



Management Discussion and Analysis of Financial Position and Results of Operations for the Third Quarter ended December 31, 2007

General

The following information, prepared as of February 25, 2008, should be read in conjunction with the unaudited interim financial statements of Evolving Gold Corp. for the nine months ended December 31, 2007, as well as the audited consolidated financial statements of Evolving Gold Corp. for the year ended March 31, 2007 and the corresponding annual "Management Discussion and Analysis". The financial statements are prepared in accordance with Canadian generally accepted accounting principles and this discussion includes the results of the Company's wholly-owned subsidiary, Evolving Gold Corp. a company incorporated in Nevada, United States of America.

During the nine months ended December 31, 2007 the Company added a depreciation accounting policy for newly acquired motor vehicles and geological field equipment, adopted the temporal method for translating the financial statements of its US subsidiary, and adopted two additional accounting policies relating to the recording of financial instruments and comprehensive income. Other than these additions the Company's critical accounting estimates, significant accounting policies and risk factors have remained substantially unchanged and are still applicable to the Company unless otherwise indicated. All amounts are expressed in Canadian dollars unless noted otherwise.

The Company became a reporting issuer in the Provinces of Alberta, British Columbia and Ontario on May 14, 2004. On June 14, 2004, the Company officially began trading on the Canadian Trading and Quotation System Inc. (the "CNQ") under stock symbol "CNQ:GOLD". On July 28, 2005, the Company began trading on the NASD.OTCBB exchange in the United States under the stock symbol "OTCBB:EVOGF". During the 2007 fiscal year the Company applied to list its shares on the Canadian TSX Venture Exchange and effective June 13, 2007 began trading on this exchange under the symbol TSX-V:EVG. The Company continues to be listed for trading on the OTCBB exchange and ceased to be listed for trading on the CNQ exchange. In order to provide easier access for European investors the Company also became listed on the Frankfurt Stock Exchange under the symbol "EV7" effective August 13, 2007. In January, 2008 the Company announced that, subject to regulatory approval, it intends to undertake a dividend-in-kind transaction involving the transfer of certain of its existing mineral interests into a new company which it envisions will also become publicly traded. A preliminary prospectus is currently being prepared.

Description of Business

Evolving Gold Corp. (“Evolving” or the “Company”) is a Canadian-based gold and precious mineral exploration and development company engaged in the acquisition, exploration and development of natural resource properties. Currently its focus is on projects in Southwestern United States, particularly Nevada with additional properties located in Wyoming and New Mexico. Evolving continues to emphasize the development of properties where management believes there is potential for the discovery of high grade deposits.

Currently the Company is actively exploring ten separate mineral properties, primarily in known, producing gold trends in Nevada including undertaking a drilling program on the Battle Mountain-Sheep Creeks, Siesta and Fisher Canyon prospects. Active drilling was also undertaken on the Malone property in New Mexico with assays pending. Recently the Company announced that it had terminated its option agreement with respect to the Winnemucca property.

Changes in Management

During 2007 the Company continued to build a strong team of highly experienced geoscience and financial professionals in order to accomplish their objective to position Evolving for the aggressive acquisition and development of prospective mineral properties. In February, 2007, Mr. Robert Bick became Evolving’s new Chief Executive Officer replacing Dr. Lawrence A. Dick who assumed the duties of President and Chief Operations Officer and Mr. Donald Gee B.Sc. (Geology), C.A. became the Company’s new Chief Financial Officer. In May, 2007 Dr. Quinton Hennigh, M. Sc., Ph.D. was named as the new Vice-President of Exploration replacing Dr. Chris Osterman who will remain as Evolving’s Consulting Geologist.

Mineral Properties

1. Winnemucca Mineral Property

Golden Sands Option Agreement

The Company had previously entered into an option agreement with Golden Sands Exploration Inc. (“Golden Sands”) and its subsidiary company AHL Holdings Ltd. to acquire unpatented mineral claims (“Golden Arc claims”) in Humboldt County, Nevada (the “Winnemucca Property”). In addition to this acquisition the Company had also staked additional adjoining unpatented mining claims. On October 17, 2007, the Company further amended the terms of the option agreement and in November, 2007 issued 500,000 shares of Evolving to the vendor subject to a hold period expiring on September 30, 2008.

Meridian Gold Inc. Earn-In Agreement

In September, 2005 the Company signed a letter of intent with Meridian Gold Inc. regarding an option by Meridian Gold Inc. to acquire, directly or indirectly, an undivided 70% interest in 100% of Evolving's Winnemucca property option. An earn-in agreement was subsequently signed on July 31, 2006 to formalize this arrangement under which Meridian Gold Inc. assigned their interest to Meridian Minerals Corp. ("Meridian"). Upon completion of the required payments and expenditures, the Company intended to establish a joint venture with Meridian with respect to the claims on the property.

Termination of Agreements

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 was written down to nil with respect to this property in the December 31, 2007 financial statements.

2. 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 unpatented mineral claims 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 geological 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

The Company has now completed detailed mapping, surveying and sampling of this property and completed an 850 meter diamond drilling program in 9 holes, to depths of up to 183 meters on January 2, 2008. The Company plans to continue to conduct a success-contingent exploration program in an effort to detect both high grade veins and lower grade bulk tonnage deposits amenable to open pit mining. The Company has incurred total deferred exploration costs of \$526,036 on this property as at December 31, 2007, including \$105,469 for the three months ending December 31, 2007.

3. **Fisher Canyon, Siesta and Alpha Butte Mineral Properties**

Description

During fiscal 2007 the Company acquired, by staking, three new properties called Fisher Canyon, Siesta and Alpha Butte, comprising approximately 7,700 hectares in Nevada.

Fisher Canyon

Evolving's interest in the Fisher Canyon property consists of 179 unpatented lode mining claims staked by Evolving covering approximately 1,100 hectares of property located near the Relief Canyon and Florida Canyon areas in Nevada. During the nine months ended December 31, 2007 Evolving conducted further geochemical and geophysical surveys on this property, completed the initial reconnaissance drilling phase as well as a second reverse drilling program completed in December, 2007. The December drilling program totaled 971 meters in thirteen holes, each ranging from 40 to 137 meters in depth with twelve of the thirteen holes encountering gold values. Mineralized drill intervals ranged up to 25.91 meters grading 0.87 grams per tonne ("gpt") gold including 7.62 meters grading 1.66 gpt gold from the reverse circulation drilling program. Once the new results are interpreted the Company plans to carry out a more comprehensive drilling program over a broader area of the property.

During the nine month period ended December 31, 2007, deferred exploration expenditures of \$395,435 were incurred, \$132,006 of these costs being incurred in the third quarter, and together with deferred exploration costs incurred in fiscal 2007, the total deferred exploration on this property now totals \$416,035.

Siesta

The Company's interest in the Siesta group is comprised of 638 claims situated in the Slumbering Hills area of Humboldt County, Nevada. During the nine months ended December 31, 2007, Evolving conducting a systematic geophysical survey of this claim group, and undertook a concurrent geochemical survey with the objective of defining drill targets.

As at December 31, 2007, deferred exploration expenditures of \$533,308 have been incurred including \$73,980 incurred in the most recent quarter. Drilling began in early January, 2008 on this property and is expected to include approximately 34 holes averaging over 150 meters in depth.

Alpha Butte

With respect to its interest in Alpha Butte, Evolving has staked 279 claims covering approximately 2,200 hectares in Nevada. The Company is currently concentrating its efforts on the Fisher Canyon and Siesta mineral properties but plans to continue surface mapping and sampling of this property with the objective of defining drill targets over the next year.

During the nine month period ended December 31, 2007, deferred exploration expenditures of \$91,706 were incurred including \$19,026 of exploration expenditures incurred in the current fiscal quarter.

4. **Newmont Mineral Properties**

General Description

During the nine months ended December 31, 2007 the Company acquired by staking, approximately 39,200 acres of open land near the town of Battle Mountain, Nevada which Evolving geologists believe may 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. 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. In December, 2007 a formal agreement was signed with Newmont to formalize the Letter of Intent

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
- 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. This report has been prepared.
- After six years, in the event that \$750,000 was not incurred on exploration expenditures during the preceding lease year on that 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%

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.

In January, 2008 Evolving announced its intention, subject to regulatory approval, to enter into a dividend-in-kind transaction involving the transfer of these Newmont properties to a new company which it envisions would become publicly traded. Under the proposed dividend-in-kind, it is contemplated that each Evolving shareholder would receive one share of the new company and one transferable share purchase warrant entitling the holder to purchase a share of the new company at an exercise price to be determined by reference to the trading price of the new company for its first five days of trading. It is envisioned that these warrants would have a two year expiry. A preliminary prospectus is currently being prepared.

Battle Mountain – Sheep Creeks Mineral Property

In November, 2007 the Company commenced to drill a series of vertical 300-500 meter deep holes in several strategic areas. The first hole was terminated after reaching a depth of 463 meters due to technical problems. A twin hole, being drilled with a diamond drill has been collared nearby. Currently at a depth of approximately 370 meters the drilling is targeted to reach a depth of 560 to 650 meters.

As at December 31, 2007 total deferred exploration expenditures on this property amount to \$1,390,886 including \$788,358 incurred in the most recently completed quarter.

Boulder Valley, Carlin, and Cottonwood Creek Mineral Properties

Boulder Valley, Carlin, and Cottonwood Creek comprise approximately 10,700, 5,300, and Nil acres of Newmont held surface and mineral rights, and 1,600, 2,200 and 1,800 acres of Newmont held lode claims on Bureau of Land Management of Nevada lands in the Carlin trend adjacent to the Sheep Creeks mineral property. Evolving plans to drill several 300-500 meter holes on the Cottonwood Creek mineral property in the Spring of 2008.

During the quarter ending December 31, 2007, deferred exploration expenditures were incurred on the Boulder Valley, Carlin, and Cottonwood Creek mineral properties of \$20,463, \$41,472 and \$3,587 respectively. These costs were primarily incurred for staking and recording and geological studies.

Jake Creek Mineral Property

In late December, 2007 the Company acquired by staking approximately 352 claims totalling 7,272 acres several kilometres northwest of the Sheep Creeks mineral

property in north-central Nevada. It is expected that a drilling program on this property will commence once weather conditions improve. As at December 31, 2007 deferred exploration expenditures on this property amounted to \$28,206.

5. **Rye Patch Mineral Property**

During the nine months ended December 31, 2007, the Company also acquired by staking, an interest in Rye Patch, an additional Nevada mineral property. Management decided not to pursue development of this property and accordingly deferred exploration costs of \$56,370 were written down to nil in a previous quarter.

6. **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 "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. Under the terms of the Letter of Intent 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. In December, 2007, subject to regulatory approval, the Company signed an option agreement to formalize the terms outlined in the Letter of Intent. At that time it 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 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 these transactions. In addition it is anticipated that Golden Predator will retain the right to purchase, at the same terms and conditions offered to other offering participants, up to 10% of any shares offered by Evolving during the term of this 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.

An amended and restated National Instruments 43-101 Technical report prepared by Gerald E. Ray PhD was prepared on January 29, 2008 and filed on SEDAR on February 5, 2008.

As at December 31, 2007 deferred exploration expenditures of \$53,733 have been incurred primarily for geological consulting. An exploration budget of approximately \$1,000,000 is planned for the coming year primarily encompassing an initial phase of core drilling.

Results of Operations

During the nine months ended December 31, 2007, the Company reported a net loss of \$4,954,211 (\$0.14 loss per share) compared to a loss of \$464,457 (\$0.04 loss per share) reported for the same nine months ended December 31, 2006, due to significant increases in all expense categories. Other than interest received from term deposits during the current period, the Company did not generate any significant revenue during either reporting period.

The increased expenditure level for the nine months ended December 31, 2007 is a direct result of Management's efforts to aggressively focus on the acquisition and development of prospective mineral properties. In order to accomplish this objective, Evolving's expenses for the nine months ended December 31, 2007 increased as follows:

- accounting of \$53,074 (2006 - \$16,195) reflects both the increased level of activity, filing requirements, recorded transactions as well as 2007 fiscal year audit costs which were higher than anticipated.
- consulting fees of \$232,698 (2006 - \$30,091) which reflects efforts to improve the corporate website, enhance investor liaison services and access for European investors, attend tradeshows and industry conferences, and develop a geological database.
- legal of \$108,533 (2006 - \$35,456) reflecting TSX trading application costs as well as a marked increase in operations and legal agreements.
- management fees of \$536,613 (2006 - \$49,075) commensurate with the new management agreements and a bonus paid in September in recognition of Management's efforts.
- office and miscellaneous of \$127,629 (2006 - \$16,587) which reflects the August, 2007 opening of an office for the US subsidiary acquired in March, 2007, subscriptions to several technical publications and the hiring of personnel for the Canadian office.
- promotion and advertising of \$401,779 (2006 - \$45,304) which now includes fees paid to investor liaison specialists and costs associated with Company personnel attending industry tradeshows and conferences.
- rent \$60,500 (2006 - \$25,000) is a result of Evolving's move to new premises in the current fiscal year.
- salaries and employee benefits of \$67,710 (2006 - Nil) reflects the change to employee status of two office personnel and the provision of health coverage benefits to employees .
- stock-based compensation of \$1,947,695 (2006 - \$136,675) representing a non-cash charge incurred in connection with the granting of stock options, as more staff and consultants were hired.
- transfer agent and filing fees of \$83,732 (2006 - \$16,309) which reflect fees paid to the TSX-Venture exchange for listing and changes to the Company's stock option plan.

- write down of mineral exploration expenditures of \$1,380,690 (2006 - \$91,996) relating to exploration expenditures incurred, with respect to the Company's interest in the Winnemucca and Rye Patch mineral properties and other investigation costs for potential properties, which management subsequently determined the Company would not pursue.
- foreign exchange translation loss, a new item in fiscal 2008, arises from the translation of the US subsidiary's financial statements into Canadian dollars.

Summary of Quarterly Results (unaudited)

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

	<i>Fiscal Year Ending March 31,</i>							
	2008			2007				2006
	Dec 31, 2007	Sept 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006	Sept 30, 2006	June 30, 2006	March 31, 2006
Revenues	38,934	38,638	3,742	-	-	-	-	-
Net Loss	(2,774,739)	(1,084,318)	(1,095,153)	(366,821)	(77,230)	(192,225)	(195,002)	(135,723)
Loss per share, basic and fully diluted (Note 1)	(.06)	(.03)	(.04)	(.03)	(.00)	(.02)	(.02)	(.01)
Total assets	8,741,582	9,203,627	4,578,718	1,247,737	1,286,731	1,289,773	1,030,563	966,398
Deferred exploration expenditures (net of write downs) - Canadian	-	-	-	(32,624)	5,625	24,864	2,135	5,643
Deferred exploration expenditures (net of write downs) - US	(1,240,162)	(670,729)	(925,321)	(255,599)	514,838	33,585	20,809	46,951
Working capital (deficiency)	4,803,099	5,802,333	2,021,836	(177,676)	(12,777)	221,054	14,932	120,660

(Note1) Fully diluted calculations have not been provided due to the anti-dilutive effect of outstanding stock options and warrants.

Net Loss

Stock-based compensation costs of \$986,395, \$188,800, \$772,500, \$136,675, and \$26,025 were recorded for the quarters ended December 31, 2007, September 30, 2007, June 30, 2007, June 30, 2006, and March 31, 2006 respectively. A write-down of exploration expenditures was recorded for the quarter ended December 31, 2007, September 30, 2007, June 30, 2007, March 31, 2007, December 31, 2006, September 30, 2006 and March 31, 2006 of \$1,250,196, \$81,347, \$49,147, \$28,294, \$5,625, \$86,371 and \$44,038 respectively. In addition all categories of administrative expenditures reflected an increase commencing with the quarter ended March 31, 2007 and continuing throughout fiscal 2008 quarters commensurate with the change in management and the overall increase in acquisition of mineral properties and/or mineral property options due to significantly increased exploration activities over prior period levels.

Total Assets

Total assets increased as at June 30, 2006 reflecting the issue of an additional 400,000 shares required under the Winnemucca property option agreement with an ascribed value of \$184,000. The increase in total assets at September 30, 2006 over total assets at June

30, 2006 is a result of \$450,000 in cash proceeds received from a September, 2006 private placement which were partially used for both mineral property deferred exploration and acquisition costs and administrative expenditures. Total assets for the quarter ended March 31, 2007 remained consistent with the previous quarter as the proceeds from the conversion of warrants totaling \$65,000 and \$100,000 from share subscriptions were used for administrative expenses. Proceeds raised from two April, 2007 private placements (one brokered \$2,931,291 and one non-brokered \$587,500) and \$112,689 of funds received on the conversion of warrants were used primarily for mineral property acquisition during the quarter ended June 30, 2007, accounting for the significant increase in total assets reflected above. The quarter ended September 30, 2007 also reflects a significant increase in total assets. This increase can be attributed to \$5,403,184 in net proceeds received from a July, 2007 non-brokered private placement which were partially used for deferred exploration expenditures as well as administrative expenses. The most recent quarter ended December 31, 2007 reflects a decrease arising from the \$1,250,196 write down of deferred exploration expenditures offset by cash received for shares issued on the exercise of options and conversion of warrants during the period.

Working Capital

Working capital for the June 30, 2006 quarter decreased due to administrative costs, deferred exploration expenses and property option payments. A September, 2006 private placement partially offset by funds required for deferred exploration and day to day operations resulted in an increase to working capital. Working capital for the December 31, 2006 quarter then decreased due to administrative costs and deferred exploration expenses. This drawdown continued into the quarter ended March 31, 2007 where \$65,000 in proceeds received from the exercise of warrants and \$100,000 received from a subscription for shares was offset by an increase in year end accounts payable arising from the increase in management and professional services provided to Evolving late in the fiscal year. Proceeds raised from two April, 2007 private placements and funds received on the conversion of warrants account for the significant increase in working capital reflected above for the quarter ended June 30, 2007. This trend of significant working capital improvement continued for the quarter ended September 30, 2007 due primarily to the proceeds received from the July, 2007 private placement partially offset by a late September, 2007 increase to accounts payable resulting from a management fee bonus accrual. Working capital for the quarter ended December 31, 2007 was drawn down due to administrative expenses and the increased exploration program of various mineral property interests offset by cash received from the aforementioned issue of shares.

Capital Expenditures

During the nine months ended December 31, 2007, the Company paid US\$ 10,000 to extend certain terms of agreement with respect to the Winnemucca property option and US\$10,000 in compliance with the terms of the Malone property quit claim deed and royalty agreement. \$5,607 in legal cost was also incurred in efforts to acquire an

interest in the Rattlesnake Hills mineral property. In addition Evolving incurred \$2,966,706 in deferred exploration expenses relating to its various mineral property interests and paid a total of \$208,638 for office furnishings and equipment required for new offices for both the Canadian and US operations, and two vehicles and geological equipment used for exploration purposes. With respect to the mineral property interests, \$1,380,690 in deferred expenditures have been written down to nil in the nine months ended December 31, 2007 including the Winnemucca third quarter write down of \$1,235,889.

Financing Activities

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. Each unit was 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. Finder's fees of 55,000 units were issued with respect to this issue.

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 was 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 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.

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 July 2007 the Company completed a non-brokered private placement of 14,050,000 units at \$0.40 per unit for net proceeds of \$5,396,884. In connection with this share issue the Company paid a finders fee in lieu of cash of 689,500 units with a fair market value of \$275,800. Each unit consisted of one common share and one-half of a share purchase warrant. Each whole warrant entitled 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 also paid additional finders fees of \$205,000 in cash and by issuing 816,375 compensation options exercisable at \$0.65 per share until expiry on July 25, 2009.

From October through December, 2007, additional proceeds of \$166,500 and \$722,579 were received respectively on the exercise of options and conversion of warrants for common shares of the Company. In addition, pursuant to the amended Winnemucca option agreement the Company issued 500,000 shares with an ascribed value of \$400,000.

From January 1 to February 15, 2008 an additional \$10,000 and \$944,118 has been received respectively on the exercise of options and conversion of warrants for common shares of the Company.

All proceeds received by the Company will be used to fund the acquisition, exploration and development of mineral property interests as well as for general working capital purposes.

Liquidity and Capital Resources

The Company's aggregate operating, investing and financing activities for the nine months ended December 31, 2007 resulted in a cash increase of \$5,245,249. As at December 31, 2007, the Company's cash balance was recorded as \$5,311,191 and the Company had working capital of \$4,803,099.

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.

Pursuant to the Newmont Properties agreement the Company must expend a total of \$200,000 in exploration expenditures on each of four mineral exploration project areas with aggregate exploration expenditures in each of these project areas of \$3,500,000 staged over five years. The Company also is currently drilling on its Sheep Creeks, Malone and Siesta mineral properties and plans to soon commence drilling on its Cottonwood Creek and Jake Creek mineral property interests. As part of the Rattlesnake Hills-Bald Mountain agreement it must also pay US\$200,000. The Company does not have any other commitments for material capital expenditures either in the near or long term over normal operating requirements and none are presently contemplated other than as disclosed above.

The Company has signed three employment agreements with directors or companies controlled by directors of the Company whereby the Company will pay fixed monthly

management fees of \$10,000, \$10,000 and \$5,000 respectively. These employment agreements have a term of two years and are expected to expire on January 31, 2009.

Effective March 14, 2007 the Company is also 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.

Effective July 1, 2007 and September 15, 2007 the Company has negotiated one year consulting agreements to pay \$5,000 and \$6,500 per month for investor liaison services and corporate communication services respectively.

The Company has committed to 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.

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.

Transactions with Related Parties

During the nine months ended December 31, 2007, the Company utilized the services of a number of contractors for the provision of certain, administrative, accounting and management services. In addition certain directors, officers and significant shareholders provided management, consulting and other services to the Company as follows:

	<u>Lawrence Dick Note 1</u>	<u>Cantech Capital Corporation Note 2</u>	<u>Click It Marketing Inc Note 3</u>	<u>Quentin Hennigh Note 4</u>	<u>Chris Osterman Note 5</u>	<u>Trans Max Investing Ltd. Note 6</u>	<u>Total for the nine months ended Dec 31, 2007</u>
Consulting			416	44,034	562	33,000	78,012
Management fees	128,326	115,000	205,000	88,286			536,612
Promotion and advertising	47,006	1,117	77,404	2,148		6,986	134,661
Deferred exploration costs				99,159	26,075		125,234
	175,332	116,117	282,820	233,627	26,637	39,986	874,520

- (1) Mr. Dick, a director and officer of the Company, provided management services to the Company. Accounts Payable at December 31, 2007 include \$3,332 to this officer for expenses paid on the Company's behalf.
- (2) Provided financial and management services to, and is controlled by a director and officer of, the Company.
- (3) Provided administrative and management services to, and is controlled by a director and officer of, the Company.
- (4) Mr. Hennigh, an officer of the Company, provided technical services to the Company. At December 31, 2007 the Company owed this officer \$12,923 on account of expenses incurred on its behalf offset by \$12,478 advanced to Mr. Hennigh for travel advances.
- (5) Mr. Osterman, a former director of the Company, provided technical services to the Company.
- (6) Provided management services to, and is controlled by a significant shareholder of the Company. Cash of \$170,000 was also paid during the nine months ended December 31, 2007 to the controlling shareholder of this company with respect to finders fees arising from a private placement.

These transactions were measured by the exchange amount, which is the amount agreed upon by the transacting parties and were incurred in the normal course of business.

The Company has signed three employment agreements with Mr. Dick, Click It Marketing Inc. and Cantech Capital Corporation whereby the Company will pay fixed monthly management, financial and administrative fees of \$10,000, \$10,000 and \$5,000 respectively. These employment agreements have a term of two years and are expected to expire on January 31, 2009.

Off Balance Sheet Arrangements

To the best of management's knowledge, there are no 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's financial statements are impacted by the accounting policies used, and the estimates and assumptions made, by management during their preparation. The Company's accounting policies are described in Note 2 to the audited consolidated financial statements as at March 31, 2007. The accounting estimates considered to be significant to the Company include the review of the carrying values of resource properties and deferred exploration expenditures.

Management reviews the carrying values of its resource properties usually on a quarterly, but at least on an annual, basis to determine whether any impairment should be recognized. Five properties and some minor exploration of potential new properties have been written down with respect to the values attributed to resource properties and deferred exploration expenditures since inception.

Recent Accounting Pronouncements

Financial Instruments

On January 27, 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3855 of the Handbook titled Financial Instruments - Recognition and Measurement. It expands Handbook section 3860, Financial Instruments - Disclosure and Presentation by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented.

All financial instruments are required to be classified into various categories. "Held to maturity" investments, loans and receivables are measured at amortized cost with

amortization of premium or discounts and losses and impairment included in current period interest income or expense. "Held for trading" financial assets and liabilities are measured at fair market value with all gains and losses included in net income in the period in which they arise.

All "available for sale" financial assets are measured at fair market value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet and losses due to impairment included in net income. All other financial liabilities are to be carried at amortized cost.

The Company has now adopted this standard in its fiscal year ending March 31, 2008. At present, the Company's most significant financial instruments are cash and term deposits, prepaid expenses, GST and other accounts receivable and accounts payable and accrued liabilities.

Comprehensive Income

The CICA also issued Section 1530 of the Handbook, titled Comprehensive Income. Comprehensive Income is defined as the change in net assets of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in net assets during a period except those resulting from investments by owners and distributions to owners. The Company has now adopted this standard in its fiscal year ending March 31, 2008.

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.

Changes in Accounting Policies

Other than the adoption of the three accounting standards mentioned immediately above, there were no changes to accounting policies for the quarter ended December 31, 2007.

Financial Instruments

As disclosed in its annual audited consolidated financial statements, the Company has identified the financial instruments that it utilizes on a day-to-day basis as being cash and term deposits, other receivables, and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Outstanding Share Data

- (a) Authorized: Unlimited number of common shares without par value.
- (b) Issued and outstanding:
 March 31, 2007 – 12,529,842 common shares for net consideration of \$2,408,045
 December 31, 2007 – 45,965,885 common shares for net consideration of \$12,361,511
 February 25, 2008 – 50,183,045 common shares for net consideration of \$13,986,727
- (c) Outstanding stock options at February 25, 2008

Type of Security	Number	Exercise Price	Expiry Date
Stock options	240,000	\$0.36	April 7, 2011
Stock options	1,815,000	\$0.42	May 2, 2012
Stock options	200,000	\$0.50	May 13, 2012
Stock options	225,000	\$0.35	September 1, 2012
Stock options	600,000	\$0.40	September 20, 2012
Stock options	1,145,000	\$0.80	November 27, 2012
Stock options	435,000	\$0.88	January 23, 2013
	<u>4,660,000</u>		

- (d) Outstanding warrants at February 25, 2008

Type of Security	Number	Exercise Price	Expiry Date
Warrants	1,450,713	\$0.40	September 7, 2008
Warrants	49,125	\$0.45	September 7, 2008
Warrants	1,760,000	\$0.35	April 19, 2009
Warrants	9,786,144	\$0.35	April 26, 2009
Warrants	548,198	\$0.30	April 26, 2009
Warrants	7,159,215	\$0.60	July 25, 2009
Warrants	787,296	\$0.65	July 25, 2009
	<u>21,540,691</u>		

Cautionary Note Regarding Forward Looking Statements

Certain statements contained in the foregoing MD&A constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such 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 set forth below.

Risks and Uncertainties

The exploration for and development of industrial mineral deposits are highly speculative activities and are subject to significant risks. The Company's ability to realize its investments in exploration projects is dependent upon a number of factors, including its ability to continue to raise the financing necessary to complete the exploration and development of those projects and the existence of economically recoverable reserves within its projects. Other significant risks are listed below.

Stage of Development

The Company's properties are in the exploration stage and the Company does not have an operating history. Exploration and development of mineral resources involves a high degree of risk and few properties which are explored are ultimately developed into producing properties. The amounts attributed to the Company's interest in its properties as reflected in its financial statements represent acquisition and exploration expenses and should not be taken to represent realizable value. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors such as unusual or unexpected geological formations, and other conditions are involved.

As a result of the Company's lack of operating history, it also faces many of the risks inherent in starting a new business.

Environmental

Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in exploration programs. Unknowns with respect to geological structures and other conditions are involved. Existing and future environmental laws may cause additional expense and delays in the activities of the Company, and they may render the Company's properties uneconomic. The Company has no liability insurance, and the Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on the Company's financial position.

Future Financings

If the Company's exploration programs are successful, additional funds will be required for further exploration and development to place a property into commercial production. The only source of future funds presently available to the Company is through the sale of equity capital or the offering by the Company of an interest in any of its properties to be earned by another party or parties carrying out further exploration or development thereof. There is no assurance such sources will continue to be available on favourable terms or at all. If available, future equity financings may result in substantial dilution to current shareholders.

Profitability of Operations

The Company is not currently operating profitably and it should be anticipated that it will operate at a loss at least until such time as production is achieved from one of the Company's properties, if production is, in fact, ever achieved. The Company has never earned a profit. Investors also cannot expect to receive any dividends on their investment in the foreseeable future.

Uncertainty of Title

The Company's properties may be subject to native land claims or government regulations.

Currency Risk

The Company's property options are located in the United States. Future changes in exchange rates could materially affect the viability of exploring and developing these properties.

Additional Disclosure Requirements

Disclosure Controls and Procedures

Ideally the disclosure controls and procedures should be designed, under the supervision of the Board of Directors so as to provide reasonable assurance that material or potentially material information relating to the activities of the Company is made known to the Board of Directors and its Officers. Due to the small size of this Company the responsibility for establishing and maintaining disclosure controls and procedures for the Company lies only with Management although an audit committee of both non-management and management directors reviews the annual financial statements in detail prior to their approval of results. The shareholders' auditors also conduct an independent audit of the annual financial statements of the Corporation and report on the fairness of these statements. Management has evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2007 and has concluded, based on its evaluation, that these controls and procedures provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities regulations.

Internal Control over Financial Reporting

For the nine months ended December 31, 2007, there have been no changes that have materially affected, or are reasonably likely to materially affect, the Company's system of internal control over financial reporting. It should be noted that while the Officers of the Company, as certified in the Company's Interim Filings and as required under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, have evaluated the effectiveness of these disclosure controls and procedures for the nine months ending December 31, 2007 and have concluded that they are being maintained as designed, they do not expect that the disclosure controls and procedures or internal controls over financial reporting will prevent all errors and fraud. A control system, no

matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Investor Relations

During the nine months ended December 31, 2007 the Company paid \$114,943 to investor relations consultants including amount paid under contract for the services of an investor relations firm and a corporate communications service provider to strengthen its investor relations activities and effectively communicate with investors through internet media and industry meetings, conferences and tradeshow. In addition management improved their website, enhanced investor liaison services and distributed Company press releases and updated shareholders as to corporate developments.

Additional Disclosure for Venture Issuers without Significant Revenue

As the Company has not had significant revenue from operations in either of its last two financial periods, the following is a breakdown of the material costs incurred:

	Nine Months ended December 31, 2007	Year ended March 31, 2007
Deferred property acquisition costs and advance mineral royalties	\$ 28,687	\$ 106,869
Deferred exploration costs	\$ 2,966,706	\$ 404,135
Write down of exploration expenditures	\$ 1,380,690	\$ 120,290
Administrative expense	\$ 3,657,984	\$ 710,988

Administrative expenses are provided by category of major expense items in the Statement of Loss and Deficit included in the interim consolidated financial statements for the nine months ended December 31, 2007.

Subsequent Events

As previously mentioned, 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.

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 will receive, in exchange for each three shares held, 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.

Also in January, 2008 the Company 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.

Additional Information

Additional information about the Company is available for viewing on SEDAR at www.sedar.com and at the Company's website at www.evolvinggold.com.