



**FINANCIAL STATEMENTS**

**For the year ended October 31, 2016**

**(Expressed in Canadian Dollars)**

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

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**INDEPENDENT AUDITORS' REPORT**

To the Shareholders of  
Tower Resources Ltd.

We have audited the accompanying financial statements of Tower Resources Ltd., which comprise the statements of financial position as at October 31, 2016 and October 31, 2015 and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

***Auditors' Responsibility***

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

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

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

***Opinion***

In our opinion, these financial statements present fairly, in all material respects, the financial position of Tower Resources Ltd. as at October 31, 2016 and October 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Tower Resources Ltd. 's ability to continue as a going concern.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

February 24, 2017

**TOWER RESOURCES LTD.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

	<b>October 31, 2016</b>	<b>October 31, 2015</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash	1,113,121	378,669
Receivables (Note 3)	54,060	13,364
Prepaid expenses and deposits	8,773	15,951
	<u>1,175,954</u>	<u>407,984</u>
<b>Property and equipment</b> (Note 4)	8,275	11,626
<b>Exploration and evaluation assets</b> (Note 5)	1,528,189	3,576,413
<b>Exploration and evaluation assets - oil and gas</b> (Note 6)	1	1
<b>Reclamation bonds</b> (Note 7)	<u>55,000</u>	<u>60,000</u>
	<b>2,767,419</b>	<b>4,056,024</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 8)	424,163	38,959
<b>Rehabilitation obligation</b> (Note 6)	<u>13,000</u>	<u>13,000</u>
	<u>437,163</u>	<u>51,959</u>
<b>Shareholders' equity</b>		
Share capital (Note 9)	14,154,022	12,989,917
Share subscriptions (Note 9)	12,000	-
Reserves (Note 9)	427,985	657,650
Deficit	<u>(12,263,751)</u>	<u>(9,643,502)</u>
	<u>2,330,256</u>	<u>4,004,065</u>
	<b>2,767,419</b>	<b>4,056,024</b>

**NATURE OF OPERATIONS AND GOING CONCERN** (Note 1)  
**SUBSEQUENT EVENTS** (Note 15)

*Approved and authorized on behalf of the Board:*

"Mark Vanry"  
Mark Vanry, Director

"Steve Vanry"  
Steve Vanry, 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)

	<b>For the year ended October 31,</b>	
	<b>2016</b>	<b>2015</b>
	<u>\$</u>	<u>\$</u>
<b>Expenses</b>		
Accounting and audit	38,380	32,705
Benefits	14,536	8,053
Consulting fees (Note 10)	60,000	37,500
Depreciation	4,045	8,511
Legal fees	3,356	8,213
Management fees (Note 10)	90,000	82,125
Office and miscellaneous (Note 10)	89,432	88,026
Property investigation costs	6,984	-
Share-based compensation (Notes 9 and 10)	29,690	46,091
Transfer agent and filing fees	15,693	10,722
Travel and promotion	5,252	3,130
	<u>(357,368)</u>	<u>(325,076)</u>
Write off of exploration and evaluation assets (Note 5)	<u>(2,542,875)</u>	<u>(3,890)</u>
<b>Loss and comprehensive loss for the year</b>	<b><u>(2,900,243)</u></b>	<b><u>(328,966)</u></b>
<b>Basic and diluted loss per share</b>	<b><u>(0.06)</u></b>	<b><u>(0.01)</u></b>
<b>Weighted average number of common shares outstanding</b>	<b><u>51,717,871</u></b>	<b><u>49,384,678</u></b>

The accompanying notes are an integral part of these financial statements

**TOWER RESOURCES LTD.**  
**STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	<b>For the year ended October 31,</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows used in operating activities</b>		
Loss for the year	(2,900,243)	(328,966)
Items not affecting cash:		
Depreciation	4,045	8,511
Share-based compensation	29,690	46,091
Write off of exploration and evaluation assets	2,542,875	3,890
Changes in non-cash working capital items		
Receivables	(14,696)	20,331
Prepaid expenses	7,178	6,997
Accounts payable and accrued liabilities	68,296	(59,874)
	<u>(247,855)</u>	<u>(303,020)</u>
<b>Cash flows used in investing activities</b>		
Acquisition of equipment	(694)	(2,709)
Exploration and evaluation assets expenditures	(179,188)	(159,096)
BC mining exploration tax credit received	26,639	91,357
Recovery on equipment	-	3,124
Reclamation bonds refund	5,000	40,000
	<u>(148,243)</u>	<u>(27,324)</u>
<b>Cash flows from financing activities</b>		
Proceeds from shares issued	1,174,000	-
Share issuance costs	(40,450)	-
Share subscriptions	12,000	-
	<u>1,145,550</u>	<u>-</u>
<b>Net change in cash</b>	<b>734,452</b>	<b>(330,344)</b>
<b>Cash, beginning of year</b>	<b>378,669</b>	<b>709,013</b>
<b>Cash, end of year</b>	<b>1,113,121</b>	<b>378,669</b>
<b>Non-cash transactions</b>		
Shares issued for exploration and evaluation assets	39,750	20,000
Exploration and evaluation assets expenditures in accounts payable	302,352	-
Share issuance costs in accounts payable and accrued liabilities	14,556	-
Agent's unit issued	48,639	-
Expiration of unexercised agents warrants	-	54,268
Expiration of stock options	279,994	-

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

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

	<u>Number of Shares Issued</u>	<u>Capital Stock \$</u>	<u>Reserves \$</u>	<u>Share Subscriptions \$</u>	<u>Deficit \$</u>	<u>Total Shareholders' Equity \$</u>
<b>Balance at October 31, 2014</b>	49,058,308	12,915,649	665,827	-	(9,314,536)	4,266,940
Expiration of agents warrants	-	54,268	(54,268)	-	-	-
Shares issued for exploration and evaluation assets acquisition	575,000	20,000	-	-	-	20,000
Share-based compensation	-	-	46,091	-	-	46,091
Loss for the year	-	-	-	-	(328,966)	(328,966)
<b>Balance at October 31, 2015</b>	<b>49,633,308</b>	<b>12,989,917</b>	<b>657,650</b>	<b>-</b>	<b>(9,643,502)</b>	<b>4,004,065</b>
Shares issued for cash	15,000,000	1,200,000	-	-	-	1,200,000
Share issuance costs	350,000	(75,645)	20,639	-	-	(55,006)
Share subscriptions	-	-	-	12,000	-	12,000
Shares issued for exploration and evaluation assets acquisition	550,000	39,750	-	-	-	39,750
Share-based compensation	-	-	29,690	-	-	29,690
Stock options expired	-	-	(279,994)	-	279,994	-
Loss for the year	-	-	-	-	(2,900,243)	(2,900,243)
<b>Balance at October 31, 2016</b>	<b>65,533,308</b>	<b>14,154,022</b>	<b>427,985</b>	<b>12,000</b>	<b>(12,263,751)</b>	<b>2,330,256</b>

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, principal address and registered and records office is located at 912 – 1112 West Pender Street, Vancouver, BC V6E 2S1.

### **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 amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The continuance 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 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 favorable or adverse market conditions occur. Management estimates it will need additional financing within the next twelve months. Accordingly, these material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies used in the preparation of these financial statements.

### **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 (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements were authorized by the Audit Committee and Board of Directors of the Company on February 24, 2017.

### **Basis of presentation**

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except for certain financial assets which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **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.

### **Use of estimates**

The preparation of 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 the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, 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 going concern issue identified in Note 1.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets, the valuation of share-based compensation and income taxes.

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.

#### Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Exploration and evaluation assets**

Pre-exploration costs are expensed as incurred.

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. 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 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.

### **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.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **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 recorded a rehabilitation obligation of \$13,000 in relation to its oil and gas exploration and evaluation assets. The Company estimates that it has no significant restoration and environmental obligations related to its exploration and evaluation assets.

### **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.

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

Computer hardware	50%
Computer software	100%
Equipment and furniture	20%

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.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **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.

### **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.

### **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 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.

### **Impairment of non-financial assets**

The carrying amount of the Company's assets (which include property and 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.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Impairment of non-financial assets (continued)**

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.

### **Financial instruments**

#### Financial assets

The Company classifies its financial assets into one of the following categories as follows:

*Fair value through profit or loss* - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company classifies cash as fair value through profit or loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. The Company classifies its receivables as loans and receivables.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment. The Company classifies its reclamation bonds as held-to-maturity investments.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

#### Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

*Fair value through profit or loss* - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

*Other financial liabilities* - This category consists of liabilities carried at amortized cost using the effective interest method, and includes accounts payable and accrued liabilities.

For the years presented, the Company did not have any derivative financial assets or liabilities.

## **2. SUMMARY OF 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.

### **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.

#### Flow-through shares:

On the issuance of flow-through shares, any premium received in excess of the closing market price of the Company's common shares is initially recorded as a flow-through premium liability. Upon related expenditures being incurred, the Company proportionately derecognizes the liability and recognizes the offsetting amount in profit or loss.

The Company indemnifies the subscribers of flow-through shares against certain tax related amounts that become due related to their flow-through subscriptions.

### **New or revised accounting standards not yet adopted**

The following new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended October 31, 2016 and have not been applied in preparing these financial statements. The Company does not expect there to be any changes as a result of the new or revised standards, which will be effective in relation to the Company's financial statements for the year ending October 31, 2018 or later:

- a. IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.



**TOWER RESOURCES LTD.**  
Notes to Financial Statements  
**For the year ended October 31, 2016**  
(Expressed in Canadian Dollars)

**3. RECEIVABLES**

	October 31, 2016	October 31, 2015
	\$	\$
Sales tax recoverable	23,593	8,114
Interest receivable	99	99
Other receivable	30,368	5,151
	<b>54,060</b>	<b>13,364</b>

**4. PROPERTY AND EQUIPMENT**

	Computer hardware	Computer software	Equipment and furniture	Total
	\$	\$	\$	\$
<b>Cost:</b>				
At October 31, 2014	19,069	37,545	18,139	74,753
Additions	-	2,366	343	2,709
Recoveries	-	-	(3,124)	(3,124)
At October 31, 2015	19,069	39,911	15,358	74,338
Additions	-	-	694	694
At October 31, 2016	19,069	39,911	16,052	75,032
<b>Depreciation:</b>				
At October 31, 2014	14,373	34,546	5,282	54,201
Charge for the year	2,348	4,183	1,980	8,511
At October 31, 2015	16,721	38,729	7,262	62,712
Charge for the year	1,174	1,182	1,689	4,045
At October 31, 2016	17,895	39,911	8,951	66,757
<b>Net book value:</b>				
At October 31, 2015	2,348	1,182	8,096	11,626
<b>At October 31, 2016</b>	<b>1,174</b>	<b>-</b>	<b>7,101</b>	<b>8,275</b>

**TOWER RESOURCES LTD.**  
Notes to Financial Statements  
**For the year ended October 31, 2016**  
(Expressed in Canadian Dollars)

**5. EXPLORATION AND EVALUATION ASSETS**

	<b>JD</b>	<b>Baez</b>	<b>Waterloo</b>	<b>Rabbit North</b>	<b>Nechako Gold</b>	<b>More Creek</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>		<b>\$</b>
Balance, October 31, 2014	<b>2,421,613</b>	<b>1</b>	<b>1</b>	<b>1,086,139</b>	-	-	<b>3,507,754</b>
<b>Acquisition costs</b>	39,219	-	-	32,000	-	-	71,219
<b>Deferred costs</b>							
Assays	-	-	-	183	-	-	183
Consulting services	22,500	-	2,500	57,500	-	-	82,500
Field supplies	382	-	336	33	-	-	751
Food	171	-	439	217	-	-	827
Travel	3,382	-	479	1,761	-	-	5,622
Vehicle	1,269	-	136	1,399	-	-	2,804
Total costs incurred during the year	66,923	-	3,890	93,093	-	-	163,906
B.C. mineral exploration tax credit recoverable	(890)	-	-	(90,467)	-	-	(91,357)
Write-off of exploration and evaluation asset	-	-	(3,890)	-	-	-	(3,890)
Balance, October 31, 2015	<b>2,487,646</b>	<b>1</b>	<b>1</b>	<b>1,088,765</b>	-	-	<b>3,576,413</b>
<b>Acquisition costs</b>	3,050	-	-	74,000	39,193	11,256	127,499
<b>Deferred costs</b>							
Assays	-	-	-	482	496	304	1,282
Consulting services	22,500	-	-	32,500	-	11,923	66,923
Drilling	-	-	-	189,978	-	-	189,978
Equipment rental	-	-	-	1,756	289	-	2,045
Field supplies	172	-	-	3,195	958	338	4,663
Food	-	-	-	3,846	513	342	4,701
Geologist	80	-	-	20,205	1,787	1,787	23,859
Helicopter	29,089	-	-	-	-	5,279	34,368
Site development	7,150	-	-	-	-	-	7,150
Surveys	-	-	-	-	28,319	8,854	37,173
Travel	1,498	-	-	8,189	2,404	1,313	13,404
Vehicle	-	-	-	5,502	1,839	904	8,245
Total costs incurred during the year	63,539	-	-	339,653	75,798	42,300	521,290
B.C. mineral exploration tax credit recoverable	(8,311)	-	-	(18,328)	-	-	(26,639)
Write-off of exploration and evaluation asset	(2,542,873)	(1)	(1)	-	-	-	(2,542,875)
Balance, October 31, 2016	<b>1</b>	<b>-</b>	<b>-</b>	<b>1,410,090</b>	<b>75,798</b>	<b>42,300</b>	<b>1,528,189</b>

**5. EXPLORATION AND EVALUATION ASSETS (continued)**

***JD PROPERTY***

On September 7, 2011 (later amended on January 28, 2015), the Company entered into an option agreement to acquire the JD gold - silver property, comprised of certain mineral claims, located in the Omineca mining division of British Columbia. Under the terms of the amended agreement, the Company made cash payments of \$105,000 and issued 825,000 common shares of the Company valued at \$140,000.

On April 11, 2012, the Company entered into an option agreement to acquire a 100% interest in the Belle property located in the Omineca mining division of British Columbia adjoining the Company's JD property. During fiscal 2016, the Company made the final share issuance (Note 9) of 50,000 shares valued at \$1,750 and exercised the option to acquire the 100% interest in the claims.

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

In March 2016, the Company terminated the JD property option agreement, and wrote down the property by \$2,542,873 to a value of \$1, as the Company retains ownership of the adjoining Belle property. The legal ownership of the Belle claims is currently being contested.

***BAEZ PROPERTY***

This property is located in British Columbia and was acquired for nominal staking costs. During the year ended October 31, 2016, the Company wrote off the property.

***WATERLOO PROPERTY***

On October 18, 2011, the Company entered into an option agreement to acquire the Waterloo property, comprised of certain mineral claims, located in the Osoyoos mining division of British Columbia. Under the terms of the option agreement, the Company paid \$70,000 in cash and issued 400,000 common share of the Company valued at \$140,000.

The Company elected to not meet the work commitment of \$700,000 due on or before May 13, 2016, and wrote off the property.

***RABBIT NORTH PROPERTY***

On July 11, 2013, the Company entered into an option agreement (further amended in July 2016) to acquire the Rabbit North property, comprised of certain mineral claims, located in the Kamloops mining division of British Columbia. Under the terms of the amended option agreement, the Company may acquire a 100% interest in the property by making cash payments of \$170,000 and issuing 1,100,000 common shares, in addition to funding aggregate exploration expenditures of \$2,150,000 as follows:

<i>Date</i>	<i>Cash Payments</i>	<i>Number of Shares</i>	<i>Work Commitment</i>
	\$		\$
June 6, 2013 ( <i>paid</i> )	5,000	-	-
August 7, 2013 ( <i>paid and issued</i> )	5,000	200,000	-
July 24, 2014 ( <i>paid, issued and incurred</i> )	20,000	200,000	150,000
July 24, 2015 ( <i>paid and issued – Note 9</i> )	30,000	200,000	-
July 24, 2016 ( <i>paid and issued – Note 9</i> )	50,000	300,000	-
July 24, 2017	60,000	200,000	750,000
July 24, 2018	-	-	1,250,000

**5. EXPLORATION AND EVALUATION ASSETS (continued)**

The option agreement is subject to a 3% NSR, of which 2% can be purchased by the Company for \$3,500,000.

***NECHAKO GOLD PROPERTY***

In July 2016, the Company entered into two property option agreements (Porphyry and Chutanli) for mineral tenures in the Nechako Plateau region of central British Columbia.

Porphyry Property Option Agreement

Pursuant to the terms of the Porphyry Property option agreement, the Company can earn a 100% interest in the property by making cash payments totaling \$40,000 and issuing 400,000 common shares, in addition to funding aggregate exploration expenditures of \$250,000 as follows:

<i>Date</i>	<i>Cash Payments</i>	<i>Number of Shares</i>	<i>Work Commitment</i>
	\$		\$
July 21, 2016 ( <i>paid and issued – Note 9</i> )	10,000	100,000	-
July 21, 2017	10,000	100,000	50,000
July 21, 2018	20,000	200,000	200,000

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

Chutanli Property Option Agreement

Pursuant to the terms of the Chutanli Property option agreement, the Company can earn a 100% interest in the property by making cash payments totaling \$60,000 and issuing 600,000 common shares, in addition to funding aggregate exploration expenditures of \$225,000 as follows:

<i>Date</i>	<i>Cash Payments</i>	<i>Number of Shares</i>	<i>Work Commitment</i>
	\$		\$
July 10, 2016 ( <i>paid</i> )	10,000	-	-
July 21, 2016 ( <i>issued – Note 9</i> )	-	100,000	-
July 10, 2017	10,000	-	50,000
July 21, 2017	-	150,000	-
July 10, 2018	15,000	-	175,000
July 21, 2018	-	150,000	-
July 10, 2019	25,000	-	-
July 21, 2019	-	200,000	-

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

During fiscal 2016, the Company acquired additional contiguous claims for nominal staking costs.

***MORE CREEK PROPERTY***

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

**6. EXPLORATION AND EVALUATION ASSETS - OIL AND GAS**

	October 31, 2016 and October 31, 2015	
	Acquisition Costs	
Poplar Winstar Strachan	\$	1

**POPLAR WINSTAR STRACHAN**

On December 4, 2006, the Company entered into an agreement to participate in the Winstar Strachan 8-10-38-10 W5M well in the West Central area of Alberta. The Company paid \$300,000 to earn an equalization interest of approximately 1.2367 %. During the year ended October 31, 2009, the Company wrote down the value of the property to the estimated recoverable amount of \$1.

Rehabilitation obligations of \$13,000 (2015 - \$13,000) have been recorded based on the Company's proportionate share of obligations estimated by the operators of the properties. The estimated values of the obligations have not been discounted as they are immaterial and an estimate of the timing of the future cash flows is not determinable.

**7. RECLAMATION BONDS**

In relation to the JD and Rabbit North properties, the Company has posted reclamation bonds totaling \$55,000 (2015 - \$60,000). In December 2015, the reclamation bond relating to the Waterloo property for \$5,000 was released and refunded back to the Company.

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	October 31, 2016	October 31, 2015
	\$	\$
Accounts payable	350,738	8,976
Accrued liabilities	31,820	25,000
Due to related parties (Note 10)	41,605	4,983
	<b>424,163</b>	<b>38,959</b>

**9. SHARE CAPITAL AND RESERVES**

**Authorized share capital**

Unlimited number of common shares without par value.

**Issued share capital**

*During the year ended October 31, 2016:*

In April 2016, the Company issued 50,000 common shares valued at \$1,750 pursuant to the Belle property option agreement (Note 5).

In July 2016, the Company issued 300,000 common shares valued at \$24,000 pursuant to the Rabbit North property option agreement (Note 5).

**9. SHARE CAPITAL AND RESERVES (continued)**

**Issued share capital (continued)**

In August 2016, the Company issued a total of 200,000 common shares valued at a total of \$14,000 pursuant to the Porphyry and Chutanli property option agreements (Note 5).

In September 2016, the Company completed a private placement for 15,000,000 units at a price of \$0.08 per unit for gross proceeds of \$1,200,000. Each unit consisted of one common share and one share purchase warrant which will entitle the holder of each warrant to acquire an additional common share of the Company at a price of \$0.15 per share for a period of 18 months. Finder's fees of \$84,159 were paid in connection with this financing of which \$35,520 was paid in cash and \$48,639 was paid through the issuance of 350,000 units. The agents' units have the same terms as the units issued in the private placement.

As at October 31, 2016, the Company received \$12,000 in proceeds pursuant to the exercise of 80,000 warrants. The shares were issued subsequent to the year end.

*During the year ended October 31, 2015:*

In February 2015, the Company issued 350,000 common shares valued at \$17,500 pursuant to the JD property option agreement (Note 5).

In May 2015, the Company issued 25,000 common shares valued at \$500 pursuant to the Belle property option agreement (Note 5).

In July 2015, the Company issued 200,000 common shares valued at \$2,000 pursuant to the Rabbit North property option agreement (Note 5).

**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 five 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, 2016, the Company granted 1,900,000 (2015 – 900,000) incentive stock options with a fair value of \$146,777 (2015 - \$29,261) using the Black-Scholes option pricing model. The Company expensed \$29,690 (2015 - \$46,091) as share-based compensation.

During the year ended October 31, 2016, 900,000 (2015 – nil) incentive stock options expired unexercised, and accordingly \$279,994 (2015 - \$nil) was reversed from reserves to deficit.

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

	<b>For the year ended October 31,</b>	
	<b>2016</b>	<b>2015</b>
Risk-free interest rate	<b>0.60%</b>	<b>1.51%</b>
Expected option life in years	<b>5 years</b>	<b>5 years</b>
Expected stock price volatility	<b>189%</b>	<b>167%</b>
Expected forfeiture rate	<b>0%</b>	<b>0%</b>

**TOWER RESOURCES LTD.**  
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**9. SHARE CAPITAL AND RESERVES (continued)**

**Stock options (continued)**

The following is a summary of stock options activities:

	<u>Number of options</u>	<u>Weighted average exercise price</u>
		\$
Outstanding at October 31, 2014	3,100,000	0.23
Granted	<u>900,000</u>	0.05
Outstanding at October 31, 2015	4,000,000	0.18
Granted	1,900,000	0.12
Expired	<u>(900,000)</u>	0.35
Outstanding at October 31, 2016	<u>5,000,000</u>	0.13

The Company has outstanding options entitling the holder to purchase an aggregate of common shares at October 31, 2016 as follows:

<u>Exercise Price</u>	<u>Number Outstanding</u>	<u>Number Exercisable</u>	<u>Expiry Date</u>
\$			
0.35*	100,000	100,000	December 9, 2016
0.45	50,000	50,000	April 5, 2017
0.30	250,000	250,000	May 24, 2017
0.30	400,000	400,000	October 25, 2017
0.13	450,000	450,000	April 9, 2018
0.05	425,000	425,000	December 17, 2018
0.05	50,000	50,000	January 28, 2019
0.06	525,000	525,000	July 7, 2019
0.05	900,000	900,000	November 4, 2019
0.09	200,000	-	August 23, 2021
0.09	150,000	-	September 1, 2021
0.13	<u>1,500,000</u>	-	September 16, 2021
	<u>5,000,000</u>	<u>3,150,000</u>	

\* Expired subsequently

**9. SHARE CAPITAL AND RESERVES (continued)**

**Warrants**

During the year ended October 31, 2015, 6,950,687 warrants and 342,825 agents' warrants expired unexercised. The Company reversed \$54,268 to share capital in connection with the expired agents' warrants which represents the fair value upon granting.

In conjunction with the September 2016 financing, the Company issued 15,000,000 warrants, each exercisable into one common share of the Company at a price of \$0.15 for a period of 18 months. The Company also issued 350,000 warrants related the agents' units, each such warrant exercisable into one common shares at \$0.15 for a period of 18 months. The agent's warrants were valued at \$20,639 calculated using the Black-Scholes option pricing model assuming a life expectancy of eighteen months, a risk free rate of 0.51%, a forfeiture rate of nil, and volatility of 211%.

During the year ended October 31, 2016, 15,000,000 warrants expired unexercised.

A summary of share purchase warrant activities is as follows:

	<u>Number of warrants</u>	<u>Weighted average exercise price</u>
		\$
Outstanding and exercisable at October 31, 2014	22,293,512	0.25
Expired	<u>(7,293,512)</u>	0.40
Outstanding and exercisable at October 31, 2015	15,000,000	0.25
Issued	15,350,000	0.15
Expired	<u>(15,000,000)</u>	0.25
Outstanding and exercisable at October 31, 2016	<u>15,350,000</u>	0.15

The Company has outstanding warrants entitling the holders to purchase an aggregate of common shares at October 31, 2016 as follows:

<u>Exercise Price</u>	<u>Number Outstanding</u>	<u>Expiry Date</u>
\$ 0.15	<u>15,350,000</u>	March 16, 2018

**10. RELATED PARTY TRANSACTIONS**

The Company entered into transactions with related parties during the year ended October 31, 2016:

- a) "Office and miscellaneous" includes rent recovery of \$12,000 (2015 - \$12,000) from a company related by a common director. As at October 31, 2016, \$2,120 (2015 - \$3,170) was included in receivables for rent recovery owed from this company.



**10. RELATED PARTY TRANSACTIONS (continued)**

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

	<b>For the year ended October 31,</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Management fees	90,000	82,125
Office and miscellaneous	30,000	30,000
Consulting fees	45,000	37,500
Exploration and evaluation assets expenditures	55,000	82,500
Share-based compensation	15,797	44,545
	<b>235,797</b>	<b>276,670</b>

Amounts owing to related parties (including key management personnel) included in accounts payable and accrued liabilities total \$41,605 (2015 - \$4,983).

**11. 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.

**12. 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, reclamation bonds, and accounts payable and accrued liabilities. The fair value of these financial instruments, other than cash, approximates their carrying values. Cash is 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 primarily consist of sales tax recoverable due from the Federal Government of Canada and share subscription receivable that was subsequently received. Management believes that credit risk related to these amounts is nominal.

*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

## **12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

operations and discharge its commitments. The Company expects it will require additional financing within the next 12 months.

### *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, 2016, the Company held demand deposits with a face value of \$30,000 (2015 - \$30,000). A change in interest rates of 1% would change income by \$300 (2015 - \$300) per annum.

### *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.

## **13. 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.

**TOWER RESOURCES LTD.**  
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**14. INCOME TAXES**

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

	<b>October 31, 2016</b>	<b>October 31, 2015</b>
	<b>\$</b>	<b>\$</b>
Loss before income taxes	(2,900,243)	(328,966)
Expected income tax recovery at statutory tax rates	(754,000)	(86,000)
Change in statutory rate and other items	2,000	(1,000)
Share issuance cost	(22,000)	-
Permanent difference	8,000	12,000
Expiry of non-capital loss	40,000	114,000
Change in unrecognized deductible temporary differences	726,000	(39,000)
Total deferred taxes	-	-

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

	<b>October 31, 2016</b>	<b>October 31, 2015</b>
	<b>\$</b>	<b>\$</b>
Property and equipment	17,000	17,000
Non-capital losses	784,000	770,000
Allowable capital losses	31,000	31,000
Exploration and evaluation assets	1,202,000	492,000
Share issuance costs	29,000	27,000
Rehabilitation obligation	3,000	3,000
Total unrecognized deferred tax assets	2,066,000	1,340,000

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:

	<b>October 31, 2016</b>	<b>Expiry dates</b>	<b>October 31, 2015</b>	<b>Expiry dates</b>
	<b>\$</b>		<b>\$</b>	
Share issuance costs	112,000	2017 to 2019	102,000	2016 to 2018
Allowable capital losses	121,000	No expiry	121,000	No expiry
Property and equipment	67,000	No expiry	66,000	No expiry
Exploration and evaluation assets	4,623,000	No expiry	1,893,000	No expiry
Non-capital losses	3,014,000	2017 to 2036	2,960,000	2016 to 2035
Rehabilitation obligation	13,000	No expiry	13,000	No expiry
	7,950,000		5,155,000	

**15. SUBSEQUENT EVENTS**

- a) Subsequent to October 31, 2016, the Company granted 850,000 stock options with an exercise price of \$0.16 exercisable for 5 years to directors, consultants, and officers of the Company.
  
- b) Subsequent to October 31, 2016, entered into an amendment pursuant to which the Rabbit North option agreement was further amended to extend the time for the completion of \$2,000,000 cumulative exploration expenditures to July 23, 2019, in consideration for which the Company has agreed to issue to the optionors an aggregate 200,000 common shares.