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PROSPERITY GOLDFIELDS CORP.

(A Development Stage Entity)

FINANCIAL STATEMENTS

December 31, 2010

(UNAUDITED - PREPARED BY MANAGEMENT)
These financial statements have not been reviewed by the Company's auditor.

PROSPERITY GOLDFIELDS CORP.
(A Development Stage Entity)
UNAUDITED INTERIM BALANCE SHEET
As at

	December 31, 2010
ASSETS	
Current	
Cash	$ 1,411,911
Receivables	19,285
Prepaids	20,000
	$ 1,451,196
Long-term deposit (Note 5)	30,000
Property, plant and equipment (Note 5)	26,705
Mineral properties (Note 6)	1,451,047
	$ 2,958,948
LIABILITIES & SHAREHOLDER EQUITY	
Accounts payable and accrued liabilities	$ 240,497
Shareholder's Equity	
Capital stock (Note 8)	2,634,703
Warrants	283,256
Deficit	(199,508)
	$ 2,718,451
	$ 2,958,948

Nature and continuance of operations (Note 1)
Subsequent events (Note 10)

Approved on behalf of the Board:

"R. B. Duncan" , Director

"R. Stuart Angus" , Director

See accompanying notes to the financial statements

PROSPERITY GOLDFIELDS CORP.
(A Development Stage Entity)
UNAUDITED INTERIM STATEMENT OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

	For three months ended December 31, 2010	For period of incorporation (September 10, 2010) to December 31, 2010
Expenses		
Professional fees	$ 88,116	$ 117,070
Consulting expense	9,320	21,820
Transfer agent and filing fees	28,137	28,137
Shareholder communications	28,763	28,763
Office administration and miscellaneous	124	124
Travel	3,594	3,594
Net loss and comprehensive loss for the period	158,054	199,508
Deficit, beginning of period	41,454	-
Deficit, end of period	$ 199,508	$ 199,508
Loss per share – basic and diluted	$ 0.01	$ 0.02
Weighted average number of common shares outstanding	14,274,102	11,725,156

See accompanying notes to the financial statements

PROSPERITY GOLDFIELDS CORP.
(A Development Stage Entity)
UNAUDITED INTERIM STATEMENT OF CASH FLOWS

	For three months ended December 31, 2010	For period of incorporation (September 10, 2010) to December 31, 2010
Cash flows from operating activities		
Net (loss) for the period	$ (158,054)	$ (199,508)
Increase in receivables	(19,285)	(19,285)
Increase in prepaids	(20,000)	(20,000)
Increase in accounts payable and accrued liabilities	176,288	217,742
Cash flows from operating activities	(21,051)	(21,051)
Cash flows from financing activities		
Proceeds from issuance of private placement	1,500,000	1,500,000
Cash flows from financing activities	1,500,000	1,500,000
Cash flows from investing activities		
Mineral property expenditures	(10,333)	(10,333)
Property, plant and equipment purchases	(26,705)	(26,705)
Long term advances	(30,000)	30,000
Cash flows from investing activities	(67,038)	(67,038)
Increase in cash during the period	1,411,911	1,411,911
Cash, beginning of the period	-	-
Cash, end of period	$ 1,411,911	$ 1,411,911
Supplemental Information		
Interest paid	-	-
Income taxes paid	-	-

See accompanying notes to the financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Prosperity GoldFields Corp. (the "Company" or "Prosperity") was incorporated on September 10, 2010 under the Canada Business Corporations Act. The Company is a wholly owned subsidiary of Evolving Gold Corp. ("Evolving"). The Company, which is in the development stage as defined by CICA Handbook Accounting Guideline 11, is engaged in the acquisition, exploration and development of properties for the mining of precious and base metals.

The accompanying unaudited interim financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). They do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. The preparation of these interim financial statements is based on accounting principles and practices consistent with those that will be used in the preparation of the annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Operating results for the period ended December 31, 2010 are not necessarily indicative of the results that may be expected by year end at March 31, 2011.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values. The Company's assets may also be subject to increases in taxes and royalties, renegotiation or contracts, currency exchange fluctuations and restrictions, and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

The Company and Evolving entered into a series of transactions by which the assets of Evolving relating to a property known as the "Kiyuk Property" near Nueltin Lake in Nunavut were transferred to Prosperity in consideration for common shares of Prosperity, and such common shares will be distributed to shareholders of Evolving by way of a dividend in kind. This series of transactions is referred to as the "Spin Out Transaction". The Company has filed a long form prospectus with the Securities Commissions to qualify the stock dividend to be issued pursuant to the Spin Out Transaction.

The accompanying financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") based on the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at December 31, 2010, the Company had working capital of $1,210,699 and an accumulated deficit of $199,508. The continuing operations of the Company are dependent upon its ability to raise adequate financing. If the 'going concern' assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classification used. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles. Outlined below are those policies considered particularly significant.

Mineral properties and deferred exploration expenditures
Mineral properties and deferred exploration expenditures are carried at cost until they are brought into production, at which time they are depleted on a unit of production method based on proven and probable reserves. If a property is subsequently determined to be significantly impaired in value, the property and related deferred costs are written down to their net realizable value. Other general exploration expenses are charged to operations as incurred. The cost of mineral properties abandoned or sold and their related deferred exploration costs are charged to operations in the current year.

The Company reviews capitalized costs on its property interests on a periodic basis and recognizes an impairment in value based upon a review of exploration results, whether the Company has significant exploration plans in the immediate future and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. The recoverability of costs incurred on the mineral properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. Management's assessment of the property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review. The Company reviews its mineral properties on a periodic basis to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near-term could require a change in the determination of the need for and amount of any write down.

Costs include the cash consideration and the fair market value of the shares issued for the acquisition of exploration properties. The carrying value is reduced by option proceeds or government assistance received until such time as the property cost and deferred expenditures are reduced to nominal amounts. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

Property, plant and equipment
Assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line method over the estimated useful life of the asset. The estimated useful lives of the assets are as follows:

Building and other structures	10 years
Vehicles	4 years

Asset retirement obligations
The fair values of asset retirement obligations are recorded as liabilities on a discounted basis when they are incurred. Amounts recorded for the related assets are increased by the amount of these obligations. Over time, the liabilities will be accreted for the change in their present value and the initial capitalized costs will be depleted and amortized over the useful lives of the related assets. The Company did not have any material asset retirement obligations as at December 31, 2010.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

The Company follows the asset and liability method of accounting for income taxes whereby future income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying values and their respective income tax bases (temporary differences). Future income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change occurs. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized. As at December 31, 2010, there are no income taxes payable.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of the assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Significant estimates include factors affecting the recoverability of mineral properties, valuation of asset retirement obligations, and future tax assets and liabilities. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

Financial instruments

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. These instruments, comprised of cash, are measured at fair value with subsequent changes in fair value included in operations.

Financial assets that have a fixed maturity date and fixed or determinable payments, where the Company intends and has the ability to hold the financial asset to maturity are classified as held-to-maturity and are measured at amortized cost using the effective interest rate method. Any gains and losses arising from the sale of held-to-maturity financial assets are included in operations. Currently, the Company has no held-to-maturity financial assets.

Items classified as loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables are included in operations. The Company's receivables are classified as loans and receivables. The estimated fair value of these financial instruments approximate their carrying value because of the limited term of these instruments.

Available-for-sale assets are those financial assets that are not classified as held-for-trading, held-to-maturity or loans or receivables, and are carried at fair value. Any gains or losses arising from the change in fair value are recorded as other comprehensive loss. Available-for-sale securities are written down to fair value through operations whenever it is necessary to reflect other than temporary impairment. Cumulative gains and losses arising upon the sale of the instrument are included in operations. The Company did not have any available-for-sale assets as at December 31, 2010.

Financial liabilities that are not classified as held-to-maturity are classified as other financial liabilities, and are carried at amortized cost using the effective interest method. Any gains or losses arising from the realization of other financial liabilities are included in operations. The Company has classified accounts payable and accrued liabilities as other financial liabilities, which are carried at amortized cost. Due to

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)
their short-term natures, the fair values of these financial instruments approximate their carrying values, and are not subject to significant credit or interest rate risk.

Comprehensive loss
Other comprehensive loss represents the change in net equity for the period that arises from unrealized gains and losses on available-for-sale financial instruments, and changes in the fair market value of derivative instruments designated as cash flow hedges. Amounts included in other comprehensive loss are shown net of tax. Cumulative changes in other comprehensive loss are included in accumulated other comprehensive loss which is presented (if applicable) as a new category in shareholders' equity. The Company has not classified any of its financial instruments as available for sale, and accordingly, for the period ended December 31, 2010, other comprehensive loss was equal to net loss.

Loss per share
Basic loss per share is calculated using the weighted number of shares outstanding for the period. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

New accounting changes

Fair value hierarchy and liquidity risk disclosure
The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). At December 31, 2010, the Company's financial instruments that are carried at fair value consist of cash which is classified as Level 1 within the fair value hierarchy.

Future accounting changes

International financial reporting standards ("IFRS")
In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS") beginning in 2011. The Company has reviewed the differences between Canadian GAAP and IFRS and has determined that there are no material adjustments required to the Company's financial statements other than disclosure. While the Company has had limited activity since inception, its current policies with respect to accounting for mineral properties, asset retirement obligation and property, plant and equipment are in line with IFRS requirements. The Company is in the process of setting up procedures to capture information required under new IFRS reporting requirements.

2. Future Accounting Changes (Continued)

Business combinations

CICA Handbook Section 1582 "Business Combinations", replaces Section 1581 - "Business Combinations" and provides the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3 - Business Combinations. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. The Company will adopt this standard on April 1, 2011 and does not expect the adoption of this standard to have a material impact on its financial statements.

Consolidations and non-controlling interests

CICA Handbook Section 1601 "Consolidations" and Section 1602 "Non-Controlling Interests" replace Section 1600 "Consolidated Financial Statements". Section 1602 provides the Canadian equivalent to International Accounting Standard 27 -"Consolidated and Separate Financial Statements", for non-controlling interests. The Company will adopt these standards on April 1, 2011 and does not expect the adoption of this standard to have a material impact on its financial statements.

3. CAPITAL MANAGEMENT

The Company will manage its capital structure and make adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors has not established quantitative return on capital criteria for management, but rather will rely on the expertise of the Company's management to sustain future development of the business. Management considers the Company’s capital structure to primarily consist of the components of shareholder’s equity.

Management will review its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements.

4. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's credit risk is primarily attributable to receivables. The receivables consist of goods and services tax due from the Federal Government of Canada. The Company has no significant concentration of credit risk arising from operations. Management believes that the risk concentration with respect to receivables is remote.

4. FINANCIAL RISK FACTORS (Continued)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has sufficient cash to fund its short term funding requirements for its Phase I work program and administrative operations.

Market risk

(a) Interest rate risk
The Company has cash balances and no interest-bearing debt; therefore, interest rate risk is minimal.

(b) Foreign currency risk
The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain purchases and expenses from the United States on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. As at December 31, 2010, the Company had no material US$ assets or liabilities. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. A 1% fluctuation in foreign exchange rates is not expected to have a material impact on the Company's financial position.

(c) Price risk
The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Sensitivity analysis
Based on management's knowledge and experience of the financial markets, the Company does not expect any material movements in the underlying market risk variables over the next three month period.

5. PROPERTY, PLANT AND EQUIPMENT

	2010		
	Cost	Accumulated Amortization	Net Book Value
Building and other structures	$ 12,206	$ -	$ 12,206
Vehicles	14,499	-	14,499
	$ 26,705	$ -	$ 26,705

As of December 31, 2010, none of the Company's equipment purchases were available for use, therefore, no depreciation has been recorded.

During the three months ended December 31, 2010, the Company made a $30,000 deposit on the purchase of equipment. The deposit is classified as a Long term deposit on the balance sheet.

6. MINERAL PROPERTIES

Kiyuk Lake Property

On October 26, 2010, the Company entered into an agreement with its parent Evolving to acquire 100% of Evolving's interest in the Option Agreement dated August 1, 2009, on the Kiyuk Property near Nueltin Lake in Nunavut. As a result of the transfer, the Company assumed all the obligations and commitments under the Option Agreement. The purchase price of the acquired asset was $1,417,959, which represented the carrying value of the property reflected in Evolving financial statements. As consideration for the asset, on November 2, 2010, the Company issued 12,766,395 of its common shares to Evolving.

The original Option Agreement dated August 1, 2009, had a five year term of which four years were remaining at the time of the transfer. Under the terms of the Option Agreement, $60,000 was to be paid and 40,000 Evolving shares were to be issued in each of the four remaining years. The Optionor retains a 2% NSR on the property which can be reduced by the payment of US$2,000,000 for each 1% reduction in the NSR.

On October 28, 2010, the Company entered into an Amending Letter Agreement which revised the August 1, 2009 Option Agreement to reflect the transfer of the interest in the Kiyuk Property to Prosperity and to revise certain financial terms. Under the terms of the Amending Letter Agreement, the Optionor will receive $60,000 cash and 20,000 Evolving common shares and 60,000 Prosperity common shares each year for the remaining four years of the Option Agreement. The Company will issue to Evolving, that number of common shares with an equivalent market value to the market value of the Evolving shares issued.

As at December 31, 2010, expenditures incurred on Kiyuk mineral property were as follows:

	Kiyuk $
Acquisition Costs:	
Balance, beginning of the period	-
Additions during the year	1,417,959
Balance, end of period	1,417,959
Deferred Exploration Costs:	
Balance, beginning of period	-
Geological consulting	2,247
Surveys and other studies	13,050
Field expenses	5,333
Travel and accommodation	4,456
Administration and other	8,002
Balance, end of period	33,088
Total	1,451,047

7. RELATED PARTY TRANSACTIONS

For the period ended December 31, 2010, the Company entered into a number of agreements with its parent Evolving regarding the transfer of the Kiyuk option agreement to Prosperity, and the terms for reimbursement for future Evolving shares to be issued to the Optionor in settlement of annual share issuance requirements. (Note 6)

On October 26, 2010, the Company entered into a funding agreement with Evolving in which Evolving agreed to fund all expenditures related to the Spin Out Transaction up to a maximum of $300,000. As consideration, Prosperity will issue one common share for every $0.15 of transaction costs funded by Evolving. As at December 31, 2010, the Company had incurred transaction costs of approximately $200,000 which has been expensed in the statement of operations. (Note 9)

On November 5, 2010, Evolving was the sole placee in the Company's $1,500,000 private placement.(Note 8)

8. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS

a) Capital Stock

	Number of Shares #	Value $
Authorized		
Unlimited common shares without par value		
Issued		
Issuance of shares pursuant to private placements	10,000,000	1,216,744
Issued for interest in mineral properties	12,766,395	1,417,959
Issued pursuant to incorporation	1	-
Balance as of December 31, 2010	22,766,396	2,634,703

The Company was incorporated as a wholly owned subsidiary of Evolving on September 10, 2010. On incorporation, the Company issued one common share to Evolving for gross proceeds of $0.05.

On November 2, 2010, the Company issued 12,766,395 shares valued at $1,417,959 for the acquisition of 100% of the Kiyuk Property Option Agreement from its parent Evolving.

On November 5, 2010, the Company completed a non-brokered private placement in which it issued 10,000,000 units at a price of $0.15 for gross proceeds of $1,500,000 of which $283,256 was allocated to warrants. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable at $0.25 for two years. No commissions or finder's fees were payable on the transaction. Evolving was the sole placee for the private placement.

8. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)

b) Stock options

The Company may grant stock options pursuant to a stock option plan which was established in accordance with the policies of the TSX Venture Exchange. 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. The options can be granted for a maximum term of ten years. The Company has not granted any options as of December 31, 2010.

c) Warrants

As at December 31, 2010, the following warrants were issued and outstanding:

Number of shares #	Exercise Price $	Expiry Date
5,000,000	0.25	November 5, 2012

The value of the outstanding warrants as at December 31, 2010, was $283,256.

The following weighted average assumptions were used for the Black-Scholes valuation of warrants granted for the period ended December 31, 2010:

	2010
Risk-free interest rate	1.4%
Expected life of warrants	2.0 years
Expected annualized volatility	121%
Expected dividend rate	0.00%

9. COMMITMENTS AND CONTINGENCIES

Environmental Contingencies
The Company's exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company expects to make in the future, expenditures to comply with such laws and regulations.

Reimbursement of Transaction Costs
The Company is committed to reimburse Evolving for all expenditures related to the Spin Out Transaction up to a maximum of $300,000. As consideration, Prosperity will issue one common share for every $0.15 of transaction costs funded by Evolving. As at December 31, 2010, the Company had incurred transaction costs of approximately $200,000 which has been expensed in the statement of operations.

9. COMMITMENTS AND CONTINGENCIES (Continued)

Mineral Property Commitments
See Note 6

10. SUBSEQUENT EVENTS

On February 2, 2011, the Company filed its final Prospectus and became a reporting issuer in each province and territory of Canada.