CONDENSED INTERIM FINANCIAL STATEMENTS

For the Three Months Ended January 31, 2018

(Expressed in Canadian Dollars - Unaudited)

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS

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

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

TOWER RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars - Unaudited)

	January 31, 2018	October 31, 2017
	$	$
ASSETS		
Current		
Cash	2,130,316	2,462,500
Receivables (Note 4)	33,144	17,738
Prepaid expenses and deposits	14,131	22,425
	2,177,591	2,502,663
Property and equipment (Note 5)	11,480	13,033
Exploration advance	-	70,000
Exploration and evaluation assets (Note 6)	3,156,889	2,753,069
Exploration and evaluation assets - oil and gas (Note 7)	1	1
Reclamation bonds (Note 8)	45,000	45,000
	5,390,961	**5,383,766**
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	140,711	91,361
Rehabilitation obligation (Note 7)	1,237	1,237
	141,948	92,598
Shareholders' equity		
Share capital (Note 10)	17,403,793	17,333,793
Reserves (Note 10)	693,136	593,943
Deficit	(12,847,916)	(12,636,568)
	5,249,013	5,291,168
	5,390,961	**5,383,766**

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
SUBSEQUENT EVENT (Note 16)

Approved and authorized on behalf of the Board:

"Mark Vanry" — *Mark Vanry, Director*

"Richard Wyman" — *Richard Wyman, Director*

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

TOWER RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars - Unaudited)

	For the three months ended January 31, 2018	2017
	$	$
Expenses		
Accounting and audit	4,000	7,350
Benefits	3,303	3,999
Consulting fees	12,000	-
Depreciation (Note 5)	1,553	710
Investor relations	17,233	22,260
Legal fees	20,716	338
Management fees (Note 11)	30,000	22,500
Office and miscellaneous (Note 11)	42,626	15,651
Share-based compensation (Notes 10 and 11)	66,470	38,771
Transfer agent and filing fees	5,767	11,348
Travel and promotion	6,030	9,994
	(209,698)	(132,921)
Rehabilitation obligations (Note 7)	(1,650)	-
Loss and comprehensive loss for the period	**(211,348)**	**(132,921)**
Basic and diluted loss per share	**(0.00)**	**(0.00)**
Weighted average number of common shares outstanding	**89,698,957**	**65,611,569**

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

TOWER RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars - Unaudited)

	For the three months ended January 31, 2018	2017
	$	$
Cash flows used in operating activities		
Loss for the period	(211,348)	(132,921)
Items not affecting cash		
Depreciation	1,553	710
Share-based compensation	66,470	38,771
Changes in non-cash working capital items		
Receivables	(15,406)	13,171
Prepaid expenses and deposits	8,294	1,966
Accounts payable and accrued liabilities	20,157	(19,748)
	(130,280)	(98,051)
Cash flows used in investing activities		
Acquisition of equipment	-	(3,337)
Acquisition of exploration and evaluation assets	(201,904)	(607,689)
	(201,904)	(611,026)
Net change in cash	(332,184)	(709,077)
Cash, beginning of period	2,462,500	1,113,121
Cash, end of period	**2,130,316**	**404,044**

SUPPLEMENTAL CASH FLOW INFORMATION (Note 13)

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

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

	Number of Shares Issued	Capital Stock	Reserves	Share Subscriptions	Deficit	Total Shareholders' Equity
		$	$	$	$	$
Balance at October 31, 2016	**65,533,308**	**14,154,022**	**427,985**	**12,000**	**(12,263,751)**	**2,330,256**
Warrants exercised	80,000	12,000	-	(12,000)	-	-
Share-based compensation	-	-	38,771	-	-	38,771
Stock options expired	-	-	(31,356)	-	31,356	-
Loss for the period	-	-	-	-	(132,921)	(132,921)
Balance at January 31, 2017	**65,613,308**	**14,166,022**	**435,400**	**-**	**(12,365,316)**	**2,236,106**
Shares issued for cash	23,022,231	3,338,223	-	-	-	3,338,223
Share issuance costs	-	(363,111)	158,410	-	-	(204,701)
Stock options exercised	25,000	2,090	(840)	-	-	1,250
Warrants exercised	100,000	15,000	-	-	-	15,000
Shares issued for exploration and evaluation assets acquisition	650,000	143,500	-	-	-	143,500
Shares issued for advisory fee	206,896	32,069	14,090	-	-	46,159
Warrants issued for sale of net smelter returns royalty	-	-	26,810	-	-	26,810
Share-based compensation	-	-	218,341	-	-	218,341
Stock options expired	-	-	(161,602)	-	161,602	-
Stock options forfeited	-	-	(96,666)	-	96,666	-
Loss for the period	-	-	-	-	(529,520)	(529,520)
Balance at October 31, 2017	**89,617,435**	**17,333,793**	**593,943**	**-**	**(12,636,568)**	**5,291,168**
Units issued for exploration and evaluation assets acquisition	500,000	70,000	32,723	-	-	102,723
Share-based compensation	-	-	66,470	-	-	66,470
Loss for the period	-	-	-	-	(211,348)	(211,348)
Balance at January 31, 2018	**90,117,435**	**17,403,793**	**693,136**	**-**	**(12,847,916)**	**5,249,013**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

Tower Resources Ltd. ("the Company") is incorporated under the laws of British Columbia, Canada. The Company's common shares are listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol TWR. The Company's head office and principal address is located at 912 - 1112 West Pender Street, Vancouver, BC, V6E 2S1. The Company's registered and records office is located at 39073 Kingfisher Road, Squamish, BC, V8B 0S9.

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 condensed interim 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 condensed interim 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 has sufficient funds to operate for the current fiscal year.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). They do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements, and, therefore, should be read in conjunction with the Company's audited financial statements for the year ended October 31, 2017, prepared in accordance with IFRS as issued by the IASB.

These financial statements were authorized by the Audit Committee and Board of Directors of the Company on March 27, 2018.

Basis of presentation

These condensed interim financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information and certain financial assets that are measured at fair value.

2. BASIS OF PRESENTATION (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 these condensed interim 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 application of the going concern basis of preparation.

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.

(Expressed in Canadian Dollars - Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements were prepared using the same accounting policies and methods of computation as in the Company's financial statements for the year ended October 31, 2017.

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 and have not been applied in preparing these financial statements. The Company does not expect there to be any changes other than disclosure as a result of the new or revised standards.

a. IFRS 2 – Share Based Payments: The amendments eliminate the diversity in practice in the classification and measurement of particular share-based payment transactions which are narrow in scope and address specific areas of classification and measurement. It is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted provided it is disclosed.

b. 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.

c. IFRS 15 – Revenue from Contracts with Customers: The amendments do not change the underlying principles of the standard, just clarify and offer some additional transition relief. The standard is effective for annual periods beginning on or after January 1, 2018.

d. IFRS 16 – Leases: This standard establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The standard is effective for annual periods beginning on or after January 1, 2019.

4. RECEIVABLES

	January 31, 2017	**October 31, 2017**
	$	**$**
GST receivable	33,144	16,163
Other receivable	-	1,575
	33,144	**17,738**

(Expressed in Canadian Dollars - Unaudited)

5. PROPERTY AND EQUIPMENT

	Computer hardware	Computer software	Equipment and furniture	Total
	$	$	$	$
Cost:				
At October 31, 2016	19,069	39,911	16,052	75,032
Additions	5,287	5,600	-	10,887
At October 31, 2017	24,356	45,511	16,052	85,919
Additions	-	-	-	-
At January 31, 2018	24,356	45,511	16,052	85,919
Depreciation:				
At October 31, 2016	17,895	39,911	8,951	66,757
Charge for the year	1,909	2,800	1,420	6,129
At October 31, 2017	19,804	42,711	10,371	72,886
Charge for the period	569	700	284	1,553
At January 31, 2018	20,373	43,411	10,655	74,439
Net book value:				
At October 31, 2017	4,552	2,800	5,681	13,033
At January 31, 2018	**3,983**	**2,100**	**5,397**	**11,480**

(Expressed in Canadian Dollars - Unaudited)

6. EXPLORATION AND EVALUATION ASSETS

	JD	Rabbit North	Nechako Gold	More Creek	Voigtberg	Total
	$	$	$		$	$
Balance, October 31, 2016	**1**	**1,410,090**	**75,798**	**42,300**	**-**	**1,528,189**
Acquisition costs	-	145,553	85,500	-	-	231,053
Deferred costs						
Assays	-	99,922	2,398	13,607	-	115,927
Drilling	-	618,185	23,989	-	-	642,174
Equipment rental	-	18,173	1,491	-	-	19,664
Field supplies	-	13,768	1,761	320	-	15,849
Food	-	11,707	141	1,413	-	13,261
Geologist	-	244,160	32,198	30,765	-	307,123
Helicopter	-	-	-	36,481	-	36,481
Site development	-	-	4,160	-	-	4,160
Surveys	-	-	63,975	-	-	63,975
Travel	-	25,276	16,904	25,468	-	67,648
Vehicle	-	4,920	158	-	-	5,078
Total costs incurred during the year	-	1,181,664	232,675	108,054	-	1,522,393
Recovery from sale of royalty	-	(156,084)	(102,408)	(39,021)	-	(297,513)
Balance, October 31, 2017	**1**	**2,435,670**	**206,065**	**111,333**	**-**	**2,753,069**
Acquisition costs	-	-	-	-	156,723	156,723
Deferred costs						
Assays	-	600	3,384	310	-	4,294
Drilling	-	-	118,888	-	-	118,888
Equipment rental	-	-	1,769	-	-	1,769
Field supplies	-	-	783	-	-	783
Geologist	-	32,513	85,714	-	-	118,227
Site development	-	-	1,824	-	-	1,824
Travel	-	187	610	-	-	797
Vehicle	-	218	297	-	-	515
Total costs incurred during the period	-	33,518	213,269	310	156,723	403,820
Balance, January 31, 2018	**1**	**2,469,188**	**419,334**	**111,643**	**156,723**	**3,156,889**

(Expressed in Canadian Dollars - Unaudited)

6. 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.

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.

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.

RABBIT NORTH PROPERTY

On July 11, 2013, the Company entered into an option agreement (subsequently amended) 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:

Date	*Cash Payments*	*Number of Shares*	*Work Commitment*
	$		**$**
June 6, 2013 *(paid)*	5,000	-	-
August 7, 2013 *(paid and issued)*	5,000	200,000	-
July 24, 2014 *(paid, issued, and incurred)*	20,000	200,000	150,000
July 24, 2015 *(paid and issued)*	30,000	200,000	-
July 24, 2016 *(paid and issued)*	50,000	300,000	-
July 24, 2017 *(paid and issued)*	60,000	200,000	-
July 23, 2019	-	-	2,000,000

In consideration of the February 2017 option agreement amendment, the Company issued 200,000 common shares, valued at $33,000.

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

In March 2017, the Company entered into certain NSR agreements with Sandstorm Gold Ltd. ("Sandstorm"). Under the terms of the agreements, the Company received $200,000 in return for granting Sandstorm a 2% NSR on the Rabbit North property. The Company will have the option to buyback 1% of the NSR from Sandstorm for cash consideration of $500,000. In addition, the Company will assign Sandstorm the right to purchase 1% of the Company's 2% buyback right underlying the Rabbit North property. In relation to the transaction, the Company incurred total expenses of $43,916. As a result, the Company recorded a recovery of exploration and evaluation expenditures from the sale of NSR of $156,084 on the Rabbit North property in FYE 2017.

(Expressed in Canadian Dollars - Unaudited)

6. EXPLORATION AND EVALUATION ASSETS (continued)

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:

Date	*Cash Payments*	*Number of Shares*	*Work Commitment*
	$		**$**
July 21, 2016 (*paid and issued*)	10,000	100,000	-
July 21, 2017 *(paid, issued, and incurred*)	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:

Date	*Cash Payments*	*Number of Shares*	*Work Commitment*
	$		**$**
July 10, 2016 *(paid)*	10,000	-	-
July 21, 2016 *(issued)*	-	100,000	-
July 10, 2017 *(paid and incurred)*	10,000	-	50,000
July 21, 2017 *(issued)*	-	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.

In March 2017, the Company entered into certain NSR agreements with Sandstorm. Under the terms of the agreements, the Company received $250,000 in return for granting Sandstorm a 2% NSR on the Nechako Gold property. The Company will have the option to buyback 1% of the NSR from Sandstorm for cash consideration of $500,000. In relation to the transaction, the Company incurred total expenses of $54,894. As a result, the Company recorded a recovery of exploration and evaluation expenditures from the sale of NSR of $102,408 on the Nechako Gold property and a gain from the sale of royalty of $92,698 in FYE 2017.

(Expressed in Canadian Dollars - Unaudited)

6. EXPLORATION AND EVALUATION ASSETS (continued)

MORE CREEK PROPERTY

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

In March 2017, the Company entered into a net smelter returns royalty agreement with Sandstorm. Under the terms of the agreements, the Company will receive $50,000 in return for granting Sandstorm a 2% NSR on the Company's More Creek property. The Company will have the option to buyback 1% of the NSR from Sandstorm for cash consideration of $500,000. In relation to the transaction, the Company incurred total expenses of $10,979. As a result, the Company recorded a recovery of exploration and evaluation expenditures from the sale of NSR of $39,021 to the More Creek property in FYE 2017.

VOIGTBERG PROPERTY

On December 18, 2017, the Company entered into an option agreement with Kaminak Gold Corporation, a wholly-owned subsidiary of Goldcorp Inc., to acquire the Voigtberg gold-copper property, comprised of certain mineral claims located in the Golden Triangle region of northwestern British Columbia. Under the terms of the option agreement, the Company may acquire a 100% interest in the property by issuing 3,000,000 units and incurring aggregate exploration expenditures of $1,925,000 over a three year period. Each unit is comprised of one common share and one-half share purchase warrant which will entitle the holder of each full warrant to acquire an additional common share for a period of 60 months from their date of issuance. The initial grant of warrants will have an exercise price of $0.22 per share and all subsequent grants will have an exercise price of 150% of the market price (as defined in the policies of the TSX-V) determined as of the trading date before the date of issuance per share. The schedule is as follows:

Date	*Number of Units*	*Work Commitment*
		$
January 30, 2018 *(issued)*	500,000	-
December 31, 2018	625,000	125,000
December 31, 2019	875,000	600,000
December 31, 2020	1,000,000	1,200,000

The Company paid a $54,000 finder's fee in connection with the option agreement.

The option agreement is subject to a 1% NSR. In addition, the Company is required to issue an additional 1,000,000 common shares upon the first public announcement of a mineral resource which exceeds 500,000 gold equivalent ounces, in all resource categories.

7. EXPLORATION AND EVALUATION ASSETS - OIL AND GAS

	January 31, 2018 and October 31, 2017 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.

(Expressed in Canadian Dollars - Unaudited)

7. EXPLORATION AND EVALUATION ASSETS - OIL AND GAS (continued)

Rehabilitation obligations of $1,237 (October 31, 2017 - $1,237) 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. During the three months ended January 31, 2018, the Company paid $1,650 (January 31, 2017 - $nil) for their proportionate share of a final reclamation certificate application.

8. RECLAMATION BONDS

In relation to the Rabbit North and Nechako properties, the Company has posted reclamation bonds totaling $45,000 (October 31, 2017 - $45,000).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2018	October 31, 2017
	$	$
Accounts payable	90,771	58,000
Accrued liabilities	35,595	27,500
Due to related parties (Note 11)	14,345	5,861
	140,711	**91,361**

10. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

During the three months ended January 31, 2018:

In January 2018, the Company issued 500,000 units pursuant to the Voigtberg property agreement (Note 6). Each unit is comprised of one common share and one-half share purchase warrant which will entitle the holder of each full warrant to acquire an additional common share of the Company price of $0.22 per share for a period of 60 months. The common shares were valued at $70,000 and the warrants were valued at $32,723.

During the year ended October 31, 2017:

In February 2017, the Company issued 200,000 common shares valued at $33,000 pursuant to the Rabbit North property amendment agreement (Note 6).

In April 2017, the Company completed a private placement for 23,022,231 units at a price of $0.145 per unit for gross proceeds of $3,338,224. Each unit is comprised of one common share and one-half share purchase warrant which will entitle the holder of each full warrant to acquire an additional common share of the Company at a price of $0.22 per share for a period of 60 months. Finder's fees and expenses of $363,111 were paid in connection with this financing of which $204,701 was paid in cash and $158,410 was the fair value of the issuance of 1,085,620 finders' warrants.

In connection to the NSR sale agreement, the Company issued 206,896 units as an advisory fee. These units have the same terms as the units issued in the private placement. The shares were valued at $32,069 and the warrants were valued at $14,090.

(Expressed in Canadian Dollars - Unaudited)

10. SHARE CAPITAL AND RESERVES (continued)

Issued share capital (continued)

In July 2017, the Company issued 200,000 common shares valued at $45,000 pursuant to the Rabbit North property agreement (Note 6), 150,000 common shares valued at $40,500 pursuant to the Chutanli property option agreements (Note 6), and 100,000 common shares valued at $25,000 pursuant to the Porphyry property option agreements (Note 6).

During fiscal 2017, the Company issued 25,000 common shares pursuant to the exercise of options for proceeds of $1,250.

During fiscal 2017, the Company issued 180,000 common shares pursuant to the exercise of warrants for proceeds of $27,000.

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 three months ended January 31, 2018, the Company expensed $66,470 (2017 - $38,771) as share-based compensation for stock options.

During the year ended October 31, 2017, the Company granted 2,200,000 incentive stock options with a fair value of $321,508 using the Black-Scholes option pricing model.

During the year ended October 31, 2017, 625,000 incentive stock options expired unexercised and 675,000 incentive stock options were forfeited; accordingly $192,958 and $96,666, respectively, were reversed from reserves to deficit. Furthermore, 25,000 stock options were exercised for proceeds of $1,250. As a result, $840 was transferred from reserves to share capital.

The following is a summary of stock options activities:

	Number of options	Weighted average exercise price
		$
Outstanding at October 31, 2016	5,000,000	0.13
Granted	2,200,000	0.16
Forfeited	(675,000)	0.16
Expired	(625,000)	0.32
Exercised	(25,000)	0.05
Outstanding at January 31, 2018 and October 31, 2017	5,875,000	0.12

(Expressed in Canadian Dollars - Unaudited)

10. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

The Company has outstanding options entitling the holder to purchase an aggregate of common shares at January 31, 2018 as follows:

Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
$			
0.13	175,000	175,000	April 9, 2018
0.05	350,000	350,000	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
0.16	200,000	150,000	May 9, 2020
0.09	200,000	125,000	August 23, 2021
0.13	1,475,000	921,875	September 16, 2021
0.16	850,000	318,750	February 6, 2022
0.16	150,000	56,250	May 9, 2022
0.16	100,000	37,500	May 25, 2022
0.16	900,000	225,000	September 28, 2022
	5,875,000	3,834,375	

Warrants

In connection to the Voitgberg option agreement, the Company issued 250,00 warrants with each warrant exercisable into one common share at $0.22 for a period of 60 months. The warrants were valued at $32,723 calculated using the Black-Scholes option pricing model assuming a life expectancy of five years, a risk free rate of 1.99%, a forfeiture rate of nil, and volatility of 172%.

In conjunction with the April 2017 financing, the Company issued 11,511,115 warrants, each exercisable into one common share of the Company at a price of $0.22 for a period of 60 months. The Company also issued 1,085,620 agents' warrants, each such warrant exercisable into one common share at $0.22 for a period of 60 months. The agents' warrants were valued at $158,410 calculated using the Black-Scholes option pricing model assuming a life expectancy of five years, a risk free rate of 1.03%, a forfeiture rate of nil, and volatility of 175%. The 103,448 warrants issued with the units to settle the advisory fees were valued at $14,090 calculated using the Black-Scholes option pricing model assuming a life expectancy of five years, a risk free rate of 1.03%, a forfeiture rate of nil, and volatility of 175%.

In connection to the NSR agreement, the Company issued an additional 172,413 warrants with each warrant exercisable into one common share at $0.22 for a period of 60 months. The warrants were valued at $26,810 calculated using the Black-Scholes option pricing model assuming a life expectancy of five years, a risk free rate of 0.94%, a forfeiture rate of nil, and volatility of 174%.

During year ended October 31, 2017, 180,000 warrants were exercised for proceeds of totaling $27,000.

(Expressed in Canadian Dollars - Unaudited)

10. SHARE CAPITAL AND RESERVES (continued)

Warrants (continued)

A summary of share purchase warrant activities is as follows:

	Number of warrants	Weighted average exercise price
		$
Outstanding and exercisable at October 31, 2016	15,350,000	0.15
Issued	12,872,596	0.22
Exercised	(180,000)	0.15
Outstanding and exercisable at October 31, 2017	28,042,596	0.18
Issued	250,000	0.22
Outstanding and exercisable at January 31, 2018	28,292,596	0.18

The Company has outstanding warrants entitling the holders to purchase an aggregate of common shares at January 31, 2018 as follows:

Exercise Price	Number Outstanding	Expiry Date
$		
0.15	15,170,000	March 16, 2018
0.22	12,700,183	April 6, 2022
0.22	172,413	May 1, 2022
0.22	250,000	January 16, 2023
	28,292,596	

11. RELATED PARTY TRANSACTIONS

The Company entered into transactions with related parties during the three months ended January 31, 2018:

a) “Office and miscellaneous” includes rent recovery of $3,750 (January 31, 2017 - $4,500) from a company related by a common director. As at January 31, 2018, $nil (October 31, 2017 - $1,576) was included in receivables for rent recovery owed from this company.

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

	For the three months ended January 31, 2018	2017
	$	$
Management fees	30,000	22,500
Office and miscellaneous	7,500	7,500
Share-based compensation	43,536	20,928
	81,036	**50,928**

As at January 31, 2018, amounts owing to related parties (including key management personnel) included in accounts payable and accrued liabilities total $14,345 (October 31, 2017 - $5,861).

(Expressed in Canadian Dollars - Unaudited)

12. SEGMENTED INFORMATION

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

13. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash transactions not included in investing or financing activities

	For the three months ended January 31, 2018	2017
	$	$
Non-cash transactions not included in investing or financing activities:		
Units issued for exploration and evaluation assets	102,723	-
Exploration and evaluation assets expenditures in accounts payable	69,845	30,972
Expiration of stock options	-	31,356
Exploration advance reallocated to exploration and valuation assets	70,000	-

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

The Company's financial instruments consist of cash, receivables, 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. 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.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 January 31, 2018, the Company held demand deposits with a face value of $10,000 (October 31, 2017 - $10,000). A change in interest rates of 1% would change income by $100 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.

15. CAPITAL MANAGEMENT

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

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions.

16. SUBSEQUENT EVENT

Subsequent to January 31, 2018, the Company:

a) extended the term of 15,000,000 common share purchase warrants that were issued under the Company's private placement of units completed September 16, 2016. The warrants were set to expire on March 16, 2018 and have been extended to September 16, 2018.