



UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended June 30, 2021 and 2020

Expressed in Canadian dollars

PREPARED BY MANAGEMENT

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 Chartered Professional Accountants of Canada for a review of the interim financial statements by an entity's auditor.

Evolving Gold Corp.

UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

Expressed in Canadian Dollars

June 30, 2021

| | Note | June 30, 2021 | March 31, 2021 |
|---|------|--------------------------|--------------------------|
| Assets | | | |
| Current Assets | | | |
| Cash | 5 | \$ 99,800 | \$ 140,580 |
| Funds in trust | | 3,775 | 1,775 |
| GST receivable | | 2,471 | 1,807 |
| | | <u>106,046</u> | <u>144,162</u> |
| Non-Current Assets | | | |
| Reclamation bonds | 8 | 18,171 | 18,458 |
| Total Assets | | <u>\$ 124,217</u> | <u>\$ 162,620</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | 9,15 | \$ 239,752 | \$ 258,531 |
| | | <u>239,752</u> | <u>258,531</u> |
| Other Liabilities | | | |
| Asset retirement obligations | 8 | 18,171 | 18,458 |
| | | <u>18,171</u> | <u>18,458</u> |
| Shareholders' Deficit | | | |
| Share capital | 11 | 85,547,796 | 85,547,796 |
| Reserves | 11 | 348,403 | 348,403 |
| Deficit | | (84,920,142) | (84,900,805) |
| Accumulated other comprehensive loss | | (1,109,763) | (1,109,763) |
| Total Equity (Deficit) | | <u>(133,706)</u> | <u>(114,369)</u> |
| Total Liabilities and Shareholders' Equity | | <u>\$ 124,217</u> | <u>\$ 162,620</u> |

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

"Charles Jenkins"

Director

"William Majcher"

Director

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

Evolving Gold Corp.

UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Expressed in Canadian Dollars

For the three-month periods ended June 30, 2021 and 2020

| | Note | Three-month period ended June 30, | |
|---|------|-----------------------------------|--------------------|
| | | 2021 | 2020 |
| Expenses | | | |
| Bank charges and interest | | \$ 146 | \$ 121 |
| Interest and finance charges | 10 | - | 1,479 |
| Legal | | 819 | 970 |
| Management fees | 15 | 15,000 | 37,500 |
| Office expense | | 51 | 2,899 |
| Transfer agent and filing fees | | 3,433 | 3,110 |
| | | <u>(19,449)</u> | <u>(46,079)</u> |
| Other Items | | | |
| Foreign exchange | | 112 | 330 |
| Net and comprehensive loss for the period | | <u>\$ (19,337)</u> | <u>\$ (45,749)</u> |
| Income (loss) per share: | | | |
| Basic and diluted | | <u>\$ (0.01)</u> | <u>\$ (0.03)</u> |
| Weighted average number of common shares outstanding | | | |
| Basic and diluted | | <u>2,257,000</u> | <u>1,622,238</u> |

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

Evolving Gold Corp.

UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

Expressed in Canadian Dollars

For the three-month periods ended June 30, 2021 and 2020

| | Share Capital | | | | Accumulated Other | Total Shareholders' |
|-------------------------------------|------------------|----------------------|-------------------|------------------------|-----------------------|---------------------|
| Note | Number of Shares | Amount | Reserves | Deficit | Comprehensive Loss | Deficit |
| Balance at March 31, 2020 | 1,622,238 | \$ 85,230,416 | \$ 348,403 | \$ (84,716,436) | \$ (1,109,763) | \$ (247,380) |
| Loss for the period | - | - | - | (45,749) | - | (45,749) |
| Balance at June 30, 2020 | 1,622,238 | \$ 85,230,416 | \$ 348,403 | \$ (84,762,185) | \$ (1,109,763) | \$ (293,129) |
| Shares issued for private placement | 11 500,000 | 250,000 | - | - | - | 250,000 |
| Shares issued for shareholder loan | 10 134,762 | 67,380 | - | - | - | 67,380 |
| Loss for the period | - | - | - | (138,620) | - | (138,620) |
| Balance at March 31, 2021 | 2,257,000 | \$ 85,547,796 | \$ 348,403 | \$ (84,900,805) | \$ (1,109,763) | \$ (114,369) |
| Loss for the period | - | - | - | (19,337) | - | (19,337) |
| Balance at June 30, 2021 | 2,257,000 | \$ 85,547,796 | \$ 348,403 | \$ (84,920,142) | \$ (1,109,763) | \$ (133,706) |

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

Evolving Gold Corp.

UNAUDITED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

Expressed in Canadian Dollars

For the three-month periods ended June 30, 2021 and 2020

| | Three-months ended June 30, | |
|--|-----------------------------|-----------------|
| | 2021 | 2020 |
| Operating Activities | | |
| Net loss for the period | \$ (19,337) | \$ (45,748) |
| Items not involving cash | | |
| Bank charges and interest | - | 1,479 |
| Changes in assets and liabilities | | |
| Accounts receivable | (664) | 4,331 |
| Prepaid expenses | (2,000) | 2,830 |
| Accounts payable and accrued liabilities | (18,779) | 36,982 |
| Cash used in operating activities | <u>(40,780)</u> | <u>(126)</u> |
| | | |
| Net change in cash | (40,780) | (126) |
| | | |
| Cash, beginning balance | <u>140,580</u> | <u>3,661</u> |
| | | |
| Cash, ending balance | <u>\$ 99,800</u> | <u>\$ 3,535</u> |

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

Evolving Gold Corp.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the three-month period ended June 30, 2021 and 2020

1. NATURE OF OPERATIONS AND GOING CONCERN

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. The Company is in the exploration stage and has interests in mineral properties located in Canada. The Company is listed on the Canadian Stock Exchange (“CSX”) under the symbol “EVG”. The head office, principal address and records office of the Company are located at Suite 2250, 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9.

On July 23, 2021, the Company consolidated its common shares on the basis of ten pre-consolidated common shares for one post-consolidation common shares of the Company. The 22,569,994 pre-consolidation common shares issued and outstanding were adjusted to 2,257,000 post-consolidation common shares. All references to share capital, common shares, warrants, options and per share amounts in these unaudited consolidated interim financial statements and the accompanying notes for time periods prior to the share consolidation have been restated to reflect the one-for-ten share consolidation.

These unaudited consolidated interim 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. At June 30, 2021, the Company had an accumulated deficit of \$84,920,142 (March 31, 2021 - \$84,900,805) 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. Such adjustments have not been included in these unaudited consolidated interim financial statements and could be material.

In March 2020, the World Health Organization recognized the outbreak of COVID-19 as a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, did not materially impact the Company’s operations during the year ended March 31, 2021. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company’s business, financial position and operating results in the future. Additionally, it is possible that estimates in the Company’s unaudited consolidated interim financial statements will change in the near term as a result of COVID-19. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

2. BASIS OF PREPARATION

a) Statement of Compliance

These unaudited condensed consolidated interim 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 unaudited condensed consolidated interim 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 consolidated interim 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 unaudited consolidated interim financial statements were authorized for issue by the Board of Directors on August 18, 2021.

Evolving Gold Corp.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the three-month period ended June 30, 2021 and 2020

b) Basis of Measurement

The unaudited consolidated interim financial statements have been prepared on a historical cost basis. The unaudited consolidated interim financial statements are presented in Canadian dollars, which is also the Company's and its subsidiaries' functional currencies. The preparation of unaudited consolidated interim 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 unaudited consolidated interim financial statements are disclosed in Note 4.

The unaudited consolidated interim financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are all entities over which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Details of subsidiaries are as follows:

| | Incorporation Jurisdiction | Percentage owned | |
|---|-------------------------------|------------------|-------------------|
| | | June 30, 2021 | March 31, 2021 |
| Evolving Gold Corporation ("Evolving US") | USA | 100% | 100% |
| Rattlesnake Mining Corporation | Canada | 100% | 100% |
| Rattlesnake Mining Company (Wyoming) | USA | 100% | 100% |

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are set out in Note 3 to the annual audited consolidated financial statements as of and for the year ended March 31, 2021, which are incorporated herein by reference. The reader is referred to those statements for a detailed discussion of the accounting policies.

These unaudited condensed consolidated interim financial statements as at and for the three-month period ended June 30, 2021 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.

New accounting standards and interpretations

There are new accounting standards, amendments to accounting standards and interpretations that are effective for annual periods beginning on or after April 1, 2021 that have not been applied in preparing the unaudited consolidated interim financial statements for the year ended March 31, 2021. These standards and interpretations are not expected to have a material impact on the Company's consolidated financial statements.

4. 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 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 estimates and 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 unaudited consolidated interim financial statements within the next financial year are discussed below.

Evolving Gold Corp.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the three-month period ended June 30, 2021 and 2020

The estimates and assumptions of the Company are set out in Note 4 to the annual audited Consolidated Financial Statements as of and for the year ended March 31, 2021, which are incorporated herein by reference. The reader is referred to those statements for a detailed discussion of the accounting policies.

5. CASH

Cash at banks earn interest at floating rates based on daily bank deposit rates. As at June 30, 2021, cash included \$99,800 (March 31, 2021 - \$140,580) held in commercial deposit accounts with a Canadian chartered bank.

6. FUNDS IN TRUST

Funds in trust consist of advances made to legal counsel to conduct certain corporate restructuring activities.

7. EXPLORATION AND EVALUATION EXPENDITURES

During the three-month period ended June 30, 2021 and the year ended March 31, 2021, the Company did not incur any exploration expenditures. The Company retains certain Quebec properties and is reviewing its plans with respect to those claims.

8. ASSET RETIREMENT OBLIGATIONS

The Company continues to maintain reclamation bonds on deposit related to its former United States properties. The full repayment of the bonds may take up to three years, as the refund of the balance of the bond held is dependent upon the regrowth of native flora. The Company may be required to engage in additional reclamation work to complete said regrowth. The Company fulfills 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.

The reclamation bonds balance and asset retirement obligations vary due to the effects of foreign exchange, and are as follows:

| | June 30, 2021 | March 31, 2021 |
|------------------------------|--------------------------|---------------------------|
| Reclamation bonds | <u>\$ 18,171</u> | <u>\$ 18,458</u> |
| Asset retirement obligations | <u>\$ 18,171</u> | <u>\$ 18,458</u> |

9. ACCOUNTS PAYABLE AND DEBT SETTLEMENTS

Accounts payable and accrued liabilities consists of trade payables, accruals and other non-trade payables. See Note 15.

Evolving Gold Corp.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the three-month period ended June 30, 2021 and 2020

10. SHORT-TERM LOAN

On October 29, 2019, the Company entered into a convertible loan agreement (“CD”) with a shareholder, and received a loan of \$60,000, and bearing interest at a rate of 10% per annum, repayable on October 29, 2020. The loan was convertible to common shares of the Company at the lesser of \$0.075 per share, or such price the Company has then most recently issued shares on a private or public basis (subject to a minimum of five cents per share), and may be prepaid, provided a full 12 months of interest is paid. The Company issued 500,000 pre-consolidation bonus shares to the lender. The Company had a contractual obligation to repay the loan, and the agreement contained a derivative that will be settled in the Company’s own equity instruments other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company’s own equity. The equity portion of the loan was valued using residual method after subtracting the fair value of the liability and derivative liability of the loan. The interest rate on the loan was approximately the market interest rate in determining the fair value of the liability component. Thus, no value was been assigned to the derivative liability or the equity component. During the year ended March 31, 2021, the Company accrued interest of \$4,832.

During the year ended March 31, 2021, the Company converted the shareholder loan and accrued interest, totaling \$67,380, to common shares. Accordingly, 1,347,616 common shares were issued at \$0.05 per share. All shares were subject to a four month hold period from the date of issuance.

11. 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 regard to the Company’s residual assets.

The changes to share capital during the years ended March 31, 2021 and 2020 are summarized in the consolidated statements of changes in shareholders’ deficit. During the year ended March 31, 2021, the Company completed:

- a private placement to raise \$250,000 through the distribution of 500,000 shares at \$0.50 per unit. Each unit consisted of one share and one transferable share purchase warrant exercisable at \$0.80 per share expiring February 9, 2023; and
- converted the shareholder loan and accrued interest, totaling \$67,380, issuing 134,762 common shares at \$0.50 per common share (Note 10).

During the year ended March 31, 2020, 50,000 common shares were issued as a financing bonus related to the shareholder loan (Note 10).

b) Share Purchase Warrants

The following is a summary of changes in warrants for the period ended June 30, 2021 and the year ended March 31, 2021:

| | June 30, 2021 | | March 31, 2021 | |
|---|--------------------|---------------------------------|--------------------|---------------------------------|
| | Number of warrants | Weighted average exercise price | Number of warrants | Weighted average exercise price |
| Warrants outstanding, beginning of year | 600,000 | \$ 0.92 | 100,000 | \$ 1.50 |
| Issued | 500,000 | \$ 0.80 | 500,000 | \$ 0.80 |
| Expired | (100,000) | \$ 1.50 | - | - |
| Warrants outstanding, end of year | 500,000 | \$ 0.80 | 600,000 | \$ 0.92 |

Evolving Gold Corp.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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For the three-month period ended June 30, 2021 and 2020

As at June 30, 2021, the Company had total outstanding warrants as follows:

| Expiry date | Exercise price | Warrants outstanding |
|------------------|----------------|----------------------|
| February 9, 2023 | \$0.80 | 500,000 |
| | | 500,000 |

As at March 31, 2021, the Company had total outstanding warrants as follows:

| Expiry date | Exercise price | Warrants outstanding |
|------------------|----------------|----------------------|
| April 22, 2021 | \$1.50 | 100,000 |
| February 9, 2023 | \$0.80 | 500,000 |
| | | 600,000 |

During the period, the 100,000 warrants priced at \$1.50 per share expired unexercised.

12. SHARE-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 CSX 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 CSX regulation.

Details of options outstanding as at June 30, 2021 and March 31, 2021 are as follows:

| | June 30, 2021 | | March 31, 2021 | |
|---|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Options outstanding, beginning of year | 112,400 | \$ 4.40 | 112,400 | \$ 4.40 |
| Options expired | (12,500) | \$ 5.00 | - | \$ - |
| Options outstanding, end of year | 99,900 | \$ 4.30 | 112,400 | \$ 4.40 |
| Options exercisable, end of year | 99,900 | \$ 4.30 | 112,400 | \$ 4.40 |

At June 30, 2021, the following options were outstanding:

| Expiry date | Exercise price | Options outstanding |
|--------------------|----------------|---------------------|
| July 22, 2021 | \$5.00 | 62,500 |
| September 30, 2021 | \$5.00 | 14,900 |
| September 5, 2022 | \$2.00 | 22,500 |
| | | 99,900 |

Evolving Gold Corp.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the three-month period ended June 30, 2021 and 2020

At March 31, 2021, the following options were outstanding:

| <u>Expiry date</u> | <u>Exercise price</u> | <u>Options outstanding</u> |
|--------------------|-----------------------|----------------------------|
| July 22, 2021 | \$5.00 | 75,000 |
| September 30, 2021 | \$5.00 | 14,900 |
| September 5, 2022 | \$2.00 | 22,500 |
| | | <u>112,400</u> |

Fair value of options granted during the year

There were no options granted during the period ended June 30m 2021 or the year ended March 31, 2021. During the period, 12,500 options expired unexercised. During the year ended March 31, 2020, 42,500 options expired unexercised.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to 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.

Interest Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to significant interest rate risk due to the short term to maturity of its financial instruments.

Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in commodity prices. The Company is not exposed to significant commodity price risk.

Foreign Currency Risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and United States dollar or other foreign currencies will affect the Company's operations and financial results. The Company has 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 United States dollars. The Company has not entered into any foreign currency contracts to mitigate this risk. The Company holds balances in United States dollars that could give rise to exposure to foreign exchange risk.

Sensitivity to a plus or minus 10% change in the foreign exchange rate of the United States dollar to the Canadian dollar would affect the reported loss and comprehensive loss by approximately \$713 (March 31, 2021 - \$725) as detailed below:

| United States Dollar Denominated Balances | June 30,2021 | March 31, 2021 |
|--|---------------------|-----------------------|
| Accounts payable | \$ (5,756) | \$ (5,756) |
| 10% change in exchange rate impact | \$ (713) | \$ (725) |

Evolving Gold Corp.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM 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 that 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, 2021 and March 31, 2021 relating to cash of \$99,800 and \$140,580, respectively, held in deposits at a Canadian chartered bank. The Company considers this credit risk to be minimal for all cash 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 expenditures.

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 |
|---|-----------------------|--------------------------------|------------------------------|---------------------|--------------|
| June 30, 2021 | \$ 239,752 | \$ - | \$ - | \$ - | \$ 239,752 |
| March 31, 2021 | \$ 258,531 | \$ - | \$ - | \$ - | \$ 258,531 |

Fair Value

The Company classifies its cash as fair value through profit or loss measured at level 1 inputs of the fair value hierarchy. Loans and accounts payable and accrued liabilities are carried at amortized cost.

The carrying values of loan and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

14. 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 a sufficient capital base in order to meet its short-term obligations and at the same time preserve investors' 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 period ended June 30, 2021 or the year ended March 31, 2021.

Evolving Gold Corp.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the three-month period ended June 30, 2021 and 2020

15. 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 years.

The following key management compensation was incurred:

| | Three-months ended June 30, | |
|------------------------------|------------------------------------|------------------|
| | 2021 | 2020 |
| Management fees and salaries | \$ 15,000 | \$ 37,500 |
| Share-based payments | - | - |
| | \$ 15,000 | \$ 37,500 |

Management fees are payable in Canadian dollars. The fees were accrued as payable to Bruce Duncan, the late CEO of the Company and later to his estate, and to a company controlled by Charles Jenkins, the CFO of the Company. Unpaid and accrued management fees as of June 30, 2021 were \$156,250 (March 31, 2021 - \$161,250) and are included in accounts payable and accrued liabilities.

16. EVENTS AFTER THE REPORTING PERIOD

The Company has evaluated its activities subsequent to June 30, 2021 and has determined that there were no material events to be reported.