EVOLVING GOLD CORP

CONSOLIDATED FINANCIAL STATEMENTS

Expressed in US dollars

For the years ended March 31, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Evolving Gold Corp.

We have audited the accompanying consolidated financial statements of Evolving Gold Corp. and its subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2013 and 2012 and the consolidated statements of comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Evolving Gold Corp., and its subsidiaries as at March 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements, which indicates that the Company has incurred a net loss of $15,722,060 for the year ended March 31, 2013 and has an accumulated deficit of $41,298,968 since inception. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern.

(signed) “BDO CANADA LLP”

Chartered Accountants
June 25, 2013

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Evolving Gold Corp.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Expressed in United States Dollars

For the year-ended March 31, 2013

	Note	March 31, 2013	March 31, 2012
Assets			
Current Assets			
Cash and cash equivalents	5	$ 129,517	$ 5,408,363
Available for sale securities	6	1,261,134	3,795,166
GST receivable		26,529	39,695
Other receivable		94,661	56,110
Prepaid expenses		105,362	141,517
Asset held for sale	7	12,056,318	-
		13,673,521	9,440,851
Non-Current Assets			
Restricted cash	8	-	670,309
Property, plant and equipment	10	127,503	126,950
Exploration and evaluation assets	9	31,505,645	45,833,701
Total Assets		**$ 45,306,669**	**$ 56,071,811**
Liabilitites			
Current Liabilities			
Accounts payable and accrued liabilities		$ 1,291,010	$ 833,926
Asset retirement obligation - asset held for sale	7	286,000	-
		1,577,010	833,926
Other Liabilities			
Warrant liability	12	421,330	92,860
Asset retirement obligation	11	400,273	485,000
		821,603	577,860
Shareholders' Equity			
Share Capital	12	75,331,448	72,258,755
Reserves	12	8,875,576	11,952,510
Deficit		(41,298,968)	(29,551,240)
Total Shareholders' Equity		42,908,056	54,660,025
Total Liabilities and Shareholders' Equity		**$ 45,306,669**	**$ 56,071,811**

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

" R. Bruce Duncan"	***"William Lindqvist"***
Director	Director

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

Evolving Gold Corp.

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

Expressed in United States Dollars

For the year-ended March 31, 2013

	Note	2013	2012
Expenses			
Accounting and audit		$ 105,190	$ 108,956
Depreciation	**10**	85,465	83,490
Bank charges and interest		18,757	5,231
Consulting	**17**	94,392	220,097
Directors fees	**17**	98,960	147,982
Legal	**17**	448,468	176,629
Management fees	**17**	572,055	793,787
Office, rent and salaries	**17**	712,602	802,937
Promotion and advertising		60,802	333,750
Property Investigation costs		1,734	14,112
Share-based payments	**13**	897,398	1,146,031
Transfer agent and filing fees		103,040	156,982
Travel		205,528	135,062
		3,404,391	4,125,046
Other Items			
Change in fair value of warrant liability	**12**	(1,194,924)	(849,621)
Write-down of mineral properties	**9**	-	1,588,118
Write-down of available for sale securities	**6**	2,352,100	-
Foreign Exchange		131,492	70,662
Interest and other income		(56,764)	(61,507)
Loss for the year from continuing operations		(4,636,295)	(4,872,698)
Income (loss) from discontinued operations	**7**	(11,085,765)	4,084,065
Net loss for the year		**$ (15,722,060)**	**$ (788,633)**
Other comprehensive loss			
Unrealized gain (loss) on available for sale securities		-	(132,347)
Total comprehensive loss for the year attributable to the owners of the parent		**$ (15,722,060)**	**$ (920,980)**
Loss per share from continuing operations:			
- basic		(0.03)	(0.04)
- diluted		(0.03)	(0.04)
Earnings (loss) per share from discontinued operations:			
- basic		(0.08)	0.03
- diluted		(0.08)	0.03

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

Evolving Gold Corp.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Expressed in United States Dollars

For the year-ended March 31, 2013

		Share Capital							
	Note	Number of shares	Amount	Reserves	Accumulated other comprehensive income (loss)	Deficit	Equity attributable to the owners of the parent	Non-controlling interest	Total Shareholders' Equity
Balance at March 31, 2011		**128,580,445**	**67,145,331**	**10,874,474**	**132,347**	**(28,762,607)**	**49,389,545**	**2,524,146**	**51,913,691**
Shares issued in relation to a private placement	**12**	10,290,000	5,715,783	-	-	-	5,715,783	-	5,715,783
Warrant liability valuation on Private placement	**12**		(718,767)	-	-	-	(718,767)	-	(718,767)
Shares issued on the exercise of options	**12**	123,000	38,721	-	-	-	38,721	-	38,721
Fair value of options exercised	**12**		67,995	(67,995)	-	-	-	-	-
Shares issued for property payments	**12**	20,000	9,692	-	-	-	9,692	-	9,692
Share-based payments	**12**	-	-	1,146,031	-	-	1,146,031	-	1,146,031
Unrealized loss on available for sale securities	**6**	-	-	-	(132,347)	-	(132,347)	-	(132,347)
Disposition of interest in Prosperity Goldfields								(2,524,146)	(2,524,146)
Net loss for the year		-	-	-	-	(788,633)	(788,633)	-	(788,633)
Balance at March 31, 2012		**139,013,445**	**$ 72,258,755**	**$ 11,952,510**	**$ -**	**$ (29,551,240)**	**$ 54,660,025**	**$ -**	**$ 54,660,025**
Shares issued in relation to a private placement	**12**	12,000,000	3,587,313	-	-	-	3,587,313	-	3,587,313
Warrant liability valuation on Private placement	**12**	-	(1,523,394)	-	-	-	(1,523,394)	-	(1,523,394)
Shares issued in exchange for 1,176,470 shares of Pinetree Capital	**12**	5,555,555	1,003,100	-	-	-	1,003,100	-	1,003,100
Shares issued for property payments	**12**	20,000	5,674	-	-	-	5,674	-	5,674
Share-based payments	**12**	-	-	897,398	-	-	897,398	-	897,398
Warrants expired	**12**	-	-	(3,974,332)	-	3,974,332	-	-	-
Net loss for the year		-	-	-	-	(15,722,060)	(15,722,060)	-	(15,722,060)
Balance at March 31, 2013		**156,589,000**	**$ 75,331,448**	**$ 8,875,576**	**$ -**	**$ (41,298,968)**	**$ 42,908,056**	**$ -**	**$ 42,908,056**

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

Evolving Gold Corp

CONSOLIDATED STATEMENT OF CASH FLOWS

Expressed in United States Dollars

For the year-ended March 31, 2013

	Year ended March 31,	
	2013	2012
Operating Activities		
Net loss for the period	$ (15,722,060)	$ (788,633)
Adjustments to reconcile net loss to cash		
used in operating activities:		
Share-based payments	897,398	1,146,031
Depreciation	85,465	83,490
Change in fair value of warrant liability	(1,194,924)	(849,621)
Write-down of available for sale securities	2,352,100	-
Loss (gain) on dilution and disposition of Prosperity Goldfields	-	(4,084,065)
Interest accrued on letter of credit	(12,209)	-
Write-down of exploration and evaluation assets	11,085,765	1,588,118
Unrealized foreign exchange	-	(18,714)
Changes in assets and liabilities:		
Receivables	(25,385)	(16,288)
Prepaid expenses & other current assets	36,155	(37,538)
Accounts payable & accrued liabilities	457,084	(791,468)
Cash used in operating activities	**(2,040,611)**	**(3,768,688)**
Financing activities:		
Issuance of Common shares	2,063,919	5,035,737
Issuance of warrants	1,523,394	718,767
Cash provided by financing activities	**3,587,313**	**5,754,504**
Investing activities:		
Mineral property expenditures	(8,434,962)	(9,328,076)
Cash used in investment activities - discontinued operations	(177,792)	-
Property payments received	-	1,000,000
Acquistion of property and equipment	(86,018)	(51,223)
Cash provided by discontinued operations	-	2,820,094
Revocation of letter of credit	682,518	-
Funds received from disposition of available for sale securities	1,190,706	-
Cash used in investment activities	**(6,825,548)**	**(5,559,205)**
Net change in cash and cash equivalents	(5,278,846)	(3,573,389)
Cash and cash equivalents, beginning balance	5,408,363	8,981,752
Cash and cash equivalents, ending balance	**$ 129,517**	**$ 5,408,363**

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

1. CORPORATE INFORMATION

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. Effective December 7, 2010, the common shares of the Company were listed on the Toronto Stock Exchange (“TMX”) and trade under the symbol EVG.

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.

2. BASIS OF PREPARATION

a) Statement of Compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements were authorized for issue by the Board of Directors on June 26, 2013.

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. Details of controlled entities are as follows:

		Percentage owned	
	incorporation Jurisdiction	March 31, 2013	March 31, 2012
Evolving Gold Corporation	USA	100%	100%
5210 Nunavut Ltd.	Nunavut	100%	100%
Exemplar Gold Corp.	Canada	100%	100%
Rattlesnake Mining Corporation	Canada	100%	-
Rattlesnake Mining Company (Wyoming)	USA	100%	-

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

In order to effect the Rattlesnake Plan of Arrangement (Note 9), the Company incorporated two wholly owned subsidiaries during the year ended March 31, 2013, Rattlesnake Mining Corporation (Canada) and Rattlesnake Mining Company (Wyoming) (USA).

2. BASIS OF PREPARATION (CONTINUED)

c) Nature of Operations

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. As at March 31, 2013, the Company has incurred a net loss of $15,722,060 for the year ended March 31, 2013 and has an accumulated deficit of $41,298,968 since inception. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements unless otherwise indicated.

a) Foreign Currency Transactions

Foreign currency accounts are translated into United States dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into United States dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into United States dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into United States dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into United States dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

b) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, demand deposits with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Leased Assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between capital and interest. The interest element is charged to the statement of comprehensive loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

d) Exploration and Evaluation Assets

Pre-exploration Costs

Pre-exploration costs are expensed in the year in which they are incurred.

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures (“E&E”) are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and amortization on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest as consideration for an agreement by the transferor to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as ‘mines under construction’. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Exploration and evaluation expenditures are classified as intangible assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Property, Plant and Equipment

Recognition and Measurement

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability would be recognized within provisions. Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation

Depreciation is recognized in profit or loss and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Office furniture and fixtures	Straight line over 3 Years
Computer equipment	Straight line over 3 Years
Exploration vehicles	Straight line over 5 Years
Leasehold improvements	Straight line over the term of the lease
Computer software	One year

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

f) Impairment of Non-Financial Assets

Non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss except to the extent they reverse gains previously recognized in accumulated other comprehensive loss/income.

g) Financial Instruments

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each: category is as follows:

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial Instruments (CONTINUED)

Available-For-Sale Investments

Non-derivative financial assets that do not meet the definition of loans and receivables are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost. (Note 6)

On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

Impairment on Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities are classified as either fair value through profit or loss or other financial liabilities, based on the purpose for which the liability was incurred, and are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument.

The warrant liability is carried at fair value through profit or loss and reflects the estimated fair value in US dollars of the derivative liability associated with the underlying share purchase warrants which are denominated in Canadian dollars.

Other financial liabilities comprise trade payables and accrued liabilities and are subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid.

h) Provisions

Asset Retirement Obligation

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated future costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

j) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

k) Earnings / Loss Per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

l) Stock Based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Stock Based Payments (CONTINUED)

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in stock option reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in stock option reserves is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

m) Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after April 1, 2013 or later years. None of these is expected to have a significant effect on the consolidated financial statements, except for the following:

The following standards and interpretations have been issued but are not yet effective:

- IFRS 9 Financial Instruments

  IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard on the accounting for the available-for-sale investment.

- IFRS 10 Consolidated Financial Statements

  IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess the full impact of IFRS 10 and intends to adopt the standard no later than the accounting period beginning on April 1, 2013.

- IFRS 11 Joint Arrangements

  IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The Company is yet to assess the full impact of IFRS 11 and intends to adopt the standard no later than the accounting period beginning on April 1, 2013.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Standards, Amendments and Interpretations Not Yet Effective (CONTINUED)

- IFRS 12 Disclosures of Interests in Other Entities

  IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and intends to adopt the standard no later than the accounting period beginning on April 1, 2013.

- IFRS 13 Fair Value Measurement

  IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess the full impact of IFRS 13 and intends to adopt the standard no later than the accounting period beginning on April 1, 2013.

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

  In IFRIC 20, the IFRS Interpretations Committee sets out principles for the recognition of production stripping costs in the balance sheet. The interpretation recognizes that some production stripping in surface mining activity will benefit production in future periods and sets out criteria for capitalizing such costs. While the Company is not yet in the production phase, the Company is currently assessing the future impact of this interpretation which is effective for the accounting period beginning on April 1, 2013.

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

i) Rehabilitation Provisions

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

ii) Exploration and Evaluation Expenditure

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

iii) Title to Mineral Property Interests

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

iv) Income Taxes

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

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

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

vii) Impairment of AFS Securities

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

5. CASH AND CASH EQUIVALENTS

Cash at banks and on hand earn interest at floating rates based on daily bank deposit rates. As at March 31, 2012, cash equivalents included a total of $3,958,490 ($CDN 3,954,250) held in guaranteed investment certificates bearing interest at annual rates ranging from 1.25% - 1.40%.

6. AVAILABLE-FOR-SALE SECURITIES

Available-for-sale securities consist of an investment in common shares of Prosperity Goldfields Corp., NV Gold Corp and Pinetree Capital Corp. and therefore have no fixed maturity date or coupon rate. The fair value of the listed available-for-sale securities has been determined directly by reference to published price quotations in an active market:

	Fair Value ($US)	
	March 31, 2013	**March 31, 2012**
Prosperity Goldfields Corp		
March 2013- 4,008,704 shares; March 2012 – 3,983,454 shares	$535,153	$3,587,232
NV Gold Corp		
March 2013- 829,500 shares; March 2012- 829,500 shares	32,593	207,934
Pinetree Capital Corp		
March 2013- 1,176,470 shares; March 2012- nil shares	693,388	-
	$1,261,134	$3,795,166

On February 28, 2012 the Company announced it had entered into agreements for the sale of 7,950,108 shares of Prosperity Goldfields Corp. in two tranches for a total consideration of $4,010,800. Of this total consideration, $2,820,094 was received on closing of the first tranche on March 12, 2012; the balance of $1,190,706 in respect of the second tranche was received during the year ended March 31, 2013.

During the year ended March 31, 2013, the Company recorded an impairment write-down of $2,352,100 (2012: Nil) attributable to the prolonged and significant decline in the market value of available for sale securities.

7. DISCONTINUED OPERATIONS

Subsequent to March 31, 2013, the Company initiated a plan to sell its Rattlesnake Hills mineral property. Although no agreement for the sale of this property has been executed, management expects the completion of an agreement to occur by March 31, 2014. Accordingly, the Rattlesnake Hills property and its associated asset retirement obligation has been accounted for as discontinued operations and classified in the consolidated financial statements as follows as at March 31, 2013:

		March 31, 2013		**March 31, 2012**
STATEMENT OF FINANCIAL POSITION				
Current Assets				
Acquisition costs	$	4,179,130	$	-
Deferred exploration costs		19,615,611		-
Reclamation bond		286,000		-
Asset retirement obligation		286,000		
Write-down and payments received		(12,310,423)		-
Asset held for sale	**$**	**12,056,318**	**$**	**-**
Current Liabilities				
Asset retirement obligation	**$**	**286,000**	**$**	**-**
STATEMENT OF COMPREHENSIVE LOSS				
Write-down of mineral properties	$	(11,085,765)	$	-
Gain on disposal of interest		-		4,084,065
Gain / (loss) from discontinued operations	**$**	**(11,085,765)**	**$**	**4,084,065**
Earnings / loss per share from discontinued operations:				
- Basic		(0.08)		0.03
- Diluted		(0.08)		0.03
STATEMENT OF CASH FLOWS				
Investment Activities				
Mineral property expenditures	$	(377,970)	$	-
Property payments received		200,178		-
Proceeds from disposal of interest in Prosperity		-		2,820,094
Cash provided by (used in) investment activities – discontinued operations	$	(177,792)	$	2,820,094

7. DISCONTINUED OPERATIONS (CONTINUED)

During the year ended March 31, 2012, the Company agreed to sell 7,950,108 shares of Prosperity Goldfields for total consideration of $4,010,800. Of this total consideration, $2,820,094 was received in the year ended March 31, 2012 and the remaining $1,190,706 was received during the year ended March 31, 2013. As a result of the reduction of its interest in Prosperity Goldfields, the Company recorded a gain on disposal within discontinued operations totaling $4,084,065.

8. RESTRICTED CASH

As a result of United States Federal and State Government environmental permitting requirements, effective May 22, 2009 the Company established a US$600,000 irrevocable letter of credit in order to provide for future site restoration at the Company's Rattlesnake Hills mineral property. This letter of credit was provided by the Company's bank on behalf of the Company and was secured by an interest-bearing term deposit. The deposit was reflected as long-term restricted cash due to the nature of the obligation it secured.

During the period ended December 31, 2012, the Company requested a re-evaluation of its asset retirement liability on the Rattlesnake property by the State of Wyoming. As a result of this re-evaluation, the Company increased its cash bond on Rattlesnake by $136,000 to $286,000 as determined by the state on October 23, 2012.

The Company also requested the cancellation of the requirement for the letter of credit, which eliminated the corresponding restriction on its term deposit with the Company's bank. The State of Wyoming released the letter of credit on November 5, 2012, and the restricted term deposit and accrued interest totaling $682,518 was returned to general corporate funds

9. EXPLORATION AND EVALUATION ASSETS

	Carlin	Humboldt	Jake Creek	Malone	Rattlesnake	**March 31, 2013**	**March 31, 2012**
Acquisition costs							
Opening Balance	$ 1,787,741	$ 2,157,915	$ -	$ -	$ 945,951	**$ 4,891,607**	**$ 2,400,975**
Reclassification of opening balance	-	-	-	-	3,233,179	**3,233,179**	**-**
Additions	766,048	375,530	-	-	-	**1,141,578**	**2,490,632**
	2,553,789	2,533,445	-	-	4,179,130	**9,266,364**	**4,891,607**
Deferred exploration costs							
Opening balance	12,461,577	3,016,373	2,087,931	848,318	22,448,340	**40,862,539**	**34,965,734**
Reclassification of opening balance	-	-	-	-	(3,233,179)	**(3,233,179)**	**-**
Assays and reports	119,529	-	-	-	-	**119,529**	**199,916**
Drilling	5,266,886	573,455	35,912	-	(6,771)	**5,869,482**	**5,733,250**
Field expenses	195,938	10,494	12,471	1,017	132,226	**352,146**	**370,152**
Geological consulting	467,527	95,371	121,035	2,723	124,304	**810,960**	**818,749**
Geophysical and geological studies	51,186	16,040	30,656	-	51,200	**149,082**	**-**
Staking and recording	71,552	35,096	105,120	11,658	99,491	**322,917**	**362,856**
	18,634,195	3,746,829	2,393,125	863,716	19,615,611	**45,253,476**	**42,450,657**
Reclamation bonds	380,273	-	-	-	286,000	**666,273**	**594,555**
Asset retirement obligation	320,273	50,000	30,000	-	286,000	**686,273**	**485,000**
Write-down of mineral properties	-	-	-	-	(11,110,245)	**(11,110,245)**	**(1,588,118)**
Property and other payments received	-	-	-	-	(1,200,178)	**(1,200,178)**	**(1,000,000)**
Transfer to assets held for sale	-	-	-	-	(12,056,318)	**(12,056,318)**	**-**
	700,546	50,000	30,000	-	(23,794,741)	**(23,014,195)**	**(1,508,563)**
	$ 21,888,530	**$ 6,330,274**	**$ 2,423,125**	**$ 863,716**	**$ -**	**$ 31,505,645**	**$ 45,833,701**

9. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

In September 2007, the Company signed a Letter of Intent to enter into an agreement with Newmont USA Limited, Newmont Capital Limited and Elko Land and Livestock Company (collectively “Newmont”) concerning an exploration partnership on the Sheep Creeks, Boulder Valley, Carlin and Cottonwood Creek properties. A fifth property, identified as Susie Creek, has not had any activity to date and accordingly no interest in this property is reflected in these financial statements.

During fiscal 2012, the Company decided to terminate any further exploration on Boulder Valley, and wrote off $1,588,118 of deferred exploration costs.

In addition, the Company acquired the Carlin and Humboldt Properties, which are adjacent to, but do not form part of the Newmont properties noted above.

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

- Assuming all of Newmont’s lease obligations insofar as they pertain to these project areas.
- Incurring exploration expenditures of $3,500,000 for each of the two properties for a total of $7,000,000 over five years with 70% of such expenditures in direct drilling costs:

• On or before November 28, 2008	– $200,000 (incurred);
• On or before June 20, 2009	– $200,000 (incurred);
• On or before November 28, 2009	– additional $600,000 (incurred);
• On or before November 28, 2010	– additional $1,200,000 (incurred);
• On or before November 28, 2011	– additional $2,000,000 (incurred);
• On or before November 28, 2012	– additional $2,800,000 (incurred);

  In the event Newmont or the Company acquires any interest in minerals within the Susie Creek project area, the Company will need to incur $3,500,000 in exploration expenditures over a similar five year period from the acquisition date then determined.
- Reimbursing Newmont for all payments and filings necessary to keep each property in good standing.
- Providing semi-annual reports to Newmont for each project area’s work program and costs incurred.
- After six years, paying an annual rental on each project area, if $750,000 was not incurred on exploration expenditures during the preceding lease year on that project area. Annual rental would be calculated at $10 per acre, escalating by 5% each year.
- Paying a 3% to 5% sliding scale net smelter return (“NSR”) royalty on production from each property less any underlying royalties, with a minimum of 2%.

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

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

Carlin Property

The Carlin property also forms part of the Newmont Agreement aforementioned under the Boulder Valley property.

On January 11, 2010, the Company signed a ten-year surface lease agreement for the lands described as the Carlin property in exchange for cash of $16,000 (paid) and $10,000 payable annually on January 11, 2011 and each year thereafter. Prior to commencement of commercial production the Company is obligated to purchase the area for $2,000 per applicable acre. The agreement can be terminated by Evolving after thirty days written notice is provided and can be extended if certain conditions are met including providing compensation for surface area disturbance.

9. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Carlin Property (continued)

On March 29, 2010, the Company signed a purchase and royalty reservation agreement for a 50% undivided fee interest in additional lands on the Carlin property in exchange for cash of $10,000, cash of $190,000 paid on completion and the issue of non-interest bearing promissory notes for $1,200,000 payable in annual $300,000 instalments commencing May 27, 2011. During the year ended March 31, 2012, the Company paid first instalment of $300,000 and in June 2012, the Company paid the second promissory note instalment of $300,000.

On April 13, 2010 the Company signed an additional purchase agreement for a 100% undivided fee interest in additional adjacent lands in exchange for cash paid on signing of $10,000, cash of $290,000 paid on completion and the issue of promissory notes for $2,200,000 payable in annual $550,000 instalments, commencing August 10, 2011. During the 2012 fiscal year, the Company re-negotiated the terms of the Carlin Property promissory note. The note was revised to the following:

> $2,200,000 bearing an interest rate of 4% until February 10, 2016, at which time the interest rate shall be the Wall Street Journal bank prime lending rate plus 1%. Payments of $360,000 are due on February 10, 2012 (paid) and each year thereafter until February 10, 2018 at which time the balance remaining shall become due and payable.

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

Subsequent to March 31, 2013, the Company notified the Carlin property vendors that it would be unable to comply with payment obligations totaling $660,000 on their due dates. The Company has initiated plans to fulfill its obligations that include approaching the vendors to discuss the renegotiation of the terms of the agreements. Although there is no assurance that it will be successful in doing so, the Company believes it will be able to successfully obtain new terms of agreement from the property vendors.

Humboldt Property

On March 29, 2010, the Company signed a purchase and royalty reservation agreement for a 50% undivided fee interest in additional lands on the Humboldt property in exchange for cash paid of $15,000, cash of $285,000 paid on completion, and the issue of non-interest bearing promissory notes for $2,800,000 payable in annual $700,000 instalments, commencing May 27, 2011. During the year ended March 31, 2011, the Company paid the first promissory note instalment of $700,000 and in June 2012, the Company paid the second instalment of $700,000.

At April 13, 2010 the Company also signed two other purchase agreements for a 100% undivided fee interest in additional adjacent lands in exchange for cash of $20,000 paid, cash of $480,000 paid on closing and the issue of non-interest bearing promissory notes for $1,800,000 and $3,200,000 payable in annual $450,000 and $800,000 instalments respectively, commencing August 10, 2011. In addition with respect to both the March 29, 2010 and the April 13, 2010 aforementioned Humboldt agreements, the Company will be committed to pay up to 1.0% NSR on production.

During the 2012 fiscal year, the Company re-negotiated the terms of the Humboldt Property promissory notes. The notes were revised to the following:

1) $3,200,000 bearing an interest rate of 4% until February 10, 2016, at which time the interest rate shall be the Wall Street Journal bank prime lending rate plus 1%. Payments of $523,000 are due on February 10, 2012 (paid) and each year thereafter until February 10, 2018 at which time the balance remaining shall become due and payable. During the year ended March 31, 2013, the Company negotiated an extension of the $523,000 payment originally due February 10, 2013 to a new due date of May 27, 2013.

2) $1,800,000 bearing an interest rate of 4% until February 10, 2016, at which time the interest rate shall be the Wall Street Journal bank prime lending rate plus 1%. Payments of $295,000 are due on February 10, 2012 (paid) and each year thereafter until February 10, 2018 at which time the balance remaining shall become due and payable. During the year ended March 31, 2013, the Company negotiated an extension of the $295,000 payment originally due February 10, 2013 to a new due date of May 27, 2013.

Subsequent to March 31, 2013, the Company notified the Humboldt property vendors that it would be unable to comply with payment obligations totaling $1,518,000 on their due dates. The Company has initiated plans to fulfill its obligations that include approaching the vendors to discuss the renegotiation of the terms of the agreements. Although there is no assurance that it will be successful in doing so, the Company believes it will be able to successfully obtain new terms of agreement from the property vendors.

9. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Jake Creek Property

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

Carlin and Humboldt Properties

On October 26, 2009 the Company signed a mineral lease and property option agreement comprising sixty-two unpatented mining claims located in Elko County, Nevada, part of the Humboldt property. In addition on February 28, 2010 the Company signed a mineral lease and royalty buy down agreement comprising eight unpatented mining claims located adjacent to those Humboldt claims acquired in the aforementioned October 26, 2009 agreement.

Both agreements have a primary term of fifteen years and so long thereafter as exploration, development or mining is being conducted on the property but can be terminated at any time in whole or in part after the Company provides thirty days written notice. Pursuant to the terms of these two agreements the Company is required to pay:

Cash of $ 25,000 (paid)

Advance royalty payments:

- $ 10,000 (paid)
- $ 12,500 (paid)
- $ 15,000 on October 26, 2011 (paid)
- $ 17,500 on October 26, 2012 (paid)
- $ 20,000 on October 26, 2013
- $ 25,000 on October 26, 2014 and
- $25,000 consumer price index adjusted, to be paid annually on October 26, 2015 and each year thereafter for the duration of the lease

Advance royalty payments:

- $ 10,000 on February 28, 2011 to 2015 (paid $30,000)
- $ 15,000 on February 28, 2016 to 2020
- $ 20,000 on February 28, 2021 and
- $ 20,000 consumer price index adjusted, to be paid annually on February 28, 2021 and each year thereafter for the duration of the lease

Shares to be issued:

- 50,000 shares to be issued (or cash equivalent) by October 26, 2014
- 50,000 shares to be issued (or cash equivalent) by February 28, 2015
- 200,000 shares to be issued (or cash equivalent), at commencement of production.

Pay claim maintenance fees and filings to maintain the unpatented claims.

The agreements are subject to a royalty of 2.775% to 3% of net smelter returns which the Company can, with respect to the 8 unpatented claims, reduce to 2% with the payment of $1,000,000 for each 0.5% reduction.

Pursuant to the terms of the October 26, 2009 Agreement, the Company has the right to acquire ownership of the 62 unpatented claims (and royalty) in exchange for a cash payment of $4,000,000 subject to recoupment of any royalty payments made by the Company.

On April 13, 2010, the Company signed a ten year surface lease agreement for the lands in exchange for cash of $42,503 on execution and on each anniversary thereafter if acreage is not decreased. The Company will also pay a onetime payment of $1,500 for each drill site and $100 per acre per year for other surface disturbance if ranching and grazing is not possible. One half of these lands have been allocated to each of the Carlin and Humboldt properties.

9. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

On April 13, 2010 the Company signed two mineral lease agreements encompassing a total of 4,635.76 acres of additional lands in the Elko and Eureka counties in Nevada in exchange for cash paid for advance mineral royalties of $55,725. One half of these lands have been allocated to each of the Carlin and Humboldt properties.

Future royalties will be payable annually based on the amount of acreage utilized but will be at least $20,000. The term of each lease is ten years which can be extended if certain conditions are achieved.

Pursuant to the terms of both leases the Company can decrease the leased acreage or can otherwise terminate the lease after thirty days written notice is provided and has also been granted the right of first refusal to purchase either property. The agreements are subject to a non-participating production royalty of 5% of net smelter returns.

Rattlesnake Property

In July 2007, the Company entered into a Letter of Intent with Golden Predator Mines, Inc. and Golden Predator Mines Inc. (collectively “GPM”) for the acquisition of Golden Predator’s mining option on a 100% interest in Bald Mountain Mining Company’s (“BMM”) Rattlesnake Hills mineral property located in Natrona County, Wyoming. The Company is required to make payments of $20,000 per year to the owners of the property as long as the Company continues to make option payments on this property. On December 11, 2007, BMM signed an amended and restated Option Agreement with GPM with respect to BMM acquiring a 100% interest in this property. On January 15, 2008 a Letter of Agreement was signed to formalize the terms by which BMM would assign its interest in the amended and restated Rattlesnake Hills Option Agreement to the Company. Under the terms of the January 15, 2008 Letter of Agreement, the Company would acquire its interest in the property option from BMM in exchange for the issue of cash of $200,000 (paid) and the issuance of 400,000 shares which were valued at the share trading price at the date of issuance. On January 16, 2008, the Company signed a property option agreement with GPM. Under the terms of this Agreement, the Company could acquire up to a 100% interest in the Rattlesnake Hills Property in exchange for the issue of 3,000,000 shares to be issued in three separate tranches of 1,000,000 shares each, over approximately a two year period. A finder’s fee was paid by the issue of 75,000 shares in connection with this transaction.

In February 2010, the Company exercised its option to complete the acquisition of 100% of the Rattlesnake Hills Property by issuing the final tranche of 1,000,000 shares to GPM. Each of the three 1,000,000 share issues has been valued at the share price at the date of its issuance.

As part of the agreement GPM will retain a 0.5% NSR royalty with respect to the property and the Company will have the option to purchase one-half of the NSR royalty for $375,000, reducing it to 0.25%. The property is currently subject to a 4% production royalty payable to the underlying owners and equal to the gross proceeds less a deduction for all milling, smelting, refining, treatment and other processing costs. Prior to the Company completing the acquisition of this mineral property option, GPM had the right to purchase up to 10% of the shares offered in private placements undertaken by the Company, such purchases to be at the same terms and conditions as other purchasers participating in the offering. Pursuant to these terms 1,000,000 units were issued to GPM in April, 2008 for proceeds of $1,000,000 and an additional 1,234,578 units were issued as part of the November, 2009 private placement for proceeds of $1,111,120. Each unit was comprised of one common share and one-half of a share purchase warrant. The 500,000 warrants attached to the April, 2008 unit have now expired.

On May 9, 2011, the Company announced that it had signed a Letter Agreement with a subsidiary of Agnico–Eagle Mines Ltd. to form a joint venture on its Rattlesnake Hills project in Wyoming. Under the terms of the Letter Agreement, Agnico–Eagle (A) Ltd. (Agnico-Eagle) had the option to earn up to a 70% interest in the Rattlesnake Hills project by carrying Evolving Gold through completion of a feasibility study. In order to earn a 70% interest over a seven-year period Agnico-Eagle was required to make payments to EVG totalling $12 million, to purchase C$23 million in the common shares of EVG, and to expend a minimum of $41 million on exploration/development work on the project. A binding joint venture agreement was completed on June 24, 2011, and a drill program followed. Agnico-Eagle’s minimum work expenditure for the first year was $3 million. The 2011 exploration program included drilling extensions of the two main gold zones, drilling targets between these two zones, testing previously identified targets in the core area, and completing a regional program to define additional drill targets on the large Rattlesnake Hills property.

On May 28, 2012, Agnico-Eagle provided notice of its intent to terminate the joint venture, effective June 30, 2012. A termination agreement was subsequently negotiated and signed.

9. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Rattlesnake Property (Continued)

Rattlesnake Plan of Arrangement

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

RMC will issue 58,500,000 shares to Evolving in exchange for the Rattlesnake Wyoming Note with a value of $11,700,000. Under the terms of the Arrangement, RMC shares will be distributed to Evolving's shareholders by way of the Arrangement on the basis of one share of Rattlesnake Mining Corp. for every ten Evolving common shares held. Shares received in excess of the distribution to Evolving Shareholders will be retained by Evolving.

As part of the Arrangement, holders of Evolving warrants and options who have not exercised as of the effective date of the Plan of Arrangement will be entitled to receive one share of Rattlesnake Mining Corp. for every 10 Evolving warrants or options they exercise after the effective date.

Concurrent with the completion of the Plan of Arrangement, RMC will offer a minimum of 15,000,000 and a maximum of 25,000,000 units at a price of $0.20 Cdn per unit, for minimum proceeds of $3,000,000 Cdn and maximum proceeds of $5,000,000 Cdn. Each unit will be comprised of one RMC share and one-half of a warrant, each whole warrant entitling the holder thereof to purchase an additional RMC share for $0.30 Cdn per share, for a period of three years from issuance.

Subsequent to the March 31, 2013 year end, the Company was approached by third parties to exploring the possible sale of the Rattlesnake project. Due to general market conditions and the difficulty of raising funds in this market, the Company decided to explore this option as well as the proposed plan of arrangement. As a result, the Rattlesnake property has been classified as being held for sale (Note 7). The Company has not made a final determination as to which course of action is most beneficial to the Company.

Malone Property

On April 17, 2006 the Company entered into a quitclaim deed and royalty agreement with Newmont North America Exploration Limited whereby the Company was granted all rights, title, estate and interest in unpatented mineral claims located in Lordsburg, New Mexico in exchange for cash paid of $20,000. The agreement is subject to a royalty of 2% of net smelter returns.

10. PROPERTY PLANT AND EQUIPMENT

	Office furniture and equipment	Computer equipment and software	Leasehold Improvements	Exploration Vehicles	Total
Cost:					
March 31, 2012	136,782	224,559	68,502	172,753	602,596
Additions	11,872	65,424	8,722		86,018
Disposals	(11,910)	(152,030)	(58,314)	(67,499)	(289,753)
March 31, 2013	136,744	137,953	18,910	105,254	398,861
Depreciation					
March 31, 2012	(109,651)	(215,289)	(49,607)	(101,098)	(475,646)
Additions	(21,314)	(24,326)	(14,389)	(25,436)	(85,465)
Disposal	11,910	152,030	58,314	67,499	289,753
March 31, 2013	(119,055)	(87,585)	(5,682)	(59,035)	(271,358)
Net Book Value					
March 31, 2012	**$ 27,131**	**$ 9,269**	**$ 18,895**	**$ 71,655**	**$ 126,950**
March 31, 2013	**$ 17,689**	**$ 50,367**	**$ 13,228**	**$ 46,219**	**$ 127,503**

	Office furniture and equipment	Computer equipment and software	Leasehold Improvements	Exploration Vehicles	Total
Cost:					
March 31, 2011	108,768	209,880	59,972	172,753	551,373
Additions	28,014	14,679	8,530		51,223
Disposals					
March 31, 2012	136,782	224,559	68,502	172,753	602,596
Depreciation					
March 31, 2011	(92,164)	(193,137)	(30,319)	(76,536)	(392,156)
Additions	(17,487)	(22,153)	(19,288)	(24,562)	(83,490)
Disposal					
March 31, 2012	(109,651)	(215,289)	(49,607)	(101,098)	(475,646)
Net Book Value					
March 31, 2011	**$ 16,604**	**$ 16,743**	**$ 29,653**	**$ 96,217**	**$ 159,217**
March 31, 2012	**$ 27,131**	**$ 9,269**	**$ 18,895**	**$ 71,655**	**$ 126,950**

11. ASSET RETIREMENT OBLIGATIONS

The Company has estimated the present value of its Rattlesnake Hills Mineral Property future reclamation obligation as legally required by the United States Federal and State Government permitting requirements. The increase in the asset retirement obligation since March 31, 2009 results from an increase in exploration activity on various properties. 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.

During the year ended March 31, 2013, the Company requested a re-evaluation of its asset retirement liability on the Rattlesnake property. As a result of this re-evaluation, the Company increased its cash bond on Rattlesnake by $136,000 to $286,000, the amount calculated by the State of Wyoming. The letter of credit previously required to secure the obligation was cancelled November 5, 2012 resulting in a net increase of $11,000 in the asset retirement obligations of the Company.

The balances are as follows:	**March 31, 2013**	**March 31, 2012**
Opening balance	$485,000	$302,000
Additions during the period	201,273	183,000
	$686,273	$485,000
Asset retirement obligations are classified in the Statement of Financial Position as follows:		
Asset retirement obligation – discontinued operations	$286,000	-
Asset retirement obligation	400,273	485,000
	$686,273	$485,000

12. 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 year ended March 31, 2013, are summarized in the Consolidated Statement of Shareholders’ Equity included in these financial statements.

During the year ended March 31, 2013, the Company completed the following share related transactions:

- 12,000,000 units were issued pursuant to a private placement offering for net proceeds of $3,587,313. Each Unit consisted of one common share and one common share purchase warrant, for a total of 12,000,000 warrants for which proceeds of $1,523,394 were allocated at their fair value determined by the Black Scholes pricing model using the following inputs: Exercise Price - CDN$0.40; Share price - $CDN 0.30; expected life – 3.0 years; volatility – 85%; dividend yield – 0.00% . Each Warrant entitles the holder thereof to acquire one common share of the Company at a price of CDN$0.40 until August 13, 2015. In connection with the Offering, the Company also issued finder’s compensation warrants totaling 49,000 warrants having a fair value of $28,928 and recorded as a share issue cost. These compensation warrants are exercisable into one common share of the Company at a price of CDN$0.30 until August 13, 2014. All securities issued in the Offering are subject to a four-month hold period ending December 14, 2012 in accordance with applicable Canadian securities laws.
- 5,555,555 common shares were issued in consideration for the issuance of 1,176,470 common shares of Pinetree Capital at a price of $0.85 CAD cents per share based on the quoted market price of Pinetree Capital on the date of the transaction for a total of $1,003,100.
- 20,000 shares were issued with respect to the acquisition of the Kiyuk property for Prosperity Goldfields Corp., pursuant to the property agreement previously signed by the Company prior to the sale of Prosperity. The value attributed to these shares was $5,674 based on the quoted market price of the Company’s shares on the date of their issuance. The Company received 25,250 additional Prosperity shares as repayment for this issuance.

12. Share Capital and Reserves (Continued)

a) Common Shares (Continued)

During the year ended March 31, 2012, the Company completed the following share related transactions:

- 10,290,000 units were issued pursuant to a private placement offering for net proceeds of $5,715,783. Each Unit consisted of one common share and one-half of one common share purchase warrant, for a total of 5,145,000 warrants for which proceeds of $718,767 were allocated at their fair value determined by the Black Scholes pricing model using the following inputs: Exercise Price - $CDN0.75; Share price - $CDN 0.60; expected life – 1.5 years; volatility – 62.18%; dividend yield – 0.00% . Each Warrant entitles the holder thereof to acquire one common share of the Company at a price of CDN$0.75 until February 23, 2013. In connection with the Offering, the Company also issued finder's compensation warrants totaling 110,400 warrants exercisable into one common share of the Company at a price of CDN$0.60 until February 23, 2013. All securities issued in the Offering are subject to a four-month hold period ending December 24, 2011 in accordance with applicable Canadian securities laws.
- 123,000 shares were issued pursuant to the exercise of options during the period at various prices. Gross proceeds were $38,721.
- 20,000 shares were issued with respect to the acquisition of the Kiyuk property for Prosperity. The value attributed to these shares was $9,692. The Company received 8,403 additional Prosperity shares as repayment for this issuance.

b) **Reserves**

	March 31, 2013	March 31, 2012
Warrants	$ -	$ 3,974,332
Stock Options	8,875,576	7,978,178
Reserves	$ 8,875,576	$ 11,952,510

12. SHARE CAPITAL AND RESERVES (CONTINUED)

c) **Share Purchase Warrants**

The following is a summary of changes in warrants for the years ended March 31, 2012 and 2013:

	March 31, 2013		**March 31, 2012**	
	Number of warrants	**Weighted average exercise price (CDN $)**	**Number of warrants**	**Weighted average exercise price (CDN $)**
Warrants outstanding, beginning of period	5,145,000	$ 0.75	6,263,630	$ 1.23
Warrants issued	12,000,000	0.40	5,145,000	0.75
Warrants exercised	-	-	-	-
Warrants expired	-	-	(6,263,630)	1.23
Warrants outstanding, end of period	17,145,000	$ 0.51	5,145,000	$ 0.75

During the year ended March 31, 2013, in addition to the warrants above, the Company issued 49,000 (2012 - 110,400) agent warrants exercisable into one common share of the Company at a price of CDN$0.30 (2012 - $0.60).

On January 21, 2013 the Company announced that it has received approval from Toronto Stock Exchange to extend the term of 5,145,000 warrants that were set to expire on February 23, 2013 to February 23, 2014 and to reduce the exercise price of the Warrants from $0.75 per share to $0.40 per share. These Warrants were originally issued on August 23, 2011 as part of a private placement.

As at March 31, 2013, the Company had total outstanding warrants, including Agent's warrants, as follows:

	Number of warrants	**Exercise price**	**Expiry**
Share purchase warrants	5,145,000	CDN$0.40	February 23, 2014
	12,000,000	CDN$0.40	August 13, 2015
Share purchase warrants, excluding agents warrants	17,145,000		
	49,000	CDN$0.30	August 13, 2014
	17,194,000		

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.

As at March 31, 2012, the fair value of these warrants was $92,860. During the year ended March 31, 2013, the Company granted 12,000,000 share purchase warrants having a fair value of $1,523,394 in connection with a private placement. The fair value of these warrants were measured using the Black-Scholes option pricing model using the following assumptions: stock price: $CDN0.28, exercise price: $CDN 0.40, volatility: 85%, risk-free discount rate: 1.12%, dividend rate: 0.0%

As at March 31, 2013, the Company re-measured its warrant liabilities and determined their fair value to be $421,330 (2012: $92,860) The fair value of these warrants were measured using the Black-Scholes option pricing model using the following assumptions: stock price: $CDN0.28, exercise price: $CDN 0.40 - $CDN 0.75, volatility: 90-99%, risk-free discount rate: 4.20%, dividend rate: 0.0%. As a result, for the year ended March 31, 2013, the Company has recorded the change in fair value of its warrant liabilities in the statement of comprehensive loss totaling $1,194,924 (2012: $849,621)

12. SHARE CAPITAL AND RESERVES (CONTINUED)

d) **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 and to record the value of expired options and warrants that were originally accounted for as equity instruments.

- **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

13. 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. The changes in options during the years ended March 31, 2012 and 2013 are as follows:

		March 31, 2013		March 31, 2012
	Number of options	**Weighted average exercise price (CDN $)**	**Number of options**	**Weighted average exercise price (CDN $)**
Options outstanding, beginning of period	9,524,000	$ 0.84	8,712,000	$ 0.81
Options granted	3,175,000	$ 0.32	2,510,000	0.38
Options exercised	-	-	(123,000)	0.35
Options cancelled	(280,000)	$ 0.90	(1,575,000)	0.98
Options expired	(2,070,000)	$ 0.83	-	-
Options outstanding, end of period	10,349,000	$ 0.52	9,524,000	$ 0.84
Options exercisable, end of period	8,232,333	$ 0.57	7,934,000	$ 0.73

13. STOCK BASED PAYMENTS (CONTINUED)

Details of options outstanding as at March 31, 2013 are as follows:

Expiry Date	Exercise Price (CDN$)	Options Outstanding
November 30, 2014	$1.25	740,000
May 21, 2015	$0.92	350,000
December 2, 2015	$1.14	260,000
January 24, 2016	$0.97	500,000
February 2, 2016	$0.94	1,000,000
September 30, 2016	$0.46	250,000
February 27, 2017	$0.37	2,230,000
November 14, 2018	$0.17	1,070,000
January 15, 2019	$0.35	350,000
April 15, 2019	$0.35	74,000
May 26, 2019	$0.42	350,000
July 12, 2017	$0.32	3,175,000
		10,349,000

Fair Value of Options Issued During the Period

3,175,000 options granted during the year ended March 31, 2013 (2012: 2,510,000 options granted). The weighted average fair value at grant date of options granted during the year ended March 31, 2013 was $0.25 (2012: $0.37).

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 model inputs for options granted during the year ended March 31, 2013 included:

Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
July 12, 2017	**CDN$ 0.32**	**CDN$0.32**	**4.20%**	**60 months**	**103.80%**	**0%**

The model inputs for options granted during the year ended March 31, 2012 included:

Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
February 27, 2017	**CDN$ 0.37**	**CDN$0.37**	**2.25%**	**60 months**	**115.00%**	**0%**
September 30, 2016	**CDN$ 0.40**	**CDN$0.46**	**2.25%**	**60 months**	**115.00%**	**0%**

13. STOCK BASED PAYMENTS (CONTINUED)

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 year ended March 31, 2013 as part of employee benefit expense were $897,398 (2012 - $1,146,031).

Amounts Capitalized Arising from Share-based Payment transactions

No amounts were capitalized during the year ended March 31, 2013 and March 31, 2012.

14. INCOME TAXES

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	March 31, 2013 $	March 31, 2012 $
Loss before income taxes	**(15,722,060)**	**(788,633)**
Tax recovery based on the statutory rate of 26.13% (2012: 26.13%)	(3,931,000)	(206,000)
Non-deductible expenses	-	79,000
Foreign income taxed at other than Canadian statutory rate	(1,135,000)	(235,000)
Impact of under provision in previous year	(418,000)	2,128,000
Effect of change in treatment of Prosperity Goldfields Corp	-	300,000
Non taxable portion of capital gains	-	(617,000)
Other	293,000	26,000
Changes in unrecognized deferred tax assets	5,191,000	(1,475,000)
Total income tax expense (recovery)	**-**	**-**

Effective January 1, 2013, the Canadian Federal corporate tax rate is 15% and the BC provincial tax rate is 10%.

Deferred Income Tax Assets and Liabilities

Significant components of the Company's deferred income tax assets and liabilities, after applying enacted corporate tax rates, are as follows:

	2013 $	2012 $
Share issue costs	71,000	111,000
Marketable securities	58,000	(238,000)
Equipment	87,000	63,000
Mineral properties and related deferred exploration	(1,720,000)	(4,202,000)
Asset retirement obligation	240,000	176,000
Non – capital losses carried forward	12,478,000	10,113,000
Unrecognized tax assets	(11,214,000)	(6,023,000)
	-	-

The Company has only recognized 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, 2013, the Company had accumulated non-capital losses totaling approximately $12,280,000 in Canada expiring in various amounts from 2014 to 2033, and $27,028,000 in the US expiring in various amounts from 2028 to 2033 that may be applied against future year's taxable income in Canada and US.

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, polices and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst 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 $9,964 (March 31, 2012: $836,960) as detailed below:

Canadian Dollar Denominated Balances	**March 31, 2013**	**March 31, 2012**
Cash	129,517	5,408,363
Available for sale securities	1,261,134	3,795,166
Accounts payable	(1,291,010)	(833,926)
	99,641	8,369,603
10% change in exchange rate impact	**$ 9,964**	**$ 836,960**

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

- **Credit Risk**

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

- The carrying amount of financial assets represents the maximum credit exposure. The Company has gross credit exposure at March 31, 2013 and March 31, 2012 relating to cash and cash equivalents of $129,517 and $5,408,363 respectively. All cash and cash equivalents are held in deposits at a Canadian chartered bank. The Company considers this credit risk to be minimal for all cash and cash equivalent assets based on changes that are reasonably possible at the reporting date

- **Liquidity Risk**

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

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

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

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

Accounts payable and other liabilities	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Over 5 years	Total
March 31, 2013	$ 1,291,010	$ -	$ -	$ -	$ 1,291,010
March 31, 2012	$ 833,926	$ -	$ -	$ -	$ 833,926

Determination of Fair Value:

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

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

Fair Value Hierarchy:

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

15. Financial Instruments and Risk Management (Continued)

- 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

The following is a summary of the Company's related party transactions during the year:

a) **Legal Fees**

No legal fees were paid to related parties during the years ended March 31, 2013 and 2012.

b) **Rental Payments**

Rental payments of $Nil (year-ended March 31, 2012: $25,000) were paid to a company controlled by a former director of the Company.

c) **Related Party Transaction with Prosperity Goldfields**

As disclosed in note 12(a) and in accordance with the agreement dated October 28, 2010 (note 7), 20,000 shares of the Company were issued during the year ended March 31, 2012 with respect to the acquisition of the Kiyuk property for Prosperity. The value attributed to these shares was $5,674. The Company received 25,250 additional Prosperity shares having the equivalent fair value as repayment for this issuance.

d) **Key Management Compensation**

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors. Payments to key management are recorded as management, consulting and directors' fees. During the year ended March 31, 2012, the Company incurred share-based payment charges for its key management totaling $650,204 (2012: $751,152).

The Company incurred the following transactions with directors and officers of the Company.

	Year ended March 31,	
	2013	**2012**
Consulting fees	$ 71,832	$ 220,097
Directors fees	99,618	147,982
Management fees	572,055	793,787
Office rent	-	25,188
	$ 743,505	$ 1,187,054

18. Segmental Reporting

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities.

19. Loss Per Share

Basic loss per share amounts is calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year. (2013: 147,735,508; 2012: 134,923,843)

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 10,349,000 share purchase options (2012: 9,524,000 options) and 17,194,000 share purchase warrants (2012: 5,145,000 warrants) as their inclusion in the calculation of diluted loss per share would have been anti-dilutive.