# MANAGEMENT DISCUSSION AND ANALYSIS

## For the year ended October 31, 2016

**Suite 912 – 1112 West Pender Street**
**Vancouver, BC V6E 2S1**
**Telephone: 604-558-2565**
**Email: info@towerresources.ca**

***Description of Management Discussion and Analysis***

The purpose of this Management Discussion and Analysis ("MD&A") is to explain management's point of view regarding the past performance and future outlook of Tower Resources Ltd. (the "Company" or "Tower"). This report also provides information to improve the readers' understanding of the financial statements and related notes as well as important trends and risks affecting the Company's financial performance, and should therefore be read in conjunction with the audited financial statements of the Company for the year ended October 31, 2016 ("Financial Statements"). The following discussion is dated and current as of February 24, 2017. This MD&A contains forward-looking information and statements which are based on the conclusions of management. The forward-looking information and statements are only made as of the date of this MD&A.

All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are responsible to ensure that these filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and these financial statements together with the other financial information included in these filings. The Board of Directors approves the Financial Statements and MD&A and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

Additional information on the Company is available on SEDAR and at the Company's website, www.towerresourcesltd.com.

***Forward Looking Statements***

Certain disclosures contained in this MD&A may constitute forward-looking information. This is information regarding possible events, conditions or results of operations of the Company that is based upon assumptions about future economic conditions and courses of action which is inherently uncertain. All information other than statements of historical fact may be forward-looking information.

Forward-looking information is subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to the interpretation of drill results and the estimation of mineral resources, the geology, grade and continuity of mineral deposits and the possibility that future exploration and development results will not be consistent with the Company's expectations. Some other risks and factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A are described under the heading "Risks and Uncertainties".

Readers are cautioned that any such listings of risks are not, and in fact cannot be, complete. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The Company believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

***Description of Business and Discussion of Operations***

Tower is incorporated under the Business Corporations Act (BC) and is listed on the TSX Venture Exchange ("TSX-V"). The principal business of the Company is the acquisition and exploration of mineral exploration and evaluation assets in the Province of British Columbia, Canada.

The Company currently holds four mineral exploration projects located in British Columbia. The Company is currently focused on the multidisciplinary program at the Rabbit North copper-gold property and exploration of the newly acquired Nechako Gold and More Creek Gold properties.

Overall performance

Operating expenses for the year ended October 31, 2016 was $357,368 versus $325,076 in the comparative period ended October 31, 2015. The minor increase in expenses in the current period is primarily attributable to higher consulting, accounting, and management fees which was partially offset by lower share-based compensation in the current period (further discussed in the "Results of Operations" section). In addition, the Company wrote down the JD property to $1 during the current year which resulted in a loss and comprehensive loss of $2,900,243 (versus a loss and comprehensive loss of $328,966 in the comparative period as the Company only recorded a minor impairment).

The Company had a net increase in cash during the year ended October 31, 2016 of $734,452 versus a net decrease of $330,344 in the comparative period. The increase in the current period is primarily attributable to the $1.2 million financing in September 2016. No financing was done in fiscal 2015. In addition, the Company also used cash for exploration and evaluation asset expenditures in the current and comparative periods of $179,188 and $159,096, respectively.

During the year ended October 31, 2016, a total of $521,290 of exploration and evaluation assets expenditures were incurred whereas the Company incurred $163,906 in the comparative year ended October 31, 2015. Refer to the "Summary of Exploration Activities" for further discussion of the expenditures and properties.

Corporate activities

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

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

In July 2016, the Company entered into two property option agreements (Porphyry and Chutanli) to acquire a total of 2,973 hectares of prospective mineral exploration ground in the Nechako Plateau region of central British Columbia. Refer to the "Summary of Exploration Activities" for further discussion of the expenditures and the project.

- Porphyry Property Option Agreement:

  The Porphyry Property consists of certain mineral tenures totaling 1,236 hectares. 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:

| Date | Cash Payments | Number of Shares | Work Commitment |
|---|---|---|---|
| | $ | | $ |
| July 21, 2016 (paid and issued) | 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% net smelter returns royalty ("NSR") which can be purchased by the Company for $1,000,000.

- Chutanli Property Option Agreement:

  The Chutanli Property consists of certain mineral tenures totaling 1,737 hectares. 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:

| Date | Cash Payments | Number of Shares | Work Commitment |
|---|---|---|---|
| | $ | | $ |
| July 10, 2016 (paid) | 10,000 | - | - |
| July 21, 2016 (issued) | - | 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.

In July 2016, the Company acquired the Brewster and Stub properties for nominal staking costs, which are located in the Nechako Plateau region of central British Columbia.

In August 2016, the Company acquired the More Creek property located in the Gold Triangle District of Northwest British Columbia, by staking.

In August 2016, the Company appointed Stuart Averill to the board of directors and granted 200,000 stock options to him at an exercise price of $0.09 per share for a term of five years.

In August 2016, the Company issued 200,000 common shares pursuant to the Porphyry and Chutanli property option agreements.

In September 2016, the Company granted 150,000 stock options with an exercise price of $0.09 per option for a term of five years to an employee of the Company.

In September 2016, the Company completed a private placement of 15,000,000 Units (the "Units") at a price of $0.08 per unit for gross proceeds of $1,200,000. Each Unit consists of one common share and one share purchase warrant entitling the holder to acquire one additional common share of the Company at a price of $0.15 for a period of 18 months. Finders' fees of $84,159 were paid in connection with this financing, of which $34,720 was paid in cash and $48,639 was paid through the issuance of 350,000 units (with the same terms as the Units issued in the private placement).

In September 2016, the Company granted 1,500,000 stock options with an exercise price of $0.13 for a term of five years to various directors, employees and consultants of the Company.

During fiscal 2016, the Company relinquished its option to earn into the Waterloo property and dropped the Baez property.

In November 2016, the Company issued 80,000 common shares pursuant to the exercise of 80,000 warrants for a proceeds of $12,000.

In February 2017, the Company granted 850,000 stock options with an exercise price of $0.16 for a term of five years to various directors, employees and consultants of the Company.

### *Summary of Exploration Activities*

For the year ended October 31, 2016, the Company incurred $521,290 in exploration and evaluation asset expenditures compared to $163,906 for the corresponding year ended October 31, 2015. The Company also recorded an impairment of $2,542,875 in the current year in connection with the termination of the JD property option agreement, and wrote off the Baez and Waterloo properties.

The following is a breakdown of the components of the Company's exploration and evaluation assets, on a property by property basis, for the year ended October 31, 2016:

| | JD | Baez | Waterloo | Rabbit North | Nechako Gold | More Creek | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | | $ |
| Balance, October 31, 2015 | **2,487,646** | **1** | **1** | **1,088,765** | **-** | **-** | **3,576,413** |
| **Acquisition costs** | 3,050 | - | - | 74,000 | 39,193 | 11,256 | 127,499 |
| **Deferred costs** | | | | | | | |
| 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 | **1** | **-** | **-** | **1,410,090** | **75,798** | **42,300** | **1,528,189** |

The following is a breakdown of the components of the Company's exploration and evaluation assets, on a property by property basis, for the year ended October 31, 2015:

| | **JD** | **Baez** | **Waterloo** | **Rabbit North** | **Total** |
|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** |
| Balance, October 31, 2014 | **2,421,613** | **1** | **1** | **1,086,139** | **3,507,754** |
| **Acquisition costs** | 39,219 | - | - | 32,000 | 71,219 |
| **Deferred costs** | | | | | |
| Assays | - | - | - | 184 | 184 |
| Consulting services | 22,500 | - | 2,500 | 57,500 | 82,500 |
| Field supplies | 382 | - | 336 | 76 | 794 |
| Food | 171 | - | 439 | 218 | 828 |
| Travel | 3,363 | - | 479 | 860 | 4,702 |
| Vehicle | 1,288 | - | 136 | 2,255 | 3,679 |
| Total costs incurred during the year | 66,923 | - | 3,890 | 93,093 | 163,906 |
| BC 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 | **2,487,646** | **1** | **1** | **1,088,765** | **3,576,413** |

## Rabbit North property

The Rabbit North property is comprised of 34 mineral tenures covering 16,400 hectares that are a combination of claims under option (2850 hectares) from private individuals, and the remainder by staking by the company.

The project is located in the Kamloops mining division of south central British Columbia. The road accessible property is approximately 14.5 kilometres west of the producing New Afton mine operated by New Gold Inc. (Measured and Indicated Mineral Resources of 51.8 million tonnes at 1.26% Cu, 0.91 grams per tonne (g/t) Au, 2.9 g/t silver and .11 g/t palladium at 0.5% Cu cutoff; New Gold Inc. website) and approximately 28 kilometres east northeast of the producing Highland Valley mine operated by Teck Resources Limited, Canada's largest copper producer.

Alkalic porphyry related mineralization and alteration at the Rabbit North property is documented in two host rock types: the three-by-two kilometer Late Triassic to Early Jurassic zoned alkaline intrusion termed the Durand Stock, and the intrusion's volcanic country rocks assigned to the Upper Triassic Nicola Group. The age of the Durand Stock is approximately the same age as the Guichon and Iron Mask batholiths, which host the Highland Valley and New Afton mines respectively. Copper mineralization within the porphyritic monzonite core of the Durand Stock is characterized by disseminated and blebby chalcopyrite whereas mineralization hosted in the Nicola volcanics is dominantly characterized by disseminated and blebby chalcopyrite and pyrite (+/- bornite) associated with varying degrees of albite, biotite and magnetite alteration.

Historical exploration on the property was completed by major companies such as Kennco, Noranda and Cominco in the 1960s and 1970s and by junior companies such as ProAm Exploration and Auterra Ventures in the late 1990s and early 2000s. These programs consisted of shallow diamond drilling in a confined area, percussion drilling, soil and organic geochemistry and various geophysical programs. Collectively, the historical work outlines numerous porphyry-related targets that Tower investigated in detail during the 2013 and 2014 field seasons, and drilled in 2016.

Under the terms of the option agreement dated July 11, 2013, Tower can earn a 100% interest in the optioned portion of the property by making cash payments of $170,000 and issuing one million common shares over a 4-year period, to the vendors, in addition to funding aggregate exploration expenditures of $2,000,000 over a 5-year period. The agreement is subject to a 3% NSR, 2% of which can be purchased by Tower for $3,500,000, thereby reducing the NSR to 1%.

*2015 Activities*

There were no significant exploration activities undertaken at Rabbit North in 2015.

*2016 Activities*

Significant copper-gold mineralization was intersected at Rabbit North during the 3397m drill program in 2016. Drill hole RN-008 intersected 200 metres of 0.30% copper and 0.15 grams per tonne (g/t) gold (0.42% copper equivalent), including a 72m interval of 0.47% copper and 0.20g/t gold (0.63% copper equivalent; see Tower press release, December 8, 2016). This copper-gold interval bested every previous drill hole on the property.

Drill hole RN-008 was completed in the Western Magnetite Zone, on the western margin of the Durand Stock, a Late Triassic monzonite to diorite composite intrusion. The drill hole was collared near P70-01, a historic shallow percussion drill hole which ended in 6.1m of 0.38% copper (Cu) with gold (Au) unassayed. Mineralization in RN-008 started at top of bedrock. Chalcopyrite, associated with pyrite and commonly secondary biotite, occurs in veinlets and as disseminations replacing mafic phenocrysts and/or primary magnetite; moderate to strong albite alteration is associated. Mineralization is hosted in Nicola Group volcaniclastics to volcanics. Of significance is the magnetite destructive nature of the alteration related to mineralization; previous drilling had focused on strong magnetic anomalies postulated to represent magnetite alteration in the alkalic porphyry system.

The average copper grade of 0.30% intersected over 200 metres in RN-008 is consistent with copper grades at operating mines in the region. At the Highland Valley Copper Mine, feed grade for the first nine months of 2016 averaged 0.31% copper; at the Copper Mountain Mine, copper grade averaged 0.33% over the same period. (See Teck Resources Ltd. third quarter results for 2016 (press release October 27, 2016) and Copper Mountain Mining Corp. third quarter financial results (press release November 7, 2016).)

Drill hole RN-010 (see January 12, 2017 press release) was a vertical drill hole from the same collar as RN-008. Mineralization in RN-010 started at top of bedrock. Assays recovered an interval of 40m of 0.33% copper, 0.19g/t gold (0.48% Cu Eq; 94-134m). As in RN-008, chalcopyrite, associated with pyrite and commonly secondary biotite, occurs in veinlets and as disseminations replacing mafic phenocrysts and/or primary magnetite; moderate to strong albite alteration is associated. Mineralization is hosted in Nicola Group volcaniclastics to volcanics. Mineralized intervals were separated by two 10-15m wide, late unmineralized dikes.

Drill hole RN-011 was drilled to the southeast, from the same collar as RN-008. From top of bedrock RN-011 intersected a thick sequence dominantly comprising late, unmineralized mafic and quartz-feldspar porphyritic dikes. Below this, a sequence dominated by mineralized hydrothermal breccias was intersected to end of hole. Assays recovered an interval of 30m of 0.26% copper and 0.14g/t gold (0.37% Cu Eq; 257-287m). In some areas mineralization appears similar to RN-008 (chalcopyrite veinlets and disseminations with biotite, replacing mafic phenocrysts and/or primary magnetite). However, dominantly mineralization is related to hydrothermal breccias. These clast-rich breccias, dominantly cemented with rock fragments with common magnetite and chalcopyrite, contain clasts altered by K-feldspar with truncated magnetite+/-chalcopyrite veinlets. As such, the breccias appear to have occurred syn-mineralization. Breccias are important and are common hosts to mineralization in alkalic porphyry systems (e.g. Mount Polley, British Columbia); RN-011 is an important follow-up target.

Drill holes RN-010 and RN-011 have demonstrated the continuity of mineralization near RN-008. Despite smaller grade intervals—due to the intersection of several interposed late dikes—copper and gold mineralization and grades show remarkable continuity.

RN-001 and RN-002 were drilled in and around the Western Magnetite Zone (WMZ), a historically drilled area of mineralization to the west of the Durand Stock. RN-001 targeted a strong magnetic anomaly, and intended to expand the WMZ to the south. RN-002 aimed to confirm mineralization reported from questionable historic percussion drill holes. RN-001 intersected altered diorite and Nicola Group volcaniclastics, with abundant primary magnetite, assaying up to 0.23% copper. RN-002 intersected brecciated and potassic (K-feldspar, magnetite, biotite) altered diorite with pyrite-chalcopyrite veining, assaying up to 0.56% copper and 0.26g/t gold in individual samples.

RN-003 and RN-004 targeted the Central Monzonite South area, where sampling by Tower recovered up to 0.62% Cu and 0.73 g/t Au in surface samples. This target had not been systematically drilled previously. RN-003 intersected equigranular monzonite throughout, with patchy to disseminated replacement of mafic sites with chalcopyrite and pyrite; relatively strong gold mineralization resulted in an interval of 102m of 0.30% copper equivalent (0.08% copper, 0.28g/t gold). RN-004 drilled through the contact of the nested monzonite phase of the intrusion with the surrounding diorite, and encountered similar mineralization to RN-003. Individual samples assayed up to 2.87g/t gold.

Drill hole RN-005 targeted the Chrysocolla East zone, an undrilled area of mineralization discovered by Tower. Surface sampling at Chrysocolla East recovered up to 1.6% Cu and 1.9 g/t Au, with elevated palladium. RN-005 intersected altered Nicola Group volcaniclastics, with calc-potassic (epidote, magnetite, pyrite+/-chalcopyrite) alteration. Significantly, the best mineralized sample from RN-005 (0.55% copper, 0.65g/t gold from 46-48m) shows a similar alteration and mineralization style to RN-008, though the two drill holes are separated by approximately 1.5km. This suggests that the mineralization intersected in RN-008 may be related to the contact zone of the Durand Stock with its Nicola Group host rocks, wherever it occurs.

RN-006 tested the Dominic target, a deep porphyry target represented by a >1.6 km wide chargeability and magnetic anomaly defined by Tower's geophysical surveys. The drill hole intersected Nicola Group volcanics and volcaniclastics, with common disseminated pyrite, minor chalcopyrite, and rare molybdenite (associated with quartz veins). Although no significant intervals of mineralization were intersected, the Dominic target is very large, and the interpreted phyllic and propylitic alteration in RN-006 may suggest a nearby porphyry source.

Drill hole RN-007 targeted the Chrysocolla East zone, from the same collar as RN-005. Surface sampling at Chrysocolla East recovered up to 1.6% Cu and 1.9 g/t Au, with elevated palladium. RN-007 intersected altered and pseudobrecciated Nicola Group volcaniclastics, with calc-potassic (epidote, magnetite, pyrite+/-chalcopyrite) alteration. Mineralization is gold-rich, but generally weak in copper.

Drill hole RN-009 was drilled from the same collar as RN-010 and RN-011, and drilled to the northeast. Drilling intersected Nicola Group volcanics and volcaniclastics throughout. Although commonly mineralized with magnetite+chalcopyrite veinlets, and assaying up to 0.58% copper and 0.13g/t gold (185-187m), mineralization was inconsistent.

In 2016, drill core samples (generally 2-metre sample length) were prepared at Tower's core logging facility in Kamloops, BC, and processed for analysis at ALS Minerals' preparation laboratory in Kamloops, BC. Rabbit North samples were analyzed at ALS's ISO 17025:2005-certified North Vancouver laboratory for gold, platinum and palladium by fire assay and ICP-AES and for 35 elements, including copper, molybdenum and silver, by ICP-AES using an aqua regia digestion. Overlimit (>1%) copper analyses were completed by ICP-AES with aqua regia digestion. Blanks, standards and duplicate samples were inserted regularly into the sample sequence with a ratio of approximately one QA/QC sample out of ten. The 2016 Rabbit North drilling program and sampling protocol was supervised by Nils Peterson, M.Sc., P.Geo., Chief Geologist for the Company and Qualified Person as defined by National Instrument 43-101.

Copper Equivalent (Cu Eq) is used to express the combined value of copper and gold as a percentage of copper, for illustrative purposes. No allowances have been made for recovery losses that would occur in a mining scenario. Calculated on the basis of $2.30 per pound of copper and $1240 per troy ounce of gold, using the formula: Cu eq = [(%Cu)(22.0462)($lbCu)+(gptAu)(1/31.1035)($ozAu)]/[(22.0462)($lbCu)]. Width refers to drill hole intercept. True widths have not been determined.

Some technical information stated above is historical in nature and has been compiled from sources believed to be accurate. This technical information has not been verified by Tower and may in some instances be unverifiable, dependent on the existence of all historical drill core.

**More Creek**

On August 16, 2016 Tower staked the 6,430 hectare More Creek property in northwest British Columbia. More Creek is located near the centre of the Golden Triangle mineral district and is considered prospective for epithermal gold and silver mineralization. The property is approximately 55 kilometers north of Pretium Resources' Brucejack development project which contains a Measured and Indicated mineral resource of 9.1 million ounces of gold, at an average grade of 17.2 grams per tonne gold, at the Valley of the Kings deposit (see Pretium's July 21st, 2016 press release). The More Creek property is 120 kilometres north of Stewart, BC and benefits from close proximity to significant infrastructure such as the Northwest Transmission Line, a nearby air-strip and Highway 37, all of which are only 10 kilometers east.

Previous work on the More Creek property was focused on a prominent mountain and ridge top gossan known as the Sinter zone. Geological mapping and geochemical sampling (rock, soil, and stream silts) by Noranda and Corona in the early 1990s and reconnaissance mapping by Barrick Gold and Teck Resources between 2000 and 2005 at Sinter outlined an extensive zone, up to 2 kilometers long, of strong silicification, argillic alteration and hydrothermal brecciation associated with a regional fault cutting through Triassic Stuhini Group volcanic and siliciclastic rocks. This zone is characterized by highly anomalous (in rocks, soils and silts) epithermal-gold pathfinder elements such as antimony, arsenic and mercury. Furthermore, local creeks draining the Sinter zone also contain elevated and highly anomalous concentrations of gold as noted by Noranda and Corona. Based on the intensity of alteration described in assessment reports, associated elevated pathfinder element geochemistry and importantly, the presence of anomalous gold in silts below the strong alteration zone, suggest that the Sinter zone may represent the upper, barren zone of an epithermal gold system. This concept has not yet been tested by systematic diamond drilling.

*2016 Activities*

Tower completed a property visit involving limited propecting, and collecting three stream sediment samples. These samples, from streams draining the most prospective portion of the property, have recovered numerous gold and cinnabar grains, suggesting that a mineralized epithermal system outcrops within the More Creek Property.

Three stream sediment samples were collected: MC-SS-001 from a tributary creek below the Sinter Zone, the main historic showing on the property (see Tower's August 16, 2016 press release); MC-SS-002, from a creek draining a part of the catchment basin that includes the Logan Ridge Zone, another historic showing; and MC-SS-003, downstream of both MC-SS-001 and -002, near the main creek mouth where historic operators sampled highly anomalous gold in stream sediments. The entire catchment area sampled by MC-SS-003 comprises less than 14 square kilometres and is less than 8 kilometres long, indicating a very constrained area for the gold source(s).

The sediment sample from a creek draining the Sinter Zone (MC-SS-001) contained no gold grains, but approximately 100 grains of cinnabar. Cinnabar (mercury sulfide) is a common mineral in epithermal systems, especially at high levels as mercury is easily transported in a vapour phase. Samples MC-SS-002 and -003 also contained approximately 20 grains of cinnabar each, suggesting a related source.

A total of 41 grains of gold were picked from MC-SS-002, and 38 from MC-SS-003. Based on the coarse and well-sorted gold grain population in sample 002, ODM believes the original gold grain population may have been many times larger, and is underrepresented in this lag deposit.

Rock samples were also collected by Tower geologists from the Sinter Zone, especially where glacial recession has exposed abundant new outcrop. Samples collected contained sub-ppm concentrations of silver and ppb-level concentrations of gold. Arsenic and mercury were highly elevated (tens to hundreds of ppm) in the same samples. These results are consistent with the interpretation of the Sinter Zone representing the highest levels of a mineralized epithermal system. Strong alteration, pyrite vein stockwork, hydrothermal brecciation, and textures indicative of fluid boiling and gas escape were observed. During the brief program, Tower geologists were able to investigate less than 10% of the four kilometre-long northwest striking alteration zone.

Alluvial sediment samples (20-30kg wet) were collected and prescreened to -4.7mm (4 mesh) in the field. Samples were submitted to Overburden Drilling Management (ODM) of Ottawa, Ontario. All samples were panned for gold and metallic indicator minerals. A 0.25-2.00mm, >3.2 specific gravity, nonferromagnetic heavy mineral fraction was then prepared and picked for epithermal gold and porphyry copper indicator minerals.

Tower plans additional mapping, prospecting, and stream sampling in 2017 to assess the source of the gold sampled in this preliminary survey. A gold showing may be exposed due to rapid recent glacial recession that was unavailable to previous operators.

## Nechako Gold

On July 12, 2016 Tower signed of two option agreements to acquire a total of 2,975 hectares of prospective mineral exploration ground in the Nechako Plateau region of central British Columbia. The centre of the consolidated land package is approximately 30 kilometres northeast of the development-stage Blackwater Gold project, currently controlled by New Gold Inc. Blackwater contains a proven and probable total mineral reserve of 8.2 million ounces of gold with 60.8 million ounces of silver (source: New Gold Inc. website). The land package is deemed prospective for Blackwater-type epithermal gold and silver mineralization and porphyry-related copper and gold mineralization. The consolidated land package is now referred to as the Nechako Gold Property.

Porphyry Property Option

Under the terms of the Porphyry Property option agreement dated July 06, 2016, Tower can earn a 100% interest in the property by making cash payments totaling $40,000 and issuing 400,000 common shares over a 2-year period, to the vendor, in addition to funding aggregate exploration expenditures of $250,000 over a 2-year period.

The agreement is subject to a 1.5% NSR, all of which can be purchased by Tower for $1,000,000. The Porphyry Property consists of four mineral tenures totalling 1,236 hectares.

Chutanli Property Option

Under the terms of the Chutanli Property option agreement dated July 10, 2016, Tower can earn a 100% interest in the property by making cash payments totaling $60,000 and issuing 600,000 common shares over a 3-year period, to the vendor, in addition to funding aggregate exploration expenditures of $225,000 over a 2-year period. The agreement is subject to a 1.5% NSR, all of which can be purchased by Tower for $1,000,000. The Chutanli Property consists of six mineral tenures totalling 1,737 hectares.

Brewster and Stubb Properties

Subsequent to entering into the option agreements, Tower staked two additional properties in the Nechako Plateau region of central British Columbia. The Brewster and Stubb properties, identified on the basis of geophysical and geochemical data, are considered prospective for Blackwater-type gold and silver mineralization. Robust geophysics and till geochemistry are critical tools for mineral exploration in areas masked by glacial till, such as the majority of the Nechako Plateau.

The centre of the 1,930 hectare Brewster property is seven kilometres northwest of the Nechako Gold property (see Tower's July 12th, 2016 news release) and was staked primarily because of compelling geophysical data. Recent induced polarization geophysical surveys (BC Assessment Reports 29890 and 30554), conducted over most of the Brewster property, outline two high-chargeability anomalies locally coincident with high-resistivity anomalies. A coincident high-chargeability and high-resistivity anomaly is characteristic of the Blackwater gold deposit, thirty three kilometres southwest of Brewster.

The centre of the 1,040 hectare Stubb property is twenty kilometres northwest of the Nechako Gold property. The property was staked to capture an interpreted source of a down-ice till dispersal train anomalous in zinc, copper, arsenic, with lesser gold and silver identified from a government till geochemistry database. Till geochemical data coupled with a strong knowledge of paleo-ice flow directions can provide critical information regarding the geochemistry of the bedrock geology below glacial till cover. The Blackwater deposit is also characterized by a down-ice zinc, arsenic, gold and silver till anomaly with the head of the dispersal train centred on the deposit.

*2016 Activities*

Tower conducted a systematic glacial till survey on the Nechako Gold property in late 2016. Thirty-nine ~10 kg samples were collected (Chutanli target) in October 2016 by Overburden Drilling Management Limited (ODM) of Ottawa, Ontario. Of the 39 samples, 33 define a prominent gold grain anomaly at least 3.5 kilometres long by 2 kilometres wide-larger than the gold dispersal train from the Blackwater deposit. As at Blackwater, this dispersal train is defined by high gold grain counts (up to 268 grains per sample), abundant associated garnet (up to 5000 grains per sample), and high gold concentrations in the silt fraction of the till (up to 120 ppb per sample). Gold grain counts were similar to those from the Blackwater deposit, and in the opinion of ODM the gold source is likely on the property.

The "background" gold concentration, defined by samples from the northwest portion of the survey area, is up to 10 gold grains per sample, same as at Blackwater. Significantly, the rest of the till samples in the survey are anomalous in gold. This gold grain anomaly covers most of the property, with gold grain counts from 11 to 268 grains per sample.

The gold source is currently unexplained. Known showings on the Nechako Gold property do not align with most of the dispersal train along paleo-ice direction, but the source is likely on the Nechako Gold property for several reasons: 1) many samples show a high percentage of pristine gold grains, unmodified by glacial transport; 2) the gold grain anomaly does not dissipate in a down-ice direction as expected from a distal source; and 3) the source area is limited by the presence of a large, post-mineralization pluton immediately up-ice from the property. Multiple gold sources are possible, given the size of the anomaly; the gold source(s) would not have been identified previously due to lack of outcrop and common post-glacial outwash deposits on the property.

In detail, the 2016 exploration program consisted of 48 till samples systematically collected down-ice and coincident with two interpreted Blackwater-type epithermal gold targets: Chutanli (39 samples) and Stubb (9 samples). During glaciation, erosion of gold-bearing bedrock and its transport in a "down-ice" direction forms dispersal anomalies or "trains" of gold-bearing glacial till deposits; these trains lead back, in the direction of ice flow, to the mineralized source. (In the area of the Nechako Gold property, ice direction was east-northeast.) The Chutanli and Stubb targets were defined on the basis of regional and property-scale geophysical data, regional till and property-scale boulder geochemical data, and geological data collected in 2016 by Tower's technical team. Tower contracted to complete the survey. ODM is highly regarded as a global leader in heavy mineral geochemistry and indicator mineral exploration, which are considered critical tools for exploration in areas masked by glacial till, such as the majority of the Nechako Plateau.

Till samples (weighing approximately 10kg each) were collected by ODM at approximately 500m intervals perpendicular to ice direction, except where glaciofluvial and alluvial deposits (e.g. sands and gravels) overlie the glacial till. These areas present a challenge for exploration, as they are derived from distal locations and are unsuitable for tracing gold to its bedrock source. Samples were processed at ODM's laboratory in Ottawa, Ontario (see Analytical Procedures below) and gold grains were measured and categorized as "pristine", "modified", or "reshaped". With greater transport distance gold grains become reshaped; the high proportion of pristine grains in the Nechako Gold samples suggests a nearby gold source in bedrock. The table concentrates were then further concentrated to specific gravity >3.2 and the refined concentrates were searched visually for grains of key indicator minerals that are commonly associated with the alteration zones of gold and porphyry copper deposits.

Samples were received and processed at ODM's laboratory in Ottawa, Ontario. Representative 500g splits were taken from each bulk sample, for geochemical analysis. The remainder of each sample was wet-screened at 2.0mm, to prepare a -2.0mm table concentrate. Gold grains (generally silt sized) were sampled from the table concentrate by micropanning. Grains were measured and classified for shape (i.e. degree of wear, as a proxy for transport). The -0.063 mm silt and clay fraction of the 500 g split was analyzed geochemically for gold and arsenic by INA and for silver and base metals by ICP/AES using an aqua regia leach.

Tower plans to complete further till sampling in 2017, as well as an induced polarity geophysical survey. These exploration activities are expected to produce and refine drill targets on the property.

Some technical information stated above is historical in nature and has been compiled from sources believed to be accurate. This technical information has not been verified by Tower and may in some instances be unverifiable, dependent on the existence of all historical grab and trench samples and drill core. Management also cautions that mineral resources on nearby properties are not necessarily indicative of the results that may be achieved on the subject property. Overburden Drilling Management Ltd. was founded in 1974 by Mr. Stuart Averill, who currently serves as ODM's Chairman. Mr. Averill is also a member of the Board of Directors of Tower.

**Belle Claims (formerly part of JD property)**

On April 11, 2012, the Company entered into an option agreement to acquire the Belle claims located directly adjacent to and adjoining the JD property. Under the terms of the Belle agreement, the Company may acquire a

100% interest by making a cash payment of $14,000, and issuing 150,000 common shares over a four-year period to the vendor. The agreement is subject to a 2% NSR, 1% of which can be purchased by the Company for $2,000,000.

The Belle Claims comprises approximately 1,670 hectares located in the historically significant Toodoggone gold district of north-central BC. The property is underlain by rocks of the Stikine Terrane and comprise a thick succession of interlayered volcaniclastic and intermediate volcanic rocks that are locally cut by high level porphyritic intrusions and a large variably altered pluton of the Black Lake suite to the south. These rocks appear to host epithermal related gold-silver mineralization and a cryptic buried porphyry copper target identified on the basis of airborne magnetics and limited geological mapping along McClair Creek.

In April 2016, the Company exercised the Belle option by issuing the final tranche of common shares to the vendor. The legal ownership of the Belle claims is currently being contested.

Some of the technical information stated above is historical in nature and has been compiled from sources believed to be accurate.

**Waterloo property**

Tower relinquished its option to earn into the Waterloo property in 2016.

**Baez property**

Tower dropped the Baez property on June 30, 2016.

**Other Properties**

Tower is continuously reviewing and conducting technical due diligence investigations on other exploration projects with a view to acquiring additional properties..

The scientific and technical content and interpretations contained in this MD&A have been reviewed, verified and approved by Nils Peterson, M.Sc., P.Geo. (APEGBC, 182918), a Qualified Person as defined by NI 43-101, *Standards of Disclosure for Mineral Projects.*

***Exploration and Evaluation Assets - Oil & Gas***

**Poplar Winstar Strachan**

On December 4, 2006, the Company entered into an agreement with Poplar Point Energy Ltd. ("Poplar"), to participate in a Participation Agreement between Poplar and Winstar Resources Ltd. ("Winstar"), dated October 20, 2006, wherein Poplar agreed to participate in the Winstar Strachan 8-10-38-10 W5M well in the West Central area of Alberta. The Company paid $300,000 of the drilling, completion and tie in costs of the well to earn an equalization interest of 1.2366423%. Winstar sold its interest in the well to Crossbow Energy Partners Ltd, which sold its interest to Vermilion Energy Trust.

During the year ended October 31, 2009, the Company wrote down the value of the property to the estimated recoverable amount of $1.

**Costs Summary for the Oil and Gas Property**

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

***Results of Operations***

The following discussion should be read in conjunction with the accompanying Financial Statements and related notes. The operating and administrative expenses for the year ended October 31, 2016 totaled $342,368 (2015 - $325,076).

The table below explains the changes in major expenditures for the year ended October 31, 2016 as compared to the corresponding year ended October 31, 2015.

| **Expenses** | **Increase / Decrease in Expenses** | **Explanation for Change** |
|---|---|---|
| Consulting fees | Increase of 22,500 | Increased as consulting fees incurred in the current year was expensed (versus being capitalized to exploration and evaluation assets). |
| Property investigation costs | Increase of $6,984 | Increased as a result of costs associated with seeking exploration projects (in the current period) prior to obtaining title. |
| Share-based compensation | Decrease of $16,401 | Decrease as the value of stock options vested was lower during the current period. |

The table below explains the changes in major expenditures for the year ended October 31, 2015 as compared to the corresponding year ended October 31, 2014.

| **Expenses** | **Increase / Decrease in Expenses** | **Explanation for Change** |
|---|---|---|
| Accounting and audit | Decrease of $14,614 | Less corporate activity resulted in lower accounting fees. |
| Consulting fees | Increase of $24,275 | Increase as a greater proportion of consulting fees in the prior year was capitalized to exploration and evaluation assets. |
| Office and miscellaneous expense | Decrease of $98,479 | Decrease primarily due to lower rent (from a new rent agreement entered into during the 2014 Q4 period) and lower administrative fees. |
| Share-based compensation | Decrease of $13,820 | Decrease as the value of stock options vested was lower during the current period. |
| Transfer agent and filing fees | Decrease of $8,041 | Less corporate activity resulted in lower filing fees. |

### *Selected Annual Information*

The following financial data are derived from the Company's financial statements for the years ended October 31, 2016, 2015 and 2014:

| | 2016<br>$ | 2015<br>$ | 2014<br>$ |
|---|---|---|---|
| Revenue (interest income) | - | 1,810 | 6,546 |
| General and administrative expenses | (357,368) | (326,856) | (445,527) |
| Loss and comprehensive loss | (2,900,243) | (328,966) | (1,111,349) |
| Basic and diluted loss per common share | (0.06) | (0.01) | (0.03) |
| Working capital | 751,791 | 369,025 | 651,633 |
| Exploration and evaluation assets | 1,528,189 | 3,576,413 | 3,507,754 |
| Total assets | 2,767,419 | 4,056,024 | 4,393,963 |
| Total liabilities | 437,163 | 51,959 | 127,023 |

The Company's projects are at the exploration stage and have not generated any revenue. Revenue earned in 2015 and 2014 was generated through interest on cash deposits. At October 31, 2016, the Company had not yet achieved profitable operations and has a deficit of $12,263,751 (2015 - $9,643,502). These losses resulted in a net loss per share for the year ended October 31, 2016 of $0.06 (2015 - $0.01).

### *Summary of Quarterly Results*

| Quarter ended | Revenue (interest income) | Loss and comprehensive loss | Basic and diluted loss per share | Exploration and evaluation assets expenditures | General and administrative expenses |
|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** |
| October 31, 2016 | - | (161,767) | (0.00) | 376,125 | 132,167 |
| July 31, 2016 | - | (84,823) | (0.00) | 97,035 | 84,823 |
| April 30, 2016 | - | (81,200) | (0.00) | 32,214 | 68,987 |
| January 31, 2016 | - | (2,572,453) | (0.05) | 15,916 | 71,391 |
| October 31, 2015 | 448 | (77,944) | (0.00) | 20,432 | 74,397 |
| July 31, 2015 | 108 | (67,703) | (0.00) | 58,410 | 67,769 |
| April 30, 2015 | 121 | (87,361) | (0.00) | 58,537 | 87,514 |
| January 31, 2015 | 1,133 | (95,958) | (0.00) | 26,527 | 97,176 |

Variances quarter over quarter can be explained as follows:

- In the quarter ended January 31, 2016, the Company wrote off exploration and evaluation assets of $2,501,062 in connection with the JD property.
- Given the general weather conditions and exploration season in British Columbia, the Company's exploration and evaluation assets expenditures tend to be greater from May to November than in the rest of the year.

***Fourth Quarter***

The operating and administrative expenses for the quarter ended October 31, 2016 totaled $132,167. The major expenses for the quarter were accounting and audit fees of $30,400, consulting fees of $20,000, management fees of $22,500, office and miscellaneous costs of $20,785, and share-based compensation of $26,660.

During the fourth quarter, the Company wrote down exploration and evaluation assets by $29,600 in relation to the JD, Waterloo, and Baez properties, as the Company terminated the JD property option agreement, relinquished its option to earn into the Waterloo property and dropped the Baez property.

During the fourth quarter, the Company acquired the More Creek property located in the Gold Triangle District of Northwest British Columbia, by staking.

During the fourth quarter, the Company completed a private placement for 15,000,000 Units for gross proceeds of $1,200,000. The net proceeds from the financing will be used for exploration and general working capital.

There were no material adjustments or other events affecting the Company's financial condition or performance in the fourth quarter other than the above mentioned.

***Liquidity, Financial Position and Capital Resources***

The Company has no known mineral resources and is not in commercial production on any of its properties, and accordingly the Company does not generate cash from operations. The Company finances exploration activities by raising capital from equity markets from time to time.

The Company's liquidity and capital resources are as follows:

| | October 31, 2016 | October 31, 2015 |
|---|---|---|
| | $ | $ |
| Cash | 1,113,121 | 378,669 |
| Receivables | 54,060 | 13,364 |
| Prepaid expenses | 8,773 | 15,951 |
| Total current assets | 1,175,954 | 407,984 |
| Accounts payables and accrued liabilities | 424,163 | 38,959 |
| Working capital | 751,791 | 369,025 |

As at October 31, 2016, the Company had a cash position of $1,113,121 (2015 - $378,669), consisting mainly of proceeds from the September 2016 financing. As at October 31, 2016, the Company had a working capital position of $751,791 (2015 - $369,025).

The primary use of cash during the year ended October 31, 2016 was the funding of operating activities of $247,855 (2015 - $303,020) and investing activities of $148,243 (2015 - $27,324).

The Company currently has no source of operating cash flow, limited financial resources, and has no assurance that additional funding will be available to it for further exploration and development of its properties or to enable it to fulfill its obligations under any applicable agreements. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's properties and the possible loss of title to such properties. The ability of the Company to continue as a going concern and realize the carrying value of its resource properties is dependent upon the continued financial support from related parties, the ability of the Company to raise equity financing to continue exploration and development activities or contract out further work with joint venture partners, the discovery of economically recoverable reserves, and upon future profitable operations or proceeds from disposition of resource properties. Management estimates it will require additional financing within the next twelve months.

### *Related Party Transactions*

During the year ended October 31, 2016, the Company engaged in the following transactions with related parties (key management), not disclosed elsewhere in this MD&A:

a) Management fees of $90,000 (2015 - $82,125) were paid to a company controlled by Mark Vanry, the President, CEO and director of the Company.
b) Consulting fees of $45,000 (2015 - $37,500) and exploration and evaluation assets expenditures totaling $55,000 (2015 - $82,500) were paid to a company controlled by Christopher Leslie, the Vice President of Exploration of the Company.
c) Administrative fees included in office and miscellaneous of $30,000 (2015 - $30,000) were paid to a company controlled by Steve Vanry, the CFO and director of the Company.
d) Office and miscellaneous includes rent recovery of $12,000 (2015 - $12,000) from Rhys Resources Ltd., 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.

Summary of key management personnel compensation (including officers and directors) for the year ended October 31, 2016 and 2015:

| | **2016** | **2015** |
|---|---|---|
| | **$** | **$** |
| 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 |
| | **235,797** | **276,670** |

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

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including directors (executive and non-executive) of the Company.

### *Off-Balance Sheet Transactions*

The Company does not have any off-balance sheet arrangements as at October 31, 2016 or as of the date of this report.

***Risks and Uncertainties***

The main risks that can affect the Company include operational risks, changes in commodity and equity prices, and government regulation.

*Operational*
The Company is focused on mineral exploration of its Rabbit North, More Creek and Nechako Gold properties located in British Columbia. The mineral exploration business is speculative and involves a high degree of risk.

There can be no assurance that the Company's exploration activities will be successful as few properties that are explored are ultimately developed into producing mines. It is impossible to ensure that the current exploration programs being carried out or planned by the Company will result in a profitable commercial mining operation. At present, none of the Company's properties has a known body of commercial ore and any proposed exploration programs are an exploratory search for ore.

In addition to the risk that no economic body of ore exists on its properties, the Company is subject to an extensive array of other economic, political and technical risks in exploring and developing its exploration and evaluation assets, including, without limitation, volatile stock and currency markets, fluctuations in metals prices, competition, changing government regulations, title issues, undercapitalization, the potential for delays in exploration, the potential for unexpected costs and expenses, accidents, the availability of key personnel and political instability. Since the Company has no revenues, the acquisition and development of its properties depends upon its ability to obtain financing through private placement financings, public financings, the joint venturing of projects or other means. There can be no assurance that the Company will be successful in obtaining the required financings.

*Management of industry risk*
The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company's mineral exploration activities expose it to potential environmental liability risk. It is management's policy to review environmental compliance and exposure on an ongoing basis. The Company follows industry standards and specific project environmental requirements. The Company is currently in the exploration stage on its property interests and has not determined whether significant site recovery costs will be required. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

*Commodity and equity prices*
The Company is exposed 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. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

*Government regulation*
The Company's operations may be adversely affected by changes in governmental policies or other economic developments which are not within the control of the Company including a change in taxation policies, economic sanctions, and currency control. The Company is subject to various laws governing exploration, development, production, taxes, labour standards and occupational health, toxic substances, land use, water use, land claims of local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could increase the cost of operations.

***Critical Accounting 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. Based on historical experience and current conditions, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates, and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the audited financial statements materially and involve a significant level of judgment by management.

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 judgments exercised relate primarily to the going concern issue identified in Note 1 of the Financial Statements.

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.

***New or Revised Accounting Standards Not Yet Adopted***

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended October 31, 2016 and were not applied in preparing the Financial Statements. The Company does not expect there to be any changes as a result of the new and 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.

***Financial Instruments and Management of Financial Risk***

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 currency, credit, interest rate, liquidity 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 goods and services tax recoverable due from the Federal Government of Canada and a share subscription receivable. 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 operations and discharge its commitments. The Company has sufficient cash to settle current liabilities.

*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 a demand deposit with a face value $30,000. A change in interest rates of 1% will change income by $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.

*Other risks*

The Company will need additional funding to complete its short and long term objectives. The ability of the Company to raise such financing in the future will depend on the prevailing market conditions, as well as the business performance of the Company. Current global financial conditions have been subject to increased volatility as a result of which access to public financing has been negatively impacted. There can be no assurances that the Company will be successful in its efforts to raise additional financing on terms satisfactory to the Company. The market price of the Company's shares at any given point in time may not accurately reflect value. If adequate funds are not available or not available on acceptable terms, the Company may not be able to take advantage of opportunities, to develop new projects or to otherwise respond to competitive pressures.

The Company is dependent upon the services of key executives, including the Chief Executive Officer. Certain directors and officers of the Company also serve as directors and/or officers of other companies involved in mineral exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict.

***Disclosure of Data for Outstanding Common Shares, Options and Warrants***

**Authorized and issued capital stock as at the date of this report:**

**Authorized –** Unlimited common shares without par value

**Issued and Outstanding**: 65,613,308 common shares

**(i) <u>Warrants</u>**

As at the date of this report, the Company had 15,350,000 warrants issued and outstanding with an exercise price of $0.15 per share expiring on March 16, 2018.

The following options were outstanding and exercisable as at the date of this report:

**(ii) Options**

| Exercise Price | Number Outstanding | Number Exercisable | Expiry Date |
|---|---|---|---|
| $ | | | |
| 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 | 50,000 | August 23, 2021 |
| 0.09 | 150,000 | 18,750 | September 1, 2021 |
| 0.13 | 1,500,000 | 187,500 | September 16, 2021 |
| 0.16 | 850,000 | - | February 6, 2022 |
| | 5,850,000 | 3,406,250 | |

***Other MD&A Requirements***

Additional information relating to the Company may be found on or in:

- SEDAR at www.sedar.com;
- the Company's website at www.towerresourcesltd.com; and
- the Company's audited financial statements for the year ended October 31, 2016.

***Approval***

The Board of Directors of the Company has approved the disclosure contained in this Management Discussion and Analysis.

On Behalf of the Board of Directors,

"*Mark Vanry*"
Mark Vanry
President, CEO and Director
February 24, 2017