



FINANCIAL STATEMENTS

For the Year Ended October 31, 2022

(Expressed in Canadian Dollars)

TOWER RESOURCES LTD.
INDEX TO FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Tower Resources Ltd.

Opinion

We have audited the accompanying financial statements of Tower Resources Ltd. (the "Company"), which comprise the statements of financial position as at October 31, 2022 and 2021, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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



In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Michael MacLaren.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

February 24, 2023

TOWER RESOURCES LTD.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at October 31,

	<u>2022</u>	<u>2021</u>
	\$	\$
ASSETS		
Current		
Cash	1,369,904	1,714,714
Receivables (Note 4)	24,470	34,672
Marketable securities (Note 5)	5,938	31,500
Prepaid expenses and deposits	19,340	17,866
	<u>1,419,652</u>	<u>1,798,752</u>
Equipment (Note 6)	1,208	1,510
Exploration and evaluation assets (Note 7)	6,614,323	5,244,670
Reclamation bonds (Note 8)	<u>80,000</u>	<u>80,000</u>
	8,115,183	7,124,932
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 9 and 11)	434,625	115,181
Flow-through share premium (Note 10)	-	394,106
	<u>434,625</u>	<u>509,287</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	21,339,369	20,154,705
Reserves (Note 10)	926,166	715,755
Deficit	<u>(14,584,977)</u>	<u>(14,254,815)</u>
	<u>7,680,558</u>	<u>6,615,645</u>
	8,115,183	7,124,932

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
SUBSEQUENT EVENTS (Note 17)

Approved and authorized on behalf of the Board:

/s/ "Joe Dhami"
Joe Dhami, Director

/s/ "Gerald Shields"
Gerald Shields, Director

The accompanying notes are an integral part of these financial statements

TOWER RESOURCES LTD.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
For the year ended October 31,

	2022	2021
	\$	\$
Expenses		
Accounting and audit fees (Note 11)	56,417	54,968
Depreciation (Note 6)	302	378
Investor relations	10,000	-
Legal fees	2,177	559
Management fees (Note 11)	90,000	90,000
Office and miscellaneous	88,175	78,986
Share-based compensation (Notes 10 and 11)	473,490	132,385
Transfer agent and filing fees	22,965	14,503
Wages and benefits	3,500	1,168
	<u>(747,026)</u>	<u>(372,947)</u>
Interest income	749	1,711
Recognition of flow-through premium (Note 10)	394,106	277,223
Recovery on exploration and evaluation assets previously written off (Note 7)	26,875	42,806
Unrealized loss on marketable securities (Note 5)	<u>(27,437)</u>	<u>(27,000)</u>
Loss and comprehensive loss for the year	<u>(352,733)</u>	<u>(78,207)</u>
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding – basic and diluted	133,855,164	123,443,816

The accompanying notes are an integral part of these financial statements

TOWER RESOURCES LTD.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
For the year ended October 31,

	2022	2021
	\$	\$
Cash flows used in operating activities		
Loss for the year	(352,733)	(78,207)
Items not affecting cash		
Depreciation	302	378
Share-based compensation	473,490	132,385
Recognition of flow-through premium	(394,106)	(277,223)
Recovery on exploration and evaluation assets previously written off	(26,875)	(42,806)
Unrealized loss on marketable securities	27,437	27,000
Changes in non-cash working capital items		
Receivables	10,202	(8,539)
Prepaid expenses and deposits	(1,474)	235
Accounts payable and accrued liabilities	17,806	12,100
	<u>(245,951)</u>	<u>(234,677)</u>
Cash flows used in investing activities		
Acquisition of exploration and evaluation assets	(1,046,452)	(996,305)
Option payments received on exploration and evaluation assets	25,000	50,000
BC mining exploration tax credit received	7,437	406,808
	<u>(1,014,015)</u>	<u>(539,497)</u>
Cash flows provided by financing activities		
Proceeds from shares issued	-	2,000,000
Proceeds from warrants exercised	870,531	225,215
Proceeds from options exercised	44,625	-
Share issuance costs	-	(11,822)
	<u>915,156</u>	<u>2,213,393</u>
Net change in cash	(344,810)	1,439,219
Cash, beginning of year	<u>1,714,714</u>	<u>275,495</u>
Cash, end of year	<u>1,369,904</u>	<u>1,714,714</u>

SUPPLEMENTAL CASH FLOW INFORMATION (Note 13)

The accompanying notes are an integral part of these financial statements

TOWER RESOURCES LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Number of Shares Issued	Share Capital	Reserves	Deficit	Total Shareholders' Equity
		\$	\$	\$	\$
Balance at October 31, 2020	113,628,917	18,612,641	699,423	(14,292,661)	5,019,403
Shares issued for cash	13,986,014	2,000,000	-	-	2,000,000
Shares issued for warrants exercised	2,252,150	225,215	-	-	225,215
Share issuance costs	-	(11,822)	-	-	(11,822)
Flow-through premium	-	(671,329)	-	-	(671,329)
Share-based compensation	-	-	132,385	-	132,385
Stock options expired / forfeited	-	-	(116,053)	116,053	-
Loss for the year	-	-	-	(78,207)	(78,207)
Balance at October 31, 2021	129,867,081	20,154,705	715,755	(14,254,815)	6,615,645
Shares issued for warrants exercised	7,657,502	910,336	(39,805)	-	870,531
Shares issued for options exercised	441,667	85,822	(41,197)	-	44,625
Shares issued for exploration and evaluation assets	200,000	29,000	-	-	29,000
Share-based compensation	-	-	473,490	-	473,490
Stock options expired	-	-	(22,571)	22,571	-
Warrants expired	-	159,506	(159,506)	-	-
Loss for the year	-	-	-	(352,733)	(352,733)
Balance at October 31, 2022	138,166,250	21,339,369	926,166	(14,584,977)	7,680,558

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

Tower Resources Ltd. (the “Company”) is incorporated under the laws of British Columbia, Canada. The Company’s common shares are listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol TWR. The Company’s head office and principal address and registered and records office is located at 40440 Thunderbird Ridge B1831, Garibaldi Highlands, BC, V0N 1T0.

Going concern

The Company’s principal business activity is the acquisition and exploration of mineral exploration and evaluation assets domiciled in Canada. The Company has not yet determined whether any of these exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and future profitable production. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These financial statements have been prepared assuming the Company will continue on a going concern basis. The Company has incurred losses since inception, and the ability of the Company to continue as a going concern depends upon its ability to raise adequate financing and/or to achieve profitable operations. These financial statements do not include adjustments to the carrying value of assets and liabilities, the reported expenses, and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The continuation of the Company’s operations is dependent on obtaining sufficient additional financing in order to realize the recoverability of the Company’s investments in exploration and evaluation assets, which in turn is dependent upon the existence of economically recoverable reserves and market prices for the underlying minerals. Management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favourable or adverse market conditions occur. The Company raised capital in the current, prior, and subsequent (Note 17) periods through private placements of its common shares and exercise of options and warrants, with the result that the current working capital balance is an amount that management estimates is sufficient to further operations for the upcoming twelve months.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. In addition, in February 2022, Russia invaded Ukraine. This has created additional global supply chain issues, market instability and volatility, and increased inflation. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak nor the Russian invasion and their effects on the Company’s business or results of operations or its ability to raise funds.

2. BASIS OF PRESENTATION

Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee.

These financial statements were approved by the Audit Committee and Board of Directors of the Company on February 24, 2023.

2. BASIS OF PRESENTATION (continued)

Basis of presentation

The financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information and certain financial assets that are measured at fair value as explained in the significant accounting policies set out in Note 3. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Functional currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar. The reporting currency of the Company is the Canadian dollar.

Significant estimates

The preparation of these financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of these financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amounts, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Critical judgment exercised relates primarily to the application of the going concern basis of preparation.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessment of economic recoverability and probability of future economic benefits, including geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Valuation of share-based compensation

The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Significant judgments

Going concern

The Company has exercised judgment in determining that its available funds are sufficient to continue operations for the ensuing twelve months.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: amortized cost; fair value through other comprehensive income (“FVOCI”); or fair value through profit or loss (“FVTPL”). The classification of financial assets depends on the purpose for which the financial assets were acquired and is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Financial assets are classified as current assets or non-current assets based on their maturity date.

The Company’s financial assets consist of cash, receivables, and reclamation bonds, classified as amortized cost, and marketable securities, classified as FVTPL.

Impairment of financial assets

An expected credit loss (“ECL”) impairment model applies to financial assets classified and measured at amortized cost and contract assets and debt investments classified and measured at FVOCI, but not to investments in equity instruments. The ECL model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: FVTPL or amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

The Company’s financial liabilities which consist of accounts payable and accrued liabilities are classified as amortized cost.

Equipment

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment (continued)

Depreciation for equipment is calculated using the declining balance method at the following annual rates:

Equipment and furniture	20%
Computer software	100%

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

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Exploration and evaluation assets

Costs directly related to the acquisition and exploration of exploration and evaluation assets are capitalized once the legal rights to explore the exploration and evaluation assets are acquired or obtained. Prior to acquisition of legal rights, costs are expensed as incurred. When the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made, the capitalized costs of the related property are first tested for impairment and then are transferred to mining assets within property and equipment and depreciated using the units of production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Exploration and evaluation assets are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Acquisition costs include the cash or other consideration and the assigned value of shares issued, if any, on the acquisition of exploration and evaluation assets. Costs related to properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. The Company does not accrue estimated future costs of maintaining its exploration and evaluation assets in good standing.

Capitalized costs as reported on the statement of financial position represent costs incurred to date and may not reflect actual, present, or future values. Recovery of carrying value is dependent upon future commercial success or proceeds from disposition of the exploration and evaluation property interests.

Management evaluates each property on a reporting period basis or as events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to which costs are capitalized or charged as impairment charges. Write-downs due to impairment in value are charged to profit or loss.

Exploration and evaluation assets, where future cash flows are not reasonably determinable, are evaluated for impairment based on results of exploration work, and management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

General exploration costs not related to specific properties, and general administrative expenses are charged to profit or loss in the year in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mining and exploration tax recoveries

The Company recognizes mining and exploration tax recoveries when collection is reasonably assured. The amount recoverable is subject to review and approval by the respective taxation authority.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in amount and timing of the Company's estimates of reclamation costs, are charged to profit or loss for the period. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

For the years presented, the Company estimates that it has no significant restoration and environmental obligations related to its exploration and evaluation assets.

Impairment of non-financial assets

The carrying amount of the Company's assets (which include equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of an asset is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Costs related to issuances not completed will be recorded as deferred financing costs if the completion of the transaction is considered likely; otherwise they are expensed as incurred.

Flow-through common shares

The Company may, from time to time, issue flow-through common shares (as defined in the *Income Tax Act* (Canada)) to finance a portion of its Canadian exploration and development programs. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the proceeds received from flow-through common shares into: a flow-through share premium, equal to the estimated premium, if any, that investors pay for the flow-through feature, which is recognized as a liability, and share capital. The Company estimates the portion of the proceeds attributable to the premium as being the excess of the subscription price over the fair value of the shares without the flow-through feature at the time of issuance. Thereafter, as qualifying resource expenditures are incurred, these costs are capitalized and the flow-through share premium is amortized to profit or loss on a pro-rata basis.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued and recorded to profit or loss.

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned a value based on the residual value, if any, and included in reserves.

Warrants that are issued as payment for agency or finders' fees or other transactions costs are accounted for as share-based payments.

Basic and diluted loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similarly to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the years presented, this calculation proved to be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation

The Company has an incentive stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods using the graded vesting method. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options and compensatory warrants is determined using the Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The Company transfers the value of cancelled, forfeited, and expired unexercised vested stock options and compensatory warrants to deficit or share capital from reserves on the date of expiration, based on the nature of the item.

Income taxes

Current income tax

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

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

Deferred income tax

Deferred income tax is based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

New standards, interpretations and amendments to existing standards not yet effective

A number of new standards and amendments to standards and interpretations have been issued by the IASB and are effective for annual periods beginning after November 1, 2022. These have not been applied in preparing these financial statements. There are no IFRSs or IFRS Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on these financial statements.

4. RECEIVABLES

	October 31, 2022	October 31, 2021
	\$	\$
GST receivable	23,909	34,540
Interest receivable	561	132
	24,470	34,672

5. MARKETABLE SECURITIES

As at October 31, 2022, the Company held 118,750 (2021 - 87,500) common shares of Volatus Capital Corp. ("Volatus"), with a fair value of \$5,938 (2021 - \$31,500). During the year ended October 31, 2022, the Company received 31,250 (2021 - 31,250) common shares of Volatus, with a fair value of \$1,875 (2021 - \$11,250), pursuant to option agreements on the Belle and More Creek properties (Note 7). The change in market value of the shares resulted in the recording of an unrealized loss on marketable securities for the year ended October 31, 2022 of \$27,437 (2021 - \$27,000). Volatus consolidated its share capital on a 4:1 basis effective May 19, 2022. All share and share amounts of Volatus in these financial statements reflect the 4:1 consolidation.

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6. EQUIPMENT

	Computer software	Equipment and furniture	Total
	\$	\$	\$
Cost			
October 31, 2020, 2021 and 2022	76,929	11,451	88,380
Depreciation			
October 31, 2020	76,929	9,563	86,492
Charge for the year	-	378	378
October 31, 2021	76,929	9,941	86,870
Charge for the year	-	302	302
October 31, 2022	76,929	10,243	87,172
Net book value			
October 31, 2021	-	1,510	1,510
October 31, 2022	-	1,208	1,208

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7. EXPLORATION AND EVALUATION ASSETS

	Belle	Rabbit North	Nechako Gold	More Creek	Total
	\$	\$	\$	\$	\$
Balance, October 31, 2020	1	2,526,939	2,057,723	18,444	4,603,107
Acquisition costs	-	30,000	-	-	30,000
Deferred costs					
Drilling	-	-	452,667	-	452,667
Equipment rental	-	3,900	-	-	3,900
Field travel, meals and accommodation	-	35,951	36,803	-	72,754
Geology	-	93,960	138,060	-	232,020
Geophysics	-	-	12,050	-	12,050
Laboratory and analytical	-	68,050	28,172	-	96,222
Project supplies and fuel	-	2,394	2,756	-	5,150
Additions for the year	-	234,255	670,508	-	904,763
B.C. mineral exploration tax credit recovery	-	(840)	(243,916)	-	(244,756)
Option agreement	-	-	-	(18,444)	(18,444)
Balance, October 31, 2021	1	2,760,354	2,484,315	-	5,244,670
Acquisition costs	-	79,000	-	-	79,000
Deferred costs					
Drilling	-	761,031	-	-	761,031
Equipment rental	-	1,953	-	-	1,953
Field travel, meals and accommodation	-	80,929	-	-	80,929
Geology	-	312,764	6,370	-	319,134
Laboratory and analytical	-	110,664	691	-	111,355
Project supplies and fuel	-	23,688	-	-	23,688
Additions for the year	-	1,370,029	7,061	-	1,377,090
B.C. mineral exploration tax credit recovery	-	-	(7,437)	-	(7,437)
Balance, October 31, 2022	1	4,130,383	2,483,939	-	6,614,323

7. EXPLORATION AND EVALUATION ASSETS (continued)

BELLE PROPERTY

The Company owns a 100% interest in the Belle property located in the Omineca mining division of British Columbia.

The property is subject to a 2% net smelter return royalty (“NSR”), of which 1% can be purchased by the Company for \$2,000,000.

On August 5, 2020, the Company entered into an option agreement with Volatus, pursuant to which the Company granted to Volatus the option to acquire its 100% interests in and to the Belle property (the “Belle Option”). To exercise the Belle Option and earn a 100% interest, Volatus is required to make a total of \$100,000 in cash payments (\$75,000 received as at October 31, 2022) and issue 125,000 common shares over a 36 month period (93,750 received as at October 31, 2022, valued at \$63,125). During the year ended October 31, 2022, the Company recorded an amount for the Belle Option of \$26,875 (2021 - \$36,250), in recovery on exploration and evaluation assets.

RABBIT NORTH PROPERTY

The Company owns a 100% interest in the Rabbit North property, comprised of certain mineral claims, located in the Kamloops mining division of British Columbia. The Company acquired the property by making cash payments of \$170,000, issuing 1,300,000 common shares, and funding aggregate exploration expenditures of \$2,150,000.

The property is subject to a 3% NSR in favour of the optionors, of which 1% of the 3% may be purchased by the Company for \$2,000,000 and the second 1% of the 3% may be purchased by the Company for \$1,500,000. In March 2017, the Company entered into a royalty buyback assignment agreement with Sandstorm Gold Ltd. (“Sandstorm”) pursuant to which it assigned to Sandstorm the Company’s right to purchase the second 1% of the Company’s 2% buyback rights with respect to the optionors’ NSR. If the Company makes a decision to develop the Rabbit North property and put it into production, the Company has agreed to exercise its right to buy back 1% of the NSR, contingent upon Sandstorm exercising its right to buy back the second 1% (as assigned to it), whereupon the Company will grant directly to Sandstorm a 1% NSR. As at October 31, 2022, the Company had paid a total of \$150,000 in advance annual royalty payments.

The Company acquired additional claims contiguous to the Rabbit North property by staking, known collectively as the Rabbit North Extension property. In March 2017, the Company entered into an agreement with Sandstorm and granted Sandstorm a 2% NSR on the Rabbit North Extension property. The Company has the option to buy back 1% of the NSR from Sandstorm for cash consideration of \$500,000.

During the year ended October 31, 2022, the Company entered into a property purchase agreement and acquired a 100% interest in the West Afton Property, comprised of certain mineral claims contiguous to the Rabbit North property, by making cash payments totaling \$20,000 and issuing 200,000 common shares, valued at \$29,000.

NECHAKO GOLD PROPERTY

In July 2016, the Company entered into two property option agreements (Porphyry and Chutanli) under which it was granted the right to acquire mineral tenures in the Nechako Plateau region of central British Columbia. The Company fully exercised the options and now owns a 100% interest in these property properties. Details are as follows:

Porphyry Property Option Agreement

In fiscal 2018, the Company fulfilled its obligations under the Porphyry Property option agreement and earned the right to acquire a 100% interest in the Porphyry Property by making cash payments totaling \$40,000 and issuing 400,000 common shares, in addition to funding aggregate exploration expenditures of \$250,000.

The agreement is subject to a 1.5% NSR, which can be purchased by the Company for \$1,000,000.

7. EXPLORATION AND EVALUATION ASSETS (continued)

NECHAKO GOLD PROPERTY (continued)

Chutanli Property Option Agreement

In fiscal 2019, the Company fulfilled its obligations under the Chutanli Property option agreement and earned the right to acquire a 100% interest in the Chutanli Property by making cash payments totaling \$60,000 and issuing 600,000 common shares, in addition to funding aggregate exploration expenditures of \$225,000.

The agreement is subject to a 1.5% NSR, which can be purchased by the Company for \$1,000,000.

In March 2017, the Company entered into certain NSR agreements with Sandstorm and granted Sandstorm a 2% NSR on the Nechako Gold property. The Company has the option to buy back 1% of the NSR from Sandstorm for cash consideration of \$500,000.

MORE CREEK PROPERTY

This property is located in the Golden Triangle district of northwest British Columbia and was acquired by staking.

In March 2017, the Company entered into an NSR agreement with Sandstorm and granted Sandstorm a 2% NSR on the Company's More Creek property. The Company has the option to buy back 1% of the NSR from Sandstorm for cash consideration of \$500,000.

On August 21, 2020, the Company entered into an option agreement with Volatus, pursuant to which the Company granted to Volatus the right to acquire its 100% interest in and to the More Creek property (the "More Option"). To exercise the More Option and earn a 100% interest, Volatus is required to make a total of \$150,000 in payments (of which Volatus must pay \$50,000 in cash and, at its option, pay up to \$100,000 in cash or shares of Volatus) (\$50,000 cash received as at October 31, 2022; 1,000,000 shares received subsequent to October 31, 2022 (Note 17)), issue 25,000 common shares (received, valued at \$39,000), and complete \$600,000 in exploration expenditures over a 40-month period. The Company will retain a 1% NSR of which 0.5% can be repurchased by Volatus for \$500,000. During the year ended October 31, 2022, the Company recorded an amount for the More Option of \$nil (2021 - \$6,556), in recovery on exploration and evaluation assets.

8. RECLAMATION BONDS

In relation to the Rabbit North and Nechako properties, the Company has posted reclamation bonds totaling \$45,000 and \$35,000 (2021 - \$45,000 and \$35,000), respectively.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2022	October 31, 2021
	\$	\$
Accounts payable	406,625	82,327
Accrued liabilities	28,000	32,854
	434,625	115,181

10. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

During the year ended October 31, 2022, the Company issued:

- a. 200,000 common shares, valued at \$29,000, pursuant to the acquisition of the West Afton Property (Note 7);
- b. 441,667 common shares for proceeds of \$44,625 pursuant to the exercise of options; and
- c. 7,657,502 common shares for proceeds of \$870,531 pursuant to the exercise of warrants.

During the year ended October 31, 2021, the Company issued:

- a. 13,986,014 units at a price of \$0.143 per unit for gross proceeds of \$2,000,000. Each unit was comprised of one flow-through common share and one share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at the exercise price of \$0.22 per share for a period of 12 months. Expenses of \$11,822 were paid in connection with this financing. The flow-through shares were issued at a premium of \$671,329; and
- b. 2,252,150 common shares for proceeds of \$225,215, pursuant to the exercise of warrants.

Flow-through share premium

	Total
	\$
October 31, 2020	-
Flow-through premium additions	671,329
Recognition of flow-through premium	(277,223)
October 31, 2021	394,106
Recognition of flow-through premium	(394,106)
October 31, 2022	-

As at October 31, 2022, the Company had incurred all flow-through exploration expenditures and the flow-premium was reduced to \$nil.

Stock options

On November 19, 2010, the Company adopted an incentive stock option plan (the "Plan"). The Plan provides that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed ten percent of the issued and outstanding common shares of the Company at the time an option is granted. Options granted under the Plan will have a maximum term of 10 years. The exercise price of options granted under the Plan shall be set by the Board of Directors on the effective date of the options and will not be less than the Discounted Market Price as defined under the policies of the TSX-V. Vesting of the options shall be at the discretion of the Board of Directors.

During the year ended October 31, 2022, the Company granted 2,818,000 (2021 - 2,150,000) incentive stock options with a fair value of \$681,445 (2021 - \$107,902) using the Black-Scholes option pricing model. During the year ended October 31, 2022, the Company expensed \$473,490 (2021 - \$132,385) as share-based compensation for the fair value of vesting options.

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10. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

The fair value of options granted is estimated on the grant date using the Black-Scholes option pricing model using the following variables:

	For the year ended October 31,	
	2022	2021
Risk-free interest rate	2.74%	1.33
Expected option life in years	5 years	5 years
Expected stock price volatility	130%	123%
Expected forfeiture rate	-	-

During the year ended October 31, 2022, 150,000 (2021 - 775,000) incentive stock options expired unexercised and nil (2021 - 850,000) incentive stock options were terminated in accordance with their terms; accordingly, \$22,571 (2021 - \$61,390) and \$nil (2021 - \$ 54,663), respectively, was reversed from reserves to deficit.

The following is a summary of stock options activities:

	Number of options	Weighted average exercise price
		\$
Outstanding at October 31, 2020	7,225,000	0.09
Granted	2,150,000	0.06
Forfeited	(850,000)	0.09
Expired	(775,000)	0.12
Outstanding at October 31, 2021	7,750,000	0.08
Granted	2,818,000	0.28
Exercised	(441,667)	0.10
Expired	(150,000)	0.16
Outstanding at October 31, 2022	9,976,333	0.13

The Company has outstanding options entitling the holders to purchase common shares at October 31, 2022 as follows:

Number outstanding	Number exercisable	Exercise price	Weighted average remaining life (years)	Expiry date
		\$		
500,000	500,000	0.125	0.50	May 2, 2023
2,700,000	2,700,000	0.055	1.75	July 29, 2024
1,850,000	1,850,000	0.115	2.72	July 22, 2025
2,108,333	1,391,666	0.060	3.99	October 26, 2026
2,818,000	939,333	0.280	4.51	May 4, 2027
9,976,333	7,380,999			

The weighted average exercise price of exercisable options is \$0.10.

10. SHARE CAPITAL AND RESERVES (continued)

Warrants

In conjunction with the March 2021 financing, the Company issued 13,986,014 warrants, each exercisable into one common share of the Company at a price of \$0.22 for a period of 12 months.

During the year ended October 31, 2022, 25,985,440 (2021 - 5,387,500) share purchase warrants expired unexercised accordingly, \$159,506 (2021 - \$nil) was reversed from reserves to share capital.

The following is a summary of share purchase warrant activities:

	<u>Number of warrants</u>	<u>Weighted average exercise price</u>
		\$
Outstanding at October 31, 2020	27,859,078	0.16
Issued	13,986,014	0.22
Expired	(5,387,500)	0.10
Exercised	<u>(2,252,150)</u>	0.10
Outstanding at October 31, 2021	34,205,442	0.19
Expired	(25,985,440)	0.22
Exercised	<u>(7,657,502)</u>	0.11
Outstanding at October 31, 2022	<u><u>562,500</u></u>	0.12

The Company has outstanding warrants entitling the holders to purchase common shares at October 31, 2022 as follows:

<u>Number outstanding</u>	<u>Exercise price</u>	<u>Expiry date</u>
	\$	
250,000	0.22	January 16, 2023 ⁽¹⁾
312,500	0.0375	December 31, 2023
<u><u>562,500</u></u>		

⁽¹⁾ subsequent to October 31, 2022, these warrants expired, unexercised

11. RELATED PARTY TRANSACTIONS

The Company entered into transactions with related parties during the year ended October 31, 2022 and 2021.

Summary of key management personnel compensation (includes officers and directors of the Company):

	For the year ended October 31,	
	2022	2021
	\$	\$
Accounting fees	24,000	24,000
Management fees	90,000	90,000
Share-based compensation	352,419	119,904
	<u>466,419</u>	<u>233,904</u>

Amounts owing to related parties (including key management personnel) included in accounts payable and accrued liabilities total \$9,975 (2021 - \$9,975).

12. SEGMENTED INFORMATION

The Company has one geographic segment, being Canada, and one operating segment, being the acquisition and exploration of mineral exploration and evaluation assets.

13. SUPPLEMENTAL CASH FLOW INFORMATION

The significant non-cash investing and financing transactions are as follows:

	For the year ended October 31,	
	2022	2021
	\$	\$
Non-cash transactions not included in investing or financing activities:		
Exploration and evaluation assets in accounts payable	362,426	60,788
Shares received for exploration and evaluation assets	1,875	11,250
Shares issued for exploration and evaluation assets	29,000	-
Options exercised	41,197	-
Stock options expired / forfeited	22,571	116,053
Warrants exercised	39,805	-
Warrants expired	159,506	-
Flow-through share premium	-	671,329

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, receivables, marketable securities, reclamation bonds, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values, except for marketable securities, which are measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including credit, liquidity, interest rate, foreign currency and price risk.

Credit risk

The Company is exposed to industry credit risks arising from its cash holdings and receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. The Company's receivables are primarily due from a government agency. Management believes that credit risk related to these amounts is nominal.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital and financing to continue its operations and discharge its commitments. The Company has sufficient cash as at October 31, 2022 to settle its current liabilities as they come due and management estimates funds are sufficient to further operations for the upcoming twelve months (Note 1).

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of October 31, 2022, the Company held deposits with a face value of \$68,000. A 1% increase or decrease in the interest rates would have a nominal impact in interest income for the year ended October 31, 2022.

Foreign currency risk

The Company is not significantly exposed to foreign currency risk on fluctuations related to items that are denominated in a foreign currency.

Price risk

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

15. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company, in order to support the acquisition and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, options and warrants.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. 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.

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 is not subject to externally imposed capital restrictions. There have been no significant changes in the Company's objectives, policies, and processes for managing its capital during the year ended October 31, 2022.

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16. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	October 31, 2022	October 31, 2021
	\$	\$
Loss before income taxes	(352,733)	(78,207)
Expected income tax recovery at statutory tax rates	(95,000)	(21,000)
Change in statutory rate and other items	1,000	1,000
Share issuance costs	-	(3,000)
Impact of flow-through shares	317,000	223,000
Permanent difference	28,000	(35,000)
Change in unrecognized deductible temporary differences	(251,000)	(165,000)
Total deferred taxes	-	-

The significant components of the Company's unrecorded deferred tax assets are as follows:

	October 31, 2022	October 31, 2021
	\$	\$
Marketable securities	13,000	9,000
Equipment	25,000	25,000
Non-capital losses	1,636,000	1,531,000
Allowable capital losses	33,000	33,000
Exploration and evaluation assets	702,000	1,060,000
Share issuance costs	4,000	6,000
Total unrecognized deferred tax assets	2,413,000	2,664,000

Tax attributes are subject to review and potential adjustment by tax authorities.

The significant components of the Company's unrecognized deductible temporary differences and unused tax losses are as follows:

	October 31, 2022	Expiry dates	October 31, 2021	Expiry dates
	\$		\$	
Share issuance costs	14,000	2023 to 2025	21,000	2022 to 2025
Allowable capital losses	121,000	No expiry	121,000	No expiry
Marketable securities	96,000	No expiry	69,000	No expiry
Equipment	92,000	No expiry	91,000	No expiry
Exploration and evaluation assets	2,601,000	No expiry	3,926,000	No expiry
Non-capital losses	6,058,000	2026 to 2042	5,669,000	2026 to 2041
	8,982,000		9,897,000	

17. SUBSEQUENT EVENTS

Subsequent to October 31, 2022, the Company:

- a. issued 41,666 common shares pursuant to the exercise of options, for proceeds of \$2,500;
- b. received 1,000,000 common shares of Volatus, in lieu of cash, for the \$50,000 option payment, pursuant to the More Creek Option (Note 7);
- c. had 250,000 warrants expire, unexercised; and
- d. issued 3,888,889 units at a price of \$0.18 per unit for gross proceeds of \$700,000. Each unit was comprised of one flow-through common share and one share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at an exercise price of \$0.36 per share for a period of 24 months. 233,333 finder's warrants were issued, with each warrant entitling the holder to acquire one additional common share of the Company at an exercise price of \$0.18 per share for a period of 24 months.