluvium, and as a result, the area has seen very limited historic exploration activity. Based on the projections of favourable lithology, structure and alteration present at the regional, district and property scales, NGE believes the project has the potential to contain gold-silver mineralization within economic depths beneath the cover.

During 2007 and 2008, NGE completed both hydrogeochemistry and soil geochemistry sampling programs across Sand Pass and identified geochemical indications of potential gold mineralization. Following up on the successful geochemistry programs, in 2008, NGE completed detailed, district-scale gravity and air magnetic geophysical surveys also with positive results. NGE is now preparing a detailed technical report summarizing all work completed on the property. NGE will begin discussions with potential JV partners upon the completion of the technical report.

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***Winnemucca Mountain (WM)***

The Winnemucca Mountain Project is located in Humboldt County, Nevada, approximately 5 km west of Winnemucca, Nevada. While the results to date at the Project have been encouraging, the Company has decided to focus its resources on its other projects. During the year ended April 30, 2011, the Company abandoned its Winnemucca Mountain Project claims, resulting in a charge to operations of \$138,245.

***Rye Patch (RP)***

The Rye Patch Project is located in Pershing County, Nevada, approximately 30km northeast of Lovelock, Nevada. The Company has a 100% interest in 126 claims (10.0km<sup>2</sup>) at Rye Patch. On May 22, 2008, the Company entered into a Mining Lease Agreement on another 65 hectares with a private party, subject to a 2.0% NSR; and on July 21, 2008, the Company entered into a Mining Lease Agreement on an additional 16 hectares from another private party, also subject to a 2.0% NSR payable to a private landholder.

While the Rye Patch gold property is along the same West Humboldt Range structural trend responsible for both past and present producing gold mines, NGE's property has seen no historic exploration activity because it is largely covered by post-mineral alluvium. NGE's projections of favorable lithology, structure and alteration at the regional, district and property scales suggest that potentially important gold-silver mineralization may be located within economic depths beneath the cover at Rye Patch.

In 2007, NGE collected and analyzed groundwater samples across the project area and identified hydrogeochemical patterns that provided direct indications of potential gold mineralization. In 2008, NGE collected soil samples that confirmed the presence of anomalous concentrations of gold and gold-related trace elements in soils. In 2008, NGE completed a detailed, district-scale air magnetic geophysical survey, and in 2010, NGE completed a detailed gravity survey as well. NGE has systematically advanced the Rye Patch target through its staged exploration program and the combined datasets have delineated several compelling drill targets. NGE is presently preparing a detailed technical report summarizing all work completed on the property. NGE will begin discussions with potential JV partners upon the completion of the technical report.

***Jungo (JU)***

The Jungo Project is located in both Humboldt and Pershing Counties, Nevada, approximately 60km west of Winnemucca, Nevada. The Company has a 100% interest in 156 claims (13.0km<sup>2</sup>) at Jungo. The Jungo property is largely covered by syn- to post-mineral volcanic units and post-mineral alluvium and has seen no historic exploration activity. NGE identified the Jungo target as part of its ongoing reconnaissance hydrogeochemistry sampling program. NGE has completed additional hydrogeochemistry sampling and examined the regional, district, and property scale lithology, structure and alteration, and NGE believes the results suggest favorable geology beneath the property and the potential for mineralization within economic depths.

In 2008, NGE completed detailed, district-scale gravity and air magnetic geophysical surveys. In May, 2010, NGE mapped the geology of bedrock exposures along the range front. NGE believes that the Jungo Project is deserved of Phase I drilling and has begun discussions with potential JV partners.

***Dunphy (DU)***

The Dunphy Project is located in Eureka County, Nevada, approximately 40 km east of Battle Mountain, Nevada. While the results to date at the Project have been encouraging, the Company has decided to focus its resources on its other projects. During the year ended April 30, 2011, the Company abandoned its Dunphy Project claims, resulting in a charge to operations of \$95,254.

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***Kelly Creek (KC)***

The Kelly Creek Project is located in Humboldt County, Nevada, approximately 40km north-northwest of Battle Mountain, Nevada. The Company has a 100% interest in 581 claims (48.5km<sup>2</sup>) at Kelly Creek. On October 1, 2009, the Company entered into a Mining Lease and Option to Purchase Agreement with Genesis Gold Corporation (“Genesis”) to acquire a 100% interest of Genesis’s Hot Pot Claims, which consist of 254 unpatented mineral claims (20.2km<sup>2</sup>). Under the Agreement, the Company is the Operator and has the option to purchase 100% of the Genesis claims for USD\$1,500,000, subject to a 1.5% Net Smelter Return Royalty (“Royalty”). The Company also has the option to purchase one half of the royalty (0.75%) for USD\$750,000.

The Kelly Creek project area is located 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). With the addition of Genesis’s Hot Pot claims, NGE is now one of the largest property holders in the Kelly Creek Basin, along with Newmont Mining Corporation, which controls the majority of the alternating sections. However, despite its close proximity to world class gold deposits, the Kelly Creek project area has seen very limited historic exploration activity because the Basin’s bedrock is largely covered by syn- to post-mineral volcanic units and post-mineral alluvium.

During 2007 and 2008, NGE completed a large scale reconnaissance hydrogeochemistry sampling program across the Kelly Creek Basin and successfully delineated a significant area of anomalous hydrogeochemistry similar to that surrounding the adjacent gold mines. A detailed gravity geophysical survey was completed in 2010 with positive results confirming the presence of shallow bedrock over the large area.

NGE believes the hydrogeochemistry and gravity geophysics collected to date, as well as the favorable regional, district and property scale lithology, structure and alteration, indicate a strong potential for covered gold mineralization beneath the Kelly Creek project area. NGE expects the next phases of work at Kelly Creek to include detailed air magnetic geophysics, additional groundwater sampling, and seismic geophysics.

***Whiskey Flats (WF)***

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

The Whiskey Flat property is largely covered by and post-mineral alluvium and has seen no historic exploration activity. Projections of favorable 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. In 2008, NGE completed a preliminary hydrogeochemistry sampling program across the property and the results show anomalous concentrations of gold and other trace elements, which NGE considers to be a good indication of potential covered gold mineralization. In 2009, NGE completed a detailed, district-scale air magnetic geophysical survey, and in 2011, NGE completed a detailed gravity survey as well.

***Summary of Project Work Completed to Date***

To date, NGE has completed: detailed hydrogeochemistry sampling on all nine (9) properties; detailed soil chemistry on five (5) properties; detailed air magnetic geophysics on six (6) properties; detailed gravity geophysics on eight (8) properties; and Phase I drilling on four (4) properties. The Company’s management believes the results to date at each of the properties are encouraging and justify additional exploration expenditures. The table below summarizes the completion dates for the referenced work.

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<b>PROPERTY</b>	<b>Water Chemistry</b>	<b>Soil Chemistry</b>	<b>Air Magnetics</b>	<b>Gravity</b>	<b>Phase I Drilling</b>
Fletcher Junction	2005				2008
Hot Pot	2007	2007		2008	2008
Bull Creek	2008	2008	2008	2008	2008
Awakening	2008	2008	2008	2008	2011
Sand Pass	2007	2008	2008	2008	
Rye Patch	2007	2008	2008	2010	
Jungo	2008		2008	2008	
Kelly Creek	2007			2010	
Whiskey Flats	2008		2009	2011	
<b>TOTAL</b>	<b>9</b>	<b>5</b>	<b>6</b>	<b>8</b>	<b>4</b>

For a summary of NGE’s property expenditures to date, please refer to Note 8 in the associated financial statements.

**OTHER EXPLORATION PARTNERSHIPS**

In addition to advancing its own projects, NGE is using its hydrogeochemistry expertise and equipment to work with other companies on other projects. These exploration partnerships allow NGE to leverage its significant investment in its hydrogeochemistry program to expose NGE’s shareholders to the upside of more projects, as well as to provide NGE revenue to offset its operating expenses.

***McEwen Mining Inc. at Gold Bar and Tonkin***

On June 6, 2011, NGE announced that US Gold Corporation, now McEwen Mining Inc, (“MMI”) has engaged NGE to conduct a hydrogeochemistry exploration program on MMI’s large land position surrounding its Gold Bar and Tonkin Properties in Nevada (“Project Area”).

MMI’s Gold Bar and Tonkin Properties are located on the south-central part of the prolific Eureka-Battle Mountain gold trend in north-central Nevada. MMI’s land position is located approximately 16 km (10 miles) SE of Barrick’s Cortez gold mine complex (39 MMOz as of September 7, 2011) and approximately 35 km (22 miles) NW of Barrick’s Ruby Hill gold mine (1.1 MMOz as of December 31, 2010). The Project Area totals approximately 430 km<sup>2</sup> (165 mi<sup>2</sup>) and contains considerable areas of highly prospective but covered bedrock. MMI has chosen to work with NGE specifically because of NGE’s expertise in exploring for gold mineralization in covered bedrock settings using its industry leading hydrogeochemistry exploration technology.

Under the agreement, NGE will complete a groundwater sampling and analysis program across the Project Area to identify new exploration targets, and in return, MMI will pay NGE agreed upon rates for its services, as well as grant to NGE a 0.5 to 1.0% Net Smelter Return Royalty on resources within the Project Area that are not already contained in NI 43-101 compliant resource areas referred to in reports published prior to the date of the agreement.



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***McEwen Mining Inc. Generative Agreement***

On February 27, 2012, the Company announced the signing of second agreement with MMI, a two-year Exploration Agreement (the “Agreement”) to generate new gold projects in a 25,000 hectare (95 sq mi) study area in north central Nevada (the “AOI”) using NGE’s hydrogeochemistry exploration technology.

Under the Agreement, MMI has engaged NGE to complete a hydrogeochemistry sampling program across the large AOI to identify and delineate discrete new target areas in exchange for a service fee. Any projects that MMI acquires within the AOI will be deemed Designated Properties. Upon acquiring a Designated Property, MMI will pay NGE the greater of \$25,000 USD or \$100 USD per claim, and grant NGE a 30% carried interest in the Designated Property. MMI will be the manager of the Designated Properties, will have sole discretion on the nature and timing of all exploration and development activities at the Designated Properties, and will be solely responsible for payment of all costs incurred in respect of the Designated Properties. If MMI elects to continue to maintain a Designated Property, MMI will pay NGE \$100,000 USD on the first through fourth anniversaries of acquiring the Designated Property, and then \$250,000 USD on each subsequent anniversary. If MMI completes a Production Decision Report on a Designated Property that MMI deems sufficient to base a decision to commence production, the Designated Property will advance under a Joint Venture agreement.

**RESULTS OF OPERATIONS**

***Revenue***

NGE generated \$543,535 (2011 - \$111,300) of revenue in the year ended April 30, 2012, from project management and consulting activities. The Company continues to expend its resources searching for and advancing properties that may contain economic resources that would allow the Company to option or sell its interests, or to set up profitable mining operations.

***Operating Expenses***

During the year ended April 30, 2012, NGE’s net losses were \$854,904 compared to \$1,331,595 for the year ended April 30, 2011. The decrease in losses was due to increased revenues, decreased stock-based compensation and decreased mineral property write-off charges.

Office expenses during the year ended April 30, 2012, were \$112,686, compared to \$50,611 for the year ended April 30, 2011. The difference mainly due to a write-off of old accounts payables in the prior year ended April 30, 2011.

Professional fees, consulting, and investor relations costs during the year ended April 30, 2012, were \$264,892, compared to \$201,812 for the year ended April 30, 2011. The increase is due to increased investor relation costs, filing fees and additional professional fees for IFRS transition work.

Project management and consulting expenses during the year ended April 30, 2012, were \$242,337, compared to \$27,784 for the year ended April 30, 2011. The increase is due to increased costs associated with project management and consulting income.

Rent costs for the year ended April 30, 2012, were \$96,554, compared to \$67,203 for the year ended April 30, 2012. The increase was due to an increase in rent and the termination of a sublet.

Salaries and related expenses during the year ended April 30, 2012, were \$402,283, compared to \$414,611 for the year ended April 30, 2011. Salary expenses for the year ended April 30, 2012 include \$10,325 (US\$10,564) credit to loans payable to the Company that an officer and director of the Company elected to receive in lieu of salary in order to preserve the Company’s cash.

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The total stock-based compensation expense for the year ended April 30, 2012, was \$196,729 compared to \$356,886 for the year ended April 30, 2011. Stock-based compensation expense consists of:

- 1) Options granted during the year
- 2) Options re-priced during the year
- 3) Options granted in prior years that vested during the year.

***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, 2012	Year Ended April 30, 2011	Year Ended April 30, 2010
Total revenues	\$ 543,971	\$ 125,669	\$ 11,138
Net loss	(854,904)	(1,331,595)	(1,604,595)
Basic and diluted loss per share	(0.01)	(0.01)	(0.02)
Total assets	7,076,791	5,900,873	6,376,880
Total long-term liabilities	-	6,882	34,287

***Summary of Quarterly Results***

	Three Month Period Ended April 30, 2012	Three Month Period Ended January 31, 2012	Three Month Period Ended October 31, 2011	Three Month Period Ended July 31, 2011
Total assets	\$ 7,076,791	\$ 6,520,059	\$ 6,536,335	\$ 6,423,175
Exploration and evaluation assets	6,002,903	6,081,083	6,041,726	5,474,320
Working capital (deficiency)	577,500	(123,361)	41,549	479,031
Shareholders' equity	6,835,944	6,174,414	6,294,026	6,152,115
Revenues	20,426	221,693	81,923	219,929
Net loss	(221,371)	(165,372)	(423,485)	(44,676)
Loss per share	(0.00)	(0.00)	(0.01)	(0.00)

	Three Month Period Ended April 30, 2011	Three Month Period Ended January 31, 2011	Three Month Period Ended October 31, 2010	Three Month Period Ended July 31, 2010
Total assets	\$ 5,900,873	\$ 6,317,830	\$ 6,492,512	\$ 6,158,325
Exploration and evaluation assets	5,487,184	5,770,365	5,818,989	5,552,692
Working capital	36,108	36,964	152,102	38,806
Shareholders' equity	5,743,484	6,078,956	6,265,922	5,939,955
Revenues	37,222	30,811	12,508	45,128
Net loss	(250,066)	(475,425)	(260,953)	(345,151)
Loss per share	(0.00)	(0.01)	(0.00)	(0.00)

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**ASSETS & LIABILITIES**

The Company's long term debt as at April 30, 2012, is \$Nil compared to \$6,882 at April 30, 2011.

Deposits for land reclamation also add to the Company's asset base. Deposits as at April 30, 2012 are \$81,601. 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 NGE's properties will be completed to the satisfaction of the BLM and the USFS. NGE has completed all required BLM reclamation work to date, including dirt-work and seeding, and has to wait for vegetation to regrow before 100% of the bonds will be released.

**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.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing.

Net cash used by operating activities for the year ended April 30, 2012 was \$543,449 compared to \$505,326 used during the year ended April 30, 2011 and consists primarily of the operating loss, stock-based compensation, write-off of mineral properties and changes in non-cash working capital items.

Net cash used by investing activities for the year ended April 30, 2012 was \$312,714 compared to \$310,734 used during the year ended April 30, 2011. The difference is due to decreased mineral property expenditures, purchase of equipment and increased bonds required by U.S. Bureau of Land Management during the year ended April 30, 2012.

Net cash provided by financing activities for the year ended April 30, 2012 was \$1,482,206 compared to \$935,210 provided during the year ended April 30, 2011. The difference is attributable to increased financings during the year ended April 30, 2012.

***Capital Resources***

During the year ended April 30, 2012 the Company:

- i) completed a non-brokered private placement by issuing 7,000,000 Units at a price of \$0.08 per Unit for total gross proceeds of \$560,000. Each unit consists of one common share and one-half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.12 for a period of one year. Fair value allocated in connection to these warrants was \$51,907. In connection with the private placement, the Company:
  - a. paid cash share issuance costs of \$28,570; and
  - b. issued 288,200 agent warrants with a fair value of \$4,718, where each agent warrant entitles the holder to purchase one common share at a price of \$0.12 for a period of one year.
- ii) completed a non-brokered private placement by issuing 9,100,000 Units at a price of \$0.10 per Unit for total gross proceeds of \$910,000. Each unit consists of one common share and one-half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.14 for a period of 24 months. Fair value allocated in connection to these warrants was \$132,735. In connection with the private placement the Company:

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- a. Paid cash share issue costs of \$76,423; and
  - b. Issued 728,000 agent warrants with a fair value of \$9,806, where each agent warrant entitles the holder to purchase one common share at a price of \$0.14 for a period of two years.
- iii) issued 1,183,000 common shares due to the exercise of warrants for gross proceeds of \$141,960.

***Off Balance Sheet Arrangements***

As at April 30, 2012, 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 year ended April 30, 2012, the Company paid or accrued \$84,502 (2011 - \$54,129) in professional fees to a firm in which the Chief Financial Officer of the company is a partner

The amounts due from (to) related parties are as follows:

	Notes	April 30, 2012	April 30, 2011	May 1, 2010
Loans receivable from the Chief Executive Officer	*	\$ -	\$ 10,101	\$ 82,927
Loans receivable from the Chief Operating Officer	*	-	-	13,150
A firm of which the Chief Financial Officer is a partner	**	(32,136)	(15,000)	(28,860)
Due to the Chief Operating Officer	**	-	(37,794)	-
Due to the VP of Corporate Development	**	-	(49,770)	(20,261)
		\$ (32,136)	\$ (92,463)	\$ 49,956

\* Loan receivable is guaranteed by Nil (April 30, 2011 – 1,350,000; May 1, 2011 – 2,100,000) common shares of the Company. Since issuance of the loans receivable, the Company has accrued interest of approximately \$30,300 (April 30, 2011 - \$30,300; May 1, 2011 - \$25,500), \$Nil of which was accrued during the year ended April 30, 2012.

\*\* Included in accounts payable.

**KEY MANAGEMENT COMPENSATION**

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

Remuneration of key management of the Company was as follows:

	2012	2011
Salaries and benefits	\$ 341,074	\$ 346,461
Share-based payments *	121,424	332,815
	\$ 462,498	\$ 679,276

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

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**DISCLOSURE OF OUTSTANDING SHARE DATA**

As at July 13, 2012, the Company has 117,815,851 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>	550,000	0.10	March 4, 2013
	200,000	0.15	June 10, 2013
	250,000	0.16	September 30, 2014
	900,000	0.10	September 30, 2014
	600,000	0.10	November 17, 2014
	3,100,000	0.10	December 31, 2015
	<u>2,500,000</u>	0.10	August 9, 2016
	8,100,000		
<b>Warrants</b>	2,516,000	0.12	July 30, 2012
	1,272,200	0.12	August 4, 2012
	<u>5,278,000</u>	0.14	April 16, 2014
	9,066,200		

**FINANCIAL INSTRUMENTS AND OTHER 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***

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.

The carrying value of cash, amounts receivable (excluding HST receivable), loans receivable, deposits and bonds, obligations under capital lease 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:

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*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, as outlined in below ("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 April 30, 2012, the Company had a cash balance of \$777,826 (2011 - \$151,145; May 1, 2010 - \$55,253) to settle current liabilities of \$240,847 (2011 - \$150,507; May 1, 2010 - \$173,590). As a result, at April 30, 2012 the Company is not exposed to liquidity risk.

*Foreign country risk*

Country risk is the risk associated with changes in the business environment that could affect the profits or the value of the assets in a specific country. The Company's exploration activities are located in the United States, and while it does not foresee country risk as being problematic, the country risk is out of the control of the Company.

*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 and on the Company's obligations are not considered significant.

(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.

	CDN	US
Current assets	\$ 95,213	\$ 96,379
Non-current assets	6,246,944	6,323,458
Current liabilities	<u>(140,062)</u>	<u>(141,777)</u>
	<u>\$ 6,202,095</u>	<u>\$ 6,278,060</u>

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*Net exposure*

Based on the above net exposures as at April 30, 2012, 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 \$62,021 in profit or loss.

**CAPITAL DISCLOSURES**

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 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 year ended April 30, 2012

***Financial liabilities***

Accounts payable and accrued liabilities, and finance lease obligations are classified as financial liabilities and are measured at face value. Management has determined that the face value of financial liabilities approximates fair value due to the expected short-term maturity of the debts.

The Company's financial liabilities primarily constitute trade payables owing to both arms' length and related parties. These are unsecured and, excepting normal trade credit terms, are due on demand.

The Company believes the fair value of its financial liabilities approximate their carrying values primarily due to their short-term nature. There are no quoted market prices from active markets for any of the financial liabilities held by the Company and thus fair values were assessed using valuation techniques consistent with International Financial Reporting Standards. The Company intends to reduce its financial liabilities by re-financing through additional share issuances.

**RISKS AND UNCERTAINTIES**

In conducting its business of mineral exploration, NGE is subject 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 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.

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**LIST OF DIRECTORS AND OFFICERS**

Wade A. Hodges, President, CEO and Director  
Cyrus Driver, CFO and Director  
Kenneth Tullar, COO and Director  
Jennifer Boyle, Director  
John Ryan, Director  
James Buskard, Vice President Corporate Development and Corporate Secretary

**CHANGE IN ACCOUNTING FRAMEWORK**

The Company previously prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”) as set in the Handbook of the Canadian Institute of Chartered Accountant (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate IFRS and requires publicly accountable enterprises to apply such standards effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these consolidated financial statements.

The year ended April 30, 2012 represent the Company’s first annual IFRS consolidated financial statements. Previously the Company prepared its consolidated annual and interim financial statements in accordance with Canadian GAAP. These annual consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

**GOING CONCERN OF OPERATIONS**

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

During the year ended April 30, 2012, the Company incurred a loss of \$854,904 (2011 - 1,331,595) and as at that date, the Company had accumulated deficit of \$9,560,393 (April 30, 2011 – \$9,419,477; May 1, 2010 - \$8,293,939), a working capital surplus of \$577,500 (April 30, 2011 - \$36,108; May 1, 2010 – \$59,704) and negative cash flows from operations of \$543,449 (2011 – \$505,326). These factors create material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern.

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

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

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



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and develop the properties and upon future profitable production or proceeds from disposition of such properties.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments would be material.

***New standards not yet adopted***

IFRS 7, *Financial Instruments Disclosures*, IFRS 7 was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011.

Effective for accounting periods beginning on or after January 1, 2013 unless specified:

IFRS 9, *Financial Instruments*, which covers the classification and measurement of financial assets as part of its project to replace IAS 39, “Financial Instruments: Recognition and Measurement.” In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. This standard is effective for accounting periods beginning on or after January 1, 2015

IFRS 10, *Consolidated Financial Statements*, replaces the guidance on control and consolidation in IAS 27, *Consolidated and Separate Financial statements*, and SIC-12, *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control under IFRS so that the same criteria are applied to all entities to determine control.

IFRS 11, *Joint arrangements*, divides joint arrangements into two types, joint operations and joint ventures, each with their own accounting model. All joint arrangements are required to be reassessed upon transition to IFRS 11 to determine their type to apply the appropriate accounting.

IFRS 12, *Disclosure of Interests in Other Entities*, effective for the Company’s annual reporting period beginning May 1, 2013. This new standard provides the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and consolidated structured entities.

IFRS 13, *Fair Value Measurement*, effective for the Company’s annual reporting period beginning May 1, 2013. This standard defines fair value and sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The standard does not determine when an asset, a liability or an entity’s own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions).

IAS 1, *Presentation of Financial Statements*, requires an entity to group items presented in statement of other comprehensive income on the basis of whether they may be reclassified to profit or loss subsequent to initial recognition. For items presented before tax, the amendments also require that the tax related to the two separate groups to be presented separately. This standard is effective for accounting periods beginning on or after July 1, 2012.

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

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**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 annual audited consolidated financial statements and this accompanying annual MD&A (together the “Annual 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)*