



EVOLVING GOLD CORP.

(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended June 30, 2010

(Prepared without audit)

EVOLVING GOLD CORP.
NOTICE OF NO AUDITOR REVIEW OF
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

EVOLVING GOLD CORP.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
(Prepared without audit)

<u>ASSETS</u>	<u>June 30,</u> <u>2010</u>	<u>March 31,</u> <u>2010</u>
Current		
Cash and cash equivalents	\$ 11,641,330	\$ 14,789,407
Investment in Marketable Securities – Note 3	175,483	173,827
GST receivable	25,162	52,112
Other receivables – Note 9	2,129	2,749
Prepaid expenses – Note 9	<u>186,555</u>	<u>313,882</u>
	12,030,659	15,331,977
Restricted cash – Note 4	694,125	634,375
Equipment and leasehold improvements – Note 5	218,084	215,265
Mineral properties – Note 6 and Schedule 1	<u>28,202,548</u>	<u>26,943,626</u>
	<u>\$ 41,145,416</u>	<u>\$ 43,125,243</u>

LIABILITIES

Current		
Accounts payable and accrued liabilities – Note 9	\$ 1,493,500	\$ 1,113,480
Asset retirement obligation – Note 7	<u>347,060</u>	<u>266,521</u>
	<u>1,840,560</u>	<u>1,380,001</u>

SHAREHOLDERS' EQUITY

Share capital – Note 8		
Authorized:		
Unlimited number of common shares without par value		
Issued:		
107,937,081 shares (March 31, 2010: 106,661,581 shares)	57,803,523	56,458,397
Contributed surplus	11,401,666	11,232,205
Deficit accumulated during the exploration stage	(29,888,216)	(25,931,587)
Accumulated other comprehensive loss	<u>(12,117)</u>	<u>(13,773)</u>
	<u>39,304,856</u>	<u>41,745,242</u>
	<u>\$ 41,145,416</u>	<u>\$ 43,125,243</u>

Commitments – Notes 6, 7, 8, 9 and 12
Subsequent Events – Notes 6, 8, 9 and 12

APPROVED BY THE DIRECTORS:

<i>“R. Bruce Duncan”</i> R. Bruce Duncan	Director	<i>“R. Stuart (Tookie) Angus”</i> R. Stuart (Tookie) Angus	Director
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EVOLVING GOLD CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
(Prepared without audit)

	For the three months ended June 30,	
	<u>2010</u>	<u>2009</u>
Expenses – Note 9		
Accounting and audit	\$ 52,200	\$ 23,443
Bank charges and interest	1,967	1,091
Consulting	77,137	34,100
Amortization	45,202	14,797
Directors fees	37,825	15,500
Legal	88,519	23,568
Management fees	359,329	159,111
Office, rent and salaries	166,483	137,347
Promotion and advertising	173,595	135,836
Property investigation costs	15,197	33,789
Stock-based compensation – Note 8	1,001,503	477,480
Transfer agent and filing fees	7,705	3,714
Travel	<u>48,239</u>	<u>48,667</u>
Loss for the period before following items	(2,074,901)	(1,108,443)
Write-down on the disposal of mineral property – Note 6	(2,015,561)	(258,507)
Foreign exchange	106,560	(4,188)
Interest income	<u>27,273</u>	<u>53,727</u>
Net Loss for the period	(3,956,629)	(1,317,411)
Deficit, beginning of period	<u>(25,931,587)</u>	<u>(15,527,270)</u>
Deficit, end of period	<u>\$(29,888,216)</u>	<u>\$(16,844,681)</u>
Basic and diluted loss per share	<u>\$ (.04)</u>	<u>\$ (.02)</u>
Weighted average number of common shares outstanding	<u>107,232,419</u>	<u>83,221,820</u>

EVOLVING GOLD CORP.
 (An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (Prepared without audit)

	For the three months ended June 30,	
	<u>2010</u>	<u>2009</u>
Net Loss for the period	\$ (3,956,629)	\$ (1,317,411)
Other comprehensive income		
Unrealized gain on available for sale securities	<u>1,656</u>	<u>484,000</u>
Comprehensive loss for the period	<u>\$ (3,954,973)</u>	<u>\$ (833,411)</u>

EVOLVING GOLD CORP.
 (An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME
 (Prepared without audit)

	For the three months ended June 30,	
	<u>2010</u>	<u>2009</u>
Accumulated other comprehensive loss – beginning of period	\$ (13,773)	\$ -
Other comprehensive income		
Unrealized gain on available for sale securities	<u>1,656</u>	<u>484,000</u>
Accumulated other comprehensive income (loss)– end of period	<u>\$ (12,117)</u>	<u>\$ 484,000</u>

EVOLVING GOLD CORP.
(An Exploration Stage Company)
STATEMENTS OF CASH FLOWS
(Prepared without audit)

	Three months ended June 30,	
	<u>2010</u>	<u>2009</u>
Operating Activities		
Net loss and comprehensive loss for the period	\$ (3,954,973)	\$ (1,317,411)
Add items not affecting cash:		
Stock-based compensation	1,001,503	477,480
Amortization	45,202	14,797
Write-down on the disposal of mineral property	2,015,561	258,507
Unrealized foreign exchange	(128,201)	4,843
Changes in non-cash working capital items related to operations:		
GST receivable	26,950	581
Other receivables	620	6,920
Prepaid expenses	127,327	(67,794)
Accounts payable and accrued liabilities	<u>380,021</u>	<u>935,648</u>
	<u>(485,990)</u>	<u>313,571</u>
Investing Activities		
Purchase of equipment	(48,021)	-
Increase in restricted cash	(59,750)	(726,875)
Deferred exploration costs	(2,601,744)	(2,495,497)
Proceeds from disposal of mineral property	-	299,750
Increase in long-term receivable	-	(290,750)
Acquisition of resource properties	<u>(592,200)</u>	<u>(72,529)</u>
	<u>(3,301,715)</u>	<u>(3,285,901)</u>
Financing Activities		
Issue of common shares for cash, net of share issue expense	<u>513,084</u>	<u>943,674</u>
Foreign exchange on opening cash and cash equivalents	126,544	(6,799)
Decrease in cash during the period	(3,148,077)	(2,035,455)
Cash and cash equivalents, beginning of the period	<u>14,789,407</u>	<u>16,971,777</u>
Cash and cash equivalents, end of the period	<u>\$ 11,641,330</u>	<u>\$ 14,936,322</u>
Cash and cash equivalents is comprised of:		
Cash	\$ 1,881,082	\$ 598,203
Short-term investments	<u>9,760,248</u>	<u>14,338,119</u>
	<u>\$ 11,641,330</u>	<u>\$ 14,936,322</u>
Supplemental disclosure of cash flow information:		
Contributed surplus on exercise of stock options	<u>\$ 832,042</u>	<u>\$ 48,142</u>
Accounts payable relating to mineral properties	<u>\$ 1,050,471</u>	<u>\$ 953,006</u>
Cash paid for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

EVOLVING GOLD CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
for the period ended June 30, 2010

	Share Capital		Accumulated Other Comprehensive Income	Contributed Surplus	Deficit Accumulated During the Exploration Stage	Total
	<u>Number</u>	<u>Amount</u>				
Balance, March 31, 2009	81,091,727	37,599,295	-	10,617,031	(15,527,270)	32,689,056
Issuance of shares						
Pursuant to conversion of warrants	10,005,219	5,834,148	-	-	-	5,834,148
Pursuant to exercise of options	2,168,857	595,660	-	-	-	595,660
Pursuant to resource property acquisition - at \$1.12	50,000	56,000	-	-	-	56,000
Pursuant to resource property acquisition - at \$0.93	1,000,000	930,000	-	-	-	930,000
Pursuant to private placement - at \$0.90	12,345,778	11,111,200	-	-	-	11,111,200
Stock-based compensation charge	-	-	-	1,704,140	-	1,704,140
Transfer from contributed surplus on conversion of stock options	-	1,453,147	-	(1,453,147)	-	-
Share issue expense - broker compensation warrants	-	(364,181)	-	364,181	-	-
Share issue expense - cash	-	(756,872)	-	-	-	(756,872)
Net loss for the year ended March 31, 2010	-	-	-	-	(10,404,317)	(10,404,317)
Comprehensive loss for the year ended March 31, 2010	<u>-</u>	<u>-</u>	<u>(13,773)</u>	<u>-</u>	<u>-</u>	<u>(13,773)</u>
Balance, March 31, 2010	<u>106,661,581</u>	<u>\$ 56,458,397</u>	<u>\$ (13,773)</u>	<u>\$ 11,232,205</u>	<u>\$ (25,931,587)</u>	<u>\$ 41,745,242</u>
Issuance of shares						
Pursuant to exercise of options	1,275,500	508,460	-	-	-	508,460
Stock-based compensation charge	-	-	-	1,001,503	-	1,001,503
Transfer from contributed surplus on conversion of stock options	-	832,042	-	(832,042)	-	-
Share issue expense - cash	-	4,624	-	-	-	4,624
Net loss for the period ended June 30, 2010	-	-	-	-	(3,956,629)	(3,956,629)
Comprehensive income for the period ended June 30, 2010	<u>-</u>	<u>-</u>	<u>1,656</u>	<u>-</u>	<u>-</u>	<u>1,656</u>
Balance, June 30, 2010	<u>107,937,081</u>	<u>\$ 57,803,523</u>	<u>\$ (12,117)</u>	<u>\$ 11,401,666</u>	<u>\$ (29,888,216)</u>	<u>\$ 39,304,856</u>

EVOLVING GOLD CORP.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended June 30, 2010
(Prepared without audit)
(Stated in Canadian Dollars) – Page 2

Note 1 Nature of Operations

Evolving Gold Corp. (the “Company”) was incorporated as 6109527 Canada Ltd. on June 19, 2003, under the Canada Business Corporation Act and is in the business of acquiring, exploring and evaluating mineral properties. On September 30, 2003, the Company changed its name to Evolving Gold Corp. The Company is in the exploration stage and has interests in mineral properties located in the United States of America. Effective June 13, 2007, the common shares of the Company were listed on the TSX Venture Exchange (“TSX”) and trade under the symbol EVG.

The recoverability of amounts shown for mineral properties and the Company’s ability to continue as a going concern is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain financing to complete their development, and future profitable production or disposition thereof.

Note 2 Summary of Significant Accounting Policies

These interim consolidated financial statements have been prepared by the Company in accordance with generally accepted accounting principles in Canada. These interim consolidated financial statements should be read in conjunction with the most recent annual financial statements of the Company. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates, which have been made using careful judgement. Actual results may vary from these estimates.

The interim consolidated financial statements have been prepared using the same accounting policies and methods as per the annual financial statements for the year ended March 31, 2010.

Note 3 Marketable Securities

The investment in marketable securities consists of 400,000 shares and 200,000 warrants in a publicly traded exploration company purchased for cash of \$100,000 of which \$6,000 was attributed to the warrants and the remaining \$94,000 was allocated to shares. One share purchase warrant is exercisable for an additional common share at a price of \$0.40 per share until expiry on May 23, 2011. These warrants were valued using the Black-Scholes model.

In addition, the Company received 438,000 shares in the same public company under the terms of a sale agreement of the Company’s former interest in the Fisher Canyon mineral property option. A fair value cost of \$87,600 was allocated to these shares based on the date of grant.

At June 30, 2010 the fair market value of all the shares based on that day’s share trading price was \$171,483 and the fair market value of the warrants was estimated to be \$6,000 using the Black-Scholes model. Accordingly, the Company has unrealized loss of \$12,117 on these shares as at June 30, 2010.

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(An Exploration Stage Company)
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Note 4 Restricted Cash – Note 6

Due to United States Federal and State Government environmental permitting requirements, effective May 22, 2009 the Company established a US\$600,000 irrevocable letter of credit in order to provide for future site restoration at the Company's Rattlesnake Hills mineral property. This letter of credit has been provided by the Company's bank on behalf of the Company and is secured by an interest-bearing deposit of \$665,375 (US\$625,000). The letter of credit can be cancelled once ninety days notice has been provided but as the Company does not expect to cancel the facility the deposit is reflected as long-term restricted cash. The amount reflected as restricted cash also includes \$28,750 held by the Company's bank as security for corporate issued credit cards.

Note 5 Equipment and Leasehold Improvements

	June 30, 2010			<u>March 31,</u> <u>2010</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Office furniture and equipment	\$ 107,620	\$ 80,509	\$ 27,111	\$ 38,715
Computer equipment	205,516	170,529	34,987	54,939
Leasehold improvements	60,950	14,084	46,866	51,912
Vehicles - exploration	160,659	51,539	109,120	69,699
	<u>\$ 534,745</u>	<u>\$ 316,661</u>	<u>\$ 218,084</u>	<u>\$ 215,265</u>

Note 6 Mineral Properties

a) Boulder Valley and Jake Creek 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 Sheep Creeks, Boulder Valley, Carlin and Cottonwood Creek properties. A fifth property, identified as Susie Creek, has not had any activity to date and accordingly no interest in this property is reflected in these 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. Accordingly deferred exploration costs of \$4,533,275 and \$125,249 respectively were written down to nil in the financial statements for the 2010 fiscal year.

A Mineral Lease, Sublease and Agreement which was signed effective November 28, 2007 continues to govern the Company's interest in the Boulder Valley and Carlin mineral properties (note 6(b)). 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:

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(An Exploration Stage Company)
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Note 6 Mineral Properties – (cont'd)

a) Boulder Valley and Jake Creek Properties – (cont'd)

- Assuming all of Newmont's lease obligations insofar as they pertain to these project areas.
- Incurring exploration expenditures of US\$3,500,000 for each property for a total of \$7,000,000 over five years with 70% of such expenditures in direct drilling costs:
 - On or before November 28, 2008 – US\$200,000 (incurred);
 - On or before June 20, 2009 – US\$200,000 (incurred);
 - On or before November 28, 2009 – additional US\$600,000 (incurred);
 - On or before November 28, 2010 – additional US\$1,200,000;
 - On or before November 28, 2011 – additional US\$2,000,000;
 - On or before November 28, 2012 – additional US\$2,800,000.

In the event Newmont or the Company acquires any interest in minerals within the Susie Creek project area, the Company will need to incur US\$3,500,000 in exploration expenditures over a similar five year period from the acquisition date then determined.

- Reimburse Newmont for all payments and filings necessary to keep each property in good standing.
- Provide semi-annual reports to Newmont for each project area's work program and costs incurred.
- After six years, pay an annual rental on each project area, if \$750,000 was not incurred on exploration expenditures during the preceding lease year on that project area. Annual rental would be calculated at \$10 per acre, escalating by 5% each year.
- Pay a 3% to 5% sliding scale net smelter return ("NSR") royalty on production from each property less any underlying royalties with a minimum of 2%

After one year 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.

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(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 6 Mineral Properties – (cont'd)

a) Boulder Valley and Jake Creek Properties – (cont'd)

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 this 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.

In December, 2007, the Company increased its exploration activities in north-central Nevada and acquired additional claims near the Sheep Creeks area (the “Jake Creek property”).

b) Carlin Property

The Carlin property also forms part of the Newmont Agreement aforementioned under the Boulder Valley property (Note 6(a)).

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 a purchase and royalty reservation agreement for a 50% undivided fee 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 and the issue of promissory notes for US\$ 1,200,000 payable in annual US\$300,000 instalments commencing May 27, 2011.

On April 13, 2010 the Company signed an additional 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). The Company can terminate this agreement at any time prior to completion of the due diligence period. If the agreement is finalized the Company will be obligated to pay cash of US\$290,000 on closing and issue promissory notes for US\$2,200,000 payable in annual US\$550,000 instalments, commencing one year from the closing date.

In addition with respect to both the March 29, 2010 and the April 13, 2010 aforementioned agreements, the Company will be committed to pay up to 1.0% NSR on production.

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Note 6 Mineral Properties – (cont'd)

c) Humboldt Property

On March 29, 2010 the Company signed a purchase and royalty reservation agreement for a 50% undivided fee interest in additional 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, and the issue of promissory notes for US\$2,800,000 payable in annual US\$700,000 instalments, commencing one year from May 27, 2010.

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 at that time. The Company can terminate either agreement at any time prior to completion of the due diligence period which is anticipated to be ninety days from the date of the agreement.

If the agreements are finalized the Company will be obligated to pay cash of US\$480,000 on closing and issue 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 one year from the closing date.

In addition with respect to both the March 29, 2010 and the April 13, 2010 aforementioned Humboldt agreements, the Company will be committed to pay up to 1.0% NSR on production.

d) Carlin and Humboldt Properties

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 adjacent to those Humboldt claims acquired in the aforementioned October 26, 2009 agreement.

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
- 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

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Note 6 Mineral Properties – (cont'd)

d) Carlin and Humboldt Properties – cont'd

- 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 for the lands 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 lands have 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 lands have been allocated to each of the Carlin and Humboldt properties.

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Note 6 Mineral Properties – (cont'd)

d) Carlin and Humboldt Properties – (cont'd)

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.

e) Alpha Butte and Siesta Properties

During the three months ended June 30, 2010 the Company decided it will no longer pursue exploration on the Alpha Butte or Siesta properties and accordingly has written down cumulative exploration expenditures on these properties of \$119,575 and \$1,895,986 respectively to nil in these financial statements.

f) Rattlesnake 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.

On December 11, 2007 BMM signed an amended and restated Option Agreement with GPM with respect to BMM acquiring a 100% interest in this property. On January 15, 2008 a Letter of Agreement was signed to formalize the terms by which BMM would assign its interest in the amended and restated Rattlesnake Hills Option Agreement to the Company. Under the terms of the January 15, 2008 Letter of Agreement, the Company would acquire its interest in the property option from BMM in exchange for the issue of cash of \$196,100 (US\$200,000) (paid) and the issuance of 400,000 shares which were valued at the share price at the date of issuance.

On January 16, 2008, the Company signed a property option agreement with GPM. Under the terms of this Agreement, the Company could acquire up to a 100% interest in the Rattlesnake Hills Property in exchange for the issue of 3,000,000 shares to be issued in three separate tranches of 1,000,000 shares each, over approximately a two year period. In February, 2010 the Company exercised its option to complete the acquisition of 100% of the Rattlesnake Hills Property by issuing the final tranche of 1,000,000 shares to GPM. Each of the three 1,000,000 share issues have been valued at the share price at the date of their issuance.

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Note 6 Mineral Properties – (cont'd)

f) Rattlesnake Property – (cont'd)

As part of the agreement GPM will retain a 0.5% NSR with respect to the property and the Company will have 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.

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 purchase 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 expired on April 10, 2009.

g) Malone Property

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 unpatented mineral claims located in Lordsburg, New Mexico, United States of America in exchange for payment of \$11,360 (US\$ 10,000) (paid) and an additional \$ 11,720 (US\$ 10,000) payable in one year (paid). The agreement is subject to a royalty of 2% of net smelter returns.

h) Kiyuk Lake Property

On August 1, 2009 the Company signed a five year mineral property option agreement for the Kiyuk Lake property near Nueltin Lake in Nunavut in exchange for:

- Total cash payments of \$350,000 with \$50,000 payable on August 8, 2009 (paid) and \$60,000 payable annually each year thereafter until August 8, 2014
- A total of 250,000 Shares to be issued with 50,000 to be issued August 8, 2009 (issued) and 40,000 additional shares to be issued annually thereafter until August 8, 2014. The August, 2009 share issue was valued at the share price at the date of issuance.

The agreement can be terminated by the Company after thirty days notice is provided. The agreement is subject to a royalty of 2% of net smelter returns which the Company can reduce with the payment of US\$2,000,000 for each 1% reduction. Also pursuant to this agreement the Company is required to pay filing and maintenance fees and to provide a technical report annually to the vendor, the next report due before March 1, 2011.

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Note 7 Asset Retirement Obligation

The Company has estimated the undiscounted present value of its Rattlesnake Hills Mineral Property future reclamation obligation to be \$304,476 at June 30, 2010 (\$266,521 at March 31, 2010) as legally required by the United States Federal and State Government permitting requirements. In addition the Company has provided \$21,292 for future reclamation obligations on each of the Carlin and Humboldt properties. The Company intends to fulfil all required site restoration obligations in the next fiscal year, though some reclamation will be deferred to allow for continued use of roads, drill sites and other improvements for future exploration. No discounted present value was calculated due to the fact that the amount of deferred reclamation activity cannot be calculated at this time. Management will continue to assess asset retirement obligations as future exploration activity is undertaken.

Note 8 Share Capital

Changes to share capital during the three months ended June 30, 2010, are presented in the Consolidated Statement of Shareholder's Equity included in these financial statements.

In July, 2010, the Company completed a non-brokered private placement with Goldcorp Inc. for the issue of 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. 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 in order to maintain its relative ownership interest in the Company, for a period of up to five years.

Warrants

At June 30, 2010, there were 6,172,889 (June 30, 2009 – 19,100,014) share purchase warrants outstanding and exercisable entitling the holders thereof the right to purchase one common share for each warrant held:

<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>	<u>Weighted Average Remaining Contractual Life</u>
6,172,889	\$1.25	November 24, 2011	1.65 years

Agent's Warrants

As at June, 2010, the Company 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.

During the three months ended June 30, 2010 no warrants were issued or exercised. Accordingly changes for the period are not presented in these statements.

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Note 8 Share Capital – (cont'd)

Stock Option Plan and Stock-based Compensation

The Company established a share purchase option plan (the “Plan”) in September 2004. In September, 2007 shareholder approval was obtained to adopt a “rolling” stock option plan. The Board of Directors administers the Plan, pursuant to which the Board of Directors may grant from time to time incentive stock options up to an aggregate maximum of 10% of the issued and outstanding shares of the Company to directors, officers, employees, consultants or advisors. All options granted under the Plan shall expire not later than the tenth anniversary of the date the options were granted.

The exercise price of an option is determined by the Board of Directors, but shall not be less than the market price of the common shares of the Company on the TSX on the last business day before the date on which the options are granted, less any discount permitted by the rules of the exchange. Vesting and terms are at the discretion of the Board of Directors. The vesting of options range from vested immediately, a vesting period of three month period to two year period from the date of the grant, at 25% and 20% respectively. Options granted for Investor relations vest in accordance with TSX regulation.

During the three months ended June 30, 2010, the Company granted options to directors, and consultants as follows:

Number of Options Granted	Exercise Price	Stock-based Compensation Attributed to Operations During Period	Vesting Provisions
150,000	\$0.94	\$ 24,000	Unvested
500,000	\$0.93	\$ 272,000	70% Vested
<u>350,000</u>	\$0.92	<u>\$ 241,500</u>	Vested
<u>1,000,000</u>		<u>\$ 537,500</u>	
<u>(2009 – 1,670,000)</u>		<u>(2009 - \$458,480)</u>	

Additional stock-based compensation expense of \$464,063 (2009 - \$19,000) was also recorded on the vesting date of options issued in previous fiscal periods.

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Note 8 Share Capital – (cont'd)

Stock Option Plan and Stock-based Compensation – (cont'd)

Details of stock options outstanding as at June 30, 2010 are as follows:

Number of Shares	Exercise Price	Expiry Date
87,500	\$0.44	June 10, 2011
500,000	\$0.42	May 2, 2012
300,000	\$0.40	September 21, 2012
25,000	\$0.35	September 21, 2012
320,000	\$0.80	November 28, 2012
25,000	\$0.35	November 28, 2012
225,000	\$0.88	January 23, 2013
335,143	\$0.35	March 4, 2013
250,000	\$0.75	June 5, 2013
1,530,000	\$1.25	November 30, 2014
150,000	\$0.94	April 11, 2015
500,000	\$0.93	April 21, 2015
350,000	\$0.92	May 21, 2015
1,195,000	\$0.17	November 14, 2018
350,000	\$0.35	January 15, 2019
470,000	\$0.35	April 15, 2019
<u>350,000</u>	\$0.42	May 26, 2019
<u><u>6,962,643</u></u>		

At June 30, 2010, of the total outstanding share purchase options, 5,044,643 (2009: 7,079,089) with a weighted average exercise price of \$0.48 (2009: \$0.34) were exercisable.

A summary of changes during the three months ended June 30, 2010 and 2009 is presented below:

	Number of Options	<u>2010</u> Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding, beginning of period	7,463,143	\$0.59	5.84 years
Granted	1,000,000	\$0.93	4.84 years
Cancelled	(225,000)	\$0.75	3.04 years
Exercised	(1,275,500)	\$0.40	2.06 years
Outstanding, end of period	<u><u>6,962,643</u></u>	<u><u>\$0.66</u></u>	<u><u>5.26 years</u></u>

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Note 8 Share Capital – (cont'd)

Stock Option Plan and Stock-based Compensation – (cont'd)

	<u>2009</u>	
	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding, beginning of year	6,382,000	\$0.36
Granted	1,670,000	\$0.40
Forfeited	(50,000)	\$0.35
Exercised	(196,911)	\$0.19
Outstanding, end of year	<u>7,805,089</u>	<u>\$0.37</u>

Subsequent to June 30, 2010, the Company received cash of \$233,400 from the exercise of 607,500 share options, granted 300,000 options with an exercise price of \$0.84, granted 350,000 options with an exercise price of \$0.94 and an additional 300,000 options were cancelled.

The weighted fair value of the share purchase options granted during the three months ended June 30, 2010 of \$0.63 per option is estimated using the Black-Scholes option valuation model with the following assumptions:

	2010	2009
Average risk-free interest rate	2.4% - 2.74%	1.88% –3.65%
Expected life	5 years	2 – 10 years
Expected volatility	99% – 111%	112% – 113%
Expected dividends	Nil	Nil

Note 9 Related Party Transactions

Accounts payable and accrued liabilities include \$6,627 (2009: \$32,717) due to directors and officers of the Company.

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Note 9 Related Party Transactions – (cont'd)

During the three months ended June 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:

	<u>Three months ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Consulting	\$ 27,000	\$ 31,100
Director Fees	37,825	15,500
Management fees	359,329	159,111
Office, rent and miscellaneous recovery (Note a)	24,476	21,635
Property investigation costs	<u>-</u>	<u>12,556</u>
	<u>\$ 448,630</u>	<u>\$ 239,902</u>

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

As at June 30, 2010, the Company has employment agreements with each of four officers of the Company whereby the Company will pay fixed monthly management fees equal to CDN\$10,000, CDN\$12,000, US\$12,000 and US\$12,000. Any of these agreements can be terminated after a three month notice period.

On April 21, 2010, the Company provided written notice that it would be terminating an employment agreement (CDN \$10,000 per month) with its Executive Chairman effective July 21, 2010 and has agreed to pay \$120,000 as a termination fee. This fee has been included in management fees for the three months ended June 30, 2010. Also pursuant to the terms of the termination the Company has agreed to pay the individual for special advisory services of at least \$100 per month. This agreement will expire in two years but can be terminated before that time under certain conditions.

The Company has agreed to pay its new Non-Executive Chairman \$5,000 per month and the board of directors has the right to change or terminate this agreement at any time.

The Company has also agreed to pay 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.

Effective May 1, 2009 the Company negotiated an eighteen month consulting agreement to pay \$2,500 per month for consulting services provided by a former director of the Company.

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Note 10 Segmented Information

The Company operates in one reportable operating segment, being the exploration and evaluation of mineral properties for development. Geographical information is as follows:

	Three months ending June 30,			
	2010		2009	
	<u>Canada</u>	<u>United States</u>	<u>Canada</u>	<u>United States</u>
Net loss	<u>\$(1,581,075)</u>	<u>\$(2,375,544)</u>	<u>\$ (318,307)</u>	<u>\$ (490,104)</u>
Current Assets	<u>\$10,448,122</u>	<u>\$ 1,582,537</u>	<u>\$15,199,531</u>	<u>\$ 1,274,098</u>
Mineral Properties	<u>\$ 1,071,959</u>	<u>\$27,130,589</u>	<u>\$ _____</u>	<u>\$17,555,303</u>
Total other assets	<u>\$ 58,597</u>	<u>\$ 853,612</u>	<u>\$ 7,528</u>	<u>\$ 419,510</u>

Note 11 Comparative Figures

Certain comparative figures for the three months ended June 30, 2009 have been reclassified in order to comply with the financial statement presentation adopted for the current period.

Note 12 Commitments –Notes 7, 8 and 9

- a) 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.
- b) 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.
- c) Effective December 3, 2009 the Company entered into an employment agreement with the head of business development to manage strategic initiatives of the Company whereby the Company will pay fixed management fees of US\$11,000 per month. This agreement can be terminated by either party by providing 90 days written notice.
- d) 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.
- e) 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 after six months.
- f) 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.

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Note 12 Commitments –Notes 7, 8 and 9 – (cont'd)

- g) Effective June 23, 2010 the Company agreed to a one year agreement to pay \$5,000 per month to a marketing and investor relations service provider. This agreement can also be terminated by providing thirty days written notice.

Note 13 Financial Instruments

a) Financial Instrument Fair Value Disclosure

The Company's financial instruments at June 30, 2010 consist of cash, short-term money market investments, marketable securities, other receivables, restricted cash, and accounts payable and accrued liabilities.

The Company designated its cash, short-term investments and restricted cash as held-for-trading which is measured at fair value. The investment in marketable securities is designated as an available-for-sale financial asset which is measured at fair value. The Company designated other receivables as loans and receivables which are measured at amortized cost on each balance sheet date using the effective interest method. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost on each balance sheet date using the effective interest method.

At June 30, 2010 all financial assets or liabilities measured and recognized in the balance sheet at fair value were categorized as level 1 in the fair value hierarchy introduced in note 2 to the annual financial statements.

b) Financial Instrument Risk Exposure

The Company's financial instrument risk exposure has not changed during the three months ended June 30, 2010. The Company continues to be exposed to foreign currency fluctuations as many of the Company's operations are carried out in the United States of America. As at June 30, 2010, the Company has in US dollars cash of US\$1,741,289 (March 31, 2010: \$2,486,451), accounts payable of US\$888,472 (March 31, 2010: \$531,979), and estimated asset retirement obligation of US\$326,000 (March 31, 2010: US\$220,000), which are subject to exchange rate fluctuations between the Canadian dollar and the US dollar. Due to the parity of the Canadian dollar against the US dollar, the Company converts its Canadian cash into US cash on an as-needed basis but will engage in forward contracts to buy US dollars should the Canadian dollar weaken against the US dollar.

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Note 14 Capital Management

Except for the July, 2010 issue of shares to Goldcorp Inc. the Company does not expect it will need to raise more capital to continue operations through this fiscal year. There were no other changes in the Company's approach to capital management during the three months ended June 30, 2010. Other than its restricted cash amounts the Company is not subject to other externally imposed capital requirements.

Note 15 Subsequent Events – Note 8

In July, 2010, the Company completed a non-brokered private placement with Goldcorp Inc. for the issue of 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. 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 in order to maintain its relative ownership interest in the Company, for a period of up to five years.

EVOLVING GOLD CORP.
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CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
(Prepared without audit)

Schedule 1

	Canada	United States											Total	
	Kiyuk Lake	Alpha Butte	Boulder Valley	Carlin	Cotton wood	Excelsior Springs	Fisher Canyon	Humboldt	Jake Creek	Malone	Rattlesnake	Sheep Creeks		Siesta
Balance, March 31, 2009	\$ -	\$ 100,188	\$ 826,550	\$ 179,366	\$ 99,310	\$ 58,496	\$ 556,131	\$ -	\$ 344,721	\$ 775,801	\$ 6,625,204	\$ 4,181,830	\$ 1,830,812	\$ 15,578,409
Acquisition costs														
Cash	50,000	-	-	59,337	-	49,006	-	59,498	-	-	23,524	-	-	241,365
Shares	56,000	-	-	-	-	-	-	-	-	-	930,000	-	-	986,000
Legal	16,134	-	-	-	-	-	-	-	-	-	662	-	-	16,796
	<u>122,134</u>	<u>-</u>	<u>-</u>	<u>59,337</u>	<u>-</u>	<u>49,006</u>	<u>-</u>	<u>59,498</u>	<u>-</u>	<u>-</u>	<u>954,186</u>	<u>-</u>	<u>-</u>	<u>1,244,161</u>
Deferred exploration costs														
Assays and reports	15,423	-	-	65,416	-	27,910	-	-	-	37,002	1,125,084	-	-	1,270,835
Drilling	-	-	-	2,141,522	-	98,660	-	-	-	152,696	6,607,167	-	-	9,000,045
Field expenses and other	560,244	-	-	144,074	1,078	4,082	9,446	31,082	-	13,057	695,246	-	-	1,458,309
Geological consulting – Note 6	73,941	3,147	1,856	269,278	2,816	12,835	-	38,149	8,441	2,993	1,410,571	3,837	4,021	1,831,885
Geophysical and geological studies	181,812	-	-	108,602	-	-	-	-	-	-	501,732	-	-	792,146
Staking and recording	-	14,561	19,980	57,314	22,045	16,528	-	188,744	70,897	16,906	178,764	347,608	59,586	992,933
	<u>831,420</u>	<u>17,708</u>	<u>21,836</u>	<u>2,786,206</u>	<u>25,939</u>	<u>160,015</u>	<u>9,446</u>	<u>257,975</u>	<u>79,338</u>	<u>222,654</u>	<u>10,518,564</u>	<u>351,445</u>	<u>63,610</u>	<u>15,346,156</u>
Asset retirement obligation in excess of reclamation deposit paid	-	-	-	-	-	-	-	-	-	-	266,521	-	-	266,521
Fair value of shares received	-	-	-	-	-	-	(87,600)	-	-	-	-	-	-	(87,600)
Write down of mineral properties	-	-	-	-	(125,249)	(267,517)	(477,977)	-	-	-	-	(4,533,275)	-	(5,404,018)
Balance, March 31, 2010	<u>\$ 953,554</u>	<u>\$ 117,896</u>	<u>\$ 848,386</u>	<u>\$ 3,024,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 317,473</u>	<u>\$ 424,059</u>	<u>\$ 998,455</u>	<u>\$ 18,364,475</u>	<u>\$ -</u>	<u>\$ 1,894,419</u>	<u>\$ 26,943,626</u>

EVOLVING GOLD CORP.
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CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
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Schedule 1 – (cont'd)

	Canada		United States						Total	
	Kiyuk Lake	Alpha Butte	Boulder Valley	Carlin	Humboldt	Jake Creek	Malone	Rattlesnake		Siesta
Balance, March 31, 2010	\$ 953,554	\$ 117,896	\$ 848,386	\$3,024,909	\$ 317,473	\$ 424,059	\$ 998,455	\$18,364,475	\$ 1,894,419	\$26,943,626
Acquisition costs										
Cash	-	-	-	233,335	330,970	-	-	21,923	-	586,228
Shares	-	-	-	-	-	-	-	-	-	-
Legal	-	-	-	-	4,350	-	-	1,620	-	5,972
	-	-	-	233,335	335,320	-	-	23,543	-	592,200
Deferred exploration costs										
Assays and reports	-	-	-	24,003	-	-	-	123,472	-	147,475
Drilling	-	-	-	1,013,339	73,948	-	7,295	580,911	-	1,675,493
Field expenses and other	2,463	420	667	63,212	13,437	557	1,332	91,828	306	174,222
Geological consulting – Note 6	1,800	1,259	1,259	117,790	23,381	1,259	4,905	263,478	1,259	416,390
Geophysical and geological studies	-	-	-	11,191	1,071	-	-	47,018	-	59,280
Staking and recording	114,142	-	-	1,554	-	-	4,855	8,333	-	128,884
	118,405	1,679	1,926	1,231,089	111,837	1,816	18,387	1,115,040	1,565	2,601,744
Asset retirement obligation in excess of reclamation deposit paid	-	-	-	21,292	21,292	-	-	37,953	-	80,537
Write down of mineral properties	-	(119,575)	-	-	-	-	-	-	(1,895,986)	(2,015,561)
Balance, June 30, 2010	\$1,071,959	\$ -	\$ 850,312	\$ 4,510,625	\$ 785,922	\$ 425,875	\$ 1,016,842	\$ 19,541,013	\$ -	\$ 28,202,548