

**EVOLVING GOLD CORP.**

(An Exploration Stage Company)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended December 31, 2007

(Prepared without audit)

(Stated in Canadian Dollars)

**EVOLVING GOLD CORP.**  
**NOTICE OF NO AUDITOR REVIEW OF**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**EVOLVING GOLD CORP.**  
 (An Exploration Stage Company)  
**CONSOLIDATED BALANCE SHEETS**  
 (Prepared without audit)  
 (Stated in Canadian Dollars)

	<u>(Unaudited)</u> <u>December 31,</u> <u>2007</u>	<u>(Audited)</u> <u>March 31,</u> <u>2007</u>
<b><u>ASSETS</u></b>		
Current		
Cash and term deposit	\$ 5,311,191	\$ 65,942
GST receivable	32,625	22,046
Other receivables	17,434	-
Prepaid expenses – Note 6	<u>53,760</u>	<u>23,331</u>
	5,415,011	111,319
Equipment – Note 3	198,066	22,543
Mineral properties – Notes 4 and Schedule 1	<u>3,128,506</u>	<u>1,113,875</u>
	<u>\$ 8,741,582</u>	<u>\$ 1,247,737</u>

**LIABILITIES**

Current		
Accounts payable and accrued liabilities – Note 6	\$ <u>571,912</u>	\$ <u>288,995</u>

**SHAREHOLDERS' EQUITY**

Share capital – Notes 4, 5 and 8		
Authorized:		
Unlimited number of common shares without par value		
Issued:		
45,965,885 shares (March 31, 2007: 12,529,842 shares)	12,361,511	2,408,045
Share subscriptions	-	100,000
Contributed surplus – Note 5	2,738,762	427,090
Deficit accumulated during the exploration stage	<u>(6,930,603)</u>	<u>(1,976,393)</u>
	<u>8,169,670</u>	<u>958,742</u>
	<u>\$ 8,741,582</u>	<u>\$ 1,247,737</u>

Commitments – Notes 4, 5, 8 and 9  
 Subsequent Events – Notes 4 and 8

APPROVED BY THE DIRECTORS:

<u>“Robert Bick”</u> Robert Bick	Director	<u>“Donald Gee”</u> Donald Gee	Director
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**EVOLVING GOLD CORP.**  
(An Exploration Stage Company)  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Prepared without audit)  
(Stated in Canadian Dollars)

	For the three months ended December 31,		For the nine months ended December 31,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Administrative expenses – notes 5 and 6				
Accounting	\$ 16,283	\$ 5,455	\$ 53,074	\$ 16,195
Bank charges and interest	1,116	346	4,906	922
Consulting – Note 6	90,751	-	232,698	30,091
Depreciation	19,107	676	33,115	847
Legal	41,065	20,963	108,533	35,456
Management fees – Note 6	71,000	12,494	536,613	49,075
Office and miscellaneous	47,118	9,076	127,629	16,587
Promotion, advertising and travel-Note 6	248,046	5,064	401,779	45,304
Rent – Note 5	15,672	11,250	60,500	25,000
Salaries and employee benefits	36,304	-	67,710	-
Stock-based compensation – Note 5	986,395	-	1,947,695	136,675
Transfer agent and filing fees	10,974	6,281	83,732	16,309
	<hr/>			
Loss for the period before following items	(1,583,831)	(71,605)	(3,657,984)	(372,461)
Write down of mineral exploration expenditures	(1,250,196)	(5,625)	(1,380,690)	(91,996)
Foreign exchange translation gain	20,354	-	3,150	-
Interest revenue	38,934	-	81,313	-
	<hr/>			
Loss for the period and comprehensive loss for the period	(2,774,739)	(77,230)	(4,954,211)	(464,457)
Deficit, beginning of period	(4,155,864)	(1,532,342)	(1,976,392)	(1,145,115)
	<hr/>			
Deficit, end of period	<u>\$(6,930,603)</u>	<u>\$(1,609,572)</u>	<u>\$(6,930,603)</u>	<u>\$(1,609,572)</u>
	<hr/>			
Basic and diluted loss per share	<u>\$(0.06)</u>	<u>\$(0.01)</u>	<u>\$(0.14)</u>	<u>\$(0.04)</u>
Weighted average number of common shares outstanding	<u>44,600,597</u>	<u>12,269,842</u>	<u>35,891,871</u>	<u>11,279,297</u>

**EVOLVING GOLD CORP.**  
(An Exploration Stage Company)  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Prepared without audit)  
(Stated in Canadian Dollars)

	For the three months ended December 31,		For the nine months ended December 31,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Operating Activities</b>				
Net loss and comprehensive loss for the period	(2,774,739)	(77,230)	(4,954,211)	(464,457)
Add items not affecting cash:				
Depreciation	19,107	676	33,115	847
Stock-based compensation	986,395	-	1,947,695	136,675
Write down of mineral exploration	1,250,196	5,625	1,380,690	91,996
Changes in non-cash working capital items related to operations:				
GST receivable	52,986	-	(10,580)	-
Other receivables	(14,172)	(3,184)	(17,434)	(14,089)
Prepaid expenses	8,978	-	(30,429)	-
Accounts payable and accrued liabilities	43,519	74,188	282,917	16,390
	<u>(427,730)</u>	<u>75</u>	<u>(1,368,237)</u>	<u>(232,638)</u>
<b>Investing Activities</b>				
Purchase of furniture and equipment	(82,812)	(10,967)	(208,638)	(18,189)
Deferred exploration costs	(1,240,162)	(139,773)	(2,966,706)	(221,166)
Acquisition of resource properties	-	(12,162)	(28,615)	(106,868)
	<u>(1,322,974)</u>	<u>(162,902)</u>	<u>(3,203,959)</u>	<u>(346,223)</u>
<b>Financing Activities</b>				
Issue of common shares for cash, net of share issue expense	882,781	-	9,817,445	447,725
Increase (decrease) in cash during the period	(867,923)	(162,827)	5,245,249	(131,136)
Cash and cash equivalents, beginning of the period	6,179,114	254,644	65,942	222,953
Cash and cash equivalents, end of the period	<u>\$ 5,311,191</u>	<u>\$ 91,817</u>	<u>\$ 5,311,191</u>	<u>\$ 91,817</u>
Supplemental disclosure of cash flow information:				
Shares issued for share issue expense	\$ 275,800	\$ -	\$ 494,050	\$ 30,000
Contributed Surplus on exercise of stock options	\$ 135,723	\$ -	\$ 135,723	\$ -
Broker warrants issued for financing costs	\$ -	\$ -	\$ 499,700	\$ -
Shares issued for acquisition of mineral property	\$ 400,000	\$ -	\$ 400,000	\$ 184,000
	<u>\$ 811,523</u>	<u>\$ -</u>	<u>\$ 1,529,473</u>	<u>\$ 214,000</u>

**EVOLVING GOLD CORP.**  
(An Exploration Stage Company)  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(Prepared without audit)  
(Stated in Canadian Dollars)

	<u>Share Capital</u>		<u>Share Subscriptions</u>	<u>Contributed Surplus</u>	<u>Deficit Accumulated During the Exploration Stage</u>	<u>Total</u>
	<u>Number</u>	<u>Amount</u>				
Balance, March 31, 2007	<u>12,529,842</u>	<u>\$ 2,408,045</u>	<u>\$ 100,000</u>	<u>\$ 427,090</u>	<u>\$(1,976,393)</u>	<u>\$ 958,742</u>
Issuance of shares						
Pursuant to private placement - at \$0.25	2,350,000	587,500	(100,000)	-	-	487,500
Pursuant to private placement - at \$0.25	12,053,000	3,013,250	-	-	-	3,013,250
Pursuant to conversion of warrants	2,420,543	835,268	-	-	-	835,268
Pursuant to private placement - at \$0.40	14,050,000	5,620,000	-	-	-	5,620,000
Pursuant to exercise of options	500,000	302,223	-	(135,723)	-	166,500
Acquisition of mineral property - at \$0.80	500,000	400,000	-	-	-	400,000
Stock-based compensation charge	-	-	-	1,947,695	-	1,947,695
Share issue expense						
- Cash	-	(305,075)	-	-	-	(305,075)
- Finders fees	1,562,500	-	-	-	-	-
- Finders warrants	-	(499,700)	-	499,700	-	-
Net loss for the period ended December 31, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,954,210)</u>	<u>(4,954,210)</u>
Balance, December 31, 2007	<u>45,965,885</u>	<u>\$12,361,511</u>	<u>\$ -</u>	<u>\$2,738,762</u>	<u>\$(6,930,603)</u>	<u>\$8,169,670</u>

**EVOLVING GOLD CORP.**  
(An Exploration Stage Company)  
**CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES**  
(Prepared without audit)  
(Stated in Canadian Dollars)

Schedule 1

	Description of Mineral Property										
	Winnemucca	Malone	Fisher Canyon	Alpha Butte	Siesta	Rye Patch	Battle Mountain - Sheep Creeks	Rattlesnake	Boulder, Carlin, Cottonwood and Jake Creek	Other	Total
Balance, March 31, 2007	<u>\$ 821,177</u>	<u>\$ 202,613</u>	<u>\$ 20,600</u>	<u>\$ 18,685</u>	<u>\$ 50,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,113,875</u>
Acquisition costs											
Cash	11,288	11,720	-	-	-	-	-	5,607	-	-	28,615
Shares	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,000</u>
	<u>411,288</u>	<u>11,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,607</u>	<u>-</u>	<u>-</u>	<u>428,615</u>
Deferred exploration costs											
Assays and reports	-	5,819	-	-	-	-	-	-	-	-	5,819
Drilling	-	100,798	272,040	-	-	-	585,099	-	-	-	957,937
Field expenses and other	987	39,072	26,091	5,777	22,045	5,107	60,289	8,981	4,960	28,137	201,446
Geological consulting - note 6	2,437	49,512	24,924	12,723	22,038	16,295	63,257	39,145	9,882	43,794	284,007
Geophysical and geological studies	-	-	30,311	16,540	155,880	27,797	95,055	-	15,974	16,500	358,057
Staking and recording costs - note 6	<u>-</u>	<u>139,581</u>	<u>42,069</u>	<u>37,982</u>	<u>282,545</u>	<u>7,171</u>	<u>587,186</u>	<u>-</u>	<u>62,906</u>	<u>-</u>	<u>1,159,440</u>
	<u>3,424</u>	<u>334,782</u>	<u>395,435</u>	<u>73,022</u>	<u>482,508</u>	<u>56,370</u>	<u>1,390,886</u>	<u>48,126</u>	<u>93,722</u>	<u>88,431</u>	<u>2,966,706</u>
Write-down of mineral exploration expenditures	<u>(1,235,889)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,370)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(88,431)</u>	<u>(1,380,690)</u>
Balance, December 31, 2007	<u>\$ -</u>	<u>\$ 549,115</u>	<u>\$ 416,035</u>	<u>\$ 91,707</u>	<u>\$ 533,308</u>	<u>\$ -</u>	<u>\$ 1,390,886</u>	<u>\$ 53,733</u>	<u>\$ 93,722</u>	<u>\$ -</u>	<u>\$ 3,128,506</u>

**EVOLVING GOLD CORP.**  
(An Exploration Stage Company)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the nine months ended December 31, 2007  
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Note 1 Continuance of Operations

Evolving Gold Corp. (the “Company”) was incorporated as 6109527 Canada Ltd. on June 19, 2003, under the Canada Business Corporation Act and is in the business of acquiring, exploring and evaluating mineral properties. On September 30, 2003, the Company changed its name to Evolving Gold Corp. The Company is in the exploration stage and has interests in mineral properties located in Canada and in the United States of America. Effective June 13, 2007 and August 13, 2007, the common shares of the Company were listed on the TSX Venture Exchange (“TSX”) and the Frankfurt Stock Exchange and trade under the symbol EVG and EV7 respectively.

The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain financing to complete their development, and future profitable production or disposition thereof.

Note 2 Summary of Significant Accounting Policies

These interim consolidated financial statements should be read in conjunction with the most recent annual financial statements of the Company. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates, which have been made using careful judgement. Actual results may vary from these estimates.

These interim consolidated financial statements have been prepared by the Company in accordance with generally accepted accounting principles in Canada and have been prepared using the same accounting policies and methods as per the annual financial statements for the year ended March 31, 2007 with the following additions:

Financial instruments – recognition and measurement

The Company has adopted the provisions of the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3855 for financial instruments. Section 3855 requires that all financial assets, except those classified as held to maturity, must be measured at fair value and all financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at cost. The adoption of this policy had no material impact on opening deficit.

Comprehensive income

The Company has adopted the provisions of the CICA Handbook Section 1530 for comprehensive income. Comprehensive income is the change in the Company’s net assets that results from transactions, events and circumstances from sources other than the Company’s shareholders and includes items that would not normally be included in the statement of operations such as unrealized gains or losses on “available for sale” investments. The adoption of this policy had no material impact on opening deficit. For the period ended December 31, 2007, the Company did not have other comprehensive income or loss, therefore comprehensive loss for the period was equal to loss for the period.

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(An Exploration Stage Company)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the nine months ended December 31, 2007  
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(Stated in Canadian Dollars) – Page 2

Note 2 Summary of Significant Accounting Policies (cont'd)

Vehicle, geological field equipment and depreciation

The vehicle and geological field equipment are carried at cost and depreciation is calculated thereon using the straight-line method over the estimated useful life of the assets, being five years and three years respectively.

Foreign Currency Translation

The Company considers its US subsidiary to be an integrated foreign operation and as such the financial statements of the subsidiary are translated using the temporal method. Under this method monetary items of the US subsidiary are translated into Canadian dollars at exchange rates prevailing at the balance sheet date, non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred and revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translation are included in operations.

Note 3 Equipment

	December 31, 2007			March 31, 2007
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Office furniture and equipment	\$ 31,244	\$ 4,351	\$ 26,893	\$ 10,643
Computer equipment	83,368	22,000	61,368	11,900
Geological field equipment	51,623	3,137	48,486	-
Vehicles - exploration	66,740	5,421	61,319	-
	<u>\$ 232,975</u>	<u>\$ 34,909</u>	<u>\$ 198,066</u>	<u>\$ 22,543</u>

Note 4 Mineral Properties – Note 6

a) Winnemucca Property

Pursuant to an option agreement dated December 3, 2004 and amended January 7, 2005, February 25, 2005, April 21, 2005, January 26, 2006, April 27, 2006, June 16, 2006, July 7, 2006, with Golden Sands Exploration Inc. (“Golden”) and its subsidiary company AHL Holdings Ltd. (“AHL”), the company was granted the right to acquire a 100% interest in unpatented mining claims (referred to as Golden Arc claims), located in Humboldt County, Nevada (the “Winnemucca Property”). In addition the Company staked additional unpatented mining claims.

On April 11, 2007, the Company paid US\$10,000 to extend certain terms of the agreement and on October 17, 2007 the Company further amended the option agreement.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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Note 4     Mineral Properties – Note 6 – (cont'd)

Pursuant to an earn-in agreement between the Company and Meridian Gold Inc. (subsequently assigned to Meridian Minerals Corp. (“Meridian”)) dated July 31, 2006, Note 4 the Company agreed to grant Meridian an earn-in to acquire, directly or indirectly, an undivided 70% interest in Evolving’s option to purchase 100% of the right, title and interest in the Winnemucca Claims.

In December 2007, Meridian terminated their earn-in agreement and subsequent to December 31, 2007, the Company decided to terminate its own option agreement with Golden. Accordingly \$1,235,889 in deferred expenditures relating to this property have been written down to nil in the accompanying financial statements.

b) Malone Property

On April 17, 2006 the Company entered into a quitclaim deed and royalty agreement with Newmont North America Exploration Limited whereby the Company was granted all rights, title, estate and interest in unpatented mineral claims located in Lordsburg, New Mexico, United States of America in exchange for payment of US\$ 10,000 (paid) and an additional US\$ 10,000 payable in one year (paid). The agreement is subject to a royalty of 2% of net smelter returns.

c) Battle Mountain – Sheep Creeks Property

The Sheep Creeks project area currently consists of approximately 10,500 acres of Newmont held surface and mineral rights together with approximately 38,000 acres of open land near the town of Battle Mountain, Nevada which the Company acquired by staking.

In September, 2007 the Company signed a Letter of Intent to enter into an agreement with Newmont USA Limited, Newmont Capital Limited and Elko Land and Livestock Company (collectively “Newmont”) concerning an exploration partnership on this and four other prospective gold project areas in Nevada (three of which are now referred to as Boulder Valley, Carlin, and Cottonwood Creek.) Under the terms of this letter 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 proposed lease and sub-lease Evolving would:

- Assume all of Newmont’s lease obligations insofar as they pertain to these project areas
- Incur \$200,000 in four of these project areas and aggregate exploration expenditures (70% of exploration expenditures to be incurred for direct drilling) of \$3,500,000 within each of the five project areas over five years.

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Note 4 Mineral Properties – Note 6 – (cont'd)

c) Battle Mountain – Sheep Creek Property – (cont'd)

- 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, the year end report to be delivered by February 1 of the following year.
- Pay after six years annual rental on each project area, if \$750,000 was not incurred on exploration expenditures during the preceding lease year on that project area. Annual rental would be calculated at \$10 per acre, escalating by 5% each year, 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%

After one year Newmont can elect to terminate the agreement and enter into one or more joint venture agreements with Evolving covering all or portions of each 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.

Evolving will have the right to provide sixty day written notice at any time after making a total of \$200,000 in exploration expenditures on each project area to surrender the agreement as to all or any part of these properties.

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.

d) Boulder Valley, Carlin, Cottonwood and Jake Creek Properties

The Boulder Valley, Carlin and Cottonwood Creek properties all form part of the Newmont Agreement. In total they are comprised of approximately 16,000 acres of Newmont held surface and mineral rights and 5,600 acres of Newmont held lode claims on Bureau of Land management lands.

In December, 2007, the Company increased its exploration activities in north-central Nevada and acquired by staking 352 claims near the Sheep Creeks area (the "Jake Creek property").

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Note 4      Mineral Properties – Note 6 – (cont'd)

e) Fisher Canyon, Alpha Butte and Siesta Properties

The Company has acquired by staking three new properties comprising approximately 7,700 hectares in Nevada. The Fisher Canyon property consists of 79 unpatented lode mining claims over approximately 1,600 acres and lies on the east side of the Humboldt Range. In December 2007 the Company commenced a drilling program on this property.

f) Rye Patch Property

During the current year the Company also acquired, by staking, an interest in an additional Nevada mineral property. Management has decided not to pursue development of this property and accordingly deferred exploration costs of \$56,370 incurred to date on this property have been written down to nil.

g) Rattlesnake Property

In July, 2007, the Company entered into a Letter of Intent with Golden Predator Mines, Inc. and Golden Predator Mines (US) Inc. (collectively “Golden Predator”) for the acquisition of Golden Predator’s mining option on a 100% interest in Bald Mountain Mining Company’s (“Bald Mountain”) Rattlesnake Hills mineral property located in Natrona County, Wyoming. The property covers 3,300 acres and is comprised of 127 unpatented lode mining claims and approximately 682 acres of Wyoming State lease lands. Under the terms of the Letter of Intent and subject to regulatory approval, the Company will acquire its interest in the property option in exchange for the issue of 3,000,000 shares to be issued over a three year period from the completion date of the written option agreement.

As part of the agreement it is envisioned that Golden Predator will retain a 0.5% net smelter return royalty (“NSR”) with respect to the property and Evolving will have the option to purchase 0.25% of that NSR for US\$ 375,000. The property is currently subject to a 4% NSR payable to the underlying owners.

In December, 2007, subject to regulatory approval, the Company signed an option agreement with Golden Predator to formalize the terms outlined in this Letter of Intent and also entered into a binding letter agreement with Bald Mountain whereby Bald Mountain will assign its interest in the underlying option agreement between itself and Golden Predator to the Company in exchange for a cash payment of US\$ 200,000 and the issue of 400,000 shares. A finders fee will be paid in connection with this transaction.

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Note 5 Share Capital – Note 8

Commitments:

Warrants

In April 2007, the Company completed a non-brokered private placement of 2,350,000 units at \$0.25 per unit resulting in proceeds of \$587,500 of which \$100,000 is included in share subscriptions as at March 31, 2007. Each unit is comprised of one common share and one share purchase warrant.

Each warrant will entitle the holder to purchase one common share of the Company at a price of \$0.35 per share until April 19, 2009. The Company applied the residual approach and allocated the total proceeds of \$587,500 to the common shares and \$nil to the attached warrants to the private placement. Finder's fees for the April, 2007 private placement were paid by the issue of 55,000 units with a fair market value of \$13,750. This amount has been charged to share issue costs and credited to share capital.

Also in April, 2007, the Company completed a brokered private placement of 12,053,000 units at \$0.25 per unit resulting in net proceeds of \$2,931,291. The agent for this private placement elected to receive their commission of 8% of gross proceeds in cash of \$36,500 together with 818,000 units. Each unit is comprised of one common share and one share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at a price of \$0.35 per share until April 26, 2009.

The Company applied the residual approach and allocated the total proceeds to the common shares and \$nil to the attached warrants to the private placement. The fair market value of finder's fees amounting to \$204,500 has been charged to share issue costs and credited to share capital.

The agent also received 1,205,300 compensation options which entitle the agent to purchase that number of units at \$0.30 per unit for two years. Stock based compensation of \$288,800 arising from the issue of these compensation options has been charged to share issue costs and credited to contributed surplus.

In July, 2007 the Company completed a non-brokered private placement of 14,050,000 units at \$0.40 per unit for net proceeds of \$5,403,184. Finder's fees for the private placement were paid in lieu of cash by the issue of 689,500 units with a fair market value of \$275,800. This amount has been charged to share issue costs and credited to share capital. Each unit consisted of one common share and one-half of a share purchase warrant. Each whole warrant entitles the holder thereof to purchase one additional share of the Company at a price of \$0.60 per share until July 25, 2009. The Company applied the residual approach and allocated the total proceeds to the common shares and \$nil to the attached warrants to the private placement. The Company also paid additional finders fees by paying \$211,300 in cash and by issuing 816,375 compensation options exercisable at \$0.65 per share which will expire on July 25, 2009. Stock based compensation of \$210,900 arising from the issue of these compensation options has been charged to share issue costs and credited to contributed surplus.

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Note 5 Share Capital – Note 8 – (cont'd)

Commitments – (cont'd)

Warrants (cont'd)

At December 31, 2007, there were 25,732,851 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held:

<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,319,602	\$0.40	January 18, 2008
1,453,213	\$0.40	September 7, 2008
50,000	\$0.45	September 7, 2008
2,365,000	\$0.35	April 19, 2009
11,783,232	\$0.35	April 26, 2009
575,679	\$0.30	April 26, 2009
7,369,750	\$0.60	July 25, 2009
<u>816,375</u>	<u>\$0.65</u>	July 25, 2009
<u>25,732,851</u>		

In May 2007 the Company received exchange approval to change the exercise price of 432,742 warrants issued in May 2005 from \$0.82 to \$0.35 per share. Also in May, 2007 321,969 of these warrants were exercised for proceeds of \$112,689 and the remaining 110,773 warrants expired. In September, 2007 an additional 290,000 warrants expired. In the three months ended December 31, 2007, 2,098,574 warrants were exercised for proceeds of \$722,579.

	<u>Nine months ended December</u>		<u>Year ended March 31, 2007</u>	
	<u>31, 2007</u>			
	Number of Shares issuable	Weighted Average	Number of Shares issuable	Weighted Average
	<u>Pursuant to Warrants</u>	<u>Exercise Price</u>	<u>Pursuant to Warrants</u>	<u>Exercise Price</u>
Outstanding, beginning of period	3,786,742	\$0.41	2,656,742	\$0.46
Issued	24,767,425	\$0.43	1,600,000	\$0.40
Cancelled	(400,773)	\$0.50	(210,000)	\$0.25
Exercised	<u>(2,420,543)</u>	<u>\$0.35</u>	<u>(260,000)</u>	<u>\$0.25</u>
Outstanding, end of period	<u>25,732,851</u>	<u>\$0.44</u>	<u>3,786,742</u>	<u>\$0.41</u>

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Note 5 Share Capital – Note 8 – (cont'd)

Commitments – (cont'd)

Stock Option Plan and Stock-based Compensation

Details of stock options outstanding as at December 31, 2007 are as follows:

<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
240,000	\$0.36	April 7, 2011
1,815,000	\$0.42	May 2, 2012
200,000	\$0.50	May 13, 2012
250,000	\$0.35	September 1, 2012
600,000	\$0.40	September 20, 2012
<u>1,145,000</u>	\$0.80	November 27, 2012
<u>4,250,000</u>		

Changes during the period are presented below:

	<u>Nine months ended December 31, 2007</u>		<u>Year ended March 31, 2007</u>	
	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding, beginning of year	490,000	\$0.35	585,000	\$0.44
Granted	4,305,000	\$0.52	430,000	\$0.36
Cancelled	(45,000)	\$0.42	(525,000)	\$0.51
Exercised	<u>(500,000)</u>	<u>\$0.33</u>	<u>-</u>	<u>\$ -</u>
Outstanding, end of period	<u>4,250,000</u>	<u>\$0.52</u>	<u>490,000</u>	<u>\$0.35</u>
Exercisable, end of period	<u>4,062,500</u>	<u>\$0.52</u>	<u>490,000</u>	<u>\$0.35</u>

The Company established a share purchase option plan (the “Plan”) in September 2004. The Board of Directors administers the Plan, pursuant to which the Board of Directors may grant from time to time incentive stock options up to an aggregate maximum of 10% of the issued and outstanding shares of the Company to directors, officers, employees, consultants or advisors. All options granted under the Plan shall expire not later than the fifth anniversary of the date the options were granted. The exercise price of an option is determined by the Board of Directors, but shall not be less than the market price of the common shares of the Company on the TSX on the last business day before the date on which the options are granted, less any discount permitted by the rules of the exchange. Vesting and terms are at the discretion of the Board of Directors.

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Note 5 Share Capital – Note 8 – (cont'd)

Commitments – (cont'd)

Stock Option Plan and Stock-based Compensation – (cont'd)

During the nine months ended December 31, 2007, the Company granted options to directors and consultants for 2,060,000, 200,000, 650,000 and 1,145,000 shares pursuant to the Plan exercisable at \$0.42, \$0.50, \$0.40 and \$0.80 per share respectively, all of which are fully vested. Based on this transaction the Company recorded stock-based compensation expense of \$1,912,800 (2006: \$181,375). During this same period the Company also granted 250,000 options to a consultant exercisable at \$0.35 per share which vest in three month intervals over fifteen months. Based on this transaction the Company recorded stock-based compensation expense of \$34,895 and anticipates recording an additional \$18,145 in the current, and \$13,960 in the next, fiscal year.

The weighted fair value of the share purchase options granted during the nine months ended December 31, 2007 was estimated using the Black-Scholes option valuation model with the following assumptions:

	<u>Nine months ended</u> <u>December 31, 2007</u>	<u>Year ended</u> <u>March 31, 2007</u>
Average risk-free interest rate	3.90% – 4.69%	4.13%
Expected life	2 - 5 years	5 years
Expected volatility	109% - 117%	118%
Expected dividends	Nil	Nil

Subsequent to December 31, 2007 the Company granted 435,000 additional options to directors and officers pursuant to the Plan exercisable at \$0.88 per share which expire on January 23, 2013, all of which are fully vested.

Note 6 Related Party Transactions

During the nine months ended December 31, 2007, the Company incurred charges to significant shareholders, directors and former directors of the Company as follows:

	<u>Nine months ended</u> <u>December 31, 2007</u>	<u>Year ended</u> <u>March 31, 2007</u>
Consulting	\$ 78,012	\$ 39,600
Management fees	536,612	145,059
Promotion and advertising	134,661	15,713
Rent and administration fees	-	3,000
Write down of mineral exploration	5,909	-
Deferred exploration costs	<u>125,234</u>	<u>122,398</u>
	<u>\$ 880,428</u>	<u>\$ 325,770</u>

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Note 6 Related Party Transactions – (cont'd)

These transactions were measured by the exchange amount, which is agreed upon by the transacting parties.

Prepaid expenses and accounts receivable include \$1,127 and \$11,351 (March 31, 2007: \$11,360 and nil) respectively derived from travel advances paid to an officer. Accounts payable and accrued liabilities include \$17,012 (March 31, 2007: \$101,950) due to an officer and directors with respect to expenses incurred on behalf of the Company. Share issue expense includes \$170,000 paid to a significant shareholder.

Effective February 1, 2007 and subsequently amended effective November 1, 2007 the Company has signed three employment agreements whereby the Company will pay fixed monthly management fees of \$10,000, \$10,000 and \$5,000 to a director, and two companies controlled by directors of the Company respectively. These employment agreements have a term of two years and expire on January 31, 2009.

Note 7 Segmented Information

The Company operates in one reportable operating segment, being the exploration and evaluation of mineral properties for development. Geographical information is as follows:

	Nine months ending December 31			
	2007		2006	
	<u>Canada</u>	<u>United States</u>	<u>Canada</u>	<u>United States</u>
Net loss	<u>\$(3,467,204)</u>	<u>\$(1,487,007)</u>	<u>\$ (464,457)</u>	<u>\$ -</u>
Total assets	<u>\$ 5,153,312</u>	<u>\$ 3,588,270</u>	<u>\$ 129,396</u>	<u>\$ 1,157,335</u>

Note 8 Subsequent Events – Notes 4 and 5

- a) Subsequent to December 31, 2007, 4,192,160 warrants were converted and 25,000 options were exercised in exchange for common shares resulting in proceeds of \$1,603,432.
- b) In January, 2008, the Company announced that, subject to regulatory approval, it expects to undertake a dividend-in-kind transaction involving the transfer of certain of its existing properties including certain properties subject to the Newmont Agreement into a new company (“Newco”). As part of this transaction it is expected that Newco will become publicly traded and that each Evolving shareholder, in exchange for each three shares of Evolving held, will receive one unit of Newco and one transferable share purchase warrant which will expire in two years. Each whole warrant will entitle the holder thereof to purchase one additional share of Newco at a price set at a 50% premium to the average of the closing trading price of Newco shares for their first five days of trading.

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Note 8     Subsequent Events – Notes 4 and 5 - (cont'd)

- c) In January, 2008 the Company also announced that, subject to regulatory approval, they intend to complete a brokered private placement of up to 18,000,000 units at a price of \$1.00 per unit for expected proceeds of \$18,000,000 and concurrently the Company also intends to complete a non-brokered private placement of up to 2,000,000 units at a price of \$1.00 per unit for expected proceeds of \$2,000,000. Each unit will consist of one common share and one-half of a share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional share of the Company at a price of \$1.50 per share with a two year expiry. Under the terms of the brokered private placement the Agent will receive a cash commission of 6.5% of the number of units sold and brokers warrants equal to 7% of the number of units sold. Each whole broker warrant will entitle the holder thereof to purchase one additional share of the Company at a price of \$1.25 per share with a two year expiry. A finders fee may also be payable with respect to the non-brokered private placement issue. It is anticipated that the closing of both private placements will occur simultaneously.

Note 9     Commitments

- a) Effective March 14, 2007 the Company is committed to a one year consulting agreement whereby fees will be paid based on services provided to a maximum of US\$8,250 per month.
- b) The Company signed an office lease expiring April 30, 2012 which calls for monthly payments of \$4,394 plus an applicable portion of operating costs. Operating costs are subject to change but are currently \$3,217 per month. The total estimated annual commitment over the term of the lease, based on the current amount of operating costs is \$91,329.
- c) Effective July 1, 2007 the Company negotiated a one year consulting agreement to pay \$5,000 per month for investor liaison services.
- d) Effective September 1, 2007 the Company is committed to a one year consulting agreement whereby it will pay \$6,500 per month. This agreement can be cancelled by either party after six months by providing one month's written notice.
- e) Effective September 15, 2007 the Company negotiated a one year consulting agreement to pay \$6,500 per month for corporate communications services.