



**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Expressed in US dollars

For the three month period ended June 30, 2015

### **Notice to Reader**

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 condensed consolidated interim financial statements have been prepared by and are the responsibility of management.

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

**Evolving Gold Corp.**  
**Unaudited - Expressed in United States Dollars**  
**For the three month period ended June 30, 2015**

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**Evolving Gold Corp.**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**Unaudited - Expressed in United States Dollars**  
**For the three month period ended June 30, 2015**

|   | Note | June 30, 2015     | March 31, 2015    |
|---|------|-------------------|-------------------|
| <b>Assets</b>                                     |      |                   |                   |
| <b>Current Assets</b>                             |      |                   |                   |
| Cash and cash equivalents                         | 6    | \$ 83,210         | \$ 119,941        |
| Available for sale securities                     | 8    | 7,578             | 14,208            |
| Securities held for trading                       | 7    | 7,851             | 14,583            |
| GST receivable                                    |      | 6,585             | 6,554             |
| Prepaid expenses                                  |      | 22,413            | 21,298            |
|   |      | <u>127,637</u>    | <u>176,584</u>    |
| <b>Non-Current Assets</b>                         |      |                   |                   |
| Property, plant and equipment                     | 10   | 7,752             | 14,048            |
| Reclamation bonds                                 | 11   | 453,978           | 453,978           |
|   |      | <u>461,730</u>    | <u>468,026</u>    |
| <b>Total Assets</b>                               |      | <b>\$ 589,367</b> | <b>\$ 644,610</b> |
| <b>Liabilities</b>                                |      |                   |                   |
| <b>Current Liabilities</b>                        |      |                   |                   |
| Accounts payable and accrued liabilities          | 12   | \$ 895,457        | \$ 835,107        |
|   |      | <u>895,457</u>    | <u>835,107</u>    |
| <b>Other Liabilities</b>                          |      |                   |                   |
| Warrant liability                                 | 13   | \$ 4,616          | \$ 10,151         |
| Asset retirement obligation                       | 11   | 686,273           | 686,273           |
|   |      | <u>690,889</u>    | <u>696,424</u>    |
| <b>Shareholders' Equity</b>                       |      |                   |                   |
| Share Capital                                     | 13   | 75,709,789        | 75,709,789        |
| Reserves  | 13   | 26,362            | 20,348            |
| Deficit   |      | (76,733,130)      | (76,617,058)      |
| <b>Total Equity</b>                               |      | <b>(996,979)</b>  | <b>(886,921)</b>  |
| <b>Total Liabilities and Shareholders' Equity</b> |      | <b>\$ 589,367</b> | <b>\$ 644,610</b> |
| Events subsequent to the period end               | 19   |                   |                   |

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

"R. Bruce Duncan"

Director

"Robert Horsley"

Director

Director

The accompanying notes form an integral part of these consolidated financial statements

**Evolving Gold Corp.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**Unaudited - Expressed in United States Dollars**  
**For the three month period ended June 30, 2015**

|  | Note | Three month period ended June 30, |                   |
|--|------|-----------------------------------|-------------------|
|  |      | 2015                              | 2014              |
|  |      |                                   | Restated - Note 3 |
| <b>Expenses</b>  |      |                                   |                   |
| Accounting and audit                                       |      | \$ 691                            | \$ -              |
| Depreciation   | 10   | 6,296                             | 11,717            |
| Bank charges and interest                                  |      | 1,002                             | 1,337             |
| Legal  |      | -                                 | 14,985            |
| Management fees  | 17   | 30,491                            | 34,372            |
| Mineral Property expenditures                              |      | 64,590                            | 24,111            |
| Office, rent and salaries                                  |      | 56,887                            | 37,855            |
| Share-based payments                                       | 14   | 6,014                             | 9,410             |
| Transfer agent and filing fees                             |      | 2,476                             | 19,843            |
|  |      | <u>(168,447)</u>                  | <u>(153,630)</u>  |
| <b>Other Items</b>   |      |                                   |                   |
| Mineral Property payments received                         |      | 150,000                           | 511,657           |
| Change in fair value of warrant liability                  | 13   | 5,561                             | 55,455            |
| Change in fair value of available for sale securities      |      | (14)                              | 29,752            |
| Unrealized loss on securities held for trading             |      | (7,104)                           | -                 |
| Loss on disposition of available for sale securities       |      | (557)                             | -                 |
| Foreign exchange   |      | (95,511)                          | (74,059)          |
|  |      | <u>(116,072)</u>                  | <u>369,175</u>    |
| <b>Net income (loss) and Comprehensive gain (loss)</b>     |      | <b>\$ (116,072)</b>               | <b>\$ 369,175</b> |
| <b>Income (loss) per share from continuing operations:</b> |      |                                   |                   |
| basic and diluted  |      | (0.01)                            | 0.03              |

The accompanying notes form an integral part of these consolidated financial statements

**Evolving Gold Corp**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**Unaudited - Expressed in United States Dollars**  
**For the three month period ended June 30, 2015**

|  | Note | Share Capital     |                      | Reserves            | Deficit<br>(Note 3)    | Total Shareholders'<br>Equity |
|--|------|-------------------|----------------------|---------------------|------------------------|-------------------------------|
|  |      | Number of shares  | Amount               |                     |                        |                               |
| <b>Balance at March 31, 2013, as reported</b>    |      | <b>11,184,929</b> | <b>\$ 75,331,448</b> | <b>\$ 8,875,576</b> | <b>\$ (84,194,658)</b> | <b>12,366</b>                 |
| Shares issued in relation to a private placement | 13   | 428,571           | 289,260              | -                   | -                      | 289,260                       |
| Warrant liability valuation on Private placement | 13   |                   | (149,918)            |                     |                        | (149,918)                     |
| Shares issued for property payments              | 13   | 1,429             | 942                  |                     |                        | 942                           |
| Share-based payments                             | 13   |                   |                      | 54,883              |                        | 54,883                        |
| Adjustment to options reserve                    | 13   |                   |                      | (7,124,466)         | 7,124,466              | -                             |
| Net loss for the period                          |      | -                 | -                    | -                   | (1,852,567)            | (1,852,567)                   |
| <b>Balance at March 31, 2014</b>                 |      | <b>11,614,929</b> | <b>75,471,732</b>    | <b>1,805,993</b>    | <b>(78,922,759)</b>    | <b>(1,645,034)</b>            |
| Share-based payments                             |      | -                 | -                    | 9,410               | -                      | 9,410                         |
| Income (loss) for the period                     |      | -                 | -                    | -                   | 369,175                | 369,175                       |
| <b>Balance at June 30, 2014</b>                  |      | <b>11,614,929</b> | <b>\$ 75,471,732</b> | <b>\$ 1,815,403</b> | <b>\$ (78,553,584)</b> | <b>(1,266,449)</b>            |
| <b>Balance at March 31, 2014</b>                 |      | <b>11,614,929</b> | <b>\$ 75,471,732</b> | <b>\$ 1,805,993</b> | <b>\$ (78,922,759)</b> | <b>(1,645,034)</b>            |
| Shares issued for property payments              | 13   | -                 | -                    | -                   | -                      | -                             |
| Shares issued for debt                           | 13   | 1,856,021         | 237,896              | -                   | 237,881                | 475,777                       |
| Shares issued for property payments              | 13   | 1,429             | 161                  | -                   | -                      | 161                           |
| Share-based payments                             | 13   |                   |                      | 56,720              |                        | 56,720                        |
| Stock option cancellation                        | 13   | -                 | -                    | (1,842,365)         | 1,842,365              | -                             |
| Net loss for the period                          |      | -                 | -                    | -                   | 225,455                | 225,455                       |
| <b>Balance at March 31, 2015</b>                 |      | <b>13,472,378</b> | <b>75,709,789</b>    | <b>20,348</b>       | <b>(76,617,058)</b>    | <b>(886,921)</b>              |
| Share-based payments                             |      | -                 | -                    | 6,014               | -                      | 6,014                         |
| Net loss for the period                          |      | -                 | -                    |                     | (116,072)              | (116,072)                     |
| <b>Balance at June 30, 2015</b>                  |      | <b>13,472,378</b> | <b>\$ 75,709,789</b> | <b>\$ 26,362</b>    | <b>\$ (76,733,130)</b> | <b>(996,979)</b>              |

The accompanying notes form an integral part of these consolidated financial statements

**Evolving Gold Corp**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Unaudited - Expressed in United States Dollars**  
**For the three month period ended June 30, 2015**

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|   | Year ended March 31,    |                          |
|---|-------------------------|--------------------------|
|   | <u>2015</u>             | <u>2014</u>              |
|   |                         | Restated - (Note 3)      |
| <b>Operating Activities</b>                               |                         |                          |
| Comprehensive Income (loss) for the period                | \$ (116,072)            | \$ 369,175               |
| <b>Items not involving cash</b>                           |                         |                          |
| Share-based payments                                      | 6,014                   | 9,410                    |
| Amortization  | 6,296                   | 11,717                   |
| Change in fair value of warrant liability                 | (5,535)                 | (55,454)                 |
| Change in fair value of available for sale securities     | 245                     | (142,691)                |
| Change in fair value of securities held for trading       | 6,732                   | -                        |
| Changes in assets and liabilities:                        |                         |                          |
| Accounts receivable                                       | (31)                    | 33,396                   |
| Prepaid expenses & other current assets                   | (1,115)                 | (53,290)                 |
| Accounts payable & accrued liabilities                    | 60,350                  | (13,926)                 |
| Cash used in operating activities - continuing operations | <u>(43,116)</u>         | <u>158,337</u>           |
| <b>Financing activities:</b>                              |                         |                          |
| Available for sale securities                             | 6,385                   |                          |
| <b>Cash provided by financing activities</b>              | <u><b>6,385</b></u>     | <u>-</u>                 |
| <b>Investment activities:</b>                             |                         |                          |
| Acquisition of property and equipment                     | -                       | -                        |
| <b>Cash used in investment activities</b>                 | <u>-</u>                | <u>-</u>                 |
| <b>Net change in cash and cash equivalents</b>            | (36,731)                | 158,337                  |
| <b>Cash and cash equivalents, beginning balance</b>       | <u>119,941</u>          | <u>52,531</u>            |
| <b>Cash and cash equivalents, ending balance</b>          | <u><b>\$ 83,210</b></u> | <u><b>\$ 210,868</b></u> |

The accompanying notes form an integral part of these consolidated financial statements

## **Evolving Gold Corp.**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**Unaudited - Expressed in United States Dollars**

**For the three month period ended June 30, 2015**

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### **1. NATURE OF OPERATIONS**

Evolving Gold Corp. (the "Company" or "Evolving") 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. The Company is continuing to evaluate potential business opportunities.

Effective December 7, 2010, the common shares of the Company were listed on the Toronto Stock Exchange ("TMX") and trade under the symbol EVG. On July 25, 2014, the Company announced its listing on the Canadian Stock Exchange ("CSX") and its delisting from the TMX. The head office, principal address and records office of the Company are located at 1166 Alberni Street, Suite 605, Vancouver, BC, Canada, V6E 3Z3. The Company's registered address is Suite 1500, 1055 West Georgia Street, Vancouver, BC V6E 4N7.

These financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of the business for the foreseeable future. The Company has an accumulated deficit of \$76,733,130 since inception and expects to incur losses from operations for the foreseeable future. These conditions indicate the existence of material uncertainty which casts significant doubt about the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon obtaining, in the short term, the necessary financing to meet the Company's operating and mineral property commitments as they come due and to finance future exploration and development of potential business acquisitions, economically recoverable reserves, securing and maintaining title and beneficial interest in the properties and upon future profitable production. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which might differ significantly from their carrying values.

### **2. BASIS OF PREPARATION**

#### **a) Statement of Compliance**

These condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements but do not contain all of the information required for full annual financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company's most recent annual financial statements, which were prepared in accordance with IFRS as issued by the IASB.

The financial statements were authorized for issue by the Board of Directors on August 31, 2015.

#### **b) Basis of Measurement**

The financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets and derivative liabilities at fair value through profit or loss. The financial statements are presented in United States dollars, which is also the Company's functional currency, unless otherwise indicated. The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4. The consolidated financial statements include the accounts of the Company and its controlled entities.



## Evolving Gold Corp.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**Unaudited - Expressed in United States Dollars**

**For the three month period ended June 30, 2015**

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Details of controlled entities are as follows:

|   | Incorporation<br>Jurisdiction | Percentage owned |                |
|---|-------------------------------|------------------|----------------|
|   |                               | March 31, 2015   | March 31, 2014 |
| Evolving Gold Corporation ("Evolving US") | USA                           | 100%             | 100%           |
| 5210 Nunavut Ltd.                         | Nunavut                       | 100%             | 100%           |
| Exemplar Gold Corp.                       | Canada                        | 100%             | 100%           |
| Rattlesnake Mining Corporation            | Canada                        | 100%             | 100%           |
| Rattlesnake Mining Company (Wyoming)      | USA                           | 100%             | 100%           |

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

### 3. PRIOR PERIOD REPORTING

#### Effect of Change in Accounting Policy

Effective March 31, 2015, as permitted under IFRS 6, *Exploration for and Evaluation of Mineral Resources*, the Company voluntarily changed its accounting policy for its exploration and evaluation ("E&E") expenditures, to expense these costs in the Comprehensive Statement of Loss in the period in which they were incurred whereas previously all of the E&E expenditures had been capitalized on the Statement of Financial Position. The Company has determined that this change in accounting policy enhances the reliability of the financial statements because of the difficulty associated with demonstrating that these costs meet the definition of an asset and furthermore, expensing these costs is more consistent with the IFRS reporting framework. The Company also has determined that reflecting its E&E expenditures as line items in the Statement of Comprehensive Loss and the Statement of Cash Flows better reflects the economic substance of its operating activities during the fiscal periods presented.

This change in accounting policy has been applied retrospectively.

The Company's accounting policies for the significant components of its exploration and evaluation expenditures are noted below.

#### Exploration and evaluation rights to explore

All direct costs related to the acquisition of rights to explore mineral property interests are expensed in the Statement of Comprehensive Loss in the period acquired until such time as it has been determined that a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated reserves as a depletion base.

#### Exploration and evaluation expenditures

Exploration and evaluation expenditures are charged to operations in the year incurred until such time as it has been determined that a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment.

**Evolving Gold Corp.**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**Unaudited - Expressed in United States Dollars  
For the three month period ended June 30, 2015**

The effect of the change in accounting policy in the consolidated financial statements for the three month period ended June 30, 2014 resulted in the following changes from the amounts previously reported in the Company's consolidated financial statements:

**CONDENSED CONSOLIDATED STATEMENT OF LOSS FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2014**

|  | <i>As Previously<br/>Reported</i> | <i>Effect of Policy<br/>Change</i> | <i>As Restated</i>   |
|--|-----------------------------------|------------------------------------|----------------------|
| <b>Statement of Loss</b>                       |                                   |                                    |                      |
| <b>Expenses</b>                                |                                   |                                    |                      |
| Depreciation                                   | \$ 11,717.00                      |                                    | \$ 11,717.00         |
| Bank charges and interest                      | 1,337.00                          |                                    | 1,337.00             |
| Legal  | 14,985.00                         |                                    | 14,985.00            |
| Management fees                                | 34,372.00                         |                                    | 34,372.00            |
| Mineral Property expenditures                  | -                                 | 24,111.00                          | 24,111.00            |
| Office, rent and salaries                      | 37,855.00                         |                                    | 37,855.00            |
| Share-based payments                           | 9,410.00                          |                                    | 9,410.00             |
| Transfer agent and filing fees                 | 19,843.00                         |                                    | 19,843.00            |
|  | (129,519.00)                      | (24,111.00)                        | (153,630.00)         |
| <b>Other Items</b>                             |                                   |                                    |                      |
| Mineral Property payments received             | -                                 | 511,657.00                         | 511,657.00           |
| Change in fair value of warrant liability      | 55,455.00                         |                                    | 55,455.00            |
| Unrealized loss on securities held for trading | -                                 | 29,752.00                          | 29,752.00            |
| Foreign exchange                               | (74,059.00)                       |                                    | (74,059.00)          |
| <b>Net income (loss)</b>                       | <b>\$ (148,123.00)</b>            | <b>\$ 517,298.00</b>               | <b>\$ 369,175.00</b> |

Mineral property expenditures and property payments received have been reclassified as income and expense items in accordance with the new policy, as opposed to being capitalized and being reflected in the statement of cash flows.

The unrealized loss on securities held for trading was reclassified from comprehensive income to net income to conform to current presentation.

**Evolving Gold Corp.**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**Unaudited - Expressed in United States Dollars  
For the three month period ended June 30, 2015**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2014**

|   | <i>As Previously<br/>Reported</i> | <i>Effect of Policy<br/>Change</i> | <i>As Restated</i>     |
|---|-----------------------------------|------------------------------------|------------------------|
| <b>Statement of cash flows</b>                            |                                   |                                    |                        |
| <b>Operating Activities</b>                               |                                   |                                    |                        |
| Income (loss) for the period                              | \$ (148,123.00)                   | \$ 517,298.00                      | \$ 369,175.00          |
| <b>Items not involving cash</b>                           |                                   |                                    |                        |
| Share-based payments                                      | 9,410.00                          |                                    | 9,410.00               |
| Amortization  | 11,717.00                         |                                    | 11,717.00              |
| Unrealized loss on securities held for trading            | 29,752.00                         | (29,752.00)                        | -                      |
| Change in fair value of warrant liability                 | (55,454.00)                       |                                    | (55,454.00)            |
| Accounts receivable                                       | 33,396.00                         |                                    | 33,396.00              |
| Prepaid expenses & other current assets                   | (53,290.00)                       |                                    | (53,290.00)            |
| Accounts payable & accrued liabilities                    | (13,926.00)                       |                                    | (13,926.00)            |
| Cash used in operating activities - continuing operations | (186,518.00)                      | 487,546.00                         | 301,028.00             |
| <b>Financing activities:</b>                              |                                   |                                    |                        |
| Property payments received                                | 511,657.00                        | (511,657.00)                       | -                      |
| Available for sale securities                             | (142,691.00)                      |                                    | (142,691.00)           |
| <b>Cash provided by financing activities</b>              | <b>\$ 368,966.00</b>              | <b>\$ (511,657.00)</b>             | <b>\$ (142,691.00)</b> |
| <b>Investment activities:</b>                             |                                   |                                    |                        |
| Mineral property expenditures                             | (24,111.00)                       | 24,111.00                          | -                      |
| <b>Cash used in investment activities</b>                 | <b>(24,111.00)</b>                | <b>24,111.00</b>                   | <b>-</b>               |
| <b>Net change in cash and cash equivalents</b>            | <b>158,337.00</b>                 | <b>-</b>                           | <b>158,337.00</b>      |
| <b>Cash and cash equivalents, beginning balance</b>       | <b>52,531.00</b>                  |                                    | <b>52,531.00</b>       |
| <b>Cash and cash equivalents, ending balance</b>          | <b>210,868.00</b>                 | <b>-</b>                           | <b>210,868.00</b>      |

## Evolving Gold Corp.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Unaudited - Expressed in United States Dollars For the three month period ended June 30, 2015

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#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are set out in Note 4 to the annual audited Consolidated Financial Statements as of and for the year ended March 31, 2015, which are incorporated herein by reference. The reader is referred to those statements for a detailed discussion of the accounting policies.

These condensed consolidated interim financial statements as at and for the three month period ended June 30, 2015 have been prepared in accordance with the policies described in the annual audited Consolidated Financial Statements, which have been applied consistently to these financial statements.

#### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 estimates and assumptions of the Company are set out in Note 5 to the annual audited Consolidated Financial Statements as of and for the year ended March 31, 2015, which are incorporated herein by reference. The reader is referred to those statements for a detailed discussion of the accounting policies.

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

#### 6. CASH AND CASH EQUIVALENTS

Cash at banks and on hand earn interest at floating rates based on daily bank deposit rates. As at June 30, 2015, cash and cash equivalents included \$83,210 (March 31, 2015: \$119,941) held in commercial deposit accounts with a Canadian Chartered Bank.

#### 7. SECURITIES HELD FOR TRADING

In connection with the agreement undertaken with NV Gold Corporation ("NVX") during the year ended March 31, 2014 to option a 100% interest in the Rattlesnake property, the Company received consideration that included 2,000,000 NVX share purchase warrants in two tranches of 1,000,000 warrants each. These warrants were designated as securities held for trading measured at their fair value on initial recognition and with their related realized and unrealized gains and losses recorded in the Statement of Comprehensive Loss.

The summary of the fair value of the securities held for trading is as follows:

|                     | Fair Value (US\$) |                  |
|---------------------|-------------------|------------------|
|                     | June 30, 2015     | March 31, 2015   |
| <b>NV Gold Corp</b> |                   |                  |
| 1,800,000 warrants  | 7,851             | 14,583           |
|                     | <u>\$ 7,851</u>   | <u>\$ 14,583</u> |

## Evolving Gold Corp.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Unaudited - Expressed in United States Dollars For the three month period ended June 30, 2015

As at June 30, 2015 and March 31, 2015, securities held for trading consists of the following NV Gold Corporation share purchase warrants:

| Number of warrants | Exercise price | Expiry            |
|--------------------|----------------|-------------------|
| 1,000,000          | CDN\$0.10      | April 22,2018     |
| 800,000            | CDN\$0.10      | September 15,2017 |
| 1,800,000          |                |                   |

The fair value of the securities held for trading was determined using the Black-Scholes pricing model with the following weighted average assumptions:

|                           | June 30, 2015 | March 31, 2015 |
|---------------------------|---------------|----------------|
| Share price on grant date | CDN \$0.15    | CDN \$0.19     |
| Exercise price            | CDN \$0.10    | CDN \$0.10     |
| Risk-free interest rate   | 1.32%         | 1.32%          |
| Expected life (yrs.)      | 3.25          | 3.50           |
| Volatility                | 166.94%       | 166.94%        |
| Dividend rate             | 0.00%         | 0.00%          |

## 8. AVAILABLE FOR SALE SECURITIES

Available for sale securities consist of investments in the common shares of various public companies and therefore have no fixed maturity date or coupon rate.

|   | Fair Value (US\$) |                  |
|---|-------------------|------------------|
|   | June 30, 2015     | March 31, 2015   |
| <b>Northern Empire Resources Corp. (formerly Prosperity Goldfields Corp.)</b> |                   |                  |
| June 2015 – 1,151 shares; March 2015 – 82,851 shares                          | 70                | 5,898            |
| <b>NV Gold Corp</b>   |                   |                  |
| June 2015 – 618,500 shares; March 2015 – 700,500 shares                       | 7,508             | 8,310            |
|   | <b>\$ 7,578</b>   | <b>\$ 14,208</b> |

In connection with the agreement undertaken with NV Gold Corporation (“NVX”) during the year ended March 31, 2014 to option a 100% interest in the Rattlesnake property, the Company received consideration that included 700,000 NVX common shares. In addition, during the year ended March 31, 2015, the Company exercised 200,000 NVX common share purchase warrants and incurred a loss of \$5,274 on the disposition of 199,500 NVX shares.

During the three month period ended June 30, 2015 the Company sold 82,000 NVX shares and 81,700 shares of Northern Empire at a combined loss of \$685.

The fair value of the listed available-for-sale securities has been determined directly by reference to published price quotations in an active market. The Company assessed the decline in the fair value of its available for sale securities to be significant with the result being loss on the change in fair value of the available for securities recorded in the Comprehensive Statement of Loss in the amount of \$17 (March 31, 2015: \$67,119).

## Evolving Gold Corp.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 9. EXPLORATION AND EVALUATION EXPENDITURES

The Company's exploration and evaluation expenditures for the three months ended June 30, 2015 and the year ended March 31, 2015 is summarized as:

|                          | Carlin      | Humboldt    | Jake Creek       | Rattlesnake      | June 30, 2015    |
|--------------------------|-------------|-------------|------------------|------------------|------------------|
| Field Expenses and other | -           | -           | 12,450           | 20,080           | <b>32,530</b>    |
| Consulting - Geological  | -           | -           | 990              | 7,920            | <b>8,910</b>     |
| Land maintenance         | -           | -           | 3,150            | 20,000           | <b>23,150</b>    |
| Reclamation              | -           | -           | -                | -                | -                |
|                          | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 16,590</b> | <b>\$ 48,000</b> | <b>\$ 64,590</b> |

|                          | Carlin            | Humboldt    | Jake Creek       | Rattlesnake     | March 31, 2015    |
|--------------------------|-------------------|-------------|------------------|-----------------|-------------------|
| Field Expenses and other | 71,405            | -           | 36               | 450             | <b>71,891</b>     |
| Consulting - Geological  | 15,197            | -           | 1,320            | 3,465           | <b>19,982</b>     |
| Land maintenance         | 59,278            | -           | 45,205           | 1,635           | <b>106,118</b>    |
| Reclamation              | 59,309            | -           | -                | -               | <b>59,309</b>     |
|                          | <b>\$ 205,189</b> | <b>\$ -</b> | <b>\$ 46,561</b> | <b>\$ 5,550</b> | <b>\$ 257,300</b> |

#### Jake Creek Property

The Jake Creek Property is located in northern Humboldt County, Nevada, approximately 45 miles northeast of Winnemucca, and consists of 699 generally contiguous, unpatented mining claims covering a total of approximately 14,405 acres.

The Company is the sole owner of the Jake Creek Property claim block and holds an undivided, 100% interest in the Jake Creek 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.

As at March 31, 2015, the Company continues to maintain the Jake Creek property, and is evaluating its prospects with respect to the property.

#### Rattlesnake Property

The Rattlesnake Hills Property lies in Natrona County, Wyoming approximately 47 miles west-southwest of Casper. The Rattlesnake Hills Property was 100% owned by the Company as of the quarter end, subject to an option. The Rattlesnake Hills Property consists of 30 unpatented lode mining claims that were staked between 1985 and 1987, 97 unpatented lode mining claims that were staked in 2006, 515 unpatented lode claims that were staked in 2008 and 2009, and approximately 515 hectares of Wyoming State lease lands. The Rattlesnake Hills Property is located within the Rattlesnake Hills Alkalic Intrusive ("RAI") Complex, one of many alkalic centers occurring along the eastern margin of the Rocky Mountains from New Mexico to Canada.

During the year ended March 31, 2014, the Company announced that it had entered into a definitive agreement ("NVX Agreement") with NV Gold Corporation ("NVX") to option its 100% interest in the Rattlesnake property. Pursuant to the NVX agreement, as amended, the Company received total consideration recorded at fair value on recognition of \$1,296,162. During the year ended March 31, 2015, the Company received notice from NVX that it intended to terminate its participation in the NVX agreement as it was be unable to complete its obligations under the terms of the agreement.

On March 16, 2015, the Company announced that the Rattlesnake property was to be auctioned. Subsequent to the year end, on July 28, 2015 the Company entered into an Asset Purchase Agreement whereby Rattlesnake Mining (Wyoming)

## **Evolving Gold Corp.**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**Unaudited - Expressed in United States Dollars**

**For the three month period ended June 30, 2015**

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Company sold the Rattlesnake property to GFG Resources (US) Inc. ("GFG"), a private company incorporated in the United States. See Note 21, Events after the Reporting Period.

### **Newmont Mineral Properties**

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

During the year ended March 31, 2015, the Company advised Newmont that it would be unable to fulfil its rent payment obligation and thus abandoned its participation in the agreement.

### **Carlin Mineral Property**

Carlin was 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 surface and mineral rights, as well as lode claims on Federal lands, held by Newmont.

During the year ended March 31, 2015, the Company advised Newmont that it was abandoning its participation in each of the respective Carlin property agreements, and also transferred or abandoned all claims staked or held by the Company.

### **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.

During the ended March 31, 2014, the Company notified the vendors of the additional Humboldt properties that it would be unable to comply with the payment obligations on their due dates and was thus released from any further obligations under the promissory notes. Accordingly, during the year ended March 31, 2014, the Company abandoned its interest in the Humboldt property.

### **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

During the ended March 31, 2014, the Company notified the property vendors that it would be unable to comply with the payment obligations on their due dates and abandoned its participation in these claims.

**Evolving Gold Corp.**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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For the three month period ended June 30, 2015**

**10. PROPERTY PLANT AND EQUIPMENT**

|                      | Office Furniture and<br>Equipment | Computer Equipment<br>and software | Leasehold<br>Improvements | Total            |
|----------------------|-----------------------------------|------------------------------------|---------------------------|------------------|
| Cost:                |                                   |                                    |                           |                  |
| March 31, 2015       | 133,494                           | 108,272                            | 18,910                    | 260,676          |
| Additions            | -                                 | -                                  | -                         | -                |
| disposals            | -                                 | -                                  | -                         | -                |
| <b>June 30, 2015</b> | <b>133,494</b>                    | <b>108,272</b>                     | <b>18,910</b>             | <b>260,676</b>   |
| Depreciation:        |                                   |                                    |                           |                  |
| March 31, 2015       | (131,857)                         | (103,200)                          | (11,571)                  | (246,628)        |
| Additions            | (551)                             | (4,925)                            | (820)                     | (6,296)          |
| disposals            | -                                 | -                                  | -                         | -                |
| <b>June 30, 2015</b> | <b>(132,408)</b>                  | <b>(108,125)</b>                   | <b>(12,391)</b>           | <b>(252,924)</b> |
| Net book value:      |                                   |                                    |                           |                  |
| At March 31, 2015    | 1,637                             | 5,072                              | 7,339                     | 14,048           |
| At June 30, 2015     | 1,086                             | 147                                | 6,519                     | 7,752            |

|                       | Office Furniture and<br>Equipment | Computer<br>Equipment and<br>software | Leasehold<br>Improvements | Total            |
|-----------------------|-----------------------------------|---------------------------------------|---------------------------|------------------|
| Cost:                 |                                   |                                       |                           |                  |
| March 31, 2014        | 133,494                           | 115,617                               | 18,910                    | 268,021          |
| Additions             | -                                 | 206                                   | -                         | 206              |
| disposals             | -                                 | (7,551)                               | -                         | (7,551)          |
| <b>March 31, 2015</b> | <b>133,494</b>                    | <b>108,272</b>                        | <b>18,910</b>             | <b>260,676</b>   |
| Depreciation:         |                                   |                                       |                           |                  |
| March 31, 2014        | (120,779)                         | (88,759)                              | (7,902)                   | (217,440)        |
| Additions             | (11,078)                          | (21,992)                              | (3,669)                   | (36,739)         |
| disposals             | -                                 | 7,551                                 | -                         | 7,551            |
| <b>March 31, 2015</b> | <b>(131,857)</b>                  | <b>(103,200)</b>                      | <b>(11,571)</b>           | <b>(246,628)</b> |
| Net book value:       |                                   |                                       |                           |                  |
| At March 31, 2014     | 12,715                            | 26,858                                | 11,008                    | 50,581           |
| At March 31, 2015     | 1,637                             | 5,072                                 | 7,339                     | 14,048           |



## Evolving Gold Corp.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Unaudited - Expressed in United States Dollars For the three month period ended June 30, 2015

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## 11. ASSET RETIREMENT OBLIGATIONS

The Company maintains reclamation bonds on deposit with a number of agencies, including the United States Bureau of Land Management and the Nevada Department of Conservation and Natural Resources for purposes of fulfilling its asset retirement obligations.

During the year ended March 31, 2015, the Company made a submission to the State of Nevada for an assessment of its effects on asset retirement obligations for that project, which evaluation is pending. Additional evaluations are pending with respect to a minor bond held by Newmont, and respect to the Rattlesnake property. Reclamation bonds and the related asset retirement obligations are accounted for based on these evaluations.

During the three month period ended June 30, 2015, only care and maintenance and no reclamation work was performed. During the year ended March 31, 2015, the Company completed and expensed \$59,309 of remediation work required on the Carlin property. Limited work was conducted on all other properties, mostly with respect to care and maintenance. Accordingly, there were no changes to asset retirement obligations.

The Company fulfils its site restoration obligations as required when a drill site is abandoned, and accordingly no discounted present value was calculated due to the expected short term nature of the obligation. Management will continue to assess asset retirement obligations as future exploration activity is undertaken.

The reclamation bond balances and asset retirement obligations are as follows:

|                             | June 30, 2015     | March 31, 2015    |
|-----------------------------|-------------------|-------------------|
| Reclamation bonds           | <u>\$ 453,978</u> | <u>\$ 453,978</u> |
| Asset Retirement Obligation | <u>\$ 686,273</u> | <u>\$ 686,273</u> |

## 12. ACCOUNTS PAYABLE AND DEBT SETTLEMENTS

During the three month period ended June 30, 2015, the Company continued with discussions regarding additional debt settlement agreements with certain vendors. No transactions were concluded during the period.

During the year ended March 31, 2015, the Company settled compensation arrangement obligations with Company management totalling \$475,777 (CDN\$ 519,691) by the issuance of 25,984,529 pre-consolidation common shares having a fair value of \$237,896 based on their quoted market price. The resulting gain of \$237,881 was excluded from the Company's Consolidated Statement of Comprehensive Income and instead credited to the Consolidated Statement of Changes in Equity.

During the year ended March 31, 2015, the Company recorded a gain on write-off of accounts payable totaling \$128,558 (2014: \$Nil) pursuant to agreements by certain of the Company's vendors to forgive account balances owed.

## Evolving Gold Corp.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited - Expressed in United States Dollars

For the three month period ended June 30, 2015

### 13. SHARE CAPITAL AND RESERVES

#### a) Common Shares

The Company is authorized to issue an unlimited number of common shares, issuable in series. The holders of common shares are entitled to receive dividends which are declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

The changes to share capital during the three month period ended June 30, 2015 and the year ended March 31, 2015, are summarized in the Consolidated Statement of Shareholders' Equity included in these financial statements.

There were no share capital transactions during the three month period ended June 30, 2015.

During the year ended March 31, 2015, the Company completed the following transactions:

- 1,856,021 common shares (25,984,529 pre-consolidation common shares) were issued at a fair value of \$237,896 based on the quoted market price per in settlement of outstanding compensation arrangement debt obligations (Note 12);
- 1,429 common shares (20,000 pre-consolidation shares) were issued at a fair value of \$161 based on their quoted market price as a property payment; and
- On October 24, 2014, the Company completed the share consolidation approved by the shareholders at the annual general meeting held September 30, 2014. The consolidation was set by the board at 1 new common share for each 14 old common shares held.

#### b) Share Purchase Warrants

The following is a summary of changes in warrants for the three month period ended June 30, 2015 and the year ended March 31, 2015:

|   | June 30, 2015      |  | March 31, 2015     |  |
|---|--------------------|--|--------------------|--|
|   | Number of warrants | Weighted average exercise price (CDN \$) | Number of warrants | Weighted average exercise price (CDN \$) |
| Warrants outstanding, beginning of period | 1,285,714          | \$ 4.11                                  | 18,000,000         | \$ 0.29                                  |
| Effect of share consolidation             | -                  | -  | (16,714,286)       | -  |
| Warrants issued                           | -                  | -  | -                  | -  |
| Warrants expired                          | -                  | -  | -                  | -  |
| Warrants outstanding, end of period       | 1,285,714          | \$ 4.11                                  | 1,285,714          | \$ 4.11                                  |

As at June 30, 2015, following the consolidation of common shares, the Company had total outstanding warrants as follows:

|                         | Number of warrants | Exercise price | Expiry          |
|-------------------------|--------------------|----------------|-----------------|
| Share purchase warrants | 857,143            | CDN\$5.60      | August 13, 2015 |
|                         | 428,571            | CDN\$1.12      | August 23, 2016 |
|                         | 1,285,714          |                |                 |

The Company re-measures the fair value of share purchase warrants granted to unit holders denominated in currencies other than that of the functional currency of the entity every reporting period using the Black-Scholes option pricing model.

## Evolving Gold Corp.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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The warrant liabilities are summarized as follows:

|                                 | June 30, 2015  | March 31, 2015  |
|---------------------------------|----------------|-----------------|
| Balance, beginning of the year  | \$10,151       | \$97,890        |
| Additions                       | -              | -               |
| Change in fair value            | (5,535)        | (87,739)        |
| <b>Balance, end of the year</b> | <b>\$4,616</b> | <b>\$10,151</b> |

The fair value of the warrant liability as at the year-end reporting date was determined using the Black-Scholes pricing model with the following weighted average assumptions:

|                         | June 30, 2015 | March 31, 2015 (*) |
|-------------------------|---------------|--------------------|
| Share price             | CDN \$0.03    | CDN \$0.035        |
| Exercise price          | CDN \$4.11    | CDN \$4.11         |
| Risk-free interest rate | 0.50%         | 0.50%              |
| Expected life (yrs.)    | 0.46          | 0.71               |
| Volatility              | 288%          | 269.94%            |
| Dividend rate           | 0%            | 0%                 |

(\*) The share prices included in the fair value calculations as at March 31, 2015 have been adjusted for the effect of the Company's 1:14 common share consolidation during the year ended March 31, 2015.

#### c) Nature and Purpose of Reserves

##### Reserves

###### Stock option reserve

The stock option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to deficit.

###### Warrant reserves

The warrant reserve records items recognized as the value of warrants issued with respect to financings and not classified as liabilities until such time as the warrants are exercised, at which time the corresponding amount will be transferred to share capital. The value of the warrants which eventually expire unexercised is reallocated to deficit upon their expiry.

###### Deficit

Deficit is used to record the Company's change in deficit from earnings and losses from period to period, the value of expired options and warrants that were originally accounted for as equity instruments and transactions with related parties.

###### Accumulated Other Comprehensive Income (Loss)

Accumulated Other Comprehensive Income (Loss) is used to record the unrecognized changes in fair value of the Company's holdings of available for sale securities.

## Evolving Gold Corp.

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Unaudited - Expressed in United States Dollars

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Reserves balances in the consolidated financial statements are comprised as follows:

### Warrants and Stock Options

|   |                  |
|---|------------------|
| Balance, March 31, 2014                                 | \$ 1,805,993     |
| Share-based payments                                    | 56,720           |
| Transfer to reserves related to cancellation of options | (1,842,365)      |
| <b>Balance, March 31, 2015</b>                          | <b>20,348</b>    |
| Share-based payments                                    | 6,014            |
| <b>Balance, March 31, 2015</b>                          | <b>\$ 26,362</b> |

## 14. STOCK BASED PAYMENTS

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 months to a 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.

Details of options outstanding as at June 30, 2015 and March 31, 2015 are as follows:

|   | Number of<br>options | June 30,<br>2015<br>Weighted average<br>exercise price<br>(CDN \$) | Number of<br>options | March 31,<br>2015<br>Weighted average<br>exercise price<br>(CDN \$) |
|---|----------------------|--|----------------------|---|
| Options outstanding, beginning of period  | 775,000              | \$ 0.05  | 8,990,500            | \$ 0.39   |
| Options granted                           | -                    | -  | 775,000              | 0.05  |
| Options exercised                         | -                    | -  | -                    | -   |
| Options cancelled                         | -                    | -  | (8,990,500)          | 0.39  |
| Options expired                           | -                    | -  | -                    | -   |
| <b>Options outstanding, end of period</b> | <b>775,000</b>       | <b>\$ 0.05</b>   | <b>775,000</b>       | <b>\$ 0.05</b>  |
| <b>Options exercisable, end of period</b> | <b>516,666</b>       | <b>\$ 0.05</b>   | <b>258,333</b>       | <b>\$ 0.05</b>  |

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As at June 30, 2015 and March 31, 2015, the following options were outstanding:

| Expiry Date       | Exercise Price<br>(CDN\$) | Options Outstanding |
|-------------------|---------------------------|---------------------|
| December 19, 2019 | \$0.05                    | 775,000             |
|                   |                           | <b>775,000</b>      |

**Fair Value of Options Issued During the Period**

No options were granted during the period. 775,000 options were issued during the year ended March 31, 2015. The weighted average fair value at grant date of options granted during the year ended March 31, 2015 was \$0.05.

**Options Issued to Employees**

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

**Options Issued to Non-Employees**

Options issued to non-employees, are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model.

The fair value pricing model inputs for options granted and vested during the three month period ended June 30, 2015 and the year ended March 31, 2015 included:

|                           | June 30, 2015 | March 31, 2015 |
|---------------------------|---------------|----------------|
| Share price on grant date | -             | CDN \$0.05     |
| Exercise price            | -             | CDN \$0.05     |
| Risk-free interest rate   | -             | 1.37%          |
| Expected life (yrs.)      | -             | 5              |
| Volatility                | -             | 197%           |
| Dividend rate             | -             | 0%             |

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

**Expenses Arising from Share-based Payment Transactions**

Total expenses arising from share-based payment transactions recognized during the three month period ended June 30, 2015 and the year ended March 31, 2015 as part of employee benefit expense were \$6,014 (2014 - \$56,720).

**Amounts Capitalized Arising from Share-based Payment transactions**

No amounts were capitalized during the three month period ended June 30, 2015 and the year ended March 31, 2015.

## Evolving Gold Corp.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Market Risk
- Credit Risk
- Liquidity Risk

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

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

#### General Objectives, Policies and Processes:

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

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

- **Market Risk**

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

- **Foreign Currency Risk**

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company has significant exposure to foreign exchange rate fluctuation. The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in US dollars. The Company has not entered into any foreign currency contracts to mitigate this risk. The Company holds balances in Canadian dollars which could give rise to exposure to foreign exchange risk. Sensitivity to a plus or minus 10% change in the foreign exchange rate of the US dollar to the Canadian dollar would affect the reported loss and comprehensive loss by approximately \$38,071 (March 31, 2015: \$29,673) as detailed below:

| Canadian Dollar Denominated Balances      | June 30,<br>2015 | March 31,<br>2015 |
|---|------------------|-------------------|
| Cash                                      | \$ 104,007       | \$ 26,038         |
| Securities held for trading               | 9,701            | 14,622            |
| Available for sale securities             | 9,364            | 14,208            |
| Accounts payable                          | (503,778)        | (351,599)         |
|   | (380,706)        | (296,731)         |
| <b>10% change in exchange rate impact</b> | <b>\$ 38,071</b> | <b>\$ 29,673</b>  |

## Evolving Gold Corp.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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- **Credit Risk**

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

- The carrying amount of financial assets represents the maximum credit exposure. The Company has gross credit exposure at June 30, 2015 and March 31, 2015 relating to cash and cash equivalents of \$83,210 and \$119,941 held in deposits at a Canadian chartered bank. The Company considers this credit risk to be minimal for all cash and cash equivalent assets based on changes that are reasonably possible at the reporting date

- **Liquidity Risk**

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

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

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

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

| <b>Accounts payable and other liabilities</b> | <b>Up to 3 months</b> | <b>Between 3 and 12 months</b> | <b>Between 1 and 2 years</b> | <b>Over 5 years</b> | <b>Total</b> |
|---|-----------------------|--------------------------------|------------------------------|---------------------|--------------|
| June 30, 2015                                 | \$ 895,457            | \$ -                           | \$ -                         | \$ -                | \$ 895,457   |
| March 31, 2015                                | \$ 835,107            | \$ -                           | \$ -                         | \$ -                | \$ 835,107   |

#### **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.

## Evolving Gold Corp.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### Unaudited - Expressed in United States Dollars For the three month period ended June 30, 2015

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#### 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.

## 16. CAPITAL MANAGEMENT

The company monitors its cash, common shares, warrants and stock options as capital. The Company's objectives when maintaining capital are to maintain sufficient capital base in order to meet its short-term obligations and at the same time preserve investor's confidence required to sustain future development and production of the business.

The company is not exposed to any externally imposed capital requirements nor were there any changes in the Company's capital management processes during the year.

## 17. RELATED PARTY TRANSACTIONS

#### Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include the Company's CEO and CFO. Payments to key management are recorded as management fees. Share based payments were incurred for both key management and directors. No Directors fees were paid during the applicable periods.

The following key management compensation was incurred:

|                              | June 30, 2015    | June 30, 2014    |
|------------------------------|------------------|------------------|
| Management fees and salaries | \$ 30,491        | \$ 34,372        |
| Share based payments         | 5,044            | -                |
|                              | <u>\$ 35,535</u> | <u>\$ 34,372</u> |

Management fees are payable in Canadian dollars, and are translated to US dollars above at applicable exchange rates for the period. During the three month period ended June 30, 2015 and the year ended March 31, 2015 the Company continued to accrue management fees. Unpaid and accrued management fees as at June 30, 2015 and March 31, 2015 were \$119,467 (March 31, 2014: \$88,976).



## **Evolving Gold Corp.**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**Unaudited - Expressed in United States Dollars**

**For the three month period ended June 30, 2015**

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### **18. LOSS PER SHARE**

Basic loss per share amounts is calculated by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. (June 30, 2015: 13,472,378; March 31, 2015: 13,472,378)

The basic and diluted loss per share is the same as there are no instruments that have a dilutive effect on earnings. Diluted loss per share for each of years presented excludes the effect of potentially dilutive securities including 775,000 share purchase options (2014: 8,990,500 options) and 1,285,714 share purchase warrants (2014: 18,049,000 warrants) as their inclusion in the calculation of diluted loss per share would have been anti-dilutive.

### **19. EVENTS SUBSEQUENT TO THE PERIOD END**

On July 28, 2015 the Company entered into an Asset Purchase Agreement whereby Rattlesnake Mining (Wyoming) Company sold the Rattlesnake property to GFG Resources (US) Inc. ("GFG"), a private company incorporated in the United States for the following consideration:

- US\$1,600,000 as follows:
  - US\$150,000 (received as a non-refundable deposit);
  - US\$850,000 on July 28, 2015 ("closing") (\$286,000 to be held in escrow pending the transfer of certain bonds held by the State of Wyoming against reclamation liabilities); and
  - US\$600,000 on the first anniversary of the closing, secured by a non-interest bearing promissory note; and
- Issuing to Rattlesnake Mining (Wyoming) Company 2,000,000 common shares of GFG at closing. The shares will be subject to resale restrictions and hold periods under applicable securities laws in Canada and the United States.

Rattlesnake Mining (Wyoming) Company retained a 2% net smelter return royalty with 1% available for purchase for US\$1,000,000 on production arising from the mining claims, save and except for 30 claims that are already subject to a pre-existing royalty. Rattlesnake Mining (Wyoming) Company may also be entitled to an additional 1,500,000 common shares of GFG in the event an independent NI 43-101 resource report defines an aggregate mineral resource (including the "inferred mineral resource", category within the meaning of NI 43-101) for Rattlesnake Hills of at least 1,000,000 ounces of gold within 4 years of closing.

It is anticipated that GFG will use reasonable commercial efforts to obtain a listing on a recognized stock exchange in Canada or the US prior to March 31st, 2016.