TOWER RESOURCES LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended January 31, 2019

(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, 2019	October 31, 2018
	$	$
ASSETS		
Current		
Cash	267,634	615,376
Receivables (Note 4)	28,716	48,088
Prepaid expenses and deposits	18,986	28,954
	315,336	692,418
Property and equipment (Note 5)	18,091	22,530
Exploration and evaluation assets (Note 6)	4,391,976	4,118,067
Exploration and evaluation assets - oil and gas (Note 7)	1	1
Reclamation bonds (Note 8)	80,000	80,000
	4,805,404	**4,913,016**
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 9 and 11)	54,498	56,812
Rehabilitation obligations (Note 7)	1,237	1,237
	55,735	58,049
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	17,602,750	17,584,000
Reserves (Note 10)	637,525	618,831
Deficit	(13,490,606)	(13,347,864)
	4,749,669	4,854,967
	4,805,404	**4,913,016**

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

Approved and authorized on behalf of the Board:

/s/ "*Gerald Shields*"
Gerald Shields, Director

/s/ "*Nicholas Nikolakakis*"
Nicholas Nikolakakis, 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, 2019	For the three months ended January 31, 2018
	$	$
Expenses		
Accounting and audit (Note 11)	6,000	4,000
Consulting fees	4,600	12,000
Depreciation (Note 5)	4,439	1,553
Investor relations	-	17,233
Legal fees	8,417	20,716
Management fees (Note 11)	-	30,000
Office and miscellaneous (Note 11)	33,144	42,626
Share-based compensation (Notes 10 and 11)	44,798	66,470
Transfer agent and filing fees	7,124	5,767
Travel and promotion	7,963	6,030
Wages and benefits (Note 11)	62,453	3,303
	(178,938)	(209,698)
Interest income	1,452	-
Rehabilitation obligations (Note 7)	-	(1,650)
Loss and comprehensive loss for the period	**(177,486)**	**(211,348)**
Basic and diluted loss per share	**(0.00)**	**(0.00)**
Weighted average number of common shares outstanding	**91,953,033**	**89,698,957**

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, 2019	2018
	$	**$**
Cash flows used in operating activities		
Loss for the period	(177,486)	(211,348)
Items not affecting cash		
Depreciation	4,439	1,553
Share-based compensation	44,798	66,470
Changes in non-cash working capital items		
Receivables	19,372	(15,406)
Prepaid expenses and deposits	9,968	8,294
Accounts payable and accrued liabilities	(2,892)	20,157
	(101,801)	(130,280)
Cash flows used in investing activity		
Acquisition of exploration and evaluation assets	(245,941)	(201,904)
	(245,941)	(201,904)
Net change in cash	(347,742)	(332,184)
Cash, beginning of period	615,376	2,462,500
Cash, end of period	**267,634**	**2,130,316**

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**	**Deficit**	**Total Shareholders' Equity**
		$	**$**	**$**	**$**
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**
Stock options exercised	1,275,000	116,818	(49,818)	-	67,000
Shares issued for exploration and evaluation assets acquisition	350,000	42,750	-	-	42,750
Share-based compensation	-	-	257,486	-	257,486
Stock options expired	-	-	(21,927)	21,927	-
Stock options terminated	-	-	(239,407)	239,407	-
Warrants expired	-	20,639	(20,639)	-	-
Loss for the period	-	-	-	(761,282)	(761,282)
Balance at October 31, 2018	**91,742,435**	**17,584,000**	**618,831**	**(13,347,864)**	**4,854,967**
Units issued for exploration and evaluation assets acquisition	625,000	18,750	8,640	-	27,390
Share-based compensation	-	-	44,798	-	44,798
Stock options terminated	-	-	(34,744)	34,744	-
Loss for the period	-	-	-	(177,486)	(177,486)
Balance at January 31, 2019	**92,367,435**	**17,602,750**	**637,525**	**(13,490,606)**	**4,749,669**

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 and on the OTCQB under the symbol TWRFF. 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 the carrying value of assets and liabilities, the reported expenses, and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The continuation of the Company's operations is dependent on obtaining sufficient additional financing in order to realize the recoverability of the Company's investments in exploration and evaluation assets, which in turn is dependent upon the existence of economically recoverable reserves and market prices for the underlying minerals. These material uncertainties may cast significant doubt as to the ability of the Company to continue as a going concern. Management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favourable or adverse market conditions occur.

2. BASIS OF PRESENTATION

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

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, 2018, prepared in accordance with IFRS as issued by the IASB.

These condensed interim financial statements were approved by the Audit Committee and Board of Directors of the Company on March 29, 2019.

2. BASIS OF PRESENTATION (continued)

Basis of presentation

The 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.

Functional currency

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

Use of estimates

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

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

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

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

<u>Economic recoverability and probability of future economic benefits of exploration and evaluation assets</u>

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.

<u>Valuation of share-based compensation</u>

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.

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, 2018, except as noted below.

New accounting policies adopted

The following standards and amendments to existing standards have been adopted by the Company effective October 1, 2018:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting policies adopted (continued)

IFRS 2 – Share Based Payments

The Company adopted IFRS 2 – Share Based Payments. IFRS 2 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. There was no impact on the condensed interim financial statements as a result of adopting this standard.

IFRS 9 – Financial Instruments

The Company retrospectively adopted *IFRS 9, Financial Instruments*. IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces *IAS 39, Financial Instruments: Recognition and Measurement*. Prior periods were not restated and there was no material impact to the Company's condensed interim financial statements as a result of transitioning to IFRS 9.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and financial assets. The impact of IFRS 9 on the classification and measurement of financial assets and financial liabilities is set out below.

Classification and measurement of financial assets and liabilities

Under IFRS 9, financial assets, on initial recognition, are recognized at fair value and subsequently classified and measured at: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). IFRS 9 eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. The classification of financial assets depends on the purpose for which the financial assets were acquired. Financial assets are classified as current assets or non-current assets based on their maturity date. The Company's financial assets which consist of cash and receivables are classified as amortized cost. Cash has changed classification from FVTPL to amortized cost. The carrying value is equal to its fair value given the short-term nature of the asset, therefore, there is no change in the carrying value as a result of the change in classification. Reclamation bonds are classified as FVTPL.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, and, as such, the Company's accounting policy with respect to financial liabilities is substantially unchanged. The Company's financial liabilities which consist of accounts payable and accrued liabilities are classified as amortized cost.

Impairment of financial assets

Under IFRS 9, an expected credit loss ("ECL") impairment model applies to financial assets classified and measured at amortized cost, and contract assets and debt investments classified and measured at FVOCI, but not to investments in equity instruments. The ECL model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit and loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(Expressed in Canadian Dollars - Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting policies adopted (continued)

IFRS 9 – Financial Instruments (continued)

Impairment of financial assets (continued)

The adoption of the ECL impairment model had a negligible impact on the carrying amounts of the Company's financial assets given the nature of the items and that receivables are substantially all current and there is a minimal level of default.

IFRS 15 – Revenue from Contracts with Customers

The Company retrospectively adopted *IFRS 15, Revenue from Contracts with Customers.* IFRS 15 establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. There was no impact on the condensed interim financial statements as a result of adopting this standard.

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, which will be effective in relation to the Company's financial statements for the year ending October 31, 2019 or later:

a. 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. The Company has not yet assessed the potential impact of the application of this standard.

4. RECEIVABLES

	January 31, 2019	October 31, 2018
	$	$
GST receivable	21,975	10,596
Interest receivable	2,574	4,159
Legal fees recoverable	4,167	33,333
	28,716	**48,088**

(Expressed in Canadian Dollars - Unaudited)

5. PROPERTY AND EQUIPMENT

	Computer hardware	Computer software	Equipment and furniture	Total
	$	$	$	$
Cost:				
At October 31, 2017	24,356	45,511	16,052	85,919
Additions	-	31,418	-	31,418
At October 31, 2018	24,356	76,929	16,052	117,337
Additions	-	-	-	-
At January 31, 2019	24,356	76,929	16,052	117,337
Depreciation:				
At October 31, 2017	19,804	42,711	10,371	72,886
Charge for the year	2,276	18,509	1,136	21,921
At October 31, 2018	22,080	61,220	11,507	94,807
Charge for the period	285	3,927	227	4,439
At January 31, 2019	22,365	65,147	11,734	99,246
Net book value:				
At October 31, 2018	2,276	15,709	4,545	22,530
At January 31, 2019	**1,991**	**11,782**	**4,318**	**18,091**

(Expressed in Canadian Dollars - Unaudited)

6. EXPLORATION AND EVALUATION ASSETS

	JD	Rabbit North	Nechako Gold	More Creek	Voigtberg	Total
	$	$	$	$	$	$
Balance, October 31, 2017	**1**	**2,435,670**	**206,065**	**111,333**	**-**	**2,753,069**
Acquisition costs	-	30,000	77,750	-	156,723	264,473
Deferred costs						
Assays	-	15,504	56,834	310	-	72,648
Claim fees	-	-	-	-	47,111	47,111
Consulting	-	5,978	1,955	-	-	7,933
Drilling	-	11,176	354,972	-	-	366,148
Equipment rental	-	1,725	1,280	-	-	3,005
Field supplies	-	8,299	10,904	-	-	19,203
Food	-	5,906	12,436	-	-	18,342
Geologist	-	350,515	242,580	-	-	593,095
Site development	-	-	1,908	-	-	1,908
Travel	-	33,344	8,245	-	-	41,589
Vehicle	-	3,473	6,878	-	-	10,351
Total costs incurred during the year	-	465,920	775,742	310	203,834	1,445,806
B.C. mineral exploration tax credit recovered	-	(64,408)	(8,874)	(7,526)	-	(80,808)
Balance, October 31, 2018	**1**	**2,837,182**	**972,933**	**104,117**	**203,834**	**4,118,067**
Acquisition costs	-	-	-	-	27,390	27,390
Deferred costs						
Assays	-	-	3,755	-	-	3,755
Consulting	-	1,364	562	-	-	1,926
Drilling	-	-	140,133	-	-	140,133
Equipment rental	-	-	1,771	-	-	1,771
Field supplies	-	187	743	-	-	930
Food	-	-	2,915	-	-	2,915
Geologist	-	13,001	70,392	-	-	83,393
Travel	-	-	3,451	-	-	3,451
Vehicle	-	-	8,245	-	-	8,245
Total costs incurred during the period	-	14,552	231,967	-	27,390	273,909
Balance, January 31, 2019	**1**	**2,851,734**	**1,204,900**	**104,117**	**231,224**	**4,391,976**

6. EXPLORATION AND EVALUATION ASSETS (continued)

JD PROPERTY

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

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

RABBIT NORTH PROPERTY

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

The property is subject to a 3% NSR in favour of the optionors, of which 1% of the 3% may be purchased by the Company for $2,000,000 and the second 1% of the 3% may be purchased by the Company for $1,500,000. If these buy-back rights are exercised, the NSR would be reduced to 1%. In March 2017, the Company entered into a royalty buyback assignment agreement with Sandstorm Gold Ltd. ("Sandstorm") pursuant to which it assigned to Sandstorm the Company's right to purchase the second 1% of the Company's 2% buyback rights with respect to the optionors' NSR. Under the terms of the agreement, the Company received $50,000. If the Company makes a decision to develop the Rabbit North property and put it into production, the Company has agreed to exercise its right to buy back 1% of the NSR, contingent upon Sandstorm exercising its right to buy back the second 1% (as assigned to it), whereupon the Company will grant directly to Sandstorm a 1% NSR. If these transactions occur, the optionors will hold a 1% NSR on the Rabbit North property and Sandstorm will hold a 1% NSR, for a total royalty burden of 2%. During the three ended January 31, 2019, the Company paid $nil (2018 - $nil), in advanced annual royalty payments; as at January 31, 2019, the Company had paid a total of $30,000 in advanced annual royalty payments.

The Company acquired additional claims, contiguous to Rabbit North, by staking, known as the Rabbit North Extension property. In March 2017, the Company entered into a NSR agreement with Sandstorm. Under the terms of the agreement, the Company received $150,000 in return for granting Sandstorm a 2% NSR on the Rabbit North Extension property. The Company will have the option to buy back 1% of the NSR from Sandstorm for cash consideration of $500,000.

In relation to the transactions, the Company incurred total expenses of $43,916.

(Expressed in Canadian Dollars - Unaudited)

6. EXPLORATION AND EVALUATION ASSETS (continued)

NECHAKO GOLD PROPERTY (continued)

In July 2016, the Company entered into two property option agreements (Porphyry and Chutanli) under which it was granted the right to acquire mineral tenures in the Nechako Plateau region of central British Columbia.

Porphyry Property Option Agreement

Pursuant to the terms of the Porphyry Property option agreement, the Company has the right to 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 *(paid, issued, and incurred*)	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.

During the year ended October 31, 2018, the Company fulfilled its obligations under the option agreement and has earned the right to acquire a 100% interest in the Porphyry property.

Chutanli Property Option Agreement

Pursuant to the terms of the Chutanli Property option agreement, the Company has the right to 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 *(paid and incurred*)	15,000	-	175,000
July 21, 2018 *(issued*)	-	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 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 buy back 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.

(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 by staking.

In March 2017, the Company entered into an NSR agreement with Sandstorm. Under the terms of the agreement, the Company has granted to Sandstorm a 2% NSR on the Company's More Creek property in consideration of payment of the sum of $50,000. The Company has the option to buy back 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.

VOIGTBERG PROPERTY

On December 18, 2017, the Company entered into an option agreement with Kaminak Gold Corporation ("Kaminak"), a wholly-owned subsidiary of Goldcorp Inc. ("Goldcorp"), to acquire the Voigtberg exploration 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 of one share purchase warrant, with each full warrant entitling the holder to acquire one additional common share for a period of 60 months from their date of issuance. The initial warrants issued have an exercise price of $0.22 and all subsequent grants will have an exercise price of 150% of the market price determined as of the last trading date before the date of issuance. The schedule is as follows:

Date	*Number of Units*	*Work Commitment*
		$
January 30, 2018 *(issued)*	500,000	-
December 31, 2018 *(issued)*	625,000	-
December 31, 2019	875,000	725,000
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 favour of Kaminak/Goldcorp. In addition, the Company is required to issue a bonus of 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, 2019 and October 31, 2018 Acquisition Costs
Poplar Winstar Strachan	$ 1

POPLAR WINSTAR STRACHAN

The Company owns a 1.2367% interest in the Winstar Strachan 8-10-38-10 W5M well in the West Central area of Alberta. Rehabilitation obligations of $1,237 (October 31, 2018 - $1,237) have been recorded based on the Company's proportionate share of obligations estimated by the operators of the properties. During the three months ended January 31, 2019, the Company paid $nil (2018 - $1,650) for their proportionate share of a final reclamation certificate application.

(Expressed in Canadian Dollars - Unaudited)

8. RECLAMATION BONDS

In relation to the Rabbit North and Nechako properties, the Company has posted reclamation bonds totaling $45,000 and $35,000 (October 31, 2018 - $45,000 and $35,000), respectively.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2019	October 31, 2018
	$	$
Accounts payable	25,044	29,712
Accrued liabilities	25,000	25,000
Due to related parties (Note 11)	4,454	2,100
	54,498	**56,812**

10. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

<u>During the three months ended January 31, 2019</u>

In December 2018, the Company issued 625,000 units pursuant to the Voigtberg property agreement (Note 6). Each unit is comprised of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to acquire one additional common share of the Company at the exercise price of $0.0375 per share for a period of 60 months. The common shares were valued at $18,750 and the warrants were valued at $8,640.

<u>During the year ended October 31, 2018</u>

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 of one share purchase warrant, with each full warrant entitling the holder to acquire one additional common share of the Company at the exercise price of $0.22 per share for a period of 60 months. The common shares were valued at $70,000 and the warrants were valued at $32,723.

In July 2018, the Company issued 150,000 common shares, valued at $18,750, pursuant to the Chutanli property agreement (Note 6).

In July 2018, the Company issued 200,000 common shares, valued at $24,000, pursuant to the Porphyry property agreement (Note 6).

During the year ended October 31, 2018, the Company issued 1,275,000 common shares pursuant to the exercise of options for proceeds of $67,000.

(Expressed in Canadian Dollars - Unaudited)

10. SHARE CAPITAL AND RESERVES (continued)

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, 2019, the Company expensed $44,798 (2018 - $66,470) as share-based compensation for stock options.

During the three months ended January 31, 2019, 425,000 (2018 - nil) incentive stock options were terminated in accordance with their terms; accordingly, $34,744 (2018 - $nil) was reversed from reserves to deficit.

During the year ended October 31, 2018, the Company granted 3,500,000 incentive stock options with a fair value of $414,115 using the Black-Scholes option pricing model.

During the year ended October 31, 2018, 175,000 incentive stock options expired unexercised and 2,950,000 incentive stock options were terminated in accordance with their terms; accordingly $21,927 and $239,407, respectively, were reversed from reserves to deficit. Furthermore, 1,275,000 stock options were exercised for proceeds of $67,000. As a result, $49,818 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, 2017	5,875,000	0.12
Granted	3,500,000	0.13
Terminated	(2,950,000)	0.14
Expired	(175,000)	0.13
Exercised	(1,275,000)	0.05
Outstanding at October 31, 2018	4,975,000	0.13
Terminated	(425,000)	0.14
Outstanding at January 31, 2019	4,550,000	0.13

(Expressed in Canadian Dollars - Unaudited)

10. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

The Company has outstanding options entitling the holder to purchase common shares at January 31, 2019 as follows:

Number outstanding	Number exercisable	Exercise price	Weighted average remaining life (years)	Expiry date
		$		
100,000	100,000	0.06	0.43	July 7, 2019
50,000	50,000	0.05	0.76	November 4, 2019
200,000	200,000	0.09	2.56	August 23, 2021
575,000	575,000	0.13	2.63	September 16, 2021
100,000	87,500	0.16	3.02	February 6, 2022
100,000	87,500	0.16	3.32	May 25, 2022
225,000	168,750	0.16	3.66	September 28, 2022
3,200,000	1,066,667	0.125	4.25	May 2, 2023
4,550,000	2,335,417			

The weighted average exercise price of exercisable options is $0.12.

Warrants

During the three months ended January 31, 2019, the Company, issued 312,500 warrants in connection with the Voigtberg option agreement, with each warrant exercisable into one common share at $0.0375 for a period of 60 months. The warrants were valued at $8,640 calculated using the Black-Scholes option pricing model assuming a life expectancy of five years, a risk free interest rate of 1.88%, a forfeiture rate of nil, and volatility of 160%.

During the year ended October 31, 2018, the Company, issued 250,000 warrants in connection with the Voigtberg option agreement, 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 interest rate of 1.99%, a forfeiture rate of nil, and volatility of 172%.

A summary of share purchase warrant activities is as follows:

	Number of warrants	Weighted average exercise price
		$
Outstanding and exercisable at October 31, 2017	28,042,596	0.18
Issued	250,000	0.22
Expired	(15,170,000)	0.15
Outstanding and exercisable at October 31, 2018	13,122,596	0.22
Issued	312,500	0.04
Outstanding and exercisable at January 31, 2019	13,435,096	0.22

(Expressed in Canadian Dollars - Unaudited)

10. SHARE CAPITAL AND RESERVES (continued)

Warrants (continued)

The Company has outstanding warrants entitling the holder to purchase common shares at January 31, 2019 as follows:

Number outstanding	Exercise price	Expiry date
	$	
12,700,183	0.22	April 6, 2022
172,413	0.22	May 1, 2022
250,000	0.22	January 16, 2023
312,500	0.0375	December 31, 2023
13,435,096		

The weighted average exercise price of warrants is $0.22.

11. RELATED PARTY TRANSACTIONS

The Company entered into transactions with related parties during the three months ended January 31, 2019:

a) "Office and miscellaneous" includes rent recovery of $nil (2018 - $3,750) from companies related by a former director.

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

	For the three months ended January 31,	
	2019	**2018**
	$	**$**
Accounting fees	6,000	-
Management fees	-	30,000
Office and miscellaneous	-	7,500
Share-based compensation	40,546	43,536
Wages and benefits	57,692	-
	104,238	**81,036**

Amounts owing to related parties (including key management personnel) included in accounts payable and accrued liabilities total $4,454 (October 31, 2018 - $2,100).

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.

(Expressed in Canadian Dollars - Unaudited)

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

	For the three months ended January 31, 2019	2018
	$	$
Non-cash transactions not included in investing or financing activities:		
Exploration and evaluation assets in accounts payable	578	69,845
Termination of options	34,744	-
Units issued for exploration and evaluation assets	27,390	102,723
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 receivable 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. The Company is exposed to liquidity risk.

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, 2019, the Company held demand deposits with a face value of $253,000 (October 31, 2018 - $668,000). A change in interest rates of 1% would change income by $2,530 (October 31, 2018 - $6,680) per annum.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Foreign currency risk

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

Price risk

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

15. CAPITAL MANAGEMENT

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions. There have been no significant changes in the Company's objectives, policies, and processes for managing its capital during the three months ended January 31, 2019.