

# **EVERTON RESOURCES INC.**

## **Condensed Consolidated Interim Financial Statements**

**For the three and six month periods ended April 30, 2020**

*(Expressed in Canadian Dollars)*

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### **Condensed Consolidated Interim Financial Statements**

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

**Everton Resources Inc.**

Condensed Consolidated Interim Statements of Financial Position (Unaudited)

*(Expressed in Canadian dollars)*

As at	April 30, 2020	October 31, 2019
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash	49,775	4,775
Marketable securities (Note 3)	347,752	-
Sales taxes receivable	20,359	9,108
Prepaid expenses	11,623	-
	<b>429,509</b>	13,883
Long-term investment (Note 4)	-	964,250
Mineral exploration properties (Note 5)	1	1
Total assets	<b>429,510</b>	978,134
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	396,279	280,767
Loan payable (Note 10)	92,700	192,700
Total liabilities	<b>488,979</b>	473,467
<b>EQUITY</b>		
Share capital (Note 7)	42,152,701	42,152,701
Warrants (Note 8)	358,669	358,669
Contributed surplus (Note 9)	10,497,485	10,497,485
Deficit	(53,068,324)	(52,504,188)
Total equity (deficiency)	<b>(59,469)</b>	504,667
Total liabilities and equity	<b>429,510</b>	978,134

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 Statements of Operations and Comprehensive Income (Unaudited)

*(Expressed in Canadian dollars)*

	Three months ended April 30,		Six months ended April 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Operating expenses				
Management and consulting fees	<b>30,563</b>	29,500	<b>60,938</b>	82,324
Travel and promotion	-	-	-	420
Professional fees	<b>45,776</b>	2,596	<b>74,101</b>	8,933
General and administrative	<b>42,960</b>	23,903	<b>53,430</b>	52,783
Loss before other items	<b>(119,299)</b>	(55,999)	<b>(188,469)</b>	(144,460)
Other items				
Interest and other income	-	18	-	29
Change in fair value of financial assets at fair value through profit or loss	<b>(112,508)</b>	(105,000)	<b>(375,667)</b>	(103,750)
Writedown of mineral exploration properties and exploration and evaluation assets (Note 5)	-	-	-	(149,882)
Gain on sale of mineral exploration properties (Note 5)	-	-	-	279,876
Gain on sale of marketable securities (Note 3)	-	16,615	-	16,615
Forgiveness of debt to Management (Note 10)	-	75,000	-	75,000
Net loss and total comprehensive loss	<b>(231,807)</b>	(69,366)	<b>(564,136)</b>	(26,572)
Basic and diluted net loss per common share	<b>(0.0025)</b>	(0.0007)	<b>(0.0061)</b>	(0.0003)
Basic and diluted weighted average number of common shares outstanding	<b>93,134,470</b>	93,134,470	<b>93,134,470</b>	93,134,470

*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 (Unaudited)

*(Expressed in Canadian dollars)*

	Share Capital		Warrants	Contributed Surplus	Deficit	Total
	# of shares	\$	\$	\$	\$	\$
<b>Balance, October 31, 2018</b>	<b>93,134,470</b>	<b>42,152,701</b>	<b>423,970</b>	<b>10,432,184</b>	<b>(49,583,835)</b>	<b>3,425,020</b>
Expiry of warrants	-	-	(65,301)	65,301	-	-
Net loss and total comprehensive loss	-	-	-	-	(26,572)	(26,572)
<b>Balance, April 30, 2019</b>	<b>93,134,470</b>	<b>42,152,701</b>	<b>358,669</b>	<b>10,497,485</b>	<b>(49,610,407)</b>	<b>3,398,448</b>
Net loss and total comprehensive loss	-	-	-	-	(2,893,781)	(2,893,781)
<b>Balance, October 31, 2019</b>	<b>93,134,470</b>	<b>42,152,701</b>	<b>358,669</b>	<b>10,497,485</b>	<b>(52,504,188)</b>	<b>504,667</b>
Net loss and total comprehensive loss	-	-	-	-	(564,136)	(564,136)
<b>Balance, April 30, 2020</b>	<b>93,134,470</b>	<b>42,152,701</b>	<b>358,669</b>	<b>10,497,485</b>	<b>(53,068,324)</b>	<b>(59,469)</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 (Unaudited)

*(Expressed in Canadian dollars)*

	Three months ended April 30,		Six months ended April 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net loss	(231,807)	(69,366)	(564,136)	(26,572)
Adjustments for:				
Change in fair value of financial assets at fair value through profit or loss	112,508	105,000	375,667	103,750
Writedown of mineral exploration properties and exploration and evaluation assets	-	-	-	149,882
Gain on sale of mineral exploration properties	-	-	-	(279,876)
Gain on sale of marketable securities	-	(16,615)	-	(16,615)
Forgiveness of debt to Management	-	(75,000)	-	(75,000)
Changes in non-cash working capital items	61,336	31,738	92,638	56,828
<b>Net cash flows from operating activities</b>	<b>(57,963)</b>	<b>(24,243)</b>	<b>(95,831)</b>	<b>(87,603)</b>
<b>INVESTING ACTIVITIES</b>				
Proceeds from sale of mineral exploration properties	-	-	-	25,000
Proceeds from sale of financial assets at fair value through profit or loss	-	25,365	240,831	25,365
Mineral exploration properties and exploration and evaluation assets	-	-	-	(30,000)
<b>Net cash flows from investing activities</b>	<b>-</b>	<b>25,365</b>	<b>240,831</b>	<b>20,365</b>
<b>FINANCING ACTIVITIES</b>				
Loan payable	(100,000)	18,000	(100,000)	76,700
<b>Net cash flows from by financing activities</b>	<b>(100,000)</b>	<b>18,000</b>	<b>(100,000)</b>	<b>76,700</b>
(Decrease) Increase in cash	(157,963)	19,122	45,000	9,462
Cash, beginning of the period	207,738	1,754	4,775	11,414
<b>Cash, end of the period</b>	<b>49,775</b>	<b>20,876</b>	<b>49,775</b>	<b>20,876</b>
Changes in non-cash working capital items consists of the following:				
Sales taxes receivable	(5,823)	16,048	(11,251)	7,595
Prepaid expenses	10,348	-	(11,623)	1,400
Accounts payable and accrued liabilities	56,811	15,690	115,512	47,833
	61,336	31,738	92,638	56,828

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 (Unaudited)

For the three and six month periods ended April 30, 2020

*(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 38 Scott Road, Chelsea, Quebec, J9B 1R5. Everton's common shares are listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "EVR".

#### Arrangement Agreement with Molecule Inc.

On November 27, 2019, the Company entered into a definitive arrangement agreement with Molecule Inc. ("Molecule") pursuant to which Everton will acquire (the "Proposed Transaction") all of the issued and outstanding securities of Molecule, by way of plan of arrangement (the "Plan of Arrangement"), which will result in the shareholders of Molecule holding the majority of outstanding shares of Everton upon closing of the Proposed Transaction (the "Resulting Issuer").

Molecule, a private Ontario corporation, is a beverage formulation, manufacturing and distribution company that holds a Standard Processing Licence under the Cannabis Act and Regulations. Molecule will provide the capacity, knowledge and licensing required to produce and co-package craft cannabis-infused beverages.

Prior to the closing of the Proposed Transaction, it is anticipated that the Company will apply to list its common shares on the Canadian Securities Exchange ("CSE") and voluntarily delist its common shares from the TSX Venture Exchange (the "TSXV"). It is expected that the Company will delist from the TSXV concurrently with the listing on the CSE immediately following the completion of the Proposed Transaction.

As a condition of the Proposed Transaction, Everton will effect a consolidation (the "Consolidation") of its issued and outstanding common shares on the basis of one new common share (each a "Everton Share") for every ten (10) common shares of Everton issued and outstanding on the effective date of the Consolidation. In addition, prior to the closing, it is expected that Everton will change its corporate name to "Molecule Holdings Inc" or such other name as may be determined by the board of directors (the "Name Change").

As a condition to the closing of the Proposed Transaction, Molecule intends to complete a private placement offering ("Private Placement") for a minimum of \$2 million.

Concurrently with, and as a condition of, the closing of the Proposed Transaction, creditors of Everton will convert \$243,100 of indebtedness into an aggregate of 810,333 Everton Shares at a deemed issue price of \$0.30 per share. All the foregoing indebtedness is due to the CEO of Everton, for advances and loans that he has made to Everton in order to satisfy Everton's minimum working capital needs in the absence of any reasonable third-party alternatives.

#### Going concern

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 operations for the foreseeable future. The Company is in the exploration stage and has not earned revenue from operations. As at April 30, 2020, the Company has a working capital deficiency of \$59,470 and a deficit of \$53,068,324. The Company has no income or cash inflow from operations. Continued operation of the Company is dependent on financial support through completion of equity financings, or the achievement of profitable operations in the future. Such material uncertainties cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there is

## Everton Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and six month periods ended April 30, 2020

(Expressed in Canadian dollars)

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no assurance that these initiatives will be successful or sufficient. These condensed consolidated interim financial statements do not include any adjustments to the carrying value of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary should the Company be unable to continue as a going concern and these adjustments could be material.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the years ended October 31, 2019 and 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on June 17, 2020.

#### (b) Basis of presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis and are expressed in Canadian dollars, which is also the functional currency of the parent company.

These condensed consolidated interim financial statements have been prepared using accounting policies that are consistent with those used in the preparation of the Company's audited financial statements for the years ended October 31, 2019 and 2018.

### 3. MARKETABLE SECURITIES

Marketable securities are classified as fair value through profit or loss and are comprised of:

	April 30, 2020	October 31, 2019
	\$	\$
Precipitate Gold Corp. - 2,045,600 common shares (1)	<b>347,752</b>	-

(1) As at April 30, 2020, 2,045,600 common shares of Precipitate have been included in marketable securities, within current assets. Prior to the removal of resale restrictions, in January 2020, they were included in long-term investment in the consolidated statements of financial position (Note 4).

(2) During the three months ended April 30, 2019, the Company sold its 250,000 shares in Albert Mining Inc. for proceeds of \$25,365 and recognized a gain on sale of marketable securities of \$16,615.

## Everton Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and six month periods ended April 30, 2020

(Expressed in Canadian dollars)

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### 4. LONG-TERM INVESTMENT

#### Investment in Precipitate Gold Corp.

On January 15, 2019, further to the sale of the Company's three remaining concessions in the Dominican Republic, known as the Cabirma de Cerro, Mermejil and Arroyo properties, Everton received 7,000,000 common shares in Precipitate Gold Corp. ("Precipitate") with a fair value of \$770,000 (Note 5), based on the quoted market price of Precipitate shares on the TSX Venture Exchange at the time. The shares were classified and measured at fair value, with changes in fair value recognized in profit or loss. At no point has the Company exercised significant influence over Precipitate.

	April 30, 2020	October 31, 2019
	\$	\$
Precipitate Gold Corp. - 6,650,000 common shares (1)	-	964,250

(1) During the year ended October 31, 2019, the Company sold 350,000 shares in Precipitate Gold Corp. for proceeds of \$43,400.

As at October 31, 2019, with the exception of 350,000 common shares, the Company's common shares in Precipitate were subject to resale legend restrictions, expiring as follows:

- 700,000 common shares (10%) with resale legend expiring January 15, 2020
- 700,000 common shares (10%) with resale legend expiring July 15, 2020
- 1,050,000 common shares (15%) with resale legend expiring January 15, 2021
- 1,050,000 common shares (15%) with resale legend expiring July 15, 2021
- 2,800,000 common shares (40%) with resale legend expiring January 15, 2022

In January 2020, the Company sold 4,500,000 shares in Precipitate for gross proceeds of \$225,000, to purchasers arranged by Precipitate. As additional consideration for the sale of these shares, Precipitate agreed to remove any remaining resale restrictions that were still applicable to Precipitate shares held by Everton. During the three month period ended January 31, 2020, the Company sold an additional 104,400 shares of Precipitate for gross proceeds of \$15,831.

As at April 30, 2020, the remaining 2,045,600 common shares of Precipitate have been included in marketable securities, within current assets, due to the removal of the resale restrictions.



## Everton Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and six month periods ended April 30, 2020

(Expressed in Canadian dollars)

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

	April 30, 2020		October 31, 2019	
	Mineral exploration properties	Exploration and evaluation assets	Mineral exploration properties	Exploration and evaluation assets
	\$	\$	\$	\$
<u>Dominican Republic</u>				
a) Cabirma del Cerro	-	-	-	-
b) Arroyo Carpintero	-	-	-	-
	-	-	-	-
<u>Canada (Quebec)</u>				
c) Opinaca	1	-	1	-
d) Chapais	-	-	-	-
	1	-	1	-
<b>TOTAL</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>-</b>

#### Dominican Republic

##### a) Cabirma del Cerro (formerly Ampliación Pueblo Viejo, La Lechoza), Dominican Republic

In January 2019, the Company completed the sale of its three remaining mineral concessions in the Dominican Republic, known as the Cabirma de Cerro, Mermejal and Arroyo Carpintero properties, in accordance with a Mineral Property Purchase and Sale Agreement (the "Sale Agreement") with Precipitate Gold Corp. ("Precipitate"). Upon closing, Everton received \$25,000 and 7,000,000 common shares of Precipitate, with a fair value of \$770,000, based on the quoted market price of Precipitate shares on the TSX Venture Exchange at the time, for total consideration of \$795,000. The Company recognized a gain of \$279,876 on the sale of these mineral exploration properties during the 2019 fiscal year.

##### b) Arroyo Carpintero (formerly Ponton), Dominican Republic

See Note 5a).

#### Canada (Quebec)

##### c) Opinaca

On December 9, 2004, the Company signed an option agreement with Azimut Exploration Inc. ("Azimut") to earn a 50% undivided interest in the Opinaca property by incurring a minimum of \$2,800,000 in exploration work and making cash payments totaling \$180,000 over 5 years. The Company made the cash payments and incurred the required exploration expenditures to earn its initial 50% interest in the property.

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 could acquire a 50% ownership interest in the Opinaca property (leaving each of the Company and Azimut with 25%), by making total cash payments of \$580,000, \$290,000 of which was 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 made the cash payments and incurred the required exploration expenditures to earn its interest in the property

## Everton Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and six month periods ended April 30, 2020

(Expressed in Canadian dollars)

During the year ended October 31, 2019, the Company wrote down the carrying value of the property to \$1 and recorded a write-down of mineral exploration properties and exploration and evaluation assets in the amount of \$3,095,636 (\$260,449 of mineral exploration property costs and \$2,835,187 of exploration and evaluation costs).

As at April 30, 2020, the Company holds a 25% interest in the property, with the remaining interest held by Azimut Exploration Inc. (25%) and Hecla Mining Company (50%). Hecla is currently the operator.

### d) Chapais

On December 5, 2017, the Company entered into an option agreement with Albert Mining Inc. ("Albert Mining") to earn up to a 75% interest in seven mining claims located in the Chapais mining district of Quebec. To earn the 75% interest, the Company was to pay \$30,000 in cash, incur exploration expenditures totaling \$370,000 over a three-year period, and issue to Albert Mining a total of 2,500,000 common shares at two separate dates during the three-year period.

During the year ended October 31, 2019, the Company terminated the option agreement with Albert Mining, wrote down the cost of the Chapais property to \$Nil and recorded a write-down of mineral exploration properties and exploration and evaluation assets in the amount of \$149,882. This was based on the Company's decision that poor exploration results to date did not warrant further exploration on the property.

The following table reflects the changes to mineral exploration properties and exploration and evaluation assets for the period from October 31, 2018 to April 30, 2020:

	Six months ended April 30, 2020	Year ended October 31, 2019
	\$	\$
Balance, beginning of the year	1	3,730,643
Additions to mineral exploration properties	-	30,000
Sale of mineral exploration properties and exploration and evaluation assets	-	(515,124)
Write-down of mineral exploration properties and exploration and evaluation assets	-	(3,245,518)
Balance, end of the year	1	1
Mineral exploration properties	1	1
Exploration and evaluation assets	-	-
	1	1

## Everton Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and six month periods ended April 30, 2020

(Expressed in Canadian dollars)

### 6. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT

#### Financial instruments

The Company's financial instruments consist of cash, marketable securities, long-term investment, accounts payable and accrued liabilities and loan payable. Marketable securities and long-term investment are carried at fair value. The fair value of the Company's other financial instruments approximates their carrying value due to their short-term nature.

The classification of financial instruments is as follows:

	April 30, 2020	October 31, 2019
	\$	\$
<b>Financial assets</b>		
Amortized cost		
Cash	49,775	4,775
Fair value through profit or loss		
Marketable securities	347,752	-
Long-term investment	-	964,250
<b>Total financial assets</b>	<b>397,527</b>	<b>969,025</b>
<b>Financial liabilities</b>		
Amortized cost		
Accounts payable and accrued liabilities	(396,279)	(280,767)
Loan payable	(92,700)	(192,700)
<b>Total financial liabilities</b>	<b>(488,979)</b>	<b>(473,467)</b>

#### Risk management

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk and market 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. The Company's cash is held at reputable financial institutions with high external credit ratings. 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.

Management considers that all the above financial assets that are not impaired or past due for each of the reporting dates are of good credit quality. There are no financial assets that are past due but not impaired for the periods presented.

## Everton Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and six month periods ended April 30, 2020

(Expressed in Canadian dollars)

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### (ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

### (iii) Market risk

The Company holds shares in a publicly listed company in the mineral exploration industry. The Company is exposed to market risk regarding these shares as unfavorable market conditions could result in the disposal at less than their value at April 30, 2020. As at April 30, 2020, the value of these listed shares was \$347,752. At April 30, 2020, had the price for these publicly listed shares been 10% lower, the comprehensive loss for the period would have been \$34,775 greater. Conversely, had the price been 10% higher, the comprehensive loss would have been \$34,775 less.

### 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.

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.

There were no significant changes to capital management policies of the Company during the six month period ended April 30, 2020.

## 7. SHARE CAPITAL

### Authorized

The authorized capital of the Company consists of an unlimited number of common shares without par value.

	Number of shares	\$
<b>Balance, October 31, 2018, October 31, 2019 and and April 30, 2020</b>	<b>93,134,470</b>	<b>42,152,701</b>

## Everton Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and six month periods ended April 30, 2020

(Expressed in Canadian dollars)

### 8. WARRANTS

Outstanding warrants entitle the holders thereof to subscribe to an equivalent number of common shares.

The following table reflects the continuity of warrants:

	Number of warrants	Weighted average exercise price
		\$
<b>Balance, October 31, 2018</b>	<b>17,343,500</b>	<b>0.07</b>
Expired	(1,076,000)	0.05
<b>Balance, October 31, 2019 and April 30, 2020</b>	<b>16,267,500</b>	<b>0.07</b>

As at April 30, 2020 and October 31, 2019, the following warrants were issued and outstanding:

Number of warrants	Issue date fair value	Exercise price	Expiry date
	\$	\$	
4,035,000	48,000	0.07	July 14, 2020
1,200,000	13,000	0.07	July 14, 2020
4,997,500	128,565	0.07	February 6, 2021
6,035,000	169,104	0.07	February 21, 2021
<b>16,267,500</b>	<b>358,669</b>		

### 9. STOCK OPTIONS

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 21, 2017, the Company's 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 Company 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.

## Everton Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and six month periods ended April 30, 2020

(Expressed in Canadian dollars)

The following table reflects the continuity of stock options:

	Number of options	Weighted average exercise price \$
<b>Balance, October 31, 2018</b>	<b>4,970,000</b>	<b>0.13</b>
Expired	(1,670,000)	0.17
<b>Balance, October 31, 2019</b>	<b>3,300,000</b>	<b>0.11</b>
Expired	(200,000)	0.07
<b>Balance, April 30, 2020</b>	<b>3,100,000</b>	<b>0.11</b>

As at April 30, 2020, the following stock options were outstanding and exercisable:

Exercise prices	Outstanding			Exercisable	
	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average outstanding exercise price	Number vested	Weighted average vested exercise price
\$0.05	800,000	0.96	\$0.05	800,000	\$0.05
\$0.13	2,300,000	1.29	\$0.13	2,300,000	\$0.13
	<b>3,100,000</b>	<b>1.21</b>	<b>0.11</b>	<b>3,100,000</b>	<b>0.11</b>

As at October 31, 2019, the following stock options were outstanding and exercisable:

Exercise prices	Outstanding			Exercisable	
	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average outstanding exercise price	Number vested	Weighted average vested exercise price
\$0.05	800,000	1.45	\$0.05	800,000	\$0.05
\$0.13	2,300,000	1.79	\$0.13	2,300,000	\$0.13
\$0.07	200,000	2.32	\$0.07	200,000	\$0.07
	<b>3,300,000</b>	<b>1.74</b>	<b>0.11</b>	<b>3,300,000</b>	<b>0.11</b>

## Everton Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and six month periods ended April 30, 2020

(Expressed in Canadian dollars)

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### 10. RELATED PARTY TRANSACTIONS

#### Transactions with key management personnel

Related parties include the Board of Directors and key management personnel, as well as close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Unless otherwise stated, none of these transactions incorporated special terms and conditions and no guarantees were given or received.

Remuneration of directors and key management personnel of the Company was as follows:

	Three months ended April 30,		Six months ended April 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Consulting fees	30,000	29,500	60,000	73,000
Benefits	-	1,008	-	2,016
	<b>30,000</b>	<b>30,508</b>	<b>60,000</b>	<b>75,016</b>

As at April 30, 2020, unpaid management and consulting fees in the amount of \$165,400 are owed to Management and have been included in accounts payable and accrued liabilities (\$135,400 as at October 31, 2019).

During the three month period ended April 30, 2019, unpaid consulting fees in the amount of \$75,000 were forgiven by the Company's CEO. The amount has been recorded as forgiveness of debt to Management in the consolidated statement of operations and comprehensive income.

#### Loan Payable

As at April 30, 2020, the Company has a loan payable to the CEO of the Company in the amount of \$92,700 (\$192,700 as at October 31, 2019). The loan is non-interest bearing and has no specific terms of repayment.

### 11. ENTITY-WIDE REPORTING

The Company has reviewed its activities and determined that it operates in a single reportable operating segment.

The Company's non-current assets are all in Canada.