

**EVERTON RESOURCES INC.**  
(An exploration stage Company)

**Condensed Consolidated Interim Financial Statements**

**For the three months ended January 31, 2014**

*(Expressed in Canadian Dollars)*

**Everton Resources Inc.**  
**(An exploration stage Company)**

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**Everton Resources Inc.**  
**(An exploration stage Company)**

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**Management's Responsibility for the condensed consolidated interim financial statements**

The unaudited condensed consolidated interim financial statements of Everton Resources Inc. are the responsibility of the Board of Directors. Management has developed and is maintaining a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized and financial information is reliable.

The unaudited condensed consolidated interim financial statements have been prepared by management, on behalf of the Board of directors, in accordance with the accounting policies disclosed in the notes to these financial statements. Where necessary management has made informed judgements and estimates in accounting for transactions which were not complete at the financial position date. In the opinion of management, the unaudited condensed consolidated interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards.

Established processes are in place to provide management with sufficient knowledge to support it in its representations in exercising reasonable diligence that: i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by, the consolidated financial statements, and: ii) the consolidated financial statements fairly present, in all material respects the financial condition, results of operations and cash flows of the Company as at the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed consolidated interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed consolidated interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed consolidated interim financial statements together with other financial information of the Company for issuance to shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Andre Audet"  
Chief Executive Officer

"Sabino Di Paola"  
Chief Financial Officer

March 27, 2014

**Everton Resources Inc.**  
**(An exploration stage Company)**

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**Notice of no review or audit**

Under National Instrument 51-102, Part 4, subsection 4.3(3(a)), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review or audit of these condensed consolidated interim financial statements.

**Everton Resources Inc.**

(An exploration stage Company)

Condensed Consolidated Interim Statements of Financial Position

*(Expressed in Canadian dollars)*

As at	January 31, 2014 (Unaudited) \$	October 31, 2013 (Audited) \$
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents (Note 4)	325,099	531,174
Marketable securities and warrants (Note 5)	54,000	68,200
Accounts receivable	29,467	28,813
Prepaid expenses	113,634	129,725
	<b>522,200</b>	<b>757,912</b>
Non-current assets		
Equipment	15,665	17,903
Option to acquire mineral exploration property (Note 6)	1,402,781	1,162,781
Mineral exploration properties (Note 7)	2,222,355	2,282,355
Exploration and evaluation assets (Note 7)	13,968,702	13,872,843
	<b>18,131,703</b>	<b>18,093,794</b>
<b>Total assets</b>	<b>18,131,703</b>	<b>18,093,794</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	320,642	974,869
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 3 & 8)	37,833,346	37,593,346
Warrants (Note 9)	521,707	521,707
Contributed surplus	9,220,696	9,220,696
	<b>47,575,749</b>	<b>47,335,749</b>
Accumulated deficit	<b>(29,764,688)</b>	<b>(30,216,824)</b>
<b>Total shareholders' equity</b>	<b>17,811,061</b>	<b>17,118,925</b>
<b>Total liabilities and shareholders' equity</b>	<b>18,131,703</b>	<b>18,093,794</b>

Contingencies and commitments (Note 16)

Post reporting date events (Note 17)

Going concern (Note 2c)

On behalf of the Board

(signed) "Andre Audet"  
Andre Audet, Director

(signed) "Michael Farrant"  
Michael Farrant, Director

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

**Everton Resources Inc.**

(An exploration stage Company)

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

*(Expressed in Canadian dollars)*

	Three months ended January 31, 2014	Three months ended January 31, 2013
	\$	\$
Operating expenses		
Management fees	41,250	66,750
Salaries and benefits	12,632	-
Travel and promotion expense	27,842	74,622
Professional fees	106,005	119,605
General and administrative expense	66,128	58,788
Write-down of mineral exploration properties and exploration and evaluation assets (Note 7)	11,871	-
	<b>(265,728)</b>	<b>(319,765)</b>
Other income (loss)		
Interest and other income	17,203	1,931
Unrealized loss on financial assets at fair value through profit or loss	(14,200)	(6,944)
Loss on sale of marketable securities	-	(9,445)
Foreign exchange gain	9,012	149,399
	<b>12,015</b>	<b>134,941</b>
Net loss before tax	<b>(253,713)</b>	<b>(184,824)</b>
Tax recovery (Note 11)	<b>(705,849)</b>	<b>-</b>
Net income (loss) after tax	<b>452,136</b>	<b>(184,824)</b>
Other comprehensive loss		
Reclassification of net realized loss on available-for-sale investments	-	(9,445)
Net unrealized loss on available-for-sale investments	-	(155,555)
Comprehensive loss	-	(165,000)
Total comprehensive income (loss)	<b>452,136</b>	<b>(349,824)</b>
Basic and diluted income (loss) per common share	<b>0.01</b>	<b>(0.01)</b>
Basic and diluted weighted average number of common shares outstanding	<b>30,383,019</b>	<b>29,330,845</b>

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

**Everton Resources Inc.**

(An exploration stage Company)

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian dollars)

	Share capital (Note 3)		Warrants	Contributed surplus	Subtotal	Accumulated OCI	Accumulated Deficit	Total
	# of shares	\$						
<b>Balance, October 31, 2012</b>	<b>29,330,845</b>	<b>37,493,346</b>	<b>888,362</b>	<b>8,830,898</b>	<b>47,212,606</b>	<b>1,833,136</b>	<b>(25,714,186)</b>	<b>23,331,556</b>
Expiry of warrants	-	-	(49,012)	49,012	-	-	-	-
Transactions with owners	-	-	(49,012)	49,012	-	-	-	-
Net loss	-	-	-	-	-	-	(184,824)	(184,824)
Reclassification of net realized loss on available-for-sale investments	-	-	-	-	-	(9,445)	-	(9,445)
Net unrealized loss on available-for-sale investments	-	-	-	-	-	(155,555)	-	(155,555)
Comprehensive loss	-	-	-	-	-	(165,000)	(184,824)	(349,824)
<b>Balance, January 31, 2013</b>	<b>29,330,845</b>	<b>37,493,346</b>	<b>839,350</b>	<b>8,879,910</b>	<b>47,212,606</b>	<b>1,668,136</b>	<b>(25,899,010)</b>	<b>22,981,732</b>
Shares issued for Diagnos royalty	400,000	100,000	-	-	100,000	-	-	100,000
Stock-based compensation	-	-	-	23,143	23,143	-	-	23,143
Expiry of warrants	-	-	(317,643)	317,643	-	-	-	-
Transactions with owners	29,730,845	37,593,346	(317,643)	340,786	123,143	-	-	123,143
Net loss	-	-	-	-	-	-	(4,317,814)	(4,317,814)
Reclassification of net realized loss on available-for-sale investments	-	-	-	-	-	(2,103,680)	-	(2,103,680)
Taxes on other comprehensive loss	-	-	-	-	-	435,544	-	435,544
Comprehensive loss	-	-	-	-	-	(1,668,136)	(4,317,814)	(5,985,950)
<b>Balance, October 31, 2013</b>	<b>29,730,845</b>	<b>37,593,346</b>	<b>521,707</b>	<b>9,220,696</b>	<b>47,335,749</b>	<b>-</b>	<b>(30,216,824)</b>	<b>17,118,925</b>
Shares issued under Linear Gold SPA	1,200,000	48,000	-	-	48,000	-	-	48,000
Transactions with owners	1,200,000	48,000	-	-	48,000	-	-	48,000
Net income	-	-	-	-	-	-	452,136	452,136
<b>Balance, January 31, 2014</b>	<b>30,930,845</b>	<b>37,641,346</b>	<b>521,707</b>	<b>9,220,696</b>	<b>47,383,749</b>	<b>-</b>	<b>(29,764,688)</b>	<b>17,619,061</b>

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

**Everton Resources Inc.**

(An exploration stage Company)

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

	Three months ended January 31, 2014	Three months ended January 31, 2013
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	452,136	(184,824)
Adjustments for:		
Withholding tax reversal	(705,849)	-
Interest income	(568)	(1,931)
Amounts included in other income	(16,000)	-
Write-down of mineral exploration properties and exploration and evaluation assets	11,871	-
Unrealized loss on financial assets at fair value through profit and loss	14,200	6,944
Gain on sale of marketable securities	-	9,445
Changes in working capital items (Note 11)	67,059	181,841
<b>Net cash (used in) provided by operating activities</b>	<b>(177,151)</b>	11,475
<b>INVESTING ACTIVITIES</b>		
Interest and other income received	568	1,931
Exploration and evaluation costs	(80,480)	(300,268)
<b>Net cash used by investing activities</b>	<b>(79,912)</b>	(298,337)
<b>FINANCING ACTIVITIES</b>		
Option payments received	60,000	60,000
<b>Net cash provided by financing activities</b>	<b>60,000</b>	60,000
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<b>(9,012)</b>	(149,378)
Decrease in cash and cash equivalents	(206,075)	(376,240)
Cash and cash equivalents, beginning of the period	531,174	1,358,737
<b>Cash and cash equivalents, end of the period</b>	<b>325,099</b>	982,497

Supplemental cash flow information is provided in Note 11

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



## **Everton Resources Inc.**

(An exploration stage Company)

Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

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### **1. NATURE OF OPERATIONS**

Everton Resources Inc. (“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 the acquisition, exploration and development of mineral resource properties. Everton and its subsidiaries (the “Company”) are in the exploration stage and do not derive any revenue from the development of their properties. The address of the Company’s corporate office is 2742 St. Joseph Blvd, Suite 205, Ottawa, Ontario, Canada, K1C 1G5. The Company’s common shares are listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol “EVR”.

### **2. BASIS OF PRESENTATION**

#### **(a) Statement of compliance**

The Company applies IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRSs issued and outstanding as of January 31, 2014. The same accounting policies and methods of computation are followed in these unaudited condensed consolidated interim financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended October 31, 2013. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending October 31, 2014 could result in restatement of these unaudited condensed consolidated interim financial statements.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2(c).

These Financial Statements were authorized for issue by the Board of Directors on March 27, 2014.

#### **(b) Basis of measurement and functional currency**

These consolidated financial statements have been prepared on a historical cost basis, except for the available-for-sale financial instruments and financial assets at fair value through profit or loss which are measured at fair value, and are expressed in Canadian dollars, which is the Company’s functional and presentation currency. The functional currency for each consolidated entity is determined by the currency of the primary economic environment in which it operates.

#### **(c) Significant accounting judgements, estimates and assumptions**

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable

## **Everton Resources Inc.**

(An exploration stage Company)

Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

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### **2. BASIS OF PRESENTATION (Cont'd)**

under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Company has identified the following areas where significant judgements, estimates and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the consolidated financial statements.

#### Significant management judgements

The following are significant management judgements in applying the accounting policies of the Company and have the most significant effect on the consolidated financial statements.

#### **Recognition of deferred income tax assets and measurement of income tax expense**

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgements. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

#### **Going concern**

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgements based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration programs, will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

These consolidated financial statements have been prepared on a basis which assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether this 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. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions.

As at January 31, 2014, the Company had a working capital surplus, excluding marketable securities and warrants of \$147,558 (deficit at October 31, 2013 - \$285,157), including 325,099 (October 31, 2013 - \$531,174) in cash and cash equivalents. The Company is seeking arbitration to have the Shoal Lake East option payments deferred to later periods.

## **Everton Resources Inc.**

(An exploration stage Company)

Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

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### **2. BASIS OF PRESENTATION (Cont'd)**

The Company will require additional financing, through various means including but not limited to equity financing, to continue the exploration program on its properties and/or to acquire additional exploration properties and to meet its entire general and administrative costs. There is no assurance that the Company will be successful in raising the additional required funds. These conditions represent a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern. In the event that Company is not able to secure additional financing and continue as a going concern, material adjustments would be required to the carrying value of assets and liabilities and the balance sheet classification used.

#### **Contingencies**

By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgements and the use of estimates regarding the outcome of future events.

#### **Exploration and evaluation expenditures**

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgements to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

#### **Functional currency**

The functional currency for the parent entity, and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. The parent entity has determined the functional currency of each entity is the Canadian dollar. Determination of functional currency may involve certain judgements to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

#### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

#### **Impairment of exploration and evaluation assets**

Management determines at each reporting period whether there are any indicators of impairment. If there are indicators, the carrying value of the investment in mining property is compared to the recoverable amount to calculate the amount of impairment. If no indicators of impairment are identified, no impairment test is performed.

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgements and a number of estimates and interpretations in many cases.

## **Everton Resources Inc.**

(An exploration stage Company)

Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

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### **2. BASIS OF PRESENTATION (Cont'd)**

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units must be estimated.

In assessing impairment, the Company must make estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expense will be recovered from either future exploration or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

See note 7 for exploration and evaluation assets impairment analysis.

The total write-off of the exploration and evaluation assets recognized in profit or loss amounts to \$11,871 for the three months ended January 31, 2014 (2013 - \$NIL). No reversal of impairment losses has been recognized for the reporting periods.

#### **Share-based payments**

The estimation of share-based payment costs requires the selection of an appropriate valuation model and data and consideration as to the volatility of the Company's own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model (Note 10).

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Basis of consolidation**

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Everton Resources Inc. is the ultimate parent company of the consolidated group. Subsidiaries are consolidated from the date on which the Company obtains control and continue to be consolidated until control ceases. Control is established when the Company has the power to govern the financial and operating policy decisions of the entity, and generally exists where more than 50% of the voting power of the entity is held by the Company. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All material intercompany transactions and balances are eliminated in full on consolidation.

Where the ownership of a subsidiary is less than 100%, and a non-controlling interest thus exists, any losses of that subsidiary are attributed to the non-controlling interests even if that results in a deficit. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

An associate is an entity in which the Company or its subsidiaries have significant influence, and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in, without having control over, the financial and operating policy decisions of the entity, and generally exists where between 20% and 50% of the voting power of the entity is held by the Company. As at January 31, 2014 and October 31, 2013, the Company did not have any associates.

## Everton Resources Inc.

(An exploration stage Company)

Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The subsidiaries of the Company at January 31, 2014, and October 31, 2013, and their principal activities are described below:

Name of subsidiary	Place of incorporation	Ownership interest	Principal activity
Everton Minera Dominicana S.A.	Dominican Republic	100%	Exploration Company
Tropical Resources S.A.	Dominican Republic	100%	Exploration Company
Pan Caribbean Metals Inc.	British Virgin Islands	100%	Holding Company
Dominican Metals Inc.	British Virgin Islands	100%	Holding Company
Hays Lake Gold Inc.	Canada	100%	Exploration Company

These condensed consolidated interim financial statements have been prepared using accounting policies that are consistent with those used in the preparation of the Company's audited annual consolidated financial statements for the years ended October 31, 2013 and 2012.

#### (b) Share consolidation

On February 25, 2014, the Company, announced that the TSX Venture Exchange had approved the consolidation of the Company's common shares on a basis of one (1) post-consolidation Common Share for each five (5) pre-consolidation Common Shares. All share capital, share option and warrant data, including number and price, give retroactive effect to reflect the share consolidation in these consolidated financial statements (see Note 8).

### 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes the following:

	January 31, 2014	October 31, 2013
	\$	\$
Cash	151,296	357,939
Investment savings accounts	173,803	173,235
Total cash and cash equivalents	325,099	531,174

As at January 31, 2014 and October 31, 2013, cash includes amounts held in investment saving accounts with interest rates ranging from 1.20% to 1.50%.

## Everton Resources Inc.

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Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

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### 5. MARKETABLE SECURITIES AND WARRANTS

As at January 31, 2014, the following securities were included in marketable securities and warrants:

	<b>Fair value</b>
	\$
Augyva Inc. - 25,000 common shares	2,500
Electra Gold Limited - 3,300,000 common shares	33,000
Majescor Resources Inc. - 250,000 common shares	15,000
<b>Marketable securities</b>	<b>50,500</b>
Majescor - 250,000 warrants	3,500
<b>Warrants</b>	<b>3,500</b>
<b>Marketable securities and warrants</b>	<b>54,000</b>

On November 7, 2013, Majescor Resources Inc., completed a consolidation of its common shares on a 10:1 basis, as a result of the consolidation Everton's investment in Majescor common shares and warrants both decreased from 2,500,000 to 250,000.

As at October 31, 2013, the following securities were included in marketable securities and warrants:

	<b>Fair value</b>
	\$
Augyva Inc. - 25,000 common shares	2,500
Electra Gold Limited - 3,300,000 common shares	33,000
Majescor Resources Inc. - 2,500,000 common shares	25,000
<b>Marketable securities</b>	<b>60,500</b>
Majescor - 2,500,000 warrants	7,700
<b>Warrants</b>	<b>7,700</b>
<b>Marketable securities and warrants</b>	<b>68,200</b>

## Everton Resources Inc.

(An exploration stage Company)

Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

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### 6. OPTION TO ACQUIRE MINERAL EXPLORATION PROPERTY

	January 31, 2014	October 31, 2013
	\$	\$
Option to acquire Linear Gold Caribe SA.	1,402,781	1,162,781

#### *Option Agreement*

On September 26, 2012, Everton, Brigus Gold Corp. (“Brigus”), Brigus Gold ULC and Linear Gold Caribe SA. (“Linear Gold”), executed an option agreement (the “Option Agreement”) pursuant to which Everton was granted an option to have the sole and exclusive right to acquire all of the issued and outstanding common shares of Linear Gold Caribe SA. (the “Option”) in order to purchase Brigus’s remaining interest in the APV (Note 7.b), Ponton (Note 7.c) and La Cueva (Note 7.a) concessions (“the Concessions”). The exercise price of the Option was 3,000,000 common shares of Everton (the “Shares”). Everton placed the 3,000,000 common shares in trust with the Company’s corporate lawyers.

On October 23, 2012, Everton proceeded with the issuance of the Shares in favour of Brigus Gold ULC thereby exercising the Option. The 3,000,000 shares were valued at \$0.375 per share, the fair value on that day. On the same day, Everton delivered an Acquisition Notice to Brigus Gold under Section 4.3 of the Option Agreement confirming that Everton has elected to exercise its right to acquire all of the issued and outstanding shares of Linear Gold.

#### *Initial Share Purchase Agreement*

Prior to the November 21, 2013 amendment (discussed below), the purchase price agreed to by the parties was \$1,000,000 payable in two (2) equal installments of \$500,000. The first installment was payable upon the receipt of the final approval of the TSX Venture Exchange (“TSX Venture”) and was payable in cash. The second installment was payable in cash, in shares or a combination of both at the sole discretion of Everton, and payable on or before November 15, 2012. Subsequent to October 31, 2012 both parties agreed that the second payment would be delayed until approval of the transaction was received by the TSX Venture and the renewal of certain concessions.

Brigus will also receive a sliding scale net smelter royalty (“NSR”) on the Concessions equal to 1.0% when the price of gold is less than US\$1,000 per ounce, 1.5% when the price of gold is between US\$1,000 and US\$1,400 per ounce, and 2.0% when the price of gold is above US\$1,400 per ounce.

Everton will also issue Brigus a promissory note equal to the greater of \$5 million or the value of 1,000,000 common shares of Everton. The promissory note will be subject to completion of a National Instrument 43-101 (“NI 43-101”) compliant measured and indicated resource estimate on the Concessions of a minimum 1 million ounces of gold equivalent (“AuEq”) (at an average grade of 2.5 g/t AuEq or higher for APV and 1.5 g/t AuEq or higher for Ponton and La Cueva) or actual gold production from the Concessions plus a NI 43-101 compliant measured and indicated resource estimate on the Concessions (at an average grade of 2.5 g/t AuEq or higher for APV and 1.5 g/t AuEq or higher for Ponton and La Cueva) exceeding 1 million ounces of gold equivalent.

#### *Amended Share Purchase Agreement*

On November 21, 2013, pursuant to a share purchase agreement entered into by the parties, Everton has reduced the purchase price from the October 21, 2012 amount of \$1,000,000 payable in two (2) equal installments of \$500,000 to \$175,000 in cash and 1,200,000 in common shares of Everton (issued December 13, 2013) to acquire 100% of the common shares of Linear Gold.

## Everton Resources Inc.

(An exploration stage Company)

Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

### 6. OPTION TO ACQUIRE MINERAL EXPLORATION PROPERTY (Cont'd)

On December 13, 2013, the promissory note was amended to state that it would be for an amount equal to the greater of CAD\$5 million or the value of 1,000,000 common shares of Everton payable in cash. Everton no longer has the option to pay the note in common shares.

On March 19, 2014, the Company received final approval from the TSX Venture for the acquisition of Linear Gold (Note 17).

### 7. MINERAL EXPLORATION PROPERTIES AND EXPLORATION AND EVALUATION ASSETS

	January 31, 2014		October 31, 2013	
	Mineral exploration properties	Exploration and evaluation assets	Mineral exploration properties	Exploration and evaluation assets
	\$	\$	\$	\$
<u>Dominican Republic</u>				
a) La Cueva (Loma El Mate)	183,836	995,882	183,836	994,719
b) Ampliacion Pueblo Viejo	1,258,460	7,023,572	1,258,460	6,945,450
b) La Lechoza	-	929,056	-	929,056
c) Ponton (Loma Hueca)	197,198	673,047	197,198	670,428
d) Pun	24,944	386,585	24,944	383,996
e) Other	-	11,366	-	-
	<b>1,664,438</b>	<b>10,019,508</b>	1,664,438	9,923,649
<u>Canada</u>				
<u>Quebec</u>				
f) Opinaca	380,453	2,754,707	440,452	2,754,707
g) Wildcat	176,465	1,125,390	176,465	1,125,390
<u>British Columbia</u>				
h) Hot Springs	1,000	69,097	1,000	69,097
	<b>557,918</b>	<b>3,949,194</b>	617,917	3,949,194
TOTAL	<b>2,222,355</b>	<b>13,968,702</b>	2,282,355	13,872,843

#### **Dominican Republic**

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

On December 8, 2003, the Company entered into an earn-in agreement with Brigus Gold Corp. 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 40,000 common shares and paying an option fee of US\$70,000 (CAD\$79,000). All of the above conditions were met and the Company acquired its 50% interest.

On September 26, 2012, the Company signed an option agreement with Brigus whereby Everton can acquire Brigus' remaining interest in the property. On November 21, 2013, the Company signed an amended share purchase agreement. The terms of the agreements are described in Note 6.

The exploration licenses are currently in the process of being renewed from the Ministry of Industry and Commerce in Dominican Republic.



## **Everton Resources Inc.**

(An exploration stage Company)

Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

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### **7. MINERAL EXPLORATION PROPERTIES AND EXPLORATION AND EVALUATION ASSETS (Cont'd)**

#### **b) Ampliacion Pueblo Viejo, La Lechoza, Dominican Republic**

In April 2007, the Company obtained an option to acquire from Brigus an undivided 50% interest in the Ampliacion Pueblo Viejo ("APV") (which includes the La Lechoza prospect) concession.

##### APV and La Lechoza

To earn its 50% interest in the APV Concession, which includes the La Lechoza prospect, the Company was required to make cash payments totaling US\$700,000 (CAD\$818,460), incur US\$2,500,000 (CAD\$2,660,000) in exploration work and issue 240,000 common shares over a three-year period. During the year ended October 31, 2010, all remaining conditions were met and the Company earned its initial 50% interest in the property.

On February 14, 2011, the Company signed an amended agreement with Brigus whereby Everton could earn an additional 20% interest in the concession by incurring an additional US\$2,500,000 (CAD\$2,471,000) in exploration work by April 10, 2012. Everton's interest in the property at October 31, 2013 remains at 50%.

The exploration licenses are currently granted by the Ministry of Industry and Commerce, with expiration date on April 7, 2014. The Company intends to extend the exploration license after expiration.

On September 26, 2012, the Company signed an option agreement with Brigus whereby Everton can acquire Brigus' remaining interest in the property. On November 21, 2013, the Company signed an amended share purchase agreement. The Terms of the agreements are described in Note 6.

On March 19, 2014, the Company received final TSX Venture approval to acquire the outstanding shares of Linear Gold Caribe (Note 17). Through the acquisition Everton now holds 100% of the APV concession.

#### **c) Ponton (Loma Hueca), Dominican Republic**

In April 2007, the Company obtained an option to acquire from Brigus an undivided 50% interest in the Ponton (Loma Hueca) concession.

Under the initial option agreement, the Company could earn a 50% interest in the Ponton (Loma Hueca) Concession by making cash payments totaling US\$100,000, completing work commitments of US\$600,000 and issuing 40,000 common shares over a three-year period. The Company has made the US\$100,000 and issued the 40,000 common shares in accordance with the agreement, and has earned a 50% interest in the Ponton (Loma Hueca Concession).

Furthermore, the Company could 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 Brigus US\$250,000 (CAD\$247,000) and issuing 60,000 additional common shares.

On September 26, 2012, the Company signed an option agreement with Brigus whereby Everton can acquire Brigus' remaining interest in the property. On November 21, 2013, the Company signed an amended share purchase agreement. The Terms of the agreements are described in Note 6. The Company has applied for a new concession covering the same area, which is in the renewal process.

On March 19, 2014, the Company received final TSX Venture approval to acquire the outstanding shares of Linear Gold (Note 17). Through the acquisition Everton now holds 100% of the Ponton concession.

## **Everton Resources Inc.**

(An exploration stage Company)

Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

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### **7. MINERAL EXPLORATION PROPERTIES AND EXPLORATION AND EVALUATION ASSETS (Cont'd)**

#### **d) Pun**

In September 2011 the Company entered into a purchase agreement for the Pun exploration concession adjacent to Ponton. The Pun concession covers an area of 3,675 Ha.

The Company is required to make a payment of US\$50,000 on the first (paid), second (paid) and third anniversaries of the option (not yet paid). Everton may opt to acquire 100% ownership of the concession for a payment of US\$200,000. Everton can at any time without penalty drop the option or transfer the rights to a third party after giving the optionor a right of first refusal.

The optionor retains a 1% NSR if Everton opts to acquire the concession. Everton is the operator and has complete discretion on how to conduct the exploration activities without any limitations as to minimum expenditures or work commitment.

#### **e) Other**

Other properties consist of several eastern Dominican Republic concessions. During the period ended January 31, 2014, management had decided to write-down minor exploration properties as they no longer fit the Company's strategic plan. As of January 31, 2014 the Company incurred \$11,871 (2013 - \$NIL) write-downs on other properties.

### **Canada**

#### **f) Opinaca, Quebec**

On December 9, 2004, Everton signed an option agreement with Azimut Exploration ("Azimut") to initially earn a 50% undivided interest in the Opinaca property by incurring a minimum \$2,800,000 in exploration work and making cash payments totaling \$180,000 over 5 years. Everton has earned 50% of the property to date.

On November 15, 2011, the Company and Azimut executed an option agreement with Hecla Mining Company, formerly Aurizon Mines Ltd., ("Hecla") whereby Hecla can acquire an initial 50% ownership interest in the Opinaca property, in which Everton and Azimut Exploration each hold an undivided 50% interest, by making total cash payments of \$580,000, (\$290,000 to Everton), and incurring exploration expenditures of \$9,000,000. Hecla may then elect to earn an additional interest of 10%, for a total interest of 60%, by making cash payments totaling \$300,000 (\$150,000 to Everton) over three years from the election date, incurring exploration expenditures totaling \$3,000,000 over three years from the election date, and delivering an independent pre-feasibility study on or before the fourth anniversary of the second option.

On November 1, 2013, Everton signed an amendment to the option agreement dated November 15, 2011.

Under the amended terms to earn its 50% interest in the property, Hecla must make cash payments totaling \$240,000 (\$120,000 to Everton) and incur exploration expenditures of \$6,000,000 over four years, including 3,800 meters of drilling by the November 15, 2013 and 1,200 meters of drilling by November 15, 2014.

**Everton Resources Inc.**

(An exploration stage Company)

Notes to the Consolidated financial statements

*(Expressed in Canadian dollars)***7. MINERAL EXPLORATION PROPERTIES AND EXPLORATION AND EVALUATION ASSETS (Cont'd)**

Date	Cash payments	Exploration expenditures	Meters of drilling
On approval from the TSX Venture Exchange (received)	\$ 50,000	\$ -	-
On November 15, 2012 (received and expenses incurred)	\$ 60,000	\$ 1,000,000	-
On November 15, 2013 (received and expenses incurred)	\$ 60,000	\$ 2,190,000	3,800
On November 15, 2014	\$ 60,000	\$ 350,000	1,200
On November 15, 2015	\$ 60,000	\$ 820,000	-
On November 15, 2016	\$ -	\$ 820,000	-
On November 15, 2017	\$ -	\$ 820,000	-
	<u>\$ 290,000</u>	<u>\$ 6,000,000</u>	<u>5,000</u>

The cash payments in the table relate to the cash payments to be made by Hecla to Everton and do not include cash payments made by Hecla to Azimut.

Hecla will be the operator during the earn-in period for the initial 50% interest in the property, after which a joint venture will be formed.

In addition, in the event that prior to the end of the eighth year of the initial option agreement, mineral resources of at least 2,000,000 ounces of gold, at an average grade of at least 6.0 g/t Au, are estimated with at least 1,000,000 ounces as measured or indicated, Hecla shall make a payment of \$1,500,000 (\$750,000 to Everton), payable in Hecla common shares, subject to regulatory approval. So far, approximately \$3,200,000 has been spent on Opinaca and \$1,800,000 on Wildcat. The program consists of surface sampling, geochemical analysis and geochemical surveys at the Opinaca-Wildcat properties.

**g) Wildcat, Quebec**

On January 25, 2005, Everton acquired a 100% interest in claims grouped in 7 different blocks. These claims were acquired from an independent prospector for a cash consideration of \$100,000 and the issuance of 60,000 shares of Everton for a value of \$120,000.

On October 13, 2010, the Company executed an option agreement with Hecla whereby Hecla can acquire up to an undivided 65% interest in Everton's wholly-owned Wildcat property, by making total cash payments of \$300,000 and incurring expenditures of \$6,250,000.

Hecla can earn an initial 50% interest in the property by incurring expenditures of \$3,250,000 over four years, including 3,000 meters of drilling within two years. Hecla will be the operator during the earn-in period for the initial 50% interest in the property, after which a joint venture will be formed.

After earning its initial 50% interest in the property, Hecla may then elect to earn an additional interest of 15%, for a total interest of 65%, by making cash payments totaling \$300,000 over three years from the election date, incurring exploration expenditure of \$1,000,000 by each of the first, second and third anniversary dates (\$3,000,000 in total) of the second option election deadline, and delivering an independent pre-feasibility study by the end of the fourth anniversary of the of the second option.

## **Everton Resources Inc.**

(An exploration stage Company)

Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

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### **7. MINERAL EXPLORATION PROPERTIES AND EXPLORATION AND EVALUATION ASSETS (Cont'd)**

In addition, in the event that prior to the end of the eighth year of the initial option agreement, mineral resources of at least 2,000,000 ounces of gold, at an average grade of at least 6.0 g/t Au, are estimated with at least 1,000,000 ounces classified as measured or indicated, Hecla shall make a payment of \$1,500,000 payable in Hecla common shares, subject to regulatory approval. During the summer of 2012 Hecla spent approximately \$1,300,000 in exploration (combined on Opinaca-Wildcat properties). The program consists of surface sampling, geochemical analysis, and geochemical surveys at the Opinaca-Wildcat properties.

On November 1, 2013, Everton signed an amendment to the option agreement dated October 13, 2010.

Subsequently on February 7, 2014, Everton signed a second amendment to the Wildcat option agreement. The amendment changes the timing and the amount of the exploration expenditures, in accordance with the following schedule: (Note 17)

(a) \$500,000 on or before October 13, 2011;

(b) \$1,280,000 of work expenditures (including a minimum of 2,093 meters of drilling) on or before October 13, 2012;

(c) \$1,000,000 of work expenditures (including a minimum 907 meters of drilling) on or before October 13, 2014. The work expenditures would be incurred by Everton and deemed to have been spent by Hecla. In regards to funding these expenditures Everton completed a flow through financing on March 7, 2013 (refer to note 8 & 17). In consideration Everton agreeing to incur the expenditures, Hecla made an option payment of \$700,000; and

The option to earn an additional 15% undivided interest ("second option"), for an aggregate 65% undivided interest in the Property, upon the completion has been replaced by the following:

- Making annual cash payments of \$100,000 over a period of 3 years from the Election Date, for a total of \$300,000;
- Incurring minimum aggregate expenditures of \$2,500,000 over a period of 3 years from the Election Date, a minimum of \$500,000 to be incurred in the first year and a minimum of \$1,000,000 in both years two and three; and
- Delivering a preliminary feasibility study prepared by an independent qualified person (within the meaning ascribed to such terms in NI 43-101) on or before the fourth anniversary of the Election Date.

#### **h) Hot Springs, British Columbia**

By agreement dated April 11, 1997 the Company acquired a 100% interest in certain claims in British Columbia from four directors in exchange for 417,143 shares of the Company.

Hot Springs property is located in the New Westminster Mining Division in British Columbia, Canada. The property is owned 100% by the Company.

## Everton Resources Inc.

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Notes to the Consolidated financial statements

(Expressed in Canadian dollars)

### 7. MINERAL EXPLORATION PROPERTIES AND EXPLORATION AND EVALUATION ASSETS (Cont'd)

#### Option agreement with Electra Gold Ltd.

On June 5, 2012, Everton signed an option agreement with Electra Gold Ltd. ("Electra"), whereby Electra can acquire a 100% interest in the Company's Hot Springs property. Everton has retained a 2% NSR.

Under the terms of the agreement, Electra has the right to acquire a 100% interest in the property by issuing 20,000,000 common shares of Electra, making cash payments totaling \$1,900,000 to Everton and incurring exploration expenditures totaling \$500,000, in accordance with the following timeline:

Date	Common shares	Cash payments	Exploration expenditures
On approval from the TSX Venture Exchange (received)	2,000,000	\$ 25,000	\$ -
On June 5, 2013 (exploration expenses incurred)	2,000,000	\$ 25,000	\$ 100,000
On June 5, 2014	2,000,000	\$ 50,000	\$ 200,000
On June 5, 2015	2,000,000	\$ 100,000	\$ 200,000
On June 5, 2016	2,000,000	\$ 200,000	\$ -
On June 5, 2017	10,000,000	\$ 500,000	\$ -
On completion of a feasibility study	-	\$ 1,000,000	\$ -
	20,000,000	\$ 1,900,000	\$ 500,000

On June 17, 2013, the Company received 2,000,000 common shares of Electra Gold Ltd., with a total value of \$20,000, pursuant to the June 5, 2012, option agreement. As at January 31, 2014 the cash payment of \$25,000 has not yet been received and as a result the option agreement is in default. Electra is in the process of trying to remedy this default. If remedy cannot be settled between the Company and Electra, the Company will re-evaluate its future exploration plans on this property.

On March 14, 2014, the Company amended the terms of the option agreement with Electra Gold. The adjustment of payments requires the Optionee (1) to issue an addition 2,000,000 of its Common Shares as at the respective 5<sup>th</sup> and 6<sup>th</sup> anniversaries of the Hot Springs Agreement of June 5, 2012, (2) to adjust the cash payments to a total of \$1,775,000 as set out in the Amending Agreement and (3) to adjust the expenditures to amounts totalling \$400,000 as set out in the Amending Agreement.

The Option Agreement as amended continues Electra's right to explore and acquire the Hot Springs property subject to Electra's issuing common shares, making cash payments and incurring expenditures on the property as follows:

Date	shares	payments	expenditures
On approval from the TSX Venture Exchange (received & incurred)	2,000,000	\$ 25,000	\$ 50,000
On June 5, 2013 (received & incurred)	2,000,000	\$ -	\$ 50,000
On June 5, 2014 (or sooner upon financing)	2,000,000	\$ 25,000	\$ 50,000
On June 5, 2015	2,000,000	\$ 25,000	\$ 150,000
On June 5, 2016	2,000,000	\$ 50,000	\$ 100,000
On June 5, 2017	2,000,000	\$ 50,000	\$ -
On June 5, 2018	2,000,000	\$ 100,000	\$ -
On June 5, 2019	10,000,000	\$ 500,000	\$ -
On completion of a feasibility study	-	\$ 1,000,000	\$ -
	24,000,000	\$ 1,775,000	\$ 400,000

**Everton Resources Inc.**

(An exploration stage Company)

Notes to the Consolidated financial statements

*(Expressed in Canadian dollars)***7. MINERAL EXPLORATION PROPERTIES AND EXPLORATION AND EVALUATION ASSETS (Cont'd)**

The following table reflects the changes to mineral exploration properties and exploration and evaluation assets between January 31, 2014, and October 31, 2013:

	\$	\$
Balance, beginning of the period	<b>16,155,198</b>	18,714,957
Additions		
Project consulting	<b>(4,200)</b>	19,200
Geophysical survey	<b>89,999</b>	48,262
Geological survey	<b>3,865</b>	588,892
Geochemical survey	-	47,459
Report preparation	<b>15,000</b>	81,040
Renewal of licenses and permits	<b>217</b>	60,802
General field expenses	<b>2,849</b>	70,557
	<b>107,730</b>	916,212
Write-down of mineral exploration properties and exploration and evaluation assets	<b>(11,871)</b>	(3,395,971)
Option payments received	<b>(60,000)</b>	(80,000)
	<b>(71,871)</b>	(3,475,971)
Balance, end of the period	<b>16,191,057</b>	16,155,198
Mineral exploration properties	<b>2,222,355</b>	2,282,355
Exploration and evaluation assets	<b>13,968,702</b>	13,872,843
Exploration properties and evaluation assets	<b>16,191,057</b>	16,155,198

## Everton Resources Inc.

(An exploration stage Company)

Notes to the Consolidated financial statements

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### 8. SHARE CAPITAL

#### Authorized

The authorized capital of the company consists of unlimited common shares without par value.

The holders of common shares are entitled to receive dividends (if any) which are declared from time to time, and are entitled to one vote per share at Everton's shareholder meetings. All shares are ranked equally with regards to the Company's residual assets.

#### Share Consolidation

On February 25, 2014, the Company, announced that the TSX Venture had approved the consolidation of the Company's common shares on a basis of one (1) post-consolidation common share for each five (5) pre-consolidation common shares. The Company's shares began trading on a post-consolidated basis effective at the opening of market on February 25, 2014 under the new CUSIP number 300410305. All share capital, option and warrant data have been retroactively restated to reflect the share consolidation in these consolidated financial statements (see Note3).

#### Issued

	Common shares	\$
<b>Balance, October 31, 2012</b>	<b>29,330,845</b>	<b>37,493,346</b>
Shares issued for the Labrador Trough royalty	400,000	100,000
<b>Balance, October 31, 2013</b>	<b>29,730,845</b>	<b>37,593,346</b>
Shares issued under the Linear Gold SPA	1,200,000	240,000
<b>Balance, January 31, 2014</b>	<b>30,930,845</b>	<b>37,833,346</b>

- (1) On December 13, 2013, pursuant to the Linear Gold share purchase agreement entered into with Brigus Gold, Everton issued 1,200,000 in common shares as part of the purchase price to acquire 100% of the common shares of Linear Gold (Note 6).
- (2) On March 7, 2014, the Company completed the following private placements (Note 17):
  - (i) 5,000,000 "flow-through" common shares at an issue price of \$0.20 per share, for aggregate gross of \$1,000,000. This private placement had no warrants or finders' fees associated with the issuance of the shares.
  - (ii) 379 "hard dollar" units ("Units") at an issue price of \$1,000 per Unit, for aggregate gross proceeds of \$379,000. Each Unit consists of 5,000 common shares at an issue price of \$0.20 per share and 5,000 common share purchase warrants, each warrant entitling the holder thereof to acquire one additional common share of Everton at a price of \$0.35 per share for a period of 24 months.

## Everton Resources Inc.

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### 8. SHARE CAPITAL (Cont'd)

In connection with the private placement of Units, the Company paid a cash finder's fee of \$26,530, equal to 7% of the gross proceeds raised pursuant to the private placement of the Units and issued 151,600 non-transferable finder's warrants equal to 8% of the number of common shares issued under the private placement of Units. Each finder's warrant will entitle the holder to purchase one finder's unit of the Company at a price of \$0.20 per finder's unit for a period of 24 months following the closing of the private placement. The finder's units issued upon the exercise, if any, of the finder's warrants shall consist of one common share of the Company and one common share purchase warrant entitling the holder thereof to acquire one additional common share of Everton at a price of \$0.35 per share for a period of 24 months.

### 9. WARRANTS

The following table reflects the continuity of warrants:

	Number of warrants	Weighted average exercise price
		\$
Balance, October 31, 2012	5,812,119	1.80
Expired	(907,560)	(1.89)
<b>Balance, October 31, 2013 and January 31, 2014</b>	<b>4,904,559</b>	<b>0.90</b>

As at January 31, 2014, the following warrants were issued and outstanding:

Number of warrants	Carrying Value	Exercise price	Expiry date
	\$	\$	
3,992,500	149,717	0.75	August 24, 2014
213,675	102,230	0.40	August 24, 2014
698,384	269,760	1.75	August 25, 2015
<b>4,904,559</b>	<b>521,707</b>		

### 10. STOCK OPTION PLAN

Under the terms of the Company's stock option plan (the "Plan") all options are granted with an exercise price not lower than the closing market price on the day immediately preceding the date of grant. The term of options is determined by the Board of Directors and is typically five years with a maximum term of 10 years. Options issued to consultants who perform investor relations activities will be subject to a vesting schedule whereby no more than 25% of the options granted may vest in any three month period. The maximum number of options authorized for issue shall be 10% of the outstanding shares in issue at the date of the option grant.

Options have a maximum term of five years and terminate 12 months following the termination of the optionee's employment, office, directorship or consulting arrangement. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted.



## Everton Resources Inc.

(An exploration stage Company)

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(Expressed in Canadian dollars)

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### 10. STOCK OPTION PLAN (Cont'd)

On August 31, 2012, the Company announced that its Stock Option plan has been amended to increase the time allowed for directors, officers, consultants, or employees to exercise their options from 60 days to 12 months from the date they cease to be a director, officer, consultant, or employee of the Company.

The Company increased the maximum number of common shares reserved for issuance under its stock option plan from 2,055,526 to 2,630,584, representing 10% of the outstanding common shares as at August 31, 2012. These options may be granted to the Company's employees, officers, directors and persons providing ongoing services to the Company, subject to regulatory approval.

There were no stock options granted in the first quarter 2014.

On March 9, 2014, 85,000 stock options expired, with an exercise price of \$0.50.

On March 11, 2014, the Company granted options to purchase up to 1,365,000 common shares of the Company to its Officers, Directors, and an employee at a price of \$0.20 per share for a period of five years ending March 11, 2019 (Note 17).

The following table shows the stock options which were outstanding and exercisable as at January 31, 2014:

Outstanding			Exercisable		
Exercise price	Options	Remaining contractual life	Options vested	Expiry date	
		(in years)			
\$ 0.50	85,000	0.10	85,000	3/9/2014	
\$ 0.75	10,000	0.33	10,000	6/1/2014	
\$ 1.10	70,000	0.81	70,000	11/20/2014	
\$ 1.35	20,000	1.28	20,000	5/11/2015	
\$ 1.25	130,000	1.44	130,000	7/9/2015	
\$ 1.25	121,400	1.74	121,400	10/27/2015	
\$ 1.60	241,000	2.04	241,000	2/15/2016	
\$ 1.75	110,000	2.31	110,000	5/24/2016	
\$ 1.00	220,000	3.41	220,000	7/30/2017	
\$ 0.50	160,000	3.41	160,000	7/30/2017	
\$ 0.50	80,000	3.83	80,000	11/30/2017	
\$ 0.50	100,000	4.19	100,000	3/21/2018	
<b>\$ 1.05</b>	<b>1,347,400</b>	<b>2.42</b>	<b>1,347,400</b>		

The Company records a charge to the statement of comprehensive loss using the Black-Scholes fair valuation option pricing model. The valuation is dependent on a number of estimates, including the risk free interest rate, the level of stock volatility, together with an estimate of the level of forfeiture. The level of stock volatility is calculated with reference to historic traded daily closing share prices at the date of issuance.

Option pricing models require the inputs of highly subjective assumptions including the expected price volatility. Changes to the subjective input assumptions can materially affect the fair value estimate and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's share options.

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### 11. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended January 31, 2014	Three months ended January 31, 2013
Changes in working capital are as follows:		
Accounts receivable	(654)	(9,918)
Prepaid expenses	16,091	(15,301)
Accounts payable and accrued liabilities	51,622	207,060
	67,059	181,841
Exploration and evaluation costs included in accounts payable and accrued liabilities	27,251	124,423

### Non Cash Transactions

On December 13, 2013, pursuant to the Linear Gold share purchase agreement entered into with Brigus Gold, Everton issued 1,200,000 in common shares, with a deemed value of \$240,000 as part of the purchase price to acquire 100% of the common shares of Linear Gold (Note 6 & 8). The shares issued were accounted for as part the deferred transaction cost have been included in the purchase price of Linear Gold upon receiving TSX Venture final approval.

During the three months ended January 31, 2014, the Company reversed an accrual for \$705,849 of self-assessed withholding taxes on funds transferred to its Dominican subsidiaries. The Company received a report from a Dominican tax specialist in which it was determined that Everton was not subject to withholding taxes on funds transferred to subsidize the operations of its subsidiaries.

The Company made the cash payments for interest of \$Nil (2013: \$Nil) and income taxes of \$Nil during the three months ended January 31, 2014 (2013: \$Nil).

### 12. SEGMENT REPORTING

The Company has one reportable operating segment, being that of acquisition and exploration and evaluation activities. The Company has the following noncurrent assets located in the Dominican Republic and in Canada:

	January 31, 2014	October 31, 2013
<b>Dominican Republic</b>	\$	\$
Option to acquire mineral exploration property	1,402,781	1,162,781
Property, plant and equipment	15,665	17,903
Mineral exploration properties	1,664,458	1,664,458
Exploration and evaluation assets	10,019,508	9,923,649
Total	13,103,412	12,768,791

## Everton Resources Inc.

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Notes to the Consolidated financial statements

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### 12. SEGMENT REPORTING (Cont'd)

	<u>January 31, 2014</u>	October 31, 2013
<b>Canada</b>	<b>\$</b>	<b>\$</b>
Mineral exploration properties	<b>557,917</b>	617,917
Exploration and evaluation assets	<b>3,949,194</b>	3,949,194
Total	<b>4,507,111</b>	4,567,111

All Dominican Republic exploration mineral claims are held by the Company's Dominican Republic subsidiaries with all cost incurred in the subsidiaries capitalized to exploration and evaluation properties.

### 13. RISK MANAGEMENT AND CAPITAL MANAGEMENT

#### 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, foreign currency risk, interest rate risk, market risk and political risk. Where material, these risks are reviewed and monitored by the Board of Directors.

#### *(i) 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 and accounts receivable, and maximum exposure is equal to the carrying values of these assets. The Company's cash is held at several large financial institutions. It is management's opinion that the Company is not exposed to significant credit risk.

None of the Company's financial assets are secured by collateral or other credit enhancements.

#### *(ii) 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. The Company's working capital surplus, excluding marketable securities totals \$147,558 as at January 31, 2014 (deficit of \$285,157 as at October 31, 2013), including \$325,099 in cash and cash equivalents as at January 31, 2014 (\$531,174 as at October 31, 2013) and current liabilities totalling \$320,642 (\$974,869 as at October 31, 2013). The Company's financial liabilities are all due within 12 months. The Company anticipates having sufficient funds to discharge its current liabilities. However, the Company will require additional financing, through various means including but not limited to equity financing, to continue the exploration program on its properties and/or to acquire additional exploration properties and to meet its entire general and administrative costs. There is no assurance that the Company will be successful in raising the additional required funds. Subsequent to the end of the quarter the Company was able to complete two private placements for \$1,000,000 in flow-through funds and \$379,000 in non-flow-through financing. The Company was also able to amend the Wildcat option agreement with Hecla and received an option payment of \$700,000 in March 2014 (Refer to Note 17).

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### **13. RISK MANAGEMENT AND CAPITAL MANAGEMENT (Cont'd)**

All current liabilities are due on demand.

#### *(iii) Foreign 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. The Company currently does not have significant future commitments denominated in foreign currencies. The Company does not use forward exchange contracts to reduce exposure to foreign currency risk. A reasonably possible change in US dollars or DOP's with all other variables held constant would not have a material impact on the net income.

#### *(iv) 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 and guaranteed investment certificates) with maturities of 360 days or less from the original date of acquisition. The Company has limited exposure to financial risk arising from fluctuations in interest rates earned on cash and short-term investments and the volatility of these rates. As at January 31, 2014, cash and cash equivalents total \$325,099 (\$531,174 as at October 31, 2013) and interest income derived from these investments during the three months ended January 31, 2014 was \$1,307 (January 31, 2013 - \$1,931). A reasonably possible change in interest rates with all other variables held constant would not have a material impact on the net income.

#### *(v) Market risk*

The Company holds shares of publicly listed companies in the mineral exploration industry. The Company is exposed to market risk in the value of these shares and unfavourable market conditions could result in the disposal at less than their value at January 31, 2014. At January 31, 2014, the value of these publicly listed shares is \$54,000 (\$68,200 as at October 31, 2013). At January 31, 2014, had the bid price for these shares been 10% lower, the comprehensive income for the period would have been approximately \$5,400 lower (\$6,820 at October 31, 2013). Conversely, had the bid price been 10% higher, the comprehensive income for the period would have been approximately \$5,400 higher (\$6,820 at October 31, 2013).

#### *(vi) Political risk*

The Company carries out some of its exploration activities in the Dominican Republic. These activities may be subject to political, economic 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 additional 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

## Everton Resources Inc.

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Notes to the Consolidated financial statements

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### 13. RISK MANAGEMENT AND CAPITAL MANAGEMENT (Cont'd)

Company prepares annual budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

### 14. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, marketable securities and warrants, accounts receivable, and accounts payable and accrued liabilities. The fair value of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their carrying value due to their short-term nature.

Financial instruments measured at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – includes unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – includes inputs other than quoted prices in level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – includes inputs for the asset or liability that are not based on observable market data

The fair value of available-for-sale marketable securities are classified as level 1 and warrants are classified as level 3 and valued using the Black-Scholes option pricing model. There were no transfers between levels during the period ended January 31, 2014.

The classification of financial instruments is as follows:

	January 31, 2014	October 31, 2013
	\$	\$
<b>Financial assets</b>		
Available-for-sale		
Marketable securities (non-derivative)	50,500	60,500
Financial assets at FVTPL		
Warrants	3,500	7,700
Loans and receivables		
Cash and cash equivalents	325,099	531,174
Accounts receivable	29,467	28,813
<b>Financial liabilities</b>		
Other financial liabilities		
Accounts payable and accrued liabilities	(320,642)	(974,869)
<b>Net financial instruments</b>	<b>87,924</b>	<b>(346,682)</b>

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### 15. RELATED PARTY TRANSACTIONS

#### Key management compensation

The following table reflects compensation of key management personnel, including the Chief Executive Officer (“CEO”), the Chief Financial Officer (“CFO”) and Directors:

	The months ended January 31, 2014	The months ended January 31, 2013
	\$	\$
Consulting fees and salaries (1)	41,250	78,500
Benefits	1,500	1,500
	<b>42,750</b>	<b>80,000</b>

(1) Includes directors’ fees which have been included in *Management and consulting fees* in the consolidated statements of comprehensive income/(loss).

### 16. CONTINGENCIES & COMMITMENTS

The Company’s operations are governed by governmental laws and regulations regarding environmental protection. At the present time and to the best knowledge of its management, the Company is in conformity with the laws and regulations in effect. Restoration costs will be accrued in the consolidated financial statements only when they will be reasonably estimated and will be charged to the exploration and evaluation assets at the time.

### 17. POST-REPORTING DATE EVENTS

- (1) On February 7, 2014, Everton signed a second amendment to the Wildcat option agreement. The amendment changes the timing and the amount of the exploration expenditures (refer to note 7 for more details).
- (2) On February 25, 2014, the Company, announced that the TSX Venture had approved the consolidation of the Company’s common shares on a basis of one (1) post-consolidation common share for each five (5) pre-consolidation common shares (see Notes 3 and 8).
- (3) On March 7, 2014, the Company announced the closing of the following private placements (refer to Note 8 for more details):
  - (i) 5,000,000 “flow-through” common shares at an issue price of \$0.20 per share, for aggregate gross proceeds of \$1,000,000. This private placement had no warrants or finders’ fees associated with the issuance of the shares.
  - (ii) 379 “hard dollar” units (“Units”) at an issue price of \$1,000 per Unit, for aggregate gross proceeds of \$379,000. Each Unit consists of 5,000 common shares at an issue price of \$0.20 per share and 5,000 common share purchase warrants, each warrant entitling the holder thereof to acquire one additional common share of Everton at a price of \$0.35 per share for a period of 24 months.
- (4) On March 9, 2014, 85,000 stock options expired, with an exercise price of \$0.50.
- (5) On March 11, 2014, the Company granted options to purchase up to 1,365,000 common shares of the Company to its Officers, Directors, and an employee at a price of \$0.20 per share for a period of five years ending March 11, 2019 (Note 10).

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**17. POST-REPORTING DATE EVENTS (Cont'd)**

- (6) On March 14, 2014, the Company amended the terms of the option agreement with Electra Gold (see Note 7).
- (7) On March 19, 2014, the Company received final approval from the TSX Venture to acquire the outstanding shares of Linear Gold (see Notes 6 and 7).