

**EVERTON RESOURCES INC.**  
**(An exploration stage Company)**  
**Consolidated Financial Statements**  
**October 31, 2009 and 2008**

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

To the Shareholders and Directors of Everton Resources Inc.

The consolidated financial statements for the years ended October 31, 2009 and 2008, the notes thereto and other financial information contained in the annual report are the responsibility of the management of Everton Resources Inc. These consolidated 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, the majority of whom are not 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) Khadija Abounaim  
Khadija Abounaim, CFO



# Raymond Chabot Grant Thornton

## Auditors' Report

To the Shareholders of  
Everton Resources Inc.

**Raymond Chabot Grant Thornton LLP**

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We have audited the consolidated balance sheets of Everton Resources Inc. as at October 31, 2009 and 2008 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, 2009 and 2008 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  
March 4, 2010

**Everton Resources Inc.**  
 (An exploration stage Company)  
 Consolidated Balance Sheets  
 As at October 31

|   | 2009                | 2008                |
|---|---------------------|---------------------|
|   | \$                  | \$                  |
| <b>ASSETS</b>                                 |                     |                     |
| Current assets                                |                     |                     |
| Cash and cash equivalents (Note 7)            | 1,681,786           | 3,952,215           |
| Marketable securities                         | 1,625               | 3,750               |
| Accounts receivable                           | 57,310              | 42,524              |
| Amount due from related party (Note 12)       | 50,057              | 8,955               |
| Tax credit and mining duties receivable       | 248,668             | 1,313,092           |
| Prepaid expenses                              | 119,777             | 166,800             |
|   | <u>2,159,223</u>    | <u>5,487,336</u>    |
| Long-term investment (Note 9)                 | 229,085             | 621,975             |
| Property, plant and equipment (Note 10)       | 28,258              | 42,738              |
| Mineral exploration properties (Note 11)      | 5,171,724           | 1,766,905           |
| Deferred exploration expenses (Note 11)       | 10,847,065          | 9,756,154           |
|   | <u>18,435,355</u>   | <u>17,675,108</u>   |
| <b>LIABILITIES</b>                            |                     |                     |
| Current liabilities                           |                     |                     |
| Accounts payable and accrued liabilities      | 165,497             | 176,870             |
| <b>SHAREHOLDERS' EQUITY</b>                   |                     |                     |
| Share capital (Note 13)                       | 28,419,889          | 25,664,965          |
| Warrants (Note 13)                            | 233,861             | -                   |
| Contributed surplus (Note 14)                 | 6,438,177           | 6,243,342           |
|   | <u>35,091,927</u>   | <u>31,908,307</u>   |
| Accumulated other comprehensive income (loss) | 3,886               | (13,500)            |
| Deficit                                       | (16,825,955)        | (14,396,569)        |
|   | <u>(16,822,069)</u> | <u>(14,410,069)</u> |
|   | <u>18,269,858</u>   | <u>17,498,238</u>   |
|   | <u>18,435,355</u>   | <u>17,675,108</u>   |

Going concern (Note 2)

*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) "Michael Farrant"  
 Michael Farrant, Director

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

|  | 2009              | 2008              |
|--|-------------------|-------------------|
|  | \$                | \$                |
| Operating expenses   |                   |                   |
| Management and consulting fees   | 96,939            | 104,803           |
| Salaries and benefits  | 423,010           | 493,529           |
| Stock-based compensation (Note 14)                                     | 195,297           | 680,847           |
| Travel and promotion   | 83,005            | 120,382           |
| Report to shareholders   | 19,498            | 22,412            |
| Professional fees  | 105,946           | 87,780            |
| Insurance  | 22,971            | 29,121            |
| Rent   | 68,171            | 82,734            |
| General expenses   | 92,936            | 73,235            |
| Foreign exchange loss  | 57,909            | 30,307            |
| Amortization of property, plant and equipment                          | 11,599            | 18,106            |
| Write-down of mineral properties and deferred exploration expenses     | 887,533           | 65,326            |
|  | <u>2,064,814</u>  | <u>1,808,582</u>  |
| Other expenses (income)  |                   |                   |
| Interest and other income (Note 6)                                     | (79,754)          | (209,413)         |
| Loss on sale of property, plant and equipment                          | 2,615             |                   |
| Impairment of available-for-sale marketable securities                 | 15,625            | -                 |
| Share of net loss of company subject to significant influence (Note 9) | 426,086           | 578,025           |
|  | <u>364,572</u>    | <u>368,612</u>    |
| Net loss   | <u>2,429,386</u>  | <u>2,177,194</u>  |
| Basic and diluted net loss per common share                            | <u>0.04</u>       | <u>0.04</u>       |
| Basic and diluted weighted average number of common shares outstanding | <u>60,832,584</u> | <u>57,813,226</u> |

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

**Everton Resources Inc.**

(An exploration stage Company)

Consolidated Deferred Exploration Expenses

For the Years Ended October 31

|   | 2009              | 2008               |
|---|-------------------|--------------------|
|   | \$                | \$                 |
| Balance, beginning of year                  | 9,756,154         | 6,669,196          |
| Additions                                   |                   |                    |
| Drilling                                    | 604,462           | 1,628,272          |
| Project consulting                          | 191,478           | 203,708            |
| Geophysical survey                          | -                 | 309,710            |
| Geological survey                           | 785,569           | 1,305,737          |
| Geochemical survey                          | 60,403            | 198,523            |
| Report preparation                          | 72,756            | 388,807            |
| Renewal of licenses and permits             | 83,772            | 119,131            |
| General field expenses                      | 123,307           | 578,666            |
|   | <u>1,921,747</u>  | <u>4,732,554</u>   |
| Contribution of partners                    | -                 | (99,174)           |
| Write-down of deferred exploration expenses | (747,534)         | (41,316)           |
| Cost of mineral properties sold             | -                 | (467,908)          |
| Tax credits and mining duties               | (83,302)          | (1,037,198)        |
|   | <u>(830,836)</u>  | <u>(1,645,596)</u> |
| Balance, end of year                        | <u>10,847,065</u> | <u>9,756,154</u>   |

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

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

|                                | <u>2009</u>              | <u>2008</u>              |
|--------------------------------|--------------------------|--------------------------|
|                                | \$                       | \$                       |
| Deficit, beginning of the year | 14,396,569               | 12,219,375               |
| Net loss                       | <u>2,429,386</u>         | <u>2,177,194</u>         |
| Deficit, end of the year       | <u><u>16,825,955</u></u> | <u><u>14,396,569</u></u> |

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

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

|  | <u>2009</u>             | <u>2008</u>             |
|--|-------------------------|-------------------------|
|  | \$                      | \$                      |
| Net loss for the year  | 2,255,905               | 2,177,194               |
| Other comprehensive (income) loss  |                         |                         |
| Reclassification of impairment charge on available-for-sale marketable securities to the statement of operations | (15,625)                | -                       |
| Unrealized (gain) loss on available-for-sale investments   | <u>(1,761)</u>          | <u>6,250</u>            |
| Comprehensive loss for the year  | <u><u>2,238,519</u></u> | <u><u>2,183,444</u></u> |

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

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

|  | 2009                    | 2008                    |
|--|-------------------------|-------------------------|
|  | \$                      | \$                      |
| <b>OPERATING ACTIVITIES</b>                                      |                         |                         |
| Net loss   | (2,429,386)             | (2,177,194)             |
| Non-cash items   |                         |                         |
| Amortization of property, plant and equipment                    | 11,599                  | 18,106                  |
| Stock-based compensation   | 195,297                 | 680,847                 |
| Unrealized foreign exchange loss (gain)                          | 39,020                  | (14,039)                |
| Write-down of deferred exploration expenses                      | 747,534                 | 41,316                  |
| Write-down of mineral properties                                 | 139,999                 | 24,010                  |
| Loss on sale of property, plant and equipment                    | 2,615                   | -                       |
| Impairment of marketable securities                              | 15,625                  | -                       |
| Unrecoverable mining duties                                      | 740                     | -                       |
| Share of net loss of company subject to significant influence    | 426,086                 | 578,025                 |
| Changes in non-cash working capital items (Note 15)              | (167,887)               | 147,767                 |
| Cash flows used in operating activities                          | <u>(1,018,758)</u>      | <u>(701,162)</u>        |
| <b>INVESTING ACTIVITIES</b>                                      |                         |                         |
| Short-term investments   | -                       | 5,468,851               |
| Sale (acquisition) of property, plant and equipment              | 266                     | (9,892)                 |
| Mineral exploration property costs                               | (1,093,778)             | (305,887)               |
| Deferred exploration expenses                                    | (1,831,115)             | (4,808,280)             |
| Tax credits and mining duties received                           | 1,146,986               | 1,629,076               |
| Acquisition of subsidiary (net of cash acquired)                 | (270,105)               | -                       |
| Cash flows from (used in) investing activities                   | <u>(2,047,746)</u>      | <u>1,973,868</u>        |
| <b>FINANCING ACTIVITIES</b>                                      |                         |                         |
| Common shares issued   | 877,200                 | 142,270                 |
| Options exercised  | 1,125                   | -                       |
| Share issuance costs   | (82,250)                | -                       |
| Cash flows from financing activities                             | <u>796,075</u>          | <u>142,270</u>          |
| (Decrease) increase in cash and cash equivalents                 | (2,270,429)             | 1,414,976               |
| Cash and cash equivalents, beginning of year                     | <u>3,952,215</u>        | <u>2,537,239</u>        |
| Cash and cash equivalents, end of year                           | <u><u>1,681,786</u></u> | <u><u>3,952,215</u></u> |
| <i>Cash and cash equivalents:</i>                                |                         |                         |
| Cash   | 171,483                 | 491,438                 |
| Cash equivalents   | <u>1,510,303</u>        | <u>3,460,777</u>        |
|  | <u><u>1,681,786</u></u> | <u><u>3,952,215</u></u> |
| Non-cash supplemental information:                               |                         |                         |
| Deferred exploration expenses included in accounts payable       | 18,196                  | 114,415                 |
| Fair value of exercised options                                  | 462                     | -                       |
| Common shares received in exchange for mineral properties        | -                       | 1,200,000               |
| Common shares issued to increase interest in mineral properties  | 52,500                  | 15,250                  |
| Common shares issued in payment of deferred exploration expenses | -                       | 40,000                  |
| Common shares received as payment from related party             | 29,310                  | -                       |
| Common shares issued to acquire Hays Lake Gold                   | 2,095,989               | -                       |
| Warrants issued to acquire Hays Lake Gold                        | 43,758                  | -                       |
| Warrants issued in payment of private placement finders fees     | 39,596                  | -                       |
| Warrants issued in private placement                             | 150,507                 | -                       |

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

## **Everton Resources Inc.**

(An exploration stage Company)

Notes to Consolidated Financial Statements

October 31, 2009 and 2008

### **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 mineral exploration property costs and 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. Going concern assumption**

These consolidated 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. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties relating to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, as explained in the following paragraph.

As at October 31, 2009, the Company had a working capital of approximately \$2 million, including approximately \$1.7 million in cash. The Company anticipates having sufficient cash to meet its current option payment obligations, undertake a portion of exploration work on its properties and meet its corporate administrative expenses for several months. However, the Company will require additional financing, through various means including but not limited to equity financing, to continue the exploration program on the Shoal Lake property, to undertake exploration programs on its other properties and to meet its payment obligations and all of its general and administrative costs. There is no assurance that the Company will be successful in raising the additional required funds.

The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. If management is unsuccessful in securing capital, the Company's assets may not be realized or its liabilities discharged at their carrying amounts and these differences could be material.

### **3. Accounting changes**

On November 1, 2008, in accordance with the applicable transitional provisions, the Company adopted the new recommendation of the Canadian Institute of Chartered Accountants ("CICA") under Section 1400, "General Standards of Financial Statement Presentation", which requires that management make an assessment of the Company's ability to continue as a going concern over a period which is at least, but not limited to, twelve months from the balance sheet date. The new requirement only addresses disclosures, and has no impact on the Company's financial results.

On November 1, 2008, in accordance with the applicable transitional provisions, the Company adopted Section 3064, Goodwill and Intangible Assets, which replaced Section 3062, Goodwill and Other Intangible

## **Everton Resources Inc.**

(An exploration stage Company)

Notes to Consolidated Financial Statements

October 31, 2009 and 2008

### **3. Accounting changes (continued)**

Assets. Publication of this new section also resulted in the withdrawal of Section 3450, Research and Development Costs and consequential amendments to certain recommendations in the CICA Handbook.

This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. The application of this new section has no impact of the Company's financial statements.

On January 20, 2009, the Emerging Issues Committee ("EIC") issued Abstract EIC-173, Credit Risk and the Fair Value of Financial Assets and Liabilities. This abstract is to be applied retrospectively, without restatement, to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The Company has taken into account the consensus reached in this abstract in preparing its 2009 consolidated financial statements. The new requirement has no impact on the Company's financial results.

On March 27, 2009, the Emerging Issues Committee ("EIC") issued Abstract EIC-174, "Mining Exploration Costs", regarding the capitalization and impairment of exploration costs. This abstract is to be applied to all financial statements issued after March 27, 2009. The Company has taken into account the consensus reached in this abstract in preparing its 2009 consolidated financial statements.

During the year, in accordance with the applicable transitional provisions, the Company adopted the amendments of the CICA to Section 3862, "Financial Instruments – Disclosures", to include additional disclosure requirements about fair value measurements recognized in the balance sheet and it enhances liquidity risk disclosure (Note 5). These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in level 2 include valuations using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data. The new requirement only addresses disclosures, and has no impact on the Company's financial results.

#### Future accounting standards

##### Business Combinations, Consolidated Financial Statements and Non-controlling Interests

In October 2008, the CICA issued Handbook Sections 1582, "Business Combinations", 1601 "Consolidated Financial Statements", and 1602 "Non-controlling Interests". CICA 1582 establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed, CICA 1601 carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests, and CICA 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Company on November 1, 2011. The Company is currently evaluating the impact of the adoption of these new standards.

### **4. Accounting policies**

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

These consolidated 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, its 100% owned subsidiaries in British Virgin Islands: Pan

## **Everton Resources Inc.**

(An exploration stage Company)

Notes to Consolidated Financial Statements

October 31, 2009 and 2008

### **4. Accounting policies (continued)**

Caribbean Metals Inc. and Dominican Metals Inc, and its 100% owned Canadian subsidiary: Hays Lake Gold 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), the ability to continue as a going concern and the valuation of stock-based compensation, warrants and tax credits and mining duties receivable. The estimates and valuation assumptions related to the recoverable value of mining assets 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. The estimates that are inherent in the calculation of stock-based compensation (Note 13c) and warrants (Note 13b) are based on management's current judgement of future dividend disbursements, volatility of the Company's stock, interest rates, and life of the options and warrants. Actual results could differ from estimates used in preparing these consolidated financial statements and such differences could be material.

#### **c) Financial assets and liabilities**

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value, except for financial assets and liabilities resulting from certain related party transactions. Transaction costs from loans and receivables increase the carrying amount of the related financial assets. Transaction costs from other financial liabilities reduce carrying amount of the related financial liabilities. Subsequently, financial assets and liabilities are measured and recognized as follows:

Cash and cash equivalents are classified as held for trading and are measured at fair value with changes in the fair value recognized in net income in the periods in which they arise.

Marketable securities and long-term investments over which the Company does not exercise significant influence 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.

Accounts receivable and amount due from related party are classified as loans and receivables. They are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts.

Accounts payable and accrued liabilities are classified as other financial liabilities. They are measured at amortized cost using the effective interest rate method.

#### **d) Cash and cash equivalents**

Cash and cash equivalents include investments in savings accounts, bankers' acceptances and treasury bills with maturities at the date of acquisition of three months or less and which are readily convertible into cash.

## **Everton Resources Inc.**

(An exploration stage Company)

Notes to Consolidated Financial Statements

October 31, 2009 and 2008

### **4. Accounting policies (continued)**

#### **e) Marketable securities**

Marketable securities consist of shares in public companies.

#### **f) Long-term investment**

The Company uses the equity method to account for investments in companies over which it exercises significant influence. Other investments in publicly traded companies are recorded at fair values based on quoted closing bid prices at the balance sheet date.

#### **g) 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

#### **h) 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.

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, allowed to lapse or abandoned. 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, allowed to lapse or abandoned. General exploration expenditures not related to specific mining properties are expensed as incurred.

The recoverability of the amounts shown for mining interests is dependent on the existence of economically recoverable reserves, the ability of the Company to obtain financing to complete the development of such reserves and meet its obligations under various agreements and the success of future operations or dispositions. The Company has not yet determined whether its resource properties contain economically recoverable reserves.

Although the Company has taken steps to verify title to the mineral claims 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.

#### **i) 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

## **Everton Resources Inc.**

(An exploration stage Company)

Notes to Consolidated Financial Statements

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### **4. Accounting policies (continued)**

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.

#### **j) 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 13 is reflected in diluted loss per share by application of the treasury stock method.

#### **k) 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 based upon the trading price of those shares on the TSX.V the day before the transaction date.

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

Proceeds from unit placements are allocated between shares and warrants issued according to their fair value using the proportional method.

#### **l) 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. Under the fair value method, stock-based payments to employees are measured at fair value and amortized over the vesting period and stock-based payments to non-employees are measured at either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable, and are recognized over the vesting period as long as services continue to be provided. If the stock options or agent options are exercised, the proceeds are credited to share capital and the fair value of the options or agent options exercised is reclassified from contributed surplus to share capital.

#### **m) 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

## **Everton Resources Inc.**

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Notes to Consolidated Financial Statements

October 31, 2009 and 2008

### **4. Accounting policies (continued)**

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.

#### **n) 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.

#### **o) 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. Financial instruments, risk management and capital management**

#### ***Financial instruments***

The Company's financial instruments at October 31, 2009 consist of cash and cash equivalents, marketable securities, accounts receivable, amount due from a related party and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value. It is management's opinion that the Company is not exposed to significant credit risks arising from these financial instruments.

In accordance with the amendments to Section 3862, "Financial Instruments – Disclosures", fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value of cash equivalents, marketable securities and long term investments over which the Company does not exercise significant influence are based on unadjusted quoted prices in active markets, and therefore classified in level 1.

#### ***Risk management***

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk, currency risk, interest rate risk and political risk. Where material, these risks are reviewed and monitored by the Board of Directors.

## **Everton Resources Inc.**

(An exploration stage Company)

Notes to Consolidated Financial Statements

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### **5. Financial instruments, risk management and capital management (continued)**

#### ***Credit risk***

Credit risk is the risk of an unexpected loss if a party to its financial instruments fails to meet its contractual obligations. The Company's financial assets exposed to credit risk are primarily composed of cash and cash equivalents, accounts receivable and amount due from a related party. To mitigate exposure to credit risk, the Company has revised its policy to limit the concentration of credit risk, to ensure counterparties demonstrate minimum acceptable worthiness, and to ensure liquidity of available funds. The Company's cash is held at several large financial institutions.

#### ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, including 30-day, 180-day and 360-day lookout periods. The Company's working capital approximates \$2 million at October 31, 2009, including cash of approximately \$1.7 million and current liabilities totalling \$165,497, due within the next 30 days. The Company's ability to start its exploration program on the Shoal Lake West property (Note 11), to meet its payment obligations, to fund exploration programs on its other exploration properties and to meet its corporate and administrative obligations on a continuous basis is dependent on its obtaining additional financing, through various means including but not limited to equity financing (Note 2). The amount and timing of additional funding will be impacted by, among others, the strength of the capital markets.

#### ***Currency risk***

The Company has exposure to financial risk arising from fluctuations in exchange rates (US dollars and Dominican Peso "DOP") and the degree of volatility of these rates. As at October 31, 2009, financial assets and liabilities in foreign currency represent cash and accounts receivable totalling DOP 871,403 (CAD\$26,099) (DOP 1,167,525 (CAD\$41,202) as at October 31, 2008) and US\$70,000 (CAD\$75,418) (US\$70,000 (CAD\$85,155) as at October 31, 2008); accounts payable and accrued liabilities in foreign currency totalling DOP 456,847 (CAD\$13,683) (DOP 145,490 (CAD\$5,134) as at October 31, 2008) and US\$9,134 (CAD\$9,841) (US\$59,296 (CAD\$72,133) as at October 31, 2008). The amount of expenditures in foreign currency during the year ended October 31, 2009, is approximately DOP 18,825,270 (CAD\$618,830) (DOP 22,986,013 (CAD\$702,106) in 2008) and US\$894,548 (CAD\$1,034,892) (US\$1,100,611 (CAD\$1,122,472) in 2008). Although the Company has significant future commitments denominated in foreign currencies, the Company does not use forward exchange contracts to reduce exchange risk exposure to foreign currency risk.

At October 31, 2009, if the CAD had weakened 10 percent against the US dollar and the Dominican Peso with all other variables held constant, net loss for the year would have been CAD\$7,799 higher.

Conversely, if the CAD had strengthened 10 percent against the US dollar and the Dominican Peso with all other variables held constant, net loss would have been CAD\$7,799 lower.

#### ***Interest rate risk***

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage this risk.

The Company's policy as it relates to its cash balances is to invest excess cash in highly liquid, low-risk, short-term interest-bearing investments (such as investment savings accounts, banker's acceptances, term deposits, guaranteed investment certificates or treasury bills), primarily with variable interest rates, with maturities of 90 days or less from the original date of acquisition.

## Everton Resources Inc.

(An exploration stage Company)

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### 5. Financial instruments, risk management and capital management (continued)

The Company has limited exposure to financial risk arising from fluctuations in interest rates earned on cash equivalents and the volatility of these rates. As at October 31, 2009, cash equivalents total \$1,510,303 and the interest income derived from these investments during the year was \$29,592.

During the year ended October 31, 2009, had the interest rate on cash equivalents been 1% higher with all other variables held constant, the net loss and comprehensive loss for the year would have been approximately \$24,100 lower as a result of higher interest income. Conversely, had the interest rate on cash equivalents been 1% lower with all other variables held constant, net loss and comprehensive loss for the year would have been approximately \$24,100 higher.

#### *Political risk*

The Company carries out some of its exploration activities in the Dominican Republic. These activities may be subject to political, economical or other risks that could influence the Company's exploration activities and future financial situation.

#### *Capital management*

The Company manages its capital to ensure its ability to continue as a going concern and to provide an adequate return to its shareholders. In the management of capital, the Company includes the components of shareholders' equity. As long as the Company is in the exploration stage of its mining properties, it is not the intention of the Company to contract debt obligations to finance its work programs. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or acquire or dispose of assets. The Company is not subject to any externally imposed capital requirements. In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

### 6. Information included in consolidated operations

|   | 2009   | 2008    |
|---|--------|---------|
|   | \$     | \$      |
| Interest from available-for-sale financial assets | -      | 191,254 |
| Interest from held-for-trading financial assets   | 29,592 | 18,159  |

### 7. Cash and cash equivalents

As at October 31, 2009, cash and cash equivalents total \$1,681,786 (\$3,952,215 in 2008) and include investment savings account balances totalling \$1,510,303 (\$3,460,777 in cash equivalents as at October 31, 2008). These have interest rates ranging from 0.75% to 0.85% (2.51% to 2.68% in 2008),

### 8. Acquisition of Hays Lake Gold Inc.

On September 17, 2009, the Company acquired 100% of the issued and outstanding shares of Hays Lake Gold Inc. ("HLG"), a private mining exploration company located in the Province of Ontario. HLG has various options to acquire a consolidated land package located in the Shoal Lake region of north-western Ontario, in the Archean Greenstone Belt. The land package is comprised of two adjacent properties, Shoal Lake West and Shoal Lake East, covering 38 km<sup>2</sup> and located approximately 45 km southwest of Kenora, Ontario. In total, Everton acquired 32,432,400 HLG shares in exchange for 11,999,938 common shares of the Company based on an exchange ratio of 0.37 of an Everton share for 1 HLG share. Furthermore, the

## Everton Resources Inc.

(An exploration stage Company)

Notes to Consolidated Financial Statements

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### 8. Acquisition of Hays Lake Gold Inc. (continued)

3,616,725 HLG share purchase warrants that were outstanding were exchanged for 1,338,187 share purchase warrants of Everton in accordance with the same exchange ratio. The exercise price of such warrants has been adjusted accordingly.

Within a period of three years from the closing of the transaction, should the Company announce the completion of a NI 43-101 compliant report for the combined Shoal Lake Project (property that falls within 100km of Shoal Lake) that includes a total estimated mineral resource of 2,000,000 ounces of gold having an average grade of no less than 6.0 g/t Au, of which at least 1,000,000 ounces of gold shall be in the indicated mineral resources estimate category or better, Everton will issue to the former shareholders of HLG on a pro-rata basis, within a period of five business days following the announcement, additional common shares having a total value of \$1.5 million at a price per share equal to the closing price of Everton's common shares on the TSXV on the day prior to the date of such announcement, subject to a maximum of 7,000,000 common shares of the Company.

As the outcome of the contingency cannot be determined beyond reasonable doubt, no amount has been recorded in consideration of the above.

Total consideration paid by the Company for all outstanding common shares and warrants of HLG was as follows:

|  | Number     | \$               |
|--|------------|------------------|
| Common shares issued (1)                       | 11,999,938 | 2,039,989        |
| Replacement warrants (2)                       | 1,338,187  | 43,758           |
| Cash payment and related acquisition costs (3) |            | 328,174          |
|  |            | <u>2,411,921</u> |

(1) The fair value of the shares issued to acquire HLG was \$0.17, based on the market price immediately prior to the date the terms of the purchase were agreed to and announced.

(2) The fair value of the replacement warrants were estimated using the Black-Scholes option pricing model, using the following assumptions: risk-free interest rate of 1.26%, expected life of warrants of between 0.56 and 1.62 years, annualized volatility of 91% and dividend rate of 0%.

(3) Cash payment and related acquisition costs include the following:

|   | \$             |
|---|----------------|
| Cash payments to HLG  | 55,000         |
| Finders' fees (includes 329,412 common shares valued at \$56,000) | 112,000        |
| Other related acquisition costs                                   | 161,174        |
|   | <u>328,174</u> |

The acquisition was accounted for as a purchase of assets, as the net assets acquired did not qualify as a business as defined in the CICA Handbook's EIC-124 "Definition of a Business". The results of operations and cash flows of HLG have been included from the date of acquisition.

The fair value of net assets acquired, based on the consideration paid, was as follows:

|   | \$               |
|---|------------------|
| Current assets, including cash of \$2,069 | 19,265           |
| Mineral exploration properties            | 2,398,540        |
| Deferred exploration expenses             | 186,850          |
| Accounts payable                          | (192,734)        |
|   | <u>2,411,921</u> |

## Everton Resources Inc.

(An exploration stage Company)

Notes to Consolidated Financial Statements

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### 9. Long term investment

#### Investment in NQ Exploration Inc. ("NQ")

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: 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 in exchange for 12,000,000 common shares of NQ valued at a price of \$0.10 per share. On April 30, 2008, NQ completed its Initial Public Offering.

The Company has significant influence over NQ and therefore the equity method has been used as the basis of accounting for the investment from the date of acquisition. As at October 31, 2009, the Company has a 38% ownership interest in NQ (44% as at October 31, 2008). The cumulative share of net loss of NQ takes into consideration the changes in the holding interest over the period.

|                                    | October 31, 2009 | October 31, 2008 |
|------------------------------------|------------------|------------------|
|                                    | \$               | \$               |
| Balance, at acquisition            | 1,200,000        | 1,200,000        |
| Cumulative share of net loss of NQ | (1,004,111)      | (578,025)        |
| Balance, end of period             | <u>195,889</u>   | <u>621,975</u>   |

The common shares are held in escrow, and will be released according to the following schedule:

|  | Number of shares | Date released/to be released |
|--|------------------|------------------------------|
| Shares issued under escrow             | 12,000,000       |                              |
|  | (1,200,000)      | April 30, 2008               |
|  | (1,800,000)      | October 27, 2008             |
|  | (1,800,000)      | April 25, 2009               |
|  | (1,800,000)      | October 30, 2009             |
| Shares escrowed as at October 31, 2009 | <u>5,400,000</u> |                              |
| Shares still to be released            | 1,800,000        | April 20, 2010               |
|  | 1,800,000        | October 17, 2010             |
|  | 1,800,000        | April 15, 2011               |
|  | <u>5,400,000</u> |                              |

The market value of the Company's investment in NQ Exploration Inc. as at Oct 31, 2009 is \$1,920,000 (\$1,440,000 in 2008).

#### Investment in Adventure Gold Inc. ("Adventure")

On June 1, 2009, the Company signed a cost sharing agreement (effective January 1, 2009) with Adventure, a related party with common management, which includes the sharing of administrative, management costs related to their day-to-day operations and provides Adventure with the option to pay the Company, on a quarterly basis, in common shares in lieu of cash. Adventure's common shares are publicly traded on the TSX Venture Exchange

**Everton Resources Inc.**

(An exploration stage Company)

Notes to Consolidated Financial Statements

October 31, 2009 and 2008

**9. Long term investment (continued)**

On July 2, 2009, Adventure issued 255,352 common shares to the Company in payment of shared costs (Note 12) for the first half of 2009.

As at October 31, 2009, the Company has a 1% ownership interest in Adventure.

|                                    | October 31, 2009 |                 |            | October 31, 2008 |            |
|------------------------------------|------------------|-----------------|------------|------------------|------------|
|                                    | Cost             | Unrealized gain | Fair value | Cost             | Fair value |
|                                    | \$               | \$              | \$         | \$               | \$         |
| 255,352 common shares of Adventure | 29,310           | 3,886           | 33,196     | -                | -          |

**10. Property, plant and equipment**

|                         | October 31, 2009 |                          | October 31, 2008 |                |
|-------------------------|------------------|--------------------------|------------------|----------------|
|                         | Cost             | Accumulated Amortization | Net Book Value   | Net Book Value |
|                         | \$               | \$                       | \$               | \$             |
| Computer equipment      | 40,259           | 27,406                   | 12,853           | 18,956         |
| Computer software       | 31,554           | 31,554                   | -                | 2,663          |
| Furniture and equipment | 31,952           | 16,547                   | 15,405           | 21,119         |
|                         | 103,765          | 75,507                   | 28,258           | 42,738         |

The cost and accumulated amortization is \$110,304 and \$67,566 respectively as at October 31, 2008.

**Everton Resources Inc.**

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

|                             | October 31, 2009        |                               | October 31, 2008        |                               |
|-----------------------------|-------------------------|-------------------------------|-------------------------|-------------------------------|
|                             | Mineral Properties      | Deferred Exploration Expenses | Mineral Properties      | Deferred Exploration Expenses |
|                             | \$                      | \$                            | \$                      | \$                            |
| <u>Canada</u>               |                         |                               |                         |                               |
| <u>Ontario</u>              |                         |                               |                         |                               |
| a) Shoal Lake West (Duport) | 1,224,243               | 64,808                        | -                       | -                             |
| b) Shoal Lake East (Machin) | 252,544                 | 105,212                       | -                       | -                             |
| c) Shoal Lake East (KPM)    | 756,012                 | 15,010                        | -                       | -                             |
| d) Hays Lake                | 525,562                 | 45,199                        | -                       | -                             |
| e) Porcupine & Destor       | 253,220                 | -                             | -                       | -                             |
| f) Other                    | 6,650                   | -                             | -                       | -                             |
| <u>Quebec</u>               |                         |                               |                         |                               |
| g) Opinaca                  | 290,452                 | 2,734,965                     | 244,646                 | 2,942,074                     |
| h) Wildcat                  | 176,465                 | 1,121,141                     | 260,953                 | 1,294,707                     |
| i) James Bay Area           | 16,805                  | 44,984                        | 39,042                  | 81,848                        |
| j) Fosse du Labrador        | 145,883                 | 206,861                       | 164,963                 | 230,221                       |
| k) Other                    | 240                     | 17,582                        | 240                     | 4,614                         |
| <u>British Columbia</u>     |                         |                               |                         |                               |
| l) Hot Springs              | 1,000                   | 32,133                        | -                       | 27,423                        |
|                             | <u>3,649,076</u>        | <u>4,387,895</u>              | <u>709,844</u>          | <u>4,580,887</u>              |
| <u>Dominican Republic</u>   |                         |                               |                         |                               |
| m) Cuance                   | -                       | 1,012,353                     | -                       | 1,012,353                     |
| m) Los Hojanchos            | -                       | 316,342                       | -                       | 316,342                       |
| n) La Cueva (Loma El Mate)  | 183,836                 | 922,748                       | 183,836                 | 898,380                       |
| o) Jobo Claro               | 302,280                 | 518,053                       | 302,280                 | 509,084                       |
| p) Maimon Copper            | -                       | 969,718                       | -                       | 1,046,809                     |
| q) La Mireya                | 5,635                   | 43,383                        | 5,635                   | 28,483                        |
| r) Ampliacion Pueblo Viejo  | 833,530                 | 1,998,682                     | 422,740                 | 1,076,406                     |
| r) Ponton (Loma Hueca)      | 143,119                 | 112,370                       | 107,980                 | 54,777                        |
| s) Fresso                   | 54,248                  | 506,715                       | 34,590                  | 206,319                       |
| t) Other                    | -                       | 58,806                        | -                       | 26,314                        |
|                             | <u>1,522,648</u>        | <u>6,459,170</u>              | <u>1,057,061</u>        | <u>5,175,267</u>              |
| <b>TOTAL</b>                | <u><u>5,171,724</u></u> | <u><u>10,847,065</u></u>      | <u><u>1,766,905</u></u> | <u><u>9,756,154</u></u>       |

**Everton Resources Inc.**

(An exploration stage Company)

Notes to Consolidated Financial Statements

October 31, 2009 and 2008

**11. Mineral exploration properties and deferred exploration expenses (continued)****a) Shoal Lake West (Duport), Ontario**

Under an option agreement, dated October 7, 2008, between the Company and Halo Resources Ltd. ("Halo"), the Company can acquire a 51% interest in mining claims located in Glass Township, Shoal Lake Ontario, by issuing 5,438,400 HLG common shares (converted to Everton shares), making cash payments totalling \$770,000 over 4 years and incurring \$1,500,000 in exploration work by May 1, 2010.

On September 17, 2009, as per the HLG acquisition agreement (see Note 8), the Company issued 2,012,208 Everton shares to Halo, in replacement of 5,438,400 HLG shares that were previously issued by HLG.

To earn its 51% interest, Hays Lake Gold must make cash payments and incur exploration expenses in the following timelines:

|                               | Cash payments | Exploration expenses |
|-------------------------------|---------------|----------------------|
|                               | \$            | \$                   |
| On or before January 31, 2009 | 12,500 (2)    | -                    |
| On or before April 30, 2009   | 12,500 (2)    | -                    |
| On or before May 1, 2010      | -             | 1,500,000            |
| On or before July 31, 2009    | 12,500 (2)    | -                    |
| On or before October 31, 2009 | 12,500 (2)    | -                    |
| On or before January 31, 2010 | 60,000        | -                    |
| On or before April 30, 2010   | 60,000        | -                    |
| On or before July 31, 2010    | 60,000        | -                    |
| On or before October 31, 2010 | 60,000        | -                    |
| On or before January 31, 2011 | 60,000        | -                    |
| On or before April 30, 2011   | 60,000        | -                    |
| On or before July 31, 2011    | 60,000        | -                    |
| On or before October 31, 2011 | 60,000        | -                    |
| On or before January 31, 2012 | 60,000        | -                    |
| On or before April 30, 2012   | 60,000        | -                    |
| On or before July 31, 2012    | 60,000        | -                    |
| On or before October 31, 2012 | 60,000        | -                    |
|                               | 770,000       | 1,500,000            |

(2) These cash payments were made on the dates noted in the agreement.

Under the same agreement, the Company has the option to increase its interest in the property from 51% to 75% by incurring an additional \$3,500,000 in exploration work and making a cash payment of \$6,000,000, by October 31, 2012.

|                               | Cash payments | Exploration expenses |
|-------------------------------|---------------|----------------------|
|                               | \$            | \$                   |
| On or before October 31, 2012 | 6,000,000     | 3,500,000            |

Halo retains a 1.5% NSR on the first 1,000,000 ounces of gold produced and 5% on all gold produced in excess of 1,000,000 ounces. The Company has the right to buy back 1% NSR at any time prior to commercial production for \$2,500,000.

## Everton Resources Inc.

(An exploration stage Company)

Notes to Consolidated Financial Statements

October 31, 2009 and 2008

### 11. Mineral exploration properties and deferred exploration expenses (continued)

#### b) Shoal Lake East (Machin), Ontario

Under an option agreement, dated September 19, 2008, between the Company and Machin Mines Ltd. ("Machin"), the Company can acquire a 100% interest in 15 patents and 8 claims located in Glass Township, Shoal Lake Ontario, for cash consideration of \$1,517,000 over 4 years and the issuance of 500,000 HLG common shares (converted to Everton shares).

On September 17, 2009, as per the HLG acquisition agreement (see Note 8), the Company issued 185,000 Everton shares to Machin, in replacement of 500,000 HLG shares that were previously issued by HLG.

To acquire its 100% interest, the Company must make cash payments in the following timelines:

|                                 | Cash payments    |     |
|---------------------------------|------------------|-----|
|                                 | —————            |     |
|                                 | \$               |     |
| On September 19, 2008           | 25,000           | (1) |
| On or before December 31, 2008  | 18,000           | (1) |
| On or before March 31, 2009     | 18,000           | (1) |
| On or before June 30, 2009      | 18,000           | (1) |
| On or before September 30, 2009 | 18,000           | (1) |
| On or before December 31, 2009  | 18,000           | (1) |
| On or before March 31, 2010     | 18,000           |     |
| On or before June 30, 2010      | 27,000           |     |
| On or before September 30, 2010 | 27,000           |     |
| On or before December 31, 2010  | 27,000           |     |
| On or before March 31, 2011     | 27,000           |     |
| On or before June 30, 2011      | 27,000           |     |
| On or before September 30, 2011 | 27,000           |     |
| On or before December 31, 2011  | 27,000           |     |
| On or before March 31, 2012     | 27,000           |     |
| On or before June 30, 2012      | 27,000           |     |
| On or before September 30, 2012 | 1,141,000        |     |
|                                 | <u>1,517,000</u> |     |

(1) Cash payments were made on or before the dates stipulated in the option agreement.

Machin retains a 1.5% NSR on the first 500,000 ounces of gold produced and 2% on all gold produced in excess of 500,000 ounces. The Company has the right to purchase one-third of the NSR at any time prior to commercial production for \$1,000,000.

#### c) Shoal Lake East (KPM), Ontario

On December 19, 2008, the Company signed an agreement with Kenora Prospectors & Miners Ltd ("KPM") to acquire a 100% interest in the Kenora property, located in Glass Township, Ontario, for cash consideration of \$3,260,000 over 4 years.

**Everton Resources Inc.**

(An exploration stage Company)

Notes to Consolidated Financial Statements

October 31, 2009 and 2008

**11. Mineral exploration properties and deferred exploration expenses (continued)**

To acquire its 100% interest, Hays Lake Gold must make cash payments in the following timelines:

|   | <u>Cash payments</u>    |     |
|---|-------------------------|-----|
|   | \$                      |     |
| On December 19, 2008  | 10,000                  | (1) |
| On September 23, 2009                                       | 547,316                 | (2) |
| 10 monthly payments of \$10,000, ending December 31, 2009   | 100,000                 | (3) |
| 12 quarterly payments of \$30,000, ending December 31, 2012 | 360,000                 |     |
| On or before December 31, 2012                              | <u>2,242,684</u>        |     |
|   | <u><u>3,260,000</u></u> |     |

- (1) Cash payment was made on the date noted in the agreement.  
 (2) Further to an option agreement dated March 27, 2009, with lien holders to the property, to purchase from them all of their rights, title and interest in all the mechanics liens and judgements which they held against KPM, the Company made an option payment of \$10,000 in addition to a \$5,000 extension fee to the lien holders during the year ended October 31, 2009. Also, on September 23, 2009, the Company made a cash payment of \$547,316 to lien holders on the property.  
 (3) Cash payments totaling \$80,000 were made as at October 31, 2009

KPM retains a 1.5% NSR on the first 500,000 ounces of gold and silver produced and 2% on all gold and silver produced in excess of 500,000 ounces. The Company has the right to purchase one-third of the NSR at any time prior to commercial production for \$1,000,000.

**d) Hays Lake, Ontario**

Under an option agreement with five individuals ("the optioners"), dated December 19, 2007 and an assignment, dated April 7, 2008, by which the Company became bound to the option agreement, the Company can acquire a 100% interest in 3 mining claims located in the Piske Township, Ontario, by incurring \$100,000 in exploration work, making cash payments totaling \$100,000 and issuing 5,300,000 HLG common shares (converted to Everton shares) to the optioners and the assignor.

On September 17, 2009, as per the HLG acquisition agreement (see Note 8), the Company issued 1,961,000 Everton shares to the optioners and the assignor, in replacement of 5,300,000 HLG shares that were previously issued by HLG.

To acquire its 100% interest, the Company must incur exploration expenses and make cash payments in the following timelines:

|                                | <u>Cash payments</u> |     | <u>Exploration expenses</u> |     |
|--------------------------------|----------------------|-----|-----------------------------|-----|
|                                | \$                   |     | \$                          |     |
| On May 1, 2008                 | 10,000               | (1) |                             |     |
| On or before June 30, 2009     | 20,000               | (2) |                             |     |
| On or before December 31, 2009 | 30,000               | (4) |                             |     |
| On or before June 30, 2010     | -                    |     | 30,000                      | (3) |
| On or before December 31, 2010 | 40,000               |     | 30,000                      |     |
| On or before December 31, 2011 | -                    |     | 40,000                      |     |
|                                | <u>100,000</u>       |     | <u>100,000</u>              |     |

- (1) Cash payment was made on May 1, 2008.  
 (2) Cash payment was made on October 23, 2009, and an extension fee of \$5,000 was paid on September 8, 2008.

## **Everton Resources Inc.**

(An exploration stage Company)

Notes to Consolidated Financial Statements

October 31, 2009 and 2008

### **11. Mineral exploration properties and deferred exploration expenses (continued)**

- (3) By an extension letter from the optioners, these exploration expenses were deferred to June 30, 2010.
- (4) Cash payment was made on December 9, 2009.

The optioners retain a 3% NSR on the mining claims and HLG has the right to purchase up to 1.5% NSR for cash consideration of \$1,500,000. Such purchase can be made in increments of \$500,000 per each 0.5% NSR. Commencing on the 4<sup>th</sup> anniversary of the agreement the Company will be required to pay to the optioner a pre-production advance royalty of \$10,000 per annum.

#### **e) Porcupine & Destor, Ontario**

Under an option agreement with an individual ("the optioner"), dated April 3, 2008, and an assignment, dated April 4, 2008, by which the Company became bound to the option agreement, the Company acquired a 2 year option to acquire a 100% interest in any one or more of 16 blocks of claims, located in various townships near Timmins, Ontario, by issuing 3,000,000 HLG common shares (converted to Everton shares) to the optioner and the assignor.

On September 17, 2009, as per the HLG acquisition agreement (see Note 8), the Company issued 1,110,000 Everton shares to the optioner and the assignor, in replacement of 3,000,000 HLG shares that were previously issued by HLG.

To acquire its 100% interest in any block of claims, the Company must issue 100,000 HLG common shares, which will be converted to Everton shares, and pay the optioner's staking costs and the amount of any assessment work incurred by the optioner on the block.

The optioner retains a 2% NSR and the Company has the right to purchase up to half of the 2% NSR for cash consideration of \$1,000,000.

#### **f) Other**

In October 2009, the Company staked 70 claims adjacent to Shoal Lake East properties for \$6,650.

#### **g) 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. As at October 31, 2009, all the exploration work commitments were met and only a cash payment commitment of \$60,000 is due on or before December 9, 2009.

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 the same period. This increase can only be acquired once the initial payments and minimum exploration expenses have been made. In case the Company elects not to exercise this second option, it has to make a cash payment of \$200,000 to Azimut.

During the year ended October 31, 2009, the Company wrote down the cost of the property by \$254,593 (\$14,194 in acquisition costs and \$240,399 in deferred exploration expenses) further to the abandonment of 15% of the claims of the area know as Opinaca A, as these projects no longer fit the Company's strategy.

## **Everton Resources Inc.**

(An exploration stage Company)

Notes to Consolidated Financial Statements

October 31, 2009 and 2008

### **11. Mineral exploration properties and deferred exploration expenses (continued)**

#### **h) 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. In 2008, the Company acquired by staking an additional 95 claims on the area known as Wildcat 8.

During the year ended October 31, 2009, the Company wrote down the cost of the property by \$347,603 (\$84,488 in acquisition costs and \$263,115 in deferred exploration expenses) further to the abandonment of 38% of the claims of the area know as Wildcat 4 and 100% of the claims of the areas known as Wildcat 7 and Wildcat 8, as these projects no longer fit the Company's strategy.

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

The mineral properties and deferred exploration expenses in James Bay Area as at October 31, 2009 relate to expenditures incurred on the Coulon property acquired by map-staking.

During the year ended October 31, 2009, the Company wrote down the cost of the Coulon property by \$30,456 (\$8,657 in acquisition costs and \$21,799 in deferred exploration expenses) further to the abandonment of 34% of the property's claims.

Also, during the year ended October 31, 2009, the Company wrote down the cost of the Nouveau Quebec and Gold Strait properties to Nil (\$13,580 in acquisition costs and \$37,178 in deferred exploration expenses) as these projects no longer fit the Company's strategy.

#### **j) Fosse du Labrador, Quebec**

On February 11, 2008, the Company signed an agreement with Ressources Tectonic Inc. to acquire a 100% interest in the Kan and Ferricrete properties for cash consideration of \$70,000 over three years and by incurring \$310,000 in exploration expenses.

On February 9, 2009, the Company terminated the option agreement as these two projects no longer fit the Company's strategy. Consequently, the Company wrote down the cost of the properties to \$Nil (\$19,080 in acquisition costs and \$38,059 in exploration expenses).

In addition, in 2008, the Company acquired by map-staking 1,447 designated claims in 13 new projects covering 668 km<sup>2</sup> in the Labrador Trough region of Quebec: Goose, Fox, Lac Aulneau, Colombet, Leopard, Diana, Lemming, Jack Rabbit, Lac Ribero, Otelnuck, Minowean, Canyon and Romer.

On March 24, 2009, the Company signed an agreement with Focus Metals Inc. ("Focus") for the sale of the mineral rights on these properties in consideration for 6 million common shares of Focus at a price of \$0.06 per share, for an aggregate consideration of \$360,000. The completion of the transaction is subject to the listing of Focus' common shares on a public Exchange by no later than December 31, 2009. On December 11, 2009, the agreement with Focus was amended to extend the above deadline (Note 21).

Due to the condition listed above, the properties and the shares issued are being held in escrow by a third party until the listing of Focus' common shares on the TSX-V.

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### 11. Mineral exploration properties and deferred exploration expenses (continued)

#### k) Other, Quebec

Other properties relate to the Sirmac lithium property which consists of 15 designated claims acquired by map-staking.

#### l) Hot Springs, British Columbia

Hot Springs property is located in the New Westminster Mining Division in British Columbia, Canada. The property consists of 8 contiguous mineral claims made of 92 units owned 100% by the Company.

#### m) 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 a 70% interest in three gold and base metals concessions, namely Cuance, Los Hojanchos and Loma de Payabo concessions. The concessions, collectively known as the Everton Concession Group, are located in the Central Cordillera of the Dominican Republic within the Maimon Copper and Los Ranchos Formations. The above agreement has been amended on August 17, 2007 and again on September 29, 2008, and September 3, 2009. The nature of the amendment was to extend the exploration commitment date.

Everton agreed to incur exploration expenditures totalling US \$1,170,000 (CAD \$1,261,000) by July 31, 2010 to earn a 50% interest in two of these properties, Cuance and Los Hojanchos (a minimum of US \$585,000 (CAD\$630,000) per concession). These concessions are subject to a 1.5% net smelter royalty, which can be acquired for CAD \$750,000. Upon earning the 50% interest, the Company can increase its interest to 70% by completing a bankable feasibility study within two years.

|                                | Cuance                       | Los Hojanchos                |
|--------------------------------|------------------------------|------------------------------|
| On or before July 31, 2010 (1) | US \$585,000 (CAD \$630,500) | US \$585,000 (CAD \$630,500) |

(1) Globestar is the operator on these projects 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. As at October 31, 2009, the remaining expenditure to be incurred to earn 50% interest in the properties amounts to US\$47,200 (CAD \$51,000).

#### n) La Cueva (Loma El Mate), Dominican Republic

On December 8, 2003, the Company entered into an earn-in agreement with Linear Gold Corp. ("Linear") for the La Cueva (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 issuance 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. In April 2007, the Company signed an option agreement with Linear to increase its interest in the concession to 65%, by incurring all additional expenditures on the concession to the completion of a bankable feasibility study.

## **Everton Resources Inc.**

(An exploration stage Company)

Notes to Consolidated Financial Statements

October 31, 2009 and 2008

### **11. Mineral exploration properties and deferred exploration expenses (continued)**

#### **o) 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 \$39,650). 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.

#### **p) 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.

During the year ended October 31, 2009, the Company wrote down the cost of the Loma Blanca, Caballero and Los Naranjos concessions to Nil (\$120,318 in deferred exploration expenses) as these projects no longer fit the Company's strategy.

#### **q) La Mireya, Dominican Republic**

In May 2006, the Company executed an agreement with 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 \$540,000).

#### **r) Ampliacion and Loma Hueca, Dominican Republic**

In April 2007, the Company obtained an option to acquire from Linear Gold Corp. ("Linear") an undivided 50% interest in the Ampliacion Pueblo Viejo and Ponton (Loma Hueca) Concessions.

The Company can earn its interest in the Ampliacion Pueblo Viejo Concession by making cash payments totaling US\$700,000 (CAD \$755,000), work commitments of US\$2,500,000 (CAD \$2,700,000) and issuing 1,200,000 common shares over a three-year period.

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October 31, 2009 and 2008

**11. Mineral exploration properties and deferred exploration expenses (continued)**

|                            | Cash           |     | Work             |     | Common           |
|----------------------------|----------------|-----|------------------|-----|------------------|
|                            | Payments       |     | Commitments      |     | Shares           |
|                            | USD\$          |     | USD\$            |     |                  |
| On or before March 6, 2007 | 100,000        | (1) |                  |     | 200,000 (1)      |
| March 6, 2008              | 100,000        | (1) | 500,000          | (2) | 250,000 (1)      |
| March 6, 2009              | 200,000        | (1) | 800,000          | (2) | 350,000 (1)      |
| 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 on or before the dates noted in the agreement.

(2) These expenditures were incurred on or before the dates noted in the agreement.

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 \$2,157,000) and issuing 1,000,000 additional common shares.

The Company can earn its interest in the Ponton (Loma Hueca) Concession by making cash payments totaling US\$100,000 (CAD \$108,000), work commitments of US\$600,000 (CAD \$646,000) and issuing 200,000 common shares over a three-year period.

|                            | Cash           |     | Work           |     | Common         |
|----------------------------|----------------|-----|----------------|-----|----------------|
|                            | Payments       |     | Commitments    |     | Shares         |
|                            | USD\$          |     | USD\$          |     |                |
| On or before March 6, 2007 | 25,000         | (1) |                |     | 25,000 (1)     |
| March 6, 2008              | 25,000         | (1) | 100,000        | (2) | 25,000 (1)     |
| March 6, 2009              | 25,000         | (1) | 200,000        |     | 50,000 (1)     |
| 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 on or before the dates noted in the agreement.

(2) These expenditures were incurred on or before the dates noted in the agreement.

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 \$270,000) and issuing 300,000 additional common shares.

As at October 31, 2009, the Company had issued 900,000 shares (valued at \$382,750), made cash payments of US\$500,000 (CAD\$593,899).

**s) Fresso, Dominican Republic**

On May 28, 2008, the Company signed an option agreement with Asesores Internacionales Expecializados, S.A. ("Asesores") to acquire a 100% interest in the Fresso concession located in the north-western Dominican Republic for a cash consideration of US \$35,000 (CAD \$34,591) to the concession owner for a one-year evaluation period. At the Company's request, this evaluation period can be extended for two additional six-month periods for a payment of US\$17,500 (CAD \$19,000) per period. Upon conclusion of the evaluation period, the Company can acquire 100% interest in the property for a final cash payment of US\$140,000 (CAD \$151,000). The concession owner is entitled to a 0.50% NSR. The Company will have the option to acquire 50% of this NSR at any time for US\$250,000

## **Everton Resources Inc.**

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Notes to Consolidated Financial Statements

October 31, 2009 and 2008

### **11. Mineral exploration properties and deferred exploration expenses (continued)**

(CAD \$270,000). On May 28, 2008, the Company made the first payment of US\$35,000 (CAD \$34,591) and on May 28, 2009, the Company paid US\$ 17,500 (CAD \$19,658) for a six month extension. On November 24, 2009, the Company paid US\$ 17,500 (CAD \$18,718) for a further six month extension.

#### **t) Other**

Other properties consist of eastern Dominican Republic concessions. During the year ended October 31, 2009, the Company wrote down the cost of Cacique de Piedra, Los Mosquitos, Loma Ceiba de Agua and Altas Misas for to \$Nil (\$26,665 in exploration expenses) as these projects no longer fit the Company's strategy.

### **12. Related party transactions**

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

Under an agreement between the Company and Majescor Resources Inc. ("Majescor") (which shares common management), the Company charges Majescor for shared salaries and benefits, rent and office expenses. During the year, the cost of shared salaries and benefits was \$66,166 (\$111,552 in 2008) and rent and office expenses were \$16,038 (\$42,400 in 2008). Included in amounts due from related party is \$Nil (\$Nil as at October 31, 2008) due from Majescor.

Under an agreement between the Company and Adventure Gold Inc. ("Adventure") (which shares common management), the Company charges Adventure for shared salaries and benefits, rent and office expenses. During the year, the cost of shared salaries and benefits was \$90,616 (\$93,696 in 2008) and rent and office expenses were \$7,184 (\$13,104 in 2008). Included in amount due from related party is \$50,057 (\$8,955 as at October 31, 2008) due from Adventure.

On June 1, 2009, the Company signed a cost sharing agreement (effective January 1, 2009) with Adventure which provides Adventure with the option to pay the Company, on a quarterly basis, in common shares in lieu of cash, at a price equal to the greater of \$0.11 per share or the Discounted Market Price, as defined in Policy 1.1 of the TSX Venture Exchange Corporate Finance Manual, on the last day of each quarter. As for the payment of Insider Management Costs (management costs related to any Everton employee who is also an insider of Adventure) in common shares in lieu of cash, Adventure needs to obtain disinterested shareholder approval for such payment, no later than December 31, 2009 and the price per share is equal to the greater of \$0.11 per share or the Discounted Market Price on December 31, 2009.

On July 2, 2009, Adventure issued 255,352 common shares to the Company (valued at \$29,310) in payment of shared costs for the first half of 2009.

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 party are without interest.

## Everton Resources Inc.

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October 31, 2009 and 2008

### 13. Share capital

#### a) Authorized

Unlimited number of common shares without par value.

#### Issued

|  | Number of shares | \$         |
|--|------------------|------------|
| Balance, October 31, 2007  | 57,473,985       | 25,467,445 |
| Shares issued on the exercise of options   | 711,350          | 142,270    |
| Shares issued to increase participation in mineral properties                                | 25,000           | 15,250     |
| Shares issued in payment of deferred exploration expenses                                    | 80,000           | 40,000     |
| Balance, October 31, 2008  | 58,290,335       | 25,664,965 |
| Shares issued for property payments (Note 11)  | 650,000          | 52,500     |
| Shares issued on the exercise of options   | 11,250           | 1,587      |
| Shares issued on acquisition of Hays Lake Gold Inc. (net of issue costs of \$9,313) (Note 8) | 12,329,350       | 2,086,676  |
| Shares issued for cash (net of issue costs of \$112,532) (1) (2)                             | 5,847,998        | 614,161    |
| Balance, October 31, 2009  | 77,128,933       | 28,419,889 |

- (1) On September 17, 2009, the Company completed a non-brokered private placement for gross proceeds of \$777,200. The private placement was comprised of 5,181,332 Units at a price of \$0.15 per Unit. Each Unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.25 until September 17, 2011. These share purchase warrants are subject to an accelerated expiry if, at any time after September 17, 2009, the closing price of the common shares on the TSX Venture Exchange is greater than or equal to \$0.40 for any 10 consecutive trading days, in which event the Company may give the holder a written notice and the share purchase warrants will automatically expire, if not exercised, 30 days after receipt of such notice. The Company paid finders' fees of \$58,216 and issued 481,133 warrants, each warrant entitling the holder to purchase one common share of the Company at a price of \$0.25 until September 17, 2011. Other share issuance costs total \$8,315. The warrants issued in connection to the private placement have been recorded at a value of \$135,428 based on the proportional method and finders' fees have been recorded at a value of \$39,596 based on the Black-Scholes option pricing model, using the following assumptions: risk-free interest rate of 1.26%, expected life of warrants of 2 years, annualized volatility of 91% and dividend rate of 0%.
- (2) On October 6, 2009, the Company completed a non-brokered private placement for gross proceeds of \$100,000. The private placement was comprised of 666,666 Units at a price of \$0.15 per Unit. Each Unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.25 until October 6, 2011. These share purchase warrants are subject to an accelerated expiry if, at any time after October 6, 2009, the closing price of the common shares on the TSX Venture Exchange is greater than or equal to \$0.40 for any 10 consecutive trading days, in which event the Company may give the holder a written notice and the share purchase warrants will automatically expire, if not exercised, 30 days after receipt of such notice. Other share issuance costs total \$6,405. The warrants have been recorded at a value of \$15,079 based on the proportional method using the following assumptions: risk-free interest rate of 1.25%, expected life of warrants of 2 years, annualized volatility of 91% and dividend rate of 0%.

**Everton Resources Inc.**

(An exploration stage Company)

Notes to Consolidated Financial Statements

October 31, 2009 and 2008

**13. Share capital (continued)****b) Warrants**

|                            | October 31, 2009   |                                 |         | October 31, 2008   |                                 |             |
|----------------------------|--------------------|---------------------------------|---------|--------------------|---------------------------------|-------------|
|                            | Number of warrants | Weighted average exercise price | \$      | Number of warrants | Weighted average exercise price | \$          |
|                            |                    | \$                              |         |                    | \$                              |             |
| Balance, beginning of year | -                  | -                               | -       | 5,975,000          | 1.61                            | 3,616,176   |
| Granted                    | 4,743,319          | 0.27                            | 233,861 | -                  | -                               | -           |
| Expired                    | -                  | -                               | -       | (5,975,000)        | 1.61                            | (3,616,176) |
| Balance, end of year       | 4,743,319          | 0.27                            | 233,861 | -                  | -                               | -           |

As at October 31, 2009, the following stock purchase warrants were outstanding and exercisable:

| Number    | Exercise Price |         | Expiry Date        |
|-----------|----------------|---------|--------------------|
|           | \$             | \$      |                    |
| 851,000   | 0.27           | 26,777  | April 8, 2010      |
| 111,000   | 0.17           | 6,950   | April 8, 2010      |
| 255,697   | 0.59           | 2,790   | July 10, 2010      |
| 46,490    | 0.43           | 948     | July 10, 2010      |
| 74,000    | 0.20           | 6,293   | April 30, 2011     |
| 3,071,799 | 0.25           | 175,024 | September 17, 2011 |
| 333,333   | 0.25           | 15,079  | October 6, 2011    |
| 4,743,319 |                | 233,861 |                    |

**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.

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**13. Share capital (continued)**

|                                  | October 31, 2009  |                                 | October 31, 2008  |                                 |
|----------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
|                                  | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
|                                  |                   | \$                              |                   | \$                              |
| Balance, beginning of year       | 4,382,500         | 0.56                            | 4,963,850         | 0.65                            |
| Granted to employees (1) (2) (3) | 955,000           | 0.10                            | 1,250,000         | 0.17                            |
| Granted to non-employees (4)     | 350,000           | 0.15                            | -                 | -                               |
| Forfeited                        | (723,750)         | 0.45                            | (1,020,000)       | 0.80                            |
| Expired                          | (762,500)         | 0.40                            | (100,000)         | 0.25                            |
| Exercised                        | (11,250)          | 0.10                            | (711,350)         | 0.20                            |
| Balance, end of year             | <u>4,190,000</u>  | <u>0.47</u>                     | <u>4,382,500</u>  | <u>0.56</u>                     |

The stock options granted in items (1), (2) and (3) have an exercise price that exceeds the market price at the date of grant and a weighted average fair value of \$0.05

- (1) On November 10, 2008, 150,000 stock options were granted to an Officer of the Company at an exercise price of \$0.10 per share expiring on November 10, 2013.
- (2) On March 9, 2009, 690,000 stock options were granted to Directors, Officers and an employee of the Company at an exercise price of \$0.10 per share expiring on March 9, 2014.
- (3) On May 5, 2009, 115,000 stock options were granted to an Officer and employees of the Company at an exercise price of \$0.10 per share expiring on May 5, 2014.
- (4) On June 1, 2009, 350,000 stock options were granted to an investor relations consultant (300,000 stock options) and a consultant (50,000 stock options) at an exercise price of \$0.15 per share, expiring on June 1, 2011 and June 1, 2014 respectively. The stocks options have an exercise price equal to the market price at the date of grant and a weighted average fair value of \$0.08.

As at October 31, 2009, the following options were outstanding and exercisable:

| Range of exercise prices | Number outstanding | Weighted average remaining Contractual life | Weighted average exercise price | Number exercisable |
|--------------------------|--------------------|---|---------------------------------|--------------------|
| \$0.10-\$0.45            | 2,855,000          | 3.29  | \$0.18                          | 1,487,500          |
| \$0.78-\$1.38            | <u>1,335,000</u>   | 2.35  | \$0.97                          | <u>1,335,000</u>   |
|                          | <u>4,190,000</u>   |   |                                 | <u>2,822,500</u>   |

**Everton Resources Inc.**

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Notes to Consolidated Financial Statements

October 31, 2009 and 2008

**13. Share capital (continued)**

As at October 31, 2008, the following options were outstanding and exercisable:

| Range of<br>exercise prices | Number<br>outstanding | Weighted average<br>remaining<br>Contractual life | Weighted<br>average<br>exercise price | Number<br>exercisable |
|-----------------------------|-----------------------|---|---------------------------------------|-----------------------|
| \$0.10-\$0.45               | 2,742,500             | 2.73  | \$0.29                                | 1,717,500             |
| \$0.78-\$1.38               | 1,640,000             | 3.39  | \$0.96                                | 1,602,500             |
|                             | <u>4,382,500</u>      |   |                                       | <u>3,320,000</u>      |

The weighted average fair value of each option granted of \$0.06 (2008 - \$0.10) is estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

|                                 | 2009       | 2008    |
|---------------------------------|------------|---------|
| Expected dividend yield         | 0.00%      | 0.00%   |
| Expected stock price volatility | 90%        | 89%     |
| Risk-free interest rate         | 1.87%      | 3.19%   |
| Expected life of options        | 4.31 years | 5 years |

**14. Contributed surplus**

Contributed surplus consists of the following components:

|   | October 31, 2009 | October 31, 2008 |
|---|------------------|------------------|
|   | \$               | \$               |
| Balance, beginning of year                | 6,243,342        | 1,946,319        |
| Stock-based compensation to employees     | 188,492          | 680,847          |
| Stock-based compensation to non-employees | 6,805            | -                |
| Black-Scholes value of exercised options  | (462)            | -                |
| Expiry of warrants                        | -                | 3,616,176        |
| Balance, end of year                      | <u>6,438,177</u> | <u>6,243,342</u> |

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

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

|   | 2009             | 2008           |
|---|------------------|----------------|
|   | \$               | \$             |
| Accounts receivable                       | 2,410            | 149,075        |
| Amounts due from related party            | (70,412)         | 39,537         |
| Advances to operators                     | -                | 12,706         |
| Prepaid expenses                          | 168              | (71,277)       |
| Accounts payable and accrued liabilities  | (100,053)        | 17,726         |
| Total changes in non-cash working capital | <u>(167,887)</u> | <u>147,767</u> |

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**16. Income taxes**

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

|  | 2009        | 2008        |
|--|-------------|-------------|
|  | \$          | \$          |
| Net loss   | (2,429,386) | (2,177,194) |
| Statutory rate                                       | 30.90%      | 31.09%      |
| Expected recovery of income tax                      | (750,680)   | (676,890)   |
| Effect of stock based compensation                   | 60,347      | 211,675     |
| Share issue costs                                    | (143,863)   | (150,398)   |
| Other permanent differences                          | 4,838       | 5,230       |
| Effect of future tax rate change on opening balances | 184,268     | 627,598     |
| Effect of future tax rate change                     | 229,394     | 679,135     |
| Difference between effective and future tax rate     | 77,821      | 41,032      |
| Effect of changes in the valuation allowance         | 548,177     | (626,934)   |
| Foreign income tax loss carryforward                 | (177,324)   | (150,000)   |
| Other  | (32,978)    | 39,552      |
| Provision for income taxes                           | -           | -           |

The Canadian statutory Income tax rate of 30.90% (31.09% in 2008) is comprised of federal income tax at approximately 19.08% (19.94% in 2008) and provincial tax at approximately 11.82% (11.15% in 2008).

The primary temporary differences which gave rise to future income taxes (recovery) at October 31, 2009 and 2008 are as follows:

|                               | 2009        | 2008        |
|-------------------------------|-------------|-------------|
|                               | \$          | \$          |
| Future tax assets             |             |             |
| Income tax loss carryforwards | 2,104,809   | 1,881,591   |
| Long-term investment          | 272,616     | 167,627     |
| Fixed and intangible assets   | 22,332      | 19,732      |
| Resource properties           | 966,761     | 749,391     |
| Resource properties           | 3,366,518   | 2,818,341   |
| Less: valuation allowance     | (3,366,518) | (2,818,341) |
| Net future tax assets         | -           | -           |

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**16. Income taxes (continued)**

As at October 31, 2009, the Company has income tax loss carryforwards of approximately \$7,100,000 in Canada and approximately \$709,000 in foreign jurisdictions. These losses expire as follows:

|      | <u>Federal</u>   | <u>Foreign</u> |
|------|------------------|----------------|
|      | \$               | \$             |
| 2010 | 382,000          | 120,000        |
| 2011 | 755,000          | 120,000        |
| 2012 | 811,000          | 120,000        |
| 2013 | -                | 120,000        |
| 2014 | -                | 229,000        |
| 2026 | 1,022,000        | -              |
| 2027 | 1,504,000        | -              |
| 2028 | 1,308,000        | -              |
| 2029 | 1,318,000        | -              |
|      | <u>7,100,000</u> | <u>709,000</u> |

**17. 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, 2009</u> | <u>October 31, 2008</u> |
|--------------------|-------------------------|-------------------------|
|                    | \$                      | \$                      |
| Canada             | 8,261,181               | 5,955,445               |
| Dominican Republic | 8,014,951               | 6,232,327               |
| Total              | <u>16,276,132</u>       | <u>12,187,772</u>       |

**18. Commitments**

The Company has entered into a long-term lease agreement for the rental of office space, expiring on August 31, 2011. The future minimum annual lease payments are \$69,654 in 2010 and \$58,045 in 2011.

**19. Contingent liability**

In 2008, the Company's Dominican Republic subsidiary, Everton Minera Dominicana, S.A. was served with a notice from the optionor under the Miches option agreement disputing the Company's termination of that agreement on September 21, 2007 after incurring approximately US\$340,000 (CAD\$325,000) of a proposed second year work program of US\$600,000 and claiming damages in the amount of US\$600,000 (CAD\$647,000). On December 11, 2009 the optionor executed a settlement releasing all claims in relation to this matter at no cost to the Company.

**20. Comparative figures**

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

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### **21. Subsequent events**

On November 20, 2009, the Company granted 1,230,000 stock options to Officers, Directors, Consultants, and Employees, at an exercise price of \$0.22 and expiring on November 20, 2014.

On November 20, 2009, the Company granted 600,000 stock options to Investor Relations Consultants, at an exercise price of \$0.22 and expiring on November 20, 2010.

On December 11, 2009, the Company signed an amendment to the March 24, 2009 sale agreement with Focus Metals Inc, whereby the deadline for the listing of Focus' common shares on a public Exchange was extended to March 31, 2010, from December 31, 2009.

On January 27, 2010, Adventure Gold Inc. issued 507,569 common shares to the Company (valued at \$66,690) in payment of shared costs, including \$50,057 included in amounts due from related party at October 31, 2009.