



Management Discussion and Analysis of Financial Position and Results of Operations for the six months ended September 30, 2010

Report dated November 24, 2010

Introduction

The following information, prepared as of November 24, 2010 should be read in conjunction with the audited consolidated financial statements of Evolving Gold Corp. for the year ended March 31, 2010 and the unaudited consolidated financial statements for the six months ended September 30, 2010. These financial statements are prepared in accordance with Canadian generally accepted accounting principles and this discussion includes the results of the Company's wholly-owned active subsidiary, Evolving Gold Corp. a Nevada, United States company, 5210 Nunavut Ltd. a wholly-owned subsidiary incorporated under the Business Corporations Act of Nunavut, Prosperity Goldfields Corp. a wholly-owned subsidiary newly incorporated under the Canada Business Corporations Act, which currently holds the Kiyuk Lake mineral property option and a wholly-owned Canadian subsidiary, Exemplar Gold Corp. which has not yet commenced operations. All amounts are expressed in Canadian dollars unless noted otherwise. Note 2 of the consolidated financial statements at March 31, 2010, describes all of the Company's significant accounting policies and a description of changes made during the 2010 fiscal year is included therein. During the six months ended September 30, 2010, the Company's critical accounting estimates and significant accounting policies have remained substantially unchanged.

Cautionary Note Regarding Forward Looking Statements

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 has been prepared as of November 24, 2010 ("Report Date") and is intended to supplement and complement the unaudited financial statements and notes thereto for the six months ended September 30, 2010 (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, 2010 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 or at the company's website at www.evolvinggold.com.

General

The Company became a reporting issuer in the Provinces of Alberta, British Columbia and Ontario on May 14, 2004 and the Company traded on the Canadian Trading and Quotation System Inc. (the “CNQ”) under stock symbol “CNQ:GOLD” from June 14, 2004 until June 13, 2007 when it began trading on the Canadian TSX Venture Exchange under the symbol TSX-V: EVG. Effective November 3, 2008 the Company graduated to become a Tier I issuer on this exchange. Since August 13, 2007 the Company has also been listed on the Frankfurt Stock Exchange under the symbol “EV7 in order to provide easier access for European investors. Effective July 28, 2005 shares of the Company were also traded on the NASD.OTCBB exchange in the United States under the stock symbol OTCBB: EVOGF” but in fiscal 2009 the Company voluntarily applied to cease trading on this exchange. The TSX Venture Exchange has recently named Evolving Gold Corp. as one of the top ten mining companies on the TSX-V and a member of the TSX Venture 50.

On November 15, 2010 the Company announced that the Toronto Stock Exchange (TSX) conditionally approved the listing of the common shares of the Company on its exchange. Accordingly the Company intends to move its listing from the TSX Venture Exchange (TSX-V) to the Toronto Stock Exchange (TSX) subject to final documentation being approved by regulatory authorities. It is anticipated that the Company will continue to trade under the stock symbol “EVG”.

Proposed Spin-Off Transaction

On October 26, 2010, the Company transferred its interest in the Kiyuk Mineral Property to a wholly owned newly incorporated subsidiary, Prosperity Goldfields Corp. (“Prosperity”) in exchange for 12,766,395 common shares in Prosperity. On November 3, 2010, Evolving subscribed for an additional 10,000,000 units in Prosperity for cash of \$1,500,000.

Once the transactions are completed the Company will be considering strategies to create liquidity for the Prosperity shares that are distributed and expects that such a liquidity event will be undertaken before the end of December, 2010.

Description of Business

Evolving Gold Corp. (“Evolving” or the “Company”) is a Canadian-based gold and precious mineral exploration and development company engaged in the acquisition, exploration and development of natural resource properties. It is envisioned that more advanced and intensive exploration programs will be undertaken on its discovery properties, Rattlesnake Hills, Wyoming, and Carlin-Humboldt, Nevada but it also has other projects in Nevada and acquired an option for the Kiyuk Lake property in Nunavut, Canada in August, 2009. Evolving currently holds approximately 72,600 hectares of exploratory lands. Due to the funds derived from a

Goldcorp Inc. private placement completed in July, 2010 management is currently re-evaluating its exploration budgets and programs but its long term objectives continue to emphasize the drill intensive exploration of properties where they believe there is potential for the discovery of bulk tonnage and high grade deposits of economic interest.

At its Rattlesnake Hills property approximately 36,500 meters of diamond drilling were undertaken in 2008 and 2009 with final assay results for the two seasons of drilling reported on February 3, 2010. Based on continued encouraging results, the Company undertook an additional 25,600 m diamond drilling between early June and mid-October, 2010. This program encompassed 63 new holes of which approximately 65% were infill and step-out at North Stock and Antelope Basin and 35% tested new targets including deep porphyry mineralization. Assays for thirty-five holes have been received, and results for the remaining 28 are expected back by early January, 2011.

Drilling of two holes on the Carlin property commenced June 4, 2009. Due to encouraging visual indications and positive assay results from hole CAR-002 released on September 10, 2009, five additional holes were drilled. Drill hole CAR-007 encountered significant high grade mineralization as per the results released on February 25, 2010, with thickness and grades comparable to other gold deposits currently being mined underground on the Carlin Trend.

In the first half of 2010, major land acquisition agreements were put in place with respect to the Carlin-Humboldt projects with additional land acquisition initiatives expected. The Company's present mineral holdings in the Carlin-Humboldt project total approximately 56 square miles (92,000 hectares). A series of drill holes down the strike of the Carlin trend are presently being drilled to evaluate depth of favorable stratigraphy and evidence of mineralization.

With respect to its other existing mineral properties, the Company completed a two hole reverse circulation drill program at its Jake Creek property in September, 2010 (results pending) and is presently drilling a diamond core hole at its Boulder Valley property. Results from these drill holes are expected back by January, 2011.

Changes in Management and Directors

In July 2010, Mr. Robert Felder, Vice-President of Exploration resigned from his position in the Company in order to pursue other opportunities but agreed to continue as a consultant until January 31, 2011 in order to provide assistance during the transition period.

Mineral Properties

1. Malone Mineral Property

Description

On April 17, 2006 the Company entered into a quitclaim deed and royalty agreement with Newmont North America Exploration Limited whereby the Company was granted all rights,

title, estate and interest in 80 unpatented mineral claims covering 665 hectares located in Lordsburg, New Mexico, United States of America in exchange for payment of US\$ 20,000 (paid). The agreement is subject to a royalty of 2% of net smelter returns.

Technical Report

An amended technical NI 43-101 report on the Malone property was filed on SEDAR in November, 2007. The report was prepared by Gerald E. Ray, Ph.D. as the qualified person.

Exploration Program

By January 2008, the Company had completed detailed mapping, surveying, sampling and a diamond drill program of this property. The diamond drilling totalled 950 meters in 10 holes, to depths of up to 183 meters. All ten holes encountered significant gold and silver mineralization. Better intercepts included 17.6 m grading 0.48 grams per tonne ("gpt") gold and 41 gpt silver in MAL-04, 5.5 m grading 1.53 gpt gold, and 164 gpt silver in MAL-06, 12.7 m grading 0.58 gpt gold and 57 gpt silver in MAL-07. The Company completed Phase Two drilling in April, 2009 of an additional 2,000 m in eleven holes with the objective of defining the dimensions of the near surface, disseminated gold-silver mineralization encountered in Phase One drilling. Unlike Phase One drilling which generally was conducted at depths less than 100 meters, Phase Two drilling tested mineralization at depths up to 300 meters. Significant results include 29.0 meters at 0.51 gpt Au and 25.5 gpt Ag (95 ft at 0.015 opt Au and 0.74 opt Ag) in hole MAL-09-003 and 15.3 meters at 0.79 gpt Au and 81.4 gpt Ag (50 ft at 0.023 opt Au and 2.38 opt Ag) in MAL-09-001. A preliminary review of this data indicates that near surface mineralization is of modest potential. The company is considering what options might be available to lease or joint venture the property. The Company has incurred total deferred exploration and acquisition costs of \$1,031,046 on this property as at September 30, 2010, primarily on drilling and a reclamation cost provision.

2. Siesta and Alpha Butte Mineral Properties

During fiscal 2007 the Company acquired, by staking, two new properties called Siesta and Alpha Butte in Nevada. As at September 30, 2010, deferred exploration expenditures of \$1,895,986 and \$119,575 incurred respectively on these properties were written down to nil as the Company does not intend to continue further exploration programs on these properties.

Effective August 23, 2010 the Company signed a Purchase and Sale Agreement and Quitclaim Deed to transfer all the remaining holdings of 358 unpatented claims located within the Siesta property to a purchaser. Pursuant to the terms of these agreements the purchaser assumes responsibility for the payment of all US Bureau of Land Management claim maintenance fees and all other Nevada claim filing fees or taxes paid commencing September 1, 2010, pertaining to these claims. In addition Evolving will be entitled to receive a 2% NSR on production with respect to these claims.

Newmont Mineral Properties

General Description

During the year ended March 31, 2008 the Company acquired by staking, approximately 39,200 acres of open land near the town of Battle Mountain, Nevada which Evolving geologists believed might contain previously untested “pieces” of disarticulated Carlin trend rocks. 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 for several prospective gold project areas in Nevada specifically Boulder Valley, Carlin, Cottonwood Creek, Sheep Creeks and Susie Creek. Susie Creek has not had any activity to date and accordingly no interest in this property has been recorded in Evolving’s financial statements. On May 20, 2010, the Company informed Newmont that it would no longer pursue its interest in the Sheep Creeks or Cottonwood Creek mineral properties and accordingly the costs associated with these properties were written down to nil in the March 31, 2010 financial statements. A November 28, 2007 Mineral Lease Sublease and Agreement continues to govern the Company’s interest in Boulder Valley and Carlin mineral properties. Under the terms of this Agreement Newmont would lease or sublease to Evolving its interest in certain lands, unpatented mining claims and fee interests in these areas, subject to a back-in right.

Under the terms of the lease and sub-lease Evolving would:

- 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 each project area over five years
- 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 Evolving covering all or portions of each project area. Newmont may earn a 51% interest in the joint venture property by expending on the property 200% of the exploration expenditures made by Evolving from the date of the agreement to the date Newmont elects to exercise their 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 Evolving’s expenditures on the joint venture property.

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 these properties.

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.

Boulder Valley Mineral Property

Boulder Valley is comprised of approximately 10,700 acres of Newmont held fee surface and mineral rights, and 1,846 (94 claims) acres of Newmont held lode claims on Bureau of Land Management of Nevada lands in the Carlin trend.

The Company is presently drilling a diamond core hole at Boulder Valley. This hole targets favourable lower plate sedimentary rocks approximately 3 km southwest of the Post-Betze deposit on the Carlin Trend. This hole intersected approximately 400 m of volcanic overburden before entering upper plate chert and shale. Lower plate carbonate rocks believed to belong to the Popovich Formation were intersected at approximately 750 m and the hole remains in these rocks at its present depth of 820 m. Expenditures relating to the completion of this drill hole will meet the third year work requirement for the Newmont farm-in agreement. Assays are expected back by January, 2011.

As at September 30, 2010, deferred acquisition and exploration expenditures have been incurred on the Boulder Valley mineral property of \$913,201.

Carlin Mineral Property

Carlin comprises approximately 10,880 acres, 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.

As of September 30, 2010, Carlin deferred exploration expenditures of \$ 5,651,181 relate primarily to drilling and land fee charges. The Company commenced a diamond drill program on the property on June 7, 2009 to test for favorable stratigraphy within a buried horst block between the Gold Quarry and Rain mines on the Carlin Trend. Results from a vertical hole, CAR-002, including 35.1 m @ 1.21 gpt Au (115 ft @ 0.035 opt Au) starting at 858.0 m and 22.8 m @ 1.11 gpt Au (75 ft at 0.032 opt Au) starting at 1420.4 m, were published in a press release dated September 10, 2009. Both intercepts occur in favourable units of the lower plate of the Roberts Mountain Thrust and are accompanied by highly anomalous pathfinder elements including arsenic, antimony and mercury. Upon receiving these encouraging results, the Company subsequently drilled hole CAR-003, a vertical hole collared approximately 200 m west of CAR-002, to a depth of approximately 1,100 m, and hole CAR-004, a vertical hole collared approximately 200 m east of CAR-002, to a depth of approximately 1,000 m, hole CAR-004, a vertical hole collared approximately 200 m east of CAR-002, to a depth of approximately 1,000 m and CAR-007, a vertical hole collared approximately 500 m northwest of CAR-002, to a depth of 1,312 m. All assays from these latter holes were released on February 25, 2010 with results noting that hole CAR-007 intersected significant high grade gold mineralization such as

18.3 meters at 11.7 grams per tonne (60 feet at 0.34 opt) gold. Such thickness and grades are comparable to other gold deposits currently being mined underground on the Carlin Trend.

Two additional drill holes were completed by the Company in May to July, 2010. Holes CAR-008 and CAR-009 were collared 205 m northwest and 180 m southeast of hole CAR-007, respectively. CAR-008, drilled to 1,198 m, intersected the same sequence of favourable host rocks encountered in CAR-007 as well as anomalous gold intervals from 633 m to the bottom of the hole. CAR-009, drilled to 1,308 m, similarly encountered the same favourable stratigraphic units and intercepted 172 m at 0.31 gpt Au from 1,136 m to the bottom of the hole. A third drill hole, EVGQ-001, was completed to approximately 1,400 m depth on a new target approximately five km northwest of CAR-008. This hole encountered the same favourable host rocks as in the CAR holes. Assays are pending. A fourth hole, EHB-003, collared approximately 2 km southeast of CAR-002, is presently in progress and is expected to reach its target depth of approximately 1,400 m by the end of November, 2010.

In September, 2010, the Company undertook a Titan MT survey over the area around the CAR holes in an effort to better evaluate the structural controls on the high grade encountered in hole CAR-007. Results of this survey are being evaluated, and the company plans to attempt to offset this high grade zone with drilling within the next two months.

The company has increased its mineral and surface rights within the Carlin Project.

- 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 \$16,642 (US\$16,000) (paid) and US\$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 US\$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 March 29, 2010 the Company signed an option purchase and royalty reservation agreement for a 50% undivided fee mineral interest in additional lands on the Carlin property in exchange for cash of \$10,401 (US\$10,000), cash of \$195,251 (US\$190,000) paid on completion of due diligence and the issue of promissory notes for US\$ 1,200,000 payable in annual US\$300,000 instalments commencing May 27, 2011. The Company will be committed to pay up to 1.0% NSR on production.
- On April 13, 2010 the Company signed an additional option purchase agreement for a 100% undivided fee interest in additional adjacent lands in exchange for cash paid on signing of \$10,401 (US\$10,000), cash of \$301,339 (US\$290,000) paid on completion of due diligence and the issue of promissory notes for US\$2,200,000 payable in annual US\$550,000 instalments, commencing August 10, 2011. The Company will be committed to pay up to 1.0% NSR on production.
- 8 Additional unpatented lode claims were staked, amounting to approximately 150 acres.

- Additional agreements that increased surface and mineral rights affecting both the Carlin Project and Humboldt Project are described below.

3. Humboldt Property

As at September 30, 2010 the total deferred exploration expenditures incurred with respect to this property amount to \$2,494,879 primarily incurred for land acquisition and drilling. The Humboldt property lies adjacent to the Carlin project, but is not subject to any terms of the Newmont agreement described above. This land package is one of the largest land holdings in the Carlin Trend. The Company has carried out an aggressive exploration program on the Humboldt property in calendar 2010 including geophysics, mapping and drilling. The Company has already generated numerous untested drill targets on this newly acquired property. One hole, EHB-002, was completed on one of these new targets in early September, 2010 to a depth of approximately 1,280 m. This hole encountered favourable stratigraphic host rocks similar to those encountered in the CAR holes approximately 4 km northwest. Assays are pending.

The company has increased its mineral and surface rights within the Humboldt Project.

- On March 29, 2010 the Company signed a purchase and royalty reservation agreement for a 50% undivided fee interest in additional mineral lands on the Humboldt property in exchange for cash paid of \$15,602 (US\$15,000), cash of \$292,877 (US\$285,000) paid on completion of due diligence, and the issue of promissory notes for US\$2,800,000 payable in annual US\$700,000 instalments, commencing May 27, 2011. The Company will be committed to pay up to 1.0% NSR on production.
- At April 13, 2010 the Company also signed two other purchase agreements for a 100% undivided fee interest in additional adjacent lands in exchange for cash of \$20,802 (US\$20,000) paid, cash of \$498,768 (US\$480,000) paid on closing and the issue of promissory notes for US\$1,800,000 and US\$3,200,000 payable in annual US\$450,000 and US\$800,000 instalments respectively, commencing August 10, 2011. The Company will be committed to pay up to 1.0% NSR on production.
- In 2009 and 2010 Evolving staked 602 unpatented lode claims within the Humboldt project

4. Carlin and Humboldt Properties

Additional agreements that increased surface and mineral rights affecting both the Carlin Project and Humboldt Project are described below.

- On October 26, 2009 the Company signed a mineral lease and property option agreement comprising sixty-two unpatented mining claims located in Elko County, Nevada, part of the Humboldt property. In addition on February 28, 2010 the Company signed a mineral lease and royalty buy down agreement comprising eight unpatented mining claims located within the Carlin Project.

Both agreements have 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 these two agreements the Company is required to pay:

Cash of \$26,003 (US\$ 25,000) (paid)

Advance royalty payments:

- \$10,562 (US\$ 10,000) (paid)
- US\$ 12,500 on October 26, 2010 (paid)
- US\$ 15,000 on October 26, 2011
- US\$ 17,500 on October 26, 2012
- US\$ 20,000 on October 26, 2013
- US\$ 25,000 on October 26, 2014 and
- US\$ 25,000 consumer price index adjusted, to be paid annually on October 26, 2015 and each year thereafter for the duration of the lease

Advance royalty payments:

- US\$ 10,000 on February 28, 2011 to 2015
- US\$ 15,000 on February 28, 2016 to 2020
- US\$ 20,000 on February 28, 2021 and
- US\$ 20,000 consumer price index adjusted, to be paid annually on February 28, 2021 and each year thereafter for the duration of the lease

Shares to be issued:

- 50,000 shares to be issued (or cash equivalent) by October 26, 2014
- 50,000 shares to be issued (or cash equivalent) by February 28, 2015
- 200,000 shares to be issued (or cash equivalent), at commencement of production.

Pay claim maintenance fees and filings to maintain the unpatented claims.

The agreements are 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 US\$1,000,000 for each 0.5% reduction.

Pursuant to the terms of the October 26, 2009 Agreement, the Company has the right to acquire ownership of the 62 unpatented claims (and royalty) in exchange for a cash payment of US\$4,000,000 subject to recoupment of any royalty payments made by the Company.

On April 13, 2010, the Company signed a ten year surface lease agreement to obtain access to drill over fee ground within the Carlin and Humboldt project areas in exchange for cash of \$44,207 (US\$42,503) on execution and on each anniversary thereafter if acreage is not

decreased. The Company will also pay a one-time payment of US\$1,500 for each drill site and \$100 per acre per year for other surface disturbance if ranching and grazing is not possible. One half of these costs has been allocated to each of the Carlin and Humboldt properties.

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 \$57,960 (US\$55,725). One half of these costs has been allocated to each of the Carlin and Humboldt properties.

Future royalties will be payable annually based on the amount of acreage utilized but will be at least US\$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.

5. Jake Creek Mineral Property

In late December, 2007 the Company acquired by staking approximately 435 claims totalling approximately 8,900 acres several kilometres near the 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 buried Carlin-style mineralization. In September, 2010, the Company drilled two reverse circulation drill holes on two of these mercury vapour targets to depths of approximately 670 m and 410 m. Both holes intersected sedimentary rocks considered favourable for hosting Carlin type gold deposits beneath volcanic cover. On November __, 2010, the Company announced results for these two drill holes. Hole JC-005 intersected 45.7 meters at 0.97 gpt Au, including 28.9 meters at 1.33 gpt Au, and 1.5 meters at 11.3 gpt Au. This mineralization is in volcanic units, and anomalous gold and alteration continues into the underlying Paleozoic sedimentary units. As at September 30, 2010 deferred exploration expenditures on this property amounted to \$758,268 primarily for drilling, staking and claim fees.

6. 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 in exchange for a cash payment of US\$200,000 (paid) and the issue of 400,000 shares (issued).

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 in exchange for the issue of 3,000,000 shares over approximately a two year period. As part of the agreement GPM retains a 0.5% net smelter return royalty (“NSR”) with respect to the property and Evolving has the option to purchase 0.25% of that NSR for US\$ 375,000. The property is currently subject to a 4% production royalty payable to the underlying owners and equal to the gross proceeds less a deduction for all milling, smelting, refining, treatment and other processing costs. A finder’s fee was paid by the issue of 75,000 shares in connection with this transaction.

Prior to the Company completing the acquisition of this mineral property option, GPM had the right to purchase up to 10% of the shares offered in private placements undertaken by the Company, such purchases to be at the same terms and conditions as other purchasers participating in the offering. Pursuant to these terms 1,000,000 units were issued to GPM in April, 2008 for proceeds of \$1,000,000 and an additional 1,234,578 units were issued as part of the November, 2009 private placement for proceeds of \$1,111,120. Each unit was comprised of one common share and one-half of a share purchase warrant. The 500,000 warrants attached to the April, 2008 unit issue have expired.

A National Instruments 43-101 Technical report dated May 1, 2010 was prepared by Ted Eggleston, Ph. D. P. Geo. for this property and filed on SEDAR with Evolving’s Annual Information Filings for March 31, 2010. This report updated all previous NI 43-101 previously filed.

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. Gold mineralization was discovered here in the late 1980’s by American Copper and Nickel Corporation and was subsequently drilled by Newmont Corporation. Gold is closely associated with alkaline volcanic and intrusive rocks. The Rattlesnake Hills project is the focus of an extensive drill campaign by the Company to test three sizeable targets evident on the property. The Phase One drilling program began on this property on June 21, 2008 with two LF-90 diamond core drills. Drilling operations ceased due to weather conditions on October 10, 2008 after completion of 6,524 m (21,405 feet) of drilling in fifteen holes. Alteration and veining were observed over significant intervals in most holes and assay results from these holes were released in late calendar 2008 and early 2009. Intervals of significance include 146 m grading 2.92 gpt Au (480 ft @ 0.085 opt Au) including 27.4 m grading 5.98 gpt Au (90 ft @ 0.175 opt Au) in hole RSC-003, 131 m grading 2.84 gpt Au (430 ft @ 0.083 opt Au) in hole RSC-007 and an aggregate composite interval of 360 m grading 0.90 gpt Au (1180 ft @ 0.026 opt Au) in hole RSC-012 (North Stock target). Numerous long intervals of low grade (<1 gpt) gold were encountered in other holes at North Stock. A significant 36.5 m grading 1.46 gpt Au (120 ft @ 0.043 opt Au) including 9.3 m grading 3.21 gpt Au (30 ft @ 0.094 opt Au) was encountered in hole RSC-001 (Antelope Basin target).

Phase 2 drilling began May 22, 2009 with three core drills operating on the property. A fourth rig was added on July 18, 2009 after the Company intersected a high grade interval of 67 m grading 10.8 gpt in hole RSC-20. By late August, a fifth and sixth rig were operating on site. Drilling was terminated on October 26 due to weather conditions. A total of approximately 29,500 m was drilled in 78 holes. Currently, assays for all holes from Phase 2 drilling have been completed and released. Results from the North Stock target, including 175.3 m grading 1.86 gpt Au (575 ft @ 0.054 opt Au) in hole RSC-039, 141.7 m grading 1.56 gpt Au (465 ft @ 0.046 opt Au) in hole RSC-041 and 158 meters grading 2.64 gpt Au (520 ft @ 0.077 opt Au) in hole RSC-089 continue to indicate substantial mineralization along the wall of the diatreme complex. A new zone of gold mineralization associated with a trachytic porphyry dike swarm was intersected southeast of the diatreme complex. At Antelope Basin, hole RSC-019 intersected 163.1 m grading 1.25 gpt Au (535 ft @ 0.037 opt Au) and hole RSC-042 intersected 76.2 m grading 1.70 gpt Au (250 ft @ 0.050 opt Au).

Beginning in June, 2010, the Company commenced a diamond drill program encompassing 20,000 meters. The budget for this program was increased upon completion of the private placement of approximately \$15,600,000 with Goldcorp in July, 2010. By the end of the program in mid-October, 25,600 m were drilled in 63 drill holes. Approximately 65% of the season's drilling was allocated to infill and step-out around the North Stock and Antelope Basin deposits. The remaining 35% targeted new areas including deep porphyry style mineralization. Assays have returned for 35 holes, and results for the remaining 28 holes are expected back by January, 2011. Additional promising results including 161.5 m at 1.84 gpt Au in hole RSC-126 provide encouragement that the Company will be able to model a significant resource on the property once all assay data has returned.

As at September 30, 2010, total deferred exploration expenditures of \$19,115,174, including \$13,757,562 carried forward from previous fiscal years but excluding acquisition costs and asset retirement obligation, have been incurred primarily for drilling and the posting of a reclamation bond on this property.

7. Kiyuk Lake Mineral Property

On August 1, 2009 the Company signed a five year mineral property option agreement for the Kiyuk Lake property in Nunavut, Canada in exchange for cash of \$350,000 payable over 5 years and 250,000 shares to be issued over five years (\$120,000 in cash has been paid and 90,000 shares have been issued). The agreement can be terminated by Evolving upon thirty days notice. The agreement is subject to a royalty of 2% net smelter return which the Company can reduce with the payment of US\$2,000,000 for each 1%. Also pursuant to this agreement Evolving is required to provide a technical report annually within sixty days after December 31, the next report due by March 1, 2011.

The Kiyuk property covers approximately 800 square km near the southwestern corner of Nunavut. Gold mineralization is hosted by early Proterozoic sedimentary rocks of the Hurwitz and Kiyuk supergroups and is associated with widespread magnetite development and

albitization of these rocks. Numerous gold showings are scattered along a strike of 21 km with gold values commonly in the range or 3-5 gpt Au in surface samples.

In early calendar 2010, a winter road was laid out on the ground from Treeline Lodge in northern Manitoba to the site in order to provide efficient access in preparation for future exploration and drilling. Additional activity in 2010 included mapping and sampling on new and existing showings and an airborne magnetic survey covering parts of the property that lacked data. The Rusty showing was extended to a total strike length of 1.5 km with surface samples ranging from 1-6 gpt Au. A drill plan was surveyed on the ground in preparation for drilling in 2011. Five targets will be tested, each with 5-7 holes ranging from 150-300 m depth.

As at September 30, 2010, in addition to the \$86,800 value ascribed to shares issued and acquisition costs of \$126,440, exploration expenditures of \$1,204,719 have been incurred on the property primarily to refine drill targets through a program of sampling and geophysical surveys undertaken during August and September, 2009.

As was highlighted near the beginning of this document, the Company's interest in this mineral property has been transferred effective October 26, 2010 to a newly incorporated wholly owned subsidiary as part of a series of transactions to be undertaken with respect to a contemplated spin-off transaction.

Results of Operations

During the six months ended September 30, 2010, the Company reported a net loss of \$5,163,298 (\$0.04 loss per share) compared to a net loss of \$2,551,154 (\$0.03 loss per share) reported for the comparative September 30, 2009 fiscal period.

The Company received interest from short term investments during both of these reporting periods and in addition recorded \$2,015,561 and \$264,967 on the write-down of mineral properties in the September 30, 2010 and September 30, 2009 periods respectively. The Company also recorded \$13,789 as an unrealized loss on its available for sale marketable securities recorded to other comprehensive income for the six months ended September 30, 2010. These securities were acquired in late October, 2009 and the loss reflects the decrease in market value of the publicly traded securities since March 31, 2010. Generally, total expenditures for the September 30, 2010 period are at similar levels as the comparative 2009 fiscal period although several expense categories are not consistent and are explained below. Evolving's expenses for the six months ended September 30, 2010 reflect the following:

- Accounting and audit expense of \$116,208 (2009 - \$51,722) reflecting audit costs in excess of those previously provided for
- Consulting expense of \$134,867 (2009 - \$127,126) reflects several new consulting agreements signed late in the 2010 fiscal period for fiscal agency and financing advisory services and includes \$12,500 of Kiyuk transaction costs
- Directors fees of \$74,500 (2009 - \$40,500) reflecting an increase in director remuneration and the appointment of a new Chairman of the Board

- Legal expense of \$154,537 (2009 – \$99,196) reflects increased costs associated with numerous agreements signed in the current six month period and the costs associated with the Company’s TSX Exchange listing application and \$25,454 relating to the Kiyuk mineral property spin-off transaction
- Management fees of \$581,167 (2009 – \$744,411) reflects a termination fee of \$120,000 paid in July, 2010 and payments commensurate with the management agreements currently in effect including a bonus paid for the 2009 comparative period
- Office, rent and salaries expense of \$362,599 (2009 - \$321,295) which reflects increased staffing primarily for the US office over the six month comparative period and increased AGM costs incurred in the current period
- Promotion and advertising of \$305,363 (2009 – 268,952) which reflects additional consulting contracts currently in place
- Stock-based compensation of \$1,313,903 (2009 - \$857,480) representing a non-cash charge incurred in connection with the granting of stock options, calculated using the Black Scholes option valuation model.
- Write-down on disposal of mineral properties \$2,015,561 (2009 - \$264,967) comprised of costs relating to the cumulative exploration expenditures written down with respect to the Alpha Butte and Siesta mineral properties (2009 - Fisher Canyon mineral property).

Summary of Quarterly Results (unaudited)

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

Year Ending March 31,	2011		2010	
	September 30, 2010	June 30, 2010	March 31, 2010	Dec 31, 2009
Interest Revenue	53,835	27,273	38,841	18,048
Gain on sale of marketable securities	93	-	-	167,112
Unrealized Gain (Loss) on available for sale securities	(15,445)	1,656	(13,773)	184,975
Net Loss	(1,206,669)	(3,956,629)	(6,739,040)	(1,114,123)
Loss per share, basic and fully diluted (Note 1)	(.01)	(.04)	(.06)	(.01)
Total assets	57,563,047	41,145,416	43,125,243	47,575,109
Deferred exploration expenditures (net of write downs and proceeds received)	7,807,865	1,258,922	(4,050,459)	2,657,649
Working capital	17,302,652	10,190,099	13,951,976	16,879,904

Year Ending March 31,	2010		2009	
	Sept 30, 2009	June 30, 2009	March 31, 2009	Dec 31, 2008
Interest Revenue	23,462	53,727	134,327	154,796
Gain on sale of marketable securities	423,260			
Unrealized Gain on available for sale securities	80,000	484,000	-	-
Net Loss	(1,233,743)	(1,317,411)	(1,146,832)	(1,056,746)
Loss per share, basic and fully diluted (Note 1)	(.01)	(.02)	(.02)	(.01)
Total assets	40,537,854	34,722,491	32,932,580	33,482,870
Deferred exploration expenditures (net of write downs and proceeds received)	8,653,143	2,009,769	342,511	959,115
Working capital	9,620,149	14,266,061	16,956,239	17,888,301

(Note1) Fully diluted calculations have not been provided due to the anti-dilutive effect of outstanding stock options and warrants.

Interest Revenue

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

Gain on Available for Sale Securities

The 2010 fiscal year included two three month periods when marketable securities, consisting of shares and warrants in two publicly traded companies, Klondex Mines Ltd. and Golden Predator Royalty & Development Corp. all of which, except for Golden predator warrants, were sold after significantly increasing in value since their purchase in March and July, 2009 respectively. During the 2011 fiscal year only a minimal number of marketable securities have been sold.

Unrealized Loss on Available for sale securities

The unrealized loss of \$15,445 at September 30, 2010 and unrealized loss of \$13,773 for the March 31, 2010 reporting period both relate to the investment in NV Gold Corporation, a publicly traded mining company, the shares and warrants of which were purchased in October, 2009 with additional shares also acquired pursuant to terms of sale for the Fisher Canyon mineral property.

Net Loss

Stock-based compensation costs of \$312,400, \$1,001,503, \$591,405, \$255,255, \$380,000, \$477,480, \$421,814, and \$1,143,846, were recorded in each of the quarters reflected above from the most recently completed quarter, September 30, 2010 back to December 31, 2008 respectively.

A write-down of exploration expenditures was recorded for the quarter ended June 30, 2010, March 31, 2010, December 31, 2009, September 30, 2009 and June 30, 2009 of \$2,015,561, \$4,871,535, \$267,516, \$6,460 and \$258,507 respectively.

A gain on sale of marketable securities of \$93, \$167,412 and \$423,230 was recorded in the quarter ended September 30, 2010, December 31, 2009 and September 30, 2009 respectively.

Net loss for each quarter excluding the above mentioned effects of stock-based compensation, gain on sale of marketable securities and write-downs of mineral exploration expenditures would be as follows:

<i>Fiscal Quarter Ending</i>							
September 30, 2010	June 30, 2010	March 31, 2010	Dec 31, 2009	Sept 30, 2009	June 30, 2009	March 31, 2009	Dec 31, 2008
894,362	939,565	1,276,097	758,494	1,270,516	581,424	599,872	634,932

The payment of bonuses to employees and management in July, 2009 accounts for the increase in expenditures reflected for the quarter ended September 30, 2009. The December 31, 2009 quarter reflected similar expenditure levels as in previous quarters but interest revenue was substantially reduced resulting in an increase to net loss for the period on a comparative basis. The March 31, 2010 quarter echoed the same results as the December 31, 2009 quarter except for reporting increased consulting and legal expenses arising from the legal proceedings with the former director. The June 30, 2010 quarter is consistent except for including additional management fees accrued for the termination of an employment contract. The most recent September 30, 2010 quarter includes \$37,954 in expenses relating to the Kiyuk transaction.

Total Assets

Although the Company expended funds in the three earliest quarters these funds were primarily capitalized to mineral properties so total assets remained consistent. The five most recent quarters reflect an increase in total assets arising from the conversion of warrants and exercise of options for shares and more importantly net cash proceeds of \$15,619,131 and \$10,354,328 received from private placements completed in July, 2010 and November, 2009 respectively.

Working Capital

Working Capital for all quarters presented above decreased due to exploration and administrative costs. However this decrease in working capital for the quarters ending September 30, 2010, June 30, 2010, March 31, 2010, December 31, 2009, September 30, 2009, and June 30, 2009, was offset or compensated by proceeds received on shares issued in private placements or on conversion of warrants and exercise of options. Included in the decrease for the quarter ended June 30, 2009 was US\$625,000 in cash which was required to be deposited as security against a Letter of Credit facility.

Capital Expenditures

During the six months ended September 30, 2010, the Company paid \$560,656 and \$829,736 in cash with respect to the land acquisition of the Carlin and Humboldt mineral properties respectively, paid US\$20,000 pursuant to the Rattlesnake Hills mineral property agreement, paid \$60,000 pursuant to the Kiyuk mineral property agreement and \$6,276 in related legal expenses. In addition Evolving incurred \$9,523,218 in deferred exploration expenses relating to its various mineral property interests. The Company also continued to enter into agreements with respect to the Carlin and Humboldt mineral properties, which require cash payments and share issuances over various future time periods. During the six months ended September 30, 2010, the Company also incurred expenditures of \$57,055 primarily for two new exploration vehicles.

Financing Activities

During the six months ended September 30, 2010, 1,914,643 options were exercised for proceeds of \$753,685. During this same period 1,650,000 options were granted, and 525,000 options expired upon cessation of services provided by the holder.

In July, 2010 the Company completed a non-brokered private placement with Goldcorp Inc. for 19,047,721 common shares of the Company at a price of \$0.82 per share resulting in gross proceeds to the Company of \$15,619,131. This issue represents approximately 15% of the issued and outstanding shares of the Company and it is expected that the proceeds will be used to explore the Company's interests in its Rattlesnake Hills, Carlin and Humboldt mineral properties. Pursuant to the terms of the private placement, Goldcorp Inc. has the right, subject to certain conditions, to participate in future equity financings and certain non-cash transactions undertaken by the Company for a five year period in order to maintain its relative ownership interest in the Company.

As mentioned at the beginning on this document on October 26, 2010, the Company transferred its interest in the Kiyuk Mineral Property to a wholly owned newly incorporated subsidiary, Prosperity Goldfields Corp. ("Prosperity") in exchange for 12,766,395 common shares in Prosperity. On November 3, 2010, Evolving subscribed for an additional 10,000,000 units in Prosperity for cash of \$1,500,000. Once these transactions are completed the Company will be considering strategies to create liquidity for the prosperity shares that are distributed and expects that such liquidity event will be undertaken before the end of 2010.

Liquidity and Capital Resources

The Company's aggregate operating, investing and financing activities for six months ended September 30, 2010 resulted in a cash increase of \$5,416,434. As at September 30, 2010, the Company's cash and cash equivalents balance was recorded as \$20,205,841 and the Company had working capital of \$17,302,652.

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. If it continues to hold the Newmont Properties, it will be obligated to expend a total of US\$3,500,000 in exploration expenditures on each of the Boulder Valley and Carlin mineral exploration project areas with aggregate exploration expenditures of US\$7,000,000 staged over five years. As at November 24, 2010 it is anticipated that US\$2,200,000 has already been incurred with respect to this commitment with the remaining US\$4,800,000 to be incurred over the next two years. A further US\$3,500,000 may also be required to be incurred if certain conditions are achieved with respect to the Susie Creek mineral property. The Company also plans to continue drilling on its Rattlesnake mineral property and is obligated to pay \$240,000 over the remaining four year period with respect to the Kiyuk mineral property agreement if it maintains the agreement. The Company could also be obligated to pay over the next five years up to US\$3,400,000 with respect to the Carlin property, and up to US\$7,800,000 with respect to the Humboldt property.

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.

The following table summarizes the amounts expected to be due under management, consulting and office lease agreements as agreed to by the Company as of November 24, 2010:

	Year Ended March 31,	
	2011	2012
Office leases – US\$	US \$150,409	US\$ 131,494
Management Fees – Cdn \$	320,000	160,000
Management Fees – US \$	US \$507,000	US\$420,000
Consultants	333,146	64,200

Details of agreements which remain in effect at November 24, 2010, are as follows:

- The Company has signed an employment agreement with:
 - the President of the Company whereby the Company will pay fixed monthly management fees of US\$12,000.
 - the Chief Financial Officer whereby the Company will pay fixed monthly management fees of \$12,000.
 - the Chief Executive Officer of the Company, whereby the Company will pay fixed management fees of US \$12,000 per month.
 - the Head of Business Development of the Company, whereby the Company will pay fixed management fees of US\$11,000 per month.

These agreements can be cancelled by either party by providing 90 days written notice subject to certain conditions.

- The Company pays an annual retainer of \$18,000 to each of its independent directors and an additional annual retainer of \$5,000 to each independent director who acts as a member of the Audit, Compensation or Governance Committees. The Company also has agreed to pay a fixed monthly retainer of \$5,000 to its new Non-Executive Chairman.
- Effective August 1, 2009 the Company is committed to a two year office lease. Payments pursuant to the terms of this lease are expected to approximate US\$128,915, and US\$131,494 for the 2011 and 2012 fiscal years respectively.
- Effective December 1, 2009 the Company is committed for one year to pay US\$1,500 per month for investor relations and corporate communications services.
- Effective March 1, 2010 the Company is committed to a one year office lease. Payments pursuant to the terms of this lease are expected to approximate US\$23,448 for the 2011 fiscal year.
- Effective March 8, 2010, the Company agreed to a one year agreement to pay 7,500 Euros quarterly to a European investor services provider. This agreement can be terminated by providing thirty days written notice.
- Effective March 15, 2010, the Company agreed to a one year agreement to pay 12,500 Euros quarterly to a European financial advisory services provider. This agreement can be terminated by providing thirty days written notice.
- Pursuant to the terms of a July 31, 2010 termination agreement the Company agreed to pay US\$1,000 per month to its former Vice President of Exploration from November 1, 2010 until January 31, 2011 as long as certain conditions are met.
- Effective June 23, 2010, and July 26, 2010, the Company agreed to one year marketing and investor relations agreements whereby they will pay \$5,000 and \$8,000 per month respectively. These agreements can also be terminated by providing thirty days written notice.

- Effective August 1, 2010, the Company committed to pay \$4,000 per month for consulting services. This agreement can also be terminated by providing thirty days written notice.

Transactions with Related Parties

During the six months ended September 30, 2010, the Company incurred charges to current and/or former directors and officers, and to companies which share several common current and/or former directors and officers as follows:

	Six months ended September 30,	
	<u>2010</u>	<u>2009</u>
Consulting	\$ 39,000	\$ 62,700
Director Fees	74,500	40,500
Management fees	495,101	758,841
Office, rent and miscellaneous recovery (Note a)	55,377	30,000
Property investigation costs	<u>-</u>	<u>12,556</u>
	<u>\$ 663,978</u>	<u>\$ 904,597</u>

These transactions were measured by the exchange amount, which is agreed upon by the transacting parties.

Other receivables include \$Nil (March 31, 2010: \$2,030) and prepaid expenses include \$Nil (March 31, 2010: \$9,114) derived from travel and director fees advanced to officers and employees.

Accounts payable and accrued liabilities include \$Nil (March 31, 2010: \$30,212) due to directors and officers of the Company.

Off Balance Sheet Arrangements

Effective May 22, 2009 the Company established a US\$600,000 guaranteed irrevocable letter of credit with respect to environmental permitting for the Rattlesnake Hills mineral property. The letter of credit is secured by US\$625,000 held on deposit with the lending financial institution and can be cancelled once ninety day notice has been provided.

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

The Company's financial statements are impacted by the accounting policies used, and the estimates and assumptions made, by management during their preparation. The Company's accounting policies are described in Note 2 to the audited consolidated financial statements as at March 31, 2010. The accounting estimates considered to be significant to the Company include assessment of impairment to the carrying value of mineral properties and asset retirement obligations included therein, the determination of the likelihood that future income tax benefits can be realized, and the assumptions used in calculating the fair value of stock-based compensation.

Management reviews the carrying values of its resource properties on at least an annual basis to determine whether any impairment should be recognized. Eleven properties and some minor costs relating to the exploration of potential new properties have been written down with respect to the values attributed to resource properties and deferred exploration expenditures since inception.

The Company uses the fair-value method of accounting for stock-based compensation related to incentive stock options granted, modified or settled. Under this method, compensation cost attributable to all incentive stock options granted is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. In determining the fair value, the Company makes estimates of the expected volatility of the stock as well as an estimated discount rate. Changes to these estimates could result in the fair value of the stock-based compensation being different than the amount recorded. During the six months ended September 30, 2010 the Company recorded a charge of \$ 1,313,903 to stock-based compensation (2009: \$ 857,480).

Changes in Accounting Policies Including Initial Adoption

During the six months ended September 30, 2010 the Company did not adopt any new accounting standards from those in effect at March 31, 2010.

Recent Accounting Pronouncement – International Financial Reporting Standards (“IFRS”)

In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. The Company will issue its first interim and annual consolidated financial statements prepared under IFRS for the three months ended June 30, 2011 and fiscal year ended March 31, 2012, respectively, with restatement of comparative information presented. This will require the restatement for comparative purposes of amounts reported by the Company for the three months ended June 30, 2010 and fiscal year ended March 31, 2011. The transition to IFRS will impact the Company's accounting policies as noted below, information technology and data

systems, internal control over financial reporting, disclosure controls and procedures and financial expertise and training requirements. The transition may also impact business activities such as agreed terms of certain contractual arrangements, including debt covenants and debt and equity settlement provisions.

The Company's conversion plan consisted of the following four phases: scoping and planning phase, detailed assessment phase, operations implementation and post implementation phase. The Company prioritized and assigned the appropriate resources to the project to develop an effective plan and continues to assess resource and training requirements.

During fiscal 2010 the Company completed the scoping and planning phase which involved establishing a project management team to ensure that the conversion plan was supported both internally and externally by stakeholders, major areas affected were identified, a project charter, implementation plan and communication strategy were developed and extensive training was undertaken by key personnel. The Company also started the detailed assessment phase involving identification of significant differences between the Company's current accounting policies under Canadian GAAP and those permitted under IFRS, selection of accounting policies in accordance with IFRS and transitional exemptions, and identification of business processes and resources impacted.

During fiscal 2011 the Company completed its detailed assessment phase and operations implementation phase which included the design of business, reporting and system processes to support the compilation of IFRS compliant financial data for the opening balance sheet at April 1, 2010, fiscal year ending March 31, 2011 and thereafter.

Fiscal 2011 also included ongoing training for key personnel, identification and documentation of impact and required changes to, and ensuring the effectiveness of, the Company's internal control environment and disclosure controls and procedures.. The post implementation phase will include sustainable IFRS compliant financial data and processes for fiscal year ending March 31, 2012 and beyond.

Based on the work performed to date the Company has concluded that it expects IFRS standards will have the most significant impact to the March 31, 2010 balance sheet as previously issued in the areas of:

- IFRS 1 – First-time adoption of IFRS and IAS 1 Presentation of financial statements
The financial statement impact will be significant as extensive reconciliations and note disclosure will be required on first time adoption. This process is ongoing but in order to ensure that IFRS reporting deadlines are achieved the Company has drafted and reviewed an IFRS compliant opening balance sheet at April 1, 2010, together with required note disclosure and anticipates that these documents will be audited by the Company's auditor in the early calendar 2011 year. Once this audit is complete the fiscal 2011 IFRS adjustments will be determined and it is expected that the first IFRS financial statements for June 30, 2011 will be prepared and filed within the time frame stipulated by regulatory authorities.

- IAS 21 – The Effect of Changes in Foreign Currency Exchange Rates
The financial statement impact is expected to be significant as the Company anticipates it will have both US and Canadian functional currencies. Under Canadian GAAP, non-monetary assets are converted at the historical rate when consolidating an integrated foreign subsidiary. Under IFRS all assets, including non-monetary assets, are converted at the balance sheet date current rate when consolidating a foreign subsidiary. The effect of this difference is expected to result in a decrease in equipment and mineral properties of \$5,000 and \$1,403,000 respectively with the same amount recorded as an increase to deficit. Accordingly both total assets and total equity are expected to decrease by \$1,408,000 as a result of this change.

- IFRS 6 – Exploration and evaluation of mineral resources and IAS 36 Impairment of Assets
The financial statement impact is not expected to be significant as the Company has decided to continue capitalizing exploration expenditures.

- IFRS 2 – Share Based Payments
The financial statement impact and implementation effort are expected to be low as the Company currently already treats each tranche of graded-vesting options as a separate option grant for valuation and accounting purposes which is consistent with IFRS. However, under Canadian GAAP forfeitures of awards were recognized as they occurred and options to consultants were measured at the vesting date whereas IFRS requires an estimate of forfeitures on the grant date and certain consultant option holders are recognized under IFRS as employees that may not have been under GAAP. The Company has calculated an expected forfeiture rate and reviewed its consultant option holders who held unvested options at April 1, 2010. The effect of the IFRS differences is expected to decrease contributed surplus and decrease deficit by approximately \$96,000.

- IAS 16 – Property, plant and equipment
The financial statement impact and implementation effort are expected to be low as the Company currently uses acceptable depreciation methods and rates and maintains a fixed asset sub-ledger for cost componentization but it may need to review the useful life of assets more frequently.

The Company will continue to monitor changes in IFRS throughout the duration of the implementation process and assess their impacts on the organization and its reporting.

Financial Instruments

The Company has identified the financial instruments that it utilizes on a day-to-day basis as being cash and cash equivalents, restricted cash, marketable securities, other receivables, and accounts payable and accrued liabilities. It is management's opinion that as of September 30,

2010, possible foreign currency exchange rate fluctuations between the Canadian and United States dollar with respect to its balance of US\$ financial instruments are not at this time expected to be significant. Other than this consideration, the Company does not believe it is exposed to significant interest, currency or credit risks arising from these financial instruments.

Outstanding Share Data

(a) Authorized: Unlimited number of common shares without par value.

(b) Issued and outstanding:

September 30, 2010 – 127,663,945 common shares for net consideration of
\$74,529,779

November 24, 2010 – 127,663,945 common shares for net consideration of
\$74,529,779

In July, 2010 the Company completed a non-brokered private placement with Goldcorp Inc. for 19,047,721 common shares of the Company at a price of \$0.82 per share resulting in gross proceeds to the Company of \$15,619,131. This issue represents approximately 15% of the issued and outstanding shares of the Company and it is expected that the proceeds will be used to explore the Company's interests in its Rattlesnake Hills, Carlin and Humboldt mineral properties. Pursuant to the terms of the private placement, Goldcorp Inc. has the right, subject to certain conditions, to participate in future equity financings and certain non-cash transactions undertaken by the Company for a five year period in order to maintain its relative ownership interest in the Company.

(c) Outstanding warrants at November 24, 2010

<u>Type of Security</u>	<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Warrants	6,172,889	\$1.25	November 24, 2011
	<u>6,172,889</u>		

As at November 24, 2010, the Company also has 535,560 agent's warrants outstanding which entitle the Agent to purchase 535,560 units expiring November 24, 2011 at a price of \$1.25 per unit. Each unit will consist of one common share and one-half of one warrant exercisable at a price of \$1.25 for a period of 24 months from the issuance date.

There were no changes to outstanding warrants during the six months ended September 30, 2010.

(d) Outstanding stock options at November 24, 2010:

Type of Security	Number	Exercise Price	Expiry Date
Stock options	300,000	\$0.42	May 2, 2012
Stock options	235,000	\$0.40	September 21, 2012
Stock options	25,000	\$0.35	September 21, 2012
Stock options	320,000	\$0.80	November 28, 2012
Stock options	25,000	\$0.35	November 28, 2012
Stock options	225,000	\$0.88	January 23, 2013
Stock options	68,500	\$0.35	March 4, 2013
Stock options	250,000	\$0.75	June 5, 2013
Stock options	1,430,000	\$1.25	November 30, 2014
Stock options	150,000	\$0.94	April 11, 2015
Stock options	500,000	\$0.93	April 20, 2015
Stock options	350,000	\$0.92	May 20, 2015
Stock options	100,000	\$0.84	July 12, 2015
Stock options	350,000	\$0.94	July 25, 2015
Stock options	200,000	\$0.91	November 3, 2015
Stock options	1,175,000	\$0.17	November 14, 2018
Stock options	350,000	\$0.35	January 15, 2019
Stock options	470,000	\$0.35	April 15, 2019
Stock options	350,000	\$0.42	May 26, 2019
	<u>6,873,500</u>		

Risks and Uncertainties

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.

Additional Disclosure

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 quarterly unaudited consolidated financial statements and this accompanying quarterly MD&A (together the "September 30, 2010 Quarterly 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 most recent Quarterly Filings on SEDAR at www.SEDAR.com.

Additional Disclosure for Venture Issuers without Significant Revenue

As the Company has not had significant revenue from operations, other than interest revenue, in either of its last two financial periods, the following is a breakdown of the material costs incurred:

	Six Months Ended	
	September 30, 2010	September 30, 2009
Deferred property acquisition costs and advance mineral royalties - cash	\$ 1,478,591	\$ 138,727
Deferred exploration costs	\$ 9,523,218	\$ 11,040,366
Write down of exploration expenditures	\$ 2,015,561	\$ 264,967
Gain on sale of marketable securities	\$ 93	\$ 423,230
Administrative expense	\$ 3,304,183	\$ 2,786,606

Administrative expenses are provided by category of major expense items in the Statements of Operations included in the unaudited consolidated financial statements for the six months ended September 30, 2010.

Subsequent Events

As mentioned on page 2 of this document on October 26, 2010, the Company transferred its interest in the Kiyuk Mineral Property to a wholly owned newly incorporated subsidiary, Prosperity Goldfields Corp. ("Prosperity") in exchange for 12,766,395 common shares in

Prosperity. On November 3, 2010, Evolving subscribed for an additional 10,000,000 units in Prosperity for cash of \$1,500,000.

Once these transactions are completed the Company will be considering strategies to create liquidity for the Prosperity shares that are distributed and expects that such liquidity event will be undertaken before the end of December, 2010.

Also subsequent to September 30, 2010 the Company granted 200,000 stock options to an employee exercisable at \$0.91 per share vesting over one year with a five year expiry.