Management Discussion and Analysis of Financial Position and Results of Operations for the Three Month Period ended June 30, 2013

This report is dated August 14, 2013.
(The "Report Date")

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Introduction

The following information should be read in conjunction with the unaudited condensed consolidated interim financial statements of Evolving Gold Corp. ("Evolving" or the "Company") for the three month period ended June 30, 2013 and the audited consolidated financial statements for the year ended March 31, 2013.

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 - Inactive)

Note 3 of the consolidated financial statements at March 31, 2013, describes all of the Company's significant accounting policies and a description of changes made during the 2013 fiscal year is included therein. During the current fiscal year, the Company's critical accounting estimates and significant accounting policies have remained substantially unchanged. ***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

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. 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. This Management's Discussion and Analysis is intended to supplement and complement the consolidated financial statements and notes thereto for the year ended March 31, 2013 (collectively the "Financial Statements"). Readers are encouraged to review both these Financial Statements as well as the audited financial statements of the Company for the year ended March 31, 2012 in conjunction with your 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. 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 and the Company traded on the Canadian Trading and Quotation System Inc. (the "CNQ") under stock symbol "CNQ: GOLD" from June 14, 2004 until June 13, 2007 when it began trading on the Canadian TSX Venture Exchange under the symbol TSX-V: EVG. Effective November 3, 2008 the Company graduated to become a Tier I issuer on this exchange and eventually was named as one of the

top ten mining companies on the TSX-V and a member of the TSX Venture 50. Since August 13, 2007 the Company has also been listed on the Frankfurt Stock Exchange under the symbol "EV7" in order to provide easier access for European investors.

On December 7, 2010 the Company announced that it had received approval to list its common shares on the Toronto Stock Exchange (TSX) and continues to trade on this exchange under the stock symbol T:EVG.

Effective July 28, 2005 shares of the Company were also traded on the NASD.OTCBB exchange in the United States under the stock symbol OTCBB: EVOGF" but in fiscal 2009 the Company voluntarily applied to cease trading on this exchange. On May 4, 2011, the Company was quoted on the OTCQX board under the symbol EVOGF.

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, most notably on its advanced discovery properties at Carlin-Humboldt, Nevada and at Jake Creek, Nevada.

The Company also has a significant advanced discovery property at Rattlesnake Hills, Wyoming. The reader is referred to the section entitled 'Rattlesnake Plan of Arrangement and Sale' below for a detailed discussion of the Company's plans for this project.

Changes in Management, Directors, and Corporate Activities

On November 14, 2013, Robert W. Barker resigned as a director of the Company.

Other than the resignation of Dr. Barker, there have been no changes to management and directors since our last year end.

Due to the difficult financial markets for mining companies generally, the Company initiated a plan to potentially 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 held for sale.

On July 2, 2013 the Company received a notice of default with respect to certain exploration properties in Nevada as a result of the non-payment of installment payments. The Company has ninety days to cure the default. The Company is attempting to re-negotiate the terms of the payments, and is also considering terminating certain non-core properties.

During the quarter, the Company suspended its exploration activities, and has commenced a re-evaluation of its exploration plans generally.

Mineral Properties

Newmont Mineral Properties

General Description

During the year ended March 31, 2008 the Company acquired by staking, approximately 39,200 acres of open land near the town of Battle Mountain, Nevada which Evolving geologists believed might contain previously untested "pieces" of disarticulated Carlin trend rocks. 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 for several prospective gold project areas in Nevada specifically Boulder Valley, Carlin, Cottonwood Creek, Sheep Creeks and Susie Creek.

Susie Creek has not had any activity to date and accordingly no interest in this property has been recorded in Evolving's financial statements. In 2010 the Company informed Newmont that it would no longer pursue its interest in the Sheep Creeks or Cottonwood Creek mineral properties and accordingly the costs associated with these properties were written down to nil in the March 31, 2010 financial statements. In 2012 the Company dropped the Boulder Valley property and similarly wrote the property down to nil in the March 31, 2012 financial statements.

A November 28, 2007 Mineral Lease Sublease and Agreement continues to govern the Company's interest in the Carlin mineral property. Under the terms of this Agreement Newmont would lease or sublease to Evolving its interest in certain lands, unpatented mining claims and fee interests in these areas, subject to a back-in right.

Under the terms of the lease and sub-lease for the Carlin property Evolving would:

- Assume all of Newmont's lease obligations insofar as they pertain to these project areas.
- Incur US$3,500,000 in aggregate exploration expenditures (70% of exploration expenditures to be incurred for direct drilling) within the project area over five years.
- Reimburse Newmont for all payments and filings necessary to keep the properties in good standing.
- Provide semi-annual reports to Newmont for each project area's work program and costs incurred
- After six years, in the event that US$750,000 was not incurred on exploration expenditures during the preceding lease year on any project area, Evolving would pay annual rental on each project area calculated at $10 per acre, escalating by 5% each year, for each project area so defined.
- Pay a 3% to 5% sliding scale net smelter return royalty on production from the 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 Evolving covering all or portions of the project area. Newmont may earn a 51% interest in the joint venture property by expending on the property 200% of the exploration expenditures made by Evolving from the date of the agreement to the date Newmont elects to exercise their 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 Evolving's expenditures on the joint venture property.

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 the property.

If Evolving decides to commence mineral production of any 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 Evolving.

Carlin Mineral Property

Carlin comprises approximately 10,880 acres, made up of a combination of Federal lode claims that were staked or leased by the Company, fee surface and mineral rights acquired or leased by the Company, and earn-in rights to both fee surface and mineral rights, as well as lode claims on Federal lands, held by Newmont.

The Company commenced a diamond drill program on the property on June 7, 2009 to test for favourable stratigraphy on its property in the south end of the Carlin Trend. Results from a vertical hole, CAR-002, included 35.1 m @ 1.21 gpt Au (115 ft @ 0.035 opt Au) starting at 858.0 m and 22.8 m @ 1.11 gpt Au (75 ft at 0.032 opt Au) starting at 1420.4 m. Both intercepts occur in calcareous units favourable for the development of high grade gold mineralization typical of other gold deposits in the highly productive Carlin Trend. The Company subsequently drilled hole CAR-007 approximately 500 m northwest of CAR-002, to a depth of 1,312 m. CAR-007 intersected high grade gold mineralization including 18.3 meters at 11.7 grams per tonne (60 feet at 0.34 opt) gold. Such thickness, grades and depths are comparable to other gold deposits currently being mined underground on the Carlin Trend.

In September, 2010, the Company completed a Titan Magnetic Tellurics (MT) survey over the area around the CAR holes to evaluate the structural controls on the high grade gold values encountered in hole CAR-007. Based on these results, the Company continued to drill structural targets. Hole CAR-010 intersected 10.1 m at 11.09 grams per tonne (gpt) Au starting at 892 m, and a wedge hole, CAR-010.1, intersected 14.7 m at 8.76 gpt Au starting at 885 m. These encouraging results from CAR-010 coupled with the high grade results from CAR-007 confirmed the discovery of a significant, high grade zone of Carlin-style gold mineralization. A lower zone of extensive brecciation and low grade mineralization is blanket style and is currently interpreted as a source reservoir for the high grade gold mineralization in the favorable calcareous stratigraphy.

Holes Car-016 through CAR-019 were short step outs (50 meters maximum to the SE, SW, NE, and NW), designed to test the extent of mineralization around CAR-007 and CAR-010. Drilling has identified a zone of high grade, open and thickening to the East/Southeast with the base of mineralization dipping steeply in this direction. The top of the mineralization appears to be lying relatively flat and coinciding with an internal fold structure within the carbonate package dipping shallowly to the East/Southeast.

To follow up on results in hole CAR-002 the Company re-entered this hole in March, 2011, to drill a series of wedge holes. Results from these wedges include 15.7 m at 5.08 gpt Au in hole CAR-002.3.1 starting at 921 m. This wedge indicated the discovery of a new elevated grade zone in the vicinity of hole CAR-002

Long intervals of gold mineralization have identified a large footprint for this gold system with total drilling outlining a 1,000m by 600m Carlin-style gold system that is open in all directions. High grade

gold mineralization has been identified in two zones within what is identified by the Company as the Arch Zone or Arch target.

On November 14, 2012 the Company announced high grade gold intersections in drill holes CAR-016.2 and CAR-021 at its Arch target. Drill hole CAR-016.2 intersected 9.4 meters at 12.51 grams per tonne gold (30.8 ft at 0.365 opt Au), which included 3.4 meters at 28.22 grams per tonne gold (11.2 ft at 0.824 opt Au). Drill hole CAR-021 intersected an upper interval of 27.7 meters at 4.97 grams per tonne gold (90.9 ft at 0.145 opt Au) including 7.6 meters at 11.34 grams per tonne gold (24.9 ft at 0.331 opt Au), and a lower interval of 10.2 meters at 17.92 grams per tonne gold (33.5 ft at 0.523 opt Au):

Gold mineralization in both holes is accompanied by decalcification of limestone host rocks, remobilized carbon, fine pyrite and realgar. The high grade zone projects to the east southeast and is open in that direction. The nearby Saddle (*Premier Gold*) and Rain (*Newmont Mining Corp*) deposits, about five kilometers to the south have similar orientation. Evolving Gold geologists believe that this drilling now shows that the Arch Zone high grade mineralization follows a structural corridor along the crest of a pronounced anticline in the underlying rocks and that high grades in hole CAR-002 and its accompanying wedge holes (approximately 700 meters southeast of CAR-007) are related to a similar structure.

On January 17, 2013 the Company announced the continuation of drilling in the extension of high grade gold mineralization at the Arch Zone discovery.

Drill hole CAR-021.2 continued to expand the length of the high grade Arch Zone to the southeast, intersecting multiple intervals of high grade gold: 7.0 meters at 7.87 grams per tonne (gpt) gold that included 0.9 meters at 17.66 gpt gold, 0.4 meters at 18.92 gpt gold, and 1.5 meters at 11.32 gpt gold, followed by 1.5 meters at 20.59 gpt gold, and followed further by 2.7 meters at 14.62 gpt gold.

These high grade gold intervals were distributed over a down hole length of approximately 139 meters, significantly longer than the 60-90 meters in other nearby drill holes.Drill hole CAR-021.2 expands one of two high grade zones in the Arch Zone to approximately 100 meters north-south and east-west. The strike direction of this high grade zone is interpreted as northwest-southeast, and it is open in all directions.

In 2010, the company increased its mineral and surface rights within the Carlin Project as follows:

- 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 US$2,000 per applicable acre. The agreement can be terminated by Evolving upon thirty days written notice and can be extended if certain conditions are met including providing compensation for surface area disturbance.

- On March 29, 2010 the Company signed a purchase option and royalty reservation agreement for a 50% undivided fee mineral interest in additional lands on the Carlin property in exchange for cash of $10,000, cash of $190,000 paid on completion of due diligence and the issue of non-interest bearing promissory notes for $1,200,000 payable in annual $300,000 instalments commencing May 27, 2011. The Company will be committed to pay up to 1.0% NSR on production.

- On April 13, 2010 the Company signed an additional option 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 of due diligence and the issue of promissory notes for $2,200,000 payable in annual $550,000 instalments, commencing August 10, 2011. The Company will be committed to pay up to 1.0% NSR on production. During the year, the Company renegotiated the terms of the Carlin Property promissory note to a $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.

- 8 Additional unpatented lode claims were staked, amounting to approximately 150 acres.

- Additional agreements that increased surface and mineral rights affecting both the Carlin Project and Humboldt Project are described below.

- On July 2, 2013 the Company received a notice of default with respect to certain fee mineral lands in the Carlin Mineral Property. The Company has ninety days to cure the default, and the Company is examining these land holdings. The Company expects that it will terminate certain non-critical and non-core property holdings.

Humboldt Property

The Humboldt property lies adjacent to the Carlin project. It is 100% controlled by Evolving Gold and is not subject to any terms of the Newmont agreement described above. This land package is one of the largest land holdings in the Carlin Trend. The Company carried out an aggressive exploration program on the Humboldt property in calendar 2010, including geophysics, mapping and drilling, and has generated numerous drill targets many of which are still untested by drilling. One hole, EHB-002, completed in early September, 2010 to a depth of 1,310 m, encountered favourable stratigraphic host rocks similar to those encountered in the CAR holes on the Company's Carlin property approximately 4.5 km northwest. Anomalous gold, arsenic and antimony were encountered between 1,115-1,150 meters. Two reverse circulation pre-collars were drilled in the western part of the property in late 2010. A core tail, FC-001, was completed on one of these pre-collars on June 16, 2011 to a depth of approximately 680 meters, but it did not reach its target depth of 1000 m and terminated in rocks above the prospective host horizon.

In 2010, the company increased its mineral and surface rights within the Humboldt Project.

- On March 29, 2010 the Company signed a purchase and royalty reservation agreement for a 50% undivided fee interest in additional mineral lands on the Humboldt property in exchange for cash paid of $15,000, cash of $285,000 paid on completion of due diligence, and the issue of non-interest bearing promissory notes for $2,800,000 payable in annual $700,000 instalments, commencing May 27, 2011. The Company will be committed to pay up to 1.0% NSR on production. Subsequent to year end the Company paid the first promissory note 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 promissory notes for $1,800,000 and $3,200,000 payable in

annual $450,000 and $800,000 instalments respectively, commencing August 10, 2011. The Company will be committed to pay up to 1.0% NSR on production Subsequent to the quester end, the Company agreed with the vendor to postpone the August 10, 2011 payment by six months in return for a payment of $150,000.

- In 2009 and 2010 Evolving staked 602 unpatented lode claims within the Humboldt project

During the 2010, the Company re-negotiated the terms of the Humboldt Property promissory notes 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.

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.

3) On July 2*, 2013 the Company received a notice of default with respect to certain fee mineral lands in the Carlin Mineral Property. The Company has ninety days to cure the default, and the Company is examining these land holdings. The Company expects that it will terminate certain non-critical and non-core property holdings.

<u>Carlin and Humboldt Properties</u>

Additional agreements that increased surface and mineral rights affecting both the Carlin Project and Humboldt Project are described below.

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 within the Carlin Project.

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 on October 26, 2010 (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 ($20,000 paid)
  - $ 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 to obtain access to drill over fee ground within the Carlin and Humboldt project areas 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 one-time 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 costs have been allocated to each of the Carlin and Humboldt properties.

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 costs 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.

The Carlin Property and the Humboldt Property warrant further exploration based on proximity to other Carlin-style gold deposits, the presence of Paleozoic host rocks that are favorable for hosting Carlin-style gold mineralization, the presence of numerous untested geophysical anomalies, and the positive drill results to date.

Due to market conditions and the difficulty of raising funds in these conditions, an exploration budget has not been proposed. Current work focuses on reworking existing data and targeting for upcoming exploration and marketing. A program to follow up on recent high grade intercepts on Carlin with 3 full

hole tests and 3-5 wedges and test the Eastern expression of mineralization around CAR-002 with a further 2 holes would require approximately $5 million.

Work done to date will allow the Company to hold the core property assets for payments of approximately $ 35,000 on an annual basis, with work carried forward to cover the annual work requirements of the agreement with Newmont.

Jake Creek Mineral Property

In late December, 2007 the Company acquired by staking approximately 435 claims totalling approximately 8,900 acres 6 kilometres east of Twin Creeks mine in north-central Nevada. A mercury vapour 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. Hole JC-005 intersected 45.7 meters at 0.97 gpt Au, including 28.9 meters at 1.33 gpt Au, and 1.5 meters at 11.3 gpt Au in the volcanic units. Anomalous gold and alteration continued into the underlying Paleozoic sedimentary units. 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.

On June 28, 2012 the Company released a 43-101 report on the property prepared by Gustavson Associates, an independent consulting company.

Rattlesnake Hills Mineral Property

In July, 2007, the Company entered into a Letter of Intent with Golden Predator Mines, Inc. and Golden Predator Mines (US) 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.

An amended and restated Option Agreement was signed on December 11, 2007 between GPM and BMM. In January, 2008 a Letter of Agreement was signed to formalize the terms by which BMM would assign its interest in the underlying option agreement between itself and Golden Predator in exchange for a cash payment of $200,000 (paid) and the issue of 400,000 shares (issued).

Also in January, 2008 Evolving signed a property option agreement with GPM. Pursuant to the terms of this Agreement Evolving subsequently acquired its interest in the property option in exchange for the issue of 3,000,000 shares over approximately a two year period. As part of the agreement GPM retains a 0.5% net smelter return royalty ("NSR") with respect to the property. Evolving had the option to purchase one-half of the NSR royalty for $ 375,000, reducing the royalty to 0.25%, however this option has expired. The property is currently subject to a 4% production royalty payable to the underlying owners.

The production royalty is equal to the gross proceeds less all milling, smelting, refining, treatment and other processing costs. A finder's fee was paid by the issue of 75,000 shares in connection with this transaction.

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 C$1,000,000 and an additional 1,234,578 units were issued as part of the November, 2009 private placement for proceeds of C$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 issue have expired.

Subsequent to entering into the Rattlesnake Hills Option Agreement and the Rattlesnake Hills Letter Agreement, the Company acquired, through staking and filing lode mining claims an additional 10,700 acres thereby increasing its total Rattlesnake Hills Property land position to approximately 14,500 acres.

The Rattlesnake Hills area is host to an alkaline volcanic center comprised of over 40 intrusions and diatremes and gold is closely associated with these alkaline volcanic and intrusive rocks. The Rattlesnake Hills project has been the focus of an extensive drill campaign by the Company designed to test three sizeable targets evident on the property. The Phase One drilling began on June 21, 2008, with 6,524 m (21,405 feet) of drilling in fifteen holes. Assay intervals of significance include 146 m grading 2.92 gpt Au (480 ft @ 0.085 opt Au) including 27.4 m grading 5.98 gpt Au (90 ft @ 0.175 opt Au) in hole RSC-003, 131 m grading 2.84 gpt Au (430 ft @ 0.083 opt Au) in hole RSC-007 and an aggregate composite interval of 360 m grading 0.90 gpt Au (1180 ft @ 0.026 opt Au) in hole RSC-012 (North Stock target). An interval of 36.5 m grading 1.46 gpt Au (120 ft @ 0.043 opt Au) including 9.3 m grading 3.21 gpt Au (30 ft @ 0.094 opt Au) was also encountered in hole RSC-001 in the Antelope Basin target.

Phase 2 drilling began May 22, 2009, and the Company intersected a high grade interval of 67 m grading 10.8 gpt in hole RSC-20. During 2009 the Company drilled total of approximately 29,500 m in 78 holes. Assay results for Phase 2 drilling included 175.3 m grading 1.86 gpt Au (575 ft @ 0.054 opt Au) in hole RSC-039, 141.7 m grading 1.56 gpt Au (465 ft @ 0.046 opt Au) in hole RSC-041 and 158 meters grading 2.64 gpt Au (520 ft @ 0.077 opt Au) in hole RSC-089 for the North Stock target. Drilling intersected a new zone of gold mineralization associated with a trachytic porphyry dike swarm southeast of the diatreme complex. At Antelope Basin, hole RSC-019 intersected 163.1 m grading 1.25 gpt Au (535 ft @ 0.037 opt Au) and hole RSC-042 intersected 76.2 m grading 1.70 gpt Au (250 ft @ 0.050 opt Au).

Beginning in June, 2010, the Company commenced a third diamond drill program, completing 25,600 m in 63 drill holes. Approximately 35% of the 2010 drilling targeted new areas including deep porphyry style mineralization. Additional significant results from 2010 included 161.5 m at 1.84 gpt Au in hole RSC-126 and 313 m at 1.94 gpt Au in hole RSC-145.

On June 24, 2011 the Company entered into a definitive Joint Venture and Subscription agreement with Agnico-Eagle Mines Limited and its operating subsidiaries (collectively "Agnico-Eagle") for exploration at its Rattlesnake Hills property. Under these agreements, Agnico-Eagle had the option to earn up to a 70% interest in the Rattlesnake Hills project over a seven year period. Agnico-Eagle was required to fund 100% of the exploration program.

The Joint Venture completed 8,193 m (26,880 ft) of core drilling in 24 holes during 2011. Significant results included extension of the North Stock target to depth and to the south west. Drill hole RSC-160

intersected 282.9 m at 1.08 g/t Au (927.9 ft at 0.031 oz/t), including 39.6 m at 2.57 g/t Au (129.4 ft. at 0.075 oz./t), confirming vertical continuity of gold mineralization to below a depth of 300 meters. Drilling between the North Stock and Antelope Basin gold deposits encountered broad intersections of gold mineralization with the potential to form a connection between the two deposits. The Joint Venture also initiated an extensive surface exploration effort and a district-wide airborne magnetic and radiometric survey.

Drilling during 2011 also identified high grade gold mineralization at a new target at South Stock, including 3.1 m of 9.30g/t Au, identified a new porphyry target at Northeast Stock with intense alteration below cover, expanded the North Stock mineralization, and confirmed the porphyry target, including mineralized stockwork veining and intense potassic alteration between North Stock and Antelope Basin.

During the course of the Joint Venture, the Company partner made $1 million in cash payments to the Company, and funded approximately $3 million of exploration work, including 24 diamond drill holes drilled for approximately 8,000 meters. On June 29, 2012 Agnico-Eagle terminated the joint venture due to economic conditions not related to the property. The Company is actively considering its options for this property, which we believe continues to present the potential for economic deposits.

Surface work, including 371 rock chip samples and 4,175 soil samples covered approximately half of the large land package. This surface work identified eight new, untested gold targets. Follow up prospecting and surface sampling by the Company identified high gold values in two new target areas, including rock chip samples of 1.97 grams per tonne at the Black Jack target, and 3.97, 5.17 and 7.45 grams per tonne gold at the Bald Mountain target. The rock chip gold values at Bald Mountain are the highest grades identified in any surface sampling at Rattlesnake Hills. At Black Jack the gold is associated with strong potassic alteration and occurs as both disseminated and stockwork vein mineralization. At Bald Mountain, the gold is tied to Tertiary breccias and associated faulting with the target partially covered by late, post mineral alluvium. The Company plans to drill test both targets.

On December 18, 2012, an independent 43-101 technical report prepared by David Turner, M.Sc., P. Geo. dated December 13, 2012 was posted to SEDAR.

Work on Rattlesnake Hills during the 2013 field season has focused on surface exploration (soil and rock samples, mapping, and prospecting), reclamation verification and certification, and site improvements at the Casper core shed

Future work on the Rattlesnake Hills Property might include an initial mineral resource estimate, drilling, continued rock chip and soil sampling, and geophysics to search for new targets and sharpen up existing ones.

Rattlesnake Plan of Arrangement and/or Sale Proposals

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 may 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 RMC 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 Rattlesnakes share for $0.30 Cdn per share, for a period of three years from issuance.

The proposed Plan of Arrangement is subject to Toronto Stock Exchange, TSXV, regulatory, court and shareholder approval. Additional details of the proposed arrangement will follow upon completion of definitive documentation and will be described in detail in the information circular to be mailed to shareholders of EVG in connection with the EVG's Special Meeting at which approval by EVG's shareholders of the proposed Plan of Arrangement will be sought.

Subsequent to March 31, 2013, as a result of interest in purchasing the Rattlesnake property by third parties, and reflecting the difficult market conditions existing to date, the Company initiated a plan to potentially 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 held for sale.

The Company has not yet made a final determination as to whether to proceed with the Arrangement or a sale of the project. Such a determination will be made depending on the terms of any potential sale and the nature of the markets at the time, among other factors.

Malone Mineral Property

Description

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 80 unpatented mineral claims covering 665 hectares located in Lordsburg, New Mexico, United States of America in exchange for payment of US$ 20,000 (paid). The agreement is subject to a royalty of 2% of net smelter returns.

Technical Report

An amended technical NI 43-101 report on the Malone property was filed on SEDAR in November, 2007. The report was prepared by Gerald E. Ray, Ph.D. as the qualified person.

Exploration Program

By January 2008, the Company completed detailed mapping, surveying, sampling and a diamond drill program, including 950 meters of shallow drilling in 10 holes. All ten holes encountered significant gold and silver mineralization. Better intercepts included 17.6 m grading 0.48 grams per tonne ("gpt") gold and 41 gpt silver in MAL-04, 5.5 m grading 1.53 gpt gold, and 164 gpt silver in MAL-06, 12.7 m grading 0.58 gpt gold and 57 gpt silver in MAL-07. The Company completed Phase Two drilling in April, 2009 for an additional 2,000 m in eleven holes to test the gold and silver mineralization to depths up to 300 meters. Significant results include 29.0 meters at 0.51 gpt Au and 25.5 gpt Ag (95 ft at 0.015 opt Au and 0.74 opt Ag) in hole MAL-09-003 and 15.3 meters at 0.79 gpt Au and 81.4 gpt Ag (50 ft at 0.023 opt Au and 2.38 opt Ag) in MAL-09-001. A preliminary review indicates that near surface mineralization is of modest potential.

Exploration and evaluation assets as of June 30, 2013

	Carlin	Humboldt	Jake Creek	Malone	**March 31, 2013**
Acquisition costs					
Opening Balance	$ 2,553,789	$ 2,533,445	$ -	$ -	**$ 5,087,234**
Additions	17,502	17,502	-	-	**35,004**
	2,571,291	2,550,947	-	-	**5,122,238**
Deferred exploration costs					
Opening balance	18,634,195	3,746,829	2,393,125	863,716	**25,637,865**
Assays and reports	6,389	-	-	-	**6,389**
Drilling	4,563	-	-	-	**4,563**
Field expenses	33,874	-	-	-	**33,874**
Geological consulting	65,420	-	254	-	**65,674**
Geophysical and geological studies	600	-	-	-	**600**
Staking and recording	38,329	-	-	-	**38,329**
	18,783,370	3,746,829	2,393,379	863,716	**245,787,294**
Reclamation bonds	214,045	-	-	-	**214,045**
Asset retirement obligation	320,273	50,000	30,000	-	**400,273**
Write-down of mineral properties	-	-	-	-	**-**
Property and other payments received	-	-	-	-	**-**
Transfer to assets held for sale	-	-	-	-	**-**
	534,318	50,000	30,000	-	**614,238**
	$ 21,888,979	**$ 6,347,776**	**$ 2,423,379**	**$ 863,716**	**$ 31,523,850**

The Rattlesnake property is not presented in this table as it is classified as an asset held for resale in the financial statements. See Note 7 of the condensed consolidated interim financial statements dated June 30, 2013 for a detailed discussion of this property.

Results of Operations

During the three month period ended June 30, 2013 and 2012 the Company reported a net loss as follows:

	3 month period ended June 30,	
	2013	2012
Loss (income)from continuing operations	$ (135,484)	$ 650,171
Loss for the period	$ (135,484)	$ 650,171
Loss per share from continuing operations	$0.003	$0.02
Comprehensive loss	$ 500,965	$2,134,117

Comprehensive loss for the three month period ended June 30, 2013 and 2012 includes the effects of unrealized losses on available for sale securities of $636,449 (2012: $1,483,946).

During the quarter, the Company recognized a gain on the change in the fair value of the warrant liability of $362,663 (2012: $nil).

Most expenses during the three months ended June 30, 2013 were down from the previous comparative quarter, due to the generally lower activities of the Company and our focus on reducing expenditures. The most significant variations are:

- Accounting and audit expense of $50 (2012 - $6,322) primarily reflects the timing of invoicing and the reduction in outside services used in the quarter compared to the previous year;
- Depreciation of $16,747 (2012: $26,203) reflects the lower assets base due to office closures in 2013, as well as the more fully depreciated nature of certain assets;
- Bank charges and interest of $1,543 (2012 - $973) reflects higher fees related to services used;
- Consulting expense of $4,886 (2012 - $13,861) reflects the continuing reduction in consulting agreements and third party service providers.
- Directors fees of $nil (2012 - $24,599) reflect the board decision to suspend paying board fees due to market conditions;
- Legal expense of $3,404 (2012 – $15,640) reflects a reduction in legal activities in the quarter;
- Management fees of $78,990 (2012 – $86,634) are comparable quarter to quarter. Note that management fees are being accrued and not paid, and are reflected in accounts payable at this time;
- Office, rent and salaries expense of $83,498 (2012 - $225,156) indicate the reduction in staffing and the full effect of the closure of the Longmont Colorado office, as well as generally lower costs;
- Promotion and advertising of $nil (2012 – $1,713) and Travel of $2,446 (2012: $57,877) reflects our efforts to reduce expenditures in this difficult market;
- Stock-based payments of $nil (2012 - $7,238) represents non-cash charges incurred in connection with the granting of stock options, options granted in prior periods and vesting during the period, calculated using the Black Scholes option valuation model. There were no options vesting during the quarter. The last vesting of previously issued options will occur in Q2 of the current year.;

- Transfer agent and filing fees of $48,561 (2012 - $18,392) reflect charges for the shareholders meeting held in early April regarding the proposed Rattlesnake spin-out;
- A loss of $16,466 (2012 – $179,685) was recorded with respect to foreign exchange, as a result of the volatility of the Canadian dollar versus the US dollar in 2012 compared to a relatively more stable 2013; and
- Interest and other income of $29,412 (2012 - $29,987) was primarily due to a fee received from a third party this quarter, not interest which was minimal. In 2012 the income was predominantly interest.

Selected Annual Information

All amounts in US$ presented under IFRS	**2013**	**2012**	**2011**
Interest income	56,764	61,507	145,627
Gain on sale of marketable securities	-	4,084,065	-
Share Based Payments	897,398	1,146,031	2,412,121
Write-down of Exploration Costs	-	1,588,118	2,438,567
Net loss for the year	15,722,060	788,633	6,557,433
Loss per share, basic and fully diluted	0.03	0.04	0.05
Total assets	45,306,669	56,071,811	53,713,953
Deferred exploration expenditures (net of write downs and proceeds received)	31,505,645	45,833,701	38,259,638
Working capital	12,096,511	8,606,925	10,499,122

Summary of Quarterly Results (Unaudited)

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

	Fiscal 2013-2014	**Fiscal 2012 -2013**		
All amounts in US$ presented under IFRS	**June 30, 2013**	**March 31, 2013**	**December 31, 2012**	**September 30, 2012**
Interest and other income	29,412	29,274	12,252	13,873
Gain (loss) on marketable securities	(636,449)	(606,755)	(132,341)	(164,643)
Share based payments	-	(153,002)	-	(400,686)
Write-down of Exploration Costs	-	11,110,245	(11,110,245)	-
Net Income (Loss)	135,484	(2,736,278)	(11,237,545)	(726,695)
(Loss) earnings per share, basic and fully diluted	0.003	-	(0.08)	(0.01)
Total assets	44,456,855	45,306,669	45,086,166	56,871,873
Incurred deferred exploration expenditures (net of write downs and proceeds received)	128,936	295,939	1,963,744	2,503,355
Working capital	11,228,966	12,096,511	(277,069)	3,326,782

	Fiscal 2012 -2013	**Fiscal 2011-2012**		
	June 30, 2012	**March 31, 2012**	**December 31, 2011**	**September 30, 2011**
Interest	1,365	7,421	7,505	15,656
Gain (loss) on marketable securities	(1,448,361)	4,084,065	-	-
Share based payments	(343,710)	(452,562)	572,538	(994,544)
Write-down of Exploration Costs	-	(8,341)	(1,579,777)	-
Net Income (loss), continuing operations	(1,021,542)	4,231,617	(897,507)	(972,461)
(Loss) earnings per share, basic and fully diluted	(0.03)	0.04	(0.02)	(0.02)
Total assets	53,928,544	56,071,811	58,751,204	61,640,775
Deferred exploration expenditures (net of write downs and proceeds received)	3,671,924	2,140,277	1,553,064	1,130,145
Working capital	2,760,862	8,606,925	8,605,503	11,090,280

Diluted calculations have not been provided due to the anti-dilutive effect of outstanding stock options and warrants. The table above has been modified to present amounts calculated under IFRS and US dollar reporting requirements only for the periods so noted.

Interest Income
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, the write-down of exploration expenditures and gains on the sale of marketable securities. Stock-based compensation varies with the timing of vesting of option grants. A write-down of exploration expenditures is recorded when the Company determines that a property no longer has any exploration merit. 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, except for Q4 of 2013 and Q1 of 2014 where the increase is attributable to the asset held for sale. However this decrease in working capital for all quarters was offset or compensated by proceeds received on shares issued in private placements or on conversion of warrants and exercise of options.

Capital Expenditures

During the three month period ended June 30, 2013, the Company paid $35,004 in cash with respect to the land acquisition of the Carlin and Humboldt mineral properties. In addition Evolving incurred $267,641 in deferred exploration expenses relating to its various mineral property interests and recovered $138,705 in previously paid bonds with respect to exploration projects. During the period, the Company also incurred expenditures of $nil for additions to fixed assets in various categories.

Financing Activities

During the three month period ended June 30, 2013, no options were exercised, and the Company completed no financings. Certain available for sale securities were sold for proceeds of $176,190 (2012: $1,190,706).

Liquidity and Capital Resources

The Company's aggregate operating, investing and financing activities for the three month period ended June 30, 2013 resulted in a cash decrease of $37,118 (2012: $3,125,444). As at June 30, 2013, the Company's cash and cash equivalents balance was $92,398 and the Company had working capital of $11,228,966. (March 31, 2013: $12,096,511).

The Company has not as 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 under its property option agreements 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. With respect to the Newmont Properties, it will be obligated to expend a total of US$3,500,000 in exploration expenditures on each of the Boulder Valley and Carlin mineral exploration project areas with aggregate exploration expenditures of US$7,000,000 staged over five years. At the Report Date it is anticipated that this amount has already been incurred. A further US$3,500,000 may also be required to be incurred if certain conditions are achieved with respect to the Susie Creek mineral property. The Company also will be required to commit some funds and personnel to the Rattlesnake mineral property as a result of the dissolution of the joint venture; however this amount is not yet quantified. The Company could also be obligated to pay over the next five years up to US$5,000,000 with respect to the Humboldt property, and up to US$3,400,000 with respect to the Carlin property.

Other than some advance royalty payments required with respect to its mineral properties 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.

In August 2011 the Company signed an agreement to lease new head office space. The term of the agreement is for five years, commencing September 1, 2011 and ending August 31, 2016. The Company has committed to lease payments as follows:

2013	79,935
2014	80,600
2015	82,597
2016	83,928
2017	55,952
	$ 383,012

Transactions with Related Parties

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 three month period ended June 30, 2013, the Company incurred share-based payment charges for its key management totaling $nil (2013: $650,204), in addition to the following:

	Three month period ended June 30, 2013	Year ended March 31, 2012
Consulting fees	$ -	$ 71,832
Directors fees	-	99,618
Management fees	78,990	572,055
Office rent	-	-
	$ 78,990	**$ 743,505**
Accrued management fees included in accounts payable	$ 76,791	$ -

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

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 in detail in Note 4 to the March 31, 2013 financial statements. To management's knowledge, there has not been any material change to these judgments.

Future Accounting Changes – Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that a mandatory for accounting years beginning after April 1, 2013 or later years. The reader is referred Note 3of the financial statements dated March 31, 2013 for the complete presentation of futu accounting changes.

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.

Financial Instruments

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

- Market Risk
- Credit Risk
- Liquidity Risk

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 $10,897 (March 31, 2013: $9,964) as detailed below:

Canadian Dollar Denominated Balances	**June 30, 2013**	**March 31, 2013**
Cash	77,098	129,517
Available for sale securities	472,101	1,261,134
Accounts payable	(685,172)	(1,291,010)
	(108,973)	99,641
10% change in exchange rate impact	**$ (10,897)**	**$ 9,964**

- **Credit Risk**

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

  The carrying amount of financial assets represents the maximum credit exposure. The Company has gross credit exposure at June 30, 2013 and March 31, 2013 relating to cash and cash equivalents of $92,398 and $129,517 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 strives to ensure 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
June 30, 2013	$1,313,285	$ -	$ -	$ -	$1,313,285
March 31, 2012	$1,291,010	$ -	$ -	$ -	$1,291,010

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.

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 June 30, 2013 and the Report Date, the following table summarizes the outstanding share capital of the Company:

	March 31, 2013	**Report Date**
Common Shares	156,589,000	156,589.000
Stock Options	9,999,000	9,999,000
Warrants	17,194,000	17,194,000
Total, Fully Diluted	**183,782,000**	**183,782,000**

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.

Disclosure controls and procedures and internal controls over financial reporting

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, engaged external consultants to evaluate the effectiveness of the Company's disclosure controls and procedures (as defined in the rules of the Canadian Securities Administrators ("CSA") as at March 31, 2011 and 2012, and have concluded that such disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under Canadian securities laws is (i) recorded, processed, summarized and reported within the time periods specified in Canadian securities laws and (ii) accumulated and communicated to the Company's management to allow timely decisions regarding required disclosure.

Management is also responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management has engaged external consultants, who used the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") control framework to evaluate the effectiveness of the Company's internal control over financial reporting. As of March 31, 2011 and 2012, management assessed the effectiveness of the Company's internal control over financial reporting and concluded that such internal control over financial reporting is effective and that there are no material weaknesses in the Company's internal control over financial reporting that have been identified by management.

As of the date of this report, management is not aware of any change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. It should be noted that all internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Events after the reporting period

The Company has evaluated its activities subsequent to the quarter end of June 30, 2013 and has determined that there are no material events to be reported, aside from the resignation of Dr. Barker and as disclosed in this report.