

## **EVERTON RESOURCES INC.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEARS ENDED OCTOBER 31, 2009 AND 2008.**

The following Management Discussion and Analysis ("MD&A") of the operating results, financial condition and future prospects of Everton Resources Inc. (the "Company" or "Everton"), current as of February 23, 2010, should be read in conjunction with the audited consolidated financial statements of the Company and notes to the consolidated financial statements for the fiscal years ended October 31, 2009 and 2008. Said financial statements were prepared in accordance with Canadian generally accepted accounting principles. The reporting currency is in Canadian dollars. Unless specified as \$US, references in this MD&A to dollars are to Canadian dollars.

This MD&A contains certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address future exploration drilling activities and events or developments that the Company expects, are forward-looking statements. Such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploration successes, continued availability of capital and financing and general economic, market or business conditions.

#### **Nature of Business**

Everton Resources Inc. (the "Company" or "Everton") is a Canadian mineral exploration and development company engaged in the acquisition and exploration of mineral properties, primarily in Ontario, the Dominican Republic and Quebec, with the aim of discovering commercially exploitable deposits of minerals (primarily precious metals) which can either be placed into production by the Company or disposed of for a profit to companies that wish to place such deposits into commercial production. Common shares of the Company are listed for trading on the TSX-V under the symbol "EVR". The Company's head office is in Montréal, Québec.

#### **Business development**

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

On September 17, 2009, the Company completed the acquisition of Hays Lake Gold Inc. ("HLG"), a private mining exploration company. HLG has various options to acquire a consolidated land package located in the Shoal Lake West and Shoal Lake East gold projects ("Shoal Lake Project") near Kenora, Ontario. The most significant option was granted by Halo Resources Ltd. ("Halo") in October 2008, pursuant to which Halo granted HLG the right to earn a 51% undivided interest in the Shoal Lake West property ("SLW") by incurring exploration expenditures of \$1,500,000 by May 1, 2010, and making cash payments totalling \$770,000 over a 4 year period ending October 31, 2012. HLG also has the right to earn an additional 24% undivided interest in the SLW property by incurring additional exploration expenditures of \$3,500,000 by October 31, 2012, and by making a final payment to Halo of \$6,000,000 before such date. Other options granted to HLG in the Shoal Lake East area call for payments totalling approximately \$4,750,000 over the next three years in exchange for a 100% interest in the projects.

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 3,916,725 share purchase warrants of HLG that were outstanding have been exchanged for 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 (3) years from the date hereof, should Everton announce the completion of a NI 43-101 compliant report for the combined Shoal Lake Project (property that falls within 100 km 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 resource estimate category or better, Everton will issue to the former shareholders of HLG on a pro-rata basis, within a period of five (5) business days following the announcement, additional Everton shares having a total value of \$1.5 million at a price per share equal to the closing price of the Everton's shares on the TSXV on the day prior to the date of such announcement, subject to a maximum of 7,000,000 Everton shares.

Everton paid finders' fees totaling \$112,000 in connection with the transaction, half of which was paid in cash and the other half in common shares of Everton. In total, Everton issued 329,412 common shares, valued at \$56,000. In compliance with applicable securities legislation, these securities will be subject to a 4 month hold period.

#### Property spin-off

On March 30, 2009, Everton announced the signing of an agreement (the "Agreement") for the sale of the mineral rights on 13 properties covering 668 km<sup>2</sup> in the Labrador Trough region of Quebec to Focus Metals Inc. ("Focus"), a company previously listed on the TSX Venture Exchange (the "Exchange") under the name 3D Visit Inc. Focus was reactivated by management in 2008 as a mining exploration company. Pursuant to the terms of the Agreement, Everton will receive 6 million common shares of Focus, representing approximately 31% of the current outstanding shares of Focus, at a deemed 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 the Exchange by no later than December 31, 2009.

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.

The consideration to be paid by Focus Metals represents the total acquisition and exploration costs incurred to date by Everton on the properties. The transaction was approved by all the directors of Everton with the exception of André Audet, President and CEO of Everton, who declared his interest as President of Focus Metals and therefore did not participate in the vote. The transaction is subject to the approval of the Exchange.

#### **Exploration Activities**

Details of the Company's Deferred Exploration Expenditures during the year ended October 31, 2009 is included in Mining Property Book Values. The Company incurred Deferred Exploration Expenditures of \$1,921,747 during the year, of which approximately 74% of the total spent in the Dominican Republic, 13% in Quebec and 12% in Ontario. Also, during the year, the Company incurred mineral property costs for \$3,544,818 which consisted of property acquisition costs, claims acquisition costs and property option payments.

#### Dominican Republic

In the Dominican Republic, the Company incurred exploration expenditures of \$1,430,892 during the fiscal year with 65% on the Linear Gold option Ampliacion Pueblo Viejo project, 21% on the Fresso concession and 14% on the other concessions, mainly for reconnaissance mapping and maintenance.

#### *Ampliacion Pueblo Viejo*

The Ampliacion Concession consists of 4,045 hectares adjacent to the northern edge of Barrick/Goldcorp's 22.4 million ounce Pueblo Viejo mine. The Company incurred exploration expenses of \$928,481 on Ampliacion during the fiscal year, essentially in detailed follow-up mapping and diamond drilling.

The Company can earn an undivided 50% interest in the Ampliacion Concession by making cash payments totaling US\$700,000, work commitments of US\$2,500,000 and issuing 1,200,000 Everton common shares over a three-year period. The Company can acquire a 65% interest in the concession by incurring all additional expenditures on the concession to the completion of a bankable feasibility study and by paying Linear US\$2,000,000 and issuing 1,000,000 additional Everton common shares.

A drilling program conducted in 2006 by Barrick/Goldcorp at the Pueblo Viejo Mine has outlined new mineralized trends that define a NNW corridor. Drill intercepts of 2.98 g/t gold over 117.7 meters (hole DPV06-04), 10.18 g/t gold over 9.87 meters (hole DPV06-12), 3.0 g/t gold over 108.4 meters (hole DPV06-03), and 5.31 g/t gold over 23.5 meters (hole DPV06-06) were cut in the extensions of the pits at Pueblo Viejo (Barrick presentation, NRSA, April 2-3, 2007). Gold-in-soil anomalies from a test line located on the Ampliacion concession north of the Pueblo Viejo mine suggests that the new mineralized trend found by Barrick/Goldcorp may extend onto the Ampliacion concession.

Los Ranchos carbonaceous units show clear evidence of hydrothermal activity characterized by extensive advanced argillic alteration. The inference is that the Hatillo limestone may have acted as an impermeable lithocap and thus having a decisive factor in the creation and preservation of the Pueblo Viejo deposit.

To date, Everton and Linear Gold completed an integrated and aggressive exploration program on the Ampliacion Pueblo Viejo concession including a thorough 100-meter spaced line helicopter-borne electromagnetic and magnetic survey totaling 710 line-km, a comprehensive mapping survey including the collection of 1,760 rocks samples, a 3,000-soil sample survey, a total of 31 line-km of induced polarization ("IP") survey and 15 line-km of horizontal loop electromagnetic ("HLEM") survey, 794 meters of trenching on the La Lechoza Target and two shallow diamond drill holes in the central part of the concession. This exploration program allowed at delineating at least 11 large-scale first priority drill targets, namely Silica Ridge, Colorado, Miguel de Pena, Finca Miniél and Montenegro North. Those targets are characterized by the coincidence of a strong dispersion of epithermal-related soil anomaly pathfinder elements, zones of strong gossan development and extensive zones of advanced argillic and massive silicification associated with N-S and NW-SE structures parallel to those of the mineralizing system at the Pueblo Viejo gold project.

During the year, the Company and its partner Linear Gold have announced the re-granting of a new exploration permit on the 40.4 km<sup>2</sup> Ampliacion Pueblo Viejo (Ampliacion PV). The new concession covers the same area extension as the original concession. The permit for Ampliacion PV, which has received signature approval by the Secretary of State of Industry and Commerce of the Dominican Republic, is for an initial 3 year term and may be extended for up to 2 years on application.

In June 2009, the partners initiated an 8,000-meter drill program on the Ampliacion PV concession. The 40 to 50-hole drill program aimed at testing the high-priority targets generated from the integrated and comprehensive surveys performed by Everton and Linear over the last two years. These targets are mainly characterized by epithermal-related extensive composite soil anomalies in gold, silver, arsenic, tellurium, and mercury of up to 400 m x 1 km in size - one of which is located less than 300 meters from the westernmost pit of the Pueblo Viejo mine project (see news release of May 4, 2009). The soil anomalies are associated with large zones of advanced argillic alteration and massive silicification along N-S and NW-SE structures parallel to those of the Pueblo Viejo deposit mineralized system. North-South-trending chargeability anomalies are also observed on Ampliacion PV in the due north extension of the Pueblo Viejo Montenegro pit structures. Other targets related to volcanogenic massive sulphide-type (VMS) of mineralization are found in the La Lechoza area located in the northern part of the concession.

The first part of the 8,000-meter drilling program was completed in early September with 16 holes for 1,947 meters on 6 different targets. Highlights of the drilling results were as follows:

- **APV09-03** : 0.25 g/t gold over 49.5 m (6.5 m – 56.0 m);
- **APV09-11** : 1.5 g/t gold over 1.0 m (36.0 to 37.0 m); 1.2% zinc over 12.4 m (30.6 m – 43.0 m)
- **APV09-13** : 1.6 g/t gold over 1.0 m (31.0 to 32.0 m); 1.38% copper over 0.4 m (140.80 to 141.20 m; 1.05% zinc over 9.0 m (23.0 m – 32.0 m);
- **APV09-15** : 1.7 g/t gold over 1.0 m (13.5 to 14.5 m); 0.43% copper over 5.55 m (23.95 m – 29.50 m); 1.43% zinc over 12.0 m (61.0 to 73.0 m), including 6.42% zinc over 1.20 m (70.0 to 71.2 m).

In the south sector, holes APV09-01, -02, -03 and -04 intercepted a complex lithological sequence that includes foliated and brecciated volcanics, porphyritic dacite, carbonaceous black sediments and different facies of crystal tuffs as observed at the Pueblo Viejo Mine. The sulphide mineralization is disseminated and within stockwork zones and appears to be controlled in part by high angle feeder structures cutting through the stratigraphic sequence and the low angle thrust faults.

In the central area, holes APV-05, -06, -06A, -07 and -08 encountered an extensive intrusive body with associated sulphide mineralization in veining. The veins appear to be controlled in high angle faults with a predominant north-south direction. Surface grab samples collected in 2007 yielded values up to 1.0 g/t gold and 90.0 g/t silver. Drilling in late 2007 intersected a massive pyrite-sphalerite zone with values up to 23% zinc.

In the north sector, holes APV09-11, -12, -13, -14 and -15 drilled into massive to disseminated mineralization hosted in strongly silicified vesicular basalts where several intervals over 1% zinc and 0.4% copper were cut. The mineralization has characteristics suggestive of a volcanogenic massive sulphide-type (VMS) of occurrence, and is also associated with a zone of extensive stockwork veining. This occurrence appears to be associated to a 1.5-km long mineral trend with a general WNW-ESE direction connecting the La Lechoza Target with the newly discovered La Lechoza West Target where a composite rock sample from several floats on returned up to 1.0 g/t gold, 6.7 g/t silver, 0.1% copper and 0.12% zinc. Anomalous results obtained from drilling suggest that the potential may exist for proximal massive sulphide mineralization associated with VMS-type occurrences.

In summer 2009, field follow-up on soil anomalies from the 2007 survey led to the discovery of the La Lechoza West showing which consists of a series of limonitic to siliceous gossan floats and red ferruginous jasper with

white quartz stockwork veinlets floats clustered over an area of 600 m<sup>2</sup>. The La Lechoza West showing is situated 1.5 kilometer northwest and on stratigraphic trend to the La Lechoza prospect from which the best surface intercept in trench LT-11 returned 6.65 g/t gold and 18.8 g/t silver over 22.0 meters (press release September 18, 2007). In 2005, drilling performed by Linear at La Lechoza included a 1-meter massive sulfide zone at 10.25% copper and 5.71 g/t gold within a larger zone of 22.0 meters containing 1.0% copper and 0.3 g/t gold (LRR press release of August 25, 2005).

Everton and Linear completed on December 21<sup>st</sup>, 2009, a second phase of the 8,000-meter drilling program announced in June 2009, with 9 holes for 761 meters mainly on the 1.5-km long La Lechoza Target. Assay results intersected up to 1.27% copper over 15.0 meters and 1.23 g/t gold over 14.0 meters in hole APV09-23, and 83.72 g/t silver over 22.0 meters in hole APV09-24 in the Spanish Pit zone. The third phase of the drilling program started in mid-January 2010 was completed on February 14, 2010 with 10 holes for 957 meters. Partial results from the first four holes from this drilling phase yielded values up to 1.16% copper over 11.5 meters in hole APV10-02, and 5.8 g/t gold, 59.4 g/t silver and 1.19% copper over 4.5 meters in hole APV10-03. The results from the remaining hole are still pending.

### *Fresso*

During the year, the Company incurred exploration expenses of \$300,396 on the Fresso concession. A follow-up surface evaluation program on soil anomalies including mapping, sampling and a limited drilling program was completed during the year on the 66-km<sup>2</sup> Fresso concession located in the north-western part of the Dominican Republic.

To date, the surface evaluation program includes the collection of 2,300 soil samples, 700 rock samples and 125 stream sediment samples which defined five prospects, mostly associated with high- and low-sulphidation epithermal gold environments. The prospects are all located along northwest and northeast-oriented structural breaks and local lineaments, indicating that these structures played a role in the channeling and distribution of precious and base metal mineralization on the Fresso concession.

The five prospects are defined by multi-element soil anomaly assemblages that extend over strike lengths up to 5 km long by 1 km wide. Surface results to date show very anomalous values including highlights of 1.89 g/t and 1.34 g/t gold in soil samples, and 9.61 g/t and 1.78 g/t gold and 4.15% copper in rock samples. Numerous other samples are anomalous in gold and copper, including a rock sample from a mineralized quartz vein assaying 9.61 g/t gold collected during the previous summer mapping.

The 1,500-meter drill program announced in December 2008 was partially completed with a first phase of six exploratory shallow diamond drill holes totaling 443 meters testing coinciding induced polarization and soil anomalies. The program intersected some sulphide mineralization from which assay results returned low gold and base metal values with a maximum of 402 ppb gold and 416 ppb gold over 1.5 meter, and 0.67% copper over 1.50 meter. The Company is presently designing the next drilling phase that it planned to start in early 2010.

The option agreement involves payment of US\$35,000 to the concession owner (Asesores Internacionales Especializados, S.A.) for a one-year period of evaluation. At Everton's request, this evaluation period can be extended for two additional six-month periods by making payments of US\$17,500 for each period. After the evaluation period, Everton can acquire 100% of the ownership of the property by making final cash payment of US\$140,000. The concession owner will be entitled to retain a royalty of 0.5% NSR of which half can be bought back for \$250,000.

### Maimón

A 2,193-meter drill program was completed during fall 2008 on two of the eight concessions comprising Everton's 100%-owned Maimon project, namely the La Yautía and El Llano concessions. The program was testing chargeability anomalies in conjunction with alteration zones and soil anomalies. Although no economic intercept was cut, most of the drill holes encountered a sulphide mineralized hydrothermal alteration. The best intersection was cut in hole ELL-06 on El Llano with 4.5 meters grading 0.13% zinc and 0.41% Cu. There is no immediate work planned in 2010 in the Maimon Group of properties.

### *Other Dominican Properties*

Some limited programs and follow-up mapping was carried out on the Piedra Blanca, Corralitos, Altas Misas, Tocoa, La Sidra, Miranda, Ponton (former Loma Hueca), La Cuaba (former Loma el Mate), Jobo Claro, La Pastilla and La Mireya concessions. No work was performed Globestar's option Cuanace and Los Hojanchos. Those projects are all being reviewed and work programs should be proposed for 2010.

The Loma Ceiba de Agua, Mosquitos del Este, Cacique de Piedra, Los Naranjos, Loma Blanca and Caballeros concessions were abandoned during the fiscal year.

### Quebec

In Quebec, the Company incurred exploration expenditures of \$255,917 during the fiscal year ended October 31<sup>st</sup>, 2009 with most of the expenses for reporting and maintenance, of which 17% was on the Opinaca project, 56% on Wildcat, 9% on Coulon and 5% on Sirmac.

On December 9, 2005 Everton signed an option agreement with Azimut Exploration to earn up to 65% interest in Opinaca Blocks A, A-East, B and B-North covering 284 km<sup>2</sup> by spending \$4.8 M in exploration work and cash payment of \$340,000 over 5 years. The claims are adjacent to the Eleonore gold discovery, in James Bay Quebec. The Eleonore gold deposit was acquired by Goldcorp from Virginia Gold Mines. Everton is the manager of the Opinaca project. The Opinaca project now covers 338 km<sup>2</sup>.

Exploration programs performed by Everton and Azimut on Opinaca A, A-East, B, B-North between 2005 and 2009 led to the discovery of numerous showings, targets and gold-bearing trends. Highlights of the discoveries to date are as followed:

- **Inex Zone:** 2.2-km long gold bearing trend with grab samples values of up to 50.9 g/t gold; 38 samples collected graded over 1 g/t gold;
- **Charles Target:** 500-meter long mineralized trend with gold values as high as 35.9 g/t gold; 35 samples over 1 g/t gold, including 9 samples over 10 g/t gold;
- **Claude Target:** Drill hole OP-06-09 intersected 212 ppb gold over 186.8 m, including 1.0 g/t gold over 21.5 m; other grab samples graded up to 36 g/t gold;
- **Smiley Target:** soil geochemical anomaly with till samples grading up to 2.41 g/t gold;
- **Pegmatite Showing:** grab samples up to 3.93 g/t gold;
- **Dominic Showing:** 6 grab samples grading over 1 g/t Au, highest grade 6.1 g/t gold

The Company has already completed its exploration expenditure part of the 50% interest earn-in for the Opinaca projects. To complete its earn-in of 50%, the Company shall make cash payments totaling \$200,000 before February 9<sup>th</sup>, 2010.

There is no immediate exploration plan for 2010 on the Opinaca property. The Company is actively looking for a JV partner for this project.

### *Wildcat*

In January 2005, the Company acquired 100% interest in 7 blocks of claims, totaling 302 km<sup>2</sup> in immediate area of the Eleonore gold discovery. The claims were acquired from an independent staking syndicate in counterpart of \$100,000 in payment and 300,000 shares of the Company. At the end of the fiscal year the Wildcat project was comprised of 6 blocks totalling 228.4 km<sup>2</sup>.

Exploration programs performed by Everton on the Wildcat project between 2005 and 2009 led to the discovery of many significant showings. Highlights of the discoveries to date are as followed:

- **Inex extension:** 1-km long gold bearing trend in the eastern extension of the Opinaca-Block A Inex Trend; grab sample values up to 14.51 g/t gold;
- **Manuel Showing:** Channel sampling returning up to 12.0 g/t gold over 4.6 m; 56 grab samples over 1 g/t gold, including 19 samples over 10.0 g/t gold;
- **Gold-bearing boulder drag** of up to 1.38 g/t gold.

Everton has no immediate exploration plan for 2010 on the Wildcat blocks. The Company is looking for a JV partner on this project.

## *Coulon*

The Coulon property consists of 181 claims 100%-owned by Everton covering 89.6 km<sup>2</sup> distributed in 4 blocks and is located 45 km north of the Fontanges airport in James Bay, QC. All blocks are adjacent to Virginia Gold Mine's Coulon property where 7 high-grade volcanogenic polymetallic massive sulphide lenses have been discovered to date.

The Company did not conduct any field work on the project during the year. The reconnaissance program carried out during the previous year on the Coulon property included the collection of 77 rock samples and identified mineralization consisting mainly of stratabound sulphides (pyrrhotite, pyrite, chalcopyrite and sphalerite) intercalated with amphibolitic horizons. Disseminated sulphides were also observed locally in amphibolites, granitoids and paragneisses. Selected rock samples returned up to 0.3% Cu and 8.7 g/t Ag.

The Company is currently integrating these new results with the regional and Virginia's dataset. No exploration work is planned on Coulon in 2010.

## *Sirmac*

Due to the general economical interest for the lithium commodity, the Company initiated a compilation on its 100%-owned Sirmac project, located 110 north of Chibougamau, Quebec.

The 645 ha Sirmac Lithium Project is comprised of 15 contiguous claims accessible from a secondary road via the all-weather Route du Nord. The claims were acquired by map-staking in 2007. The project is covered by quartz-biotite-hornblende schists intruded by over a dozen spodumene-rich granitic pegmatite dykes containing a high concentration of lithium. Dykes range from 1 to 120 meters in thickness and can be followed over a strike length of 500 meters. A historical resource estimate, done in 1994, yielded an uncategorized mineral inventory of 288 770 tonnes at 2.04% Li<sub>2</sub>O in Dyke #5 only (source: Ministère des Ressources naturelles et de la Faune du Québec (MRNF); GM-53771, non-NI 43-101 compliant). Three other dykes on the Sirmac Lithium Project are known to be of economic interest.

An evaluation study performed by a consulting firm in 1994 (source: MRNF; GM-53768) concluded that the historical resource estimate of the deposit was conservative, since only the first 40 meters of vertical drilling were included in the historical estimated resource calculation of Dyke #5 and the mineralization is still open at depth and on strike. The consulting firm also recommended the realization of a feasibility study on this project.

## *Other Properties in Quebec*

The Gold Strait, Outardes and Kan properties were abandoned during the year.

## Ontario

### *Shoal Lake*

During the fiscal year, the Company incurred exploration expenditures of \$230,229 on the Hays Lake Gold acquisition, Shoal Lake West (SLW) and Shoal lake East (SLE). Most of the expenditures were done on compilation, update on resource estimate of the Cedar Island deposit and preparation for the upcoming winter-spring 2010 diamond drilling program in the Duport deposit area.

Rocks of the Shoal Lake are underlain by granite-greenstone terrain within the western portion of the Wabigoon Subprovince, a major sub-division of Precambrian rocks of the Canadian Shield. Volcanic rocks have been folded about the northeast trending Gull Bay-Bag Bay Anticline, the axial trace which is located over 2.2 km southeast of the Duport deposit and extends just to the east of the Cedar deposit. Later penetrative shear zones cut the earlier folds but appear to be controlled by felsic intrusives. Within the project, the main structural features are the silicified shear zones. The Cedar deposit Mainland Zone strikes southeast.

The Duport gold deposit on SLW is hosted by strongly deformed and altered basic rocks within the major northeast-trending, steeply west dipping Duport Deformation Zone. Gold mineralization is present over a strike length of approximately 1.2 km. Grades of possible economic interest have been intersected to a depth of approximately 600 m. In 2006, Roscoe Postle Associates Inc. estimated Mineral Resources, compliant with NI 43-101, using the contour method. Indicated Mineral Resources were estimated at 424,000 tonnes grading 13.40 g/t Au for 182,000 contained ounces of gold. In addition, Inferred Mineral Resources were estimated at 387,000 tonnes grading 10.69 g/t Au for 131,000 contained ounces of gold. To date, most of the work on SLW has been

concentrated in the area of the known zones at the Duport gold deposit. A combined airborne magnetic and electromagnetic survey flown in 2005 identified several anomalies within prospective lithologies which have yet to be drill tested. The potential exists to increase the resource base through the discovery of additional zones along strike and at depth.

The mineralization at the Cedar gold deposit is categorized as an Archean lode gold deposit-type related to solution remobilization. The host rocks to the veins include lithologies related to volcanic arcs including the ultramafic to felsic lavas, chemical sediments, younger intrusive diabases, and quartz and feldspar porphyritic rocks. The veins appear as well-defined continuous quartz veins that locally pinch and swell or branch. The Vancouver-based engineering firm Giroux Consultants Ltd. completed a mineral resource estimate on the Cedar deposit in 2003. The mineral resource estimate section of the report was completed in accordance with NI 43-101 guidelines, resulting in an indicated mineral resource estimate of 1,096,000 tonnes grading 6.63 g/t Au for 234,000 contained ounces of gold and an inferred mineral resource estimate of 832,000 tonnes grading 5.63 g/t Au for 151,000 contained ounces of gold. This mineral resource estimate did not include an additional 35 deep drill holes for 10,011 m completed in 2004 by another exploration company on the Cedar deposit mineralized structures known as the 9 East Target. The additional 35 holes were completed in compliance with NI 43-101 standards, which will allow for an updated NI 43-101 compliant mineral resource estimate to be prepared during 2009. Significant drill results were generated during this final program, ranging up to 22 g/t Au over 9.2 m. All veins are open at depth and along strike west of the of the Cedar deposit.

The Company is presently compiling all historical data. A budget and work proposal should be completed and announced within the next few weeks.

#### *Other properties from HLG*

The HLG portfolio also includes two highly prospective projects: one located 70 km west of the Hemlo Camp where high-grade gold-bearing veins were identified and the other within the Timmins Mining Camp located adjacent to past producing mines along the Porcupine-Destor Fault.

### British Columbia

#### *Hot Springs*

During the fiscal year, The Company kept in care and maintenance at minimum cost the Hot Springs property located in the Sloquet Creek area of the southwestern British Columbia, 95 kilometers northeast of Vancouver. The property is underlain by a sequence of pyritic, felsic tuff and coarse fragmental rocks capped by ferruginous chert which totals more than 400 meters thick.

Historical work reports the discovery of the Dan's Showing hosted in a very altered cherty tuffite. Hand trenching on the showing returned values up to 0.238 oz/ton over 1 meter and 0.174 oz/ton over 2 meters. A drill program conducted on the property in 1990 by Aranlee/Noranda intersected 0.58 g/t Au over 119 meters in hole NQ90-2 and 0.61 g/t Au over 66.0 meters in hole NQ90-07.

The follow-up reconnaissance program planned for 2009 along the main structure that hosts the Dan's Showing was cancelled. The Company is actually looking for a JV partner on this project.

### Qualified person

The above technical information was confirmed and/or reviewed by Marc L'Heureux, a qualified person under NI 43-101.

## Selected Financial Data

The following selected financial data are derived from the annual audited consolidated financial statements of the Company, which were prepared in accordance with Canadian generally accepted accounting principles.

### Selected Consolidated Financial Information

#### For the years ended October 31

	2009	2008	2007
	\$	\$	\$
<b>Statement of Operations and Deficit summary</b>			
Total operating expenses	2,064,814	1,808,582	3,294,489
Write-down of deferred exploration expenses	887,533	65,326	1,145,988
Interest and other income	79,754	209,413	268,953
Net loss	2,429,386	2,177,194	3,025,536
Basic and diluted net loss per common share	0.04	0.04	0.06
Weighted average number of common shares outstanding	60,832,584	57,813,226	53,912,018
<b>Statement of Deferred Exploration Expenses Summary</b>			
Deferred exploration expenses before write-down, cost of sold properties and tax credits and mining duties	1,921,747	4,633,380	5,610,416
<b>Statement of Cash Flows summary</b>			
Cash flows used in operating activities	1,018,758	701,162	944,449
Cash flows (used in) from investing activities	(2,047,746)	1,973,868	10,705,500
Cash flows from financing activities	796,075	142,270	12,731,824
(Decrease) increase in cash and cash equivalents	(2,270,429)	1,414,976	1,081,875
<b>Balance Sheet summary</b>			
Cash and cash equivalents	1,681,786	3,952,215	2,537,239
Short-term investments	-	-	5,468,851
Long-term investment	229,085	621,975	-
Mineral exploration properties	5,171,724	1,766,905	2,201,870
Deferred exploration expenses	10,847,065	9,756,154	6,669,196
Shareholders' equity	18,269,858	17,498,238	18,803,315
Total assets	18,435,355	17,675,108	19,163,918

Since its incorporation, the Company has not paid any cash dividends on its outstanding common shares. Any future dividend payment will depend on the Company's financial needs to fund its exploration programs and its future growth, and any other factor that the Board may deem necessary to consider. It is highly unlikely that any dividends will be paid in the near future.

### Results of Operations

Net loss for the year ended October 31, 2009 was \$2,429,386, as compared to \$2,177,194 for 2008 and \$3,025,536 for 2007. The decrease in 2009 and 2008 is mostly due to the recognition of lower stock-based compensation (\$195,297 in 2009, \$680,847 in 2008 and \$785,225 in 2007), lower write downs of mineral properties and deferred exploration expenses (\$887,533 in 2009, \$65,326 in 2008 and \$1,145,988 in 2007), and also a decrease in general and administrative expenses such as salaries and benefits, travel and promotion.

In addition, net loss for years ended October 31, 2009 and 2008 included the recognition of the Company's share of net loss of a company subject to significant influence for respectively \$426,086 and \$578,025 (\$Nil in 2007).

Interest and other income for the year ended October 31, 2009 was \$79,754 as compared to \$209,413 for 2008 and \$268,953 for 2007. This decrease is attributable to a significant decline in interest rates on short term investments, and to a decrease in the investments portfolio as the Company advances in its exploration program.

## Quarterly information

The following selected financial data are derived from the unaudited interim financial statements of the Company, which were prepared in accordance with Canadian generally accepted accounting principles.

Quarter Ended	Other Income	Net Loss	Basic and diluted net Loss per common share
	\$	\$	\$
31/10/2009	5,718	830,696	0.01
31/07/2009	3,276	596,559	0.01
30/04/2009	54,960	357,642	0.01
31/01/2009	15,800	644,489	0.01
31/10/2008	32,001	961,803	0.01
31/07/2008	39,707	406,031	0.01
30/04/2008	53,325	342,087	0.01
31/01/2008	84,380	467,273	0.01
31/10/2007	91,693	1,606,599	0.03

## Liquidity and capital resources

The Company's working capital stands at approximately \$2.0 million as at October 31, 2009 (approximately \$5.3 million at October 31, 2008) and includes investments in savings accounts for approximately \$1.5, yielding an average interest rate of 0.84%. This decrease is attributable to cash payments made on its properties' option agreements, the advancement in its exploration program during the year and also its operating expenses incurred in the normal course of business. During the year, the Company received a refund of tax credits and mining duties for a total of approximately \$1.15 million, and completed a non-brokered private placement for net proceeds of \$877,200.

The Company's principal requirements for cash for the next twelve months will be deferred exploration expenditures for US\$ 1.2 million (CAD \$1.3 million), administrative and general expenses for approximately \$0.8 million and option payments for US\$ 482,500 (CAD\$ 520,000) and CAD\$260,000. In addition, further to the acquisition of Hays Lake Gold Inc. on September 17, 2009 (see business development on page 1), the Company has additional cash payments and exploration work commitments for the next three calendar years (in \$ thousands):

	2010	2011	2012
Cash payments	517	468	9,788
Exploration expenses	1,560	40	3,500
Total	2,077	508	13,288

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 funds to meet its current option payment obligations, undertake a portion of exploration work on the Shoal Lake property 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.

## Off Balance Sheet Arrangements

As of October 31, 2009, the Company has no off balance sheet arrangements.

## **Related Party Transactions**

Related party transactions not disclosed elsewhere in the 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.

## **Mineral Property Book Values**

At the end of each quarter, management reviews the carrying values of its resource properties to determine whether any write-downs are necessary. Following this analysis, during the year ended October 31, 2009, the Company recorded \$887,533 (\$65,326 in 2008 and \$1,145,988 in 2007) in write-down of mineral properties and deferred exploration expenses, further to the abandonment of claims on properties in Quebec and Dominican Republic.

## **Critical Accounting Policies and Estimates**

The preparation of the Company's consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. The Company's significant accounting policies and estimates are fully described in note 4 to the annual consolidated financial statements for the years ended October 31, 2009 and 2008.

## **Changes in Accounting Policies**

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 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 on 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.

##### International Financing Reporting Standards

The Accounting Standards Board of the CICA requires all public companies to adopt International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal period. The transition from Canadian Generally Accepted Accounting Principles to IFRS will be applicable for the Company's first quarter of fiscal 2012.

The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is currently in the process of analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all current accounting policies, the initial key areas of assessment will include:

- IFRS 1 First-time adoption of International Financial Reporting Standards
- IFRS 2 Share-based payment
- IFRS 6 Exploration and evaluation
- IAS 1 Presentation of financial statements
- IAS 12 Accounting for income taxes
- IAS 16 Property, plant and equipment
- IAS 21 Effects of changes in foreign exchange rates
- IAS 32 financial instruments presentation
- IAS 36 Impairment of assets

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes, financial

statement note disclosures on information technology, internal controls, contractual arrangements, and employee training. While the Company has begun assessing the impact of the adoption of IFRS on its financial statements, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

### Outstanding Share Data

Common shares and convertible securities outstanding at February 23, 2010 consist of:

Securities	Expiry date	Average exercise price	Number of securities outstanding
Common shares	-	-	77,239,933
Options	Up to November 20, 2014	\$0.40	5,820,000
Warrants	Up to October 6, 2011	\$0.27	4,632,319

### 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.

### Risk and uncertainties

Exploration of minerals and development of mineral properties involve significant risks, many of which are outside of the Company's control. In addition to the normal and usual risks of exploration and mining, the Company often works in remote locations that lack the benefit of infrastructure and easy access.

#### *Financial risk*

The Company is considered to be in the exploration stage, that it is dependant on obtaining regular financing in order to continue exploration. Despite previous success in acquiring this financing, there is no guarantee of obtaining any future financing, or that it will be available on acceptable terms.

The prices of metals fluctuate widely and are affected by many factors outside of the Company's control. The relative prices of metals and future expectations for such prices have a significant impact on the market sentiment for investment in mining and mining exploration companies.

#### *Foreign exchange risk*

Some of the Company's expenditures are in US dollars. Movement in the Canadian dollar against these currencies therefore has a direct impact on the Company's cost base. The Company does not use derivative instruments to reduce its exposure to foreign exchange risks

#### *Risk on the uncertainty of title*

Although the Company has taken steps to verify title to mining properties 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.

#### *Environmental risk*

The Company is subject to various environmental incidents that can occur during exploration work. The Company maintains an environmental management system including operational plans and practices.

**Additional information and continuous disclosure**

This Management's Discussion and Analysis has been prepared as of February 23, 2010. Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR ([www.sedar.com](http://www.sedar.com)).

*(s) André Audet*

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Chairman of the Board and Chief Executive Officer

*(s) Khadija Abounaim*

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Chief Financial Officer