

# **EVERTON RESOURCES INC.**

**Condensed Consolidated Interim Financial Statements**

**For the three and six months ended April 30, 2016**

*(Expressed in Canadian Dollars)*

# Everton Resources Inc.

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## Everton Resources Inc.

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

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

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

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

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

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

"Andre Audet"  
Chief Executive Officer  
June 29, 2016

"Sabino Di Paola"  
Chief Financial Officer

**Notice of no review or audit**

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

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

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

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

As at	April 30, 2016	October 31, 2015
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash	97,402	296,506
Marketable securities and warrants (Note 4)	23,400	25,100
Accounts receivable	19,466	39,688
Prepaid expenses	16,276	23,125
Total current assets	156,544	384,419
Non-current assets		
Mineral exploration properties (Note 5)	2,838,850	2,789,854
Exploration and evaluation assets (Note 5)	10,539,395	10,534,792
Total non-current assets	13,378,245	13,324,646
Total assets	13,534,789	13,709,065
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	625,110	649,192
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	40,553,441	40,502,441
Warrants (Note 7)	20,300	20,300
Finder's options (Note 8)	-	43,787
Contributed surplus	10,023,264	9,918,977
	50,597,005	50,485,505
Accumulated deficit	(37,687,326)	(37,425,632)
Total shareholders' equity	12,909,679	13,059,873
Total liabilities and shareholders' equity	13,534,789	13,709,065
Contingencies and commitments (Note 15)		
Events after the reporting date (Note 16)		
Going concern (Note 2c)		
On behalf of the Board		
(signed) "Andre Audet"	(signed) "Michael Farrant"	
Andre Audet, Director	Michael Farrant, Director	

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

**Everton Resources Inc.**

## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

*(Expressed in Canadian dollars)*

	<b>Three months ended April 30, 2016</b>	Three months ended April 30, 2015	<b>Six months ended April 30, 2016</b>	Six months ended April 30, 2015
	\$		\$	\$
Operating expenses				
Management fees (Note 14)	<b>41,500</b>	54,050	<b>82,600</b>	74,050
Salaries and benefits	<b>9,738</b>	14,319	<b>19,829</b>	28,641
Stock based compensation	<b>60,500</b>	-	<b>60,500</b>	-
Travel and promotion expense	<b>14,482</b>	9,071	<b>20,117</b>	16,091
Professional fees	<b>16,029</b>	11,645	<b>24,942</b>	42,709
General and administrative expense	<b>24,095</b>	20,702	<b>50,547</b>	70,983
Write-down of mineral exploration properties and exploration and evaluation assets (Note 5)	-	2,860,130	-	2,862,683
	<b>(166,344)</b>	(2,969,917)	<b>(258,535)</b>	(3,095,157)
Other income (loss)				
Interest and other income	<b>(776)</b>	2,200	<b>(1,459)</b>	5,808
Unrealized loss on financial assets at fair value through profit or loss	<b>3,075</b>	(3,050)	<b>(1,700)</b>	(2,880)
	<b>2,299</b>	(850)	<b>(3,159)</b>	2,928
Net loss before tax	<b>(164,045)</b>	(2,970,767)	<b>(261,694)</b>	(3,092,229)
Tax recovery	-	-	-	(2,500)
Loss and comprehensive loss after tax	<b>(164,045)</b>	(2,970,767)	<b>(261,694)</b>	(3,089,729)
Basic and diluted loss per common share	<b>(0.00)</b>	(0.06)	<b>(0.01)</b>	(0.06)
Accounts payable and accrued liabilities				
common shares outstanding	<b>50,445,012</b>	48,388,345	<b>50,416,367</b>	48,388,345

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

**Everton Resources Inc.**

## Condensed Consolidated Interim 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, 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>
Comprehensive loss	-	-	-	-	-	-	(3,089,729)	(3,089,729)
<b>Balance, April 30, 2015</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>(36,064,009)</b>	<b>14,460,622</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	-	-	-	-	-	-	(1,361,623)	(1,361,623)
<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>
Shares issued for exploration data	1,700,000	51,000	-	-	-	51,000	-	51,000
Expiry of finder's options	-	-	-	(43,787)	43,787	-	-	-
Stock-based compensation	-	-	-	-	60,500	60,500	-	60,500
Comprehensive loss	-	-	-	-	-	-	(261,694)	(261,694)
<b>Balance, April 30, 2016</b>	<b>52,088,345</b>	<b>40,553,441</b>	<b>20,300</b>	<b>-</b>	<b>10,023,264</b>	<b>50,597,005</b>	<b>(37,687,326)</b>	<b>12,909,679</b>

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

**Everton Resources Inc.**

Condensed Consolidated Interim Statements of Cash Flows  
 (Expressed in Canadian dollars)

	Three months ended April 30, 2016	Three months ended April 30, 2015	Six months ended April 30, 2016	Six months ended April 30, 2015
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	(164,045)	(2,970,767)	(261,694)	(3,089,729)
Adjustments for:				
Income tax recovery	-	-	-	(2,500)
Stock based compensation	60,500	-	60,500	-
Write-down of mineral exploration properties and exploration and evaluation assets	-	2,860,130	-	2,862,683
Unrealized loss on financial assets at fair value through profit and loss	(3,075)	3,050	1,700	2,880
Changes in working capital items (Note 10)	(17,122)	122,075	2,989	36,515
<b>Net from operating activities</b>	<b>(123,742)</b>	<b>14,488</b>	<b>(196,505)</b>	<b>(190,151)</b>
<b>INVESTING ACTIVITIES</b>				
Exploration and evaluation costs	(2,651)	(1,463)	(62,599)	(96,071)
Reimbursement of exploration expenditures	-	-	-	250,000
Option payments received	-	-	60,000	60,000
<b>Net cash from investing activities</b>	<b>(2,651)</b>	<b>(1,463)</b>	<b>(2,599)</b>	<b>213,929</b>
<b>Effect of exchange rate fluctuations on cash</b>	<b>-</b>	<b>(5,546)</b>	<b>-</b>	<b>(23,678)</b>
Change in cash	(126,393)	7,479	(199,104)	100
Cash, beginning of the period	223,795	434,120	296,506	441,499
<b>Cash, end of the period</b>	<b>97,402</b>	<b>441,599</b>	<b>97,402</b>	<b>441,599</b>

Supplemental cash flow information is provided in Note 10

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



## **Everton Resources Inc.**

Notes to the condensed consolidated interim 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**

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

The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRSs issued and outstanding as of April 30, 2016. The same accounting policies and methods of computation are followed in these unaudited condensed consolidated interim financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended October 31, 2015. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending October 31, 2016 could result in restatement of these unaudited condensed consolidated interim financial statements.

The preparation of the condensed consolidated interim 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 condensed consolidated interim financial statements were authorized for issue by the Board of Directors on June 29, 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.

## **Everton Resources Inc.**

Notes to the condensed consolidated interim financial statements

*(Expressed in Canadian dollars)*

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

#### **(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.

##### 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.

## **Everton Resources Inc.**

Notes to the condensed consolidated interim financial statements

*(Expressed in Canadian dollars)*

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

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.

#### **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.

## **Everton Resources Inc.**

Notes to the condensed consolidated interim financial statements

*(Expressed in Canadian dollars)*

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

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 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 5 for exploration and evaluation assets impairment analysis.

The total write-off of the exploration and evaluation assets recognized in profit or loss amounts to \$Nil and \$Nil for the three and six months ended April 30, 2016 (April 30, 2015 - \$2,860,130 and \$2,862,683) respectively. No reversal of impairment losses has been recognized for the reporting periods. All of the Company's secondary properties remain in the renewal process and the Company intends to continue exploration when available funding is obtained. As a result these properties remain fully impaired. Ampliación Pueblo Viejo remains the Company's flag ship property and will be further explored as soon as funding is made available and/or an exploration partner is identified. Management has assessed that this property is not impaired.

#### **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 9).

### **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.

## Everton Resources Inc.

Notes to the condensed consolidated interim financial statements

(Expressed in Canadian dollars)

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

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 April 30, 2016, and October 31, 2015, the Company did not have any associates.

The subsidiaries of the Company at April 30, 2016, 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 Minera Dominicana S.A., Linear Gold Caribe S.A. and Hays Lake Gold Inc. remain inactive exploration companies.

#### (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.

## Everton Resources Inc.

Notes to the condensed consolidated interim financial statements

(Expressed in Canadian dollars)

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

#### (c) 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 April 30, 2016, and October 31, 2015.

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 condensed consolidated interim 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.

#### **(d) 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 April 30, 2016, 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.

## Everton Resources Inc.

Notes to the condensed consolidated interim financial statements

(Expressed in Canadian dollars)

### 4. 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.

The following securities were included in marketable securities and warrants:

	April 30, 2016	October 31, 2015
	Fair value	Fair value
	\$	\$
Augyva Inc. - 25,000 common shares	2,500	2,500
Majescor Resources Inc. - 250,000 common shares	15,000	12,500
<b>Marketable securities</b>	<b>17,500</b>	<b>15,000</b>
Majescor Resources Inc. - 250,000 warrants	5,900	10,100
<b>Marketable securities and warrants</b>	<b>23,400</b>	<b>25,100</b>

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

	April 30, 2016		October 31, 2015	
	Mineral exploration properties	Exploration and evaluation assets	Mineral exploration properties	Exploration and evaluation assets
	\$	\$	\$	\$
<u>Dominican Republic</u>				
a) Mermejál	-	-	-	-
b) Cabirma del Cerro	2,469,402	7,722,188	2,469,402	7,717,585
c) Arroyo Carpintero	-	-	-	-
d) Other	-	-	-	-
	<b>2,469,402</b>	<b>7,722,188</b>	<b>2,469,402</b>	<b>7,717,585</b>
<u>Canada (Quebec)</u>				
e) Opinaca	260,452	2,817,207	320,452	2,817,207
f) Detour Lake	108,996	-	-	-
	<b>369,448</b>	<b>2,817,207</b>	<b>320,452</b>	<b>2,817,207</b>
TOTAL	<b>2,838,850</b>	<b>10,539,395</b>	<b>2,789,854</b>	<b>10,534,792</b>

#### Dominican Republic

#### a) Mermejál (Formerly La Cueva), Dominican Republic

On November 21, 2013, the Company signed an amended share purchase agreement to acquire 100% of the Mermejál concession. 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 Mermejál, Cabirma del Cerro and Arroyo Carpintero 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 Mermejál concession.



## **Everton Resources Inc.**

Notes to the condensed consolidated interim financial statements  
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### **5. MINERAL EXPLORATION PROPERTIES AND EXPLORATION AND EVALUATION ASSETS (Cont'd)**

During the year ended October 31, 2015, a 100% impairment was taken on this property. There were no further impairments on the property or reversal of impairments during the three and six month periods ended April 30, 2016.

On June 10, 2016, the Ministry of Energy and Mines in Dominican Republic, renewed the Mermejál concession (Note 16).

#### **b) Cabirma del Cerro (Formerly 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 Cabirma del Cerro ("CdC") (which includes the La Lechoza prospect) concession.

##### Cabirma del Cerro

On November 21, 2013, the Company signed an amended share purchase agreement to acquire 100% of the CdC concession. The terms of the agreement are described in Note 5a.

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 CdC 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.

On June 10, 2016, the Ministry of Energy and Mines in Dominican Republic, renewed the CdC concession (Note 16).

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

#### **c) Arroyo Carpintero (Formerly Ponton), Dominican Republic**

On November 21, 2013, the Company signed an amended share purchase agreement to acquire 100% of the Arroyo Carpintero concession. The terms of the agreement are described in Note 5a.

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 Arroyo Carpintero concession.

On June 10, 2016, the Ministry of Energy and Mines in Dominican Republic, renewed the Arroyo Carpintero concession (Note 16).

During the year ended October 31, 2015, a 100% impairment was taken on this property. There were no further impairments on the property or reversal of impairments during the three and six month periods ended April 30, 2016.

#### **d) Other**

Other properties consist of several eastern Dominican Republic concessions. As of April 30, 2016, the Company incurred \$Nil (2016 - \$2,574) in write-downs on other properties.

## Everton Resources Inc.

Notes to the condensed consolidated interim financial statements

(Expressed in Canadian dollars)

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

#### Canada, Quebec

##### e) 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.

##### f) Detour Lake

On April 27, 2016, the Company staked 136 claims cover 7,437 ha (74.37 sq. km) in James Bay Quebec.

Everton has purchased a list of targets on the areas of interest by issuing 1,700,000 common shares and by paying \$25,000 on signing and \$25,000 in 90 days following the signing to Diagnos, as well as, a 2% royalty on the net return of the smelting revenues associated with the minerals and concentrates to be extracted from the concessions identified by DIAGNOS. The purchase agreement stipulates that Everton may, at any time, reduce the royalty from 2% to 1% by paying \$1,000,000.

## Everton Resources Inc.

Notes to the condensed consolidated interim financial statements

(Expressed in Canadian dollars)

### 5. 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 three and six months ended April 30, 2016, and year ended October 31, 2015:

	Three months ended April 30, 2016	Six months ended April 30, 2016	Year ended October 31, 2015
	\$	\$	\$
Balance, beginning of the period	13,267,298	13,324,646	17,748,385
Additions			
Assaying	-	-	( 3,335 )
Project consulting	-	-	1,155
Geological survey	-	-	360,176
Renewal of licenses and permits	1,950	4,602	26,354
General field expenses	-	-	3,243
	1,950	4,602	387,593
Acquisition of mineral exploration properties	108,997	108,997	-
Write-down of exploration properties and evaluation assets	-	-	(2,886,977)
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)	(60,000)
	108,997	48,997	(4,811,332)
Balance, end of the period	13,378,245	13,378,245	13,324,646
Mineral exploration properties	2,838,850	2,838,850	2,789,854
Exploration and evaluation assets	10,539,395	10,539,395	10,534,792
Exploration properties and evaluation assets	13,378,245	13,378,245	13,324,646

### 6. 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.

#### Issued

	Common shares	\$
<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>
Shares issued for exploration data	1,700,000	51,000
<b>Balance, April 30, 2016</b>	<b>52,088,345</b>	<b>40,553,441</b>

On April 27, 2016, the Company issued 1,700,000 common shares as part of the purchase price of a list of exploration targets on the areas of interest on the Detour Lake property (Note 5(f)).

## Everton Resources Inc.

Notes to the condensed consolidated interim financial statements

(Expressed in Canadian dollars)

### 7. WARRANTS

The following table reflects the continuity of warrants:

	Number of warrants	Weighted average exercise price
		\$
<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>
Expired	(1,895,000)	0.35
<b>Balance, April 30, 2016</b>	<b>406,250</b>	<b>0.08</b>

On March 6, 2016, 1,895,000 warrants expired unexercised. The warrants had an exercise price of \$0.35.

As at April 30, 2016, the following warrants were issued and outstanding:

Number of warrants	Carrying Value	Exercise price	Expiry date
	\$	\$	
406,250	20,300	0.08	September 30, 2016
<b>406,250</b>	<b>20,300</b>		

### 8. FINDER'S OPTIONS

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

	April 30, 2016		October 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance, beginning of the period	151,600	0.20	151,600	0.20
expired	(151,600)	0.20	-	-
Balance, end of the period	-	-	151,600	0.20

On March 6, 2016, 151,600 agent options expired unexercised. The agent options had an exercise price of \$0.20.

### 9. 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.

## Everton Resources Inc.

Notes to the condensed consolidated interim financial statements

(Expressed in Canadian dollars)

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

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:

	<u>April 30, 2016</u>		<u>October 31, 2015</u>	
	<u>Number of options</u>	<u>Weighted average exercise price</u>	<u>Number of options</u>	<u>Weighted average exercise price</u>
		\$		\$
Balance at beginning of the period	1,745,000	0.33	2,357,400	0.60
Expired	(160,000)	1.60	(215,000)	1.22
Cancelled	-	-	(397,400)	0.94
Issued	1,000,000	0.05	-	-
Balance at end of the period	<u>2,585,000</u>	<u>0.23</u>	<u>1,745,000</u>	<u>0.33</u>

On February 15, 2016, 160,000 stock options expired unexercised. The stock options had an exercise price of \$1.60.

On April 14, 2016, the Company granted 1,000,000 stock options to directors, officers and consultants of the Company. The options have an exercise price of \$0.05 and expire on April 14, 2021. The stock options have a Black-Scholes option pricing value of \$60,500 based on the assumptions below:

	<u>April 2016</u>
Average share price at date of grant	\$0.07
Expected dividend yield	0.00%
Expected share price volatility	124%
Risk-free interest rate	0.89%
Expected life of options	5 years
Average exercise price at date of grant	\$0.05
Stock options granted	1,000,000
Black-Scholes fair value	\$0.06
Vesting	Immediately

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 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.

## Everton Resources Inc.

Notes to the condensed consolidated interim financial statements

(Expressed in Canadian dollars)

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

The following table shows the stock options which were outstanding and exercisable as at April 30, 2016:

Outstanding			Exercisable		
Exercise price	Options	Remaining contractual life (in years)	Options vested	Expiry date	
\$ 1.00	180,000	1.17	180,000	7/30/2017	
0.50	100,000	1.17	100,000	7/30/2017	
0.50	80,000	1.59	80,000	11/30/2017	
0.50	100,000	1.95	100,000	3/21/2018	
0.20	1,125,000	2.86	1,125,000	3/11/2019	
0.05	1,000,000	4.96	1,000,000	4/14/2021	
<b>\$ 0.23</b>	<b>2,585,000</b>	<b>3.41</b>	<b>2,585,000</b>		

### 10. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended April 30,		Six months ended April 30,	
	2016	2015	2016	2015
	\$		\$	
<u>Changes in working capital are as follows:</u>				
Accounts receivable	(2,488)	58,801	20,222	126,468
Prepaid expenses	3,363	(6,322)	6,849	(101)
Short term portion of long term payables	-	(275,000)	-	(275,000)
Accounts payable and accrued liabilities	(17,997)	344,596	(24,082)	185,148
	<u>(17,122)</u>	<u>122,075</u>	<u>2,989</u>	<u>36,515</u>
Exploration and evaluation costs included in accounts payable and accrued liabilities	<b>39,276</b>	103,503	<b>39,276</b>	103,503

### 11. 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:

	April 30, 2016	October 31, 2015
	\$	\$
<b>Canada</b>		
Mineral exploration properties	369,448	320,452
Exploration and evaluation assets	2,817,207	2,817,207
Total	<u>3,186,655</u>	<u>3,137,659</u>
<b>Dominican Republic</b>		
Mineral exploration properties	2,469,402	2,469,402
Exploration and evaluation assets	7,722,188	7,717,585
Total	<u>10,191,590</u>	<u>10,186,987</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.

## Everton Resources Inc.

Notes to the condensed consolidated interim financial statements

(Expressed in Canadian dollars)

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### 12. 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 totals \$491,966 as at April 30, 2016 (\$264,774 as at October 31, 2015), including \$97,402 in cash as at April 30, 2016 (\$296,506 as at October 31, 2015) and current liabilities totalling \$625,110 (\$649,193 as at October 31, 2015). 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 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 April 30, 2016 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 April 30, 2016, cash totaled \$97,402 (\$296,506 as at October 31, 2015) and interest income derived from these investments during the three and six months ended April 30, 2016 was \$84 and \$218 (April 30, 2015 - \$162 and \$894) respectively. A reasonably possible change in interest rates with all other variables held constant would not have a material impact on the net loss.

## Everton Resources Inc.

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

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

#### *(v) Market risk*

The Company holds shares and warrants of publicly listed companies in the mineral exploration industry. The Company is exposed to market risk in the value of these shares and warrants and unfavourable market conditions could result in the disposal at less than their value at April 30, 2016. At April 30, 2016, the value of these publicly listed shares is \$23,400 (\$25,100 as at October 31, 2015). At April 30, 2016, had the bid price for these shares been 10% lower, the comprehensive income for the period would have been approximately \$2,340 lower (\$2,510 at October 31, 2015). Conversely, had the bid price been 10% higher, the comprehensive income for the period would have been approximately \$2,340 higher (\$2,510 at October 31, 2015).

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.

#### *(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 a 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 April 30, 2016, 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.



## Everton Resources Inc.

Notes to the condensed consolidated interim financial statements

(Expressed in Canadian dollars)

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

There were no significant changes to capital management policies of the Company during the three and six months ended April 30, 2016, and the year ended October 31, 2015.

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.

### 13. 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 three and six months ended April 30, 2016 and the year ended October 31, 2015.

The classification of financial instruments is as follows:

	April 30, 2016	October 31, 2015
	\$	\$
<b>Financial assets</b>		
Financial assets at FVTPL		
Marketable securities (non-derivative)	17,500	15,000
Warrants	5,900	10,100
Loans and receivables		
Cash	97,402	296,506
Accounts receivable	10,363	11,811
<b>Financial liabilities</b>		
Other financial liabilities		
Accounts payable and accrued liabilities	(625,110)	(649,192)
<b>Net financial instruments</b>	<b>(493,945)</b>	<b>(315,775)</b>

## Everton Resources Inc.

Notes to the condensed consolidated interim financial statements

(Expressed in Canadian dollars)

### 14. 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:

	Three months ended April 30,		Six months ended April 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Salaries (including bonuses) (1)	53,073	45,900	94,173	89,650
Benefits	1,348	1,348	2,696	2,696
Share-based compensation	58,988	-	58,988	-
	113,409	47,248	155,857	92,346

(1) Includes directors’ fees which have been included in *Management and consulting fees* in the condensed consolidated interim 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 three and six months ended April 30, 2016, Majescor reimbursed Everton \$4,491 and \$8,924 of shared costs (April 30, 2015 - \$4,429 and \$8,858) respectively.
- 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 three and six months ended April 30, 2016, GrowPros reimbursed Everton \$4,554 and \$9,005 of shared costs (April 30, 2015 - \$4,429 and \$8,339) respectively.

### 15. 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.

## Everton Resources Inc.

Notes to the condensed consolidated interim financial statements

(Expressed in Canadian dollars)

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### 15. CONTINGENCIES AND COMMITMENTS (Cont'd)

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.

#### 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	\$8,454	\$13,711

During three and six months ended April 30, 2016, the Company made lease payments of \$300 and \$1,506 (April 30, 2015 - \$558 and \$2,370) net of recoveries from related companies sharing the office (note 14).

#### Promissory Note

Everton issued 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 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

#### Contingently issuable shares

As part of the acquisition of 234802 Ontario Inc., Everton has reserved a total of 4,000,000 common shares, 2,000,000 of which may be issued to the 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 shares will be recognized as mineral property acquisition costs and attributed to the properties acquired when, and if, the concessions are granted.

### 16. EVENTS AFTER THE REPORTING DATE

#### Blue Sky Jackpot Lithium Property

On May 17, 2016, the Company entered into an option agreement with an arm's length vendor to acquire a 100% interest in the Blue Sky Jackpot lithium property in the Thunder Bay Mining District of Ontario. The property is located approximately 150 kilometers northeast of Thunder Bay and is accessible by road.

## **Everton Resources Inc.**

Notes to the condensed consolidated interim financial statements

*(Expressed in Canadian dollars)*

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### **16. EVENTS AFTER THE REPORTING DATE (Cont'd)**

The Agreement also requires an aggregate issuance of 2,000,000 common shares of Everton over a two year period and maintenance of all of the claims in good standing for the duration of the Agreement. Everton will issue the common shares as follows: 400,000 common shares on signing and TSX Venture Exchange approval of the Agreement, 600,000 common shares on the first anniversary thereof and 1,000,000 common shares on the second anniversary thereof.

Under the terms of the option to purchase agreement, the Blue Sky Jackpot lithium property is subject to a 2% net smelter return royalty, 50% of which can be purchased by Everton for \$1,000,000.

#### Concession renewals

On June 10, 2016, the Ministry of Energy and Mines in Dominican Republic, renewed the Arroyo Carpintero (formerly Pontón), Mermejil (formerly La Cueva) and Cabirma del Cerro (formerly Ampliacion Pueblo Viejo) concessions.

#### Private Placement

On June 24, 2016, the Company announced the closing of the 1st tranche of its non-brokered private placement by issuing 8,070,000 units for gross proceeds of \$403,500. Each unit consisted of one common share at a price of \$0.05 and one-half common share purchase warrant. Each whole warrant entitles the holder thereof to acquire one additional common share at a price of \$0.07 per common share for a period of twenty-four months.

The Company has also issued 1,210,000 flow through common shares at a price of \$0.05 per share for gross proceeds of \$60,500.

In connection with the private placement, the Company paid a cash finder's fee of \$36,120. A total of 722,400 broker warrants were also issued to the finders, with each broker warrant entitling the finder to purchase a broker unit of the Company at a price of \$0.05 per broker unit for a period of two years from the date of closing of the private placement. Each broker unit comprises one common share and one half of a broker unit warrant. Each broker unit warrant entitles the finder to purchase one common share at an exercise price of \$0.07 per common share for a period of twenty-four months from the closing date.