



**Management Discussion and Analysis  
of  
Financial Position  
and  
Results of Operations  
for the  
Three Month Period ended June 30, 2014**

This report is dated August 4, 2014.  
(The "Report Date")

## ***Introduction***

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The following information should be read in conjunction with the audited consolidated financial statements of Evolving Gold Corp. (“Evolving” or the “Company”) for the for the three month period ended June 30, 2014 and year ended March 31, 2014.

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). This discussion includes the results of the Company’s wholly-owned subsidiaries:

- Evolving Gold Corp. (Nevada, USA - Active)
- 5210 Nunavut Ltd. (Nunavut, Canada - Inactive)
- Exemplar Gold Corp.(Canada - Inactive)
- Rattlesnake Mining Corp. (Canada - Inactive), and
- Rattlesnake Mining (Wyoming) Company (Wyoming, USA - Active)

Note 3 of the consolidated financial statements at March 31, 2014, describes all of the Company’s significant accounting policies and a description of changes made during the 2014 fiscal year is included therein. During the current fiscal year, the Company’s critical accounting estimates and significant accounting policies have remained substantially unchanged. ***All amounts presented in this document are stated in United States dollars, except where otherwise noted.*** The most notable exceptions are in the discussion of share capital, where securities prices are stated in Canadian dollars (C\$).

## ***Cautionary Note Regarding Forward Looking Statements***

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Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth below. This Management’s Discussion and Analysis is intended to supplement and complement the consolidated financial statements and notes thereto for the year ended March 31, 2014 (collectively the “Financial Statements”). Readers are encouraged to review both these Financial Statements as well as the audited financial statements of the Company for the year ended March 31, 2013 in conjunction with your review of this Management’s Discussion and Analysis. Certain notes to the Financial Statements are specifically referred to in this Management’s Discussion and Analysis and such notes are incorporated by reference herein. Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com) or at the company’s website at [www.evolvinggold.com](http://www.evolvinggold.com).

### ***Corporate Overview***

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The Company became a reporting issuer in the Provinces of Alberta, British Columbia and Ontario on May 14, 2004. The Company has traded on various exchanges since inception, and currently trades on the following exchanges:

Canadian Stock Exchange (CSE: EVG since July 25, 2014))  
NASDAQ (OTCBB: EVOGF since 2005)  
Frankfurt Stock Exchange (EV7 since 2007)

On July 25, 2014, the Company announced that it was voluntarily delisting from the Toronto Stock Exchange, where it been listed since December 7, 2010 under the stock symbol T:EVG. The delisting was effective July 25, 2014.

### ***Description of Business***

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Evolving Gold Corp. (“Evolving” or the “Company”) is a Canadian-based gold exploration company engaged in the acquisition, exploration and development of natural resource properties.

The Company's focus is drill intensive exploration of properties believed to have potential for the discovery of bulk tonnage and/or high grade gold deposits of significant economic interest, most notably on its advanced discovery properties at Carlin, Nevada and at Jake Creek, Nevada.

### ***Changes in Management, Directors, and Corporate Activities***

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On April 28, 2014, the Company announced its intent to enter into a private placement agreement with certain related parties of the Company in order to issue shares for debt, and to enter into similar arrangements with other creditors.

In connection with the settlement of debt by way of the issuance of common shares, the management contracts of the Company CEO and CFO were both amended to remove bonus and RRSP contribution obligations, reduce change in control benefits to 6 months and reduce management fees to \$7500 and \$5000 per month respectively. As of June 30, 2014, a total of C\$519,691 was deferred to long term debt, pending equity or other settlement.

The Company also entered into discussions regarding additional debt settlement agreements with certain vendors. During the quarter, certain key vendors agreed to the postponement and, in some cases, a reduction of the debt outstanding upon final settlement.

As a result of the above noted agreements and negotiations, as of June 30, 2014 a total of US\$1,226,121 in management fees and third party payables was reclassified and deferred to long term debt, pending final equity or other settlement on terms established with the vendors.

The Company continues to review its exploration activities, and to re-evaluate its exploration plans generally. Cost containment and reduction continues to be the goal of the Company in these difficult times. At this time management is unable to estimate when the Company may recommence any exploration activities. The Company is continuing to maintain its remaining properties in good standing

but, as is typical for most junior exploration companies given the current state of the financial markets, there is no assurance that further cuts will not be made, or that the Company will be able to resume activities in the near future

### ***Mineral Properties***

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#### **Newmont Mineral Properties**

In September 2007, the Company signed a Letter of Intent to enter into an agreement with Newmont USA Limited, Newmont Capital Limited and Elko Land and Livestock Company (collectively “Newmont”) concerning an exploration partnership on the Carlin Property and sundry other mineral properties which have been released by the Company over the intervening years. In addition, the Company acquired certain properties adjacent to the above mentioned properties as well as additional properties which fell within the agreement boundary.

A Mineral Lease, Sublease and Agreement which was signed effective November 28, 2007 continues to govern the Company’s interest in the Carlin mineral property. Under the terms of this Agreement, Newmont would lease or sublease to the Company its interest in certain lands, unpatented mining claims and fee interests in these areas, subject to a back-in right in exchange for the Company:

- Assume all of Newmont’s lease obligations insofar as they pertain to these project areas.
- Incur US\$3,500,000 in aggregate exploration expenditures (70% of exploration expenditures to be incurred for direct drilling) within the project area over five years. (Completed).
- Reimburse Newmont for all payments and filings necessary to keep the properties in good standing.
- Provide semi-annual reports to Newmont for each project area’s work program and costs incurred
- After six years, in the event that US\$750,000 was not incurred on exploration expenditures during the preceding lease year on any project area, Evolving would pay annual rental on each project area calculated at \$10 per acre, escalating by 5% each year, for each project area so defined.
- Pay a 3% to 5% sliding scale net smelter return royalty on production from the property less any underlying royalties with a minimum of 2%

Newmont can elect to terminate the agreement and enter into one or more joint venture agreements with the Company covering all or a portion of each project area. Newmont may earn a 51% interest in each joint venture property by expending on the property 200% of the exploration expenditures made by the Company from the date of the agreement to the date Newmont elects to exercise its joint venture option and may elect to earn an additional 19% interest in the joint venture property by expending on the property an additional 150% of the Company’s expenditures on the joint venture property. If the Company decides to commence mineral production of the project area and Newmont elects not to exercise the joint venture option or elects not to complete its earn-in expenditures, Newmont would agree to sell its interest in the project area property to the Company.

The Company has the right to provide sixty days written notice at any time to surrender the agreement as to all or any part of the property.

If Evolving decides to commence mineral production of any project area and Newmont elects not to exercise the joint venture option or elects not to complete its earn-in expenditures Newmont would agree to sell its interest in the project area property to Evolving.

### **Carlin Mineral Property**

Carlin is made up of a combination of Federal lode claims that were staked or leased by the Company, fee surface and mineral rights acquired or leased by the Company, and earn-in rights to both fee surface and mineral rights, as well as lode claims on Federal lands, held by Newmont.

In addition to the terms of the Newmont Agreement, the Carlin property is subject to the following additional agreements:

- On January 11, 2010, the Company signed a ten-year surface lease agreement for the lands described as the Carlin property in exchange for cash of \$16,000 (paid) and \$10,000 payable annually on January 11, 2011 and each year thereafter. Prior to commencement of commercial production the Company is obligated to purchase the area for \$2,000 per applicable acre. The agreement can be terminated by Evolving after thirty days written notice is provided and can be extended if certain conditions are met including providing compensation for surface area disturbance.
- On February 28, 2010 the Company signed a mineral lease and royalty buy down agreement comprising eight unpatented mining claims. The agreement has a primary term of fifteen years and so long thereafter as exploration, development or mining is being conducted on the property but can be terminated at any time in whole or in part after the Company provides thirty days written notice. Pursuant to the terms of the agreement the Company is required to pay advance royalty payments as follows:
  - \$ 10,000 on February 28, 2011 to 2015 (paid \$40,000)
  - \$ 15,000 on February 28, 2016 to 2020
  - \$ 20,000 on February 28, 2021 and
  - \$ 20,000 consumer price index adjusted, to be paid annually on February 28, 2021 and each year thereafter for the duration of the lease

The agreement is subject to a royalty of 2.775% to 3% of net smelter returns which the Company can, with respect to the 8 unpatented claims, reduce to 2% with the payment of \$1,000,000 for each 0.5% reduction.

- On April 13, 2010, the Company signed a ten year surface lease agreement for the lands in exchange for cash of \$42,503 on execution and on each anniversary thereafter if acreage is not decreased. The Company will also pay a onetime payment of \$1,500 for each drill site and \$100 per acre per year for other surface disturbance if ranching and grazing is not possible. On April 13, 2010 the Company signed two mineral lease agreements encompassing a total of 4,635.76 acres of additional lands in the Elko and Eureka counties in Nevada in exchange for cash paid for advance mineral royalties of \$55,725. Future royalties will be payable annually based on the amount of acreage utilized but will be at least \$20,000. The term of each lease is ten years which can be extended if certain conditions are achieved. Pursuant to the terms of both leases the Company can decrease the leased acreage or can otherwise terminate the lease after thirty days written notice is provided and has also been granted the right of first refusal to purchase either

property. The agreements are subject to a non-participating production royalty of 5% of net smelter returns.

The Company commenced a diamond drill program on the property on June 7, 2009 to test for favourable stratigraphy on its property in the south end of the Carlin Trend. Intercepts occur in calcareous units favourable for the development of high grade gold mineralization typical of other gold deposits in the highly productive Carlin Trend. Thickness, grades and depths are comparable to other gold deposits currently being mined underground on the Carlin Trend.

In September, 2010, the Company completed a Titan Magnetic Tellurics (MT) survey over the area around the CAR holes to evaluate the structural controls on the high grade gold values encountered. Based on these results, the Company continued to drill structural targets. Encouraging results confirmed the discovery of a significant, high grade zone of Carlin-style gold mineralization. A lower zone of extensive brecciation and low grade mineralization is blanket style and is currently interpreted as a source reservoir for the high grade gold mineralization in the favorable calcareous stratigraphy.

Drilling has identified a zone of high grade, open and thickening to the East/Southeast with the base of mineralization dipping steeply in this direction. The top of the mineralization appears to be lying relatively flat and coinciding with an internal fold structure within the carbonate package dipping shallowly to the East/Southeast.

To follow up on results the Company re-entered certain holes in March, 2011, to drill a series of wedge holes. This wedge indicated the discovery of a new elevated grade zone. Long intervals of gold mineralization have identified a large footprint for this gold system with total drilling outlining a 1,000m by 600m Carlin-style gold system that is open in all directions. High grade gold mineralization has been identified in two zones within what is identified by the Company as the Arch Zone or Arch target.

On November 14, 2012 the Company announced high grade gold intersections in drill holes at its Arch target. Gold mineralization is accompanied by decalcification of limestone host rocks, remobilized carbon, fine pyrite and realgar. The high grade zone projects to the east southeast and is open in that direction. The nearby Saddle (*Premier Gold*) and Rain (*Newmont Mining Corp*) deposits, about five kilometers to the south have similar orientation. Evolving Gold geologists believe that this drilling now shows that the Arch Zone high grade mineralization follows a structural corridor along the crest of a pronounced anticline in the underlying rocks and that high grades in certain holes and accompanying wedge holes are related to a similar structure.

On January 17, 2013 the Company announced the continuation of drilling in the extension of high grade gold mineralization at the Arch Zone discovery. These high grade gold intervals were distributed over a down hole length of approximately 139 meters, significantly longer than the 60-90 meters in other nearby drill holes. This expands one of two high grade zones in the Arch Zone to approximately 100 meters north-south and east-west. The strike direction of this high grade zone is interpreted as northwest-southeast, and it is open in all directions.

At March 31, 2014, the Company assessed the carrying amount of its Carlin property for indicators of impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount, being the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected cash flows) of the relevant assets. The recoverable value of Carlin was determined to be \$5,517,366. As a result, the Company recorded an impairment charge of

\$16,552,099 in the Comprehensive Statement of Loss for the year ended March 31, 2014 in respect of the Carlin property.

Current work focuses on reworking existing data and targeting for upcoming exploration and marketing. A program to follow up on recent high grade intercepts on Carlin with 3 full hole tests and 3-5 wedges and test the Eastern expression of mineralization with a further 2 holes would require approximately \$5 million.

### **Jake Creek Mineral Property**

In late December, 2007 the Company acquired by staking approximately 435 claims totalling approximately 8,900 acres 6 kilometres east of Twin Creeks mine in north-central Nevada. A mercury vapour study was completed at Jake Creek in August, 2008. Results from this survey defined at least four drill targets for possible buried Carlin-style mineralization. In September, 2010, the Company drilled two reverse circulation drill holes on two of these mercury vapour targets both of which intersected sedimentary rocks considered favourable for hosting Carlin type gold deposits beneath volcanic cover. Anomalous gold and alteration continued into the underlying Paleozoic sedimentary units. The Company subsequently increased its land holdings at Jake Creek to approximately 21,000 acres.

The 2011 Jake Creek reverse-circulation (RC) drilling program included 3,580.8 meters of drilling in eleven holes to the west and east. Results of the eleven-hole program included 39.6m of 0.873 g/t gold in JC-002, 19.8m of 0.676 g/t gold in JC-006, and 1.5m of 3.1 g/t gold within 16.7m of 0.605 g/t gold in JC-013. This drilling outlined an epithermal, volcanic-hosted gold system containing sub-horizontal and laterally extensive low-grade gold mineralization. Gold mineralization includes locally banded epithermal veins and gold in quartz-stockwork zones up to 11.3 g/t. The drilling indicates a gold system over 550 meters wide east-west that remains open to the north, south and east.

On June 28, 2012 the Company released a 43-101 report on the property prepared by Gustavson Associates, an independent consulting company.

### **Rattlesnake Hills Mineral Property**

In July, 2007, the Company entered into a Letter of Intent with Golden Predator Mines, Inc. and Golden Predator Mines (US) Inc. (collectively "GPM") for the acquisition of Golden Predator's mining option on a 100% interest in Bald Mountain Mining Company's ("BMM") Rattlesnake Hills mineral property located in Natrona County, Wyoming. An amended and restated Option Agreement was signed on December 11, 2007 between GPM and BMM. In January, 2008 a Letter of Agreement was signed to formalize the terms by which BMM would assign its interest in the underlying option agreement between itself and Golden Predator. Also in January, 2008 Evolving signed a property option agreement with GPM. Pursuant to the terms of this Agreement Evolving subsequently acquired its interest in the property option. As part of the agreement GPM retains a 0.5% net smelter return royalty ("NSR") with respect to the property. The property is currently subject to a 4% production royalty payable to the underlying owners. The production royalty is equal to the gross proceeds less all milling, smelting, refining, treatment and other processing costs.

Subsequent to entering into the Rattlesnake Hills Option Agreement and the Rattlesnake Hills Letter Agreement, the Company acquired, through staking and filing lode mining claims an additional 10,700 acres thereby increasing its total Rattlesnake Hills Property land position to approximately 14,500 acres.

The Rattlesnake Hills area is host to an alkaline volcanic center comprised of over 40 intrusions and diatremes and gold is closely associated with these alkaline volcanic and intrusive rocks. The Rattlesnake Hills project has been the focus of an extensive drill campaign by the Company designed to test three sizeable targets evident on the property. The Phase One drilling began on June 21, 2008, with 6,524 m (21,405 feet) of drilling in fifteen holes. Phase 2 drilling began May 22, 2009, and the Company drilled total of approximately 29,500 m in 78 holes. Beginning in June, 2010, the Company commenced a third diamond drill program, completing 25,600 m in 63 drill holes. Approximately 35% of the 2010 drilling targeted new areas including deep porphyry style mineralization. .

On June 24, 2011 the Company entered into a definitive Joint Venture and Subscription agreement with Agnico-Eagle Mines Limited and its operating subsidiaries (collectively "Agnico-Eagle") for exploration at its Rattlesnake Hills property. The Joint Venture completed 8,193 m (26,880 ft) of core drilling in 24 holes during 2011. Significant results included extension of the North Stock target to depth and to the south west. Drilling between the North Stock and Antelope Basin gold deposits encountered broad intersections of gold mineralization with the potential to form a connection between the two deposits. The Joint Venture also initiated an extensive surface exploration effort and a district-wide airborne magnetic and radiometric survey. Drilling during 2011 also identified high grade gold mineralization at a new target at South Stock, identified a new porphyry target at Northeast Stock with intense alteration below cover, expanded the North Stock mineralization, and confirmed the porphyry target, including mineralized stockwork veining and intense potassic alteration between North Stock and Antelope Basin. During the course of the Joint Venture, the Company partner made \$1 million in cash payments to the Company, and funded approximately \$3 million of exploration work, including 24 diamond drill holes drilled for approximately 8,000 meters. On June 29, 2012 Agnico-Eagle terminated the joint venture due to economic conditions not related to the property.

Surface work, including 371 rock chip samples and 4,175 soil samples covered approximately half of the large land package. This surface work identified eight new, untested gold targets. Follow up prospecting and surface sampling by the Company identified high gold values in two new target areas, including rock chip samples of 1.97 grams per tonne at the Black Jack target, and 3.97, 5.17 and 7.45 grams per tonne gold at the Bald Mountain target. The rock chip gold values at Bald Mountain are the highest grades identified in any surface sampling at Rattlesnake Hills. At Black Jack the gold is associated with strong potassic alteration and occurs as both disseminated and stockwork vein mineralization. At Bald Mountain, the gold is tied to Tertiary breccias and associated faulting with the target partially covered by late, post mineral alluvium.

On December 18, 2012, an independent 43-101 technical report prepared by David Turner, M.Sc., P. Geo. dated December 13, 2012 was posted to SEDAR.

On February 7, 2013, the Company announced, subject to shareholder and regulatory approval, a Plan of Arrangement (the "Arrangement") whereby Evolving's wholly owned subsidiary, Evolving US, would transfer specific Rattlesnake net assets to a newly incorporated US company named Rattlesnake Mining (Wyoming) Company ("Rattlesnake Wyoming"). Rattlesnake Wyoming's parent is Rattlesnake Mining Corp. ("RMC"), a wholly owned subsidiary of Evolving. The net assets transferred include the mineral interests in the Rattlesnake property and the related reclamation bond, and asset retirement obligation. Consideration for the transfer was to be a note payable for \$11,700,000. The valuation of the assets was determined by an independent valuation, as a result of which capitalized exploration and evaluation expenditure were written down in the fiscal 2013 financial statements by \$11,110,245 to reflect fair market value.

Subsequent to March 31, 2013, as a result of interest in purchasing the Rattlesnake property by third parties, and reflecting the difficult market conditions existing to date, the Company initiated a plan to potentially sell its Rattlesnake Hills mineral property.

On March 17, 2014 the Company announced that it has entered into a definitive agreement with NV Gold Corporation to option its 100% interest in the Rattlesnake Hills Project. Under the Agreement, NVX may acquire Rattlesnake Hills by completing the following:

- paying US\$100,000 as a non-refundable deposit; (paid)
- paying US\$300,000 as a down payment to EVG US; (paid)
- within 3 business days following receipt of TSX Venture Exchange acceptance of the option agreement, delivering US\$100,000 and issuing to the Company 1,000,000 common share purchase warrants, each such warrant exercisable to acquire one common share of NVX at CDN\$0.10 per share for 36 months from the date of issue; (paid and received)
- On or before August 1, 2014 paying US\$200,000(paid subsequent to the quarter end);
- On or before September 15, 2014, issuing 1,000,000 common share purchase warrants to the Company, each such warrant exercisable to acquire one common share of NVX at CDN\$0.10 per share until September 15th, 2016;
- On or before November 1, 2014, paying US\$800,000;
- On or before the first anniversary of TSXV acceptance of this option agreement, paying US\$1,000,000 and 1,000,000 common share purchase warrants, each such warrant exercisable to acquire one common share of NVX at CDN\$0.10 per share for a period of 18 months from the date of issue; and
- On or before the second anniversary of the date of this option agreement, paying \$1,000,000 and issuing 1,000,000 common shares of NVX;

As a result of the optioning of the Rattlesnake property, the Company recognized a write down to recoverable value on the Rattlesnake property of \$9,547,449 in the year ended March 31, 2014.

**Evolving Gold Corp.**  
**Management Discussion and Analysis**  
**For the three month period ended June 30, 2014**

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**Exploration and evaluation assets as of June 30, 2014**

	Carlin	Jake Creek	Rattlesnake	June 30, 2014	March 31, 2014
<b>Acquisition costs</b>					
Opening balance	2,597,593	47,123	2,978,952	<b>5,623,668</b>	<b>8,066,186</b>
Additions	-	-	-	-	<b>117,780</b>
Write down of mineral properties	-	-	-	-	<b>(2,560,298)</b>
	<b>2,597,593</b>	<b>47,123</b>	<b>2,978,952</b>	<b>5,623,668</b>	<b>5,623,668</b>
<b>Exploration</b>					
Opening balance	2,381,522	1,158,001	(720,202)	<b>2,819,321</b>	<b>34,143,231</b>
Assays & Reports	-	-	-	-	<b>7,612</b>
Drilling	-	-	-	-	<b>5,020</b>
Field Expenses and other	16,784	-	133	<b>16,917</b>	<b>408,314</b>
Consulting - Geological	182	329	-	<b>511</b>	<b>198,116</b>
Geophysical and Geological Studies	-	-	-	-	<b>695</b>
Staking & Recording	5,048	-	1,635	<b>6,683</b>	<b>51,550</b>
	<b>2,403,536</b>	<b>1,158,330</b>	<b>(718,434)</b>	<b>2,843,432</b>	<b>34,814,538</b>
Asset Retirement Obligation	167,978	-	286,000	<b>453,978</b>	<b>453,978</b>
Reclamation bonds	370,273	30,000	286,000	<b>686,273</b>	<b>686,273</b>
Write down of mineral properties	-	-	-	-	<b>(31,995,217)</b>
Property payments received	-	-	(611,657)	<b>(611,657)</b>	<b>(100,000)</b>
	<b>538,251</b>	<b>30,000</b>	<b>(39,657)</b>	<b>528,594</b>	<b>(30,954,966)</b>
	<b>5,539,380</b>	<b>1,235,453</b>	<b>2,220,861</b>	<b>8,995,694</b>	<b>9,483,240</b>

***Results of Operations***

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During the three month period ended June 30, 2014 and 2013 the Company reported a net loss as follows:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Operating loss (income) for the quarter	\$148,123	\$(135,484)
Comprehensive loss for the quarter	\$118,371	\$500,965
Loss per share from continuing operations	\$0.01	\$0.03

Most operating expenditures for the quarter ended June 30, 2014 are at reduced levels as those of the comparative 2013 fiscal year, reflecting the ongoing efforts of the Company to reduce costs. The most significant variations are:

- Depreciation of \$11,717 (2013 - \$16,747) reflecting the reduced amount of depreciable assets held by the Company;
- Consulting expense of \$nil (2013 - \$4,886) reflects an ongoing reduction in consulting agreements and third party service providers;
- Legal expense of \$14,985 (2013 - \$3,404) reflects a timing difference of when invoices were received, rather than a reduction of services, although the Company has made every effort to minimize this expense wherever possible;
- Management fees of \$34,372 (2013 - \$78,990) reflects the revised management agreement put in place during the period. All of the fees expensed were accrued and payable as of the period end as a deferred payable, and had not been paid;
- Office, rent and salaries expense of \$37,855 (2013 - \$83,498) which reflects decreased staffing in the offices and generally lower costs;
- Stock-based payments of \$9,410 (2013 - \$nil) represents non-cash charges incurred in connection with the granting of stock options granted in prior periods and vesting during the period, calculated using the Black Scholes option valuation model;
- Transfer agent and filing fees of \$19,843 (2013 - \$48,561) reflect AGM charges in 2013. Similar charges will occur in Q2 of 2014;
- Travel of \$nil (2013 - \$2,446) reflects the elimination of all travel during the period.
- The change in the fair value of warrant liability represents a derivative liability due to the denomination of the Company's shares and warrants in Canadian dollars while we report in US dollars. The change was a gain in both 2014 and 2013 respectively of \$55,455 and \$362,663;
- Foreign exchange was a loss of \$74,059 and \$16,466 respectively in 2014 and 2013. The higher volatility and reduced value of the Canadian dollar during the period contributed to the loss;
- Interest and other income of \$nil during the current quarter (2013 - \$29,412) reflects the lower level of cash deposits and a non-refundable deposit received in 2013;

- An unrealized gain of \$29,752 was recognized on available for sale securities, due to an increase in the value of the NV Gold warrants received during the period. In the previous year there was a loss of \$636,449 included in comprehensive income as all of the Company's securities holding were declining in value. Most of those securities were sold in the previous year, or were marked down at year end.

***Selected Annual Information***

<b>All amounts in US\$ presented under IFRS</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Interest income	35,679	56,764	61,507
Gain on sale of marketable securities	-	-	4,084,065
Share Based Payments	54,883	897,398	1,146,031
Write-down of Exploration Costs	34,555,515	11,085,765	1,588,118
Net loss for the year	35,711,754	15,722,060	788,633
Loss per share, basic and fully diluted	0.22	0.11	0.04
Total assets	9,659,671	45,306,669	56,071,811
Deferred exploration expenditures (net of write downs and proceeds received)	9,483,240	43,561,963	45,833,701
Working capital	(1,358,189)	40,193	8,606,925

***Summary of Quarterly Results (Unaudited)***

The following is a summary of the results from the eight previously completed financial quarters:

<b>All amounts in US\$ presented under IFRS</b>	<b>Fiscal 2014 -2015</b>	<b>Fiscal 2013 -2014</b>		
	<b>Q1 June 30, 2014</b>	<b>Q4 March 31, 2014</b>	<b>Q3 December 31, 2013</b>	<b>Q2 September 30, 2013</b>
Interest income and other	-	-	6,661	(394)
Gain (loss) on marketable securities	-	(401,719)	(6,652)	(142,087)
Share based payments	(9,410)	(1,568)	(40,391)	(16,060)
Write-down of Exploration Costs	-	27,424,393	-	(7,131,122)
Net Income (Loss)	(118,371)	(663,239)	(147,534)	(7,369,986)
(Loss) earnings per share, basic and fully diluted	(0.01)	(0.169)	(0.004)	(0.05)
Total assets	9,481,330	9,659,671	37,121,293	37,337,073
Deferred exploration expenditures (net of write downs and proceeds received)	24,111	575,850	225,559	294,327
Working capital	202,780	(1,358,189)	10,845,466	11,096,282
	<b>Fiscal 2013 -2014</b>	<b>Fiscal 2012 -2013</b>		
	<b>Q1 June 30, 2013</b>	<b>Q4 March 31, 2013</b>	<b>Q3 December 31, 2012</b>	<b>Q2 September 30, 2012</b>
Interest income	29,412	29,274	12,252	13,873
Gain (loss) on marketable securities	(636,449)	(606,755)	(132,341)	(164,643)
Share based payments	-	(153,002)	-	(400,686)
Write-down of Exploration Costs	-	11,110,245	(11,110,245)	-
Net Income (loss), continuing operations	135,484	(2,736,278)	(11,237,545)	(726,695)
(Loss) earnings per share, basic and fully diluted	0.003	-	(0.08)	(0.01)
Total assets	44,456,855	45,306,669	45,086,166	56,871,873
Deferred exploration expenditures (net of write downs and proceeds received)	128,936	295,939	1,963,744	2,503,355
Working capital	11,228,966	12,096,511	(277,069)	3,326,782

Diluted calculations have not been provided due to the anti-dilutive effect of outstanding stock options and warrants. The table above has been modified to present amounts calculated under IFRS and US dollar reporting requirements only for the periods so noted.

Interest Income

Interest income fluctuated with the amount of interest earning assets held and the interest rate earned thereon.

Net Loss

Net loss varies based on normal corporate expenditures and certain periodic expenses, such as stock based compensation, the write-down of exploration expenditures and gains on the sale of marketable securities. Stock-based compensation varies with the timing of vesting of option grants. A write-down of exploration expenditures is recorded when the Company determines that a property no longer has any exploration merit. A gain on sale of marketable securities is recorded when a sale occurs.

Working Capital

Working Capital for all quarters presented above decreased due to exploration and administrative costs, except for Q4 of 2013 where the increase is attributable to the asset held for sale, and Q1 2015, where the deferral of debt resulted in an increase in working capital. However in many quarters, this decrease in working capital for all quarters was offset or compensated by proceeds received on shares issued in private placements or on conversion of warrants and exercise of options.

***Capital Expenditures***

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During the year three month period ended June 30, 2014, the Company paid \$nil 117,780 (March 31, 2014 - \$117,780) in cash with respect to the land acquisition of the Carlin mineral properties. In addition Evolving incurred \$24,111 (March 31, 2014 - \$458,070) in deferred exploration expenses relating to its various mineral property interests. During the quarter ended June 30, 2014, the Company incurred expenditures of \$nil (2013 - \$6,002) for additions to fixed assets in various categories.

***Financing Activities***

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During the three month period ended June 30, 2014 and the year ended March 31, 2014, no options were exercised.

There were no securities transactions during the first quarter of fiscal 2014-15.

During 2014, 6,000,000 units were issued pursuant to a private placement offering for net proceeds of \$289,260. Each Unit consisted of one common share and one common share purchase warrant, for which proceeds of \$149,918 were allocated at their fair value determined by the Black Scholes pricing model using the following inputs: Exercise Price - CDN\$0.08; Share price - \$CDN 0.05; expected life – 3 years; volatility – 90%; dividend yield – 0.00% . Each Warrant entitles the holder thereof to acquire one common share of the Company at a price of CDN\$0.08 until August 23, 2016. All securities issued in the Offering are subject to a four-month hold period ending December 22, 2013 in accordance with applicable Canadian securities laws.

***Liquidity and Capital Resources***

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The Company's aggregate operating, investing and financing activities for the three month period ended June 30, 2014 resulted in a cash increase of \$158,337 (June 30, 2013: a decrease of \$37,118). As at June 30, 2014, the Company's cash and cash equivalents balance was \$210,868 and the Company had a working capital surplus of \$202,780 (June 30, 2013: surplus of \$11,228,966).

The Company has not as yet put into commercial production any of its mineral properties and as such has no operating revenues. Accordingly, the Company is dependent on the equity markets as its sole source of operating working capital. The Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

The Company will continue to require funds to meet its obligations under its property option agreements and as a result, will have to continue to rely on equity and debt financing during such period. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company.

The Company continues to review its mineral property holdings on an annual basis. Other than some advance royalty payments required with respect to its mineral properties the Company does not have any other commitments for material capital expenditures either in the near or long term over normal operating requirements and none are presently contemplated other than as disclosed above.

In August 2011 the Company signed an agreement to lease new head office space. The term of the agreement is for five years, commencing September 1, 2011 and ending August 31, 2016. The Company has committed to remaining lease payments as follows:

2014	40,300
2015	82,597
2016	83,928
2017	<u>55,952</u>
	<u>\$ 262,777</u>

***Transactions with Related Parties***

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Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors. Payments to key management are recorded as management, consulting and directors' fees. During the three month period ended June 30, 2014 and the year ended March 31, 2014, the Company incurred share-based payment charges for its key management totaling \$nil and \$40,696.

In addition, the following related key management compensation transactions were incurred:

	<u>June 30, 2014</u>	<u>March 31, 2014</u>
Management fees and salaries	\$ 34,372	\$ 407,642
	<u>\$ 34,372</u>	<u>\$ 407,642</u>
Unpaid and accrued management fees included in accounts payable	\$ 471,765	\$ 436,184

***Off Balance Sheet Arrangements***

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To the best of management's knowledge, there are no other off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the company.

***Critical Accounting Estimates and Changes in Accounting Policies***

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During the year ended March 31, 2014 the Company applied the accounting policies referred to in Note 3 of the annual audited financial statements as of March 31, 2014 on a consistent basis with the previous year. The reader is referred to those notes for a detailed discussion of the Company's accounting policies.

The Company also makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The estimates and assumptions of the Company are set out in Note 4 to the annual audited Consolidated Financial Statements as of and for the year ended March 31, 2013, which are incorporated herein by reference. The reader is referred to those statements for a detailed discussion of the accounting policies.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

During the period ended June 30, 2014 all accounting estimates and policies have been applied on a consistent basis with the previous year ended March 31, 2014.

### ***Financial Instruments***

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The company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

#### **General Objectives, Policies and Processes:**

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

- **Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

- **Foreign Currency Risk**

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company has significant exposure to foreign exchange rate fluctuation. The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in US dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company holds balances in Canadian dollars which could give rise to exposure to foreign exchange risk. Sensitivity to a plus or minus 10% change in the foreign exchange rate of the US dollar to the Canadian dollar would affect the reported loss and comprehensive loss by approximately \$12,598 (March 31, 2013: \$141,748) as detailed below:

<b>Canadian Dollar Denominated Balances</b>	<b>June 30, 2014</b>	<b>March 31, 2014</b>
Cash	210,868	52,531
Available for sale securities	156,722	14,031
Accounts payable	(243,992)	(1,484,039)
	123,598	(1,417,477)
<b>10% change in exchange rate impact</b>	<b>\$ 12,598</b>	<b>\$ 141,748</b>

- **Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents. Cash and cash equivalents are maintained with financial institutions of reputable credit and may be redeemed upon demand.

- The carrying amount of financial assets represents the maximum credit exposure. The Company has gross credit exposure at June 30, 2014 and March 31, 2014 relating to cash and cash equivalents of \$210,868 and \$52,531 respectively. All cash and cash equivalents are held in deposits at a Canadian chartered bank. The Company considers this credit risk to be minimal for all cash and cash equivalent assets based on changes that are reasonably possible at the reporting date

- **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

<b>Accounts payable and other liabilities</b>	<b>Up to 3 months</b>	<b>Between 3 and 12 months</b>	<b>Between 1 and 2 years</b>	<b>Over 5 years</b>	<b>Total</b>
June 30, 2014	\$ 243,992	\$ -	\$ 1,226,121	\$ -	\$ 1,470,113
March 31, 2014	\$ 1,484,039	\$ -	\$ -	\$ -	\$ 1,484,039

### **Determination of Fair Value:**

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Statement of Financial Position carrying amounts for cash and cash equivalents, restricted cash and trade and other payables approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

### **Fair Value Hierarchy:**

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The available-for-sale securities are based on quoted prices and are therefore considered to be Level 1.

The fair value of the warrant liabilities are determined with the use of a fair value pricing model and are determined to be Level 3 liabilities.

### ***Outstanding Share Data***

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As of June 30, 2014 and the Report Date, the following table summarizes the outstanding share capital of the Company:

	<b>June 30, 2014</b>	<b>Report Date</b>
Common Shares	162,609,000	162,609,000
Stock Options	8,990,500	8,990,500
Warrants	18,049,000	18,049,000
Total, Fully Diluted	<b><u>189,648,500</u></b>	<b><u>189,648,500</u></b>

### ***Risks and Uncertainties***

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Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

Operational risks include: the Company may not be able to find and develop reserves economically, the Company cannot guarantee title to its properties, the Company may have difficulty in marketing production and services, the Company must manage changing governmental law and regulations, the Company may have difficulty in hiring and retaining skilled employees and contractors, there are significant risks and hazards related to mining that are beyond the Company's control, there is no assurance that the Company will acquire additional mineral properties and any acquisitions may expose the Company to new risks, and the mining industry is intensely competitive for the acquisition of new properties, access to capital and hiring of skilled personnel. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations.

Financial risks include commodity prices, interest rates and fluctuating foreign exchange rates, all of which are beyond the Company's control. Additional financial risks are the Company's ability to raise capital to continue funding its operations.

Regulatory risks include the possible delays in getting regulatory approval to, and permits for, the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

#### **Disclosure controls and procedures and internal controls over financial reporting**

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, engaged external consultants to evaluate the effectiveness of the Company's disclosure controls and procedures (as defined in the rules of the Canadian Securities Administrators ("CSA") as at March 31, 2013 and 2014, and have concluded that such disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under Canadian securities laws is (i) recorded, processed, summarized and reported within the time periods specified in Canadian securities laws and (ii) accumulated and communicated to the Company's management to allow timely decisions regarding required disclosure.

Management is also responsible for establishing and maintaining adequate internal control over financial reporting for the Company. As of March 31, 2013 and 2014, management assessed the effectiveness of the Company's internal control over financial reporting and concluded that such internal control over financial reporting is effective and that there are no material weaknesses in the Company's internal control over financial reporting that have been identified by management.

As of the date of this report, management is not aware of any change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. It should be noted that all internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

#### **Events after the reporting period**

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The Company has evaluated its activities subsequent to the year end of March 31, 2014 and has determined that there are no material events to be reported, aside from the following:

On July 25, 2014, the Company announced its listing on the Canadian Stock Exchange ("CSE") and its delisting from the Toronto Stock Exchange ("TSX").