

**EVERTON RESOURCES INC.**  
**(A development stage Company)**  
**Consolidated Financial Statements**  
**October 31, 2007 and 2006**

---

<b>Management's Responsibility for Financial Statements</b>	2
<b>Auditors' Report</b>	3
<b>Consolidated Financial Statements</b>	
Consolidated Balance Sheets	4
Consolidated Operations	5
Consolidated Deferred Exploration Expenses	6
Consolidated Deficit	7
Consolidated Comprehensive Loss	8
Consolidated Cash Flows	9
Notes to Consolidated Financial Statements	10 to 27

## **Management's Responsibility for Financial Statements**

To the Shareholders and Directors of Everton Resources Inc.

The consolidated financial statements for the year ended October 31, 2007, the notes thereto and other financial information contained in the annual report are the responsibility of the management of Everton Resources Inc. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgements where appropriate.

Management has developed and maintained a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee, which is comprised of Directors, none of whom are employees or officers of the Company, meets with management as well as the external auditors to satisfy itself that management is properly discharging its financial reporting responsibilities to the Directors who approve the consolidated financial statements.

The consolidated financial statements have been audited by Raymond Chabot Grant Thornton LLP, the independent auditors, in accordance with Canadian generally accepted auditing standards, on behalf of the shareholders.

The auditors have full and unrestricted access to the Audit Committee.

(signed) André Audet  
André Audet, CEO

(signed) Marc Carbonneau  
Marc Carbonneau, CFO

## Auditors' Report

To the Shareholders of  
Everton Resources Inc.

We have audited the consolidated balance sheets of Everton Resources Inc. as at October 31, 2007 and 2006 and the consolidated statements of operations, deferred exploration expenses, deficit, comprehensive loss and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*Raymond Chabot Grant Thornton LLP*

Chartered Accountants,  
Licensed Public Accountants

Ottawa, Canada  
February 11, 2008

**Everton Resources Inc.**

(A development stage Company)

Consolidated Balance Sheets

As at October 31

	2007	2006
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	2,537,239	1,455,364
Short-term investments (Note 6)	5,468,851	-
Marketable securities	10,000	17,250
Accounts receivable	190,507	304,981
Amounts due from related parties (Note 9)	48,492	58,812
Tax credit and mining duties receivable	1,904,970	1,390,365
Advances to operators	12,706	20,755
Prepaid expenses	69,135	100,226
	<hr/> 10,241,900	<hr/> 3,347,753
Property, plant and equipment (Note 7)	50,952	54,569
Mineral exploration properties (Note 8)	2,201,870	1,011,875
Deferred exploration expenses (Note 8)	6,669,196	3,470,563
	<hr/> <hr/> 19,163,918	<hr/> <hr/> 7,884,760
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	360,603	416,508
Leases payable	-	1,772
	<hr/> 360,603	<hr/> 418,280
Long term liabilities		
Obligation under capital lease	-	8,366
	<hr/> 360,603	<hr/> 426,646
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 10)	25,467,445	14,849,688
Warrants (Note 10)	3,616,176	583,356
Contributed surplus (Note 11)	1,946,319	1,218,909
Accumulated other comprehensive loss	(7,250)	-
Deficit	(12,219,375)	(9,193,839)
	<hr/> 18,803,315	<hr/> 7,458,114
	<hr/> <hr/> 19,163,918	<hr/> <hr/> 7,884,760

*The accompanying notes are an integral part of these consolidated financial statements.*

On behalf of the Board,  
(signed) "André Audet"  
André Audet, Director

On behalf of the Board,  
(signed) "Alain Krushnisky"  
Alain Krushnisky, Director

**Everton Resources Inc.**  
(A development stage Company)  
Consolidated Operations  
For the Years Ended October 31

	2007	2006	Cumulative from November 1, 2002 to October 31, 2007
	\$	\$	\$
Administrative expenses			
Management and consulting fees	485,487	335,399	2,083,362
Salaries and benefits	1,035,623	585,758	2,097,451
Travel and promotion	241,516	199,277	775,484
Report to shareholders	24,188	16,110	168,523
Conferences and subscriptions	54,895	46,814	145,730
Stationery and office supplies	27,916	19,476	110,660
Professional fees	112,498	102,634	683,802
Insurance	31,251	18,900	73,095
Bank charges and interest	6,030	4,722	19,821
General expenses	52,687	75,114	334,212
Amortization of property, plant and equipment	25,894	17,988	47,395
	<u>2,097,985</u>	<u>1,422,192</u>	<u>6,539,535</u>
Other expenses (income)			
Interest and other income (Note 5)	(268,953)	(26,995)	(351,197)
Option payments	-	(31,565)	(47,348)
Gain on sale of marketable securities	-	(29,551)	(29,551)
Write-down of mining properties and deferred exploration expenses	1,145,988	77,708	3,424,463
Write-down of marketable securities	-	1,656	1,656
Project evaluation	50,516	-	50,516
Financing fees	-	-	11,500
	<u>927,551</u>	<u>(8,747)</u>	<u>3,060,039</u>
Loss from continued operations	3,025,536	1,413,445	9,599,574
Discontinued operations	-	-	153,404
Net loss	<u>3,025,536</u>	<u>1,413,445</u>	<u>9,752,978</u>
Basic and diluted net loss per common share	<u>0.06</u>	<u>0.04</u>	
Basic and diluted weighted average number of common shares outstanding	<u>53,912,018</u>	<u>38,305,595</u>	

*The accompanying notes are an integral part of these consolidated financial statements and Note 5 provides other information on consolidated operations.*

**Everton Resources Inc.**

(A development stage Company)

Consolidated Deferred Exploration Expenses

For the Years Ended October 31

	2007	2006	Cumulative from November 1, 2002 to October 31, 2007
	\$	\$	\$
Balance, beginning of the year	3,470,563	1,226,878	-
Additions			
Drilling	1,257,676	808,972	2,789,916
Project consulting	141,454	60,943	297,296
Geophysical survey	913,652	478,731	1,571,060
Geological survey	1,575,852	1,083,815	4,050,982
Geochemical survey	586,114	384,263	1,188,673
Report preparation	119,291	17,218	174,228
Renewal of licenses and permits	305,675	91,830	404,866
General field expenses	768,220	685,342	2,168,203
	5,667,934	3,611,114	12,645,224
Contribution of partners	(57,518)	(194,232)	(312,169)
	5,610,416	3,416,882	12,333,055
Write-down of deferred exploration expenses (Note 8)	(681,470)	(77,708)	(2,543,180)
Tax credits and mining duties	(1,730,313)	(1,095,489)	(3,120,679)
	(2,411,783)	(1,173,197)	(5,663,859)
Balance, end of the year	6,669,196	3,470,563	6,669,196

The accompanying notes are an integral part of these consolidated financial statements.

**Everton Resources Inc.**  
(A development stage Company)  
Consolidated Deficit  
For the Years Ended October 31

	2007	2006
	\$	\$
Deficit, beginning of year	9,193,839	7,780,394
Net loss	3,025,536	1,413,445
Deficit, end of year	<u>12,219,375</u>	<u>9,193,839</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**Everton Resources Inc.**  
(A development stage Company)  
Consolidated Comprehensive Loss  
For the Years Ended October 31

	<u>2007</u>	<u>2006</u>
	\$	\$
Net loss for the year	3,025,536	
Other comprehensive loss		
Unrealized loss on available-for-sale investments	<u>7,250</u>	
Comprehensive loss for the year	<u><u>3,032,786</u></u>	-

*The accompanying notes are an integral part of these consolidated financial statements.*

**Everton Resources Inc.**  
(A development stage Company)  
Consolidated Cash Flows  
For the Years Ended October 31

	2007	2006	Cumulative from November 1, 2002 to October 31, 2007
	\$	\$	\$
<b>OPERATING ACTIVITIES</b>			
Net loss	(3,025,536)	(1,413,445)	(9,752,978)
Non-cash items			
Amortization of property, plant and equipment	25,894	17,988	47,395
Stock based compensation	785,225	394,255	2,117,247
Write-down of deferred exploration expenses	681,470	77,708	2,543,180
Write-down of mineral properties	464,518	-	881,283
Write-down of marketable securities	-	1,656	1,656
Gain on sale of marketable securities	-	(29,551)	(29,551)
Changes in non-cash working capital items (Note 12)	123,980	(82,929)	(240,202)
Cash flows used in operating activities	<u>(944,449)</u>	<u>(1,034,318)</u>	<u>(4,431,970)</u>
<b>INVESTING ACTIVITIES</b>			
Short-term investments	(5,468,851)	-	(5,468,851)
Acquisition of marketable securities	-	(310,961)	(310,961)
Proceeds from sale of marketable securities	-	321,606	321,606
Acquisition of property, plant and equipment	(22,277)	(50,180)	(87,204)
Mineral exploration property costs	(803,713)	(245,996)	(1,694,353)
Deferred exploration expenses	(5,626,367)	(3,154,250)	(12,003,737)
Tax credits and mining duties received	1,215,708	-	1,215,708
Cash flows used in investing activities	<u>(10,705,500)</u>	<u>(3,439,781)</u>	<u>(18,027,792)</u>
<b>FINANCING ACTIVITIES</b>			
Payments on capital lease obligation	(10,138)	(286)	(10,424)
Issue of common shares and warrants, net of share issue costs	12,741,962	5,211,812	24,899,912
Cash flows from financing activities	<u>12,731,824</u>	<u>5,211,526</u>	<u>24,889,488</u>
Increase in cash and cash equivalents	1,081,875	737,427	2,429,726
Cash and cash equivalents, beginning of year	<u>1,455,364</u>	<u>717,937</u>	<u>107,513</u>
Cash and cash equivalents, end of year	<u><u>2,537,239</u></u>	<u><u>1,455,364</u></u>	<u><u>2,537,239</u></u>
Non-cash supplemental information:			
Deferred exploration expenses included in accounts payable	329,315	345,266	
Furniture and equipment under capital lease	-	10,424	
Fair value of exercised options	57,815	113,113	
Common shares issued to increase interest in mineral properties	850,800	38,500	

*The accompanying notes are an integral part of these consolidated financial statements.*

## **Everton Resources Inc.**

(A development stage Company)

Notes to Consolidated Financial Statements

October 31, 2007 and 2006

### **1. Governing statutes and nature of operations**

Everton Resources Inc. (the "Company" or "Everton") was incorporated under the Business Corporations Act (Alberta) on November 7, 1996 and commenced operations on December 19, 1996. Until June 2002, the Company was involved in an internet related business. In November 2002, the Company commenced its current nature of operations which involves acquisition, exploration and development of mineral resource properties. The Company is in the exploration stage and does not derive any revenue from the development of its properties.

Until it is determined that the Company's properties contain mineral reserves or resources that can be economically mined, they are classified as mineral exploration properties. The recoverability of deferred exploration expenses is dependent upon: the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain necessary financing to complete exploration, development and construction of processing facilities; obtaining certain government approvals; and attaining profitable production.

### **2. Basis of presentation**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and on the basis of a going concern assumption meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

For the year ended October 31, 2007, the Company reported a loss of approximately \$3 million and an accumulated deficit of approximately \$12.2 million at that date. In addition to ongoing working capital requirements, the Company must secure sufficient funding for its existing commitments for exploration and development programs and general and administration costs. In recognition of these circumstances, the Company completed, in February 2007, a private placement for net proceeds of \$11.6 million to fund operations and advance the Company's exploration program in Canada and Dominican Republic (Note 8). Also, the Company issued more common shares following the exercise of warrants and options by shareholders, for net proceeds of \$1.1 million. In management's opinion, these undertakings are sufficient to enable the Company to fund all aspects of its operations for the next two years.

The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements and the balance sheet classifications have not been adjusted as would be required if the going concern assumption was not appropriate.

### **3. Accounting changes**

Effective November 1, 2006, in accordance with the applicable transitional provisions, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1530, "Comprehensive Income", Section 3251, "Equity", Section 3855, "Financial Instruments - Recognition and Measurement" and Section 3861, "Financial Instruments - Disclosure and Presentation". These new Handbook sections provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting.

Sections 3855 and 3861 deal with the recognition, measurement, presentation and disclosure of financial instruments and non-financial derivatives in the financial statements. The transitional provisions of these sections require that the Company remeasures the financial assets and liabilities as appropriate at the beginning of its fiscal year. Any adjustment of the previous carrying amount is recognized as an adjustment of the balance of deficit at the beginning of the fiscal year of initial application or as an adjustment of the opening balance of a separate component of accumulated other comprehensive loss, as appropriate. The financial statements of prior fiscal years are not restated.

## **Everton Resources Inc.**

(A development stage Company)

Notes to Consolidated Financial Statements

October 31, 2007 and 2006

Section 1530 establishes standards for reporting and display of comprehensive income. Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting fiscal year. Pursuant to the transitional provisions of these sections, the Company's financial statements of prior fiscal years are not restated.

Adoption of these new recommendations resulted in the following impacts on the classification and measurement of the Company's financial instruments:

- Cash and cash equivalents are classified as held-for-trading financial assets. They are measured at fair value and changes in fair value are recognized in net earnings in the periods in which they arise. This change had no impact on the financial statements as at October 31, 2007.
- Marketable securities and short term investments are classified as available-for-sale financial assets and are measured at fair value with changes in fair value recorded in other comprehensive income until the financial asset is derecognized or impaired. Since the fair value and the cost base of the Company's marketable securities was the same on November 1, 2006, there was no adjustment to the opening fair value of marketable securities. This change led to a decrease of marketable securities and an increase in comprehensive loss of \$7,250 as at October 31, 2007 and for the year then ended.
- Accounts receivable, Amounts due from related parties and Advances to operators are classified as loans and receivables and are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts. This change had no impact on the financial statements as at October 31, 2007.
- Accounts payable and accrued liabilities and obligations under capital lease are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method. This change had no impact on the financial statements as at October 31, 2007.

The CICA has issued the following new sections which are effective for annual and interim periods beginning on or after October 1, 2007: Section 3862, "Financial Instruments – Disclosures", Section 3863, "Financial instruments – Presentation" and Section 1535, "Capital Disclosures". These new standards relate only to disclosure and presentation and will have no impact on the Company's results.

Section 3862 describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risk arising from financial instruments to which the entity is exposed and how the entity manages those risks.

Section 3863 establishes standards for presentation of the financial instruments and non-financial derivatives. It carries forward the presentation related requirement of Section 3861 "Financial Instruments – Disclosure and Presentation".

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital, the quantitative data about the entity regards as capital, whether the entity has complied with any capital requirements, and, if it has not complied, the consequences of such non-compliance.

## **Everton Resources Inc.**

(A development stage Company)

Notes to Consolidated Financial Statements

October 31, 2007 and 2006

### **4. Accounting policies**

#### **a) Basis of presentation**

These financial statements, which are expressed in Canadian dollars, have been prepared by management in accordance with accounting principles generally accepted in Canada and include all of the assets, liabilities and expenses of the Company, its 100% owned Dominican Republic subsidiaries Everton Minera Dominicana and Tropical Resources, and its 100% owned subsidiaries in British Virgin Islands: Pan Caribbean Metals Inc. and Dominican Metals Inc. All inter-company balances and transactions have been eliminated upon consolidation. Everton Resources Inc. and its subsidiaries are collectively referred to herein as the "Company" or "Everton".

#### **b) 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 amounts reported in the financial statements and disclosures in the notes thereto.

The most significant items requiring the use of management estimates and valuation assumptions are related to the recoverable value of mining assets (mineral exploration properties and deferred exploration expenses) and the ability to continue as a going concern. These estimates and valuation assumptions were made by management using careful judgment, based on the most current geological information available and its planned course of action, as well as on assumptions about future business, economic and capital market conditions. Actual results could differ from estimates used in preparing these financial statements and such differences could be material.

#### **c) Cash and cash equivalents**

Cash and cash equivalents include investments with maturities at the date of acquisition of three months or less and which are readily convertible into cash.

#### **d) Marketable securities**

Marketable securities are measured at fair value with changes in fair value recorded in other comprehensive income until the marketable securities are derecognized or impaired

#### **e) Property, plant and equipment**

Property, plant and equipment are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable when it exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. In such a case, an impairment loss must be recognized and is equivalent to the excess of the carrying amount of a long-lived asset over its fair value.

The Company provides for amortization on property, plant and equipment at the following rates:

- Computer equipment – 30% declining balance
- Computer software – 100% declining balance
- Furniture and equipment – 20% declining balance

#### **f) Mineral exploration properties and deferred exploration expenses**

The Company records its interest in mining properties and areas of geological interest at cost less option payments and other recoveries. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, titles to all of its properties are in good standing.

## **Everton Resources Inc.**

(A development stage Company)

Notes to Consolidated Financial Statements

October 31, 2007 and 2006

Exploration costs relating to the Company's interests and projects are capitalized on the basis of specific claim blocks or areas of geological interest until the mining properties to which they are related are placed into production, sold or allowed to lapse. Management reviews the carrying values of mining properties on a regular basis to determine whether any write downs are necessary. These costs will be amortized over the estimated useful life of mining properties following commencement of production or written off if the mining properties or projects are sold or allowed to lapse. General exploration expenditures not related to specific mining properties are expensed as incurred.

### **g) Environmental and reclamation costs**

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly from country to country and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation by the application of technically proven and economically feasible measures.

An estimate for the future costs of site restoration is made based upon estimates that consider the anticipated method and extent of site reclamation required to meet legal standards. If required, a provision for the estimated costs is recognized by increasing the carrying amount of the related long-lived asset by the same amount as the liability. Since the Company is not at the production stage yet, no such provision is to be estimated.

Reclamation costs incurred are charged against this provision. The effects of changes in regulations and cost assumptions are recognized when determined.

### **h) Loss per share**

Basic loss per share is computed by dividing the net loss for the year available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted loss per share assumes the conversion or exercise of securities only when such conversion or exercise would have a dilutive effect on earnings per share. The dilutive effect of outstanding stock options and warrants described in note 9 is reflected in diluted loss per share by application of the treasury stock method.

### **i) Share capital**

The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.

Share capital issued for non-monetary consideration is recorded at an amount based on fair market value reduced by an estimate of transaction costs normally incurred when issuing shares for cash, as determined by management.

Share issue expenses are recorded as a reduction of share capital when the related shares are issued.

### **j) Stock-based compensation**

The Company measures the compensation cost of stock options issued under employee and non-employee compensation plans using a fair value-based method. Compensation costs are measured at the grant date based on the fair value of the award using Black-Scholes pricing model and are recognized over the related service period as an expense with a corresponding increase to contributed surplus.

## Everton Resources Inc.

(A development stage Company)

Notes to Consolidated Financial Statements

October 31, 2007 and 2006

### k) Foreign currency translation

The functional currency of the Company is the Canadian dollar. Monetary assets and liabilities denominated in currencies other than the Canadian dollar and integrated foreign operations are translated using the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Expenses are translated at exchange rates in effect during the period with the exception of expenses relating to non-monetary assets and liabilities which are translated at the historical rate. Translation gains or losses are included in the determination of income or loss in the statement of operations in the period in which they arise.

### l) Income taxes

The Company accounts for income taxes under the asset and liability method that requires the recognition of future income tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. The Company provides a valuation allowance on net future tax assets when it is more likely than not, that such assets will not be realized.

### m) Tax credits and mining duties

The Government of Québec provides a non-taxable refundable credit for losses to help operators meet exploration, mineral deposit evaluation and mine development costs by refunding part of eligible expenditures incurred. The credit is equal to 12% of the lesser of:

- the amount of the annual loss; and
- the exploration, mineral deposit evaluation and mine development expenses.

The Government of Québec also offers businesses having establishments and that carry on activities in Québec a refundable tax credit for mineral exploration activities, covering up to 45% of exploration expenses.

Tax credits and mining duties which are earned as a result of qualifying mineral exploration expenses, are recognized when the exploration expenses are incurred. They are applied to reduce related mineral exploration expenses in the period recognized.

## 5. Information included in consolidated operations

	2007	2006
	\$	\$
Exchange gain (loss)	(8,595)	5,661
Interest from available-for-sale financial assets	267,311	26,165
Interest from held-for-trading financial assets	1,642	830

## 6. Short term investments

Investments (in the form of bankers acceptance) with maturities from the date of acquisition of 90 days to 6 months total \$5,468,851 at October 31, 2007 (nil at October 31, 2006) with interest rates ranging from 4.23% to 4.32% and maturities ranging from November 2007 to February 2008. Maturities under 90 days total \$1,929,470 and are included in cash and cash equivalents, these have interest rates ranging from 4.61% to 4.67%, all maturing in January 2008. Short term investments are carried at fair value.

**Everton Resources Inc.**

(A development stage Company)

Notes to Consolidated Financial Statements

October 31, 2007 and 2006

**7. Property, plant and equipment**

	October 31, 2007		October 31, 2006	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Computer equipment	37,653	16,114	21,539	16,903
Computer software	26,228	23,213	3,015	10,100
Furniture and equipment	36,531	10,133	26,398	18,184
Furniture and equipment under capital lease	-	-	-	9,382
	100,412	49,460	50,952	54,569

The cost and accumulated amortization is \$78,135 and \$23,566 respectively as at October 31, 2006.

During the year ended October 31, 2007, the furniture and equipment under capital lease was bought out and reclassified as furniture and equipment.

**8. Mineral exploration properties and deferred exploration expenses**

	October 31, 2007		October 31, 2006	
	Mineral Properties	Deferred Exploration Expenses	Mineral Properties	Deferred Exploration Expenses
	\$	\$	\$	\$
a) Opinaca	194,646	2,314,422	154,646	1,081,537
b) Wildcat	250,028	909,198	250,028	431,410
c) Eastmain River Area	137,887	122,326	183,299	44,097
d) James Bay Area	622,844	331,959	54,495	129,475
e) Star Lake	9,333	41,945	12,652	11,839
f) Evans	240	50	16,368	23,664
g) Cuance	-	733,681	-	417,552
g) Los Hojanchos	-	315,505	-	214,902
h) Loma El Mate	183,836	825,539	183,836	785,091
i) Miches	-	-	57,845	153,044
j) Jobo Claro	302,280	261,881	92,081	53,548
k) Maimon Copper	-	306,582	-	71,824
l) La Mireya	5,635	18,764	5,635	1,519
m) Ampliacion	422,740	461,725	-	-
m) Loma Hueca	67,940	8,804	-	-
n) Hot Springs	-	-	-	11,878
o) Other	4,461	16,815	990	39,183
<b>TOTAL</b>	<b>2,201,870</b>	<b>6,669,196</b>	<b>1,011,875</b>	<b>3,470,563</b>

## Everton Resources Inc.

(A development stage Company)

Notes to Consolidated Financial Statements

October 31, 2007 and 2006

### a) Opinaca, Quebec

On December 13, 2004, Everton signed an option agreement with Azimut Exploration ("Azimut") to earn up to 50% in 546 claims by spending \$4,800,000 in exploration work and by making cash payments of \$340,000 over 5 years. The claims are adjacent to the Eleonore gold discovery, in the James Bay territory in Quebec. Under the same agreement, the Company has the option to increase its interest from 50% to 65% by paying an amount of \$40,000 a year to Azimut for the next five years and by incurring minimum work expenditures of \$200,000 a year for same period. This increase can only be acquired once the following payments and minimum exploration expenses have been made.

To earn its 50 % interest, the Company must make cash payments and incur exploration expenses in the following timelines:

	Cash Payments	Exploration Expenses
	\$	\$
Upon execution of the agreement	90,000 (1)	
On or before December 9, 2005	40,000 (1)	500,000 (1)
On or before December 9, 2006	40,000 (1)	900,000 (1)
On or before December 9, 2007	50,000 (1)	900,000 (1)
On or before December 9, 2008	60,000	1,200,000
On or before December 9, 2009	60,000	1,300,000
	<u>340,000</u>	<u>4,800,000</u>

(1) Each of these cash payments and exploration expenses were paid or incurred on or before the dates noted in the agreement.

### b) Wildcat, Quebec

On January 25, 2005, Everton acquired a 100% interest in 579 claims grouped in 7 different blocks. These claims were acquired from an independent prospector for cash consideration of \$100,000 and the issuance of 300,000 shares of Everton for a value of \$120,000. In 2006, the Company increased its land package known as Wildcat by staking an additional 207 claims. These claims are also adjacent to the Eleonore gold discovery.

### c) Eastmain River Area, Quebec

On May 4, 2005, Everton acquired 227 claims in the Otish Mountains from Majescor Resources Inc. (a related party) for a cash consideration of \$75,000. On the same day, the Company signed an agreement with an independent syndicate to acquire a 100% interest in 837 claims in exchange for the 227 claims it owned in the Otish Mountains, a cash consideration of \$25,000 and the issuance of 200,000 shares of the Company, valued at \$77,000. In May 2005, the Company acquired by map-staking another 441 claims in the Eastmain River area, bringing the whole Eastmain Project to a total of 1,278 claims.

As at October 31, 2007, the Company wrote down the cost of the property by \$92,549 (\$49,042 in acquisition cost and \$43,507 in deferred exploration expenses) to reflect the estimated net realizable value of the property (Note 17).

## **Everton Resources Inc.**

(A development stage Company)

Notes to Consolidated Financial Statements

October 31, 2007 and 2006

### **d) James Bay Area, Quebec**

In 2005 and 2006, seven projects were acquired by map-staking in the James Bay territory of Quebec, known as the Pine Hill, Sakami, Wapamisk, Conviac, Castle, Coulon and Pontax properties. On February 21, 2007, the Company acquired a 100% interest in eleven additional projects in the James Bay territory from an independent syndicate for a cash consideration of \$125,000 and the issuance of 380,000 common shares of the Company, valued at \$535,800. The projects are known as the Wapamisk Lake, Conviac Lake, Sarcelle, Candlestick, Corvet South, LeMoynes, Gauchet, Duncan, Aylmer, Morand, Pine Hill North, Lac Jobert and Castle South properties. These properties are subject to a 2% net smelter royalty (NSR) payable to the syndicate and the Company has the option to purchase up to one-half of the 2% royalty for \$1,000,000.

As at October 31, 2007, the Company wrote down the cost of these properties (except for the Coulon and Sarcelle properties) by \$316,011 (\$208,018 in acquisition cost and \$107,993 in deferred exploration expenses) to reflect the estimated net realizable value of the properties (Note 17).

Also, during the year, the Company conducted a geological survey on the Mirabelli property which is also located in the James Bay Area. The non-significant results obtained on the Mirabelli property led to the write-off of all accumulated deferred exploration expenses in the amount of \$106,229.

### **e) Star Lake, Quebec**

In September 2005, Everton signed an agreement with Gestion IamGold-Québec Inc. to enable it to acquire from the Company a 50% interest in the Star Lake property by spending \$100,000 in exploration work and making cash payments totaling \$60,000. As at October 31, 2007, Gestion IamGold-Québec Inc. had acquired its 50% interest.

As at October 31, 2007, the Company wrote down the cost of the property by \$18,238 (\$3,320 in acquisition cost and \$14,918 in deferred exploration expenses) to reflect the estimated net realizable value of the property (Note 17).

### **f) Evans, Quebec**

In 2005, three projects were acquired by map-staking in the James Bay territory of Quebec: Battleship, Sirmac and Scott Lake.

As at October 31, 2007, the Company abandoned the Battleship and Scott Lake properties as they no longer fit the Company's development strategy. The Company wrote-off the cost of these two properties in the amount of \$44,602 (\$16,128 in acquisition cost and \$28,474 in deferred exploration expenses).

### **g) Cuance and Los Hojanchos, Dominican Republic**

On August 26, 2003, Everton entered into an option agreement with Globestar Mining Corporation ("Globestar") to earn up to 70% in three gold and base metals concessions, namely Cuance, Los Hojanchos and Loma de Payabo concessions. All of the concessions, known as the Everton Concession Group, are located in the Central Cordillera of the Dominican Republic within the Maimon Copper and Los Ranchos Formations.

In an amendment to this agreement, dated August 14, 2007 Everton can earn a 50% interest in two of these properties, Cuance and Los Hojanchos, in return for exploration expenditures of US \$585,000 (CAD \$556,000) per concession for a total of US \$1,170,000 (CAD \$1,112,000). These concessions are subject to a 1.5% NSR, which can be acquired for CDN \$750,000. To earn its interest, the Company must, at its option, incur the following exploration expenditures:

## Everton Resources Inc.

(A development stage Company)

Notes to Consolidated Financial Statements

October 31, 2007 and 2006

	Cuance	Los Hojanchos
On or before December 31, 2007 (1)	US \$585,000 (CAD \$556,000)	US \$585,000 (CAD \$556,000)

(1) Globestar is the operator on this project and is responsible for cash calling the Company sufficient amounts, in working programs, to complete the committed expenditures and to keep the joint venture in good standing.

Upon earning the 50% interest, the Company can increase its interest to 70% by completing a bankable feasibility study within two years.

### h) Loma El Mate, Dominican Republic

On December 8, 2003, the Company entered into an earn-in agreement with Linear Resources Inc. for the Loma El Mate Project, located in the Dominican Republic, which is contiguous to the southeast corner of the Pueblo Viejo Gold Mine concession. The Company had the option to acquire a 50% interest in the property by incurring cumulative expenditures of US \$500,000 (CAD \$567,000) over a two year period, issuing 200,000 common shares and paying an option fee of US \$70,000 (CAD \$79,000). All of the above conditions were met (including the issue of 100,000 common shares in 2004 valued at \$40,000, 50,000 common shares in 2005 valued at \$20,000 and 50,000 common shares in 2006 valued at \$38,500) and the Company has acquired its 50% interest.

### i) Miches, Dominican Republic

In February 2006, Everton signed an agreement to acquire up to an 85% interest in the Miches Group of Concessions, which consist of four properties: La Guara, Leal, Las Cayas, and El Piquito. The Company has the option to acquire its interest in the four concessions from two independent Dominican companies by spending a total US \$1,800,000 (CAD \$1,709,820) in exploration work and by paying option fees of US \$175,000 (CAD \$166,232) over a period of 3 years.

As of October 31, 2007, the Company wrote down the property to nil as it no longer fits the Company's development strategy. The write-down amounts to \$512,067 (\$187,021 in acquisition cost and \$325,046 in deferred exploration expenses).

### j) Jobo Claro, Dominican Republic

In September 2005, Everton signed an agreement with a local concession holder to acquire a 100% interest in the Jobo Claro concession adjacent to the Pueblo Viejo Mine, in the Dominican Republic.

Everton had the exclusive option to evaluate the Jobo Claro project for an initial period of 180 days from the effective date of September 10, 2005, by paying US\$30,000 (CAD \$36,000). Further to an amendment to this agreement dated March 2006, Everton paid an additional amount of US\$30,000 (CAD \$34,000) to maintain its option to evaluate the Jobo Claro project, for up to 360 days from the effective date of September 10, 2005. Further to a second amendment dated September 10, 2006, Everton paid an additional amount of US\$20,000 (CAD \$22,000) to maintain its option to evaluate the Jobo Claro project until March 10, 2007. On March 10, 2007, the Company paid US\$180,000 (CAD \$210,000) to the local concession holder and acquired a 100% interest in the project.

## Everton Resources Inc.

(A development stage Company)

Notes to Consolidated Financial Statements

October 31, 2007 and 2006

### k) Maimon Copper, Dominican Republic

In January 2005, five polymetallic concessions were granted to the Company: Miranda, Loma Blanca, Caballero, Los Naranjos and Tocoa. These five concessions which are located within the Maimon Formation in Dominican Republic are held 100% by the Company. In November 2005, the Company was granted another three polymetallic concessions in the same area: La Sidra, El Llano and La Yautia.

### l) La Mireya, Dominican Republic

In May 2006, the Company executed an agreement with GlobeStar Mining Corp. "Globestar" to acquire a 100% interest in La Mireya gold concession in the eastern cordillera of the Dominican Republic.

Under the terms of the agreement with GlobeStar, Everton exchanged its 50% joint venture interest in the Corozal and Cercadillo nickel laterite concessions in return for GlobeStar's La Mireya gold concession. Everton retains a 1% NSR on Corozal and Cercadillo while GlobeStar retains a 2% NSR on La Mireya. GlobeStar and Everton also have the right to purchase half of the other's NSR at any time for US\$500,000 (CAD \$475,000).

### m) Ampliacion and Loma Hueca, Dominican Republic

On March 6, 2007, the Company signed an option agreement (amended on April 10, 2007) to acquire from Linear Gold Corp. ("Linear") an undivided 50% interest in the Ampliacion and Loma Hueca Concessions.

The Company can earn its interest in the Ampliacion Concession by making cash payments totaling US\$700,000 (CAD \$665,000), work commitments of US\$2,500,000 (CAD \$2,375,000) and issuing 1,200,000 common shares over a three-year period.

	Cash Payments USD\$	Work Commitments USD\$	Common Shares	
On or before March 6, 2007	100,000	(1)	200,000	(1)
March 6, 2008	100,000	500,000	250,000	
March 6, 2009	200,000	800,000	350,000	
March 6, 2010	300,000	1,200,000	400,000	
	<u>700,000</u>	<u>2,500,000</u>	<u>1,200,000</u>	

(1) These amounts were paid and these shares were issued to Linear Gold Corp on or before March 6, 2007.

The Company can increase its interest in the concession to 65% by incurring all additional expenditures on the concession to the completion of a bankable feasibility study and by paying Linear US\$2,000,000 (CAD \$1,900,000) and issuing 1,000,000 additional common shares.

The Company can earn its interest in the Loma Hueca Concession by making cash payments totaling US\$100,000 (CAD \$95,000), work commitments of US\$600,000 (CAD \$570,000) and issuing 200,000 common shares over a three-year period.

## Everton Resources Inc.

(A development stage Company)

Notes to Consolidated Financial Statements

October 31, 2007 and 2006

	Cash Payments USD\$	Work Commitments USD\$	Common Shares
On or before March 6, 2007	25,000 (1)		25,000 (1)
March 6, 2008	25,000	100,000	25,000
March 6, 2009	25,000	200,000	50,000
March 6, 2010	25,000	300,000	100,000
	<u>100,000</u>	<u>600,000</u>	<u>200,000</u>

(1) These amounts were paid and these shares were issued to Linear Gold Corp on or before March 6, 2007.

The Company can increase its interest in the concession to 65% by incurring all additional expenditures on the concession to the completion of a bankable feasibility study and by paying Linear US\$250,000 (CAD \$238,000) and issuing 300,000 additional common shares.

### n) Hot Springs, British Columbia

By agreement dated April 11, 1997 the Company acquired a 100% interest in certain claims in British Columbia from four directors in exchange for 417,143 shares of the Company. During a prior year, all related resource property costs were written down to a nominal value. During the year, the property was written down to nil (in the amount of \$11,878) as it no longer fits the Company's development strategy.

### o) Other

Other properties consist mostly of eastern Dominican Republic concessions: Altas misas, Corralitos, Cacique de Piedra, Los mosquitos del Este, Loma Ceiba de Agua, Piedra Blanca and Sonador which were originally acquired based on the interest in the area following the signing of the Miches agreement. As at October 31, 2007, the Company abandoned the following properties as they no longer fit the Company's development strategy: Otish Uranium, Outarde, Lome Del Vallee, Candelaria de Jengobre, Loma La Ceibira and Bellas Gate. These properties were written-off in the amount of \$44,414 (\$990 in acquisition cost and \$43,424 in deferred exploration expenses).

## 9. Related party transactions

Related party transactions not disclosed elsewhere in these financial statements are as follows:

Under an agreement between the Company and Majescor Resources Inc. (which shares common management), the Company pays the cost of shared salaries and benefits, rent and office expenses which are then reimbursed at cost by Majescor Resources Inc. During the year, the cost of shared salaries and benefits was \$190,201 (2006 - \$185,585) and rent and office expenses were \$33,893 (2006 - \$5,520). Included in accounts receivable is \$27,681 (2006 - \$46,168) due from Majescor Resources Inc.

Under an agreement between the Company and Uranium World Energy Inc. (which shares common management), the Company receives an annual compensation of \$65,000 (2006 - \$65,000) from Uranium World Energy Inc. for administrative services provided by the Company's employees (bookkeeping, filings and other accounting services). Included in accounts receivable is \$11,483 (2006 - \$12,644) due from Uranium World Energy Inc.

## Everton Resources Inc.

(A development stage Company)

Notes to Consolidated Financial Statements

October 31, 2007 and 2006

Under an agreement effective October 1, 2007 between the Company and Mazorro Resources Inc. (which shares common management), the Company pays the cost of shared salaries and benefits, rent and office expenses which are then reimbursed at cost by Mazorro Resources Inc. The cost of shared salaries and benefits was \$7,815 (2006 - nil) and rent and office expenses were \$985 (2006 - Nil). Included in accounts receivable is \$9,328 (2006 - nil) due from Mazorro Resources Inc.

These transactions were measured at the exchange amount, that is the amount established and accepted by the parties and were conducted in the normal course of business.

The amounts due from related parties are without interest and terms of repayment.

### 10. Share capital

#### a) Authorized

Unlimited number of common shares without par value.

#### Issued

	Number of shares	\$
Balance, October 31, 2005	33,709,953	8,652,500
Shares issued for cash (net of issue costs)	3,000,000	132,675 (1)
Shares issued on the exercise of warrants	6,815,597	5,791,885
Shares issued on the exercise of options	346,400	234,128
Shares issued to increase participation in mineral properties	50,000	38,500
Balance, October 31, 2006	43,921,950	14,849,688
Shares issued for cash (net of issue costs)	10,000,000	7,947,105 (2)
Shares issued on the exercise of warrants	2,751,033	1,686,517
Shares issued on the exercise of options	196,000	133,335
Shares issued to increase participation in mineral properties	605,000	850,800
Balance, October 31, 2007	57,473,983	25,467,445

(1) A private placement of 3 million units at a price of \$0.50 per unit. This amount is net of share issue costs of \$49,637 and net of the fair value of the 3 million accompanying warrants of \$1,317,688.

(2) On February 20, 2007, the Company completed a brokered private placement for gross proceeds of \$12,500,000. The private placement was comprised of 10,000,000 Units at a price of \$1.25 per Unit. Each Unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one common share of the Company at a price of \$1.65 until August 20, 2008, provided that if the weighted-average price of the common shares of the Company on the TSX-Venture Exchange is equal to or greater than \$2.50 for 20 consecutive trading days, the holder will have 30 days to exercise their warrants failing which the warrants will expire. The Company paid commissions totaling \$812,500 and issued 650,000 broker warrants. Other share issuance costs total \$124,219. Each broker warrants entitles the holder to acquire one unit at \$1.25 until August 20, 2008. The warrants and the broker warrants have been recorded at a fair value of \$3,616,176 based on the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 4.10%, expected life of warrants of 1.5 years, annualized volatility of 96% and dividend rate of 0%. The value of the warrants and the broker warrants, the commissions paid to the brokers and other issue costs were presented as a reduction of share capital.

**Everton Resources Inc.**

(A development stage Company)

Notes to Consolidated Financial Statements

October 31, 2007 and 2006

**b) Warrants**

	October 31, 2007			October 31, 2006		
	Number of warrants	Weighted average exercise price \$	Black-Scholes Value \$	Number of warrants	Weighted average exercise price \$	Black-Scholes Value \$
Balance, beginning of year	2,751,033	0.41	583,356	6,566,630	0.40	1,417,119
Granted	5,975,000	1.61	3,616,176	3,000,000	0.70	1,317,688
Exercised	(2,751,033)	0.41	(583,356)	(6,815,597)	0.53	(2,151,451)
Expired	-	-	-	-	-	-
Balance, end of year	<u>5,975,000</u>	<u>1.61</u>	<u>3,616,176</u>	<u>2,751,033</u>	<u>0.41</u>	<u>583,356</u>

As at October 31, 2007, the following stock purchase warrants were outstanding and exercisable:

Description	Number	Exercise Price \$	Expiry Date
February 2007 private placement	5,000,000	1.65	August 20, 2008
Broker warrants	<u>975,000</u>	1.38	August 20, 2008
	<u>5,975,000</u>		

Warrants issued are measured and recognized at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions:

	2007	2006
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	96%	102%
Risk-free interest rate	4.10%	4.16%
Expected life of warrants	1.5 years	1.5 years
Weighted average fair value	\$0.61	\$0.44

**c) Stock option plan**

Common shares reserved for issuance under the Company's stock option plan is based on a rolling maximum of 10% of the Company's outstanding common shares. At the 2006 annual general meeting, shareholders approved the resolution to increase the maximum number of options from 4,500,000 to 5,680,698. These options may be granted to the Company's employees, officers, directors, and non-employees, subject to regulatory approval. The exercise price of each option can be set equal to or greater than the closing market price, less allowable discounts, of the common shares on the TSX Venture Exchange on the day prior to the date of the grant of the option. Options have a maximum term of ten years and terminate 60 days following the termination of the optionee's employment, except in cases of retirement or death. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted.

**Everton Resources Inc.**

(A development stage Company)

Notes to Consolidated Financial Statements

October 31, 2007 and 2006

	October 31, 2007		October 31, 2006	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance, beginning of year	3,629,850	0.50	3,021,250	0.36
Granted	1,550,000	0.96	1,255,000	0.78
Exercised	(196,000)	0.24	(346,400)	0.38
Forfeited	(20,000)	1.24	(300,000)	0.41
Balance, end of year	<u>4,963,850</u>	<u>0.65</u>	<u>3,629,850</u>	<u>0.50</u>

As at October 31, 2006, the number of exercisable options was 2,827,350.

As at October 31, 2007, the following options were outstanding and exercisable:

Range of exercise prices	Number outstanding	Weighted average remaining Contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$0.20-\$0.45	2,603,850	1.61	\$0.34	2,603,850	\$0.34
\$0.78-\$1.38	<u>2,360,000</u>	4.19	\$0.95	<u>1,028,750</u>	\$1.00
	<u>4,963,850</u>			<u>3,632,600</u>	

The fair value of each option granted is estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2007	2006
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	97%	102%
Risk-free interest rate	4.71%	4.28%
Expected life of options	5 years	5 years
Weighted average fair value	\$0.59	\$0.78

The Company has recorded the following amounts as stock based compensation:

	2007	2006
	\$	\$
Management and consulting fees	373,055	244,736
Salaries and benefits	412,170	149,519
Total stock based compensation	<u>785,225</u>	<u>394,255</u>

**Everton Resources Inc.**

(A development stage Company)

Notes to Consolidated Financial Statements

October 31, 2007 and 2006

**11. Contributed surplus**

Contributed surplus consists of the following components:

	2007	2006
	\$	\$
Balance, beginning of year	1,218,909	937,767
Stock options granted	785,225	394,255
Stock options exercised	(57,815)	(113,113)
Balance, end of year	<u>1,946,319</u>	<u>1,218,909</u>

**12. Changes in non-cash working capital items**

Changes in the non-cash working capital consists of the following items:

	2007	2006
	\$	\$
Accounts receivable	114,474	(186,944)
Amounts due from related parties	10,320	16,350
Advances to operators	8,049	133,518
Prepaid expenses	31,091	(84,886)
Accounts payable and accrued liabilities	(39,954)	39,033
Total changes in non-cash working capital	<u>123,980</u>	<u>(82,929)</u>

**13. Income taxes**

A reconciliation of the combined Canadian federal and provincial income tax with the Company's effective tax rate is as follows:

	2007	2006
	\$	\$
Loss before income taxes	<u>(3,025,536)</u>	<u>(1,413,445)</u>
Expected statutory rate	36.12%	36.12%
Expected recovery of income tax	(1,092,824)	(510,536)
Permanent differences	12,247	35,392
Effect of stock based compensation	283,623	142,405
Effect of changes in valuation allowance (expired losses included)	945,505	382,437
Share issue costs	(174,730)	(58,744)
Other	26,179	9,046
Provision for income taxes	<u>-</u>	<u>-</u>

The Canadian statutory Income tax rate of 36.12% is comprised of federal income tax at approximately 22.37% and provincial tax at approximately 13.75%.

**Everton Resources Inc.**

(A development stage Company)

Notes to Consolidated Financial Statements

October 31, 2007 and 2006

The primary temporary differences which gave rise to future income taxes (recovery) at October 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Future tax assets		
Income tax loss carryforwards	1,890,160	1,503,314
Resource properties	962,986	990,961
Share issue costs	573,962	165,139
Fixed and intangible assets	18,167	4,920
	<u>3,445,275</u>	<u>2,664,334</u>
Less: valuation allowance	<u>(3,445,275)</u>	<u>(2,664,334)</u>
Net future tax assets	<u>-</u>	<u>-</u>

As at October 31, 2007, the Corporation has income tax loss carryforwards of approximately \$5,233,000. These losses expire as follows:

	<u>Federal</u>
2008	547,000
2009	195,000
2010	382,000
2011	755,000
2012	811,000
2026	1,016,000
2027	1,527,000
	<u>5,233,000</u>

**14. Segmented information**

The Company has determined that it only operates in one segment, being acquisition, exploration and development of mineral properties for economically recoverable reserves. Long term assets segmented by geographical area are as follows:

	<u>October 31, 2007</u>	<u>October 31, 2006</u>
	\$	\$
Canada	4,990,408	2,448,079
Dominican Republic	3,931,609	2,088,928
Total	<u>8,922,017</u>	<u>4,537,007</u>

**15. Commitments**

The Company has entered into a long-term lease agreement expiring on August 31, 2011 which calls for lease payments of \$267,007 for the rental of office space. The minimum lease payments for the next four years are \$69,654 in, 2008, 2009 and 2010 and \$58,045 in 2011.

## **Everton Resources Inc.**

(A development stage Company)

Notes to Consolidated Financial Statements

October 31, 2007 and 2006

### **16 Financial Risk Management Objectives And Policies, And Financial Risks**

Financial risk management objectives and policies

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management manages financial risks.

The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

Financial risks

The Company's main financial risk exposure and its financial risk management policies are as follows.

Exchange risk

The Company is exposed to exchange risk due to cash, accounts receivable and accounts payable and accrued liabilities denominated in U.S. dollars or in DOP (Dominican Peso). As at October 31, 2007, financial assets in foreign currency represent cash and accounts receivable totaling DOP 1,587,618 (DOP 687,739 as at October 31, 2006); accounts payable and accrued liabilities in foreign currency totalling US\$148,764 (US\$9,358 as at October 31, 2006).

The Company does not use forward exchange contracts to reduce exchange risk exposure.

Interest rate risk

The marketable securities and banker's acceptances bear interest at a fixed rate and the Company is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

The Company does not use derivative financial instruments to reduce its interest rate risk exposure.

Credit risk

Generally, the carrying amount on the balance sheet of the Company's financial assets exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk.

Accounts receivable:

The Company's credit risk is primarily attributable to its accounts receivable, advances to operators and amounts due from related parties. These amounts are managed and analyzed on an ongoing basis and, accordingly, the Company's exposure to bad debts is not significant.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Company has financing for a sufficient authorized amount. The Company establishes budget and cash estimates to ensure it has the necessary funds to fulfill its obligations.

## **Everton Resources Inc.**

(A development stage Company)

Notes to Consolidated Financial Statements

October 31, 2007 and 2006

### **17. Subsequent events**

Further to a sale agreement dated November 22, 2007, and amended on December 5, 2007, the Company sold the following 18 properties located in the James Bay Area to NQ Exploration Inc.: Aylmer, Candlestick, Castle (including Castle south), Conviac, Corvet Sud, Eastmain, Eastmain Nord, Gauchet, Jobert, Le Moyne, Morand, Pine Hill, Pine Hill Nord, Pontax, Sakami, Duncan, Wapamisk and Star Lake. The Company received 12,000,000 common shares at a price of \$0.10 per share. NQ Exploration Inc. expects to file their final prospectus and obtain a listing on the TSX Venture Exchange by the end of February 2008 at an offering price of \$0.25 per share. Any increase in fair value of the investment in future periods will be recorded in other comprehensive income.

The sale agreement is accompanied with the condition that if the common shares are not traded in a Canadian stock exchange on December 31, 2008, or on any other subsequent date agreed in writing between the Company and NQ Exploration Inc., the agreement will be cancelled and the parties will be retroactively reversed as if none of the above transactions ever occurred.

As at October 31, 2007, the Company wrote-down the cost of these properties by \$426,798 (\$260,379 in acquisition cost and \$166,419 in deferred exploration expenses) to reflect the estimated net realizable value of these properties.

### **18. Comparative figures**

Certain of the comparative figures have been reclassified to conform with the current year's presentation.