Management Discussion and Analysis
of
Financial Position
and
Results of Operations
for the
Nine Month Period ended December 31, 2015

This report is dated February 23, 2016

(The "Report Date")

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CSX: EVG / OTCBB: EVOGF / FSE: EV7

Introduction

The following information should be read in conjunction with the condensed consolidated interim financial statements for the nine month period ended December 31, 2015 and the audited consolidated financial statements of Evolving Gold Corp. ("Evolving" or the "Company") for the year ended March 31, 2015.

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

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

Note 4 of the consolidated financial statements at March 31, 2015, describes all of the Company's significant accounting policies and a description of changes made during the 2015 fiscal year is included therein. During the nine month period ended December 31, 2015 and the year ended March 31, 2015, the Company's critical accounting estimates and significant accounting policies have remained substantially unchanged, except for the change in accounting policy described in Note 3 related to the capitalization of mineral property expenditures. ***All amounts presented in this document are stated in United States dollars, except where otherwise noted.*** The most notable exceptions are in the discussion of share capital, where securities prices are stated in Canadian dollars (C$).

Cautionary Note Regarding Forward Looking Statements

This Management's Discussion and Analysis is intended to supplement and complement the condensed consolidated interim financial statements for the nine month period ended December 31, 2015 and the audited consolidated financial statements for the year ended March 31, 2015, and the notes thereto (collectively the "Financial Statements"). Readers are encouraged to review these Financial Statements in conjunction with a review of this Management's Discussion and Analysis. Certain notes to the Financial Statements are specifically referred to in this Management's Discussion and Analysis and such notes are incorporated by reference herein. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements.

These forward-looking statements are based on, but not limited to, material assumptions including: title to the Company's exploration properties; the level and suitability of exploration expenditures relating to those properties, including decisions regarding the impairment of mineral property expenditures; rehabilitation requirements; commodity prices; access to funding and capital markets conditions generally; various accounting estimations related to income taxes, share based payments and the valuation of available for sale securities; a sufficiently stable and healthy global economic environment; and other expectations, intentions and plans contained in this MD&A that are not historical fact.

When used in this MD&A, the words "plan," "expect," "believe," and similar expressions generally identify forward looking statements. These statements reflect current expectations. They are subject to a number of risks and uncertainties, including those factors disclosed under Risks and Uncertainties below. In light of the many risks and uncertainties, readers should understand that the Company cannot offer assurance that the forward-looking statements contained in this analysis will be realized.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth below.

Additional information relating to the Company may be found on SEDAR at www.sedar.com or at the company's website at www.evolvinggold.com.

Corporate Overview

The Company became a reporting issuer in the Provinces of Alberta, British Columbia and Ontario on May 14, 2004. The Company has traded on various exchanges since inception, and currently trades on the following exchanges:

Canadian Stock Exchange (CSX: EVG since July 25, 2014))
NASD (OTCBB: EVOGF since 2005)
Frankfurt Stock Exchange (EV7 since 2007)

On July 25, 2014, the Company announced that it was voluntarily delisting from the Toronto Stock Exchange, where it had been listed since December 7, 2010 under the stock symbol T: EVG. The delisting was effective July 25, 2014.

Description of Business

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

The Company's focus is drill intensive exploration of properties believed to have potential for the discovery of bulk tonnage and/or high-grade gold deposits of significant economic interest.

Changes in Management, Directors, and Corporate Activities

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

1) Cash consideration of US$1,600,000 as follows:

- $150,000 as a non-refundable deposit (received);
- $564,000 at closing (received)
- $286,000 (received $271,000 of the $286,000 bond during the quarter. The balance of $15,000 has been retained by the vendor pending the settlement of certain potential reclamation costs on the property and is recorded as a receivable in the books of the Company); and

- $600,000 on the first anniversary of the closing, secured by a non-interest bearing promissory note.

2) 2,000,000 common shares at a fair value of $0.20 per share, being the price at which GFG was conducting a private placement to third parties. The shares are subject to resale restrictions and hold periods under applicable securities laws in Canada and the United States.

Rattlesnake Mining (Wyoming) Company retained a 2% net smelter return royalty with 1% available for purchase for US$1,000,000 on production arising from the mining claims, save and except for 30 claims that are already subject to a pre-existing royalty. Rattlesnake Mining (Wyoming) Company may also be entitled to an additional 1,500,000 common shares of GFG in the event an independent NI 43-101 resource report defines an aggregate mineral resource (including the "inferred mineral resource", category within the meaning of NI 43-101) for Rattlesnake Hills of at least 1,000,000 ounces of gold within 4 years of closing. It is anticipated that GFG will use reasonable commercial efforts to obtain a listing on a recognized stock exchange in Canada or the US prior to March 31st, 2016.

The Company recorded a gain on the sale of the property in its consolidated financial statements, determined as follows:

Cash proceeds received and receivable	$1,600,000
Share consideration received	400,000
Gross proceeds	$2,000,000
Expenses incurred during the period	(59,778)
Gain on sale of property	$1,940,222

Management continues to work on restructuring the Company, and has commenced activities to find mining projects in cost-effective jurisdictions. Given the high value of the US dollar, the Company management believes that it is in the best interests of the Company to evaluate potential projects and properties outside of the United States, which has historically been the focus of its operations.

As of the date of this report, the Company continues to maintain its remaining property, Jake Creek, in good standing. However, the Company continues to review its proposed exploration activities, and to re-evaluate its exploration plans generally. At this time, management is unable to estimate when the Company may recommence any exploration activities. As is typical for most junior exploration companies given the current state of the financial markets, there is no assurance that further cuts will not be made, or that the Company will be able to resume activities in the near future.

Mineral Properties

Jake Creek Property

The Jake Creek Property is located in northern Humboldt County, Nevada, approximately 45 miles northeast of Winnemucca, and consists of 699 generally contiguous, unpatented mining claims covering a total of approximately 14,405 acres. The claim block is situated among the buttes and adjoining slopes of the western foothills of the Snowstorm Mountains, along a north-northwest trending structural corridor known as the Jake Creek Trend. Local terrain is gentle to relatively steep, with elevations ranging from roughly 5,000 to 5,800 feet above mean sea level.

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

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

The 2011 Jake Creek reverse-circulation (RC) drilling program included 3,580.8 meters of drilling in eleven holes to the west and east from drill hole JC-005. Results of the eleven-hole program included 39.6m of 0.873 g/t gold in JC-002, 19.8m of 0.676 g/t gold in JC-006, and 1.5m of 3.1 g/t gold within 16.7m of 0.605 g/t gold in JC-013. This drilling outlined an epithermal, volcanic-hosted gold system containing sub-horizontal and laterally extensive low-grade gold mineralization. Gold mineralization includes locally banded epithermal veins and gold in quartz-stockwork zones up to 11.3 g/t. The drilling indicates a gold system over 550 meters wide east-west that remains open to the north, south and east.

As at December 31, 2015 and the date of this report, the Company continues to maintain the Jake Creek property, and is evaluating its prospects with respect to the property.

Rattlesnake Property

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

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

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

1) Cash consideration of US$1,600,000 as follows:

- $150,000 as a non-refundable deposit (received);
- $564,000 at closing (received)
- $286,000 (received $271,000 of the $286,000 bond during the quarter. The balance of $15,000 has been retained by the vendor pending the settlement of certain potential reclamation costs on the property and is recorded as a receivable in the books of the Company); and
- $600,000 on the first anniversary of the closing, secured by a non-interest bearing promissory note.

2) 2,000,000 common shares at a fair value of $0.20 per share, being the price at which GFG was conducting a private placement to third parties. The shares are subject to resale restrictions and hold periods under applicable securities laws in Canada and the United States.

Rattlesnake Mining (Wyoming) Company retained a 2% net smelter return royalty with 1% available for purchase for US$1,000,000 on production arising from the mining claims, save and except for 30 claims that are already subject to a pre-existing royalty. Rattlesnake Mining (Wyoming) Company may also be entitled to an additional 1,500,000 common shares of GFG in the event an independent NI 43-101 resource report defines an aggregate mineral resource (including the "inferred mineral resource", category within the meaning of NI 43-101) for Rattlesnake Hills of at least 1,000,000 ounces of gold within 4 years of closing. It is anticipated that GFG will use reasonable commercial efforts to obtain a listing on a recognized stock exchange in Canada or the US prior to March 31, 2016.

The Company's exploration and evaluation expenditures for the nine months ended December 31, 2015 and the year ended March 31, 2015 are:

	Carlin	Humboldt	Jake Creek	Rattlesnake	Dec. 31, 2015
Field Expenses and other	-	-	50,123	21,821	71,944
Consulting - Geological	-	-	25,080	13,892	38,972
Land maintenance	-	-	52,402	24,125	76,527
Reclamation	-	-	-	-	-
Transferred on property sale	-	-	-	(59,838)	(59,838)
	$ -	$ -	$ 127,605	$ -	$ 127,605
	Carlin	**Humboldt**	**Jake Creek**	**Rattlesnake**	**March 31, 2015**
Field Expenses and other	71,405	-	36	450	**71,891**
Consulting - Geological	15,197	-	1,320	3,465	**19,982**
Land maintenance	59,278	-	45,205	1,635	**106,118**
Reclamation	59,309	-	-	-	**59,309**
	$205,189	$ -	$46,561	$5,550	**$257,300**

Results of Operations

During the year ended March 31, 2015, the Company changed its accounting policy with respect to the deferral of exploration expenditures. Accordingly, the results for the three and nine month periods ended December 31, 2014 were restated to reflect this change of policy. See Note 3 in the financial statements for a detailed discussion of the changes. The discussion below reflects the restated numbers for fiscal 2013-2014.

The results for the three and nine month periods ended December 31, 2015 and 2014 are as follows:

	Three month period ended December 31,		Nine month period ended December 31,	
	2015	2015	2014	2014
Operating income (loss) for the period	$(127,755)	$(131,257)	$(413,949)	$(606,120)
Comprehensive income (loss) for the period	$(56,288)	$(109,463)	$1,780,240	$285,072
Basic and diluted Income (loss) per share	$0.00	$(0.01)	$0.13	$0.02

The most significant items for the nine month period were:

- A gain recorded on the sale of the Rattlesnake property, determined as follows:

Cash proceeds received and receivable	$1,600,000
Share consideration received	400,000
Gross proceeds	$2,000,000
Expenses incurred during the period	(59,778)
Gain on sale of property	$1,940,222

  $150,000 of the $1,940,222 was recorded as a gain in Q1 2016 when the deposit was received; accordingly, the gain during the second quarter was $1,790,222. During the previous year, the Company recorded gains of $75,000 and $931,894 in the comparable three and nine month periods as a result of property payments received.

- A gain of $232,295 recognized due to the reduction of ARO to match the bonds on deposit. During the period, the Company re-evaluated its asset retirement obligations, and determined that the obligations did not exceed the reclamation bonds held by various authorities. There were no comparable gains during the previous fiscal year.

Operating expenditures for the three and nine month periods ended December 31, 2015 and 2014 continue to reflect the reduced levels of expenditures of the Company. The most significant variations are:

- Depreciation of $1,047 (Year to date: $8,192) (2014 - $7,164 and $26,976) reflects the reduced amount of depreciable assets held by the Company due to disposals and assets reaching their end-of-life. During the nine month period, the Company acquired computers $5,817 of Computers to replace items that had exceeded their life expectancy. In addition, the Company wrote off $131,765 of fully depreciated computer equipment, software and furniture which had reached its end-of-life;

- Legal expense of $7,502 (YTD: $7,502) (2014 – $nil and $25,026) reflects legal expenses incurred in corporate restructuring efforts as well as normal regulatory and corporate activities during the quarter;
- Management fees of $26,888 (YTD: $84,285) (2014 – $30,112 and $99,045) reflects the effects of the decline of the Canadian dollar compared to the US dollar, as management fees are expensed in Canadian dollars and remain unchanged from the previous year. The fees expensed were accrued and not paid during the period;
- Mineral property expenditures of $37,715 (YTD: $127,605) (2014 - $15,167 and $225,961) reflect care and maintenance costs generally in all periods, reclamation work on the Nevada properties in 2014-15, costs incurred in closing certain Nevada storage facilities, land maintenance and the cost of preparing the Rattlesnake property for sale;
- Office, rent and salaries expense of $22,764 (YTD: $119,148) (2014 - $56,317 and $163,045) reflect the costs to maintain the operations of the Company, primarily with respect to the head office of the Company and general corporate expenses;
- Share based payments of $10,687 (YTD: $16,701) (2014 - $9,571 and $18,981) represent non-cash charges incurred in connection with the granting of stock options granted in prior periods and vesting during the period, calculated using the Black Scholes option valuation model. During fiscal 2014-2015 the Company cancelled all previously issued outstanding options, and subsequently issued new options which have now fully vested;
- Transfer agent and filing fees of $10,444 (YTD: $28,342) (2014 - $10,776 and $42,063) reflect the ongoing costs to maintain listings, transfer services and the timing of corporate activities, such as the annual general meeting;
- A gain on disposal of equipment of $15,950 (2014: $nil) resulted from the sale of certain surplus assets in Nevada.
- The gain on settlement of debt of $50,324 (YTD: $88,224) (2014: $56,204) reflects management's efforts to restructure the Company and its liabilities.
- The change in the fair value of warrant liability represents a derivative liability due to the denomination of the Company's shares and warrants in Canadian dollars while we report in US dollars. Due to fluctuations in the US dollar and the share price of the Company, the change was a gain of $8,745 during the quarter (2015: a gain of $4,027), but a YTD gain in both 2015 and 2014 respectively of $8,719 and $92,770;
- A gain of $900 (YTD: a loss of $313) (2014: a loss of $115,607 and $127,962) was recognized on the change in the fair value of available for sale securities. An unrealized gain of $1,352 (YTD: loss of $7,698) (2014 - $nil) was recognized on securities held for trading. A loss on disposition of available for sale securities of $nil (YTD: $1,089) (2014 - $nil) was recorded on the sale of securities. The securities in these categories are part of the compensation received from the sale of various exploration properties and options on properties. The reader is referred to the notes to the financial statements for a specific discussion of the rationale for these classifications and which securities are held in each classification;
- Foreign exchange was a loss of $5,804 (YTD: loss of $82,248) (2014 – a loss of $698 and $64,756) respectively). The higher volatility and reduced value of the Canadian dollar during the period contributed to the variations.

Selected Annual Information

All amounts in US$ presented under IFRS	**2015**	**2014**	**2013**
Interest income	3,045	39,029	56,764
Share Based Payments	56,720	54,883	897,398
Exploration and evaluation expenditures	257,300	789,087	8,765,694
Comprehensive income (loss) for the year	332,475	(1,852,567)	(15,722,060)
Income (loss) per share, basic and fully diluted	0.03	(0.16)	(0.11)
Total assets	644,610	635,792	45,306,669
Working capital	(541,503)	(1,365,430)	12,096,511

Summary of Quarterly Results (Unaudited)

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

	Fiscal 2014 -2015			**Fiscal 2013 - 2014**
All amounts in US$ presented under IFRS	**Q2 Dec. 31, 2015**	**Q2 Sept. 30, 2015**	**Q1 June 30, 2015**	**Q4 March 31, 2015**
Interest income and other	-	127	-	3
Share based payments	10,687	-	6,014	56,559
Exploration and evaluation expenditures	37,715	25,300	64,590	31,339
Comprehensive income (loss)	(56,288)	1,952,418	(116,072)	753,336
Income (loss) per share, basic and fully diluted	0.00	0.15	0.01	0.06
Total assets	1,680,299	1,872,962	589,367	644,610
Working capital	899,747	666,987	(767,820)	(551,503)

	Fiscal 2014 -2015			**Fiscal 2013 - 2014**
	Q3 Dec. 31, 2014	**Q2 Sept. 30, 2014**	**Q1 June 30, 2014**	**Q4 March 31, 2014**
Interest income	2,868	174	-	3,350
Share based payments	9,571	-	(9,410)	1,568
Exploration and evaluation expenditures	15,167	186,683	24,111	479,747
Comprehensive income (loss)	(169,296)	(133,194)	(118,371)	6,778,968
Income (loss) per share, basic and fully diluted	(0.01)	(0.01)	(0.01)	0.58
Total assets	9,041,528	9,308,113	9,481,330	635,792
Working capital	(37,565)	151,576	202,780	(1,365,430)

<u>Interest Income</u>

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

Net Loss

Net loss varies based on normal corporate expenditures and certain periodic expenses, such as stock based compensation and gains on the sale of marketable securities. Stock-based compensation varies with the timing of vesting of option grants. A gain on sale of marketable securities is recorded when a sale occurs.

Working Capital

Working Capital for all quarters presented above decreased due to exploration and administrative costs, and increased when assets were sold, recorded as held for sale, or when debt settlements occurred.

Capital Expenditures

During the nine month period ended December 31, 2015 and the year ended March 31, 2015, the Company incurred net expenditures of $5,667 (March 31, 2015 - $206) for additions to fixed assets in various categories.

As a result of the change in accounting policy with respect to the capitalization of exploration expenditures, no capital expenditures were recorded by the Company during the period.

Financing Activities

During the nine month period ended December 31, 2015 and the year ended March 31, 2015, no options were exercised.

There were no securities transactions during the nine month period ended December 31, 2015. During the year ended March 31, 2015, the Company undertook a share consolidation, option cancellation and subsequent stock option issuance, and a shares for debt transaction as described in the financial statements for the year. 775,000 options were issued during the year ended March 31, 2015, and 8,990,500 previously issued options were cancelled.

Liquidity and Capital Resources

The Company's aggregate operating, investing and financing activities for the nine month period ended December 31, 2015 resulted in a cash increase of $336,668 (2014: an increase of $7,725). As at December 31, 2015, the Company's cash and cash equivalents balance was $456,609 (March 31, 2015: $119,941) and the Company had a working capital of $899,747 (March 31, 2015: $551,503).

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

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

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

The Company has a lease expiring August 31, 2016 for office space occupied by its head office.

Future minimum payments under the operating lease as at the end of the indicated periods are as follows:

	March 31, 2015 (Canadian $)
Within one year	$ 83,303
After one year but no more than two years	34,710
More than two years	-
	$ 118,013

Transactions with Related Parties

Key Management Compensation

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

The following related party transactions were incurred:

	Three months ended December 31,		Nine months ended December 31,	
	2015	**2014**	**2015**	**2014**
Management fees and salaries	$ 26,888	$ 30,112	$ 84,285	$ 99,045
Share based payments	$ 8,963	$ 7,778	14,007	15,142
	$ 35,851	**$ 37,890**	**$ 98,292**	**$ 114,187**

Management fees are payable in Canadian dollars, and are translated to US dollars above at applicable exchange rates for the period, accordingly the amount of the expense recorded and the accrual amounts varies according to applicable foreign exchange rates. During the nine month period ended December 31, 2015 and the year ended March 31, 2015 the Company continued to accrue management fees. Unpaid and accrued management fees as at December 31, 2015 and March 31, 2015 were $133,826 (March 31, 2014: $88,976).

Off Balance Sheet Arrangements

To the best of management's knowledge, there are no other off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the company.

Critical Accounting Estimates and Changes in Accounting Polices

Effect of Change in Accounting Policy

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

This change in accounting policy has been applied retrospectively. See Note 3 to the quarterly financial statements.

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

Exploration and evaluation rights to explore

All direct costs related to the acquisition of rights to explore mineral property interests are expensed in the Statement of Comprehensive Loss in the period acquired until such time as it has been determined that a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment.

Exploration and evaluation expenditures

Exploration and evaluation expenditures are charged to operations in the year incurred until such time as it has been determined that a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated reserves as the depletion base.

During the year ended March 31, 2015, the Company applied the accounting policies referred to in Note 4 of the annual audited financial statements as of March 31, 2015 on a consistent basis with the previous year. The reader is referred to those notes for a detailed discussion of the Company's accounting policies.

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

The estimates and assumptions of the Company are set out in Note 5 to the annual audited Consolidated Financial Statements as of and for the year ended March 31, 2015, which are incorporated herein by reference. The reader is referred to those statements for a detailed discussion of the accounting policies. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Future accounting changes

The Company did not adopt any new or amended standards for the year beginning April 1, 2014 that had a material impact on the consolidated financial statements. The following new standards, amendments to standards and interpretations have been issued but are not effective during the period ended March 31, 2015.

- IFRS 15 - Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15 effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company is currently evaluating the impact the final standard is expected to have on the Company’s consolidated financial statements; however, as the Company currently has no operating revenues, this is not anticipated to be significant.

- IFRS 9 - Financial Instruments

IFRS 9 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, 2018. The Company is in the process of evaluating the impact of this standard.

- IFRS 2 Share-Based Payments

IFRS 2 clarifies the definition of a vesting condition and separately defines performance and service condition. The standard is effective for annual periods beginning on or after July 1, 2014. The Company is in the process of evaluating the impact of this standard.

- IAS 24 Related Party Disclosures

IAS 24 Related Party Disclosures requires a reporting entity to include as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity. The standard is effective for annual periods beginning on or after July 1, 2014. The Company is in the process of evaluating the impact of this standard.

Financial Instruments

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

- Market Risk
- Credit Risk
- Liquidity Risk

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

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

General Objectives, Policies and Processes:

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

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

- **Market Risk**

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

- **Foreign Currency Risk**

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company has significant exposure to foreign exchange rate fluctuation. The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in US dollars. The Company has not entered into any foreign currency contracts to mitigate this risk. The Company holds balances in Canadian dollars which could give rise to exposure to foreign exchange risk. Sensitivity to a plus or minus 10% change in the foreign exchange rate of the US dollar to the Canadian dollar would affect the reported loss and comprehensive loss by approximately $5,633 (March 31, 2015: $29,673) as detailed below:

Canadian Dollar Denominated Balances	**December 31, 2015**	**March 31, 2015**
Cash	$ 146,294	$ 26,038
Securities held for trading	7,420	14,622
Available for sale securities	6,317	14,208
Accounts payable	(216,358)	(351,599)
	(56,327)	(296,731)
10% change in exchange rate impact	**$ 5,633**	**$ 29,673**

- **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 December 31, 2015 and March 31, 2015 relating to cash and cash equivalents of $456,609 and $119,941 held in deposits at a Canadian chartered bank. The Company considers this credit risk to be minimal for all cash and cash equivalent assets based on changes that are reasonably possible at the reporting date.

- **Liquidity Risk**

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

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

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

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

Accounts payable and other liabilities	**Up to 3 months**	**Between 3 and 12 months**	**Between 1 and 2 years**	**Over 5 years**	**Total**
December 31, 2015	$ 601,051	$ -	$ -	$ -	$ 601,051
March 31, 2015	$ 835,107	$ -	$ -	$ -	$ 835,107

Determination of Fair Value:

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

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

Fair Value Hierarchy:

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The available-for-sale securities are based on quoted prices and are therefore considered to be Level 1. Held for trading securities are considered to be Level 3. The fair value of the warrant liabilities are determined with the use of a fair value pricing model and are determined to be Level 3 liabilities.

Outstanding Share Data

As of December 31, 2015 and the Report Date, the following table summarizes the outstanding share capital of the Company:

	December 31, 2015	**Report Date**
Common Shares	13,472,378	13,472,378
Stock Options	775,000	775,000
Warrants	428,571	428,571
Total, Fully Diluted	**14,675,949**	**14,675,949**

Risks and Uncertainties

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

Operational risks include: the Company may not be able to find and develop reserves economically, the Company cannot guarantee title to its properties, the Company may have difficulty in marketing production and services, the Company must manage changing governmental law and regulations, the Company may have difficulty in hiring and retaining skilled employees and contractors, there are significant risks and hazards related to mining that are beyond the Company's control, there is no assurance that the Company will acquire additional mineral properties and any acquisitions may expose the Company to new risks, and the mining industry is intensely competitive for the acquisition of new properties, access to capital and hiring of skilled personnel. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations.

Financial risks include commodity prices, interest rates and fluctuating foreign exchange rates, all of which are beyond the Company's control. Additional financial risks are the Company's ability to raise capital to continue funding its operations.

Regulatory risks include the possible delays in getting regulatory approval to, and permits for, the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

Events after the reporting period

The Company has evaluated its activities subsequent to December 31, 2015 and has determined that there are no material events to be reported.