



UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month period ended December 31, 2020 and 2019

Expressed in Canadian dollars

Prepared by Management

Evolving Gold Corp.

Expressed in Canadian Dollars

For the nine-month period ended December 31, 2020 and 2019

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.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in Canadian Dollars

As at

	Note	December 31, 2020	March 31, 2020
Assets			
Current Assets			
Cash and cash equivalents	5	\$ 1,010	\$ 3,661
GST receivable		1,454	4,331
Prepaid expenses		-	5,649
		<u>2,464</u>	<u>13,641</u>
Non-Current Assets			
Reclamation bonds	8	18,678	20,773
Total Assets		<u>\$ 21,142</u>	<u>\$ 34,414</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	9	\$ 289,509	\$ 198,473
Loans	10,16	93,277	62,548
		<u>382,786</u>	<u>261,021</u>
Other Liabilities			
Asset retirement obligation	8	18,678	20,773
		<u>18,678</u>	<u>20,773</u>
Shareholders' Equity			
Share Capital	11	85,230,416	85,230,416
Reserves	11	348,403	348,403
Deficit		(84,849,378)	(84,716,436)
Accumulated Other Comprehensive Loss		<u>(1,109,763)</u>	<u>(1,109,763)</u>
Total Equity (Deficit)		<u>(380,322)</u>	<u>(247,380)</u>
Total Liabilities and Shareholders' Equity		<u>\$ 21,142</u>	<u>\$ 34,414</u>

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

"Charles Jenkins"

Director

"William Majcher"

Director

Evolving Gold Corp.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Expressed in Canadian Dollars

For the nine-month period ended December 31, 2020 and 2019

		Three-month period ended December 31,		Nine-month period ended December 31,	
	Note	2020	2019	2020	2019
Expenses					
Accounting and audit		\$ 2,500	\$ 5,305	\$ 2,744	\$ 5,305
Amortization	7	-	-	-	318
Bank charges and interest		109	167	355	1,273
Interest and finance charges	10	1,884	13,786	7,188	13,786
Legal		-	7,820	970	9,034
Management fees	15	26,250	37,500	101,250	112,500
Mineral properties	6	-	-	-	2,740
Office expense		414	4,804	8,540	63,926
Transfer agent and filing fees		3,111	21,977	12,318	27,966
		<u>(34,268)</u>	<u>(91,359)</u>	<u>(133,365)</u>	<u>(236,848)</u>
Other Items					
Recovery on mineral property		-	-	-	204,843
Gain on settlement of debt	10	-	-	-	88,198
Gain on disposal of assets		-	-	-	2,431
Foreign exchange		359	90	423	242
Interest income		-	-	-	117
		<u>\$ (33,909)</u>	<u>\$ (91,269)</u>	<u>\$ (132,942)</u>	<u>\$ 58,983</u>
Net and Comprehensive loss for the period					
		<u>\$ (33,909)</u>	<u>\$ (91,269)</u>	<u>\$ (132,942)</u>	<u>\$ 58,983</u>
Loss per share:					
basic and diluted		<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ 0.00</u>
Weighted average number of common shares outstanding					
basic and diluted		<u>16,222,378</u>	<u>15,722,378</u>	<u>16,222,378</u>	<u>15,836,923</u>

Evolving Gold Corp.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

Expressed in Canadian Dollars

For the nine-month period ended December 31, 2020 and 2019

	Share Capital						
Note	Number of Shares	Amount	Reserves	Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity (deficit)	
Balance at March 31, 2019	15,722,378	\$ 85,230,416	\$ 348,403	\$ (84,740,012)	\$ (1,109,763)	\$ (270,956)	
Income for the period	-	-	-	58,983	-	58,983	
Shares issued as financing bonus	500,000	-	-	-	-	-	
Balance at December 31, 2019	16,222,378	\$ 85,230,416	\$ 348,403	\$ (84,681,029)	\$ (1,109,763)	\$ (211,973)	
Loss for the period	-	-	-	(35,406)	-	(35,406)	
Balance at March 31, 2020	16,222,378	\$ 85,230,416	\$ 348,403	\$ (84,716,436)	\$ (1,109,763)	\$ (247,380)	
Loss for the period	-	-	-	(132,942)	-	(132,942)	
Balance at December 31, 2020	16,222,378	\$ 85,230,416	\$ 348,403	\$ (84,849,378)	\$ (1,109,763)	\$ (380,322)	

Evolving Gold Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in Canadian Dollars

For the nine-month period ended December 31, 2020 and 2019

	Nine-months ended December 31,	
	2020	2019
Operating Activities		
Net Income (loss) for the period	(132,942)	58,983
Items not involving cash		
Amortization	-	318
Accrued interest on short term loan	7,188	-
Disposal of equipment	-	1,379
Changes in assets and liabilities		
Accounts Receivable	2,877	(2,888)
Prepaid expenses	5,649	(161)
Accounts payable and accrued liabilities	91,036	(72,589)
Cash used in operating activities	<u>(26,192)</u>	<u>(14,958)</u>
Financing Activity		
Shareholder loans	23,541	3,588
Cash provided by financing activity	<u>23,541</u>	<u>3,588</u>
Net change in cash and cash equivalents	(2,651)	(11,370)
Cash and cash equivalents, beginning balance	<u>3,661</u>	<u>16,205</u>
Cash and cash equivalents, ending balance	<u>1,010</u>	<u>4,835</u>

Evolving Gold Corp.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the nine-month period ended December 31, 2020 and 2019

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.

These consolidated 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 December 31, 2020, the Company had an accumulated deficit of \$84,849,378 (March 31, 2020 - \$84,716,436) 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 consolidated 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, 2020 or the nine-month period ended December 31, 2020. 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 consolidated 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 consolidated financial statements were authorized for issue by the Board of Directors on February 17, 2021.

b) Basis of Measurement

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

The consolidated 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:

Evolving Gold Corp.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Expressed in Canadian Dollars

For the nine-month period ended December 31, 2020 and 2019

	Incorporation Jurisdiction	Percentage owned	
		December 31, 2020	March 31, 2020
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, 2020, 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 nine-month period ended December 31, 2020 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, except for the following change in accounting policy.

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 consolidated financial statements within the next financial year are discussed below.

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, 2020, which are incorporated herein by reference. The reader is referred to those statements for a detailed discussion of the accounting policies.

5. CASH AND CASH EQUIVALENTS

Cash at banks and on hand earn interest at floating rates based on daily bank deposit rates. As at December 31, 2020, cash and cash equivalents included \$1,010 (March 31, 2020: \$3,661) held in commercial deposit accounts with a Canadian chartered bank.

6. EXPLORATION AND EVALUATION EXPENDITURES

During the nine-month period ended December 31, 2020, the Company did not incur any exploration expenditures.

During the year ended March 31, 2020, the Company evaluated its existing properties and conducted minimal work. Property expenditures of \$2,740 were incurred in 2020 to allow for the return of bonds held by various regulatory bodies, and general administrative costs of maintaining the property while the remaining bonds are outstanding. As a result of the evaluation, the properties were allowed to expire. The Company retains certain Quebec properties and is reviewing its plans with respect to those claims.

Evolving Gold Corp.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7. PROPERTY, PLANT AND EQUIPMENT

During the nine-month period ended December 31, 2020, the Company did acquire any property or equipment.

During the year ended March 31, 2020, the company disposed of its property and equipment concurrent with the expiry of its leased office space.

	Office furniture and equipment	Computer equipment and software	Total
Cost:			
March 31, 2019	\$ 50,043	\$ 4,174	\$ 54,217
Additions	-	-	-
Disposals	(50,043)	(4,174)	(54,217)
March 31, 2020	\$ -	\$ -	\$ -
Depreciation:			
March 31, 2019	\$ (50,043)	\$ (2,477)	\$ (52,520)
Additions	-	-	-
Disposals	50,043	2,477	52,520
March 31, 2020	\$ -	\$ -	\$ -
Net book value:			
At March 31, 2020 and September 30, 2020	\$ -	\$ -	\$ -

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 bond balances and asset retirement obligations vary due to the effects of foreign exchange, and are as follows:

	December 31, 2020	March 31, 2020
Reclamation bonds	<u>\$ 18,678</u>	<u>\$ 20,773</u>
Asset retirement obligations	<u>\$ 18,678</u>	<u>\$ 20,773</u>

Evolving Gold Corp.

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9. ACCOUNTS PAYABLE AND DEBT SETTLEMENTS

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

During the year ended March 31, 2020, the Company recognized a gain on debt of \$7,149 as certain accounts payable were written down as no longer payable. There were no comparable amounts during the current period.

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 is 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 bonus shares to the lender. The Company has a contractual obligation to repay the loan, and the agreement contains 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 is valued using residual method after subtracting the fair value of the liability and derivative liability of the loan. The interest rate on the loan is approximately the market interest rate in determining the fair value of the liability component. Thus, no value has been assigned to the derivative liability or the equity component. Subsequent to the period end, the loan and accrued interest was converted to shares (Note 17).

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 nine-month period ended December 31, 2020 and the year ended March 31, 2020 are summarized in the consolidated statement of shareholders' equity.

Subsequent to the period end, the Company issued shares by way of a debt settlement and a private placement (Note 17).

b) Share Purchase Warrants

The following is a summary of changes in warrants for the nine-month period ended December 31, 2020 and the year ended March 31, 2020:

	December 31, 2020		March 31, 2019	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of year	1,000,000	\$ 0.15	1,000,000	\$ 0.15
Issued	-	\$ -	-	\$ -
Expired	-	\$ -	-	\$ -
Warrants outstanding, end of year	1,000,000	\$ 0.15	1,000,000	\$ 0.15

Evolving Gold Corp.

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As at December 31, 2020 and March 31, 2019, the Company had total outstanding warrants as follows:

	<u>Number of warrants</u>	<u>Exercise price</u>	<u>Expiry</u>
Share purchase warrants	1,000,000	\$0.15	April 22, 2021
	<u>1,000,000</u>		

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 December 31, 2020 and March 31, 2020 are as follows:

	<u>December 31, 2020</u>		<u>March 31, 2020</u>	
	<u>Number of options</u>	<u>Weighted average exercise price</u>	<u>Number of options</u>	<u>Weighted average exercise price</u>
Options outstanding, beginning of period	1,124,000	\$ 0.44	1,549,000	\$ 0.33
Options expired	-	\$ -	(425,000)	\$ 0.05
Options outstanding, end of period	1,124,000	\$ 0.44	1,124,000	\$ 0.44
Options exercisable, end of period	1,124,000	\$ 0.44	1,124,000	\$ 0.44

As at December 31, 2020 and March 31, 2020, the following options were outstanding:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Options Outstanding</u>
July 25, 2021	\$0.50	750,000
December 31, 2021	\$0.50	149,000
September 5, 2022	\$0.20	225,000
		<u>1,124,000</u>

Fair Value of Options Granted During the Year

There were no options granted during the nine-month period ended December 31, 2020 and the year ended March 31, 2020. During the year ended March 31, 2020, 425,000 options expired unexercised.

Evolving Gold Corp.

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13. INCOME TAXES

The Company only recognizes deferred income tax assets to the extent to which it is probable that sufficient taxable income will be realized, or taxable temporary differences will reverse, during the carry-forward periods to utilize the deferred tax assets.

As at March 31, 2020, the Company had accumulated non-capital losses totaling approximately \$16,795,000 in Canada expiring in various amounts from 2026 to 2040, and \$72,907,000 in the US expiring in various amounts from 2028 to 2040 that may be applied against future year's taxable income in Canada and US.

14. 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 consolidated 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.

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 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.

Evolving Gold Corp.

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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 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 US 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 US dollar to the Canadian dollar would affect the reported loss and comprehensive loss by approximately \$576 (March 31, 2020: \$576) as detailed below:

United States Dollar Denominated Balances	December 31, 2020	March 31, 2020
Cash	\$ -	\$ -
Accounts payable	(5,756)	(5,756)
	\$ (5,756)	\$ (5,756)
10% change in exchange rate impact	\$ (576)	\$ (576)

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 December 31, 2020 and March 31, 2020 relating to cash and cash equivalents of \$1,010 and \$3,661, respectively, 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 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
December 31, 2020	\$ 289,509	\$ 93,277	\$ -	\$ -	\$ 382,786
March 31, 2020	\$ 198,473	\$ 62,548	\$ -	\$ -	\$ 261,021

Evolving Gold Corp.

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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 consolidated statement of financial position carrying amounts for cash and cash equivalents 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.

15. 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 nine-month period ended December 31, 2020 or the year ended March 31, 2020.

16. 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 December 31,		Nine-months ended December 31,	
	2020	2019	2020	2019
Management fees and salaries	\$ 26,250	\$ 37,500	\$ 101,250	\$ 112,500
	<u>\$ 26,250</u>	<u>\$ 37,500</u>	<u>\$ 101,250</u>	<u>\$ 112,500</u>

Management fees are payable in Canadian dollars. After allowing for offsetting accruals, write-downs, expense allocations and disbursements, unpaid and accrued management fees as of December 31, 2020 were \$196,250 (March 31, 2020 \$95,000) and is included in accounts payable and accrued liabilities. During the period, the former CEO of the Company advanced \$23,542 to the Company for expenses. Interest of \$2,354 has been accrued with respect to this debt.

17. EVENTS AFTER THE REPORTING PERIOD

The Company has evaluated its activities subsequent to December 31, 2020 and has determined that there were no material events to be reported, except as follows:

On January 14, 2021, the Company announced a private placement to raise up to \$250,000 through the distribution of up to 5,000,000 shares at \$0.05 per unit. Each unit consists of one share and one transferable share purchase warrant exercisable at \$0.08 per share for two years. Funds will be used to pay down existing liabilities, and for general working capital purposes.

On February 10, 2021, the Company announced that a shareholder loan and accrued interest, totaling \$67,380 was converted to common shares. Accordingly, 1,347,616 common shares were issued at \$0.05 per share. All shares are subject to a four month hold period from the date of issuance.