

**EVERTON RESOURCES INC.**

**Condensed Consolidated Interim Financial Statements**

**For the three months ended January 31, 2017**

*(Unaudited - 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 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 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 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 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 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  
March 23, 2017

"Lucie Letellier"  
Chief Financial Officer

## **Everton Resources Inc.**

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### **Notice of no review or audit**

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

The accompanying 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 Statement of Financial Position

*(Expressed in Canadian dollars)*

As at	January 31, 2017	October 31, 2016
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash (Note 4)	213,787	272,204
Marketable securities and warrants (Note 5)	43,750	28,278
Accounts receivable	27,944	40,922
Prepaid expenses	40,917	63,979
Total current assets	326,398	405,383
Non-current assets		
Mineral exploration properties (Note 6)	2,815,841	2,815,841
Exploration and evaluation assets (Note 6)	10,791,879	10,692,631
Total non-current assets	13,607,720	13,508,472
Total assets	13,934,118	13,913,855
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	667,120	478,682
Flow through premium (Note 7)	16,682	17,535
Total current liabilities	683,802	496,217
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 8)	41,466,821	41,466,821
Warrants (Note 9)	61,000	61,000
Finder's options (Note 10)	26,350	26,350
Contributed surplus	10,392,314	10,392,314
	51,946,485	51,946,485
Accumulated deficit	(38,696,169)	(38,528,847)
Total shareholders' equity	13,250,316	13,417,638
Total liabilities and shareholders' equity	13,934,118	13,913,855

Contingencies and commitments (Note 18)

Events after the reporting date (Note 19)

Going concern (Note 1)

On behalf of the Board

(signed) "Andre Audet"  
Andre Audet, Director

(signed) "Steven Mintz"  
Steven Mintz, Director

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

**Everton Resources Inc.****Condensed Consolidated Interim Statement of Loss and Comprehensive Loss**  
*Expressed in Canadian dollars*

	Three months ended January 31	
	2017	2016
	\$	\$
Operating expenses		
Management fees	29,500	41,100
Salaries and benefits	11,316	10,091
Travel and promotion expense	84,717	5,635
Professional fees	13,547	8,913
General and administrative expense	43,115	26,452
	<u>(182,195)</u>	<u>(92,191)</u>
Other income (loss)		
Interest and other income	(1,452)	(683)
Unrealized loss on financial assets at fair value through profit or loss	15,472	(4,775)
	<u>14,020</u>	<u>(5,458)</u>
Net loss before tax	(168,175)	(97,649)
Tax recovery	(853)	-
Loss and comprehensive loss after tax	<u>(167,322)</u>	<u>(97,649)</u>
Basic and diluted loss per common share	(0.00)	(0.00)
Common shares outstanding	70,771,470	50,388,345

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

Everton Resources Inc.  
Condensed Consolidated Interim Statement 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, 2015</b>	50,388,345	40,502,441	20,300	43,787	9,918,977	50,485,505	13,059,873
Comprehensive loss						(37,425,632)	(37,425,632)
<b>Balance, January 31, 2016</b>	50,388,345	40,502,441	20,300	43,787	9,918,977	(37,523,281)	12,982,224
Shares issued for exploration data	1,700,000	76,500	-	-	76,500	-	76,500
Shares issued for mining rights	400,000	28,000	-	-	28,000	-	28,000
Shares issued on exercise of warrants	203,125	26,400	(10,150)	-	16,250	-	16,250
Shares issued on private placements	18,080,000	843,000	61,000	-	904,000	-	904,000
Share issue costs	-	(67,320)	-	26,350	(40,970)	-	(40,970)
Flow through premium	-	(72,200)	-	-	(72,200)	-	(72,200)
Expiry of finder's options	-	-	-	(43,787)	-	-	-
Expiry of warrants	-	-	(10,150)	43,787	-	-	-
Stock-based compensation	-	-	-	10,150	-	-	-
Shares to be issued	-	130,000	-	419,400	419,400	-	419,400
Comprehensive loss					130,000	-	130,000
<b>Balance, October 31, 2016</b>	70,771,470	41,466,821	61,000	26,350	10,392,314	51,946,485	(1,005,566)
Comprehensive loss						(38,528,847)	(38,528,847)
<b>Balance, January 31, 2017</b>	70,771,470	41,466,821	61,000	26,350	10,392,314	(167,322)	13,417,638
					51,946,485	(38,696,169)	13,250,316

**Everton Resources Inc.**  
Condensed Consolidated Interim Statement of Cash Flows  
*(Expressed in Canadian dollars)*

	Three months ended January 31, 2017 \$	Three months ended January 31, 2016 \$
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(167,322)	(97,649)
Adjustments for:		
Income tax recovery	(853)	-
Unrealized loss on financial assets at fair value through profit	(15,472)	4,775
Changes in working capital items (Note 12)	224,478	(37,185)
<b>Net cash from (used in) operating activities</b>	<b>40,831</b>	<b>(130,059)</b>
<b>INVESTING ACTIVITIES</b>		
Exploration and evaluation costs	(99,248)	(2,652)
Option payments received	-	60,000
<b>Net cash (used in) from investing activities</b>	<b>(99,248)</b>	<b>57,348</b>
Change in cash	(58,417)	(72,711)
Cash, beginning of the period	272,204	296,506
<b>Cash, end of the period</b>	<b>213,787</b>	<b>223,795</b>

*Supplemental cash flow information is provided in Note 12*

*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 AND GOING CONCERN**

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, K1J9G9. The Company's common shares are listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "EVR".

During the three months ended January 31, 2017, the Company incurred a loss of \$167,322 and, as at January 31, 2017, had negative working capital of \$384,472 and an accumulated deficit of \$38,696,169. To date the Company has not earned any revenues and is considered to be in the exploration stage. The Company's operations have been primarily funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. The Company will continue to require additional funding to maintain its ongoing levels of operations and administration, retire its indebtedness as they come due, and meet its payment commitments and property maintenance payments for the next fiscal year. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future (see note 19).

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business operations for the foreseeable future. Realization values may be substantially different from carrying values as shown and these condensed consolidated interim financial statements do not give effect to the adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to develop properties and to establish future profitable production.

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

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

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), and its interpretations, using accounting policies consistent with International Financial Reporting Standards ("IFRS"). The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended October 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB and interpretations of the IFRS Interpretations Committee ("IFRIC"). The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's consolidated financial statements for the year ended October 31, 2016.

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

These condensed consolidated interim 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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### 3. SUBSIDIARIES

These condensed consolidated interim 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 January 31, 2017, and October 31, 2016, the Company did not have any associates.

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.

The subsidiaries of the Company at January 31, 2017, 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

Everton Minera Dominicana S.A., Linear Gold Caribe S.A. and Hays Lake Gold Inc. remain inactive exploration companies.

## Everton Resources Inc.

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

### 4. Cash

On June 24, 2016 and July 14, 2016, the Company completed two private placements that included proceeds of \$365,500 from the issuance of flow through shares. These proceeds are subject to the tax rules which require the money to be spent on eligible exploration expenditures (Note 18).

For the three months ended January 31, 2017, the Company incurred \$7,874 of eligible expenditures and is required to incur an additional \$153,993 by December 31, 2017.

As at January 31, 2017, included in the Company's cash balance of \$213,787 (2016 - \$223,795) is \$192,906 (2016 - \$Nil) of cash reserved for eligible flow through expenditures, the amount of \$192,906 represents \$153,993 to be incurred expenditures and \$38,913 of already incurred expenditures that have not yet been paid, this amount is part of the Company's accounts payable and accrued liabilities as at January 31, 2017.

### 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 publicly listed companies on the open market.

The following securities were included in marketable securities and warrants:

	January 31, 2017	October 31, 2016
	Fair value	Fair value
	\$	\$
Augyva Inc. - 25,000 common shares	5 000	3 000
Majescor Resources Inc. - 250,000 common shares	22 500	17 500
<b>Marketable securities</b>	<b>27 500</b>	<b>20 500</b>
Majescor Resources Inc. - 250,000 warrants	16 250	7 778
<b>Marketable securities and warrants</b>	<b>43 750</b>	<b>28 278</b>

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.

**Everton Resources Inc.**

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

**6. MINERAL EXPLORATION PROPERTIES AND EXPLORATION AND EVALUATION ASSETS**

	January 31, 2017		October 31, 2016	
	Mineral exploration properties	Exploration and evaluation assets	Mineral exploration properties	Exploration and evaluation assets
	\$	\$	\$	\$
<b>Dominican Republic</b>				
b) Cabirma del Cerro	2,469,402	7,738,450	2,469,402	7,734,125
c) Arroyo Carpintero	-	70,044	-	-
	<u>2,469,402</u>	<u>7,808,494</u>	<u>2,469,402</u>	<u>7,734,125</u>
<b>Canada (Quebec)</b>				
e) Opinaca	260,450	2,842,066	260,450	2,817,207
f) Detour Lake	85,989	141,299	85,989	141,299
	<u>346,439</u>	<u>2,983,365</u>	<u>346,439</u>	<u>2,958,506</u>
<b>TOTAL</b>	<u>2,815,841</u>	<u>10,791,879</u>	<u>2,815,841</u>	<u>10,692,631</u>

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

During the year ended October 31, 2016, a 100% impairment was taken on this property. As at January 31, 2017, there were no further exploration and evaluation expenditures incurred on the property and no reversal of impairments.

**b) Cabirmadel Cerro ("CdC") (Formerly Ampliación Pueblo Viejo, La Lechoza), Dominican Republic**

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.

During the three month period ended January 31, 2017, the Company incurred exploration and evaluation expenditures of \$4,325 (2016 - \$Nil).

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

Everton holds 100% of the Arroyo Carpintero concession.

During the year ended October 31, 2015, a 100% impairment was taken on this property.

During the three month period ended January 31, 2017, the Company incurred exploration and evaluation expenditures of \$70,044 (2016 - \$Nil).

**Everton Resources Inc.**

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

**6. MINERAL EXPLORATION PROPERTIES AND EXPLORATION AND EVALUATION ASSETS (Cont'd)****d) Other**

Other properties consist of several eastern Dominican Republic concessions under renewal. As of January 31, 2017, the Company incurred \$Nil (2016 - \$Nil) in write-downs on other properties.

**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.

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.

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 (received and expenses incurred)	\$ -	\$ 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.

During the three month period ended January 31, 2017, the Company incurred exploration and evaluation expenditures of \$24,879 (2016 - \$Nil).

## **Everton Resources Inc.**

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

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

#### **f) Detour Lake**

On April 27, 2016, the Company staked certain claims in the James Bay Region of Quebec.

Everton has purchased a list of targets on the areas of interest by issuing 1,700,000 common shares valued at \$76,000 based on the trading price of the shares on the date of the transaction and by paying \$100,000 to Diagnos Inc. ("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.

#### **g) Wildcat**

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).

On August 11, 2016, Hecla Quebec transferred the Wildcat 1 and 2 properties back to Everton. All the rights, titles, and interests in the property have been transferred to Everton in consideration of a 1.0% NSR on the properties. Everton reserves the right to purchase one half (1/2) of one percent (1%) of the NSR royalty, by paying to Hecla the sum of \$500,000.

During the year ended October 31, 2016, the Company had an impairment expense of \$34,640 on this property.

#### **Canada, Ontario**

#### **h) 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 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 (issued and valued at \$28,000 based on the trading price of the shares on the date of the transaction), 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% NSR, 50% of which can be purchased by Everton for \$1,000,000.

As at October 31, 2016, the Company had an impairment expense of \$36,615 (2016 - \$Nil) on this property.

**Everton Resources Inc.**

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

**6. MINERAL EXPLORATION PROPERTIES AND EXPLORATION AND EVALUATION ASSETS (Cont'd)****h) Other**

During the period ended January 31, 2017, the Company incurred exploration and evaluation expenditures of \$Nil (2016 - \$Nil) on prospective properties that were not acquired by the Company.

The following table reflects the changes to mineral exploration properties and exploration and evaluation assets for the three months ended January 31, 2017, and the year ended October 31, 2016:

	Period ended January 31, 2017	Year ended October 31, 2016
	\$	\$
Balance, beginning of the year	13,508,472	13,324,646
Additions		
Assaying	-	4,593
Project consulting	1,242	-
Geological survey	944	24,500
Geophysical survey	69,705	79,300
Geochemical survey	5,688	-
Date and report preparation	-	52,750
Renewal of licenses and permits	21,329	15,151
General field expenses	340	93,879
	99,248	270,173
Acquisition of mineral exploration properties	-	254,883
Write-down of exploration properties and evaluation assets	-	(281,230)
Option payments received	-	(60,000)
	-	(86,347)
Balance, end of the period/year	13,607,720	13,508,472
Mineral exploration properties	2,815,841	2,815,841
Exploration and evaluation assets	10,791,879	10,692,631
Exploration properties and evaluation assets	13,607,720	13,508,472

**7. FLOW THROUGH SHARE PREMIUM LIABILITY**

The Company periodically issues flow through shares, to fund Canadian exploration programs, with any resulting flow through premium recorded as a flow through share premium liability. The liability is subsequently reduced when the required exploration expenditures are made, and accordingly, a recovery of flow through premium is recorded as income. Based on Canadian tax law, the Company is required to spend the amounts raised on eligible exploration expenditures by the end of the year subsequent to the date the expenditures were renounced (Note 4).

**Everton Resources Inc.**

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

**7. FLOW THROUGH SHARE PREMIUM LIABILITY (Cont'd)**

The following is a continuity schedule of the liability portion of the flow-through share issuances.

	Issued on		Total
	June 24, 2016	July 14, 2016	
<b>Balance November 1, 2015</b>	\$ -	\$ -	\$ -
Premium liability incurred on flow-through shares (Note 8)	12,100	60,100	72,200
Reduction of flow-through share liability on incurring qualifying expenditures	(12,100)	(42,565)	(54,665)
<b>Balance October 31, 2016</b>	\$ -	\$ 17,535	\$ 17,535
Reduction of flow-through share liability on incurring qualifying expenditures	-	(853)	(853)
<b>Balance January 31, 2017</b>	\$ -	\$ 16,682	\$ 16,682

**8. SHARE CAPITAL****Authorized**

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

The holders of common shares are entitled to receive dividends (if any) which 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**

	Number of	
	Common shares	\$
<b>Balance, October 31, 2015 and January 31, 2016</b>	<b>50,388,345</b>	<b>40,502,441</b>
Shares issued for exploration data (i)	1,700,000	76,500
Shares issued for mining rights (iii)	400,000	28,000
Shares issued on private placement (ii, iv, v)	18,080,000	843,000
Shares issued on exercise of warrants	203,125	26,400
Shares to be issued	-	130,000
Share issue costs	-	(67,320)
Flow through premium	-	(72,200)
<b>Balance, October 31, 2016 and January 31, 2017</b>	<b>70,771,470</b>	<b>41,466,821</b>

During the three month period ended January 31, 2017 the Company did not issue any shares, warrants or options.



## Everton Resources Inc.

Notes to the condensed consolidated interim financial statements  
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### 8. SHARE CAPITAL (Cont'd)

#### 2016 Issuance

- i. 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 6(f)).
- ii. 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 4,035,000 warrants issued in connection to the private placements listed above have been recorded at a value of \$48,000 based on the proportional method based on the Black-Scholes option pricing model, using the following assumptions: share price of \$0.0375, an average exercise price of \$0.07, risk free interest rate of 0.57%, expected life of warrants of 2 years, annualized volatility rate of 151.90% (based on the Company's historical volatility for 2 years up to the issuance date) and dividend rate of 0%.

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 of which \$45,980 was recorded in share capital and the remaining \$12,100 was recorded as a flow through share premium liability (Note 7).

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 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.

The finders' warrants have been recorded at a value of \$26,000 based on the proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of \$0.036, an average exercise price of \$0.05, risk free interest rate of 0.57%, expected life of warrants of 2 years, annualized volatility rate of 151.90% (based on the Company's historical volatility for 2 years up to the issuance date) and dividend rate of 0%.

- iii. On June 30, 2016, the Company issued 400,000 common shares as part of the Blue Sky Jackpot Lithium option agreement (Note 6(h)).
- iv. On July 14, 2016, the Company announced the closing of the second and final tranche of its non-brokered private placement by issuing 2,400,000 units for gross proceeds of \$120,000. 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.

## Everton Resources Inc.

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

The 1,200,000 warrants issued in connection to the private placements listed above have been recorded at a value of \$13,000 based on the proportional method based on the Black-Scholes option pricing model, using the following assumptions: share price of \$0.0384, an average exercise price of \$0.07, risk free interest rate of 0.58%, expected life of warrants of 2 years, annualized volatility rate of 132.10% (based on the Company's historical volatility for 2 years up to the issuance date) and dividend rate of 0%.

The Company has also issued 6,010,000 flow-through common shares at a price of \$0.05 per share for gross proceeds of \$300,500 of which \$228,380 was recorded in share capital and the remaining \$60,100 was recorded as a flow through share premium liability (Note 7).

- v. On August 4, 2016, the Company announced the closing of its non-brokered private placement by issuing 300,000 units for gross proceeds of \$15,000. 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.

In connection with the private placement, the Company paid a cash finder's fee of \$1,200. A total of 24,000 broker warrants was issued to the finders, with each broker warrant entitling the finder to purchase a broker unit of the Company at a price of \$0.07 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.

The finders' warrants have been recorded at a value of \$350 based on the proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of \$0.037, an average exercise price of \$0.07, risk free interest rate of 0.58%, expected life of warrants of 2 years, annualized volatility rate of 166.53% (based on the Company's historical volatility for 2 years up to the issuance date) and dividend rate of 0%.

On August 10, 2016, 203,125 common share purchase warrants were exercised for gross proceeds of \$16,250. The warrants had an exercise price of \$0.08 and an expiry date of September 30, 2016.

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**9. 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 and January 31, 2016</b>	<b>2 301 250</b>	<b>0.30</b>
Issued as part of a private placement (Note 8)	5 385 000	0.07
Exercised	(203 125)	0.08
Expired	(203 125)	0.08
<b>Balance, October 31, 2016 and January 31, 2017</b>	<b>7 280 000</b>	<b>0.10</b>

On March 6, 2016, the Company extended and repriced 1,895,000 common share purchase warrants with a new expiry date of March 6, 2018. The warrants were originally set to expire on March 6, 2016, and had an exercise price of \$0.35. Of the 1,895,000 warrants, a total of 1,319,500 of the warrants have been repriced and have a new exercise price of \$0.10, while the remaining 575,500 warrants remain exercisable at \$0.35.

As at January 31, 2017, the following warrants were issued and outstanding:

Number of warrants	Carrying Value \$	Exercise price \$	Expiry date
150 000	-	0.07	August 4, 2018
1 319 500	-	0.10	March 6, 2018
575 500	-	0.35	March 6, 2018
4 035 000	48 000	0.07	June 24, 2018
1 200 000	13 000	0.07	July 14, 2018
<b>7 280 000</b>	<b>61 000</b>		

**10. FINDER'S OPTIONS**

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

	January 31, 2017		October 31, 2016	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance, beginning of the year	746,400	0.07	151,600	0.20
Expired	-	-	(151,600)	0.20
Issued on private placement	-	-	746,400	0.07
<b>Balance, end of period</b>	<b>746,400</b>	<b>0.07</b>	<b>746,400</b>	<b>0.07</b>

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### 11. 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. These options may be granted to the Company's employees, officers, directors, and persons providing ongoing services to the Company, and are subject to regulatory approval.

On August 16, 2016 the shareholders approved an amendment to the stock option plan. Under the "rolling" 10% Stock Option Plan, the number of common shares which may be reserved under the Plan is limited to 10% of the aggregate number of common shares of the Corporation issued and outstanding, as the case may be.

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:

### 11. STOCK OPTION PLAN (cont'd)

	January 31, 2017		October 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the year	5,545,000	\$ 0.18	1,745,000	\$ 0.33
Expired	-	-	(160,000)	1.60
Issued	-	-	1,000,000	0.05
Issued	-	-	2,960,000	0.13
<b>Balance at end of the year</b>	<b>5,545,000</b>	<b>0.18</b>	<b>5,545,000</b>	<b>0.18</b>

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.

On August 16, 2016, the Company granted 2,960,000 stock options to officers, directors, consultant, and an employee of the Company at a price of \$0.13 per share for a period of five years ending August 15, 2021. The stock options have a Black-Scholes option pricing value of \$358,900.

During the year ended October 31, 2016, the Company realized \$419,400 (2016 - \$Nil) of stock based compensation expense. The stock options have a Black-Scholes option pricing value of \$60,500 and \$358,900 based on the assumptions below:

	April 14, 2016	August 16, 2016
Average share price at date of grant	\$0.07	\$0.14
Expected dividend yield	0.00%	0.00%
Expected share price volatility	124%	132%
Risk-free interest rate	0.89%	0.66%
Expected life of options	5 years	5 years

**Everton Resources Inc.**

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Average exercise price at date of grant	\$0.05	\$0.13
Stock options granted	1,000,000	2,960,000
Black-Scholes fair value	\$0.06	\$0.12
Vesting	Immediately	Immediately

In the year ended October 31, 2016, the Company recorded charges to the statement of comprehensive loss using the Black-Scholes fair valuation option pricing model. The valuation was 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.

**11. STOCK OPTION PLAN (Cont'd)**

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.

The following table shows the stock options which were outstanding and exercisable as at January 31, 2017:

Exercise price	Outstanding		Remaining contractual life (in years)	Exercisable	
	Options			Options vested	Expiry date
\$1.00	180,000	0.41	180,000	7/30/2017	
0.50	100,000	0.41	100,000	7/30/2017	
0.50	80,000	0.83	80,000	11/30/2017	
0.50	100,000	1.19	100,000	3/21/2018	
0.20	1,125,000	2.10	1,125,000	3/11/2019	
0.05	1,000,000	4.20	1,000,000	4/14/2021	
0.13	2,960,000	4.54	2,960,000	08/15/2021	
<b>\$ 0.18</b>	<b>5,545,000</b>	<b>3.83</b>	<b>5,545,000</b>		

**12. SUPPLEMENTAL CASH FLOW INFORMATION**

	Three months ended January 31,	
	2017	2016
		\$
<u>Changes in working capital are as follows:</u>		
Accounts receivable	12,978	22,710
Prepaid expenses	23,062	3,486
Accounts payable and accrued liabilities	188,438	(63,381)
	<u>224,478</u>	<u>(37,185)</u>
Exploration and evaluation costs included in accounts payable and accrued liabilities	99,248	39,276

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### 14. SEGMENT REPORTING

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

	January 31, 2017	October 31, 2016
<b>Canada</b>	\$	\$
Mineral exploration properties	346,439	346,439
Exploration and evaluation assets	2,983,384	2,958,506
Total	<u>3,329,823</u>	<u>3,304,945</u>

### 14. SEGMENT REPORTING (cont'd)

#### Dominican Republic

Mineral exploration properties	2,469,401	2,469,401
Exploration and evaluation assets	7,808,496	7,734,124
Total	<u>10,277,897</u>	<u>10,203,525</u>

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

### 15. 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 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 \$384,472 as at January 31, 2017 (deficit - \$325,399 as at January 31, 2016), including \$213,787 in cash as at January 31, 2017 (\$233,795 as at January 31, 2016) and current liabilities totalling \$667,120 (\$585,811 as at January 31, 2016), excluding the flow through premium liability of \$16,682 (\$Nil as at January 31, 2016). The Company's

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financial liabilities are all due within 12 months. The Company anticipates having sufficient funds to discharge its current liabilities, subject to raising additional funding. (see note 19)

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 January 31, 2017 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.

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

### *(iv) Interest rate risk*

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage this risk. The Company's policy as it relates to its cash balances is to invest excess cash in highly liquid, low-risk, short-term interest-bearing investments (such as investment savings accounts and guaranteed investment certificates) with maturities of 360 days or less from the original date of acquisition. The Company has limited exposure to financial risk arising from fluctuations in interest rates earned on cash and short-term investments and the volatility of these rates. As at January 31, 2017, cash totaled \$213,787 (\$223,795 as at January 31, 2016) and interest income derived from these investments during the three month period ended January 31, 2017 was \$108 (January 31, 2016 - \$134). 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 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 January 31, 2017. At January 31, 2017, the value of these publicly listed shares is \$43,750 (\$20,325 as at January 31, 2016). At January 31, 2017, had the bid price for these shares been 10% lower, the comprehensive income for the period would have been approximately \$4,375 lower (\$2,033 at January 31, 2016). Conversely, had the bid price been 10% higher, the comprehensive income for the period would have been approximately \$4,375 higher (\$2,033 at January 31, 2016).

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*

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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.

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

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

As at January 31, 2017, 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 periods ended January 31, 2017, and 2016.

The Company and its subsidiaries are 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.



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**16. 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: Disclosure 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

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**16. FINANCIAL INSTRUMENTS (cont'd)**

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 periods ended January 31, 2017 and 2016.

The classification of financial instruments is as follows:

	January 31, 2017	October 31, 2016
	\$	\$
<b>Financial assets</b>		
Financial assets at FVTPL		
Marketable securities (non-derivative)	27,500	20,500
Warrants	16,250	7,778
Cash	213,787	272,204
	<u>257,537</u>	<u>300,482</u>
<b>Financial liabilities</b>		
Other financial liabilities		
Accounts payable and accrued liabilities	(667,120)	(478,682)
<b>Net financial instruments</b>	<u>(409,583)</u>	<u>(178,200)</u>

**17. 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:

	Period ended	
	January 31, 2017	January 31, 2016
	\$	\$
Salaries and contractor fees <sup>(1)</sup>	45,526	41,100
Benefits	1,348	1,348
	<u>46,874</u>	<u>42,448</u>

<sup>(1)</sup> 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:

## **Everton Resources Inc.**

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### **17. RELATED PARTY TRANSACTIONS (Cont'd)**

- a) Under an agreement, which was signed on March 25, 2013 between Majescor Resources Inc. 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 month period ended January 31, 2017, Majescor reimbursed Everton \$4,299 of shared costs (January 31, 2016 - \$4,495).
- b) Tetra Bio-Pharma Inc. ("Tetra") (formerly GrowPros Cannabis Ventures Inc.) 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 month period ended January 31, 2017, Tetra reimbursed Everton \$5,508 of shared costs (January 31, 2016 - \$4,451).

### **18. 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 unaudited consolidated interim 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.

During the year ended October 31, 2016, the Company raised \$365,500 through flow-through placements. Management is required to fulfill its commitment within the stipulated deadline of December 31, 2017. As of January 31, 2017, Management has incurred \$172,500 of this commitment leaving \$193,000 to be spent by December 31, 2017.

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 up 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 unaudited consolidated interim financial statements. Minimum management contract commitments remaining under these contracts are approximately \$120,000, due within one year.

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### **18. CONTINGENCIES AND COMMITMENTS (Cont'd)**

#### 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 2017 is \$13,712.

During the three months ended January 31, 2017, the Company made lease payments of \$1,187 (January 31, 2016 - \$1,203) net of recoveries from related companies sharing the office (Note 17).

#### Promissory Note

Everton issued Primero Mining Corp. ("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 in the Dominican Republic 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 in the Dominican Republic plus an NI 43-101 compliant measured and indicated resource estimate (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 2342802 Ontario Inc. (now Everton Dominicana (2014) 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, 2016 and a further 2,000,000 on March 28, 2017, 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.

As at January 31, 2017, none of the concessions have been granted and as a result none of the contingent shares have been issued. On September 28, 2016, Everton notified the former shareholders of 2342802 Ontario Inc. that it would like to extend the contingent share deadlines to reflect the delays in getting concessions renewed. The Company is currently in the process of drafting the extension with the former shareholders of 2342802 Ontario Inc.

### **19. EVENTS AFTER THE REPORTING PERIOD**

On February 6, 2017, the Company announced the closing of the 1st tranche of its non-brokered private placement by issuing 9,995,000 units of the Corporation for gross proceeds of \$499,750. Each Unit consisted of one common share of the Corporation at a price of \$0.05 per Common Share and one-half common share purchase warrant (the "Warrant"). Each whole Warrant entitles the holder thereof to acquire one additional common share in the capital of the Corporation at a price of \$0.07 per common share for a period of twenty-four (24) months to expire February 6, 2019.

In connection with the closing of the 1st tranche of this private placement, the Corporation will pay cash finder's fees of \$23,700. A total of 148,000 Common Shares and 252,000 finder's warrants were also issued. Each finder's warrant entitling the finder to purchase one common share in the capital of the Corporation at a price of \$0.07 per finder's warrant for a period of twenty-four (24) months to expire February 6, 2019.

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**19. EVENTS AFTER THE REPORTING PERIOD (Cont'd)**

On February 21, 2017, the Company announced the closing of the 2nd and final tranche of its non-brokered private placement by issuing 12,070,000 units of the Corporation for gross proceeds of \$603,500. Each Unit consisted of one common share of the Corporation at a price of \$0.05 per Common Share and one-half common share purchase warrant (the "Warrant"). Each whole Warrant entitles the holder thereof to acquire one additional common share in the capital of the Corporation at a price of \$0.07 per common share for a period of twenty-four (24) months to expire February 21, 2019.

In connection with the closing of the 2nd tranche of this private placement, the Corporation will pay cash finder's fees of \$41,200. A total of 24,000 finder's warrants were also issued. Each finder's warrant entitling the finder to purchase one common share in the capital of the Corporation at a price of \$0.07 per finder's warrant for a period of twenty-four (24) months to expire February 21, 2019. A total of 800,000 broker warrants were also issued with each broker warrant entitling the finder to purchase a broker unit of the corporation 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 24 months from the closing date.