Management Discussion and Analysis of Financial Position and Results of Operations for the Year ended March 31, 2014

This report is dated June 27, 2014.
(The "Report Date")

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Introduction

The following information should be read in conjunction with the audited consolidated financial statements of Evolving Gold Corp. ("Evolving" or the "Company") for the year ended March 31, 2014 and 2013.

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

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

Note 3 of the consolidated financial statements at March 31, 2014, describes all of the Company's significant accounting policies and a description of changes made during the 2013 fiscal year is included therein. During the year ended March 31, 2014, the Company's critical accounting estimates and significant accounting policies have remained substantially unchanged. ***All amounts presented in this document are stated in United States dollars, except where otherwise noted.*** The most notable exceptions are in the discussion of share capital, where securities prices are stated in Canadian dollars (C$).

Cautionary Note Regarding Forward Looking Statements

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

Corporate Overview

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 and eventually was named as one of the top ten mining companies on the TSX-V and a member of the TSX Venture 50. 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. On December 7, 2010 the Company announced that it had received approval to list its common shares on the Toronto Stock Exchange (TSX) and continues to trade on this exchange under the stock symbol T:EVG. 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. On May 4, 2011, the Company was quoted on the OTCQX board under the symbol EVOGF.

Description of Business

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

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

Changes in Management, Directors, and Corporate Activities

On November 14, 2013, Robert W. Barker resigned as a director of the Company. On March 5, 2014, Mr. William Lindqvist resigned as a director, and Mr. Robert Horsley was appointed as a director. Other than the above, there have been no changes to management and directors since our last year end.

During the year, the Company received a notice of default with respect to certain exploration properties in Nevada as a result of the non-payment of installment payments. The Company subsequently commenced a review of its property holdings, and terminated certain properties during the period, including the majority of the Humboldt Project and the Malone Project. The Carlin property was substantially written down to reflect its recoverable value in the current marketplace.

Due to the difficult financial markets for mining companies generally, on March 17, 2014 the Company announced that it has entered into a definitive agreement with NV Gold Corporation to option its 100% interest in the Rattlesnake Hills Project. Under the Agreement, NVX may acquire Rattlesnake Hills by completing the following:

- paying US$100,000 as a non-refundable deposit;
- paying US$300,000 as a down payment to EVG US;
- within 3 business days following receipt of TSX Venture Exchange acceptance of the option agreement, delivering US$100,000 and issuing to the Company 1,000,000 common share purchase warrants, each such warrant exercisable to acquire one common share of NVX at CDN$0.10 per share for 36 months from the date of issue;

- On or before August 1, 2014 paying US$200,000;
- On or before September 15, 2014, issuing 1,000,000 common share purchase warrants to the Company, each such warrant exercisable to acquire one common share of NVX at CDN$0.10 per share until September 15th, 2016;
- On or before November 1, 2014, paying US$800,000;
- On or before the first anniversary of TSXV acceptance of this option agreement, paying US$1,000,000 and 1,000,000 common share purchase warrants, each such warrant exercisable to acquire one common share of NVX at CDN$0.10 per share for a period of 18 months from the date of issue; and
- On or before the second anniversary of the date of this option agreement, paying $1,000,000 and issuing 1,000,000 common shares of NVX;

On April 28, 2014, the Company announced a private placement agreement with certain related parties of the Company. The Company will issue a total of 16,250,000 common shares at a deemed price of $0.02 per share in consideration for settlement of debts of $325,000. The agreement is subject to regulatory approval, and the common shares will be subject to a four-month hold. In connection with the settlement of debt for shares, the CEO and CFO agreed to forgive certain amounts owing and to amend their existing management agreements to remove bonus and RRSP contribution obligations, reduce change in control benefits to 6 months and reduce management fees to $7500 and $5000 per month respectively. The Company intends to enter into additional debt settlement agreements with certain vendors, and to take additional steps as part of a repositioning plan to ensure the future viability of the Company. At the date of this MD&A, these private placements have not been completed

The Company continues to review its exploration activities, and to re-evaluate its exploration plans generally. Cost containment and reduction continues to be the goal of the Company in these difficult times, with additional staffing reduction having been made during the year. At this time management is unable to estimate when the Company may recommence any exploration activities. The Company is continuing to maintain its remaining properties in good standing but, as is typical for most junior exploration companies given the current state of the financial markets, there is no assurance that further cuts will not be made, or that the Company will be able to resume activities in the near future

Mineral Properties

Newmont Mineral Properties

In September 2007, the Company signed a Letter of Intent to enter into an agreement with Newmont USA Limited, Newmont Capital Limited and Elko Land and Livestock Company (collectively "Newmont") concerning an exploration partnership on the Carlin Property and sundry other mineral properties which have been released by the Company over the intervening years.

In addition, the Company acquired the Humboldt Properties adjacent to the above mentioned Carlin properties as well as additional properties which fell within the Carlin Agreement boundary.

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

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

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

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

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

Carlin Mineral Property

Carlin 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.

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

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

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

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

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

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

Humboldt Property

The Humboldt property lies adjacent to the Carlin project. It was 100% controlled by Evolving Gold and was not subject to any terms of the Newmont agreement described above. The Company carried out an aggressive exploration program on the Humboldt property in calendar 2010, including geophysics, mapping and drilling, and has generated numerous drill targets many of which are still untested by drilling. One hole, completed in early September, 2010 to a depth of 1,310 m, encountered favourable stratigraphic host rocks similar to those encountered in the CAR holes on the Company's Carlin property approximately 4.5 km northwest. Anomalous gold, arsenic and antimony were encountered between 1,115-1,150 meters. Two reverse circulation pre-collars were drilled in the western part of the property in late 2010. A core tail was completed on one of these pre-collars on June 16, 2011 to a depth of approximately 680 meters, but it did not reach its target depth of 1000 m and terminated in rocks above the prospective host horizon.

Additions to Carlin and Humboldt Land Packages

The company increased its mineral and surface rights with respect the Carlin and Humboldt Projects with a number of additions as follows:

- 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 $ 25,000 (paid)
    - Advance royalty payments:
        - $ 10,000 (paid)
        - $ 12,500 on October 26, 2010 (paid)
        - $ 15,000 on October 26, 2011 (paid)
        - $ 17,500 on October 26, 2012 (paid)
        - $ 20,000 on October 26, 2013 (deferred)
        - $ 25,000 on October 26, 2014 and
        - $ 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:
        - $ 10,000 on February 28, 2011 to 2015 ($30,000 paid)
        - $ 15,000 on February 28, 2016 to 2020
        - $ 20,000 on February 28, 2021 and
        - $ 20,000 consumer price index adjusted, to be paid annually on February 28, 2021 and each year thereafter for the duration of the lease
    - 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 $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 $4,000,000 subject to recoupment of any royalty payments made by the Company.

- On January 11, 2010 the Company signed a ten year surface lease agreement for the lands described as the Carlin property in exchange for cash of $16,000 (paid) and $10,000 payable annually on January 11, 2011 and each year thereafter. Prior to commencement of commercial production the Company is obligated to purchase the area for US$2,000 per applicable acre. The agreement can be terminated by Evolving upon thirty days written notice 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 option and royalty reservation agreement for a 50% undivided fee mineral interest in additional lands on the Carlin property in exchange for cash of $10,000, cash of $190,000 paid on completion of due diligence and the issue of non-interest bearing promissory notes for $1,200,000 payable in annual $300,000 instalments commencing May 27, 2011. The Company will be committed to pay up to 1.0% NSR on production. Also 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 $15,000, cash of $285,000 paid on completion of due diligence, and the issue of non-interest bearing promissory notes for $2,800,000 payable in annual $700,000 instalments, commencing May 27, 2011. The Company was committed to pay up to 1.0% NSR on production. The Company paid the first promissory note instalment of $700,000. 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 $20,000 paid, cash of $480,000 paid on closing and the issue of promissory notes for $1,800,000 and $3,200,000 payable in annual $450,000 and $800,000 instalments respectively, commencing August 10, 2011. The Company was committed to pay up to 1.0% NSR on production The Company subsequently agreed with the vendor to postpone the August 10, 2011 payment by six months in return for a payment of $150,000. In 2009 and 2010 Evolving staked 602 unpatented lode claims within the Humboldt project.

- On April 13, 2010 the Company signed 1) an additional option purchase agreement for a 100% undivided fee interest in additional adjacent lands in exchange for cash paid on signing of $10,000, cash of $290,000 paid on completion of due diligence and the issue of promissory notes for $2,200,000 payable in annual $550,000 instalments, commencing August 10, 2011. The Company will be committed to pay up to 1.0% NSR on production. During the year, the Company renegotiated the terms of the Carlin Property promissory note to a $2,200,000 bearing an interest rate of 4% until February 10, 2016, at which time the interest rate shall be the Wall Street Journal bank prime lending rate plus 1%. Payments of $360,000 are due on February 10, 2012 (paid) and each year thereafter until February 10, 2018 at which time the balance remaining shall become due and payable; 2) 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 $42,503 on execution and on each anniversary thereafter if acreage is not decreased. The Company will also pay a one-time payment of $1,500 for each drill site and $100 per acre per year for other surface

disturbance if ranching and grazing is not possible. One half of these costs have been allocated to each of the Carlin and Humboldt properties; and 3) an additional two mineral lease agreements encompassing a total of 4,635.76 acres of additional lands in the Elko and Eureka counties in Nevada in exchange for cash paid for advance mineral royalties of $55,725. One half of these costs have 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 $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.

- 8 Additional unpatented lode claims were staked, amounting to approximately 150 acres.

- During the 2010, the Company re-negotiated the terms of the Humboldt Property promissory notes to the following: 1) a $3,200,000 bearing an interest rate of 4% until February 10, 2016, at which time the interest rate shall be the Wall Street Journal bank prime lending rate plus 1%. Payments of $523,000 are due on February 10, 2012 (paid) and each year thereafter until February 10, 2018 at which time the balance remaining shall become due and payable; and 2) a $1,800,000 bearing an interest rate of 4% until February 10, 2016, at which time the interest rate shall be the Wall Street Journal bank prime lending rate plus 1%. Payments of $295,000 are due on February 10, 2012 (paid) and each year thereafter until February 10, 2018 at which time the balance remaining shall become due and payable.

Exploration and Evaluation Assets Impairment

During the year, the Company notified certain property vendors, in particular those that involved the notes payable under the agreements dated March 29 and April 13, 2010 that it would be unable to comply with payment obligations on their due dates. Subsequently, the Company received notices of default. The Company approached the vendors to discuss the renegotiation of the terms of the agreements, but ultimately decided not to hold the properties. As a result, all of the Humboldt property was written off during the period, totalling $6,357,127.

At March 31, 2014, the Company assessed the carrying amount of its Carlin and Jake Creek properties for indicators of impairment such as changes in (1) the period for which the entity cannot explore in the specific area or whether these rights have expired during the period or will expire in the near future, and is not expected to be renewed and (2) whether substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected cash flows) of the relevant assets. In this particular case the recoverable amount is considered to be $Nil due to the uncertainties of the asset's fair value and any expected future cash flows. As a result, the Company recorded an impairment charge of $17,787,223 in the Comprehensive Statement of Loss for the year ended March 31, 2014 in respect of the Carlin and Jake Creek properties

The conclusion for the impairment of the exploration and evaluation assets is based on the fact that the Company let certain claims lapse during the year and no longer has the right to explore the property

subject to these claims and that no substantive expenditure on further exploration and evaluation of mineral resources in the Carlin and Jake Creek properties is budgeted due to market conditions and the difficulty of raising funds under these conditions.

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

Jake Creek Mineral Property

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

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

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

Rattlesnake Hills Mineral Property

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

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

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

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

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

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

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

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

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

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

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

Malone Mineral 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 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.

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.

By January 2008, the Company completed detailed mapping, surveying, sampling and a diamond drill program, including 950 meters of shallow drilling in 10 holes. All ten holes encountered significant gold and silver mineralization. The Company completed Phase Two drilling in April, 2009 for an additional 2,000 m in eleven holes to test the gold and silver mineralization to depths up to 300 meters.

During the year ended March 31, 2014, the Company decided not to pursue any further activities on the Malone property, and accordingly the property was dropped and written off in the financial statements.

Exploration and evaluation assets as of March 31, 2014

	Carlin	Humboldt	Jake Creek	Malone	Rattlesnake	**March 31, 2014**
Acquisition costs						
Opening Balance	$ 2,553,789	$ 2,533,445	$ -	$ -	$ 2,978,952	**$ 8,066,186**
Additions	43,804	26,853	47,123	-	-	**117,780**
Write down of mineral properties	-	(2,560,298)	-	-	-	**(2,560,298)**
	2,597,593	-	47,123	-	2,978,952	**5,623,668**
Deferred exploration costs						
Opening balance	18,634,195	3,746,829	2,393,125	863,716	8,503,366	**34,143,231**
Assays and reports	7,612	-	-	-	-	**7,612**
Drilling	5,020	-	-	-	-	**5,020**
Field expenses	86,433	-	-	-	321.881	**408,314**
Geological consulting	198,116	-	-	-	-	**198,116**
Geophysical and geological studies	695	-	-	-	-	**695**
Staking and recording	51,550	-	-	-	-	**51,550**
	18,983,621	3,746,829	2,393,125	863,716	8,827,247	**34,814,538**
Reclamation bonds	167,978	-	-	-	286,000	**453,978**
Asset retirement obligation	320,273	50,000	30,000	-	286,000	**686,273**
Write-down of mineral properties	(16,552,099)	(3,746,829)	(1,235,124)	(863,716)	(9,547,449)	**(31,995,217)**
Property and other payments received	-	-	-	-	(100,000)	**(100,000)**
	(16,063,848)	(3,746,829)	(1,205,124)	(863,716)	(9,075,449)	**(30,954,966)**
	$ 5,517,366	**$ -**	**$ 1,235,124**	**$ -**	**$ 2,730,750**	**$ 9,483,240**

Results of Operations

During the year ended March 31, 2014 and 2013 the Company reported a net loss as follows:

	Year ended March 31,	
	2014	2013
Loss for the year	$35,711,754	$15,722,060
Loss per share from continuing operations	$0.22	$0.11

Most operating expenditures for the year ended March 31, 2014 are at reduced levels as those of the comparative 2013 fiscal year, reflecting the ongoing efforts of the Company to reduce costs. The most significant variations are:

- Accounting and audit expense of $49,149 (2013 - $105,190) reflecting the cost of annual audits and tax services;
- Bank charges and interest of $6,174 (2013 - $18,757) in 2013 reflect additional fees related to the banking services which were terminated during that year;
- Consulting expense of $4,886 (2013 - $94,392) reflects an ongoing reduction in consulting agreements and third party service providers;
- Directors fees of $nil (2013 - $98,960) reflect the elimination of directors fees in 2014;
- Legal expense of $11,827 (2013 – $448,468) reflects legal activities related to the proposed Rattlesnake plan of arrangement in 2013, and reduced legal services in 2014. Certain accrued fees from 2013 were discounted when actually billed in 2014, which also resulted in reduced fees for 2014;
- Management fees of $327,522 (2013 – $572,055) reflects the reduction of management fees primarily due to the elimination of bonuses and other fees. A majority of the fees expensed were accrued and payable as of year-end, and had not been paid;
- Office, rent and salaries expense of $274,486 (2013 - $712,602) which reflects decreased staffing in the offices and generally lower costs. Included in 2013 is approximately $104,000 of one time charges incurred in closing the Longmont office in 2012;
- Promotion and advertising of $nil (2013 – $60,802) which reflects the elimination of all promotion related activities and contractors;
- Stock-based payments of $54,883 (2013 - $897,398) represents non-cash charges incurred in connection with the granting of stock options, options granted in prior periods and vesting during the period, calculated using the Black Scholes option valuation model;
- Transfer agent and filing fees of $74,197 (2013 - $103,040) reflect AGM charges;
- Travel of $2,446 (2013 - $205,528) reflects the elimination of almost all travel during the year.
- The change in the fair value of warrant liability represents a derivative liability due to the denomination of the Company’s shares and warrants in Canadian dollars while we report in US dollars. The change was a gain in both 2014 and 2013 respectively of $473,358 and $1,194,924;

- Write-down on disposal of mineral properties of $34,555,515 (2013 - $11,085,765) comprised of costs relating to the cumulative exploration expenditures written down with respect to Carlin, Humboldt, Jake Creek and Malone.
- Write down of available for sale securities of $217,325 (2013 - $2,352,100) reflects the loss incurred on our portfolio of investments in other companies. The loss on disposition in 2014 of $767,783 (2013 - $nil) reflects the actual loss on disposal of the securities.
- A loss of $43,003 (2013 – $131,492) was recorded with respect to foreign exchange, as a result of the volatility of the Canadian dollar versus the US dollar; and
- Interest and other income of $35,679 (2013 - $56,764) was recorded due to non-refundable deposits received from possible purchasers of exploration assets.

Selected Annual Information

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

Summary of Quarterly Results (Unaudited)

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

	Fiscal 2013 -2014			
All amounts in US$ presented under IFRS	March 31, 2014	**December 31, 2013**	**September 30, 2013**	**June 30, 2013**
Interest income and other	-	6,661	(394)	29,412
Gain (loss) on marketable securities	(401,719)	(6,652)	(142,087)	(636,449)
Share based payments	(1,568)	(40,391)	(16,060)	-
Write-down of Exploration Costs	27,424,393	-	(7,131,122)	-
Net Income (Loss)	(663,239)	(147,534)	(7,369,986)	135,484
(Loss) earnings per share, basic and fully diluted	(0.169)	(0.004)	(0.05)	0.003
Total assets	9,659,671	37,121,293	37,337,073	44,456,855
Incurred deferred exploration expenditures (net of write downs and proceeds received)	575,850	225,559	294,327	128,936
Working capital	(1,358,189)	10,845,466	11,096,282	11,228,966

	Fiscal 2012 -2013			
	March 31, 2013	**December 31, 2012**	**September 30, 2012**	**June 30, 2012**
Interest income	29,274	12,252	13,873	1,365
Gain (loss) on marketable securities	(606,755)	(132,341)	(164,643)	(1,448,361)
Share based payments	(153,002)	-	(400,686)	(343,710)
Write-down of Exploration Costs	11,110,245	(11,110,245)	-	-
Net Income (loss), continuing operations	(2,736,278)	(11,237,545)	(726,695)	(1,021,542)
(Loss) earnings per share, basic and fully diluted	-	(0.08)	(0.01)	(0.03)
Total assets	45,306,669	45,086,166	56,871,873	53,928,544
Deferred exploration expenditures (net of write downs and proceeds received)	295,939	1,963,744	2,503,355	3,671,924
Working capital	12,096,511	(277,069)	3,326,782	2,760,862

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

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

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

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

Q4 Results

During Q4 the most significant expenses were:

- Management fees of $55,860 which are lower than the previous three quarters;
- Office expenses of $97,911 which are slightly higher than previous quarters due to audit, filing and transfer agent fees;
- Foreign exchange of $33,977 due to the greater volatility of the US – Canadian dollar exchange rate in the quarter;
- A recalculation of the loss on the sale of securities resulted in a loss of $401,719 being recognized; and
- A mineral property write down of $27,424,393 as the Company reevaluated all its holdings, and recognized a write down to reflect the estimated value of the loss on the option sale of Rattlesnake.

Capital Expenditures

During the year ended March 31, 2014, the Company paid $117,780 (2013 - $1,131,578) in cash with respect to the land acquisition of the Carlin and Humboldt mineral properties. In addition Evolving incurred $458,070 (2013 - $7,681,354) in deferred exploration expenses relating to its various mineral property interests. During the year ended March 31, 2014, the Company also received proceeds of $28,002 from the disposal of fixed assets and incurred expenditures of $nil (2013 - $86,018) for additions to fixed assets in various categories.

Financing Activities

During the years ended March 31, 2014 and 2013, no options were exercised.

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

During 2013, 12,000,000 units were issued pursuant to a private placement offering for net proceeds of $3,587,313. Each Unit consisted of one common share and one common share purchase warrant, for which proceeds of $1,523,394 were allocated at their fair value determined by the Black Scholes pricing model using the following inputs: Exercise Price - CDN$0.40; Share price - $CDN 0.30; expected life – 3 years; volatility – 78%; dividend yield – 0.00% . Each Warrant entitles the holder thereof to acquire one common share of the Company at a price of CDN$0.40 until August 13, 2015. In connection with the Offering, the Company also issued finder's compensation warrants totaling 49,000 warrants exercisable into one common share of the Company at a price of CDN$0.30 until August 13, 2014. All securities issued in the Offering are subject to a four-month hold period ending December 14, 2012 in accordance with applicable Canadian securities laws.

Liquidity and Capital Resources

The Company's aggregate operating, investing and financing activities for the year ended March 31, 2014 resulted in a cash decrease of $76,986 (March 31, 2012: $5,278,846). As at March 31, 2014, the Company's cash and cash equivalents balance was $52,531 and the Company had a working capital deficit of $1,358,189 (March 31, 2013: surplus of $40,193).

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

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

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

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

2014	80,600
2015	82,597
2016	83,928
2017	55,952
	$ 303,077

Transactions with Related Parties

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors. Payments to key management are recorded as management, consulting and directors' fees. During the year ended March 31, 2014, the Company incurred share-based payment charges for its key management totaling $40,696 (2013: $650,204).

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

		March 31, 2014		**March 31, 2013**
Consulting fees	$	-	$	71,832
Directors fees		-		99,618
Management fees and salaries		407,642		572,055
	$	**407,642**	**$**	**743,505**
Unpaid and accrued management fees included in accounts payable	$	436,184	$	-

Off Balance Sheet Arrangements

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

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

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

i) Rehabilitation Provisions

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

ii) Exploration and Evaluation Expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

iii) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

iv) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

v) Share-based Payment Transactions and Derivative Liabilities related to Equities

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. Similar methodology is used to determine the fair value of derivative liabilities related to warrants denominated in Canadian dollars.

vi) Impairment of mineral interests, property, plant and equipment

Impairment testing is done at the cash generating unit level and judgment is involved in assessing whether there is any indication that an asset or cash generating unit may be impaired. This assessment is made based on an analysis of, amongst other factors, changes in the market or business environment, events that have transpired that have impacted the asset or cash generating unit, and information from internal reporting.

vii) Impairment of AFS Securities

The determination of whether an investment is impaired requires significant judgment. In making this judgment, the company evaluates, amongst other things, the duration and extent to which the fair value of the investment is less than its original cost at each reporting period.

Changes in Accounting Policies

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

Future Accounting Changes – Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after April 1, 2014 or later years. None of these is expected to have a significant effect on the consolidated financial statements, except for the following:

- IFRS 9 Financial Instruments: Classification and Measurement

  IFRS 9 introduces new requirements for the classification and measurement of financial instruments and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact on its consolidated financial statements.

- IAS 36 – Impairment of Assets

  IFRS 36 was amended by recoverable amount disclosures for non-financial assets. The amendments apply retrospectively for annual periods beginning on or after January 1, 2014. The change in accounting standard will not have a significant impact on the Company's consolidated financial statements.

There are no other IFRS's or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Financial Instruments

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

- Market Risk
- Credit Risk
- Liquidity Risk

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

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

General Objectives, Policies and Processes:

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

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

- **Market Risk**

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

- **Foreign Currency Risk**

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company has significant exposure to foreign exchange rate fluctuation. The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in US dollars. The Company has not entered into any foreign currency contracts to mitigate this risk. The Company holds balances in Canadian dollars which could give rise to exposure to foreign exchange risk. Sensitivity to a plus or minus 10% change in the foreign exchange rate of the US dollar to the Canadian dollar would affect the reported loss and comprehensive loss by approximately $141,748 (March 31, 2013: $9,964) as detailed below:

Canadian Dollar Denominated Balances	**March 31, 2014**	**March 31, 2013**
Cash	52,531	129,517
Available for sale securities	14,031	1,261,134
Accounts payable	(1,484,039)	(1,291,010)
	(1,417,477)	99,641
10% change in exchange rate impact	**$ 141,748**	**$ 9,964**

- **Credit Risk**

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

- The carrying amount of financial assets represents the maximum credit exposure. The Company has gross credit exposure at March 31, 2014 and March 31, 2013 relating to cash and cash equivalents of $52,531 and $129,517 respectively. All cash and cash equivalents are held in deposits at a Canadian chartered bank. The Company considers this credit risk to be minimal for all cash and cash equivalent assets based on changes that are reasonably possible at the reporting date

- **Liquidity Risk**

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

liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

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

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

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

Accounts payable and other liabilities	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Over 5 years	Total
March 31, 2014	$ 1,484,039	$ -	$ -	$ -	$ 1,484,039
March 31, 2013	$ 1,291,010	$ -	$ -	$ -	$ 1,291,010

Determination of Fair Value:

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

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

Fair Value Hierarchy:

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

Outstanding Share Data

As of March 31, 2014 and the Report Date, the following table summarizes the outstanding share capital of the Company:

	March 31, 2014	**Report Date**
Common Shares	162,609,000	162,609,000
Stock Options	8,990,500	8,990,500
Warrants	18,049,000	18,049,000
Total, Fully Diluted	**189,648,500**	**189,648,500**

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.

Disclosure controls and procedures and internal controls over financial reporting

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

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

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

Events after the reporting period

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

Subsequent to March 31, 2014, the Company announced a settlement agreement with Management of the Company. The Company will issue a total of 16,250,000 common shares in consideration for settlement of debts of $325,000. The agreement is subject to regulatory approval, and the common shares will be subject to a four-month hold. In connection with the settlement of debt for shares, Management agreed to forgive certain amounts owing and to amend their existing management agreements to remove bonus and RRSP contribution obligations, reduce change in control benefits to 6 months and reduce management fees to $7,500 and $5,000 per month for the CEO and CFO, respectively. These shares have yet to be issued.