# EVERTON RESOURCES INC.

**(An exploration stage Company)**

**Consolidated Financial Statements**

**For the three months ended January 31, 2011**

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## Management's Responsibility for Financial Statements

The accompanying unaudited interim consolidated financial statements and the notes thereto for the three months ended January 31, 2011 are the responsibility of the management of Everton Resources Inc. These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgements where appropriate.

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

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

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

The auditors of Everton Resources Inc. have not performed a review of the interim consolidated financial statements for the three months ended January 31, 2011.

(signed) André Audet
André Audet, CEO

(signed) Khadija Abounaim
Khadija Abounaim, CFO

March 28, 2011

## Everton Resources Inc.

(An exploration stage Company)
Consolidated Balance Sheets
As at

| | January 31, 2011 | October 31, 2010 |
|---|---|---|
| | (Unaudited) | (Audited) |
| | $ | $ |
| ASSETS | | |
| Current assets | | |
| Cash | 2,410,801 | 1,983,410 |
| Marketable securities (Note 5) | 1,160,190 | 5,500 |
| Accounts receivable | 69,351 | 126,175 |
| Tax credit and mining duties receivable | 14,447 | 14,447 |
| Prepaid expenses | 28,989 | 39,108 |
| | 3,683,778 | 2,168,640 |
| Long-term investment (Note 6) | 2,808,000 | 1,277,862 |
| Property, plant and equipment (Note 7) | 62,551 | 21,321 |
| Mineral exploration properties (Note 8) | 5,959,630 | 5,885,288 |
| Deferred exploration expenses (Note 8) | 14,413,555 | 13,751,411 |
| | 26,927,514 | 23,104,522 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 230,980 | 262,227 |
| Other current liabilities (Note 8-l) | 20,000 | - |
| | 250,980 | 262,227 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 10) | 33,492,197 | 32,739,074 |
| Warrants (Note 10) | 1,284,248 | 1,315,022 |
| Contributed surplus (Note 11) | 7,141,600 | 7,129,679 |
| | 41,918,045 | 41,183,775 |
| Accumulated other comprehensive income | 3,197,556 | 903,875 |
| Deficit | (18,439,067) | (19,245,355) |
| | (15,241,511) | (18,341,480) |
| | 26,676,534 | 22,842,295 |
| | 26,927,514 | 23,104,522 |

Going concern (Note 2)

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

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

On behalf of the Board,
(signed) "Michael Farrant"
Michael Farrant, Director

**Everton Resources Inc.**
(An exploration stage Company)
Consolidated Operations (unaudited)

| | Three months Ended January 31, 2011 | Three months Ended January 31, 2010 |
|---|---|---|
| | $ | $ |
| Operating expenses | | |
| Management and consulting fees | 65,341 | 59,163 |
| Salaries and benefits | 111,011 | 126,988 |
| Stock-based compensation (Note 11) | 42,326 | 233,425 |
| Travel and promotion | 86,591 | 65,847 |
| Report to shareholders | 6,595 | 868 |
| Professional fees | 83,846 | 50,591 |
| Insurance | 5,993 | 6,009 |
| Rent | 6,859 | 12,499 |
| General expenses | 21,971 | 50,256 |
| Foreign exchange loss | 1,380 | 1,902 |
| Amortization of property, plant and equipment | 1,291 | 1,734 |
| Write-down of mineral properties and deferred exploration expenses (Note 8) | 53,455 | - |
| | 486,659 | 609,282 |
| Other expenses (income) | | |
| Interest and other income (Note 4) | (2,763) | (17,312) |
| Gain on sale of mineral property (Note 8) | (407,188) | - |
| Gain on sale of long term investment (Note 5&6) | (816,195) | (16,143) |
| Unrealized gain on held-for-trading investments (Note 5) | (11,040) | - |
| Share of net (gain) loss of company subject to significant influence (Note 6) | (55,761) | 11,032 |
| | (1,292,947) | (22,423) |
| Net earnings (loss) | 806,288 | (586,859) |
| Net earnings (loss) per common share | | |
| Basic | 0.01 | (0.01) |
| Diluted | 0.01 | (0.01) |
| Basic weighted average number of common shares outstanding | 102,521,555 | 77,134,966 |
| Diluted weighted average number common shares outstanding | 105,414,969 | 77,134,966 |

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

**Everton Resources Inc.**

(An exploration stage Company)

Consolidated Deferred Exploration Expenses (unaudited)

| | Three months Ended January 31, 2011 | Three months Ended January 31, 2010 |
|---|---|---|
| | $ | $ |
| Balance, beginning of period | 13,751,411 | 10,847,065 |
| Additions | | |
| Drilling | 550,371 | 300,528 |
| Project consulting | 15,025 | 102,103 |
| Geological survey | 139,443 | 151,920 |
| Geochemical survey | 6,514 | 18,649 |
| Report preparation | 5,000 | 6,289 |
| Renewal of licenses and permits | 6,093 | 21,550 |
| General field expenses | 13,750 | 83,301 |
| | 736,196 | 684,340 |
| Write-down of deferred exploration expenses | (53,455) | - |
| Cost of mineral properties sold (Note 8-o) | (20,597) | - |
| Tax credits and mining duties | - | (4,880) |
| | (74,052) | (4,880) |
| Balance, end of period | 14,413,555 | 11,526,525 |

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

**Everton Resources Inc.**

(An exploration stage Company)

Consolidated Deficit (unaudited)

| | Three months Ended January 31, 2011 | Three months Ended January 31, 2010 |
|---|---|---|
| | $ | $ |
| Deficit, beginning of period | (19,245,355) | (16,825,955) |
| Net earnings (loss) | 806,288 | (586,859) |
| Deficit, end of period | (18,439,067) | (17,412,814) |

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

**Everton Resources Inc.**
(An exploration stage Company)
Consolidated Comprehensive Income (Loss) (unaudited)

| | Three months Ended January 31, 2011 | Three months Ended January 31, 2010 |
|---|---|---|
| | $ | $ |
| Net earnings (loss) for the period | 806,288 | (586,859) |
| Other comprehensive income (loss) | | |
| Realized gain on sale of available-for-sale investments transferred to the statement of operations | (241,978) | (16,143) |
| Unrealized gain on available-for-sale investments | 2,535,659 | 22,908 |
| Comprehensive income (loss) for the period | 3,099,969 | (580,094) |

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

**Everton Resources Inc.**
(An exploration stage Company)
Consolidated Cash Flows (unaudited)

| | Three months Ended January 31, 2011 | Three months Ended January 31, 2010 |
|---|---|---|
| | $ | $ |
| OPERATING ACTIVITIES | | |
| Net earnings (loss) | 806,288 | (586,859) |
| Non-cash items | | |
| Amortization of property, plant and equipment | 1,291 | 1,734 |
| Stock-based compensation | 42,326 | 233,424 |
| Write-down of deferred exploration expenses | 53,455 | - |
| Gain on sale of mineral property (Note 8) | (407,188) | - |
| Gain on sale of long term investment (Note 5&6) | (816,195) | (16,143) |
| Unrealized gain on held-for-trading investments (Note 5) | (11,040) | - |
| Gain on settlement of transaction with related party | - | (14,521) |
| Share of net (gain) loss of company subject to significant influence (Note 5) | (55,761) | 11,032 |
| Changes in non-cash working capital items (Note 12) | 195,414 | 10,127 |
| Cash flows used in operating activities | (191,410) | (361,206) |
| INVESTING ACTIVITIES | | |
| Proceeds from sale of long term investment (Note 5&6) | 889,874 | 45,453 |
| Acquisition of property, plant and equipment | (44,759) | - |
| Proceeds from sale of mineral property (Note 8) | 30,000 | - |
| Mineral exploration property costs | (60,382) | (206,939) |
| Deferred exploration expenses | (761,816) | (440,438) |
| Tax credits and mining duties received | - | 165,367 |
| Cash flows from (used in) investing activities | 52,917 | (436,557) |
| FINANCING ACTIVITIES | | |
| Common shares issued | 220,000 | - |
| Warrants exercised | 321,525 | 18,870 |
| Options exercised | 48,000 | - |
| Share issuance costs | (23,381) | - |
| Cash flows from financing activities | 566,144 | 18,870 |
| Effect of exchange rate fluctuations on cash and cash equivalents | (260) | 5,368 |
| Increase (decrease) in cash and cash equivalents | 427,391 | (773,525) |
| Cash and cash equivalents, beginning of period | 1,983,410 | 1,681,786 |
| Cash and cash equivalents, end of period | 2,410,801 | 908,261 |
| *Cash and cash equivalents:* | | |
| Cash | 2,410,801 | 145,285 |
| Cash equivalents | - | 762,976 |
| | 2,410,801 | 908,261 |
| Non-cash supplemental information: | | |
| Deferred exploration expenses included in accounts payable | 110,682 | 262,098 |
| Fair value of exercised options | 30,405 | - |
| Fair value of exercised warrants | 79,786 | 6,950 |
| Common shares received as payment from related party | - | 81,211 |
| Marketable securities received on sale of minerals property | 398,025 | - |
| Warrants issued in payment of private placement finders fees | 10,610 | - |
| Warrants issued in private placement | 38,402 | - |

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

## 1. Governing statutes and nature of operations

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

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

## 2. Going concern assumption

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and on the basis of a going concern assumption meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties relating to events or conditions that may cast significant doubt upon the entity’s ability to continue as a going concern, as explained in the following paragraph.

As at January 31, 2011, the Company had a working capital surplus of $3,432,798, including $2,410,801 in cash. The Company anticipates having sufficient cash to meet its current option payment obligations (the Company entered into a sale agreement with a third party whereby the option payments and exploration expenditure obligations on the Shoal Lake properties will be assumed by the third party – Note 8) and meet its corporate general and administrative expenses for several months. The planned divestiture of the Company’s 100%-owned subsidiary Hays Lake Gold Inc. (‘’HLG’’) containing the Shoal Lake properties is expected to provide internal funding of approximately $7.9 million to the Company. However, should this transaction not be successful, the Company will be required to find other financing alternatives, through various means including but not limited to divesting HLG to another Company and/or through equity financing, to meet its option payments and exploration expenditures obligations, to continue its exploration program on its Dominican properties and to meet all of its payment obligations and its general and administrative costs. There is no assurance that the Company will be successful in raising the additional required funds.

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

## 3. Financial instruments, risk management and capital management

***Financial instruments***

The Company's financial instruments at January 31, 2011 consist of cash, marketable securities, accounts receivable, long-term investments, accounts payable and accrued liabilities and other current liabilities. The fair value of these financial instruments approximates their carrying value. It is management's opinion that the Company is not exposed to significant credit risks arising from these financial instruments.

In accordance with the amendments to Section 3862, “Financial Instruments – Disclosures”, fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value of marketable securities, other than those financial instruments classified as held-for-trading, and long-term investments are based on unadjusted quoted prices in active markets, and therefore classified in level 1.

***Risk management***

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

***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. To mitigate exposure to credit risk, the Company has revised its policy to limit the concentration of credit risk, to ensure counterparties demonstrate minimum acceptable worthiness, and to ensure liquidity of available funds. The Company’s cash is held at several large financial institutions.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, including 30-day, 180-day and 360-day lookout periods. The Company had a working capital surplus of $3,432,798 at January 31, 2011, including cash and cash equivalents of $2,410,801 and current liabilities totalling $250,980. The Company anticipates having sufficient cash to meet its current option payment obligations (the Company entered into an agreement with a third party whereby the option payments and exploration expenditure obligations on the Shoal Lake properties will be assumed by the third party – Note 8) and meet its corporate general and administrative expenses for several months. The Company’s ability to carry out its exploration program on its Dominican properties (Note 8), to meet its option payments and exploration expenditures obligations on the Shoal Lake properties (Note 8) and to meet its corporate and administrative obligations on a continuous basis is dependent on the successful closing of the HLG transaction and/or its obtaining additional financing, through various means including but not limited to equity financing (Note 2). The amount and timing of additional funding will be impacted by, among other things, the strength of the capital markets.

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

***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. Although the Company has significant future commitments denominated in foreign currencies, the Company does not use forward exchange contracts to reduce exposure to foreign currency risk.

***Interest rate risk***

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

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

***Market risk***

The Company holds publicly listed shares of companies in the mineral exploration industry. The Company is exposed to market risk in trading these shares and unfavourable market conditions could result in the disposal at less than their value at January 31, 2011. At January 31, 2011, the value of these listed shares is $1,026,125. At January 31, 2011, had the bid price for these publicly listed shares been 10% lower, the comprehensive income for the year would have been approximately $103,000 lower. Conversely, had the bid price been 10% higher, the comprehensive income for the year would have been approximately $103,000 higher.

***Political risk***

The Company carries out some of its exploration activities in the Dominican Republic. These activities may be subject to politic, 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 debt obligations to finance its work programs. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or acquire or dispose of assets. The Company is not subject to any externally imposed capital requirements. In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

## 4. Information included in consolidated operations

| | Three months Ended January 31, 2011 | Three months Ended January 31, 2010 |
|---|---|---|
| | $ | $ |
| Interest from held-for-trading financial assets | 2,455 | 2,791 |
| Realized gain on settlement of transaction with related party | - | 14,521 |
| Other income | 308 | - |
| | 2,763 | 17,312 |

## 5. Marketable securities

| | January 31, 2011 | | | | October 31, 2010 | |
|---|---|---|---|---|---|---|
| | Cost | Impairment | Unrealized gain | Fair value | Cost | Fair value |
| | $ | $ | $ | $ | $ | $ |
| 25,000 common shares of Augyva Inc. | 17,250 | (15,625) | 12,125 | 13,750 | 17,250 | 5,500 |
| 500,000 (Nil at Oct 31, 2010) common shares of Exploration Nemaska ("Nemaska") (1) | 275,000 | - | 10,000 | 285,000 | - | - |
| 500,000 (Nil at Oct 31, 2010) warrants of Nemaska (1) | 123,025 | - | 11,040 | 134,065 | - | - |
| 5,819,000 (11,919,000 at Oct 31, 2010) common shares of NQ Exploration Inc. ("NQ") (2) | 35,944 | - | 691,431 | 727,375 | - | - |
| | 451,219 | - 15,625 | 724,596 | 1,160,190 | 17,250 | 5,500 |

(1) On January 7, 2011, the Company completed the sale of its Sirmac Lithium property (Note 8) to Nemaska, in exchange for 500,000 common shares of Nemaska (valued at $275,000) and 500,000 warrants of Nemaska, each warrant entitling the Company to purchase one common share of Nemaska at a price of $0.60 until January 7, 2013. The warrants were recorded at a value of $123,025, based on the Black-Scholes option pricing model. The warrants are designated as held-for-trading, with changes in fair value recorded in the statement of Operations.

(2) 1,800,000 of these common shares are held in escrow until April 15, 2011.

The Company had significant influence over NQ and therefore the equity method had been used as the basis of accounting for the investment from the date of acquisition. In January 2011, Everton sold 6,100,000 shares of NQ for net proceeds of $611,897, realizing a gain of $574,218. As a result of selling these shares, the Company’s ownership interest is such that it no longer exercises significant influence over NQ and the remaining investment was re-classified from long term investment to marketable securities and will be measured according to Section 3855, “Financial Instruments – Recognition and Measurement”, of the CICA Handbook.

| | January 31, 2011 | October 31, 2010 |
|---|---|---|
| | $ | $ |
| Cost | 581,900 | 1,191,900 |
| Cumulative share of net loss of NQ (1) | (545,956) | (1,174,038) |
| Re-classification to marketable securities | (35,944) | - |
| | - | 17,862 |

(1) The cumulative share of net loss of NQ takes into consideration the changes in the holding interest over the period, for an amount of $55,761.

## 6. Long term investment

Investment in Focus Metals Inc. ("Focus")

The Company does not have significant influence over Focus and therefore the cost method has been used as the basis of accounting for the investment from the date of acquisition. As at January 31, 2011, the Company has a 9.5% ownership interest in Focus.

| | January 31, 2011 | | | October 31, 2010 | |
|---|---|---|---|---|---|
| | Cost | Unrealized gain | Fair value | Cost | Fair value |
| | $ | $ | $ | $ | $ |
| 5,400,000 (6,000,000 at Oct 31, 2010) common shares of Focus (1) | 324,000 | 2,484,000 | 2,808,000 | 360,000 | 1,260,000 |

(1) In January, 2011, the Company sold 600,000 shares of Focus for net proceeds of $277,977 and realized a gain of $241,977.

Under a Surplus Security Escrow Agreement, the common shares are subject to a 36-month staged release escrow, and will be released according to the following schedule:

| | Number of shares | Date released/to be released |
|---|---|---|
| Shares issued under escrow | 6,000,000 | |
| | (300,000) | May 21, 2010 |
| | (300,000) | November 21, 2010 |
| Shares escrowed as at January 31, 2011 | 5,400,000 | |
| Shares still to be released | 600,000 | May 21, 2011 |
| | 600,000 | November 21, 2011 |
| | 900,000 | May 21, 2012 |
| | 900,000 | November 21, 2012 |
| | 2,400,000 | May 21, 2013 |
| | 5,400,000 | |

## 7. Property, plant and equipment

| | January 31, 2011 | | | October 31, 2010 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| | $ | $ | $ | $ |
| Computer equipment | 40,259 | 31,937 | 8,322 | 8,997 |
| Furniture and equipment | 31,952 | 20,244 | 11,708 | 12,324 |
| Exploration equipment | 44,759 | 2,238 | 42,521 | - |
| | 116,970 | 54,419 | 62,551 | 21,321 |

The cost and accumulated amortization was $72,211 and $50,890 respectively as at October 31, 2010.

## 8. Mineral exploration properties and deferred exploration expenses

| | January 31, 2011 | | October 31, 2010 | |
|---|---|---|---|---|
| | Mineral Properties | Deferred Exploration Expenses | Mineral Properties | Deferred Exploration Expenses |
| | $ | $ | $ | $ |
| Dominican Republic | | | | |
| a) Cuance | - | 1,021,186 | - | 1,020,792 |
| a) Los Hojanchos | - | 324,305 | - | 324,185 |
| b) La Cueva (Loma El Mate) | 183,836 | 937,512 | 183,836 | 936,104 |
| c) Jobo Claro | 302,280 | 536,457 | 302,280 | 536,139 |
| d) Maimon Copper | - | 935,674 | - | 988,556 |
| e) La Mireya | 5,635 | 47,222 | 5,635 | 47,195 |
| f) Ampliacion Pueblo Viejo | 1,258,460 | 3,681,763 | 1,258,460 | 2,983,413 |
| f) Ponton (Loma Hueca) | 197,197 | 177,365 | 197,197 | 177,149 |
| g) Fresso | 112,094 | 568,294 | 91,712 | 562,721 |
| h) Other | - | 121,033 | - | 106,736 |
| | 2,059,502 | 8,350,811 | 2,039,120 | 7,682,990 |
| Canada | | | | |
| Ontario | | | | |
| i) Shoal Lake West (Duport) | 1,410,893 | 1,595,036 | 1,410,893 | 1,588,868 |
| j) Shoal Lake East (Machin) | 315,544 | 278,421 | 315,544 | 278,421 |
| k) Shoal Lake East (KPM) | 836,012 | 125,485 | 836,012 | 125,485 |
| l) Hays Lake | 609,762 | 70,216 | 555,562 | 70,216 |
| Quebec | | | | |
| m) Opinaca | 550,452 | 2,750,051 | 550,452 | 2,750,051 |
| n) Wildcat | 176,465 | 1,125,390 | 176,465 | 1,125,390 |
| o) Sirmac Lithium | - | - | 240 | 20,597 |
| British Columbia | | | | |
| p) Hot Springs | 1,000 | 118,145 | 1,000 | 109,393 |
| | 3,900,128 | 6,062,744 | 3,846,168 | 6,068,421 |
| TOTAL | 5,959,630 | 14,413,555 | 5,885,288 | 13,751,411 |

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

**Dominican Republic**

### a) Cuance and Los Hojanchos, Dominican Republic

On August 26, 2003, Everton entered into an option agreement with Globestar Mining Corporation (''Globestar'') to earn up to a 70% interest in three gold and base metals concessions, namely Cuance, Los Hojanchos and Loma de Payabo concessions. The concessions, collectively known as the Everton Concession Group, are located in the Central Cordillera of the Dominican Republic within the Maimon Copper and Los Ranchos Formations. The above agreement was amended on August 17, 2007 and again on September 29, 2008, and September 3, 2009. The nature of the amendments was to extend the exploration commitment date.

Everton agreed to incur exploration expenditures totalling US $1,170,000 (CAD $1,184,000) by July 31, 2010 to earn a 50% interest in two of these properties, Cuance and Los Hojanchos (a minimum of US $585,000 (CAD$592,000) per concession). In March, 2010, the Company earned its 50% interest in the two properties, further to an amendment to the agreement.

The Company can increase its interest to 70% by completing a bankable feasibility study within two years.

These concessions are subject to a 1.5% net smelter royalty, which can be acquired for CAD $750,000.

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

On December 8, 2003, the Company entered into an earn-in agreement with Brigus Gold Corp. (“Brigus”) (Linear merged with Apollo Gold Corp. to form Brigus) for the La Cueva (Loma El Mate) Project, located in the Dominican Republic, which is contiguous to the southeast corner of the Pueblo Viejo Gold Mine concession. The Company had the option to acquire a 50% interest in the property by incurring cumulative expenditures of US $500,000 (CAD $567,000) over a two year period, issuing 200,000 common shares and paying an option fee of US $70,000 (CAD $79,000). All of the above conditions were met and the Company has acquired its 50% interest.

In April 2007, and as amended in August 2010, the Company signed an option agreement with Brigus whereby Everton can earn an additional 20% interest in the concession by incurring an additional US $1,000,000 (CAD $1,002,200) in exploration work by April 10, 2012.

### c) Jobo Claro, Dominican Republic

The Company holds a 100% interest in the Jobo Claro concession which it acquired from a local concession holder in 2007. The property is adjacent to the Pueblo Viejo Mine in the Dominican Republic.

### d) Maimon Copper, Dominican Republic

The Maimon Copper projects are comprised of four polymetallic concessions: Miranda, La Sidra, El Llano and La Yautia. These concessions are located within the Maimon formation and are held 100% by the Company.

During the period, the Company wrote down the cost of the Tocoa concession to $Nil ($52,891 in deferred exploration expenses) as the project no longer fits the Company’s strategy.

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

**e) La Mireya, Dominican Republic**

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

Under the terms of the agreement with Globestar, Everton exchanged its 50% joint venture interest in the Corozal and Cercadillo nickel laterite concessions in return for Globestar's La Mireya gold concession. Everton retains a 1% NSR on Corozal and Cercadillo while Globestar retains a 2% NSR on La Mireya. Globestar and Everton also have the right to purchase half of the other's NSR at any time for US $500,000 (CAD $501,100).

**f) Ampliacion and Ponton (Loma Hueca), Dominican Republic**

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

Ampliacion

To earn its 50% interest in the Ampliacion Pueblo Viejo Concession, 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 1,200,000 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.

In August 2010, the Company signed an amended agreement with Brigus whereby Everton can earn an additional 20% interest in the concession by incurring an additional US $2,500,000 (CAD $2,505,500) in exploration work by April 10, 2012.

Ponton (Loma Hueca)

The Company can earn its 50% interest in the Ponton (Loma Hueca) Concession by making cash payments totaling US $100,000 (CAD $102,000), work commitments of US $600,000 (CAD $611,000) and issuing 200,000 common shares over a three-year period.

As at January 31, 2011, the only remaining commitment is as follows:

| | Work Commitment USD$ | |
|---|---|---|
| April 10, 2011 | 500,000 | (3) |

(3) The Company was granted a one year extension to fulfill its work commitment on the concession.

The Company can increase its interest in the concession to 65% by incurring all additional expenditures on the concession to the completion of a bankable feasibility study and by paying Brigus US $250,000 (CAD $251,000) and issuing 300,000 additional common shares.

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

**g) Fresso, Dominican Republic**

On May 28, 2008, the Company signed an option agreement with Asesores Internacionales Expecializados, S.A. (''Asesores'') to acquire a 100% interest in the Fresso concession located in the north-western Dominican Republic for cash consideration of US $35,000 (CAD $34,591) to the concession owner for a one-year evaluation period. As at January 31, 2011, the Company had paid US $97,500 (CAD $112,095) to Asesores for the initial one-year period and four additional six-month extension periods. The Company has until May 28, 2011 to make a final cash payment of US$150,000 (CAD $150,300) to acquire a 100% interest in the property. The concession owner is entitled to a 0.50% NSR. The Company will have the option to acquire 50% of this NSR at any time for US $250,000 (CAD $251,000).

**h) Other**

Other properties consist of several eastern Dominican Republic concessions.

**Canada**

On September 1, 2010, as amended by a formal agreement in February 2011, the Company entered into a binding letter agreement to sell all of the issued and outstanding shares of its wholly-owned subsidiary Hays Lake Gold Inc. (''HLG'') to Kaskattama Inc ("Kaskattama") for a total consideration of approximately $7.9 million. HLG holds the Shoal Lake Gold properties comprised of two significant high grade gold deposits: Duport and Cedar Island, on 81.3 km2, located in the Shoal Lake area, near Kenora, Ontario. Consequently, all of the cash payments and exploration expenditure commitments on the Shoal Lake West and East (Machin and KPM) properties (i, j and k below) will be assumed by Kaskattama, once the sale transaction is finalized. The $7.9 million consideration is allocated as follows:

- a non-refundable amount of $234,000 which was paid to the Company;
- a non-refundable amount of $57,000 payable to the Company on or before March 31, 2011;
- $2 million in cash to be paid upon execution of a final Sale and Purchase Agreement
- 14 million shares of Kaskattama at a minimum price of $0.40 per common share

The transaction is subject to various conditions customary to this type of transaction, including:

(i) Completion by Kaskattama of a legal, technical, and environmental due diligence investigation on HLG and its business with the results of such investigation being acceptable to Kaskattama in its sole and absolute discretion, which has been completed

(ii) Successful financing to allow Kaskattama to make the $2 million cash payment to Everton. Kaskattama has until March 31, 2011 to confirm to the reasonable satisfaction of Everton that Kaskattama is able to make such payment

(iii) Listing of Kaskattama's common shares on the TSX or TSX-V by no later than March 31, 2011

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

**i) Shoal Lake West (Duport), Ontario**

Under an option agreement, dated October 7, 2008, between the Company and Halo Resources Ltd. (''Halo''), the Company can acquire a 51% interest in mining claims located in Glass Township, Shoal Lake Ontario, by issuing 5,438,400 HLG common shares (converted to 2,012,208 Everton shares on September 17, 2009), making cash payments totalling $770,000 over 4 years and incurring $1,500,000 in exploration work by May 1, 2010.

As at January 31, 2011, the Company has met the exploration work commitment of $1,500,000 and the only remaining commitments are quarterly cash payments as follows:

| | Cash payments |
|---|---|
| | $ |
| 7 quarterly payments of $60,000, ending October 31, 2012 | 420,000 |
| | 420,000 |

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

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

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

**j) Shoal Lake East (Machin), Ontario**

Under an option agreement, dated September 19, 2008, between the Company and Machin Mines Ltd. (''Machin''), the Company can acquire a 100% interest in 15 patents and 8 claims located in Glass Township, Shoal Lake Ontario, for cash consideration of $1,517,000 over 4 years and the issuance of 500,000 HLG common shares (converted to 185,000 Everton shares on September 17, 2009).

As at January 31, 2011, the remaining commitments are as follows:

| | Cash payments |
|---|---|
| | $ |
| 7 quarterly payments of $27,000 ending September 30, 2012 | 189,000 |
| On or before September 30, 2012 | 1,114,000 |
| | 1,303,000 |

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

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

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

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

As at January 31, 2011, the remaining commitments are as follows:

| | Cash payments |
|---|---|
| | $ |
| 8 quarterly payments of $30,000, ending December 31, 2012 | 240,000 |
| On or before December 31, 2012 | 2,242,684 |
| | 2,482,684 |

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

### l) Hays Lake, Ontario

Under an option agreement with five individuals (''the optioners''), dated December 19, 2007 and an assignment, dated April 7, 2008, by which the Company became bound to the option agreement, the Company can acquire a 100% interest in 3 mining claims located in the Priske Township, Ontario, by incurring $100,000 in exploration work, making cash payments totaling $100,000 and issuing 5,300,000 HLG common shares (converted to 1,961,000 Everton shares on September 17, 2009) to the optioners and the assignor.

As at January 31, 2011, the remaining commitments are as follows:

| | Exploration expenses | |
|---|---|---|
| | $ | |
| On or before May 19, 2011 | 30,000 | (1) |
| On or before December 31, 2011 | 40,000 | |
| | 70,000 | |

(1) The Company was granted a six-month extension, to May 19, 2011, to incur these exploration expenses in exchange for the issuance of 40,000 common shares.

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

On December 8, 2010, the Company announced the execution of a Memorandum of Understanding ("MOU") to sell or transfer ownership of options to give Strike Minerals Inc. ("Strike") a 100% undivided interest in the property. Subject to regulatory approval, necessary corporate approvals and closing, Strike can acquire a 100% interest in the property for $100,000 in cash and the issuance of 5,700,000 common shares of Strike. The Company retains a 0.5% NSR on the property that can be purchased by Strike for $500,000 at any time. In accordance with the MOU, the Company received a refundable deposit in the amount of $20,000, which has been included in other current liabilities.

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

### m) Opinaca, Quebec

On September 13, 2010, the Company signed of a letter of intent with Aurizon Mines Ltd. ("Aurizon") whereby Aurizon can acquire up to an undivided 60% ownership interest in the Opinaca property, in which Everton and Azimut Exploration (''Azimut") each hold an undivided 50% interest, by making total cash payments of $880,000 and incurring expenditures of $9.0 million.

The key terms of the letter of intent are as follows:

- Aurizon can earn a 50% interest in the property by making cash payments totalling $580,000 and incurring expenditures of $6,000,000 over four years, including 5,000 metres of drilling by the second anniversary.

- Aurizon 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, Aurizon may then elect to earn an additional interest of 10%, for a total interest of 60%, by making cash payments totalling $300,000 over three years from the election date, incurring expenditures totalling $3,000,000 over three years from the election date, and delivering an independent pre-feasibility study on or before the fourth anniversary.

- 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 grams of gold per tonne, are estimated, Aurizon shall make a payment of $1,500,000, payable in Aurizon common shares, subject to regulatory approval.

### n) Wildcat, Quebec

On October 15, 2010, the Company executed an option agreement with Aurizon whereby Aurizon can acquire up to an undivided 65% interest in Everton's wholly-owned Wildcat property, by making total cash payments of $550,000 (of which $250,000 was paid through a subscription to the October 15, 2010 private placement) and incurring expenditures of $3,250,000.

Aurizon can earn an initial 50% interest in the property by incurring expenditures of $3,250,000 over four years, including 3,000 metres of drilling within two years. Aurizon 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, Aurizon may then elect to earn an additional interest of 15%, for a total interest of 65%, by making cash payments totalling $300,000 over three years from the election date, and delivering an independent pre-feasibility study by the end of the fourth anniversary of the election date.

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 grams of gold per tonne, are estimated, Aurizon shall make a payment of $1,500,000 payable in Aurizon common shares, subject to regulatory approval.

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

### o) Sirmac Lithium, Quebec

On January 7, 2011, the Company signed an agreement with Exploration Nemaska ("Nemaska") whereby Nemaska acquired a 100% interest in the property for $30,000 cash, 500,000 shares, valued at $275,000, and 500,000 share purchase warrants, each warrant entitling the Company to purchase one common share of Nemaska at a price of $0.60 until January 7, 2013. The warrants were recorded at a value of $123,025, based on the Black-Scholes option pricing model. The Company recorded a gain on the sale of the property of $407,188.

### p) Hot Springs, British Columbia

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

## 9. Related party transactions

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

Under an agreement between the Company and Majescor Resources Inc. ("Majescor") (which shares common management), the Company charges Majescor for shared salaries and benefits, rent and office expenses. During the period, the cost of shared salaries and benefits was $14,250 ($14,250 in 2010) and rent and office expenses were $714 ($714 in 2010). Included in amount due from related party is $Nil ($Nil as at October 31, 2010) due from Majescor.

Under an agreement between the Company and Adventure Gold Inc. ("Adventure") (which shared common management), which was terminated effective Dec 1, 2010, the Company charged Adventure for shared salaries and benefits, rent and office expenses. During the period, the cost of shared salaries and benefits was $7,500 ($22,500 in 2010) and rent and office expenses were $500 ($1,500 in 2010). Included in amount due from related party is $Nil ($Nil as at October 31, 2010) due from Adventure.

Under an agreement between the Company and Focus (which shares common management), the Company charges Focus for shared salaries and benefits, rent and office expenses. During the period, the cost of shared salaries and benefits was $17,010 ($Nil in 2010) and rent and office expenses were $6,990 ($Nil in 2009). Included in amount due from related party is $Nil ($Nil as at October 31, 2010) due from Focus.

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 or specific terms of repayment.

## 10. Share capital

### a) Authorized

Unlimited number of common shares without par value.

**Issued**

| | Number of shares | $ |
|---|---|---|
| Balance, October 31, 2010 | 100,844,233 | 32,739,074 |
| Shares issued for cash (net of issue costs of $33,991) (1) | 880,000 | 147,607 |
| Shares issued on the exercise of warrants | 1,286,100 | 401,311 |
| Shares issued on the exercise of options | 232,500 | 78,405 |
| Shares issued for services rendered | 485,625 | 111,600 |
| Shares issued for property payments (Note 8-l) | 40,000 | 14,200 |
| Balance, January 31, 2011 | 103,768,458 | 33,492,197 |

(1) On November 12, 2010, the Company completed a non-brokered private placement for gross proceeds of $220,000. The private placement was comprised of 880,000 Units at a price of $0.25 per Unit. Each Unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of $0.40 until November 12, 2012. The Company paid finders' fees of $16,000 and issued 64,000 warrants, each warrant entitling the holder to purchase one common share of the Company at a price of $0.25 until November 12, 2012. Other share issuance costs total $7,381. The warrants issued in connection to the private placement have been recorded at a value of $38,402 based on the proportional method and finders' fees have been recorded at a value of $10,610 based on the Black-Scholes option pricing model, using the following assumptions: risk-free interest rate of 1.59%, expected life of warrants of 2 years, annualized volatility of 92% and dividend rate of 0%.

### b) Warrants

| | Number of warrants | Weighted average exercise price | |
|---|---|---|---|
| | | $ | $ |
| Balance, October 31, 2010 | 16,983,932 | 0.35 | 1,315,022 |
| Granted | 504,000 | 0.38 | 49,012 |
| Exercised | (1,286,100) | 0.25 | (79,786) |
| Balance, January 31, 2011 | 16,201,832 | 0.36 | 1,284,248 |

### 10. Share capital (continued)

As at January 31, 2011, the following stock purchase warrants were outstanding and exercisable:

| Number | Exercise Price | | Expiry Date |
|---|---|---|---|
| | $ | $ | |
| 22,200 | 0.20 | 1,888 | April 30, 2011 |
| 1,871,199 | 0.25 | 106,040 | September 17, 2011 |
| 333,333 | 0.25 | 15,079 | October 6, 2011 |
| 480,000 | 0.40 | 35,935 | April 1, 2012 |
| 28,800 | 0.25 | 3,201 | April 1, 2012 |
| 940,000 | 0.40 | 77,108 | April 9, 2012 |
| 150,400 | 0.25 | 21,270 | April 9, 2012 |
| 4,715,000 | 0.40 | 371,401 | April 26, 2012 |
| 667,300 | 0.25 | 84,307 | April 26, 2012 |
| 550,000 | 0.40 | 43,093 | June 28, 2012 |
| 500,000 | 0.40 | 36,346 | September 9, 2012 |
| 80,000 | 0.25 | 8,286 | September 9, 2012 |
| 1,000,000 | 0.40 | 67,664 | October 15, 2012 |
| 3,633,000 | 0.40 | 277,790 | October 29, 2012 |
| 726,600 | 0.25 | 85,828 | October 29, 2012 |
| 440,000 | 0.40 | 38,402 | November 12, 2012 |
| 64,000 | 0.25 | 10,610 | November 12, 2012 |
| 16,201,832 | | 1,284,248 | |

#### c) Stock option plan

On January 24, 2011, the Company increased the maximum number of its options from 7,712,893 to 10,277,629.

The following table reflects the continuity of stock options for the period ended January 31, 2011:

| | Number of options | Weighted average exercise price |
|---|---|---|
| | | $ |
| Balance, October 31, 2010 | 7,369,500 | 0.38 |
| Expired | (920,000) | 0.65 |
| Forfeited | (400,000) | 0.36 |
| Exercised | (232,500) | 0.21 |
| Balance, January 31, 2011 | 5,817,000 | 0.34 |

### 10. Share capital (continued)

As at January 31, 2011, the following options were outstanding and exercisable:

| Range of exercise prices | Number outstanding | Weighted average remaining Contractual life | Weighted average exercise price | Number exercisable |
|---|---|---|---|---|
| $0.10-$0.15 | 1,680,000 | 2.88 | $0.10 | 1,680,000 |
| $0.22-$0.28 | 3,022,000 | 3.86 | $0.24 | 3,022,000 |
| $0.40-$0.45 | 200,000 | 2.36 | $0.40 | 200,000 |
| $0.78-$1.10 | 780,000 | 1.19 | $0.86 | 780,000 |
| $1.30-$1.38 | 135,000 | 0.83 | $1.31 | 135,000 |
| | 5,817,000 | | | 5,817,000 |

### 11. Contributed surplus

Contributed surplus consists of the following components:

| | January 31, 2011 | January 31, 2010 |
|---|---|---|
| | $ | $ |
| Balance, beginning of period | 7,129,679 | 6,438,177 |
| Stock-based compensation to employees | 5,496 | 143,565 |
| Stock-based compensation to non-employees | 36,830 | 89,860 |
| Black-Scholes value of exercised options | (30,405) | - |
| Balance, end of period | 7,141,600 | 6,671,602 |

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

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

| | Three months Ended January 31, 2011 | Three months Ended January 31, 2010 |
|---|---|---|
| | $ | $ |
| Accounts receivable | 56,824 | (8,082) |
| Amounts due from related party | - | (25,615) |
| Prepaid expenses | 10,379 | 64,214 |
| Accounts payable and accrued liabilities | 108,211 | (20,390) |
| Other current liabilities | 20,000 | - |
| Total changes in non-cash working capital | 195,414 | 10,127 |

**13. Segmented information**

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

| | January 31, 2011 | October 31, 2010 |
|---|---|---|
| | $ | $ |
| Canada | 12,833,423 | 11,213,772 |
| Dominican Republic | 10,410,313 | 9,722,110 |
| Total | 23,243,736 | 20,935,882 |

**14. Comparative figures**

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

**15. Subsequent event**

On February 15, 2011, 1,740,000 stock options were granted to directors, employees and consultants at an exercise price of $0.32, expiring on February 15, 2016.