

# **EVERTON RESOURCES INC.**

**Consolidated Annual Financial Statements**

**For the years ended October 31, 2015 and 2014**

*(Expressed in Canadian Dollars)*

# Everton Resources Inc.

## Table of Content

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<b>Management's Responsibility for Consolidated Financial Statements</b>	3
<b>Independent Auditors' Report</b>	4
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position	5
Consolidated Statements of Loss and Comprehensive Loss	6
Consolidated Statements of Changes in Equity	7
Consolidated Statements of Cash Flows	8
Notes to the Consolidated Financial Statements	9 – 44

## Everton Resources Inc.

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### Management's Responsibility for the consolidated financial statements

The consolidated financial statements of Everton Resources Inc. and the information contained in the Management Discussion and Analysis have been prepared by and are the responsibility of the Company's management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB), and, where appropriate, reflect management's best estimates and judgements based on currently available information.

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 Company's independent auditors, McGovern, Hurley, Cunningham, LLP, who were appointed by the shareholders, conduct an audit in accordance with Canadian generally accepted auditing standards. Their report outlines the scope of their audit and gives their opinion on the consolidated financial statements.

The Audit Committee of the Board of Directors meets periodically with management and the independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to approval of the consolidated financial statements.

"Andre Audet"  
Chief Executive Officer  
January 27, 2016

"Sabino Di Paola"  
Chief Financial Officer

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Everton Resources Inc.

We have audited the accompanying consolidated financial statements of Everton Resources Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at October 31, 2015 and 2014, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Everton Resources Inc. and its subsidiaries as at October 31, 2015 and 2014 and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that the Company had continuing losses during the year ended October 31, 2015 and limited working capital as at October 31, 2015. These conditions along with other matters set forth in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP



Chartered Accountants  
Licensed Public Accountants

TORONTO, Canada  
January 27, 2016

**Everton Resources Inc.**Consolidated Statements of Financial Position  
(Expressed in Canadian dollars)

As at	October 31, 2015	October 31, 2014
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash (Note 4)	296,506	441,499
Marketable securities and warrants (Note 5)	25,100	32,380
Accounts receivable	39,688	134,246
Prepaid expenses	23,125	35,784
Total current assets	384,419	643,909
Non-current assets		
Equipment (Note 6)	-	8,952
Mineral exploration properties (Note 9)	2,789,854	3,647,105
Exploration and evaluation assets (Note 9)	10,534,792	14,101,280
Total non-current assets	13,324,646	17,757,337
Total assets	13,709,065	18,401,246
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	649,192	535,270
Flow through premium (Note 10)	-	40,625
Total current liabilities	649,192	575,895
Non-current liabilities		
Accounts payable	-	275,000
Total liabilities	649,192	850,895
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 10)	40,502,441	40,472,441
Warrants (Note 11)	20,300	290,060
Finder's options (Note 12)	43,787	43,787
Contributed surplus	9,918,977	9,718,343
	50,485,505	50,524,631
Accumulated deficit	(37,425,632)	(32,974,280)
Total shareholders' equity	13,059,873	17,550,351
Total liabilities and shareholders' equity	13,709,065	18,401,246

Contingencies and commitments (Note 20)  
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 consolidated financial statements.*

**Everton Resources Inc.**Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian dollars)

	Year ended October 31, 2015	Year ended October 31, 2014
	\$	\$
Operating expenses		
Management fees	155,850	175,625
Salaries and benefits	37,081	49,195
Travel and promotion expense	29,634	90,257
Professional fees	102,906	158,358
General and administrative expense	126,808	237,364
Stock-based compensation (Note 13)	-	245,700
Property acquisition costs (Note 8)	-	1,465,327
Impairment of royalty (Note 9)	30,000	-
Loss on sale mineral property (Note 9)	1,214,355	-
Write-down of mineral exploration properties and exploration and evaluation assets (Note 9)	2,886,977	1,026,851
	<b>(4,583,611)</b>	<b>(3,448,677)</b>
Other income (loss)		
Interest and other income	(2,592)	21,192
Gain on sale of marketable securities (Note 5)	15,880	-
Unrealized loss on financial assets at fair value through profit or loss	9,220	(35,820)
	<b>22,508</b>	<b>(14,628)</b>
Net loss before tax	<b>(4,561,103)</b>	<b>(3,463,305)</b>
Tax recovery	<b>(109,751)</b>	<b>(705,849)</b>
Loss and comprehensive loss after tax	<b>(4,451,352)</b>	<b>(2,757,456)</b>
Basic and diluted loss per common share	<b>(0.09)</b>	<b>(0.07)</b>
Basic and diluted weighted average number of common shares outstanding	<b>49,067,797</b>	<b>39,281,112</b>

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

**Everton Resources Inc.**

## Consolidated Statements of Changes in Equity

*(Expressed in Canadian dollars)*

	Share capital		Warrants	Agent Options	Contributed surplus	Subtotal	Accumulated Deficit	Total
	# of shares	\$	\$		\$	\$	\$	\$
<b>Balance, October 31, 2013</b>	<b>29,730,845</b>	<b>37,593,346</b>	<b>521,707</b>	<b>-</b>	<b>9,220,696</b>	<b>47,335,749</b>	<b>(30,216,824)</b>	<b>17,118,925</b>
Shares issued under Linear Gold acquisition	1,200,000	240,000	-	-	-	240,000	-	240,000
Shares issued under 2342802 Ontario Inc. acquisition	6,500,000	1,105,000	-	-	-	1,105,000	-	1,105,000
Shares issued for cash (net of issue costs)	10,957,500	1,574,720	20,300	43,787	-	1,638,807	-	1,638,807
Flow through premium	-	(40,625)	-	-	-	(40,625)	-	(40,625)
Expiry of warrants	-	-	(251,947)	-	251,947	-	-	-
Stock-based compensation	-	-	-	-	245,700	245,700	-	245,700
Comprehensive loss	-	-	-	-	-	-	(2,757,456)	(2,757,456)
<b>Balance, October 31, 2014</b>	<b>48,388,345</b>	<b>40,472,441</b>	<b>290,060</b>	<b>43,787</b>	<b>9,718,343</b>	<b>50,524,631</b>	<b>(32,974,280)</b>	<b>17,550,351</b>
Shares issued for royalty	2,000,000	30,000	-	-	-	30,000	-	30,000
Impact of expiry of warrants	-	-	(269,760)	-	269,760	-	-	-
Tax effect of expired warrants	-	-	-	-	(69,126)	(69,126)	-	(69,126)
Comprehensive loss	-	-	-	-	-	-	(4,451,352)	(4,451,352)
<b>Balance, October 31, 2015</b>	<b>50,388,345</b>	<b>40,502,441</b>	<b>20,300</b>	<b>43,787</b>	<b>9,918,977</b>	<b>50,485,505</b>	<b>(37,425,632)</b>	<b>13,059,873</b>

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

**Everton Resources Inc.**

Consolidated Statements of Cash Flows  
(Expressed in Canadian dollars)

	Year ended October 31, 2015	Year ended October 31, 2014
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	(4,451,352)	(2,757,456)
Adjustments for:		
Gain on sale of marketable securities	(15,880)	-
Income tax recovery	(109,751)	-
Stock-based compensation	-	245,700
Impairment of royalty	30,000	-
Impairment of deferred transaction costs	-	1,335,327
Loss on sale of mineral property	1,214,355	-
Write-down of mineral exploration properties and exploration and evaluation assets	2,886,977	1,026,851
Unrealized loss on financial assets at fair value through profit and loss	(9,220)	35,820
Changes in working capital items (Note 14)	(53,861)	(392,705)
<b>Net from operating activities</b>	<b>(508,732)</b>	<b>(506,463)</b>
<b>INVESTING ACTIVITIES</b>		
Cash realized on acquisition of subsidiaries	-	566
Sale of marketable securities	32,381	-
Sale of exploration and evaluation assets	400,000	-
Reimbursement of exploration expenditures	250,000	-
Exploration and evaluation costs	(324,121)	(1,893,285)
Option payments made	-	(50,000)
Option payments received	60,000	760,000
<b>Net cash from investing activities</b>	<b>418,261</b>	<b>(1,182,719)</b>
<b>FINANCING ACTIVITIES</b>		
Common shares issued	-	1,704,000
Share issue costs	-	(65,193)
<b>Net cash from financing activities</b>	<b>-</b>	<b>1,638,807</b>
<b>Effect of exchange rate fluctuations on cash</b>	<b>(54,522)</b>	<b>(39,300)</b>
Change in cash	(144,993)	(89,675)
Cash, beginning of the year	441,499	531,174
<b>Cash, end of the year</b>	<b>296,506</b>	<b>441,499</b>

Supplemental cash flow information is provided in Note 14

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



## **Everton Resources Inc.**

Notes to the consolidated financial statements

*(Expressed in Canadian dollars)*

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

Everton Resources Inc. (“Everton”, or the “Company”) was incorporated under the Business Corporations Act (Alberta) on November 7, 1996 and commenced operations on December 19, 1996. In November 2002, the Company commenced its current nature of operations which involves the acquisition, exploration, and evaluation of mineral resource properties. Everton and its subsidiaries (the “Company”) are in the exploration stage and do not derive any revenue from the exploration and evaluation of their properties. The address of the Company’s corporate office is 5460 Canotek Road, Suite 99, Ottawa, Ontario, Canada, K1J 9G9. 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**

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Standards Board (“IFRIC”). The accounting policies applied in these consolidated financial statements are presented in note 3 and have been applied consistently to all years unless otherwise noted.

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

These consolidated financial statements were authorized for issue by the Board of Directors on January 27, 2016.

#### **(b) Basis of measurement**

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.

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

The preparation of these consolidated financial statements requires management to make judgments, 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 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 judgments, 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.

## **Everton Resources Inc.**

Notes to the consolidated financial statements

*(Expressed in Canadian dollars)*

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

#### Significant management judgments

The following are significant management judgments 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 judgments. 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 judgments based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

The Company's business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will ultimately result in profitable mining operations. The recoverability of the carrying value of mineral property interests and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties it acquires, the discovery of economically recoverable reserves, the achievement of profitable operations, or 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 to the carrying values of the Company's assets, in particular its mineral property interests. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has interests, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. The Company's properties may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims and non-compliance with regulatory and environmental requirements.

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.

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 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.

## **Everton Resources Inc.**

Notes to the consolidated financial statements

*(Expressed in Canadian dollars)*

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

#### **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 judgments 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 judgments 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 judgments 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 judgments and a number of estimates and interpretations in many cases.

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

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

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

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 9 for exploration and evaluation assets impairment analysis.

The total write-off of the exploration and evaluation assets recognized in profit or loss amounts to \$2,886,977 for the year ended October 31, 2015 (October 31, 2014 - \$1,026,851). 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 share price, 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 13).

### 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. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

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 October 31, 2015, and October 31, 2014, the Company did not have any associates.

The subsidiaries of the Company at October 31, 2015, 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
Pan Caribbean Metals Inc.	British Virgin Islands	100%	Holding Company
Dominican Metals Inc.	British Virgin Islands	100%	Holding Company
Everton Dominicana (2014) Inc.	Canada	100%	Exploration Company
Linear Gold Caribe S.A.	Dominican Republic	100%	Exploration Company
Hays Lake Gold Inc.	Canada	100%	Exploration Company

During the year ended October 31, 2015, the Company transferred the ownership Of Tropical Resources S.A. to an arms-length company for no consideration. At the time of the transfer the Company had no assets or liabilities, or concessions under renewal in it.

## **Everton Resources Inc.**

Notes to the consolidated financial statements

*(Expressed in Canadian dollars)*

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

On March 19, 2014, the Company received final approval from the TSX-V to acquire the outstanding shares of Linear Gold Caribe S.A. (Note 7).

On March 28, 2014, Everton entered into an amalgamation agreement which resulted in the acquisition of all of the issued and outstanding securities of 2342802 Ontario Inc. The amalgamation between 2392923 Ontario Inc. (a wholly-owned subsidiary of Everton) and the 2342802 Ontario Inc. resulted in the creation of Everton Dominicana (2014) Inc. (Note 8).

#### **(b) Business combinations**

Business combinations are accounted for using the acquisition method. For each business combination at the acquisition date, the Company recognizes at fair value all of the identifiable assets acquired, the liabilities assumed, the non-controlling interest in the acquiree and the aggregate of the consideration transferred, including any contingent consideration to be transferred. When the fair value of the consideration transferred and the amount recognized for non-controlling interest exceeds the net amount of the identifiable assets acquired and the liabilities assumed measured at fair value (the "net identifiable assets"), the difference is treated as goodwill. After initial recognition, goodwill is measured at its initial cost from the acquisition date, less any accumulated impairment losses. Goodwill is reviewed annually for impairment or when there is an indication of potential impairment. If the fair value of the Company's share of the net identifiable assets exceeds the fair value of the consideration transferred and non-controlling interest at the acquisition date, the difference is immediately recognized in net income (loss). If the business combination is achieved in stages, the acquisition date fair value of the previously held interest in the acquiree is re-measured to fair value as at the acquisition date through net income (loss). The Company does not currently have goodwill.

Acquisition costs are expensed as incurred in net income (loss). Costs associated with the issuance of equity are charged to the relevant account within equity.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, and attributed to the shareholders of the Company, through contributed surplus.

#### **(c) Foreign currency translation**

The consolidated financial statements are presented in Canadian dollars. The Company has foreign operations in the Dominican Republic.

Monetary assets and liabilities denominated in foreign currencies are translated to the spot rate of exchange ruling at the reporting date. All differences are taken to the statement of loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at a revalued amount in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Exchange differences resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

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

#### (d) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

#### Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables;
- Financial assets at fair value through profit or loss;
- Held-to-maturity investments; and
- Available-for-sale financial assets

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income/ (loss) (all income and expenses relating to financial assets that are recognized in profit or loss are presented within interest income or interest expenses).

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents and accounts receivable fall into this category of financial instruments.

#### Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at fair value through profit or loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. The Company's marketable securities and warrants fall into this category of financial instruments. Assets in this category are measured at fair value with gains or losses recognized in profit or loss.

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

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

#### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. The Company has no financial assets in this category.

Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

#### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company has no financial assets in this category.

All available-for-sale financial assets are measured at fair value. Unrealized gains and losses are recognized in other comprehensive income/(loss), except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income/(loss) is reclassified to profit or loss and presented as a reclassification adjustment within other comprehensive income/(loss). Interest calculated using the effective interest method and dividends are recognized in profit or loss within interest income.

Reversals of impairment losses are recognized in other comprehensive income/(loss).

#### Impairment of financial assets

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of marketable securities designated as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

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

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write-down is then based on recent historical counterparty default rates for each identified group. Impairment of receivables are presented in profit or loss.

#### Financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss within interest expense.

#### **(e) Mineral exploration properties and exploration and evaluation assets**

Mineral exploration properties include the cost of acquiring mining rights. Exploration and evaluation assets include expenses directly related to the exploration and evaluation activities. These costs are capitalized as intangible assets and are carried at cost less any impairment loss recognized.

Costs incurred before the legal right to undertake exploration and evaluation activities on a project was acquired, are expensed in the consolidated statement of comprehensive income/(loss).

Mining rights and expenses related to exploration and evaluation activities are capitalized on a property by property basis pending determination of the technical feasibility and commercial viability of the project. No amortization is recognized during the exploration and evaluation phase. Costs capitalized include drilling, project consulting, geophysical, geological and geochemical studies, as well as other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource.

Whenever a project is considered no longer viable or is abandoned, the capitalized amounts are written down to fair value less cost of disposal.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, mining rights and expenses related to exploration and evaluation activities of the related mining property are transferred to mining assets under construction. Before the reclassification, mineral exploration properties and exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit or loss before reclassification.

Upon transfer of exploration and evaluation assets into mining assets under construction, all subsequent expenditures on the construction, installation or completion of infrastructure facilities are capitalized with mining assets under construction. After the development stage, all assets included in mining assets under construction are transferred to mining assets and amortized over the expected productive lives of the assets.

#### Farm-outs in the exploration and evaluation phase

The Company does not record any expenditures made by the farmee on its account. It does not recognize any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained. Any cash considerations received directly from the farmee is credited against costs previously capitalized in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.



## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

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

#### (f) Property, Plant and Equipment

Property, plant and equipment ("PPE") are carried at cost, less accumulated amortization and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Amortization is recognized based on the cost of an item of equipment, less its estimated residual value, over its estimated useful life at the following rates:

Detail	Percentage	Method
Exploration equipment	20%	Straight line

An asset's residual value, useful life and amortization method are reviewed, and adjusted if appropriate, on an annual basis.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

#### (g) Impairment of non-financial assets

Impairment assessment and testing is done at the level of a cash generating unit ("CGU"). The Company considers each mineral property to be a separate CGU, and therefore assesses for indicators of impairment individually for each mineral property.

The Company assesses non-financial assets including mineral property assets and exploration equipment for impairment when facts and circumstances suggest that the carrying amount of the asset may not exceed its recoverable amount, being the higher of the value in use and the fair value less costs to sell. In assessing value in use, the estimated future cash flows associated with the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount with the impairment recognized immediately in net income (loss).

Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, subject to the amount not exceeding the carrying amount that would have been determined had impairment not been recognized for the asset in prior periods. Any reversal of impairment is recognized immediately in net income (loss).

#### (h) Cash and cash equivalents

Cash and cash equivalents includes cash in interest-bearing accounts with high credit quality financial institutions, and an original maturity of three months or less. As at October 31, 2015 and 2014, the Company did not have any cash equivalents.

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

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

#### (i) Provisions, contingent liabilities and contingent assets

##### General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed — for example, under an insurance contract — the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the statement of loss.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

##### Rehabilitation and environmental provision

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized in the carrying amount of the asset at the start of each project as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The Company had no material provisions as at October 31, 2015, and October 31, 2014.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination. In a business combination, contingent liabilities are recognized in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognized, less any amortization.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

In the normal conduct of operations, the Company is party to litigation and potential litigation, the outcome of which is not determinable. It is in management's opinion that these matters will not materially affect the Company.

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

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

Any contingent liabilities or assets will be recorded by management in the period in which management has been able to reasonably quantify the asset or liability and the amount of cash inflow or outflow resulting from the contingent asset or liabilities can be reasonably assured.

#### (j) Equity-settled share-based payment transactions

The Company operates an equity-settled share-based remuneration plan (stock option plan) for directors, officers, employees and certain consultants. The Company's plan does not feature any options for a cash settlement. Occasionally, the Company may issue warrants to brokers. The Company also issues shares for goods or services.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values. Where employees, or consultants providing similar services, are rewarded using share-based payments, the fair values of the services rendered are determined indirectly by reference to the fair value of the equity instruments granted. The fair value is measured at the grant date and if applicable, recognized over the vesting period. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Share-based payment expense incorporates an expected forfeiture rate.

Share-based payment arrangements in which the Company receives properties, goods or services as consideration for its own equity instruments are measured at the fair value of the properties, goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted.

All share-based payments under the plan are ultimately recognized as an expense in net loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to contributed surplus, in equity. Upon exercise of a stock option, the original value of the options plus any proceeds received net of any directly attributable transaction costs are recorded as share capital. The accumulated charges related to the share options recorded in contributed surplus are then transferred to share capital. Warrants issued to brokers are recognized as issuance cost of equity instruments with a corresponding credit to warrants, in equity.

#### Options Issued to key management and employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the expected term of the option.

#### Options Issued to service providers

Options issued to service providers, are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model.

## **Everton Resources Inc.**

Notes to the consolidated financial statements

*(Expressed in Canadian dollars)*

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

#### **(k) Equity**

Share capital represents the amount received on the issue of shares. Transaction costs directly attributable to the issuance of common shares are recognized as a reduction of share capital.

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

#### Flow-through placements

Issuance of flow-through units represents in substance an issue of common shares, warrants and the sale of the right to tax deductions to the investors. When the flow-through shares are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the consolidated statement of financial position. The proceeds received from flow-through units are allocated between share capital, warrants, and the liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and then to warrants according to the estimated fair value of the warrants at the time of issuance and any residual in the proceeds is allocated to other liability. The fair value of the warrants is estimated using the Black-Scholes valuation model. When eligible expenses are incurred and the Company has the intention to renounce its right to tax deductions to the investors, the amount recognized in other liabilities is reversed and is recognized in profit or loss in reduction of deferred income tax expense. A deferred tax liability is also recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset and its tax basis.

Warrants includes charges related to the issuance of warrants until such equity instruments are exercised or expire.

Contributed surplus includes charges related to stock-based compensation until such equity instruments are exercised. Contributed surplus also includes all expired options and warrants previously issued.

Accumulated other comprehensive income/(loss) includes the available-for-sale assets reserve. Unrealized gains and losses on available-for-sale financial assets are recognized in this reserve.

Accumulated deficit includes all current and prior period net income or losses.

#### **(l) Income taxes**

Tax expense recognized in net loss comprises the sum of deferred and current tax not recognized in other comprehensive loss or directly in equity.

#### Current income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

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

#### Deferred income taxes

Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets and liabilities are recognized for all temporary differences except:

- Where the temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, that affects neither the accounting profit nor taxable profit (loss).
- In respect of temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venture and it is probable that the temporary differences will not be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax relating to items recognized in other comprehensive income or equity is recognized in other comprehensive loss or equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### Sales tax

Revenues, expenses, assets and liabilities are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

#### **(m) Loss per share**

Basic loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion or exercise of securities only when such conversion or exercise would have a dilutive effect on loss per share. The diluted loss per share is equal to the basic loss per share because the effect of warrants, finder's options and stock options (Notes 11, 12 and 13) is antidilutive.

## **Everton Resources Inc.**

Notes to the consolidated financial statements

*(Expressed in Canadian dollars)*

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

#### **(n) Segmented reporting**

The Company is organized into business units based on mineral properties and has one business segment, being the acquisition, exploration and evaluation of mineral properties.

#### **(o) Employee benefits**

The cost of short-term employee benefits (including non-monetary benefits such as group medical and dental insurance) are recognized in the period in which the service is rendered and are not discounted.

#### **(p) New accounting policies**

The Company adopted the following new standards along with any consequential amendments, effective November 1, 2014. The adoption of these new standards did not materially impact the Company's financial statements.

IFRS 8 - Operating Segments ("IFRS 8") was amended to require an entity to disclose the judgments made by management in aggregating segments. IFRS 8 was also amended to clarify that an entity needs to present a reconciliation between the total reporting segment's assets to the entities' total assets if this information is usually provided to the chief operating decision maker.

IFRS 13 – Fair Value Measurement ("IFRS 13") was amended to clarify that the exception which allows fair value measurements of a group of financial assets and liabilities on a net basis applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or liabilities as defined in IAS 32.

IAS 24 – Related Party Disclosures ("IAS 24") was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity.

IAS 32 – Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

IAS 36 – Impairments of Assets ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount.

IFRIC 21 – Levies, provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It also notes that levies do not arise from executor contracts or other contractual arrangements. The interpretation also confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs.

## **Everton Resources Inc.**

Notes to the consolidated financial statements

*(Expressed in Canadian dollars)*

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

#### **(q) Standards, amendments and interpretations not yet effective**

##### Future Changes in Accounting Policies Not Yet Effective

Certain new accounting standards and interpretations have been published that are not mandatory for the October 31, 2015, reporting period. Updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company is currently assessing the impact of these new standards, if any, on its consolidated financial statements.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 11 - Joint Arrangements (“IFRS 11”) was amended in May 2014 to require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

IAS 38, Intangible Assets and IAS 16, Property, Plant and Equipment were amended in May 2014 to introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendment is effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

#### **(r) Share consolidation**

On February 25, 2014, the Company, announced that the TSX-V 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 10).

### **4. CASH**

On September 30, 2014, the Company raised \$325,000 through a flow-through placement. Management is required to fulfil its commitments within the stipulated deadline of December 31, 2015. As at October 31, 2015, the Company has incurred \$325,000 of eligible flow through expenditures in relation to this financing and fulfilled its commitments.

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

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### 5. MARKETABLE SECURITIES AND WARRANTS

All of the listed securities held by Everton, with the exception of the common shares and warrants in Majescor Resources Inc. ("Majescor"), were acquired through prior year's property option and sales transactions with the below listed companies. The Company does not normally purchase shares of publically listed companies on the open market.

As at October 31, 2015, the following securities were included in marketable securities and warrants:

	<b>Fair value</b>
	\$
Augyva Inc. - 25,000 common shares	2,500
Majescor Resources Inc. - 250,000 common shares	12,500
<b>Marketable securities</b>	<b>15,000</b>
Majescor Resources Inc. - 250,000 warrants	10,100
<b>Marketable securities and warrants</b>	<b>25,100</b>

In July 2015, the Company sold 330,000 common shares in Electra Gold limited for gross proceeds of \$33,000. The Company realized a gain on the sale of the investments of \$15,880. The Company no longer holds any shares in Electra Gold Limited.

On July 29, 2015, Majescor Resources Inc. extended the 250,000 warrants for a period of three years. The warrants are exercisable at \$0.10 and expire on August 12, 2018.

As at October 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 - 330,000 common shares	16,500
Majescor Resources Inc. - 250,000 common shares	11,250
<b>Marketable securities</b>	<b>30,250</b>
Majescor Resources Inc. - 250,000 warrants	2,130
<b>Marketable securities and warrants</b>	<b>32,380</b>

On July 24, 2014, Electra, completed a consolidation of its common shares on a 10:1 basis, as a result of the consolidation, Everton's investment in Electra's common shares decreased from 3,300,000 to 330,000.



## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

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### 6. EQUIPMENT

During the year ended October 31, 2015, the Company allocated amortization of exploration equipment, in the amount of \$8,952 (2014 - \$8,952), to exploration and evaluation assets.

	Exploration equipment
	\$
<b>Cost</b>	
Balance, October 31, 2014	44,759
Additions	-
<b>Balance, October 31, 2015</b>	<b>44,759</b>
<b>Accumulated amortization</b>	
Balance, October 31, 2014	35,807
Amortization	8,952
<b>Balance, October 31, 2015</b>	<b>44,759</b>
Net Book Value, October 31, 2014	8,952
<b>Net Book Value, October 31, 2015</b>	<b>-</b>

### 7. ACQUISITION OF LINEAR GOLD CARIBE S.A.

#### *Option Agreement*

On September 26, 2012, Everton, Primero Mining Corp. (formerly Brigus Gold Corp.) ("Primero"), 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 (the "Option") in order to purchase Primero's remaining interest in the APV (Note 9.b), Ponton (Note 9.c) and La Cueva (Note 9.a) concessions ("the Concessions"). The exercise price of the Option was 3,000,000 common shares of Everton (the "Shares") which were placed in trust with the Company's lawyers on that date.

On October 23, 2012, Everton gave notice to Primero under the option agreement that it had elected to exercise the option and issued the shares in favor of Primero.

#### *Share Purchase Agreement*

Pursuant to an amendend share purchase agreement the purchase price agreed to by the parties was \$175,000 payable in cash (paid) and 1,200,000 additional common shares of the Company (issued December 13, 2013 and valued at \$240,000 based on the trading price of the shares on the date of the transaction) to acquire 100% of the common shares of Linear Gold.

Primero 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 Primero a promissory note equal to the greater of \$5 million or the value of 1,000,000 common shares of Everton payable in cash. The promissory note is 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

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

### 7. ACQUISITION OF LINEAR GOLD CARIBE S.A. (Cont'd)

plus an 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.

As the promissory note will be contingent on establishing an NI 43-101 compliant measured and indicated resource estimate on the Concessions or actual gold production from the Concessions, no amount has been recorded in consideration of the promissory note, as there is currently no mineral resource estimate on the concessions.

On March 19, 2014, the Company received final approval from the TSX-V for the acquisition of Linear Gold.

Total consideration paid by the Company for all outstanding common shares of Linear Gold was as follows:

	Number	\$
Common shares issued (1)	4,200,000	1,365,000
Related acquisition costs	-	12,781
Cash payment	-	175,000
	<u>4,200,000</u>	<u>1,552,781</u>

(1) The weighted average fair value of the shares issued to acquire Linear Gold was \$0.33, based on the market price immediately prior to the date the common shares were issued.

The Company has accounted for the transaction as an asset acquisition under the scope of IFRS 2, Share Based Payments.

The net assets acquired had an estimated fair value of \$1,552,781:

	<u>\$</u>
Cash	566
Mineral exploration properties	1,552,215
<b>Net assets acquired</b>	<u><b>1,552,781</b></u>

### 8. ACQUISITION OF 2342802 ONTARIO INC.

On March 28, 2014, Everton acquired all of the issued and outstanding common shares of 2342802 Ontario Inc. which has the exclusive right to acquire six mining concessions located in the Dominican Republic. As part of the transaction, 2392923 Ontario Inc. (a wholly-owned subsidiary of Everton) amalgamated with 2342802 Ontario Inc. As a result of the amalgamation, the Company owns all of the outstanding shares of Everton Dominicana (2014) Inc. (the amalgamated company). All of the concessions are currently under renewal with the Dominican Republic Government.

As consideration for the acquisition, Everton issued 6,500,000 common shares and agreed to reimburse historic expenditures of \$350,000. As at October 31, 2014, Everton has reimbursed \$75,000 of the required expenditures. The Company has until December 2015 to make the repayment of the remaining \$275,000. As at October 31, 2015 and December 31, 2015, the Company has not completed a private placement and has not made the remaining payment of \$275,000. The Company is currently in the process of negotiating an extension to delay the payment to June 28 2016.

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

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### 8. ACQUISITION OF 2342802 ONTARIO INC. (Cont'd)

At October 31, 2015, the \$275,000 has been included in accounts payable and accrued liabilities on the statements of financial position.

The shares are held in escrow and released to the former shareholders of 2342802 Ontario Inc. in three separate tranches: (i) 2,500,000 common shares on March 28, 2014, (released); (ii) 2,000,000 common shares on September 28, 2014 (released); and (iii) 2,000,000 common shares on March 28, 2015 (released).

In addition, Everton has reserved a total of 4,000,000 common shares, 2,000,000 of which may be issued to the former shareholders of 2342802 Ontario Inc., on a pro-rata basis, on September 28, 2015 and a further 2,000,000 on March 28, 2016, or earlier if the concessions are granted prior to those dates. The total number of reserved shares to be issued is reduced in the event that a concession is denied or Everton opts to drop the concession. As there is no certainty that the concessions will be granted and since Everton can forfeit the concessions and not be required to issue these shares, no amount has been recorded related to the 4,000,000 contingently issuable common shares. The value of the shares will be determined and recognized as mineral property acquisition costs and attributed to the properties acquired when, and if, the concessions are granted.

As at October 31, 2015, none of the concessions have been granted and as a result none of the contingent shares have been issued. On September 28, 2015, Everton notified the former shareholders of 2342802 Ontario Inc. that it would like to extend the contingent share deadlines nine months to June 28, 2016, and December 28, 2016, respectively. The Company is currently in the process of drafting the extension with the former shareholders of 2342802 Ontario Inc.

Total consideration paid by the Company for all outstanding common shares of 2342802 Ontario Inc. was as follows:

	Number	\$
Common shares issued (1)	6,500,000	1,105,000
Cash payment	-	75,000
Related acquisition costs	-	10,327
Expenditure reimbursement payables	-	275,000
	<u>6,500,000</u>	<u>1,465,327</u>

(1) The fair value of the shares issued to acquire 2342802 Ontario Inc. was \$0.17, based on the market price immediately prior to the date the common shares were issued.

The net assets acquired had a fair value of \$1,465,327, which was attributed to the properties acquired.

As at October 31, 2014, the Company does not yet have title to the properties and as a result the acquisition costs of \$1,465,237 were recognized as an expense in the consolidated statement of loss.

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

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

	October 31, 2015		October 31, 2014	
	Mineral exploration properties	Exploration and evaluation assets	Mineral exploration properties	Exploration and evaluation assets
	\$	\$	\$	\$
<u>Dominican Republic</u>				
a) La Cueva	-	-	421,981	999,193
b) Ampliacion Pueblo Viejo	2,469,402	7,717,585	2,469,403	7,675,380
c) Ponton	-	-	300,325	678,043
d) Pun	-	-	74,944	392,102
	<u>2,469,402</u>	<u>7,717,585</u>	<u>3,266,653</u>	<u>9,744,718</u>
<u>Canada (Quebec)</u>				
f) Opinaca	320,452	2,817,207	380,452	2,754,707
g) Wildcat	-	-	-	1,601,855
	<u>320,452</u>	<u>2,817,207</u>	<u>380,452</u>	<u>4,356,562</u>
TOTAL	<u>2,789,854</u>	<u>10,534,792</u>	<u>3,647,105</u>	<u>14,101,280</u>

#### Dominican Republic

##### a) La Cueva, Dominican Republic

On November 21, 2013, the Company signed an amended share purchase agreement to acquire 100% of the La Cueva property. Pursuant to an amended share purchase agreement the purchase price agreed to by the parties was \$175,000 payable in cash (paid) and 1,200,000 additional common shares of the Company (issued December 13, 2013 and valued at \$240,000 based on the trading price of the shares on the date of the transaction) to acquire 100% of the common shares of Linear Gold which held the La Cueva, Ampliacion Pueblo Viejo and Ponton concessions.

On March 19, 2014, the Company received final TSX-V approval to acquire the outstanding shares of Linear Gold Caribe. Through the acquisition Everton now holds 100% of the La Cueva concession.

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

As of October 31, 2015, the Company incurred \$1,428,828 (2014 - \$Nil) in write-downs on the La Cueva property as there is no exploration program scheduled by management for this project.

##### b) Ampliación Pueblo Viejo, La Lechoza, Dominican Republic

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

#### APV and La Lechoza

On November 21, 2013, the Company signed an amended share purchase agreement to acquire 100% of the APV property. The terms of the agreement are described in Note 9a.

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

During the year ended October 31, 2014, the Company wrote down the cost of La Lechoza concessions to \$Nil as there is no exploration program scheduled by management for this project. The Company has retained these concessions and fully intends to re-evaluate exploration activities on them in the future.

## **Everton Resources Inc.**

Notes to the consolidated financial statements  
(Expressed in Canadian dollars)

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

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

The APV property remains the Company's flagship property and exploration will continue on this property when the concessions are renewed and funding is available.

#### **c) Ponton, Dominican Republic**

On November 21, 2013, the Company signed an amended share purchase agreement to acquire 100% of the Ponton property. The terms of the agreement are described in Note 9a. 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-V approval to acquire the outstanding shares of Linear Gold. Through the acquisition, Everton now holds 100% of the Ponton concession.

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

As of October 31, 2015, the Company incurred \$987,859 (2014 - \$Nil) in write-downs on the Ponton property as there is no exploration program scheduled by management for this project.

#### **d) Pun, Dominican Republic**

In September 2011, the Company entered into an option agreement for the Pun exploration concession adjacent to Ponton.

The Company is required to make a payment of US\$50,000 on the first (paid), second (paid) and third anniversaries of the option (paid) in order to maintain the option and continue its evaluation of the property. Everton may then opt to acquire 100% ownership of the concession for a payment of US\$100,000. The Company has until March 20, 2015 to complete the acquisition, however, a 1 year extension can be granted by the Company making a payment of US\$50,000 on the third anniversary of the option. 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.

During the year ended October 31, 2015, the optionor provided notice to Everton that the option agreement was terminated for failure to make the final payment. The Company recorded an impairment loss of \$467,046 on the Pun property (2014 - \$Nil).

#### **e) Other**

Other properties consist of several eastern Dominican Republic concessions. As of October 31, 2015, the Company incurred \$3,244 (2014 - \$27,698) in write-downs on other properties.

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

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

#### Canada, Quebec

#### f) Opinaca

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 (amended on November 1, 2013), 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 (leaving each of Everton and Azimut with 25%), in which Everton and Azimut currently each hold an undivided 50% interest, by making total cash payments of \$580,000, (\$290,000 payable to Everton), and incurring exploration expenditures of \$6,000,000, including a minimum of 3,800 metres of drilling prior to November 15, 2013 and 1,200 metres of drilling prior to November 15, 2014. Hecla may then elect to earn an additional interest of 10%, for a total interest of 60% (leaving each of Everton and Azimut with 20%), by making cash payments totaling \$300,000 (\$150,000 payable 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.

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 (received and expenses incurred)	\$ 60,000	\$ 350,000	1,200
On November 15, 2015 (received and expenses incurred)	\$ 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.

During the year ended October 31, 2015, the Company was able to recover \$250,000 of prior years' expenditures (2014 -\$Nil).

## **Everton Resources Inc.**

Notes to the consolidated financial statements  
(Expressed in Canadian dollars)

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

#### **g) Wildcat**

On October 13, 2010 (amended on November 1, 2013 and February 7, 2014), 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. As part of the February 7, 2014 amendment, Hecla made an option payment of \$700,000.

Hecla can earn an initial 50% interest in the property by incurring expenditures of \$2,780,000 prior to October 13, 2014, including 2,093 metres of drilling by October 13, 2012 and an additional 907 metres by October 13, 2014. 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 \$2,500,000 by the third anniversary date of their election and delivering an independent pre-feasibility study by the fourth anniversary of their election.

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.

On October 31, 2014, Hecla had earned its initial 50% interest in the Wildcat property.

On May 20, 2015, Hecla purchased Everton's remaining interest in the Wildcat property for \$400,000. As part of the transaction Everton issued Hecla 2,000,000 common shares to retain a 1% NSR. Hecla reserved the right to purchase one half (1/2) of the NSR by paying Everton the sum of \$500,000. The NSR was valued at \$30,000 based on the fair value of the Company's common shares on the day of the sale. During the year ended October 31, 2015, the value of the NSR was considered fully impaired and an impairment of royalty was recorded in the consolidated statement of loss. A loss of \$1,214,355, was recorded in the consolidated statement of loss related to the disposal of the Wildcat property in the year ended October 31, 2015 (2014 - \$Nil).

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

### 9. 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 for the years ended October 31, 2015, and October 31, 2014:

	October 31, 2015	October 31, 2014
	\$	\$
Balance, beginning of the year	17,748,385	16,155,198
Additions		
Drilling	-	444,439
Assaying	(3,335)	73,962
Project consulting	1,155	11,940
Geophysical survey	-	89,999
Geological survey	360,176	1,124,831
Report preparation	-	18,031
Renewal of licenses and permits	26,354	217
General field expenses	3,243	14,404
	387,593	1,777,823
Acquisition of mineral exploration properties	-	1,602,215
Write-down of exploration properties and evaluation assets	(2,886,977)	(1,026,851)
Loss on mineral property sold	(1,214,355)	-
Recovery of prior years exploration expenditures	(250,000)	-
Proceeds from mining properties sold	(400,000)	-
Option payments received	(60,000)	(760,000)
	(4,811,332)	(184,636)
Balance, end of the year	13,324,646	17,748,385
Mineral exploration properties	2,789,854	3,647,105
Exploration and evaluation assets	10,534,792	14,101,280
Exploration properties and evaluation assets	13,324,646	17,748,385

### 10. 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 may be 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-V 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. All share capital, option and warrant data have been retroactively restated to reflect the share consolidation in these consolidated financial statements.



## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

### 10. SHARE CAPITAL (Con't)

#### Issued

	Common shares	\$
<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
Shares issued for the acquisition of 2342802 Ontario Inc.	6,500,000	1,105,000
Shares issued in private placements (net of share issue costs)	10,957,500	1,574,720
Flow through premium liability	-	(40,625)
	18,657,500	2,879,095
<b>Balance, October 31, 2014</b>	<b>48,388,345</b>	<b>40,472,441</b>
Shares issued for the acquisition of the Wildcat royalty	2,000,000	30,000
<b>Balance, October 31, 2015</b>	<b>50,388,345</b>	<b>40,502,441</b>

#### 2015 issuances

On May 20, 2015 the Company announced the sale of its 50% interest in the Wildcat Property in Quebec to Hecla for \$400,000. Everton was also granted a 1% NSR on ore produced and sold from the property, in exchange for 2,000,000 common shares of the Company. See note 9(g).

#### 2014 issuances

On December 13, 2013, pursuant to the Linear Gold share purchase agreement entered into with Primero, 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 7).

On March 7, 2014, the Company completed the following private placements:

(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. The warrants issued in connection to the private placement have been recorded at a fair value of \$NIL based on the residual method and the 151,600 finder’s options issued have been recorded at a value of \$43,787 based on the Black-Scholes option pricing model, using the following assumptions: risk-free interest rate of 1.06%, expected life of warrants of 2 years, expected annualized volatility of 162% and expected dividend rate of 0%.

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 options 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.

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

### 10. SHARE CAPITAL (Con't)

On March 28, 2014, pursuant to the 2342802 Ontario Inc. share purchase agreement, Everton issued 6,500,000 in common shares, with an estimated fair value of \$1,105,000 as part of the purchase price (Note 8).

On September 30, 2014, the Company announced that it had closed a private placement of 4,062,500 flow-through common shares at an issue price of \$0.08 per share for aggregate gross proceeds to Everton of \$325,000.

In connection with the private placement, the Company paid a cash finder's fee of \$27,750 equal to 7% of the gross proceeds raised pursuant to the private placement and issued 406,250 non-transferable finder's warrants equal to 10% of the number of "flow-through" common shares issued under the private placement. Each finder's warrant will entitle the holder to purchase one common share of the Company at a price of \$0.08 per common share for a period of 24 months following the closing of the private placement. The 406,250 finder's warrants issued have been recorded at a value of \$20,300 based on the Black-Scholes option pricing model, using the following assumptions: risk-free interest rate of 1.14%, expected life of warrants of 2 years, expected annualized volatility of 160% and expected dividend rate of 0%.

The residual value relating to the sale of tax benefits through the renunciation of the flow-through shares was estimated at \$40,625.

### 11. WARRANTS

The following table reflects the continuity of warrants:

	Number of warrants	Weighted average exercise price
		\$
<b>Balance, October 31, 2013</b>	<b>4,904,559</b>	<b>0.90</b>
Issued as part of a private placement (Note 10)	1,895,000	0.35
Finder's warrants (Note 10)	406,250	0.08
Expired	(4,206,175)	(0.74)
<b>Balance, October 31, 2014</b>	<b>2,999,634</b>	<b>0.64</b>
Expired	(698,384)	(1.75)
<b>Balance, October 31, 2015</b>	<b>2,301,250</b>	<b>0.30</b>

As at October 31, 2015, the following warrants were issued and outstanding:

Number of warrants	Carrying Value	Exercise price	Expiry date
	\$	\$	
1,895,000	-	0.35	March 6, 2016
406,250	20,300	0.08	September 30, 2016
<b>2,301,250</b>	<b>20,300</b>		

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

### 12. FINDER'S OPTIONS

A summary of changes of the Company's finder's options issued as compensation is presented below:

	October 31, 2015		October 31, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance at beginning of the year	151,600	0.20	-	-
Issued	-	-	151,600	0.20
Balance at end of the year	151,600	0.20	151,600	0.20

### 13. 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 with a maximum term of 5 years. A maximum of 2,630,584 stock options that may be issued under the Plan. These options may be granted to the Company's employees, officers, directors, and persons providing ongoing services to the Company, are subject to regulatory approval. Options are cancelled 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.

A summary of changes of the Company's options is presented below:

	October 31, 2015		October 31, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance at beginning of the year	2,357,400	0.60	1,347,400	1.05
Expired	(215,000)	1.22	(355,000)	0.76
Cancelled	(397,400)	0.94	-	-
Issued	-	-	1,365,000	0.20
Balance at end of the year	1,745,000	0.33	2,357,400	0.60

The following table shows the stock options which were outstanding and exercisable as at October 31, 2015:

Outstanding			Exercisable		
Exercise price	Options	Remaining contractual life (in years)	Options vested	Expiry date	
\$ 1.60	160,000	0.30	160,000	2/15/2016	
1.00	180,000	1.67	180,000	7/30/2017	
0.50	100,000	1.67	100,000	7/30/2017	
0.50	80,000	2.08	80,000	11/30/2017	
0.50	100,000	2.45	100,000	3/21/2018	
0.20	1,125,000	3.36	1,125,000	3/11/2019	
<b>\$ 0.33</b>	<b>1,745,000</b>	<b>2.70</b>	<b>1,745,000</b>		

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

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

The Company records a charge to the statement of comprehensive loss or exploration and evaluation assets 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.

The following table reflects the related Black-Scholes option pricing model inputs that were used in the calculation for the stock options granted during October 31, 2014. There were no stock options granted during the year ended October 31, 2015.

	Year ended October 31, 2014
Stock options granted	1,365,000
Weighted average fair value	\$ 0.18
Weighted-average exercise price	\$ 0.20
Weighted-average market price at date of grant	\$ 0.18
Expected life of stock options	5.00
Expected stock price volatility	228%
Risk-free interest rate	1.09%
Expected dividend yield	0%

The underlying expected stock price volatility is based on historical data of the Company's shares over a period the same length as the life of the stock options issued. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the options.

### 14. SUPPLEMENTAL CASH FLOW INFORMATION

	Year ended October 31,	
	2015	2014
	\$	\$
<u>Changes in working capital are as follows:</u>		
Accounts receivable	94,558	(105,433)
Prepaid expenses	12,659	93,941
Accounts payable and accrued liabilities	(161,078)	(381,213)
	<u>(53,861)</u>	<u>(392,705)</u>
Exploration and evaluation costs included in		
accounts payable and accrued liabilities	39,967	216,614
Shares issued for net smelter royalty	30,000	-
Shares issued for mineral exploration properties	-	1,345,000

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

### 15. INCOME TAXES

#### A) Provision for income taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2014 - 26.5%) were as follows:

	2015	2014
	\$	\$
Net loss before income tax	<u>(4,561,103)</u>	(3,463,305)
Statutory tax rate	26.50%	26.50%
Expected recovery of income tax	(1,209,000)	(918,000)
Non-deductible expenses	126,000	724,000
Change in benefits not recognized	(1,078,000)	(194,000)
Change in estimate and adjustments	295,000	388,000
Other	<u>1,756,249</u>	(705,849)
Income tax expense (recovery)	<u>(109,751)</u>	(705,849)
Current income tax (recovery) expense	(109,751)	(705,849)
Deferred income tax expense	<u>-</u>	-
	<u>(109,751)</u>	(705,849)

#### B) Deferred income taxes

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

#### Canada

	2015	2014
	\$	\$
<u>Unrecognized deferred tax assets:</u>		
Non-capital losses carry forward	11,042,000	11,525,000
Mineral exploration properties and exploration and evaluation assets	1,654,000	3,225,000
Other temporary differences	<u>176,000</u>	232,000
Total unrecognized deductible temporary differences	<u>12,872,000</u>	14,982,000

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

### 15. INCOME TAXES (Cont'd)

#### Dominican Republic

	2015	2014
	\$	\$
<u>Recognized deferred tax assets and liabilities:</u>		
Non-capital losses carry forward	2,161,000	-
Mineral property costs	(2,161,000)	-
Deferred income tax liability	-	-
<u>Unrecognized deferred tax assets:</u>		
Non-capital losses carry forward	1,117,000	2,862,000
Mineral property costs	-	3,225,000
Other temporary differences	-	232,000
<b>Total unrecognized deductible temporary differences</b>	<b>1,117,000</b>	<b>6,319,000</b>

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

#### Non-Capital Losses Carryforwards

The Company has non-capital losses for income tax purposes of approximately \$11,042,000 (2014 - \$11,525,000) in Canada and \$8,835,000 (Dominican Peso \$309,221,209) (2014 - \$2,862,180, Dominican Peso \$114,487,201) in Dominican Republic, which may be carried forward and offset against future taxable income.

As at October 31, 2015, the Company has income tax loss carry forwards of approximately \$11,042,000 in Canada and \$8,835,000 in the Dominican Republic. These losses expire as follows:

<u>Expired in</u>	<u>Canada</u>	<u>Dominican Republic</u>
	\$	\$
2016	-	341,000
2017	-	686,000
2018	-	910,000
2019	-	1,047,000
2020	-	5,851,000
2026	1,022,000	-
2027	1,504,000	-
2028	1,308,000	-
2029	1,476,000	-
2030	1,678,000	-
2031	1,049,000	-
2032	1,162,000	-
2033	830,000	-
2034	686,000	-
2035	327,000	-
	<u>11,042,000</u>	<u>8,835,000</u>

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

### 16. 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:

	<u>October 31, 2015</u>	October 31, 2014
<b>Canada</b>	<b>\$</b>	<b>\$</b>
Mineral exploration properties	<b>320,452</b>	380,452
Exploration and evaluation assets	<b>2,817,207</b>	4,356,562
Total	<b><u>3,137,659</u></b>	<u>4,737,014</u>
<b>Dominican Republic</b>		
Equipment	-	8,952
Mineral exploration properties	<b>2,469,402</b>	3,266,653
Exploration and evaluation assets	<b>7,717,585</b>	9,744,718
Total	<b><u>10,186,987</u></b>	<u>13,020,323</u>

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.

### 17. RISK MANAGEMENT AND CAPITAL MANAGEMENT

#### *Risk management*

The nature of the exploration process exposes the Company to risks associated with fluctuations in commodity prices and foreign currency exchange rates. To date, the Company has not used derivative financial instruments to manage these risks. Other risks include credit risk, liquidity risk, interest rate 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 deficit, excluding marketable securities and flow-through premiums totals \$264,774 as at October 31, 2015 (surplus of \$35,554 as at October 31, 2014), including \$296,506 in cash as at October 31, 2015 (\$441,499 as at October 31, 2014) and current liabilities excluding flow-through premiums totalling \$649,193 (\$535,270 as at October 31, 2014). The Company's financial liabilities are all due within 12 months. The Company anticipates having sufficient funds to discharge its current liabilities, subject to raising additional funding. 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

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

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

acquire additional exploration properties and to meet its general and administrative costs. There is no assurance that the Company will be successful in raising the additional required funds.

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 "US\$" 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. As at October 31, 2015 the Company did not hold significant assets or liabilities in foreign currencies and as a result, 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 loss.

#### *(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 October 31, 2015, cash totaled \$296,506 (\$441,499 as at October 31, 2014) and interest income derived from these investments during the years ended October 31, 2015 was \$1,245 (October 31, 2014 - \$5,300). A reasonably possible change in interest rates with all other variables held constant would not have a material impact on the net loss.

#### *(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 October 31, 2015. At October 31, 2015, the value of these publicly listed shares is \$25,100 (\$32,380 as at October 31, 2014). At October 31, 2015, had the bid price for these shares been 10% lower, the comprehensive income for the period would have been approximately \$2,510 lower (\$3,000 at October 31, 2014). Conversely, had the bid price been 10% higher, the comprehensive income for the period would have been approximately \$2,510 higher (\$3,000 at October 31, 2014).

Investments in common shares of publicly listed companies are subject to fluctuation as a result of market volatility. As such, the fair value of the investments may increase or decrease materially in subsequent periods resulting in material gains or losses in other comprehensive income (loss) or in profit or loss.

#### *(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.



## **Everton Resources Inc.**

Notes to the consolidated financial statements

*(Expressed in Canadian dollars)*

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

#### *(vii) Commodity price risk*

The Company is exposed to price risk with respect to commodity and equity prices. The Company closely monitors commodity prices, as it relates to silver and gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Commodity price risk is remote as the Company is currently not a producing entity.

#### Capital management

The Company manages its capital to ensure its ability to continue as a going concern in order to maintain its properties in good standing, support normal operating requirements, continue the exploration and evaluation of its mineral properties and support any expansionary plans, 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 exploring and evaluating 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. In order to facilitate the management of its capital requirements, management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company and its subsidiaries are not subject to externally imposed capital requirements. The Company prepares annual budgets that are updated as necessary depending on various factors including successful capital deployment and general industry conditions.

As at October 31, 2015, the Company's optioned properties are in the exploration and evaluation stage, as such, the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and evaluation and pay for administrative costs, the Company will be required to raise additional financing. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

There were no significant changes to capital management policies of the Company during the years ended October 31, 2015 and 2014.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

### 18. FINANCIAL INSTRUMENTS

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

IFRS 7 Financial Instruments: Disclosures requires classification of fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

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 marketable securities are classified as level 1 and warrants are classified as level 2 and valued using the Black-Scholes option pricing model. There were no transfers between levels during the years ended October 31, 2015 and 2014.

The classification of financial instruments is as follows:

	October 31, 2015	October 31, 2014
	\$	\$
<b>Financial assets</b>		
Financial assets at FVTPL		
Marketable securities (non-derivative)	15,000	30,250
Warrants	10,100	2,130
Loans and receivables		
Cash	296,506	441,499
Accounts receivable	11,811	134,246
<b>Financial liabilities</b>		
Other financial liabilities		
Accounts payable and accrued liabilities	(649,192)	(535,270)
Non-current accounts payable and accrued liabilities	-	(275,000)
<b>Net financial instruments</b>	<b>(315,775)</b>	<b>(202,145)</b>

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

### 19. 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:

	Year ended October 31, 2015	Year ended October 31, 2014
	\$	\$
Management fees (1)	171,450	178,625
Short-term benefits	4,919	7,850
Share-based compensation	-	228,600
	<b>176,369</b>	<b>415,075</b>

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

#### Transactions with related companies

Everton entered into the following transactions with related companies:

- a) Under an agreement, which was signed on March 25, 2013 between the Majescor Resources Inc. (“Majescor”) and Everton, the Company reimbursed the cost of shared salaries and benefits, rent and office expenses paid by Everton (which shares common management). During the year ended October 31, 2015, Majescor reimbursed Everton \$15,678 of shared costs (2014 - \$12,714).
- b) GrowPros Cannabis Ventures Inc. (“GrowPros”) reimburses Everton for the cost of shared salaries and benefits, rent and office expenses paid by Everton (which shares common management) on a month by month basis. During the year ended October 31, 2015, GrowPros reimbursed Everton \$15,102 of shared costs (2014 - \$Nil).

### 20. CONTINGENCIES AND COMMITMENTS

The Company’s operations are governed by governmental laws and regulations regarding environmental protection. These laws and regulations are continually changing and generally becoming more restrictive. 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.

#### Flow through expenditure commitment

The Company is partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Company is engaged in realizing mining exploration work.

These tax rules also set deadlines for carrying out the exploration work which must be performed no later than the earlier of the following dates:

- Two years following the flow-through placements;
- One year after the Company has renounced the tax deductions relating to the exploration work.

However, there is no guarantee that the Company’s exploration expenses will qualify as Canadian exploration expenses even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

## Everton Resources Inc.

Notes to the consolidated financial statements

(Expressed in Canadian dollars)

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### 20. CONTINGENCIES & COMMITMENTS (Cont'd)

On September 30, 2014, the Company raised \$325,000 through a flow-through placement. Management is required to fulfil its commitments within the stipulated deadline of December 31, 2015. As at October 31, 2015, management has incurred \$325,000 of eligible flow through expenditures in relation to this financing.

The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

#### Management commitments

The Company is party to certain management and employee contracts. These contracts contain clauses requiring additional payments of to \$450,000 be made upon the occurrence of certain events such as change of control. As the triggering events have not taken place, the contingent payments have not been reflected in these consolidated financial statements. Minimum management contract commitments remaining under these contracts are approximately \$120,000, due within one year.

#### Lease Commitments

During July 2014, the Company entered into a lease to rent office space for the Company's head office in Ottawa. The term of the lease commenced on July 1, 2014. The thirty-six month term of the lease expires on June 30, 2017. The lease obligation for the next three years is as follows:

<u>Commitments</u>	<u>2016</u>	<u>2017</u>
Office lease – Ottawa	\$18,390	\$13,711

During year ended October 31, 2015, the Company made lease payments of \$6,513 (2014 - \$14,153) net of recoveries from related companies sharing the office (note 19).

#### Promissory Note

Everton issued a promissory note to Primero. Refer to Note 7.

#### Contingently issuable shares

Everton has reserved 4,000,000 common shares for issuance to the former shareholders of 2342802 Ontario Inc. Refer to Note 8.